

2016 INDEX OF Economic Freedom

Promoting Economic Opportunity and Prosperity



Terry Miller
Anthony B. Kim






INSTITUTE FOR ECONOMIC
FREEDOM AND OPPORTUNITY

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THE WALL STREET JOURNAL.

RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Score
1	Hong Kong	88.6	66	Panama	64.8	132	Maldives	53.9
2	Singapore	87.8	67	Thailand	63.9	133	Burundi	53.9
3	New Zealand	81.6	68	Kazakhstan	63.6	134	Suriname	53.8
4	Switzerland	81.0	69	Samoa	63.5	135	Togo	53.6
5	Australia	80.3	70	Philippines	63.1	136	Guinea	53.3
6	Canada	78.0	71	Rwanda	63.1	137	Bangladesh	53.3
7	Chile	77.7	72	Ghana	63.0	138	Greece	53.2
8	Ireland	77.3	73	Trinidad and Tobago	62.9	139	Mozambique	53.2
9	Estonia	77.2	74	Kuwait	62.7	140	Papua New Guinea	53.2
10	United Kingdom	76.4	75	France	62.3	141	Comoros	52.4
11	United States	75.4	76	Seychelles	62.2	142	Sierra Leone	52.3
12	Denmark	75.3	77	Serbia	62.1	143	Liberia	52.2
13	Lithuania	75.2	78	Saudi Arabia	62.1	144	China	52.0
14	Taiwan	74.7	79	Turkey	62.1	145	Guinea-Bissau	51.8
15	Mauritius	74.7	80	South Africa	61.9	146	Malawi	51.8
16	Netherlands	74.6	81	Namibia	61.9	147	Micronesia	51.8
17	Germany	74.4	82	Guatemala	61.8	148	Ethiopia	51.5
18	Bahrain	74.3	83	Paraguay	61.5	149	Tajikistan	51.3
19	Luxembourg	73.9	84	Kosovo	61.4	150	Haiti	51.3
20	Iceland	73.3	85	Morocco	61.3	151	Nepal	50.9
21	Czech Republic	73.2	86	Italy	61.2	152	Lesotho	50.6
22	Japan	73.1	87	Madagascar	61.1	153	Russia	50.6
23	Georgia	72.6	88	Dominican Republic	61.0	154	Algeria	50.1
24	Finland	72.6	89	Vanuatu	60.8	155	Laos	49.8
25	United Arab Emirates	72.6	90	Slovenia	60.6	156	Angola	48.9
26	Sweden	72.0	91	Azerbaijan	60.2	157	Belarus	48.8
27	South Korea	71.7	92	Côte d'Ivoire	60.0	158	Burma	48.7
28	Austria	71.7	93	Sri Lanka	59.9	159	Ecuador	48.6
29	Malaysia	71.5	94	Swaziland	59.7	160	Bolivia	47.4
30	Botswana	71.1	95	Tonga	59.6	161	Solomon Islands	47.0
31	Bahamas	70.9	96	Kyrgyz Republic	59.6	162	Ukraine	46.8
32	Norway	70.8	97	Bhutan	59.5	163	Congo, Dem. Rep. of	46.4
33	Colombia	70.8	98	Lebanon	59.5	164	Chad	46.3
34	Qatar	70.7	99	Indonesia	59.4	165	Kiribati	46.2
35	Israel	70.7	100	Mongolia	59.4	166	Uzbekistan	46.0
36	Latvia	70.4	101	Benin	59.3	167	Timor-Leste	45.8
37	Macau	70.1	102	Uganda	59.3	168	Central African Republic	45.2
38	Saint Lucia	70.0	103	Croatia	59.1	169	Argentina	43.8
39	Poland	69.3	104	Burkina Faso	59.1	170	Equatorial Guinea	43.7
40	Saint Vincent and the Grenadines	68.8	105	Gabon	59.0	171	Iran	43.5
41	Uruguay	68.8	106	Zambia	58.8	172	Congo, Rep. of	42.8
42	Cyprus	68.7	107	Fiji	58.8	173	Eritrea	42.7
43	Spain	68.5	108	Bosnia and Herzegovina	58.6	174	Turkmenistan	41.9
44	Belgium	68.4	109	Nicaragua	58.6	175	Zimbabwe	38.2
45	Barbados	68.3	110	Tanzania	58.5	176	Venezuela	33.7
46	Jordan	68.3	111	Senegal	58.1	177	Cuba	29.8
47	Macedonia	67.5	112	Cambodia	57.9	178	North Korea	2.3
48	Jamaica	67.5	113	Honduras	57.7	N/A	Afghanistan	N/A
49	Peru	67.4	114	Tunisia	57.6	N/A	Iraq	N/A
50	Costa Rica	67.4	115	Kenya	57.5	N/A	Libya	N/A
51	Brunei Darussalam	67.3	116	Nigeria	57.5	N/A	Liechtenstein	N/A
52	Oman	67.1	117	Moldova	57.4	N/A	Somalia	N/A
53	Dominica	67.0	118	Belize	57.4	N/A	Sudan	N/A
54	Armenia	67.0	119	Gambia	57.1	N/A	Syria	N/A
55	Malta	66.7	120	São Tomé and Príncipe	56.7	N/A	Yemen	N/A
56	Slovakia	66.6	121	Mali	56.5			
57	Cabo Verde	66.5	122	Brazil	56.5			
58	Hungary	66.0	123	India	56.2			
59	Albania	65.9	124	Djibouti	56.0			
60	Bulgaria	65.9	125	Egypt	56.0			
61	Romania	65.6	126	Pakistan	55.9			
62	Mexico	65.2	127	Guyana	55.4			
63	El Salvador	65.1	128	Mauritania	54.8			
64	Portugal	65.1	129	Niger	54.3			
65	Montenegro	64.9	130	Cameroon	54.2			
			131	Vietnam	54.0			

ECONOMIC FREEDOM SCORE

	80-100 FREE
	70-79.9 MOSTLY FREE
	60-69.9 MODERATELY FREE
	50-59.9 MOSTLY UNFREE
	0-49.9 REPRESSED

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with James M. Roberts, Bryan Riley, and Tori Whiting

The 
Heritage Foundation

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Preface

It is common these days for those who feel exploited by the market system to lash out at capitalism as the root cause of their economic woes. When their complaints are examined, however, what stands out is not anger directed at an actual free-market capitalist system, but rather frustration with an economic system of government-supported privilege based on favoritism or various forms of cronyism. In many parts of the globe, aspiring entrepreneurs, willing to work hard and full of ideas and energy, face a stacked deck because they lack political or family connections.

More than ever, the importance of economic freedom—an individual's natural right to own the value of what he or she creates—would seem to be anything but controversial. People crave liberation from poverty, and they hunger for the dignity of free will to choose. Yet the struggle for economic freedom faces timeless opposition. For instance, protectionist restraints on trade never seem to lack champions, and those who want special privileges will always pressure societies to expand the size and weight of government intervention. Special privileges for the few mean less prosperity for the many.

History offers many examples demonstrating that in terms of opportunity and prosperity, the forces of individual freedom, limited government, and free enterprise trump statist policies that perpetuate favoritism in economics and politics. With each new edition of our annual flagship publication, the *Index of Economic Freedom*, our research here at The Heritage Foundation documents these principles in operation around the globe.

The *Index*, a data-driven, comprehensive assessment of economic freedom in countries on every continent, is about more than just country rankings. It is an exploration into the sources of enduring economic dynamism and how they relate to each other in ensuring opportunities for the greatest number of people.

The 2016 *Index*, our 22nd edition, once again provides ample evidence of the benefits of economic freedom, both to individuals and to societies. People in economically free societies have better jobs and are less likely to live in poverty. They live longer and have healthier lives. They enjoy greater political freedom and can better defend their human rights. Economic freedom is a critical element of life that transcends the

market, opening the gates of greater well-being to ever more people around the world.

In addition to its country analyses, the 2016 *Index* contains three informative chapters that explore topics of particular relevance to today's policy debates.

- In Chapter 3, Marcelo Giugale, Senior Economic Adviser at the World Bank, examines encouraging new directions in economic development, highlighting the convergence of politics and technology to make economic development programs more effective and more personal than ever before.
- In Chapter 4, the *Index* takes a closer look at the shadow economy. In a detailed study on the measurement of informal economic activity, Professor Friedrich Schneider of the University of Linz analyzes driving factors of the shadow economy and underscores the importance of undertaking efficient incentive-oriented policy measures to make work in the shadow economy less attractive and work in the official economy more attractive.
- In Chapter 5, Alden Abbott, Deputy Director of the Edwin Meese III Center for Legal and Judicial Studies and John, Barbara, and Victoria Rumpel Senior Legal Fellow at The Heritage Foundation, and his co-author Shanker Singham, CEO of the Competere Group and Director of Economic Policy at the Legatum Institute, assess how anticompetitive policies reduce economic freedom and hurt prosperity.

Perhaps the most critical lesson for today's tumultuous times is that the proven superiority of the free-market system and the value of economic liberty must be steadfastly reiterated. The data we present in the *Index*, identifying both gains and setbacks, are a good foundation for that discussion.

It is gratifying to see overall global progress in advancing economic freedom reflected in rising scores in dozens of countries. Hundreds of millions of people are emerging from poverty into the promise of a brighter future. In my own country, however, economic freedom has been on a declining path over the past decade. As a result, we are performing far below potential, with individuals, families, and entrepreneurs being squeezed by the proliferation of big government bureaucracy and regulations.

The struggle for freedom is one that must be renewed by every generation. As President Ronald Reagan once reminded us:

You and I are told we must choose between a left or right, but I suggest there is no such thing as a left or right. There is only an up or down. Up to man's age-old dream—the maximum of individual freedom consistent with order—or down to the ant heap of totalitarianism.

The *Index of Economic Freedom* provides practical examples of successful policies proven in action. It is up to us to provide and reinforce the political will to implement them.

Jim DeMint, President
The Heritage Foundation
December 2015

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The *Index of Economic Freedom* is a product of extensive collaboration with people and organizations around the world. While it is impossible to mention all of those who have contributed to the various aspects of *Index* production, we wish to express our gratitude in particular to the myriad individuals serving with various international organizations, research institutions, U.S. government agencies, foreign embassies, and other organizations who provide the data used in the *Index*. Assistance from them is vital and greatly appreciated.

The Heritage Foundation's Center for Trade and Economics (CTE) leads the *Index* production effort. The CTE team of James Roberts and Bryan Riley shared with us the responsibility for grading the 10 components of economic freedom. CTE Research Assistant Tori Whiting and interns Danielle Jack, Elizabeth Arnold, Henry Dickman, Lori Ebenstein, Nick Hoffman, and Theodore Ellis contributed substantial research and other production assistance.

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Wilson, and Director Walter Lohman of the Asian Studies Center; Luke Coffey and Daniel Kochis of the Margaret Thatcher Center for Freedom; and Joshua Meservey, James Phillips, and Ana Quintana of the Douglas and Sarah Allison Center for Foreign and National Security Policy. As in previous years, Mary Anastasia O'Grady of *The Wall Street Journal* was invaluable in her timely review of all of the country backgrounds. We greatly appreciate her expertise and thorough attention to detail.

The *Index of Economic Freedom* is a substantial volume that is brought to print each year by an incredibly talented team of editors and production specialists. We wish to express our deepest appreciation to Director of Research Editing Richard Odermatt, who is responsible for final review of the completed text, and Senior Copy Editor William T. Poole, who bears the primary responsibility for perfecting the language we employ, as well as Deputy Director of Research Editing Therese Pennefather and Senior Data Graphics Editor John Fleming. Creative Director Melissa Bluey and Publication Designer Jay Simon were responsible for the design and layout of the book.

The availability of the entire *Index* and its database online at www.heritage.org/index has greatly expanded the publication's reach and accessibility over the past years. The transposition to the Web each year would not be possible without the expertise of Director of Marketing Technology Tim McGovern and his team, including Roger Spurzem, Maria Sousa, Isabel Isidro, and former Heritage staffer Jim Lawruk.

Senator Jim DeMint, President of The Heritage Foundation, and Bret Bernhardt, Executive Vice President of The Heritage Foundation, have been enthusiastic supporters and great sources of encouragement in producing this annual publication. David Addington, Group Vice President for Research, Jack Spencer, Vice President for the Institute for Economic Freedom and Opportunity, and Dr. James Jay Carafano, Vice President for the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, provided support and advice in connection with many aspects of *Index* production and marketing.

The ongoing support from Group Vice Presidents Ed Corrigan, John Fogarty, and Wesley Denton and Vice Presidents Becky Norton Dunlop, Matt Streit, and Rob Bluey is also sincerely appreciated.

We also wish to acknowledge our enduring debt to Chairman Thomas A. Saunders III and the Heritage Board of Trustees, and particularly to Ambassador J. William Middendorf II, who originally encouraged us to undertake such a study of global economic freedom. We remain deeply indebted to Dr. Edwin J. Feulner, Founder and former President of The Heritage Foundation, and Heritage Distinguished Fellow Dr. Kim R. Holmes, who was a founding editor of the *Index*. Without their vision and insight, this project could never have become a reality and achieved such success over the past 22 years.

Ambassador Terry Miller
Anthony B. Kim
December 2015

Executive Highlights

Since its inception in 1995, the *Index of Economic Freedom* has provided an economic policy road map for countries that aspire to greater economic dynamism and prosperity. The rules are not complicated. As the *Index* has documented over the past 22 years, lasting prosperity is a result of a persistent commitment to limited government, strong private property rights, openness to global trade and financial flows, and sensible regulation. Together, these interrelated factors have been proven to empower the individual and induce dynamic entrepreneurial activity.

KEY FINDINGS OF THE 2016 INDEX

The 2016 *Index of Economic Freedom* analyzes economic policy developments related to economic freedom in 186 economies.

- Economies rated “free” or “mostly free” enjoy incomes that are over twice the average levels in all other countries and more than four times higher than the incomes of “repressed” economies. Nations with higher degrees of economic freedom prosper because they capitalize more fully on the ability of the free-market system to generate and reinforce dynamic growth through efficient resource allocation, value creation, and innovation.
- In addition to enjoying higher levels of prosperity, people in economically free societies live longer. They have better health. They are able to be better stewards of the environment, and they push forward the frontiers of human achievement in science and technology through innovation.
- It is notable that nations that have focused on improving their competitiveness and opening their societies to new ideas, products, and innovations have done a much better job of achieving the high levels of social progress that their citizens demand. It is not massive redistributions of wealth or government dictates on income levels that produce the most positive social outcomes. Instead, mobility and progress require lower barriers to entry, freedom to engage with the world, and less government control.
- As measured in the 2016 *Index*, global economic freedom has advanced for the fourth year in a row. The world average economic freedom score for 178 economies across six regions that

were numerically rated by the *Index* recorded an overall average improvement of 0.3 point from the previous year.

- The global average economic freedom score of 60.7 is the highest recorded in the 22-year history of the *Index*. It is noteworthy that despite recent policy missteps by many countries in responding to the global economic slowdown, the free-market system continues to flourish, accepted by governments around the world as the system most likely to improve the well-being of their populations and eliminate poverty.
- Over the period covered by the 2016 *Index* (mid-2014 to mid-2015), scores improved in half of the measured economic freedoms. Investment freedom improved by one point on average, while ratings for the control of public spending and freedom from corruption were higher by an average of 0.8 point and 0.7 point, respectively. Both monetary freedom and trade freedom also recorded improvements.
- The erosion of economic freedom was most pronounced in labor freedom. The average global labor freedom score fell by 1.6 point, reflecting still-stagnant employment conditions around the world as well as the pressing necessity of enhancing the flexibility of labor markets. The average property rights score also declined slightly, while no score changes were recorded in fiscal freedom, business freedom, or financial freedom.
- Of the 178 economies ranked in the 2016 *Index*, five (Hong Kong, Singapore, New Zealand, Switzerland, and Australia) earned the designation of “free” with scores above 80. The next 33 countries, with scores between 70 and 80, are considered “mostly free.” Countries in these groups, joined this year by Botswana, the Bahamas, and Latvia, have created and sustained institutional environments in which individuals and private enterprises enjoy a substantial degree of economic freedom in the pursuit of greater opportunity and prosperity.
- The largest portion of the countries graded—116 economies—have economic freedom scores between 50 and 70. Of those, 54 economies are considered “moderately free” (scores

of 60–70), and 62 are considered “mostly unfree” (scores of 50–60). Twenty-four countries have “repressed” economies with scores below 50.

- Ninety-seven countries, the majority of which are less developed, gained greater economic freedom over the past year; 32 countries, among them Burma, Germany, India, Israel, Lithuania, the Philippines, Poland, and Vietnam, achieved their highest economic freedom scores ever in the 2016 *Index*. Twelve of these 32 countries are located in Sub-Saharan Africa.
- Score improvements in eight countries were significant enough to merit upgrades in the countries’ economic freedom status in the *Index*. Notably, Latvia became a “mostly free” economy for the first time, while Botswana and the Bahamas regained “mostly free” status. Two Sub-Saharan African countries, Côte d’Ivoire and Seychelles, have advanced into the ranks of the “moderately free,” and three countries (Algeria, Lesotho, and Micronesia) have moved out of the status of economically “repressed.”
- Declining economic freedom was reported in 74 countries, including 19 advanced economies such as the United States, Japan, and Sweden. Six countries recorded no score change.

2016 ECONOMIC FREEDOM RANKINGS

Notable developments in the 2016 *Index* rankings include the following:

- Within the top five freest economies, Switzerland is the only economy whose overall score did not decline in the 2016 *Index*. Outperforming Australia, the competitive Swiss economy has moved into fourth place, less than a point behind New Zealand.
- With the United Kingdom replacing Mauritius as the 10th freest economy, the world’s top 10 freest economies in the 2016 *Index* consist of four Asia-Pacific economies (Hong Kong, Singapore, New Zealand and Australia); four European economies (Switzerland, Ireland, Estonia, and the United Kingdom); and one country each from North America (Canada)

and the South and Central America/Caribbean region (Chile).

- The United States continues to be mired in the ranks of the “mostly free,” the second-tier economic freedom category into which the U.S. dropped in 2010. Worse, with scores in labor freedom, business freedom, and fiscal freedom notably declining, the economic freedom of the United States plunged 0.8 point to 75.4, matching its lowest score ever.
- The three Baltic states—Estonia (9th), Lithuania (13th), and Latvia (36th)—continue to gain economic freedom. Overcoming recessions following the global financial turmoil, these countries have maintained and reinforced their openness to global markets, further reformed their economies, and shrunk the size of their governments. Each has advanced its economic freedom every year since 2012.
- Progress among the so-called BRICS nations (Brazil, Russia, India, China, and South Africa) has stalled, except in India, which improved by 1.6 points. Russia plunged 10 places in the rankings to 153rd, with its score deteriorating by 1.5 points. The rankings of the other BRICS countries—South Africa, Brazil, and China—declined to 80th, 122nd, and 144th, respectively.

2016 Index of Economic Freedom World Rankings

World Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	Hong Kong	88.6	-1.0	90.0	74.0	92.6	90.7	97.4	89.0	81.8	90.0	90	90
2	Singapore	87.8	-1.6	90.0	84.0	91.2	90.1	95.0	90.7	81.8	90.0	85	80
3	New Zealand	81.6	-0.5	95.0	91.0	71.0	46.0	91.4	85.9	88.1	87.2	80	80
4	Switzerland	81.0	0.5	90.0	86.0	70.9	66.3	82.2	72.1	87.8	90.0	85	80
5	Australia	80.3	-1.1	90.0	80.0	63.2	62.0	89.4	77.2	85.2	86.4	80	90
6	Canada	78.0	-1.1	90.0	81.0	80.0	50.4	81.8	72.6	76.9	87.0	80	80
7	Chile	77.7	-0.8	85.0	73.0	74.8	83.1	72.1	64.3	82.9	86.4	85	70
8	Ireland	77.3	0.7	90.0	74.0	73.6	50.3	79.6	72.1	85.5	88.0	90	70
9	Estonia	77.2	0.4	90.0	69.0	81.9	54.9	79.0	57.2	82.2	88.0	90	80
10	United Kingdom	76.4	0.6	90.0	78.0	64.9	39.0	86.0	71.8	76.4	88.0	90	80
11	United States	75.4	-0.8	80.0	74.0	65.6	54.7	84.7	91.4	77.0	87.0	70	70
12	Denmark	75.3	-1.0	95.0	92.0	39.5	2.3	95.4	86.0	84.4	88.0	90	80
13	Lithuania	75.2	0.5	65.0	58.0	92.9	63.8	80.0	60.0	84.6	88.0	80	80
14	Taiwan	74.7	-0.4	70.0	61.0	76.1	88.7	93.2	53.8	83.2	86.4	75	60
15	Mauritius	74.7	-1.7	60.0	54.0	92.0	81.5	77.5	65.0	78.7	88.6	80	70
16	Netherlands	74.6	0.9	90.0	83.0	52.7	34.4	80.0	64.0	83.4	88.0	90	80
17	Germany	74.4	0.6	90.0	79.0	61.5	41.3	90.0	50.6	83.3	88.0	90	70
18	Bahrain	74.3	0.9	60.0	49.0	99.9	75.4	71.9	79.1	74.6	82.6	70	80
19	Luxembourg	73.9	0.7	90.0	82.0	61.1	43.0	73.7	42.6	83.2	88.0	95	80
20	Iceland	73.3	1.3	90.0	79.0	73.3	42.1	90.1	61.6	79.5	87.8	70	60
21	Czech Republic	73.2	0.7	75.0	51.0	82.5	47.3	66.6	77.7	84.1	88.0	80	80
22	Japan	73.1	-0.2	80.0	76.0	68.5	46.2	82.5	83.9	81.2	82.6	70	60
23	Georgia	72.6	-0.4	40.0	52.0	87.6	75.3	86.5	75.7	80.5	88.6	80	60
24	Finland	72.6	-0.8	90.0	89.0	66.5	0.8	90.7	53.7	81.9	88.0	85	80
25	United Arab Emirates	72.6	0.2	55.0	70.0	95.0	76.1	79.6	80.7	81.3	82.8	45	60
26	Sweden	72.0	-0.7	90.0	87.0	44.4	14.9	89.7	53.5	87.1	88.0	85	80
27	South Korea	71.7	0.2	70.0	55.0	73.8	69.7	91.1	50.6	82.6	74.6	70	80
28	Austria	71.7	0.5	90.0	72.0	50.7	22.4	79.4	72.5	81.7	88.0	90	70
29	Malaysia	71.5	0.7	55.0	52.0	85.0	74.3	91.4	71.5	84.5	81.4	60	60
30	Botswana	71.1	1.3	70.0	63.0	79.1	68.4	66.4	68.5	76.3	84.0	65	70
31	Bahamas	70.9	2.2	70.0	71.0	97.9	84.3	70.7	72.8	78.5	64.0	40	60
32	Norway	70.8	-1.0	90.0	86.0	53.2	41.8	89.6	48.5	76.2	87.8	75	60
33	Colombia	70.8	-0.9	50.0	37.0	80.1	74.4	78.2	77.6	79.6	81.0	80	70
34	Qatar	70.7	-0.1	65.0	69.0	99.7	70.4	71.4	70.7	74.1	81.8	45	60
35	Israel	70.7	0.2	75.0	60.0	60.6	48.8	70.6	64.6	84.2	88.2	85	70
36	Latvia	70.4	0.7	50.0	55.0	84.8	58.4	78.6	59.5	84.8	88.0	85	60

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World Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
37	Macau	70.1	-0.2	60.0	49.7	73.1	93.9	60.0	50.0	69.6	90.0	85	70
38	Saint Lucia	70.0	-0.2	70.0	71.0	76.9	70.6	77.6	76.2	80.3	72.0	65	40
39	Poland	69.3	0.7	65.0	61.0	75.5	46.5	68.7	58.0	85.2	88.0	75	70
40	Saint Vincent and the Grenadines	68.8	0.8	70.0	67.0	73.8	69.7	77.6	74.5	85.3	65.4	65	40
41	Uruguay	68.8	0.2	70.0	73.0	77.2	67.6	75.3	62.5	71.3	80.6	80	30
42	Cyprus	68.7	0.8	70.0	63.0	76.1	47.3	74.5	58.2	85.3	88.0	75	50
43	Spain	68.5	0.9	70.0	60.0	58.3	41.1	76.0	51.7	84.7	88.0	85	70
44	Belgium	68.4	-0.4	80.0	76.0	44.2	11.0	85.4	60.5	84.0	88.0	85	70
45	Barbados	68.3	0.4	80.0	74.0	75.8	37.6	70.2	67.3	80.8	62.2	75	60
46	Jordan	68.3	-1.0	60.0	49.0	91.7	62.0	64.9	68.4	83.1	73.4	70	60
47	Macedonia	67.5	0.4	35.0	45.0	92.1	69.6	76.4	66.7	83.5	86.4	60	60
48	Jamaica	67.5	-0.2	40.0	38.0	81.7	78.0	81.3	72.7	77.5	75.4	80	50
49	Peru	67.4	-0.3	40.0	38.0	78.5	86.1	67.8	62.9	83.7	87.0	70	60
50	Costa Rica	67.4	0.2	50.0	54.0	79.4	88.7	68.6	53.8	77.6	81.6	70	50
51	Brunei Darussalam	67.3	-1.6	30.0	60.0	87.0	57.3	71.3	90.2	76.8	85.2	65	50
52	Oman	67.1	0.4	55.0	45.0	98.5	36.8	70.1	72.5	77.9	85.0	70	60
53	Dominica	67.0	0.9	60.0	58.0	74.0	68.5	73.3	68.7	90.1	72.6	75	30
54	Armenia	67.0	-0.1	20.0	37.0	83.8	80.7	77.5	62.2	72.8	85.6	80	70
55	Malta	66.7	0.2	70.0	55.0	63.9	46.5	61.6	53.5	83.5	88.0	85	60
56	Slovakia	66.6	-0.6	50.0	50.0	80.1	49.5	68.4	55.0	79.5	88.0	75	70
57	Cabo Verde	66.5	0.1	75.0	57.0	78.1	66.9	61.3	43.6	84.5	68.2	70	60
58	Hungary	66.0	-0.8	45.0	54.0	78.7	26.7	70.6	63.8	88.3	88.0	75	70
59	Albania	65.9	0.2	35.0	33.0	87.8	75.0	67.6	51.5	81.7	87.6	70	70
60	Bulgaria	65.9	-0.9	30.0	43.0	91.1	60.4	66.9	71.6	82.6	88.0	65	60
61	Romania	65.6	-1.0	35.0	43.0	87.5	65.6	66.1	65.1	81.1	88.0	75	50
62	Mexico	65.2	-1.2	50.0	35.0	74.9	76.4	70.7	58.2	77.4	79.2	70	60
63	El Salvador	65.1	-0.6	35.0	39.0	79.1	85.3	56.0	52.6	83.4	85.8	75	60
64	Portugal	65.1	-0.2	70.0	63.0	60.5	24.8	85.3	43.5	85.7	88.0	70	60
65	Montenegro	64.9	0.2	40.0	42.0	91.6	39.8	76.6	72.0	82.6	84.8	70	50
66	Panama	64.8	0.7	30.0	37.0	84.4	77.9	74.4	42.9	78.6	77.8	75	70
67	Thailand	63.9	1.5	40.0	38.0	81.1	82.2	76.3	62.5	70.9	77.6	50	60
68	Kazakhstan	63.6	0.3	30.0	29.0	93.0	87.7	72.3	82.7	74.0	77.4	40	50
69	Samoa	63.5	1.6	60.0	52.0	78.9	57.5	77.1	71.8	82.5	70.6	55	30
70	Philippines	63.1	0.9	30.0	38.0	79.0	89.6	63.0	57.1	77.7	76.4	60	60
71	Rwanda	63.1	-1.7	30.0	49.0	80.1	77.1	60.5	82.0	79.4	67.6	65	40

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World Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
72	Ghana	63.0	0.0	50.0	48.0	84.9	77.6	61.5	56.5	66.5	65.0	60	60
73	Trinidad and Tobago	62.9	-1.2	50.0	38.0	79.4	62.3	69.5	72.8	68.5	78.6	60	50
74	Kuwait	62.7	0.2	45.0	44.0	97.7	57.7	63.4	62.7	74.2	77.2	55	50
75	France	62.3	-0.2	80.0	69.0	47.7	2.5	78.4	43.5	79.1	83.0	70	70
76	Seychelles	62.2	4.7	50.0	55.0	79.3	62.0	66.0	62.1	79.7	83.4	55	30
77	Serbia	62.1	2.1	50.0	41.0	84.3	44.1	60.2	66.2	77.5	77.8	70	50
78	Saudi Arabia	62.1	0.0	40.0	49.0	99.7	56.8	69.9	68.5	69.2	77.8	40	50
79	Turkey	62.1	-1.1	40.0	45.0	75.2	55.6	65.4	48.6	71.5	84.4	75	60
80	South Africa	61.9	-0.7	50.0	44.0	70.1	69.9	69.7	58.7	74.6	77.0	45	60
81	Namibia	61.9	2.3	30.0	49.0	64.4	63.9	68.2	84.5	75.1	83.4	60	40
82	Guatemala	61.8	1.4	20.0	32.0	79.1	94.3	62.5	50.9	77.9	86.4	65	50
83	Paraguay	61.5	0.4	30.0	24.0	96.3	83.3	62.6	30.4	76.8	76.2	75	60
84	Kosovo	61.4	N/A	30.0	33.0	93.6	76.8	69.3	66.3	78.9	70.8	65	30
85	Morocco	61.3	1.2	40.0	39.0	71.5	65.6	66.4	34.3	84.1	81.8	70	60
86	Italy	61.2	-0.5	50.0	43.0	55.8	22.1	70.3	53.0	84.5	88.0	85	60
87	Madagascar	61.1	-0.6	45.0	28.0	91.1	93.4	52.9	48.5	74.5	77.2	50	50
88	Dominican Republic	61.0	0.0	25.0	32.0	84.5	90.2	56.6	56.5	73.1	77.2	75	40
89	Vanuatu	60.8	-0.3	40.0	33.5	97.0	86.1	51.8	47.7	78.3	74.0	60	40
90	Slovenia	60.6	0.3	60.0	58.0	58.6	0.0	82.0	55.4	84.3	88.0	70	50
91	Azerbaijan	60.2	-0.8	20.0	29.0	88.0	56.7	70.3	75.2	77.0	75.8	60	50
92	Côte d'Ivoire	60.0	1.5	30.0	32.0	78.3	85.4	62.2	46.9	73.5	71.8	70	50
93	Sri Lanka	59.9	1.3	40.0	38.0	85.1	90.0	70.3	56.5	71.5	72.4	35	40
94	Swaziland	59.7	-0.2	40.0	43.0	70.9	64.9	58.6	65.8	74.5	88.8	50	40
95	Tonga	59.6	0.3	25.0	28.6	86.9	76.3	76.4	86.1	77.4	79.6	40	20
96	Kyrgyz Republic	59.6	-1.7	20.0	27.0	93.7	56.3	65.3	80.4	68.4	75.0	60	50
97	Bhutan	59.5	2.1	60.0	65.0	83.1	67.5	65.2	77.6	66.9	60.0	20	30
98	Lebanon	59.5	0.2	20.0	27.0	91.3	75.7	59.1	57.3	79.0	75.8	60	50
99	Indonesia	59.4	1.3	30.0	34.0	83.4	89.0	54.0	49.3	74.3	80.4	40	60
100	Mongolia	59.4	0.2	30.0	39.0	84.4	51.5	67.7	77.9	68.0	70.0	45	60
101	Benin	59.3	0.5	30.0	39.0	68.1	84.9	51.3	53.8	82.2	58.8	75	50
102	Uganda	59.3	-0.4	25.0	26.0	73.2	91.5	40.3	83.7	80.1	72.8	60	40
103	Croatia	59.1	-2.4	35.0	48.0	70.8	33.7	60.3	42.4	78.7	87.4	75	60
104	Burkina Faso	59.1	0.5	30.0	38.0	82.8	76.8	46.3	58.9	84.9	68.2	65	40
105	Gabon	59.0	0.7	40.0	37.0	77.6	74.5	58.4	61.9	78.4	61.8	60	40
106	Zambia	58.8	0.1	30.0	38.0	73.3	81.1	66.4	48.3	72.6	78.2	50	50
107	Fiji	58.8	-0.2	30.0	22.3	81.2	75.3	62.0	70.6	77.6	68.8	50	50

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World Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
108	Bosnia and Herzegovina	58.6	-0.4	20.0	39.0	83.9	33.1	54.6	59.4	84.3	87.0	65	60
109	Nicaragua	58.6	1.0	10.0	28.0	78.0	82.8	61.2	55.7	69.0	86.2	65	50
110	Tanzania	58.5	1.0	25.0	31.0	79.2	88.4	47.5	62.6	67.7	73.2	60	50
111	Senegal	58.1	0.3	40.0	43.0	71.6	76.1	49.1	42.4	84.9	73.8	60	40
112	Cambodia	57.9	0.4	25.0	21.0	90.5	87.4	32.3	62.5	78.1	72.2	60	50
113	Honduras	57.7	0.3	30.0	29.0	84.2	72.0	58.0	31.0	74.8	78.4	60	60
114	Tunisia	57.6	-0.1	40.0	40.0	74.0	73.4	81.3	64.0	75.6	62.2	35	30
115	Kenya	57.5	1.9	30.0	25.0	79.4	80.8	48.6	62.2	73.5	65.6	60	50
116	Nigeria	57.5	1.9	30.0	27.0	85.1	94.6	48.7	72.9	71.5	64.8	40	40
117	Moldova	57.4	-0.1	40.0	35.0	85.4	55.6	64.6	39.3	76.0	73.6	55	50
118	Belize	57.4	0.6	35.0	6.7	82.1	71.9	63.3	60.3	79.2	70.0	55	50
119	Gambia	57.1	-0.4	25.0	29.0	75.5	78.0	53.4	65.8	64.7	65.0	65	50
120	São Tomé and Príncipe	56.7	3.4	25.0	42.0	87.4	70.1	65.9	46.1	67.6	73.0	60	30
121	Mali	56.5	0.1	25.0	32.0	70.3	82.8	46.3	50.8	83.0	70.2	65	40
122	Brazil	56.5	-0.1	45.0	43.0	69.7	55.2	61.4	52.5	64.2	69.4	55	50
123	India	56.2	1.6	55.0	38.0	77.1	78.1	47.6	47.8	72.8	71.0	35	40
124	Djibouti	56.0	-1.5	25.0	34.0	80.6	57.4	50.8	62.9	74.3	54.6	70	50
125	Egypt	56.0	0.8	20.0	37.0	85.6	65.9	68.3	51.4	65.8	70.6	55	40
126	Pakistan	55.9	0.3	30.0	29.0	79.0	86.2	61.2	42.1	71.5	65.0	55	40
127	Guyana	55.4	-0.1	30.0	30.0	68.7	73.1	63.0	70.7	77.4	70.8	40	30
128	Mauritania	54.8	1.5	25.0	30.0	81.6	75.3	48.7	50.7	77.7	69.0	50	40
129	Niger	54.3	-0.3	30.0	35.0	76.3	76.8	39.6	42.3	83.0	64.6	55	40
130	Cameroon	54.2	2.3	25.0	27.0	75.6	85.6	46.9	48.9	81.2	61.6	40	50
131	Vietnam	54.0	2.3	15.0	31.0	79.3	75.1	58.3	62.6	70.6	83.0	25	40
132	Maldives	53.9	0.5	25.0	21.9	94.0	60.8	81.5	70.4	73.0	47.8	35	30
133	Burundi	53.9	0.2	20.0	20.0	73.8	70.5	54.2	67.6	73.8	74.2	55	30
134	Suriname	53.8	-0.4	30.0	36.0	69.4	70.3	48.8	76.3	78.7	68.4	30	30
135	Togo	53.6	0.6	30.0	29.0	68.7	80.4	51.4	46.2	79.5	71.2	50	30
136	Guinea	53.3	1.2	20.0	25.0	68.5	81.2	51.4	71.8	69.2	61.2	45	40
137	Bangladesh	53.3	-0.6	20.0	25.0	72.7	93.6	52.6	62.5	68.2	63.6	45	30
138	Greece	53.2	-0.8	40.0	43.0	64.4	0.0	73.8	50.2	77.7	83.0	60	40
139	Mozambique	53.2	-1.6	30.0	31.0	74.3	63.5	55.9	41.9	79.5	70.8	35	50
140	Papua New Guinea	53.2	0.1	20.0	25.0	67.3	76.2	59.9	71.9	70.6	85.6	25	30
141	Comoros	52.4	0.3	30.0	26.0	64.5	81.0	49.6	51.0	79.4	72.0	40	30
142	Sierra Leone	52.3	0.6	10.0	31.0	81.2	92.6	49.9	43.2	70.8	69.4	55	20
143	Liberia	52.2	-0.5	25.0	37.0	83.8	67.7	55.1	44.5	71.0	72.8	45	20

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144	China	52.0	-0.7	20.0	36.0	69.7	74.3	54.2	62.0	70.6	72.8	30	30
145	Guinea-Bissau	51.8	-0.2	20.0	19.0	89.3	94.1	36.7	61.1	78.5	59.4	30	30
146	Malawi	51.8	-3.0	40.0	33.0	79.0	27.1	44.5	63.4	53.6	72.4	55	50
147	Micronesia	51.8	2.2	30.0	30.0	93.2	0.0	57.5	79.1	82.1	85.6	30	30
148	Ethiopia	51.5	0.0	30.0	33.0	77.2	90.5	55.8	57.7	66.0	65.0	20	20
149	Tajikistan	51.3	-1.4	20.0	23.0	91.6	76.9	61.1	47.3	69.8	68.6	25	30
150	Haiti	51.3	0.0	10.0	19.0	80.5	76.4	47.1	62.0	76.0	72.0	40	30
151	Nepal	50.9	-0.4	30.0	29.0	85.1	91.1	64.9	47.3	70.8	55.6	5	30
152	Lesotho	50.6	1.0	30.0	49.0	59.1	0.0	53.3	62.1	76.9	85.8	50	40
153	Russia	50.6	-1.5	20.0	27.0	82.2	56.2	72.2	57.6	62.9	72.4	25	30
154	Algeria	50.1	1.2	25.0	36.0	81.0	59.4	62.1	48.2	68.1	60.8	30	30
155	Laos	49.8	-1.6	15.0	25.0	86.1	73.8	55.9	57.6	71.3	58.6	35	20
156	Angola	48.9	1.0	15.0	19.0	87.8	50.1	50.3	44.8	72.2	70.2	40	40
157	Belarus	48.8	-1.0	20.0	31.0	88.6	44.8	69.0	74.9	50.4	79.0	20	10
158	Burma	48.7	1.8	10.0	21.0	86.6	75.3	32.6	76.8	70.0	74.2	20	20
159	Ecuador	48.6	-0.6	15.0	33.0	79.2	41.8	55.5	51.6	68.1	71.4	30	40
160	Bolivia	47.4	0.6	10.0	35.0	86.4	55.5	58.8	31.7	65.0	76.6	15	40
161	Solomon Islands	47.0	0.0	30.0	25.0	61.4	25.2	68.5	66.2	75.5	73.0	15	30
162	Ukraine	46.8	-0.1	25.0	26.0	78.6	30.6	56.8	47.9	66.9	85.8	20	30
163	Congo, Dem. Rep. of	46.4	1.4	10.0	22.0	73.3	95.2	42.8	41.0	78.5	61.0	20	20
164	Chad	46.3	0.4	20.0	22.0	46.0	84.3	30.9	48.9	71.4	49.8	50	40
165	Kiribati	46.2	-0.2	30.0	29.2	73.3	0.0	51.6	83.9	81.0	58.2	25	30
166	Uzbekistan	46.0	-1.0	15.0	18.0	90.4	66.6	67.1	61.9	65.6	65.6	0	10
167	Timor-Leste	45.8	0.3	20.0	28.0	64.7	0.0	68.0	66.0	70.9	80.0	40	20
168	Central African Republic	45.2	-0.7	10.0	24.0	65.7	93.6	28.0	40.9	62.9	52.2	45	30
169	Argentina	43.8	-0.3	15.0	34.0	66.1	51.3	56.0	43.9	44.0	67.4	30	30
170	Equatorial Guinea	43.7	3.3	10.0	19.0	75.4	45.6	45.6	38.4	78.9	53.8	40	30
171	Iran	43.5	1.7	10.0	27.0	81.2	93.2	59.3	49.0	50.6	54.6	0	10
172	Congo, Rep. of	42.8	0.1	10.0	23.0	66.9	55.8	35.9	38.8	75.6	52.0	40	30
173	Eritrea	42.7	3.8	10.0	18.0	80.9	73.4	32.1	65.6	57.8	69.2	0	20
174	Turkmenistan	41.9	0.5	5.0	17.0	95.3	92.2	30.0	20.0	69.4	80.0	0	10
175	Zimbabwe	38.2	0.6	10.0	21.0	60.8	73.6	37.6	30.0	79.1	50.2	10	10
176	Venezuela	33.7	-0.6	5.0	19.0	74.9	56.7	45.3	29.5	33.8	63.2	0	10
177	Cuba	29.8	0.2	10.0	46.0	52.1	0.0	20.0	20.0	65.2	64.6	10	10
178	North Korea	2.3	1.0	5.0	8.0	0.0	0.0	5.0	5.0	0.0	0.0	0	0
N/A	Afghanistan	N/A	N/A	N/A	12.0	91.6	81.2	56.6	63.2	N/A	N/A	55	N/A

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N/A	Iraq	N/A	N/A	N/A	16.0	N/A	29.7	63.2	68.5	75.0	N/A	N/A	N/A
N/A	Libya	N/A	N/A	10.0	18.0	95.0	0.0	55.5	63.1	74.0	N/A	5	N/A
N/A	Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.0	85	80
N/A	Somalia	N/A	N/A	N/A	8.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	Sudan	N/A	N/A	N/A	11.0	86.4	94.8	48.8	43.5	46.7	50.6	10	N/A
N/A	Syria	N/A	N/A	10.0	20.0	N/A	N/A	62.4	46.9	42.7	56.6	0	20
N/A	Yemen	N/A	N/A	30.0	19.0	N/A	N/A	51.9	54.4	71.0	N/A	N/A	30

Chapter 1

Economic Freedom: The Proven Path to Prosperity

Ambassador Terry Miller and Anthony B. Kim

The data collected in the *Index of Economic Freedom* provide strong evidence that economic freedom is a prerequisite for sustainable human and societal development. Historically, nations with higher degrees of economic freedom have flourished both economically and socially. Freer societies are better able to capitalize on the virtues of the free-market system in responding to the decisions and desires of individuals in constructive and efficient ways. They provide more and more varied opportunities for individuals and tend to create virtuous growth cycles characterized by efficient resource allocation, high value creation, and innovation.

Put simply, the freer the economy, the more productive and prosperous its citizens are likely to be. Policies that promote economic freedom, whether through improvements in the rule of law, the promotion of efficiency and openness, or suitable restraints on the size and reach of government, therefore provide the environment that can best inspire people to develop practical solutions to economic and social challenges confronting the world.

ECONOMIC FREEDOM EMPOWERS INDIVIDUALS

The *Index* results provide compelling evidence that economic dynamism is best sustained when governments institutionalize economic policies that empower individuals. When people have more choices, they are more likely to engage in entrepreneurial activity. In turn, it is entrepreneurial activity that creates jobs, investment opportunities, and the new products and services that enrich our lives. In many respects, economic freedom is just shorthand for an environment that encourages entrepreneurship. Chart 1 shows the close correspondence between economic freedom and entrepreneurial opportunity.

One dependable result of vibrant entrepreneurial opportunity is resilient economic growth, a key policy goal for most governments. Growth is maximized when individual consumers, investors, and producers are able to exercise their best individual judgment in identifying, assessing, and realizing opportunities.

Economic Freedom Promotes Entrepreneurial Dynamism

Entrepreneurship and Opportunity Score

Each circle represents a nation in the *Index of Economic Freedom*

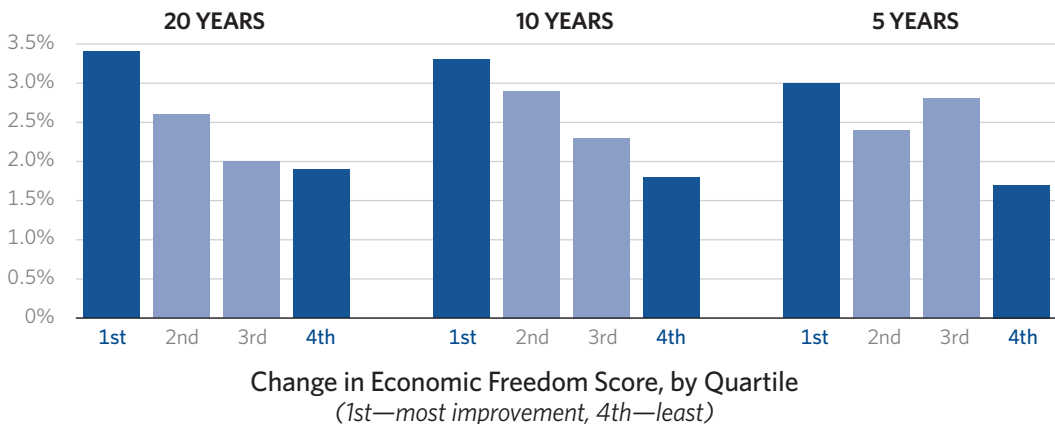


Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and Legatum Institute Foundation, "2015 Legatum Prosperity Index," 2015, <http://www.li.com/activities/publications/2015-legatum-prosperity-index> (accessed December 8, 2015).

Chart 1 heritage.org

Advancing Economic Freedom Leads to Higher Economic Growth

Average Annual Growth in Real Per Capita GDP

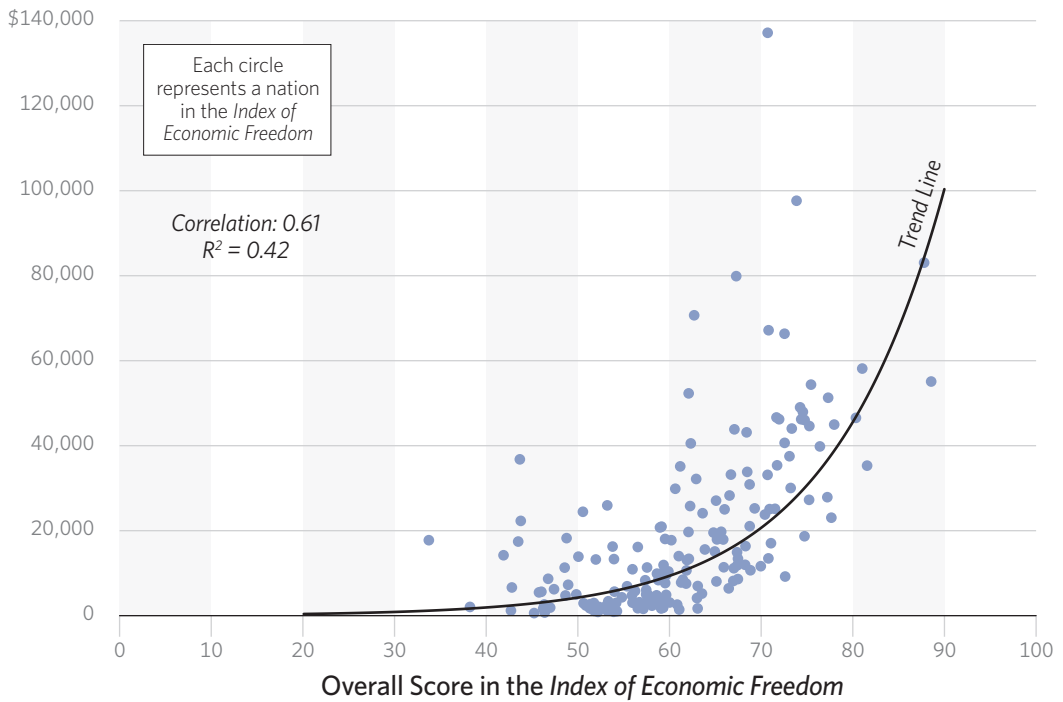


Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and The World Bank, World Development Indicators Online, <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed December 8, 2015). Changes in economic freedom score have been calculated as the annual compound growth rate.

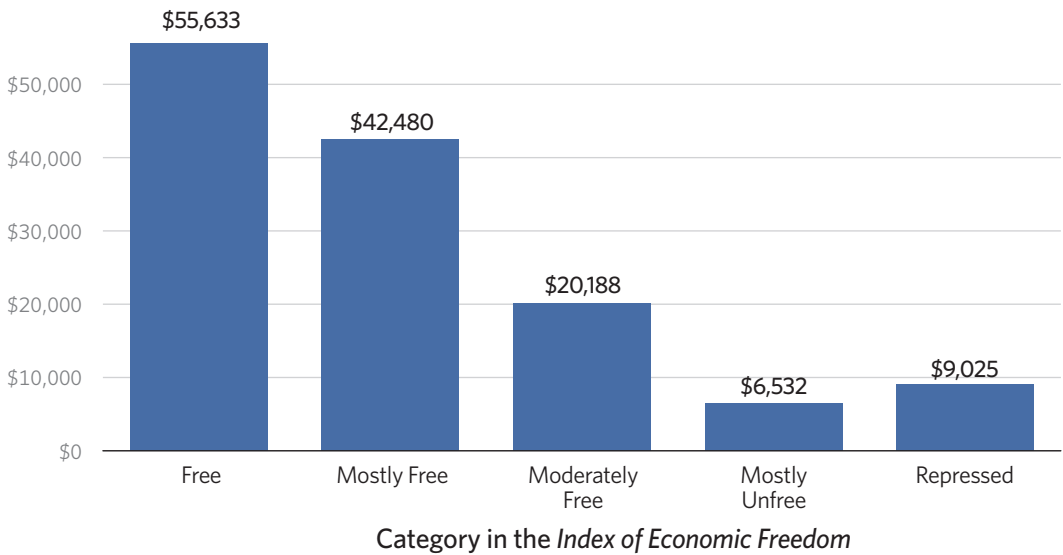
Chart 2 heritage.org

Economic Freedom and Prosperity

GDP per Capita (Purchasing Power Parity)



GDP per Capita (Purchasing Power Parity)

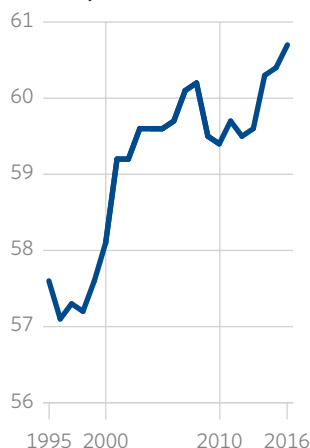


Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and International Monetary Fund, World Economic Outlook Databases, <http://www.imf.org/external/ns/cs.aspx?id=28> (accessed December 8, 2015).

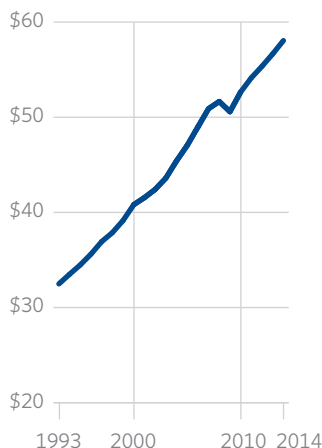
Chart 3 heritage.org

As Economic Freedom Rises, the Global Economy Expands and Poverty Falls

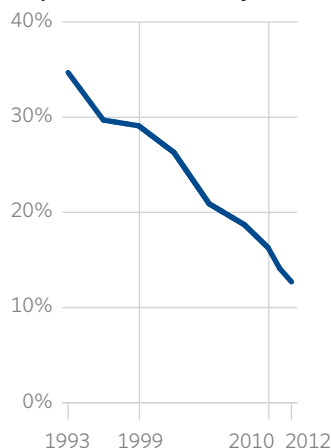
Average Score in the Index of Economic Freedom



Global GDP, in Trillions of 2005 U.S. Dollars



Percent of Global Population in Poverty



Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>; The World Bank, World Development Indicators Online, <http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators> (accessed December 8, 2015); and The World Bank, PovcalNet, <http://iresearch.worldbank.org/PovcalNet/index.htm?1> (accessed December 8, 2015). Some figures have been interpolated.

Chart 4  heritage.org

As Chart 2 demonstrates, there is a robust relationship between improving economic freedom and achieving faster economic growth. Whether long-term (20 years), medium-term (10 years), or short-term (five years), the relationship between changes in economic freedom and rates of economic growth is consistently positive. The average annual per capita economic growth rates of countries in which economic freedom has grown the most are at least 50 percent higher than those of countries where freedom has stagnated or slowed.

ECONOMIC FREEDOM IMPROVES LIVING STANDARDS

Equally notable are the fundamental benefits that result from the strong positive relationship between economic freedom and levels of per capita income. For countries achieving scores in the *Index* that reflect even moderate levels of economic freedom (60 or above), the relationship between economic freedom and per capita GDP is highly significant.

As indicated in Chart 3, countries higher up the economic freedom scale show increasingly high levels of average income. Economies rated “free” or “mostly free” in the *Index* enjoy incomes that are over twice the average levels in all other countries and more than four times higher than the incomes of “repressed” economies.

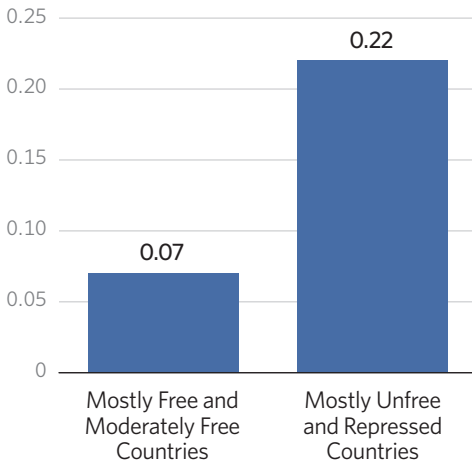
ECONOMIC FREEDOM ALLEVIATES POVERTY AND FOOD INSECURITY

The free-market system that is rooted in the principles of economic freedom has fueled unprecedented economic growth around the world. As Chart 4 illustrates, as the global economy has moved toward greater economic freedom over the past two decades, real world GDP has increased by about 80 percent, and the global poverty rate has been cut in half, lifting hundreds of millions of people out of poverty.

Greater economic freedom has had a positive impact not just on the number of people in poverty, but also on the intensity of the poverty still experienced by some. Poverty intensity, which

Economic Freedom and Poverty Intensity

Poverty Intensity



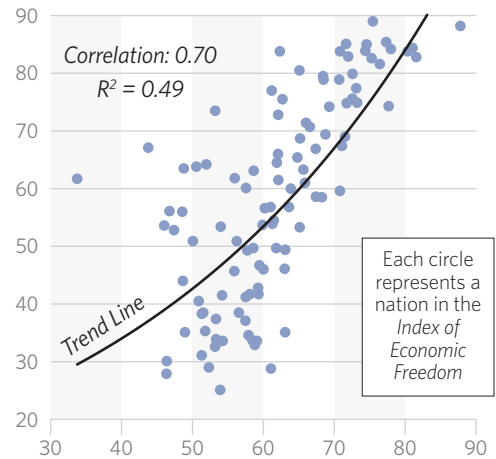
Categories in the Index of Economic Freedom

Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and U.N. Human Development Programme, "Human Development Report 2014," 2014, <http://hdr.undp.org/en/content/human-development-report-2014> (accessed December 8, 2015).

Chart 5 heritage.org

Economic Freedom and Food Security

Global Food Security Index



Overall Score in the Index of Economic Freedom

Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and The Economist Intelligence Unit, *Global Food Security Index*, May 19, 2015, <http://foodsecurityindex.eiu.com/> (accessed December 8, 2015).

Chart 6 heritage.org

considers degrees of deprivation at the individual level in education, health outcomes, and standards of living, is much lower on average in countries with higher levels of economic freedom. Chart 5 shows that the intensity of poverty in countries with economies that are considered mostly free or moderately free is only about one-third the level in countries that are rated less free.

Also noteworthy is the growing attention that has been given in recent years to the importance of ensuring food security, a critical dimension of fighting poverty, particularly in developing and underdeveloped countries. More aid money cannot and will not safeguard food security. The task is multidimensional and closely linked to achieving agricultural development, economic growth, institutional stability, openness to trade, and overall social progress. It is ultimately about

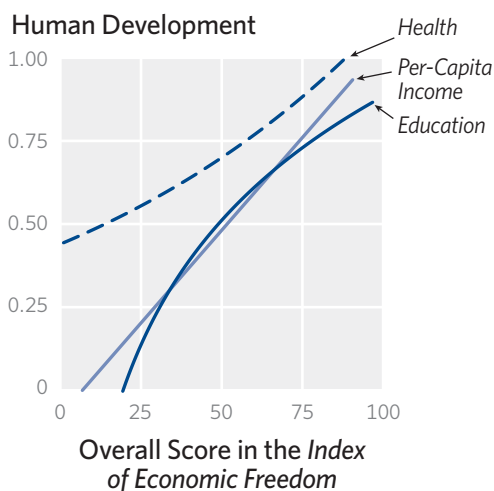
advancing and sustaining economic freedom so that a virtuous cycle of growth and development can occur meaningfully for a greater number of ordinary people. As shown in Chart 6, economic freedom is an indispensable ingredient in enhancing food security.

ECONOMIC FREEDOM PROMOTES HUMAN DEVELOPMENT

Economic freedom is not just about financial success. Achieving greater overall prosperity that goes beyond the materialistic and monetary dimensions of well-being is equally important. The societal benefits of economic freedom extend far beyond higher incomes or reductions in poverty.

Countries with higher levels of economic freedom enjoy higher levels of human development

Greater Freedom Means Greater Performance by Several Measures



Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and U.N. Human Development Programme, International Human Development Indicators, <http://hdr.undp.org/en/statistics/> (accessed December 8, 2015). Human Development values have been converted to a 0-1 scale.

Chart 7  heritage.org

in terms of life expectancy, literacy, education, and overall quality of life. As Chart 7 shows, governments that choose policies that increase economic freedom are placing their societies on the path to more education opportunities, better health care, and higher standards of living for their citizens.

ECONOMIC FREEDOM ENCOURAGES ENVIRONMENTAL PROTECTION

Interestingly, the same free-market principles that have proven to be the key to human development have also proven to deliver environmental success. In some countries, government policies and actions concerning the environment have become more intrusive and economically distortionary. Many governments have pushed programs to tax carbon emissions and increase taxes on gasoline, have organized non-transparent and sometimes corrupt exchanges for the buying and selling of

carbon emissions, and have provided subsidies for “clean” energy to politically favored firms. Such policies impose a huge direct cost on society and retard economic growth—and all for uncertain environmental benefits.

The most remarkable improvements in clean energy use and energy efficiency over the past decades have occurred not as a result of government regulation, but rather because of advances in technology and trade. Around the world, economic freedom has been shown to increase countries’ capacity for innovation and, by extension, their ability to improve their overall environmental performance. The positive link between economic freedom and higher levels of innovation ensures greater economic dynamism in coping with environmental challenges. (See Chart 8.) A virtuous cycle of investment, innovation (including in greener technologies), and dynamic economic growth has flourished where governments have trusted market forces and competition to spur environmental efficiency.

ECONOMIC FREEDOM FACILITATES INCLUSIVE DEMOCRATIZATION

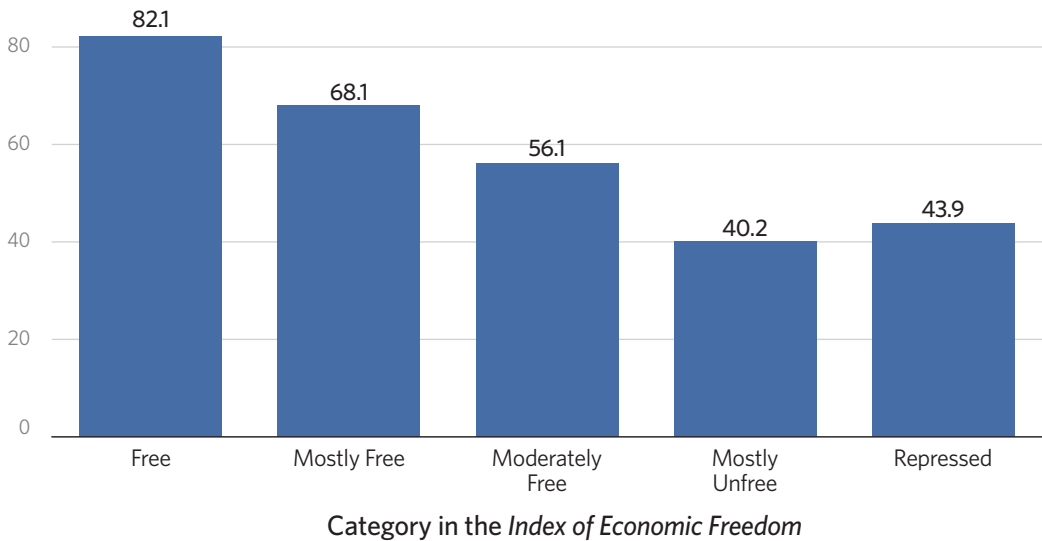
Greater economic freedom can also provide more fertile ground for effective democratic governance. By empowering people to exercise greater control of their daily lives, economic freedom ultimately nurtures political reform by making it possible for individuals to gain the economic resources they need to challenge entrenched interests and compete for political power, thereby encouraging the creation of more pluralistic societies.

Pursuit of greater economic freedom is thus an important stepping-stone to democratic governance. It is a philosophy that encourages individual initiative and disperses economic power and decision-making throughout society, building the middle class. Undoubtedly, achieving greater political freedom through well-functioning democracy is a messy and often excruciating process. However, as shown in Chart 9, the positive relationship between economic freedom and democratic governance is undeniable.

Economic Freedom, Innovation, and the Environment



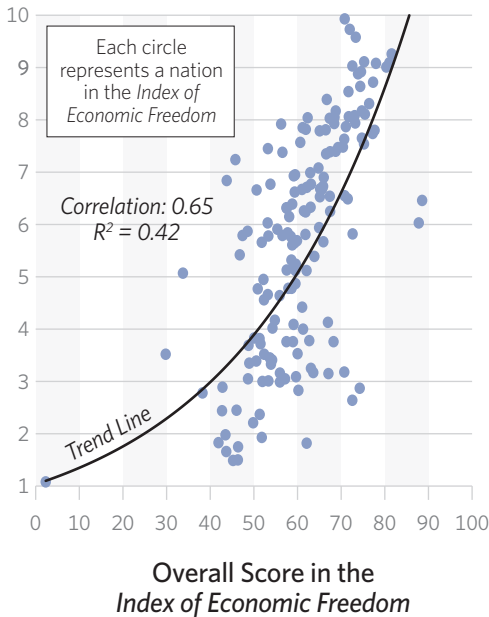
Environmental Performance Index



Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>; Cornell University, INSEAD, and World Intellectual Property Organization, *The Global Innovation Index 2015* (Geneva: World Intellectual Property Organization, 2015), <https://www.globalinnovationindex.org/content/page/GII-Home> (accessed December 8, 2015); and Yale University, "2014 Environmental Performance Index," <http://epi.yale.edu/epi> (accessed December 8, 2015).

Economic Freedom and Democratic Governance

Index of Democracy

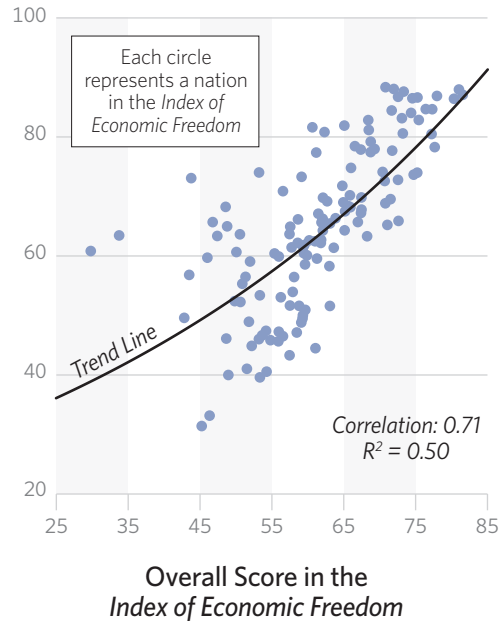


Sources: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and The Economist Intelligence Unit, "Democracy Index 2014," https://www.eiu.com/public/topical_report.aspx?campaignid=Democracy0115 (accessed December 8, 2015).

Chart 9 heritage.org

Economic Freedom and Social Progress

Social Progress Index



Sources: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and Social Progress Imperative, "Social Progress Index 2015," <http://www.socialprogressimperative.org/data/spi> (accessed December 8, 2016).

Chart 10 heritage.org

ECONOMIC FREEDOM ENSURES UPWARD MOBILITY

The massive improvements in global indicators of income and quality of life largely reflect a paradigm shift in the debate about how societies should be structured to achieve the most optimal outcomes. Over the past two decades, this debate has largely been won by free-market capitalism. However, fears that the immediate benefits of capitalism are fading has brought to the forefront concerns about economic mobility and economic freedom.

Some naysayers have claimed that economic and social progress has been limited in recent years as incomes in some countries have become more unequal as a result of economic freedom. The evidence does not support this contention.

In fact, it is countries that more fully embrace economic freedom that have provided the environments most conducive to social progress. (See Chart 10.) Countries that have improved their competitiveness and opened 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 levels that produce the most positive social outcomes. Instead, mobility and progress require lower barriers to entry, freedom to engage with the world, and less government intrusion.

THE WAY FORWARD: PROSPERITY THROUGH ECONOMIC FREEDOM

By a great many measures, the past two decades during which the *Index* has been charting the advance of economic freedom have been the most prosperous in the history of humankind. 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 participated in an era of globalization that has generated dramatic improvements in living standards, including—and perhaps even especially—in poorer countries.

The global lesson is that economic freedom paves the way for rapid development. Through the advancement of economic freedom, increasing numbers of people have gained access to knowledge and opportunities unheard of even a generation ago. Not all start from the same place in the competitive environment of the global economic system, but with economic freedom, all have the opportunity to progress toward greater prosperity.

The *Index of Economic Freedom* is replete with practical examples of such accomplishments from countries in every region, at every level of development, and from a wide variety of cultural and historical backgrounds.

Chapter 2

Defining Economic Freedom

Ambassador Terry Miller and Anthony B. Kim

Any discussion of economic freedom has at its heart reflection 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 an absence of government coercion or constraint, but 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 leads inevitably and quickly to the loss of 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 reality 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

The excessive intrusion of government 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 inevitably is lower productivity, economic stagnation, and declining prosperity.

MEASURING 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 developing 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—respect for property rights, for example—may make it much more difficult to achieve high levels of freedom in other categories.

The 10 aspects of economic freedom measured in the *Index* may be grouped into four broad categories:

- **Rule of law** (property rights, freedom from corruption);
- **Government size** (fiscal freedom, government spending);
- **Regulatory efficiency** (business freedom, labor freedom, monetary freedom); and
- **Market openness** (trade freedom, investment freedom, financial freedom).

Rule of Law

Property Rights. In a 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.

The protection of private property requires an autonomous and accountable judicial system that is available to all equally and without discrimination. The independence, transparency, and effectiveness of the judicial system have

proven to be key determinants of a country's prospects for long-term economic growth. An effective and impartial judiciary is also vital to the maintenance of peace and security and the protection of human rights.

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.

Freedom from Corruption. In the context of economic freedom, corruption can be understood best as the failure of integrity in the economic system, a distortion that enables individuals or special-interest groups to gain at the expense of the whole. Often a direct result of the government's concentration of economic or political power, corruption manifests itself in many forms such as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft.

Corruption can infect all parts of an economy in systematic ways. 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 or graft. In addition, government regulations or restrictions in one area may create informal 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 market interactions.

Ensuring transparency is crucial to dealing effectively with corruption. Openness in regulatory procedures and processes can promote equitable treatment and greater efficiency.

Government Size

Fiscal Freedom. Fiscal freedom is a direct measure of the extent to which government permits individuals and businesses to keep and manage their income and wealth for their own

benefit and use. All governments impose fiscal burdens on economic activity through taxation and borrowing.

The higher the government's share of income or wealth, the lower the individual's reward for 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 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 the value-added tax (VAT). 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 of excessive government is a central economic freedom issue, both in terms of generating revenue (see fiscal freedom) and in terms of spending. Government spending comes in many forms. 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 private 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. As many economies have experienced in recent years, high levels of public debt accumulated through irresponsible government spending undermine economic freedom and prevent dynamic entrepreneurial growth.

Regulatory Efficiency

Business Freedom. Business freedom is about an individual's right to establish and run an enterprise without undue interference from the state. 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 most inhibiting to entrepreneurship are 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 market is free, 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 wage controls, 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, 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. Trade freedom reflects an economy's openness to the flow of goods and services from around the world and the citizen's ability to interact freely as buyer or seller in the international marketplace. Trade restrictions can manifest themselves in the form of tariffs, export taxes, trade quotas, or outright trade bans. However, trade restrictions also appear in more subtle ways, particularly in the form of regulatory barriers.

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 efficient. 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 use: 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. 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: AN END IN ITSELF, A MEANS FOR PROGRESS

As a vital element 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 is the key to achieving the broad-based economic dynamism that ensures lasting inclusive growth and increased prosperity for society as a whole. As Friedrich Hayek foresaw decades ago, “the guiding principle in any attempt to create a world of free men must be this: a policy of freedom for the individual is the only truly progressive policy.”²

ENDNOTES

1. Milton Friedman and Rose D. Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1979).
2. Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944).

Chapter 3

Freedom from Poverty: New Directions in Economic Development

Marcelo M. Giugale, PhD¹

Technology and politics are rapidly changing how economic development happens and who benefits from it. In the past decade alone and across the world, better information systems and more citizen participation have transformed the accountability ring around governments, our understanding of economic management, and the tools we use for social policy. This has many consequences, from how science is built into policies to how foreign aid should work. It has put the emergence of Africa in motion. And, more generally, it has brought the end of poverty within reach.

Admittedly, there are many risks, both short-term and long-term. The world is still trying to recover its balance after the global financial crises of 2008–2009. Conflict ravages entire nations and regions. Several rising-star economies have recently lost their luster. A few countries seem stuck in ruinous ideologies. Farther in the horizon, coordinated international action to tackle environmental protection, financial stability, or cross-border corruption remains as elusive as always.

Those risks, however, cannot mask a new reality: Economic development and the poverty reduction that goes with it have never been more possible for more countries. This essay explains why. It argues that the pressure on politicians to perform is rising. It describes how behind the divergence in economic cycles—countries growing at different speeds—there is a strong convergence on economic principles. It claims that inclusion is now doable and affordable: Societies have no reason to leave anyone behind. And with all that in mind, it advocates for more—not less—foreign aid, but of a very different kind.

GOVERNMENTS: BEGINNING TO WORK FOR YOU

Today, presidents, prime ministers, and cabinet officials from the developing world are being held more closely accountable, measured against more precise parameters of performance, and evaluated with more rigor than ever before. This trend, which is bound to intensify, is particularly good for economic development.

The accountability framework for the new generation of leaders is defined by four “Ds”—democracy, decentralization, devices, and debt. The possibility of voting politicians out of office is much more common than it was only 20 years ago. Despite the fact that many “democracies” still fail to produce any actual alternation of power, the rise of political contestability is undeniable. Even in one-party systems, there is a real sense that someone else could take power if, say, the economy does not grow fast enough, graft is exposed, or the poor riot. That makes life a lot more difficult for incumbents and pushes them to manage more sensibly.

It is not only officials in the capital city who feel the pinch of political contestability. The provision of public services like education, health care, or security is increasingly the responsibility of governors and mayors. This decentralization of government functions down to states and municipalities has made it much easier for users to complain when things do not work: After all, local authorities are less likely to travel in armored caravans and more likely to live nearby. In fact, a decent track record at the “subnational” level is becoming a prerequisite to be eligible for the national stage.

Proximity to decision-makers has encouraged people to protest, and various devices have made protesting almost effortless. From a laptop, a tablet, or a smart phone, and with a text, a tweet, or a post, you can now inform and mobilize masses in a flash at zero marginal cost. The collective action problem that made social activism expensive and time-consuming is gone. From abuse of power to power blackouts, citizens can name and shame those responsible—and demand answers. Communication technology is speeding government accountability into real time. Tellingly, nowhere is the adoption of that technology faster than in Africa.

Then there is debt. Citizens in the developing world have found in bondholders unexpected allies in monitoring government performance. Both emerging and developing countries are active participants in the sovereign debt markets. In the past five years, even low-income nations—from Honduras to Rwanda—have begun to issue bonds; some \$12 billion worth of these “debut”

bonds is trading in London and New York. Any news of deviation from sound economic management triggers a visible and immediate fall in bond prices. The cost of borrowing rises together with the political embarrassment. This is accountability by spreads, and there is no way out of it—short of full debt repayment.

What has made the four “Ds” especially effective is the proliferation of more user-friendly performance “standards” against which civil servants can be held accountable. Take education. Every child at the end of second grade should be able to read at least 60 words per minute. That’s a standard. Governments and teachers unions can argue *ad nauseam* about budgets, salaries, and working conditions, but the bottom line is simple: Can the average second-grader read 60 words per minute or not? If not, parents can—and should—complain. The same types of standards are available for most public services, from vaccination to justice. As more data are gathered from around the world, more standards are being defined, and we are getting to know what results we should expect from those who govern us.

Finally, the noose of accountability is being tightened by progress in another technical field: impact evaluation. For every public policy, program, or project, it is now possible to evaluate not only its inputs, outputs, and outcomes, but also its impacts—that is, the subset of the outcomes that would not have happened had the government not intervened. New techniques like “randomized controlled trials” and new ways to break down the data like “benefit incidence analysis” are making it possible to assess what governments do with more scientific rigor and less ideological bias. For example:

- What is the impact of subsidizing gasoline, which is mostly consumed by the rich?
- Does land titling really raise productivity among poor farmers?
- Are breakfast programs improving nutrition among schoolchildren?
- Does more access to information on the quality of public services lead to more social militancy?
- Is friendlier enforcement the key to larger tax collection?

We can now get answers to these sorts of questions in specific country contexts, and sometimes the answers are embarrassing enough to trigger reform. No wonder that impact evaluation in its many forms, and despite its many critics, has become the methodology of choice in the new development economics. (You may still be wondering: What government in its right mind would use taxpayers' money to pay for the gasoline consumed by the rich? Many do—and spend more on it than they spend on primary schooling for the poor.)

ECONOMIC POLICY: THE ORTHODOXY BEHIND THE HETERODOXY

A country-by-country reading of recent macroeconomic data suggests a wide divergence of cycles and policies within and across trading blocs and income levels. In 2015, we have seen the U.S. economy grow again and U.S. policymakers pondering when to raise interest rates and by how much. The European Union has struggled with major fiscal and financial differences between its core and its periphery, and its central bank has pledged to keep interest rates close to zero for as long as it is necessary to recover growth. Japan tried firing its “three arrows”—fiscal stimulus, monetary expansion, and structural reform—but is barely growing.

Meanwhile, the so-called BRICS countries (Brazil, Russia, India, China, and South Africa) have moved in a myriad of directions:

- Brazil is dealing with a mix of recession and inflation;
- Russia is under financial distress due in part to the collapse in oil prices and in part to geopolitics;
- India is booming on the expectation of structural reforms and the windfall from cheap oil;
- China is slowing down while it accommodates itself to a “new normal” of more consumption and less investment; and
- South Africa maintains its low but steady rate of economic growth.

Elsewhere, oil-exporting countries have suffered a major loss of nominal income, while

many low-income countries have felt confident enough to tap the international bond markets for the first time.

This global divergence in macroeconomic performance has opened the door to plenty of experiments and some new thinking in macroeconomic management. Several rich countries have promised to print money in whatever amounts it takes to make credit almost costless. Some are trying “macro-prudential” regulation—a dynamic way to rein in financiers so they do not take risks that can harm the economy as a whole. A handful of observers have advocated massive public investment programs financed by a surge of public debt. Those nations that are sensible enough to have saved during good years are now told to break into their “sovereign wealth funds” and spur consumption. The list goes on.

But behind the creativity in dealing with short-term cycles, few question the basic tenets of a sound macroeconomic framework, without which fast and sustained growth cannot happen in the long run: balanced budgets; low public debt; independent and professional central banks; open trade; smart regulation; and fair treatment of investors—big or small, foreign or local. These are no longer just the precepts of multilateral organizations or technical consensuses. They are what voters implicitly expect when they demand stability of prices, deposits, and jobs. No wonder that it is getting more difficult to be elected to high office claiming that “fiscal deficits don’t matter,” or proposing to close the economy so that “we live only off our own resources,” or pretending that obstacles to private investment do not affect employment.

This last point is crucial for developing countries, as technology is turning foreign investment and foreign trade into two sides of the same coin. The emergence of global value chains means that final manufactured goods are increasingly the result of the assembly of components and services produced in many countries. When you buy a Japanese car, a Chinese computer, or a Mexican refrigerator, chances are that you are buying pieces designed, made, and shipped in and across a dozen different places.

By some estimates, more than half of all international trade currently takes place within a global value chain, but to be invited into the chain, suppliers need to be competitive in cost, quality, speed, and reliability—as failure to deliver affects everyone along the chain. This means that countries that cannot provide, at a reasonable price, sufficient labor skills, logistical infrastructure, and contractual security lose out on both investment and trade. The price in terms of forgone employment is huge.

Progressive governments have understood this and help their private entrepreneurs join and climb value chains. They see this as the only path not just to more jobs, but also to better jobs. They remove barriers that make national producers unable to compete abroad and favor public–private partnerships over unilateral public action. They stay away from costly protections and privileges and are usually guided by a well-thought-out national development strategy. They are more likely to inform and facilitate businesses than to control or own them. Their resolve has been bolstered by another realization coming from countries rich in natural resources: The extraction of oil, gas, or minerals pulls in investments that are large and resilient but employ relatively few workers.

SOCIAL POLICY: NEW WEAPONS FOR AN OLD WAR

Tighter accountability is slowly bringing governments to a higher level of performance. Technological progress is bringing them closer to knowing the poor by name, individually, one by one.

This started in Mexico in the mid-1990s with the introduction of “conditional cash transfers” of money to mothers living in indigence as long as they kept their children in school and visited clinics when pregnant. The idea made no political sense: Why should a party that had been in office for seven decades provoke a social debate over widespread poverty? And there was fear that once the poor received the cash, they would slack off and end up worse off. The Mexicans did it anyway, and soon all eyes turned to the impact of the conditions.

In retrospect, conditionality mattered less than identification. The transfers forced civil servants to reach out and meet the poor and to set up the logistics for the transfer—at the time, pickup trucks that drove into remote communities. To their surprise, many of those poor did not legally exist: no birth certificates, IDs, property titles, contracts, or voter registration cards. These people were not just poor; they were also excluded.

Today, 70 developing countries, 35 of which are in Africa, make direct cash payments to their citizens in need. The technology for individual identification and financial transfers is getting faster and cheaper by the day. India has shown that half a billion people can be biometrically identified in about five years at a cost of around \$4 per person. Thousands are queuing up to be identified. This is inclusion by technology. And, of course, cash transfers no longer need a pickup truck. They can be done at a point of sale, with a debit card, or via cellphone—as Kenyans are showing with gusto.

All of this has led to new ways of fighting poverty with tools that were unthinkable a decade or so ago.

First, vast information about the poor is being collected. You get baseline data (where they live, how much they earn, how many children they have) when they register for the transfer and real-time data (what they consume, pay, and need) every time they spend the money. This helps authorities to target, design, and monitor assistance programs with less duplication and less “leaking” toward those who do not need them. Think of it as the Google of social policy: Every intervention creates data that, properly processed, can increase the chances of success for the next intervention.

Second, we can now listen to the poor. The same cellphone that is used to transfer cash can be used for continuous panel surveys—that is, to follow the same individual or household over time and ask questions when things change. Questions like “You told us that corn is your family’s staple food. The price of corn has doubled. Are you eating less?” or “Two years ago you told us you had a ten-year-old daughter. Has someone

spoken to her about reproductive health?” can help you react to a short-term crisis or prevent a long-term one. Mexico, again, has shown how. When Wall Street imploded in 2008–2009, the Mexican economy fell into a sudden and deep recession. The government reacted immediately by increasing the size of the cash transfers to the five million poorest families who were bound to suffer the most—a move that may have saved the country from serious social unrest.

Third, knowing the poor individually and being able to reach them financially can help redirect funding from the supply of to the demand for public services. This is the “school voucher” concept: We give you the money, and you choose the school. The recipient, not the government, decides whether to use a public or a private provider. The same principle can be used with other public expenditures. Countries like Chile, China, Georgia, and Nigeria, for example, are using it as part of their drive toward universal health coverage. The idea may not work where there are not enough suppliers from which to choose—for instance, in remote rural areas—but it holds promise for many poor people who have long been at the mercy of underperforming social programs.

Fourth, there is no longer a need to subsidize those who do not need subsidies. Why should the government use taxpayers’ money to keep down the price of gasoline, electricity, or water if that mostly benefits the rich? Why not let prices reflect costs and use the savings for more and better assistance to the poor? Untargeted subsidies are fiscal aberrations that have survived on the premise that it was impossible to target them—an excuse crushed by information technology. Their removal is now a question of political will, as Indonesia, Malaysia, and Morocco have shown.

Fifth, it has become possible to turn citizens into shareholders of their countries’ natural wealth. Until recently, the practice of distributing among the population a portion of the rents coming from the extraction of oil, gas, or minerals was seen as doable only in advanced economies: Developing countries did not have the capacity to do what Alaska has been doing

for decades. That has changed. If a government can transfer cash, it can also transfer dividends. The only difference is the link to a contingent source of funding: no profits, no dividends. One can debate whether or not the distribution should be universal—the rich are citizens too—and it is true that in many cases, the size of the dividend may not be large. But for many, it could make the difference between poverty and no poverty. Available estimates show that in countries like Angola, Equatorial Guinea, and Gabon, a tenth of the resource rents recorded in the fiscal accounts would suffice to raise the income of every poor person up to the national poverty line.²

Would direct dividend payments mean fewer public services for the poor as money is taken away from governments? Not necessarily. On the one hand, the history of the use of resource rents in developing countries is not a happy one. Many naturally super-rich nations show dismal development outcomes. Their plight is not due to a lack of money, but to a lack of governance. On the other hand, shareholder-citizens are likely to scrutinize more closely how resources are used: Their dividends depend on it. So it is at least conceivable that making people participate directly in the fruits of extraction could actually increase the quantity and quality of services in public schools, hospitals, or courts, even when less money is spent on them.³

A final observation on the new, individualized way to fight poverty: Many have rightly criticized it for its potential to create dependence and clientelism, especially where monitoring and evaluation are weak, but nobody denies that it is surprisingly cheap. Relatively, the largest and most expensive direct cash transfer program in the world is Brazil’s *Bolsa Familia*. It covers one in four Brazilians, yet it costs less 0.5 percent of GDP per year. This is a fraction of what governments currently spend on subsidies captured by the rich, which in some countries tops four percentage points of GDP or more. In other words, smart social assistance and the social peace that goes with it will not cause fiscal bankruptcy.

FOREIGN AID: TIME TO ADAPT, NOT QUIT

What do the new trends in economic development mean for foreign aid? It depends on who you ask. Critics argue that government-to-government charity—all \$120 billion a year of it—has become borderline useless, probably counterproductive, and should be abandoned.⁴ They see it as a decaying way to dominate former colonies, impose models and values, subsidize the donors' contractors and consultants, take care of security concerns, and prop up dictators. They question the value added of international organizations like the World Bank, the International Monetary Fund, and their regional peers: What can they provide that markets or think tanks cannot? And they point to an inconvenient truth: After 50 years and some \$3 trillion in aid, more than a billion people still live in extreme poverty.

In contrast, supporters claim that this is a time not to give up, but to scale up: to go from “billions to trillions.” They can point to plenty of countries that have made or are making the transition to high- or middle-income status, from Malaysia and Poland to Peru and Botswana. They can show the value of global action on single issues like debt relief or HIV/AIDS. And while a billion people are still in extreme poverty, more than half a billion others managed to rise out of it in the past decade alone. Why quit now? Better to stay the course, double the effort, and get the job done within a generation or two.

Interestingly, both camps are right. The space for “old aid”—cookie-cutter projects and reports imposed from abroad with little local ownership—is shrinking fast. Developing countries now have direct access to funding and knowledge, either of their own or from the market. The financing that any one bilateral donor or multilateral organization can provide is not much larger than a rounding error in the gross borrowing plans of middle-income countries like Brazil, China, Colombia, India, Mexico, or South Africa. And the bread-and-butter development know-how sits on the Internet, ready to be downloaded for free. The monopoly of development finance and expertise exists no more.

This, however, does not mean the end of foreign aid. It only points to a new type of aid for which there is a booming demand. Today, developing countries, even the most advanced among them, call on external assistance if and when it can help them solve problems that they cannot solve by themselves, either at the national or global level. The calls are rarely about building schools, clinics, or ports; countries have the cash and the skills to do that by themselves. Rather, they are about making secondary school curricula more relevant to employers, regulating suppliers of health insurance, or building public-private partnership in logistics, all of which are complex problems for which there are no textbook answers. So the demand is for experiences, both good and bad, from around the world that can help these countries design and carry out reforms at home.

Agencies that can credibly distill and deliver those experiences at short notice are hotly sought after. Their funding may come into the picture not as a financial necessity, but as a vehicle to get support during implementation. The traditional donor who just offers grants for run-of-the-mill projects is still welcome—no developing country refuses a gift—but may have little impact. From the viewpoint of the recipient, the future of aid is more in ideas than in money.

The new solution-driven aid is particularly useful in dealing with global problems, many of which were not on the development agenda only a few decades ago. From environmental protection to financial stability, from money laundering to endemic conflicts, individual countries cannot make much difference on their own. They need to work together, and aid can be an effective way to push for collective action: for example, by defraying its cost to poor countries. Yes, international coordination has never been easy or rapid, but it is still the best bet we have.

THE TAKE-HOME MESSAGE

This essay has argued that, over the past 10 years or so, politics and technology have converged to make economic development and the poverty reduction that goes with it more possible for more countries than ever before.

People are holding their leaders more accountable than before and getting to know what to expect of them. There is also a broad recognition of what is necessary for economic growth to happen (or at least what derails it). Our societal attitude toward exclusion is changing—few now think that we can indefinitely ignore the pain of those who live in misery—and the sense that we can do nothing to help others abroad has proven false.

This optimistic view of the world is not without risk; disasters, natural or otherwise, could very well throw us off course. It may not apply everywhere right away; examples abound of countries zig-zagging or reversing. But the overall trends are clear.

Fortunately, the telltale signs of progress or lack of it will be quite visible. On the one hand, ushered by the United Nations, the international community has committed to monitoring 17 “Sustainable Development Goals” and over 160 “targets,” which it promises to reach by 2030. On the other hand, we will see progress—or not—in the quality of our public services; in the opportunities available for youth, women, and the disadvantaged; in the speed of environmental degradation; and in the number of economies that become success stories, especially in Africa.

But, most of all, we should see the results in the poverty headcounts. We will know soon enough whether freedom from poverty is a dream or a reality.

ENDNOTES

1. Marcelo Giugale is Senior Economic Adviser of the World Bank's Cluster of Global Practices for Equitable Growth, Finance, and Institutions and a fellow of the National Academy of Public Administration. This essay is adapted from his address at The Heritage Foundation on June 4, 2015, and is based on his book *Economic Development: What Everyone Needs to Know* (New York: Oxford University Press, 2014). The views expressed in this essay are the author's own and do not necessarily represent those of the World Bank Group, its Board of Directors, or its member countries.
2. Marcelo Giugale and Nga Thi Viet Nguyen, "Money to the People: Estimates of the Potential Scale of Direct Dividend Payments in Africa," Center for Global Development *Policy Paper* No. 043, May 2014, <http://www.cgdev.org/sites/default/files/money-people-estimates-direct-dividend-payments-africa.pdf> (accessed October 1, 2015).
3. Shantayanan Devarajan and Marcelo Giugale, "The Case for Direct Transfers of Resource Revenues in Africa," Center for Global Development *Working Paper* No. 333, July 2013, <http://www.cgdev.org/sites/default/files/direct-dividend-payments.pdf> (accessed October 1, 2015).
4. See, for example, Angus Deaton, *The Great Escape: Health, Wealth, and the Origins of Inequality* (Princeton, NJ: Princeton University Press, 2013).

Chapter 4

Out of the Shadows: Measuring Informal Economic Activity

Friedrich Schneider, PhD

As policymakers worldwide struggle with ways to improve economic freedom, a shockingly large number of people have taken matters into their own hands, operating in the informal shadow economy without regulations, taxes, or the benefits of the rule of law. Calculations of informal economic activity in 162 countries from 1999 to 2006–2007 reveal a shadow economy that, on average, is one-third the size of those countries' formal economies. According to these calculations, the estimated average size of the shadow economies as a percentage of "official" gross domestic product (GDP) is 37.6 percent in Sub-Saharan Africa; 36.4 percent in Europe and Central Asia (mostly transition countries); and 13.4 percent in high-income Organisation for Economic Co-operation and Development (OECD) countries. The tax burden, combined with labor market regulations and the quantity and quality of public goods and services, is the driving force of the shadow economy.

Why do people work in the shadow economy in countries around the world? In the official

labor market, the costs that firms (and individuals) have to pay when "officially" hiring someone have been increased tremendously by the burden of tax and social contributions on wages, as well as by the legal administrative regulations that control economic activities. In various OECD countries, these costs are much greater than the effective wages that workers earn, and this provides a strong incentive to work in the shadow economy.

Information about the size of the shadow economy is crucial for making effective and efficient decisions regarding the allocations of a country's resources, but getting accurate information about shadow economic activity in the goods and labor markets is very difficult because individuals engaged in these activities do not wish to be identified. The goal of this chapter is both to undertake the challenging task of estimating the shadow economy for 162 countries around the world and to provide some insights into the main causes of the shadow economy.

DEFINING THE SHADOW ECONOMY

A number of issues make it difficult to arrive at a precise definition of the shadow economy. According to one commonly used definition, it comprises all currently unregistered economic activities that would contribute to the officially calculated gross national product (GNP) if the activities were recorded.¹ Philip Smith defines it as “market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP.”² Put differently, one of the broadest definitions is “those economic activities and the income derived from them that circumvent or otherwise avoid government regulation, taxation or observation.”³

For the calculations in this chapter, a narrower definition is used.⁴ The shadow economy, according to this definition, includes all market-based legal production of goods and services that are deliberately concealed from public authorities for the following reasons:

1. To avoid payment of income, value-added, or other taxes;
2. To avoid payment of social security contributions;
3. To avoid having to meet certain legal labor market standards, such as minimum wages, maximum working hours, and safety standards; and
4. To avoid complying with certain administrative obligations, such as completing statistical questionnaires or other administrative forms.

MEASURING THE SHADOW ECONOMY⁵

The definition of the shadow economy plays an important role in assessing its size. Having a clear definition makes it possible to avoid a number of ambiguities and controversies.

In general, there are two types of shadow economic activities: illicit employment and goods and services produced in the household that are mostly consumed within the household.⁶ The following analysis focuses on both types but tries to exclude illegal activities such as drug production, crime, and human trafficking.

The produced-in-the-household goods and services not normally counted in national income accounts (for example, schooling and child care) are not part of this analysis. Thus, it focuses only on productive economic activities that would normally be included in the national accounts but remain underground as a result of tax or regulatory burdens.⁷ Such legal activities contribute to the country’s value added but are not captured in the national accounts because they are produced in illicit ways (for example, by people without proper qualification or without a master craftsman’s certificate).

Although the issue of the shadow economy has been investigated for a long time, the discussion regarding the “appropriate” methodology to assess its scope is ongoing.⁸ There are three methods of assessment:

1. Direct procedures at a micro level, such as the survey method, that aim at determining the size of the shadow economy at one particular point in time;
2. Indirect procedures that make use of macroeconomic indicators in order to proxy the development of the shadow economy over time; and
3. Statistical models that use statistical tools to estimate the shadow economy as an “unobserved” variable.

Today, estimation of the shadow economy is based in many cases on a Multiple Indicator-Multiple Causes (MIMIC) procedure, often in combination with measurements of the demand for currency beyond that required for the formal economy, or the use of only the currency demand method.⁹ The MIMIC procedure assumes that the shadow economy remains an unobserved phenomenon (latent variable) that can be estimated using quantitatively measurable causes of illicit employment, such as tax burden and regulation intensity, and indicators reflecting illicit activities, such as currency demand, official GDP, and official working time. A disadvantage of the MIMIC procedure is that it produces only relative estimates of the size and development of the shadow economy. Thus, the currency

demand method¹⁰ is used to convert the relative into absolute estimates (for example, in percent of GDP) by using two or three indicators of the absolute size of the economy.

DRIVING FACTORS OF THE SHADOW ECONOMY

Given this method, the following are assumed to be important determinants of the shadow economy.

Tax and Social Security Contribution Burdens. A number of studies show that the overall tax and social security contribution burdens are among the main causes for the existence of the shadow economy.¹¹ The bigger the difference between the total cost of labor in the official economy and the after-tax earnings from work, the greater is the incentive to avoid this difference by working in the shadow economy.

The concrete measurement of the tax and social security contribution burdens is not easy to define, because the tax and social security systems differ significantly from country to country. In order to have some general comparable proxies, the following variables are used:

- Indirect taxes as a proportion of total overall taxation (positive sign expected).
- Share of direct taxes (direct taxes as proportion of overall taxation; positive sign expected).
- Size of government (general government final consumption expenditures in percent of GDP, which includes all government current expenditures for purchases of goods and services; positive sign expected).
- The fiscal freedom subcomponent of this *Index*, which measures the overall fiscal burden on an economy and the top tax rates on individual and corporate income. The index ranges from 0 to 100, where 0 is the least fiscal freedom and 100 is the maximum (negative sign expected).

Intensity of Regulations. Increased intensity of regulations is another important factor that reduces the freedom of choice for individuals engaged in the official economy. One can think of labor market regulations such as minimum wages or dismissal protections, trade bar-

riers such as import quotas, and labor market restrictions for foreigners such as restrictions regarding the free movement of foreign workers. Studies by Simon Johnson, Daniel Kaufmann, Andrei Shleifer, and Pablo Zoido-Lobaton have found significant overall empirical evidence of the influence of (labor) regulations on the shadow economy.¹²

To measure the intensity of regulation or the impact of regulation on the decision of whether to work in the official or unofficial economy is a difficult task, and the following variables are used:

- The business freedom subcomponent of this *Index*, which measures the time and effort required to pursue business activity. Scores range from 0 to 100, where 0 is the least business freedom and 100 is the maximum (negative sign expected).
- The comprehensive economic freedom scores in this *Index*, which range from 0 to 100, where 0 is the least economic freedom and 100 is the maximum (negative sign expected).
- Regulatory quality, based on the World Bank's regulatory quality index, which includes measures of the incidents of market-unfriendly policies, such as price controls or inadequate bank supervision, and perceptions of the burdens imposed by excessive regulation in such areas as foreign trade and business development. Scores range between -2.5 and +2.5, with higher scores corresponding to better outcomes (negative sign expected).

Public-Sector Services. An increase of the shadow economy can lead to reduced public revenue, which in turn reduces the quality and quantity of publicly provided goods and services. Ultimately, this can lead to an increase in the tax rates for firms and individuals in the official sector, quite often combined with a deterioration in the quality of public goods (such as the public infrastructure) and of public administration, with the consequence of even stronger incentives to participate in the shadow economy.

To capture this effect, the following variable is used:

MIMIC Model Estimation Results

	Specification 1 98 Developing Countries (1994–2006)	Specification 2 21 Transition Countries (1994–2006)	Specification 3 25 High-Income OECD Countries (1996–2006)	Specification 4 151 Countries (1996–2007)	Specification 5 120 Countries (1996–2006)
Independent Variables					
Causal Variables					
Size of government	0.14 (5.97)***	0.18 (3.49)***		0.05 (2.64)***	0.10 (3.77)***
Share of direct taxation					0.05 (2.39)**
Total tax burden			0.05 (2.05)**		
Fiscal freedom	-0.06 (2.90)***	-0.08 (1.68)*	-0.07 (2.84)***		-0.04 (2.08)**
Business freedom	-0.05 (2.18)**		-0.23 (5.93)***		-0.04 (1.84)*
Economic freedom		-0.09 (1.91)*			
Unemployment rate	0.01 (0.67)	0.08 (1.84)*	0.05 (1.89)*	0.04 (2.08)**	0.02 (0.89)
GDP per capita	-0.27 (8.79)***			-0.38 (15.89)***	-0.33 (9.15)***
Regulatory quality			-0.21 (5.45)***		
Government effectiveness				-0.05 (2.64)***	-0.04 (2.11)**
Openness		-0.15 (2.47)**			
Inflation rate		0.22 (2.83)***			
Indicator Variables					
Growth rate of GDP per capita	-1.01 (7.88)***	-0.76 (4.41)***	-1.52 (6.71)***	-0.79 (10.93)***	-0.99 (8.42)***
GDP per capita					
Labor force participation rate	0.05 (0.59)		-1.11 (5.45)***		
Growth rate of labor force		-0.83 (3.90)***		-0.19 (3.15)***	-0.16 (1.76)*
Currency	1	1	1	1	1
Statistical Tests					
RMSEA (p-value)	0.03 (0.99)	0.00 (1.00)	0.00 (0.88)	0.03 (1.00)	0.02 (1.00)
Chi-square (p-value)	38.70 (0.00)	17.75 (0.91)	17.74 (0.60)	29.95 (0.00)	51.82 (0.03)
AGFI	0.98	0.97	0.95	0.99	0.98
Degrees of freedom	20	27	20	13	35
Number of observations	1045	213	145	1563	942

Significance level: *** 1 percent ** 5 percent * 10 percent

Notes: Absolute z-statistics are in parentheses. All variables are used as their standardized deviations from mean. According to the MIMIC models identification rule, one indicator has to be fixed to a prior value; we have consistently chosen the currency variable. The degrees of freedom are determined by $0.5(p + q)(p + q + 1) - t$, where p = number of indicators, q = number of causes, and t = the number of free parameters.

Source: Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, "Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007," World Bank Policy Research Working Paper No. 5356, July 2010, <https://openknowledge.worldbank.org/bitstream/handle/10986/3928/WPS5356.pdf> (accessed December 15, 2015).

Table 1  heritage.org

- Government effectiveness from the World Bank's Worldwide Governance Indicators, which captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of government's commitment to such policies. The scores of this index lie between -2.5 and +2.5, with higher scores corresponding to better outcomes (negative sign expected).

Official Economy. As has been shown in a number of studies, the vitality of the official economy also plays a crucial role in the decision to work or not to work in the shadow economy.¹³ In a booming official economy, people have a lot of opportunities to earn a good salary and "extra money" in the official economy. This is not the case in an economy facing a recession, and more people try to compensate for their losses of income from the official economy through additional shadow economic activities. In order to capture this, the following variables are used:

- GDP per capita, based on Purchasing Power Parity (PPP) measured in constant 2005 US\$ (negative sign expected).
- Unemployment rate, defined as total unemployment in percent of the total labor force (positive sign expected).
- Inflation rate, with inflation measured by the annual growth rate of the GDP implicit deflator, showing the rate of price changes in the economy as a whole (positive sign expected).
- Openness, which corresponds to trade in percent of GDP. Trade is the sum of exports and imports of goods and services, measured as a share of GDP (negative sign expected).

Because the shadow economy cannot be measured directly, indicators that reflect shadow economic activities are used.

Monetary Indicators. Given that people who engage in shadow economy transactions do not want to leave traces, they conduct these activities in cash. Hence, most shadow economic activities are reflected in an additional use of

cash (or currency). To take this into account, the following indicator is used:

- Currency / M1 or M2, which corresponds to the currency outside the banks as a proportion of M1 or M2.

Labor Market Indicators. Shadow economic activities are also reflected in labor market indicators. Two indicators are used:

- Labor force participation rate, which is a proportion of the population that is economically active.
- Growth rate of the total labor force, defined as people 15 years old and older who meet the International Labour Organization's definition of the economically active population.¹⁴

State of the Official Economy. Finally, shadow economic activities are reflected in the state of the official economy. For this reason, two indicators are included:

- GDP per capita, which is gross domestic product converted to international dollars using Purchasing Power Parity rates, divided by the population.
- Growth rate of GDP per capita.

SIZE OF THE SHADOW ECONOMY FOR 162 COUNTRIES¹⁵

Econometric Analysis. The ideal situation for econometric analysis of the shadow economy would be to have a large data set available for all countries over the total period from 1996 through 2007. Unfortunately, that is not the case. Table 1 presents five different estimates for different groups of countries using a variety of the variables listed above in order to investigate which variables turn out to be significant. Particular emphasis was placed on the use of subsamples of countries for which more and different causal variables are available.

The estimation results for the 98 developing countries over the period 1994 to 2006 are shown in Specification 1. All estimated coefficients of the causal variables have the theoretically

expected signs. Except for the unemployment rate, all other causal variables are statistically significant, at least at the 90 percent confidence level. The share of direct taxation and the size of government are highly statistically significant, as are the fiscal freedom and business freedom variables. GDP per capita is highly statistically significant in both equations with the expected negative sign. If one turns to the indicator variables, the labor force participation rate and the growth rate of GDP per capita are highly statistically significant in both equations.

In Specification 2, the MIMIC estimation result is shown for the 21 Eastern European and Central Asian (mostly former transition) countries over the period 1994 to 2006. The size of government and fiscal freedom variables (both capturing the overall state burden on the economy) are highly statistically significant and have the expected signs. Turning to regulation, the economic freedom variable has the expected negative significant sign. As these countries experienced periods of high inflation, the inflation rate is included and has the expected positive, highly significant sign. The openness variable, modelling in a certain way the transition process, is also statistically significant. Considering the indicator variables, the growth rate of the total labor force is statistically significant, as is the growth rate of GDP per capita.

In Specification 3, the estimation results for the 25 high-income OECD countries are shown over the period 1996 to 2006. The two variables capturing government burden (total tax burden and fiscal freedom) are highly statistically significant and have the expected sign. The unemployment rate has the expected sign and is, at the 95 percent confidence level, statistically significant. The two variables capturing the regulatory burden (business freedom and regulatory quality) have the expected signs and are highly statistically significant. Turning to the indicator variables, the labor force participation rate and currency (ratio of M0 over M2) are both highly statistically significant.

Specifications 4 and 5 present two estimations of 151 and 120 countries. In Specification 4, the results of 151 countries estimated over the

period 1996 to 2007 are presented. Turning first to the causal variables, the size of government has the expected positive sign and is highly statistically significant. The same holds for the two variables that describe the state of the economy: the unemployment variable, statistically significant with a positive sign, and GDP per capita, which is highly statistically significant with the expected negative sign. Turning to the indicator variables, the growth rate of GDP per capita and the labor force participation rate have the expected signs and are highly statistically significant.

If one reduces this sample to 120 countries, one can include more causal variables, and the results are presented in Specification 5. Three variables capture the burden of taxation (in a wide sense): the size of government, fiscal freedom, and share of direct taxation. All three have the expected signs and are statistically significant. For the regulatory variables, business freedom and government effectiveness again have the expected negative signs and are statistically significant. For the state of the economy, the unemployment rate is not statistically significant, but GDP per capita is statistically significant with the expected negative sign. For the indicators, the currency (M0 over M1), the labor force participation rate, and GDP per capita are statistically significant and show the expected signs.

Size of the Shadow Economies for 162 Countries from 1999 through 2007. The estimated MIMIC coefficients can only be used to determine relative estimated sizes of the shadow economy, which describe the pattern of the shadow economy in a particular country over time. In order to calculate the size and trend of the shadow economy in currency units or in percent of GDP, the MIMIC index has to be converted into “real world” figures. This final step requires an additional benchmarking or calibration procedure.¹⁶

When showing the size of the shadow economies for countries that are quite different in location and state of development, one should be aware that such country comparisons give only a rough picture of the ranking of the size of the shadow economy in these countries and over time, because both the MIMIC procedure

Average Informality by World Bank's Regions

Region (Abbreviation)	Mean	Median	Minimum	Maximum	Standard Deviation
East Asia and Pacific (EAP)	32.3	32.4	12.7	50.6	13.3
Europe and Central Asia (ECA)	38.9	39.0	18.1	65.8	10.9
Latin America and the Caribbean (LAC)	41.1	38.8	19.3	66.1	12.3
Middle East and North Africa (MENA)	28.0	32.5	18.3	37.2	7.8
High-Income OECD (OECD)	17.1	15.8	8.5	28.0	6.1
Other High Income (OHIE)	23.0	25.0	12.4	33.4	7.0
South Asia (SAS)	33.2	35.3	22.2	43.9	7.0
Sub-Saharan Africa (SSA)	40.2	40.6	18.4	61.8	8.3
World	33.0	33.5	8.5	66.1	12.8

Source: Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, "Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007," *World Bank Policy Research Working Paper No. 5356*, July 2010, <https://openknowledge.worldbank.org/bitstream/handle/10986/3928/WPS5356.pdf> (accessed December 15, 2015).

Table 2  heritage.org

and the currency demand methods have shortcomings.¹⁷ The Appendix (on pp. 43–46) shows the development of the shadow economy in 162 countries from 1999 through 2007.

In Table 2, the average informality in different regions is shown using the regions defined by the World Bank over the period from 1999 through 2007. The World Bank distinguishes eight world regions: East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, High Income OECD, Other High Income, South Asia, and Sub-Saharan Africa. If we consider Table 2, where the average informality is shown, we see that Latin America and the Caribbean have the highest value of the shadow economies (41.1 percent), followed by Sub-Saharan Africa (40.2 percent) and then Europe and Central Asia (38.9 percent). The lowest value is found among the High Income OECD countries (17.1 percent).

One of the most interesting trends in the data is the overall reduction in the size of the shadow economy over time. Chart 1 shows the size and development of the shadow economy of various country groups (averages by the official GDP of 2005) over 1999, 2003, and 2007. One sees clearly that for all country groups (25 OECD countries, 112 developing

countries, 25 transition countries), there is a decrease in the size of the shadow economy. The average size of the shadow economies of the 162 countries was 34.0 percent of official GDP (unweighted measure) in 1999 and decreased to 31.2 percent of official GDP in 2007. This is a decrease of almost 3.0 percentage points over nine years.

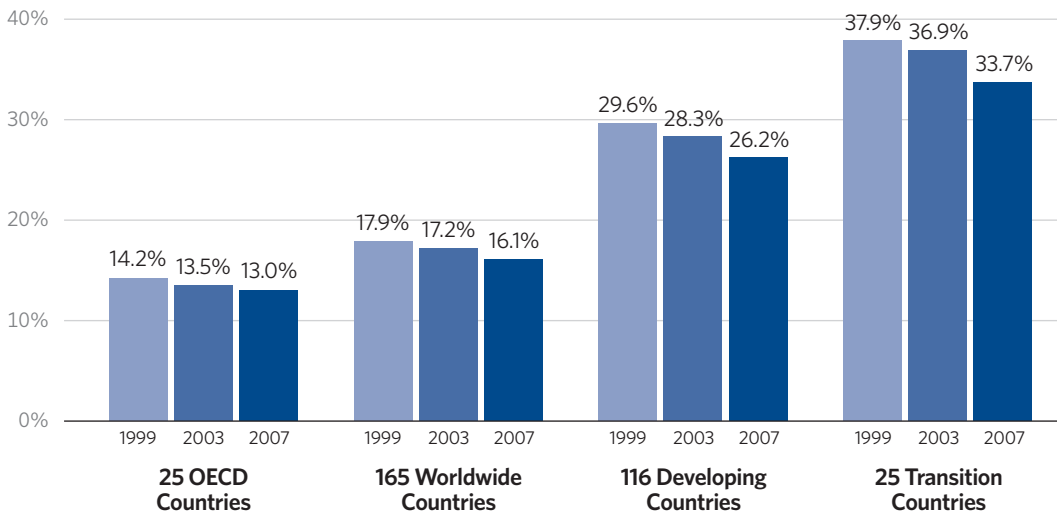
Interestingly, over this same period, average economic freedom for the world as a whole, as measured by this *Index*, grew almost 3 points. The regional results for the size of the shadow economy also track closely with the regional breakdown of economic freedom scores. Africa has the lowest economic freedom scores and the largest shadow economy. Economic freedom is highest in the OECD countries, which have the smallest shadow economies. The growth of economic freedom, with its positive impact on the growth rate of the official economy and formal employment opportunities, would seem to be the most efficient means to reduce the shadow economy.

SUMMARY AND CONCLUSIONS

This chapter provides estimates of the size of the shadow economies for 162 countries over the period 1999 through 2007 using the MIMIC procedure for the econometric estimation and

Size and Development of the Shadow Economy

Percent of Total Official GDP, by Group



Source: Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, "Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007," *World Bank Policy Research Working Paper No. 5356*, July 2010, <https://openknowledge.worldbank.org/bitstream/handle/10986/3928/WPS5356.pdf> (accessed December 15, 2015).

Chart 1 heritage.org

a benchmarking procedure for calibrating the estimated MIMIC into absolute values of the size of the shadow economy. The new knowledge and insights gained with respect to the size and trend of the shadow economy of 162 countries lead to three conclusions:

- For all countries investigated, the shadow economy has reached a large size, with an unweighted average value of 33.0 percent of official GDP for the 162 countries from 1999 through 2007. Equally important, however, is the clear negative trend of the size of the shadow economy over time. The unweighted average size of the shadow economies of all 162 countries (developing, Eastern European, and Central Asian and high-income OECD countries) decreased from 34.0 percent of official GDP in 1999 to 31.2 percent of official GDP in 2007.
- Shadow economies are a complex phenomenon that is present to an important extent in all types of economies (developing,

transition, and highly developed). People engage in shadow economic activities for a variety of reasons. Among the most important are government actions, most notably taxation and regulation.

- There are regional disparities in the level of informality but obvious regional clusters. At the top level of informality, we find Sub-Saharan Africa; at the lowest level of informality, we find the OECD countries.

Considering these three conclusions, it is obvious that one of the big challenges for every government is to undertake efficient incentive-oriented policy measures to make work in the shadow economy less attractive and work in the official economy more attractive. Successful implementation of such policies, including those highlighted in this *Index* as likely to increase economic freedom, could lead to stabilization or even reduction of the size of the shadow economy.

APPENDIX

Size of the Shadow Economy (% of GDP)

Countries are listed alphabetically

No.	Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	Avg.
1	Albania	35.7	35.3	34.9	34.7	34.4	33.9	33.7	33.3	32.9	34.3
2	Algeria	34.2	34.1	33.8	33.3	32.5	31.7	31.1	31.0	31.2	32.5
3	Angola	48.8	48.8	48.4	47.4	47.3	47.1	45.0	44.0	42.1	46.5
4	Argentina	25.2	25.4	26.1	27.6	26.4	25.5	24.7	23.8	23.0	25.3
5	Armenia	46.6	46.3	45.4	44.5	43.9	43.6	42.7	42.1	41.1	44.0
6	Australia	14.4	14.3	14.3	14.1	13.9	13.7	13.7	13.7	13.5	14.0
7	Austria	10.0	9.8	9.7	9.8	9.8	9.8	9.8	9.6	9.5	9.8
8	Azerbaijan	61.0	60.6	60.3	60.0	59.1	58.6	56.7	54.0	52.0	58.0
9	The Bahamas	26.3	26.2	26.4	26.5	27.0	27.4	26.7	26.2	26.2	26.5
10	Bahrain	18.6	18.4	18.2	18.0	17.8	17.4	17.1	—	—	17.9
11	Bangladesh	36.0	35.6	35.5	35.7	35.6	35.5	35.1	34.5	34.1	35.3
12	Belarus	48.3	48.1	47.9	47.6	47.0	46.1	45.2	44.2	43.3	46.4
13	Belgium	22.7	22.2	22.1	22.0	22.0	21.8	21.8	21.4	21.3	21.9
14	Belize	45.2	43.8	43.3	43.4	42.3	42.0	42.1	41.7	42.0	42.9
15	Benin	51.2	50.2	49.8	49.6	49.3	49.5	49.8	49.6	49.1	49.8
16	Bhutan	29.6	29.4	29.2	29.1	28.7	28.7	28.3	28.2	27.7	28.8
17	Bolivia	67.0	67.1	67.6	67.7	67.7	66.9	64.3	62.8	63.5	66.1
18	Bosnia & Herzegovina	34.3	34.1	34.0	33.9	33.5	33.6	33.2	32.9	32.8	33.6
19	Botswana	33.9	33.4	33.2	33.3	33.0	32.8	32.7	32.3	31.9	32.9
20	Brazil	40.8	39.8	39.9	39.9	39.6	38.6	38.4	37.8	36.6	39.0
21	Brunei Darussalam	31.3	31.1	31.0	30.2	29.9	31.2	31.8	30.8	31.2	30.9
22	Bulgaria	37.3	36.9	36.6	36.1	35.6	34.9	34.1	33.5	32.7	35.3
23	Burkina Faso	41.3	41.4	41.3	41.4	40.3	40.1	39.7	39.7	39.6	40.5
24	Burundi	39.1	39.5	39.6	39.4	39.6	39.6	39.7	39.6	39.6	39.5
25	Cambodia	50.4	50.1	49.6	50.0	49.2	48.8	47.8	46.8	46.0	48.7
26	Cameroon	33.3	32.8	32.4	32.1	31.7	31.6	31.6	31.4	31.4	32.0
27	Canada	16.3	16.0	15.9	15.8	15.7	15.6	15.5	15.3	15.3	15.7
28	Cape Verde	36.5	36.1	35.9	35.9	35.7	35.8	35.4	34.1	33.4	35.4
29	Central African Republic	42.8	42.6	43.1	44.0	46.9	47.3	46.9	45.9	45.1	45.0
30	Chad	45.8	46.2	45.5	45.1	44.2	41.5	41.1	41.7	42.2	43.7
31	Chile	19.9	19.8	19.6	19.6	19.4	19.1	18.9	18.7	18.5	19.3
32	China	13.2	13.1	13.0	12.9	12.8	12.6	12.5	12.2	11.9	12.7
33	Colombia	39.4	39.1	38.9	38.9	37.9	37.1	36.1	35.1	33.5	37.3
34	Comoros	39.3	39.6	39.0	37.7	37.6	39.0	38.0	38.4	39.4	38.7
35	Congo, Dem. Rep.	47.2	48.0	48.2	48.1	47.1	46.9	46.8	46.8	46.7	47.3
36	Congo, Rep.	49.5	48.2	47.2	46.8	46.8	46.2	44.7	43.3	44.6	46.4
37	Costa Rica	26.1	26.2	26.4	26.4	26.1	25.9	25.6	25.0	24.0	25.7
38	Côte d'Ivoire	41.4	43.2	44.3	45.5	46.0	46.1	46.3	46.8	47.0	45.2
39	Croatia	33.8	33.4	33.2	32.6	32.1	31.7	31.3	30.8	30.4	32.1
40	Cyprus	29.2	28.7	28.2	27.8	28.2	28.1	27.7	27.3	26.5	28.0
41	Czech Republic	19.3	19.1	18.9	18.8	18.7	18.4	17.8	17.3	17.0	18.4
42	Denmark	18.4	18.0	18.0	18.0	18.0	17.8	17.6	17.0	16.9	17.7
43	Dominican Republic	32.4	32.1	32.4	32.1	32.1	32.4	31.7	31.0	30.5	31.9
44	Ecuador	34.2	34.4	33.7	33.3	32.8	31.6	30.8	30.4	30.4	32.4
45	Egypt	35.5	35.1	35.2	35.7	35.4	35.0	34.8	34.1	33.1	34.9

Size of the Shadow Economy (% of GDP)

Countries are listed alphabetically

No.	Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	Avg.
46	El Salvador	46.5	46.3	46.2	45.6	45.2	44.9	44.5	43.8	43.0	45.1
47	Equatorial Guinea	32.7	32.8	32.0	31.5	31.2	30.8	30.5	30.6	30.1	31.4
48	Eritrea	38.1	40.3	39.4	39.4	40.3	40.6	40.5	41.2	41.4	40.1
49	Estonia	—	32.7	32.4	32.0	31.4	31.1	30.5	29.8	29.5	31.2
50	Ethiopia	40.6	40.3	39.5	39.6	40.1	38.6	37.7	36.3	35.1	38.6
51	Fiji	32.9	33.6	33.3	32.6	32.5	31.9	31.4	31.0	32.6	32.4
52	Finland	18.4	18.1	17.9	17.8	17.7	17.6	17.4	17.1	17.0	17.7
53	France	15.7	15.2	15.0	15.1	15.0	14.9	14.8	14.8	14.7	15.0
54	Gabon	46.2	48.0	47.4	47.6	47.5	48.0	47.7	48.0	47.3	47.5
55	The Gambia	46.1	45.1	44.7	47.1	45.4	43.8	43.6	42.4	40.9	44.3
56	Georgia	68.3	67.3	67.2	67.2	65.9	65.5	65.1	63.6	62.1	65.8
57	Germany	16.4	16.0	15.9	16.1	16.3	16.1	16.0	15.6	15.3	16.0
58	Ghana	42.0	41.9	41.8	41.6	41.3	40.9	39.5	38.6	38.3	40.7
59	Greece	28.5	28.7	28.2	28.0	27.4	27.1	26.9	26.4	26.5	27.5
60	Guatemala	51.6	51.5	51.6	51.2	50.7	50.5	50.2	49.0	47.9	50.5
61	Guinea	39.7	39.6	39.3	38.7	38.8	38.5	38.4	38.9	39.2	39.0
62	Guinea-Bissau	40.4	39.6	39.6	40.7	41.5	41.9	41.7	41.5	41.6	40.9
63	Guyana	33.4	33.6	33.3	33.7	33.9	33.4	34.3	33.8	34.0	33.7
64	Haiti	54.8	55.4	56.1	56.5	56.4	57.4	57.1	57.0	57.1	56.4
65	Honduras	50.3	49.6	49.7	49.6	48.9	48.3	47.3	46.1	45.1	48.3
66	Hong Kong	17.0	16.6	16.6	16.6	16.4	15.9	15.5	15.0	14.7	16.0
67	Hungary	25.4	25.1	24.8	24.5	24.4	24.1	24.0	23.7	23.7	24.4
68	Iceland	16.0	15.9	15.8	16.0	15.9	15.5	15.1	15.0	15.0	15.6
69	India	23.2	23.1	22.8	22.6	22.3	22.0	21.7	21.2	20.7	22.2
70	Indonesia	19.7	19.4	19.4	19.3	19.1	18.8	18.6	18.3	17.9	18.9
71	Iran	19.1	18.9	19.0	18.7	18.2	17.9	18.1	17.7	17.3	18.3
72	Ireland	16.1	15.9	15.9	15.9	16.0	15.8	15.6	15.5	15.4	15.8
73	Israel	22.7	21.9	22.3	22.7	22.7	22.1	21.8	21.2	20.7	22.0
74	Italy	27.8	27.1	26.7	26.8	27.0	27.0	27.1	26.9	26.8	27.0
75	Jamaica	36.4	36.4	36.2	36.2	34.4	33.9	34.0	32.9	32.5	34.8
76	Japan	11.4	11.2	11.2	11.3	11.2	10.9	10.7	10.4	10.3	11.0
77	Jordan	19.4	19.4	19.2	18.9	18.7	18.3	18.0	17.5	17.2	18.5
78	Kazakhstan	43.8	43.2	42.5	42.0	41.1	40.6	39.8	38.9	38.4	41.1
79	Kenya	33.7	34.3	34.0	34.8	34.6	33.7	32.7	31.1	29.5	33.2
80	Korea, Rep.	28.3	27.5	27.3	26.9	26.8	26.5	26.3	25.9	25.6	26.8
81	Kuwait	20.1	20.1	20.2	20.3	19.3	18.8	18.1	17.9	—	19.4
82	Kyrgyz Republic	41.4	41.2	40.8	41.4	40.5	39.8	40.1	39.8	38.8	40.4
83	Laos	30.9	30.6	30.2	30.0	29.8	29.4	28.9	28.4	28.0	29.6
84	Latvia	30.8	30.5	30.1	29.8	29.4	29.0	28.4	27.7	27.2	29.2
85	Lebanon	34.1	34.1	33.7	33.5	33.2	32.4	32.4	32.8	32.0	33.1
86	Lesotho	31.7	31.3	31.1	31.0	30.7	30.1	30.2	29.3	28.8	30.5
87	Liberia	44.2	43.2	43.2	43.1	45.0	45.4	44.9	44.5	44.2	44.2
88	Libya	34.7	35.1	34.5	33.8	34.9	33.9	33.1	32.0	30.9	33.7
89	Lithuania	33.8	33.7	33.3	32.8	32.0	31.7	31.0	30.4	29.7	32.0
90	Luxembourg	10.0	9.8	9.8	9.8	9.8	9.8	9.7	9.6	9.4	9.7
91	Macao	13.3	13.1	13.0	12.9	12.5	12.1	11.9	11.7	11.1	12.4
92	Macedonia	39.0	38.2	39.1	38.9	38.4	37.4	36.9	36.0	34.9	37.6
93	Madagascar	40.1	39.6	38.7	44.8	43.4	41.6	40.8	39.8	38.5	40.8
94	Malawi	39.9	40.3	42.5	44.4	43.4	42.5	42.6	41.3	39.4	41.8
95	Malaysia	32.2	31.1	31.6	31.5	31.2	30.7	30.4	30.0	29.6	30.9

Size of the Shadow Economy (% of GDP)

Countries are listed alphabetically

No.	Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	Avg.
96	Maldives	30.3	30.3	30.0	29.4	29.2	28.9	29.6	29.3	28.6	29.5
97	Mali	42.5	42.3	40.8	40.2	39.9	40.6	40.1	39.9	39.9	40.7
98	Malta	27.4	27.1	27.3	27.3	27.5	27.6	27.3	27.0	26.5	27.2
99	Mauritania	35.5	36.1	36.0	35.8	35.8	35.1	34.4	31.7	—	35.1
100	Mauritius	23.3	23.1	22.9	23.0	22.7	22.4	22.4	22.2	21.9	22.7
101	Mexico	30.8	30.1	30.3	30.4	30.5	30.1	29.9	29.2	28.8	30.0
102	Moldova	45.6	45.1	44.1	44.5	44.6	44.0	43.4	44.3	—	44.5
103	Mongolia	18.4	18.4	18.3	18.0	17.7	17.4	17.1	16.7	16.4	17.6
104	Morocco	36.5	36.4	35.7	35.5	35.0	34.2	34.9	33.1	33.1	34.9
105	Mozambique	41.1	40.3	40.4	39.8	39.8	39.7	38.9	38.6	—	39.8
106	Myanmar	51.6	52.6	51.5	50.7	49.0	49.1	47.8	—	—	50.3
107	Namibia	31.4	31.4	31.2	31.3	30.7	29.7	29.6	28.8	28.5	30.3
108	Nepal	37.2	36.8	36.7	37.1	36.9	36.8	36.7	36.3	36.0	36.7
109	Netherlands	13.3	13.1	13.1	13.2	13.3	13.2	13.2	13.2	13.0	13.2
110	New Zealand	13.0	12.8	12.6	12.4	12.2	12.0	12.1	12.1	12.0	12.4
111	Nicaragua	45.7	45.2	45.3	45.5	45.0	44.2	43.8	43.5	43.1	44.6
112	Niger	41.7	41.9	40.9	40.3	39.7	40.7	39.7	38.6	—	40.4
113	Nigeria	58.0	57.9	57.8	57.6	56.3	55.1	53.8	53.0	—	56.2
114	Norway	19.2	19.1	19.0	19.0	19.0	18.5	18.5	18.2	18.0	18.7
115	Oman	19.1	18.9	18.5	18.5	18.4	18.3	18.0	17.6	—	18.4
116	Pakistan	37.0	36.8	37.0	36.8	36.2	35.3	34.9	33.8	33.6	35.7
117	Panama	64.8	64.1	64.7	65.1	64.4	63.5	61.7	60.0	—	63.5
118	Papua New Guinea	35.5	36.1	36.8	37.1	37.1	37.0	37.2	37.1	36.5	36.7
119	Paraguay	38.0	39.8	39.7	40.1	39.1	38.3	38.2	37.4	—	38.8
120	Peru	60.1	59.9	60.2	59.1	58.6	57.9	57.2	55.7	53.7	58.0
121	Philippines	43.8	43.3	43.0	42.5	42.0	41.6	40.1	39.5	38.3	41.6
122	Poland	27.7	27.6	27.7	27.7	27.5	27.3	26.9	26.4	26.0	27.2
123	Portugal	23.0	22.7	22.6	22.7	23.0	23.1	23.3	23.2	23.0	23.0
124	Qatar	—	19.0	19.3	19.0	19.6	17.4	18.4	—	—	14.1
125	Romania	34.3	34.4	33.7	33.5	32.8	32.0	31.7	30.7	30.2	32.6
126	Russia	47.0	46.1	45.3	44.5	43.6	43.0	42.4	41.7	40.6	43.8
127	Rwanda	40.5	40.3	40.6	39.9	40.7	40.2	39.3	39.1	—	40.1
128	Saudi Arabia	18.7	18.4	18.7	19.2	18.3	17.7	17.4	17.4	16.8	18.1
129	Senegal	45.0	45.1	44.5	45.1	44.4	43.2	42.3	42.4	41.7	43.7
130	Sierra Leone	48.6	48.6	47.6	45.4	44.8	44.4	44.3	43.6	42.9	45.6
131	Singapore	13.3	13.1	13.3	13.3	13.1	12.8	12.7	12.4	12.2	12.9
132	Slovak Republic	18.9	18.9	18.8	18.6	18.3	18.1	17.6	17.2	16.8	18.1
133	Slovenia	27.3	27.1	26.7	26.6	26.4	26.2	25.8	25.3	24.7	26.2
134	Solomon Islands	31.7	33.4	34.5	34.8	34.7	33.8	33.4	33.2	32.7	33.6
135	South Africa	28.4	28.4	28.4	28.0	27.8	27.1	26.5	26.0	25.2	27.3
136	Spain	23.0	22.7	22.4	22.4	22.4	22.5	22.4	22.4	22.2	22.5
137	Sri Lanka	45.2	44.6	44.6	44.1	43.8	43.9	43.4	42.9	42.2	43.9
138	Sudan	34.1	—	—	—	—	—	—	—	—	34.1
139	Suriname	39.7	39.8	39.3	38.9	38.1	36.9	36.5	35.9	35.1	37.8
140	Swaziland	43.5	41.4	41.3	40.9	40.2	40.1	39.3	38.9	—	40.7
141	Sweden	19.6	19.2	19.1	19.0	18.7	18.5	18.6	18.2	17.9	18.8
142	Switzerland	8.8	8.6	8.6	8.6	8.8	8.6	8.5	8.3	8.1	8.5
143	Syria	19.3	19.3	19.2	19.1	19.3	19.1	19.0	18.7	18.5	19.1
144	Taiwan	25.7	25.4	25.7	25.4	25.2	24.7	24.5	24.2	23.9	25.0
145	Tajikistan	43.5	43.2	42.9	42.7	42.1	41.7	41.5	41.2	41.0	42.2

Size of the Shadow Economy (% of GDP)

Countries are listed alphabetically

No.	Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	Avg.
146	Tanzania	58.6	58.3	57.7	56.9	56.6	56.0	55.4	54.7	53.7	56.4
147	Thailand	53.4	52.6	52.4	51.5	50.2	49.6	49.0	48.5	48.2	50.6
148	Togo	34.4	35.1	35.4	34.5	34.9	35.0	35.0	34.6	—	34.9
149	Trinidad and Tobago	34.7	34.4	34.3	34.4	33.4	33.1	32.9	31.9	31.5	33.4
150	Tunisia	38.7	38.4	37.8	37.8	37.4	36.9	36.7	35.9	35.4	37.2
151	Turkey	32.7	32.1	32.8	32.4	31.8	31.0	30.0	29.5	29.1	31.3
152	Uganda	43.5	43.1	42.9	42.9	42.5	42.4	42.2	41.0	40.3	42.3
153	Ukraine	52.7	52.2	51.4	50.8	49.7	48.8	47.8	47.3	46.8	49.7
154	United Arab Emirates	26.3	26.4	27.0	27.4	26.3	25.4	24.8	23.5	—	25.9
155	United Kingdom	12.8	12.7	12.6	12.6	12.5	12.4	12.4	12.3	12.2	12.5
156	United States	8.8	8.7	8.8	8.8	8.7	8.6	8.5	8.4	8.4	8.6
157	Uruguay	50.5	51.1	51.7	54.0	53.6	51.1	49.2	48.5	46.1	50.6
158	Venezuela	33.8	33.6	33.5	35.5	36.9	34.9	33.5	32.0	30.9	33.8
159	Vietnam	15.8	15.6	15.5	15.3	15.2	15.1	14.7	14.6	14.4	15.1
160	Yemen	27.7	27.4	27.3	27.2	27.0	27.0	26.6	26.8	26.8	27.1
161	Zambia	49.3	48.9	48.3	48.1	47.5	46.8	46.3	45.0	43.9	47.1
162	Zimbabwe	59.6	59.4	61.5	62.8	63.7	62.3	62.0	62.3	62.7	61.8
	Time Average	34.0	33.7	33.6	33.6	33.3	32.9	32.5	32.1	31.2	

Source: Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, "Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007," *World Bank Policy Research Working Paper No. 5356*, July 2010, pp. 45–47, <https://openknowledge.worldbank.org/bitstream/handle/10986/3928/WPS5356.pdf> (accessed December 15, 2015).

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ENDNOTES

1. This definition is used, for example, in Edward L. Feige, *The Underground Economies: Tax Evasion and Information Distortion* (Cambridge, UK: Cambridge University Press, 1989); Edward L. Feige, "The Underground Economy and the Currency Enigma," Proceedings of the 49th Congress of the International Institute of Public Finance/Institut International de Finances Publiques, Berlin, 1993, Supplement to *Public Finance/Finances Publiques*, Vol. 49 (1994), pp. 119–136; Friedrich Schneider, "Measuring the Size and Development of the Shadow Economy: Can the Causes Be Found and the Obstacles Be Overcome?" in Hermann Brandstatter and Werner Güth, eds., *Essays on Economic Psychology* (Berlin and Heidelberg: Springer-Verlag, 1994), pp. 193–212; Friedrich Schneider, "The Shadow Economy," in Charles K. Rowley and Friedrich Schneider, eds., *The Encyclopedia of Public Choice* (Dordrecht: Kluwer Academic Publishers, 2003); Friedrich Schneider, "Shadow Economies Around the World: What Do We Really Know?" *European Journal of Political Economy*, Vol. 21, No. 3 (2005), pp. 598–642; and Bruno S. Frey and Werner W. Pommerehne, "The Hidden Economy: State and Prospects for Measurement," *Review of Income and Wealth*, Vol. 30, No. 1 (1984), pp. 1–23. Do-it-yourself activities are not included. For estimates of the shadow economy and the do-it-yourself activities for Germany, see Andreas Buehn, Alexander Karmann, and Friedrich Schneider, "Shadow Economy and Do-It-Yourself Activities: The German Case," *Journal of Institutional and Theoretical Economics*, Vol. 164, No. 4 (2009), pp. 701–722; Alexander Karmann, "Monetäre Ansätze zur Erfassung der Schattenwirtschaft: Ein Vergleich verschiedener Messansätze," *Kredit und Kapital*, Vol. 19 (1986), pp. 233–247; and Alexander Karmann, "Schattenwirtschaft und ihre Ursachen: Eine empirische Analyse zur Schwarzwirtschaft und Selbstversorgung in der Bundesrepublik Deutschland," *Zeitschrift für Wirtschafts- und Sozialwissenschaften (ZWS)*, Vol. 110 (1990), pp. 185–206.
2. Philip Smith, "Assessing the Size of the Underground Economy: The Statistics Canada Perspective," *Canadian Economic Observer*, Vol. 7, No. 7 (1994), p. 18.
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4. See also the excellent discussion of the definition of the shadow economy in Søren Pedersen, *The Shadow Economy in Germany, Great Britain and Scandinavia: A Measurement Based on Questionnaire Surveys*, Rockwool Foundation Research Unit, Study No. 10, 2003, pp. 13–19, and Bonne Kazemier, "The Underground Economy: A Survey of Methods and Estimates," Statistics Netherlands, Discussion Paper, 2005.
5. Compare also Lars P. Feld and Friedrich Schneider, "Survey on the Shadow Economy and Undeclared Earnings in OECD Countries," *German Economic Review*, Vol. 11, No. 2 (2010), pp. 109–149; Friedrich Schneider, ed. *Handbook on the Shadow Economy* (Cheltenham, UK: Edward Elgar Publishing Company, 2011); Friedrich Schneider, "The Shadow Economy and Shadow Labor Force: Results, Problems and Open Questions," University of Linz, Department of Economics, Discussion Paper, June 2014; and Friedrich Schneider and Colin C. Williams, *The Shadow Economy* (London: Institute of Economic Affairs, 2013).
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7. With this definition, the problem of having classical crime activities included could be avoided, because neither the MIMIC procedure nor the currency demand approach captures these activities. For example, drug dealing is independent of increasing taxes, especially as the included causal variables are not linked (or causal) to classical crime activities. See Thomas, *Informal Economic Activity*; Kazemier, "The Underground Economy: A Survey of Methods and Estimates"; Kazemier, "Monitoring the Underground Labor Market: What Surveys Can Do"; and Schneider, "Shadow Economies Around the World: What Do We Really Know?"
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9. These methods are presented in detail in Schneider, "Measuring the Size and Development of the Shadow Economy: Can the Causes Be Found and the Obstacles Be Overcome?"; Friedrich Schneider, "Determinanten der Steuerhinterziehung der Schwarzarbeit im internationalen Vergleich," in Christian Smekal, Clemens-August Andreae, and Engelbert Theurl, eds., *Stand und Entwicklung der Finanzpsychologie* (Baden-Baden: Nomos, 1994), pp. 247–288; Friedrich Schneider, "Can the Shadow Economy Be Reduced Through Major Tax Reforms? An Empirical Investigation for Austria," Proceedings of the 49th Congress of the International Institute of Public Finance/Institut International de Finances Publiques, Berlin, 1993, Supplement to *Public Finance/Finances Publiques*, Vol. 49 (1994), pp. 137–152; Friedrich Schneider, "Shadow Economies Around the World: What Do We Really Know?"; Schneider, *Handbook on the Shadow Economy*; Schneider and Williams, *The Shadow Economy*; Feld and Schneider, "Survey on the Shadow Economy and Undeclared Earnings in OECD Countries"; Schneider and Enste, "Shadow Economies: Size, Causes and Consequences"; Schneider and Enste, *The Shadow Economy: Theoretical Approaches, Empirical Studies, and Political Implications*; and Schneider and Enste, *Jahrbuch Schattenwirtschaft 2006/07. Zum Spannungsfeld von Politik und Ökonomie*. These studies also discuss advantages and disadvantages of the MIMIC and the currency demand methods as well as other estimation methods for assessing the size of illicit employment. For a detailed discussion, see also Feld and Larsen, *Black Activities in Germany in 2001 and 2004: A Comparison Based on Survey Data*.

10. This indirect approach is based on the assumption that cash is used to make transactions within the shadow economy. By using this method, one econometrically estimates a currency demand function including independent variables like tax burden, regulation, etc., which “drive” the shadow economy. This equation is used to make simulations of the amount of money that would be necessary to generate the official GDP. This amount is then compared with the actual money demand, and the difference is treated as an indicator for the development of the shadow economy. On this basis, the calculated difference is multiplied by the velocity of money of the official economy, and one gets a value-added figure for the shadow economy. See Feld and Schneider, “Survey on the Shadow Economy and Undeclared Earnings in OECD Countries,” as well as Schneider and Williams, *The Shadow Economy*, discussing critically this and other methods.
11. See Schneider, “Estimating the Size of the Danish Shadow Economy Using the Currency Demand Approach: An Attempt”; Schneider, “Shadow Economies Around the World: What Do We Really Know?”; Schneider, “Shadow Economies and Corruption All Over the World: New Estimates for 145 Countries”; Friedrich Schneider, “The Influence of Public Institutions on the Shadow Economy: An Empirical Investigation for OECD Countries,” *European Journal of Law and Economics*, Vol. 6, Issue 3 (2010), pp. 441-461; Simon Johnson, Daniel Kaufmann, and Andrei Shleifer, “Regulatory Discretion and the Unofficial Economy,” *The American Economic Review*, Vol. 88, No. 2 (1998), pp. 387-392; Simon Johnson, Daniel Kaufmann, and Pablo Zoido-Lobaton, “Corruption, Public Finances, and the Unofficial Economy,” *World Bank Policy Research Working Paper* No. 2169, August 1999; Tanzi, “Uses and Abuses of Estimates of the Underground Economy”; Giles, “Measuring the Hidden Economy: Implications for Econometric Modelling”; David E. A. Giles and Lindsay M. Tedds, *Taxes and the Canadian Underground Economy* (Toronto/Ontario: Canadian Tax Foundation, 2002); Feld and Schneider, “Survey on the Shadow Economy and Undeclared Earnings in OECD Countries”; and Schneider and Williams, *The Shadow Economy*.
12. Simon Johnson, Daniel Kaufmann, and Andrei Shleifer, “The Unofficial Economy in Transition,” *Brookings Institution, Brookings Papers on Economic Activity* No. 2, 1997, pp. 159-221; Johnson, Kaufmann, and Zoido-Lobaton, “Corruption, Public Finances, and the Unofficial Economy.”
13. Schneider, “The Influence of Public Institutions on the Shadow Economy: An Empirical Investigation for OECD Countries”; Schneider, ed., *Handbook on the Shadow Economy*; Friedrich Schneider, “Schattenwirtschaft und Schattenarbeitsmärkte: Die Entwicklung der letzten 20 Jahre,” *Perspektiven der Wirtschaftspolitik (PWP)*, Vol. 16, No. 1 (2015), pp. 3-25; Feld and Schneider, “Survey on the Shadow Economy and Undeclared Earnings in OECD Countries.”
14. See also Colin C. Williams, “Evaluating Cross National Variations in the Extent and Nature of Informal Employment in the European Union,” *Industrial Relations Journal*, Vol. 44, Issues 5-6 (2013), pp. 479-494; Colin C. Williams and Mark A. Lansky, “Informal Employment in Developed and Developing Countries: Perspectives and Policy Responses,” *International Labor Review*, Vol. 152, Issues 3-4 (2013), pp. 355-380.
15. This chapter closely follows Friedrich Schneider, Andreas Buehn, and Claudio E. Montenegro, “New Estimates for the Shadow Economies All over the World,” *International Economic Journal*, Vol. 24, No. 4 (2010), pp. 448-459.
16. Space does not permit a detailed description of the calibration method used for the values in Table 3.2. Compare with Schneider, Buehn, and Montenegro, “New Estimates for the Shadow Economies All over the World,” which shows this calibration procedure using the currency demand approach for the benchmark values for most of these 162 countries.
17. See, for example, Breusch, “The Canadian Underground Economy: An Examination of Giles and Tedds”; Breusch, “Estimating the Underground Economy Using MIMIC Models”; Hildegart Ahumada, Facundo Alvaredo, and Alfredo Canavese, “The Monetary Method and the Size of the Shadow Economy: A Critical Assessment,” *Review of Income and Wealth*, Series 53, No. 2 (2007), pp. 363-371.

Chapter 5

Anticompetitive Policies Reduce Economic Freedom and Hurt Prosperity

Alden F. Abbott and Shanker Singham

Excessive government regulation interferes with individual economic freedom. It also imposes a substantial burden on national economies, reducing national wealth and slowing economic growth. Over the past decade, The Heritage Foundation has documented the large and rising cost to the United States economy stemming from overregulation.¹ Regrettably, however, sizable regulatory burdens continue to characterize many (if not all) economies, as documented by the Organisation for Economic Co-operation and Development (OECD)² and the World Bank.³

One regulatory category that has garnered increased attention in recent years is government rules that distort and harm the competitive process. Competition everywhere faces restraints imposed by governments, either through laws, regulations, and practices or through hybrid public-private restrictions by which government sanctions or encourages private anticompetitive activity. Government-imposed restrictions on competition, which we

term anticompetitive market distortions (or anticompetitive regulations),⁴ are especially pernicious because they are backed by the power of the state and may be largely impervious to attenuation through market processes. Often, these restrictions—for example, onerous licensing requirements—benefit powerful incumbents and stymie entry by innovative new competitors.

In recent years, recognizing the harm caused by anticompetitive regulations, international institutions have attempted to identify and categorize various types of harmful regulations and to estimate the consumer welfare costs that they impose. The intent of these efforts is to help governments move away from anticompetitive regulations. Such efforts, however, are often stymied by producer lobbies that tend to underplay the harmful effects of such regulations on consumers.

Ferretting out and publicizing the economic impact of these regulatory abuses should be given a higher priority in order to promote economic freedom and prosperity. In this chapter,

we first outline the concept of anticompetitive regulations and the arguments for combatting them more vigorously, suggesting the importance of developing a neutral measure (a metric) to estimate their harmful impact. We then describe efforts by two major international organizations, the OECD⁵ and the International Competition Network (ICN),⁶ to develop methodologies for identifying anticompetitive regulations and to provide justifications for elimination of those restrictions. We then briefly summarize research (much of it supported in recent years by the World Bank) that estimates the nature and size of the economic welfare costs of anticompetitive regulations. Finally, we turn to ongoing research that focuses on a broad metric to measure the economic impact of these regulations on property rights, international trade, and domestic competition.

NATURE AND EFFECTS OF ANTICOMPETITIVE MARKET DISTORTIONARY REGULATIONS

Elsewhere, we have defined anticompetitive regulations as restrictions that “involve government actions that empower certain private interests to obtain or retain artificial competitive advantages over their rivals be they foreign or domestic.” These restrictions include “governmental restraints that distort markets and lessen competition” and “anticompetitive private arrangements that are backed by government actions, have substantial effects on trade outside the jurisdiction that imposes the restrictions, and are not readily susceptible to domestic competition law challenge.”⁷

Examples given by the ICN include a combination of Japanese government and private restraints that cumulatively have blocked efficient entry into the Japanese photographic film market by foreign firms, the Mexican government’s empowerment of Mexico’s dominant telecommunications company to fix the rates that foreign telecom carriers had to pay to terminate calls in Mexico, and the government-sponsored Canadian Wheat Board’s policies that precluded competing wheat sellers as well as potential wheat buyers from having an adequate

opportunity to compete for participation in the Wheat Board’s sales. None was challengeable under domestic law, nor were they readily dealt with under existing international trade agreements, even those overseen by the World Trade Organization (WTO).⁸

Anticompetitive regulations have been classified into six major types:

- Government laws, regulations, or practices that eliminate competition completely;
- Government laws, regulations, or practices that lessen competition;
- Laws or regulations that are applied differently among firms, or regulatory exemptions given to some firms;
- Distortions caused by state-owned enterprises (SOEs);
- Action or inaction by competition agencies; and
- Anticompetitive state aid or support (taxpayer subsidies to favored firms or industries).

The size of the impact on welfare of each distortion under evaluation depends on the type of the distortion, the structure of the market at which it is directed, and the form of the policy itself.

Some recent market-specific research has focused on how anticompetitive regulations may distort supply and demand in a market by distorting relative costs faced by different producers.⁹ For example, subsidizing domestic farmers will reduce their costs and give them an advantage over foreign farmers in domestic and international markets. To model the potential effect of the regulation then requires simulating the effect of the cost savings on the structure of the market. Specific illustrative examples warrant brief mention.

- A study of production levies and quotas that were intended to benefit European Union beet sugar growers revealed that competition in Europe was reduced, European sugar prices rose, and European sugar processors and consumers were harmed. These policies kept lower-cost cane sugar producers from

developing countries out of the European market, thereby distorting competition and diminishing welfare.

- The Indian government's stockpiling of a certain quantity of grain under a public procurement program, with "excess" grain sold on the global market, involves a domestic subsidy that both distorts domestic production incentives and lowers the price of Indian grain relative to the rest of the world.
- The Indian government's fixing of a below-market domestic price for "essential" drugs largely prevents foreign competitors from serving the Indian market, discourages innovative pharmaceutical research, and restricts Indian residents' access to higher-quality drugs, thereby harming long-term consumer welfare.
- Chinese government restrictions on the upward adjustment of cotton prices in the 1970s and 1980s created market distortions.

OECD AND ICN EFFORTS TO CATEGORIZE AND COMBAT ANTICOMPETITIVE REGULATIONS

OECD Toolkit. In 2009, the OECD Council adopted a "Recommendation on Competition Assessment" that calls for governments to identify existing or proposed public policies that unduly restrict competition and to revise them by adopting more procompetitive alternatives.¹⁰ In furtherance of this recommendation, the OECD over the past decade has carried out research to help national competition agencies spot and advocate against regulatory restrictions that distort competition and thus meet the definition of anticompetitive regulations.

The OECD has developed a *Competition Assessment Toolkit* that "provid[es] a method for identifying unnecessary restraints on market activities and developing alternative, less restrictive measures that still achieve government policy objectives."¹¹ The first volume of the *Toolkit* was published in 2007, and the second and third volumes were published, respectively, in 2010 and 2015.¹²

The value of the OECD's *Toolkit* is demonstrated by its application in a 2014 OECD report

on competition-distorting rules in Greece.¹³ The study focused on four sectors of the Greek economy (food processing, retail trade, building materials, and tourism); identified 555 regulatory restrictions; and made 329 specific recommendations to mitigate harm to competition. These included such things as the abolition of barriers to entry into the asphalt sector; the abolition of any requirement to seek price approval or to submit prices to the authorities or trade and industry associations for all tourist activities; the liberalization of Sunday trading, including for stores larger than 250 meters square; the elimination of a five-mile restriction on moorings, which would allow marina operators to compete with nearby commercial or fishing ports on prices; the liberalization of distribution restrictions and price controls for over-the-counter drugs and dietary supplements; the elimination of restraints on the ability of retailers to decide freely on shop promotions and discounts, including the determination of periods of seasonal sales; the elimination of minimum requirements for storage or minimum capital requirements in the building materials sector; and the elimination of numerous barriers to investment in tourism activities. The OECD "conservatively" calculated a €5.2 billion benefit to the Greek economy from the lifting of harmful regulations identified in the study, "although the positive effects on the Greek economy over time [would] likely...be far greater."¹⁴

International Competition Network Initiatives. The OECD *Toolkit* is an excellent "how to" manual for spotting and analyzing regulatory distortions. The International Competition Network has been building support for application of its principles through an Advocacy Working Group, which provides resources that national competition agencies can use to assess and advocate against anticompetitive regulations.¹⁵

In 2011, the ICN released the Working Group's *Advocacy Toolkit*.¹⁶ This publication provides an overview of the competition advocacy process and the range of advocacy tools available, including techniques for (1) implementation, which includes written guidance and reports (which may be published and accessible to stakeholders

via the Internet), as well as training of government officials, recommendations to government in relation to government relations with third parties, and recommendations to government to change the law, and (2) monitoring, which includes publication of monitoring reports, assessing the situation after the advocacy intervention, formal and informal feedback received from recipients of advocacy activity, and measuring the usage of advocacy work products.¹⁷

As an example of implementation and monitoring, the *Toolkit* discusses the Spanish Competition Commission's evaluation of a regulatory concessions system governing the provision of intercity passenger transport services in Spain.¹⁸ A 2008 CNC report found that the system established high entry barriers due to overly long-term concessions, the existence of a right of preference for the previous holder of the concession, and the high value given in tenders (government procurements) to quality criteria at the expense of other key variables such as price and frequency. The report also found that some regional authorities were extending concessions beyond their original terms, thereby precluding competition. The CNC met with key stakeholders, including potential entrants, incumbents, consumers, the Ministry of Public Works, and regional governments conducting their own tenders.

In 2010, the CNC issued two follow-up monitoring reports on national and regional-level concessions. These reports showed that the regulations had been slightly but insufficiently revised in light of the CNC actions and still allowed very little room for competition in the transport sector, since concessions were extended almost automatically. At the regional level, the situation was even worse: Governments had effectively closed down their markets, in some cases in breach of European Union rules.

Soon after the release of the 2010 reports, the CNC requested that two regional governments take action to address the lack of competition in their concessions. When those governments failed to respond, the CNC invoked the Spanish Competition Act and brought a successful court challenge to the regional regulations governing the concessions systems.¹⁹ This case

demonstrates that successful advocacy may require long-term commitment, monitoring, and follow-up action by competition agencies.

WORLD BANK AND OTHER STUDIES OF THE EFFECTS OF ANTICOMPETITIVE REGULATIONS²⁰

The World Bank supports studies that document the high economic costs of regulatory distortions in order to strengthen the hand of public officials who seek to implement the regulatory reform tools provided to them by the OECD and the ICN.

World Bank-sponsored research on anti-competitive regulations covers many countries. "Drawing on a comprehensive set of studies," a 2012 World Bank survey article concluded that regulatory reforms "to increase market competition can improve a country's economic performance, increase business opportunities and firm productivity, and ultimately benefit consumers through usually lower prices for goods and services."²¹ For example, according to that article:

- Elimination of Australia's anticompetitive regional policies in electricity and transportation raised the country's GDP by 2.5 percent (with significant drops in retail electricity prices, rail freight rates, and port charges);
- Opening Mexican air transport and routes to low-cost entrants reduced airfares by up to 37 percent on routes served by low-cost carriers;
- Opening retail markets to competition in India yielded an increase in labor productivity of as much as 87 percent;
- Opening the market and eliminating price controls for maize in Kenya produced consumer savings of U.S. \$10.1 million a year; and
- Reforming standardization, testing, and phytosanitary regulation for maize increased economic surplus by over \$40 million and increased demand for maize seed by between 85 percent and 175 percent from 2005–2008 in Kenya, Tanzania, and Uganda.

Other studies produce even more impressive estimates.²² At the 2013 World Bank Forum held in conjunction with the ICN annual meeting, the

chairman of Australia’s Competition and Consumer Commission reported that regulatory reforms beginning in the 1990s raised Australian GDP by \$23 billion per year and real consumption by \$9 billion (\$1,500 per household) per year.²³ And an overview of government and private-sector anticompetitive restrictions presented at the 2014 Forum documented harm to international trade as well as to a variety of input markets in industry, agricultural, and service sectors and discussed potential gains from regulatory relief.²⁴ For example:

- Allowing one more competitor to enter the Mexican air transport sector led to a 40 percent reduction in airfares;
- Elimination of a Laotian trucking cartel and backhaul restrictions on transport led to a reduction of 30 percent in logistics costs;
- Elimination of the exclusive rights of lawyers to perform certain basic services would reduce overall legal costs in Australia by 12 percent;
- Eliminating monopoly market power in shipping would boost trade volumes by from 6 percent (for the U.S.) to 15 percent (for Latin America); and
- The removal of restrictive regulations on seeds in East and Central Africa led to savings of \$49 million for farmers in Kenya, Tanzania, and Uganda between 2000 and 2008.

A growing number of academic articles that focus on international cross-country comparisons across sectors (not just within a sector) are in harmony with the research efforts of the World Bank. In particular, a body of literature finds anticompetitive services regulation “upstream” to be a major source of harm to “downstream” businesses and to the overall economy.²⁵ Thus, for example:

- A 2011 analysis based on OECD data found that reductions in anticompetitive energy, telecommunications, transportation, and professional services regulations significantly increased the value added, productivity, and export growth rates of service-intensive users;²⁶

- In a similar vein, a 2013 study based on data from 15 OECD countries and 20 sectors found clear evidence that anticompetitive regulations in upstream sectors curb multifactor productivity growth downstream and determined that the effect of increasing competition by instantaneously and completely eliminating such regulations would be to increase multifactor productivity growth by between 1 percent and 1.5 percent per year;²⁷ and
- Consistent with these broad findings, a 2014 study of firm-level data from Spanish manufacturers found that reducing anticompetitive regulation in the provision of upstream services tended to raise the volume of exports of downstream firms substantially.²⁸

Anticompetitive product market and licensing restrictions are also quite costly.

- A 2011 study found that product market regulations that restrict competition are associated with lower total factor productivity of firms, with the burden particularly high for firms that are on a path to catch up with the most productive firms in their industry;²⁹
- A 2010 study determined that the contribution to productivity growth due to competition spurred by regulatory product market reforms is 12 percent to 15 percent;³⁰ and
- A 2007 study of occupational licensing restrictions within the United States estimated their cost at between \$34.8 billion and \$41.7 billion per year and noted that by limiting competition, those restraints decreased the rate of job growth by an average of 20 percent.³¹ As the percentage of the American workforce subject to occupational licensing has risen since 2007, it is likely that these welfare costs have risen significantly.³²

PRODUCTIVITY SIMULATOR: A BROAD MEASURE OF ANTICOMPETITIVE REGULATIONS

Application of sector-specific analyses of anticompetitive regulations requires enormous information demands, creating a difficult obstacle for governments to overcome if they are to

identify and quantify all of the anticompetitive regulations harming their economy. This is particularly true for developing countries that are afflicted by significant distortions.

Currently, one of the leading researches on developing a measure of anticompetitive regulations seeks to avoid these complications by developing a broad yet simple metric to assess the impact of market-distortionary anticompetitive regulations, based on a “Productivity Simulator.”³³ The Simulator estimates the additional national economic growth that can be generated through far-reaching national regulatory reforms that, to the greatest extent possible, strengthen property rights, liberalize trade, and enhance market-based competitive forces.

The Simulator enables policymakers to understand the scale of distortions in a way that they do not understand them now and to prioritize policy reforms based on the most significant barriers to economic growth. It also allows for relative comparisons of regulatory policy and the burden of anticompetitive regulations among jurisdictions. Nation-specific Simulator scores are currently being compiled. The goal is to give each country a score that reflects the degree to which policy in that area promotes competition that maximizes economic welfare.

The Simulator sheds light on the relative importance of particular regulations on productivity and economic growth.

- With respect to strengthening property rights, the most important factors include intellectual property rights, the cost of enforcement of contracts, the ability to challenge government regulations, and the strength of investor protection.
- For promoting domestic competition, the most important factors include the competitiveness of the labor market, the efficiency of the regulatory promulgation process, and the degree of competition in infrastructure.³⁴
- Surprisingly, for international competitiveness, the most important factors are trade facilitation-type issues rather than tariffs and non-tariff barriers. This suggests that during a time when tariffs and NTBs are being reduced

around the world, all other factors affecting the ease with which goods flow between countries are becoming increasingly important.

Preliminary estimates based on applying the Simulator reveal the huge economic gains that could be achieved in India (a country regarded as having a very poor regulatory system) if it improved its regulatory performance in several different regulatory categories.³⁵ Improvement to the highest performance level (the level of the country with the best regulatory record) in a basket of performance categories encompassing freedom to own foreign currency bank accounts, international capital controls, resolving insolvency, intellectual property protection, favoritism in government decision-making, transparency in government policymaking, and a host of doing-business factors (time and cost of getting electricity, the time and cost involved in starting a business, and the time involved in getting construction permits) would raise India’s per capita GDP from \$1,500 to \$3,723—a gain of 148 percent. Improvement in all measures of regulatory quality to the level of the world’s most procompetitive regulatory framework would raise India’s per capita GDP from \$1,500 to \$29,691—a stunning gain of 1,875 percent.

While this “regulatory nirvana” level may be only a theoretical aspiration, the point driven home by the Simulator is that far-reaching regulatory improvements in nations with poor regulatory quality have the potential to create enormous gains in the size of an economy and, thus, in economic welfare.

CONCLUSION

In recent years, substantial research has been devoted to estimating the economic harm of market distortionary regulations: anticompetitive, overly burdensome national regulatory measures that undermine efforts to enhance economic dynamism and growth. Several international organizations (in particular, the World Bank, the OECD, and the ICN) have developed tools to help governments identify and measure the effects of anticompetitive regulations and have urged governments to prioritize the

reduction or elimination of these harmful distortions. Most recently, certain researchers have developed a “Productivity Simulator” that allows for broader nationwide assessments of the harm caused by anticompetitive regulations and facilitates interjurisdictional comparisons of the restrictiveness of national regulatory policies.

If governments that are concerned with promoting national economic growth and welfare will take advantage of these new policy tools and initiatives to reform their regulatory structures and phase out anticompetitive regulations, they can advance both economic freedom and prosperity.

ENDNOTES

1. James L. Gattuso and Diane Katz, “Red Tape Rising: Six Years of Escalating Regulation Under Obama,” Heritage Foundation *Background* No 3015, May 11, 2015, <http://www.heritage.org/research/reports/2015/05/red-tape-rising-six-years-of-escalating-regulation-under-obama>.
2. A 2012 OECD review of research studies concluded that “regulation, when it is not well designed, can stifle economic activities and ultimately reduce economic growth.” David Parker and Colin Kirkpatrick, “The Economic Impact of Regulatory Policy: A Literature Review of Quantitative Evidence,” OECD *Expert Paper* No. 3, August 2012, p. 38, http://www.oecd.org/gov/regulatory-policy/3_Kirkpatrick%20Parker%20web.pdf (accessed October 7, 2015).
3. For example, the World Bank lists intricate regulation and its arbitrary enforcement as being among the key obstacles to growth in developing countries. World Bank, *World Development Report 2005: A Better Investment Climate for Everyone* (Washington and New York: World Bank and Oxford University Press, 2004). A 2004 research study commissioned by the World Bank concluded that a heavier national regulatory burden reduces economic growth and increases volatility. Norman V. Loayza, Ana Maria Oviedo, and Luis Servén, “Regulation and Macroeconomic Performance,” September 2004, <http://web.worldbank.org/archive/website01241/WEB/IMAGES/WPS3469.PDF> (accessed October 7, 2015). “The World Bank is a vital source of financial and technical assistance to developing countries around the world. We are not a bank in the ordinary sense but a unique partnership to reduce poverty and support development. The World Bank Group comprises five institutions managed by their member countries.” More specifically, the World Bank provides low-interest financing and grants to developing countries and offers support to developing countries through “policy advice, research and analysis, and technical assistance.” World Bank, “What We Do,” <http://www.worldbank.org/en/about/what-we-do> (accessed October 7, 2015).
4. See generally Alden F. Abbott and Shanker Singham, “Enhancing Welfare by Attacking Anticompetitive Market Distortions,” *Concurrences*, No. 4 (2011), pp. 1–5, <https://www.ftc.gov/sites/default/files/attachments/key-speeches-presentations/ssrn-id1977517.pdf> (accessed October 7, 2015).
5. The OECD is an international research organization that is funded by 34 of the world’s wealthier industrialized countries. “The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. We work with governments to understand what drives economic, social and environmental change. We measure productivity and global flows of trade and investment. We analyse and compare data to predict future trends. We set international standards on a wide range of things, from agriculture and tax to the safety of chemicals.” Organisation for Economic Co-operation and Development, “About the OECD,” <http://www.oecd.org/about/> (accessed October 7, 2015).
6. The ICN is an informal “virtual network” comprised of most of the world’s government antitrust agencies (referred to as “competition authorities”) and several hundred voluntary private-sector advisers. It “provides competition authorities with a specialized yet informal venue for maintaining regular contacts and addressing practical competition concerns. This allows for a dynamic dialogue that serves to build consensus and convergence towards sound competition policy principles across the global antitrust community.” International Competition Network, “About,” <http://www.internationalcompetitionnetwork.org/about.aspx> (accessed October 7, 2015).
7. Abbott and Singham, “Enhancing Welfare by Attacking Anticompetitive Market Distortions,” p. 2.
8. The WTO, which is run by its 161 (as of 2015) member governments, administers major international trade agreements, serves as a forum for trade negotiations, handles trade disputes, monitors national trade policies, and provides technical assistance and training for developing countries. World Trade Organization, “Understanding the WTO: What We Do,” https://www.wto.org/english/thewto_e/whatis_e/what_we_do_e.htm (accessed October 7, 2015).
9. See Shanker Singham, U. Srinvasa Rangan, and Robert Bradley, “The Effect of Anticompetitive Market Distortions (ACMDs) on Global Markets,” *Concurrences*, No. 4 (2014), pp. 1–16, <https://uploads.strikinglycdn.com/files/249882/826d872a-c8a9-4dbd-8f8a-6c673dd57d65/Concurrences%202014.pdf> (accessed October 7, 2015). The brief discussion of distortionary European, Indian, and Chinese policies is drawn from this article.
10. See Organisation for Economic Co-operation and Development, “OECD Recommendation on Competition Assessment,” <http://www.oecd.org/daf/competition/oecdrecommendationoncompetitionassessment.htm> (accessed October 8, 2015).

11. Organisation for Economic Co-operation and Development, “Competition Assessment Toolkit,” <http://www.oecd.org/competition/assessment-toolkit.htm> (accessed October 8, 2015).
12. See Organisation for Economic Co-operation and Development, *Competition Assessment Toolkit*, Volume I: Principles, 2007, <http://www.oecd.org/daf/competition/46193173.pdf> (accessed October 8, 2015); Volume II: Guidance, 2010, <http://www.oecd.org/daf/competition/45544507.pdf> (accessed October 8, 2015); and Volume III: Operational Manual, 2015, http://www.oecd.org/daf/competition/COMP_Toolkit_Vol.3_2015.pdf (accessed October 8, 2015).
13. Organisation for Economic Co-operation and Development, *OECD Competition Assessment Reviews: Greece*, 2014, <http://www.oecd.org/daf/competition/Greece-Competition-Assessment-2013.pdf> (accessed October 8, 2015).
14. *Ibid.*, p. 40.
15. For a full description of the Advocacy Working Group’s activities and publications, see International Competition Network, “Advocacy,” <http://www.internationalcompetitionnetwork.org/working-groups/current/advocacy.aspx> (accessed October 8, 2015). The following discussion of the Working Group’s initiatives is drawn from this resource.
16. See International Competition Network, *Advocacy Toolkit*, Part I: Advocacy Process and Tools, Presented at the 10th Annual Conference of the ICN, The Hague, May 2011, <http://www.internationalcompetitionnetwork.org/uploads/library/doc745.pdf> (accessed October 8, 2015). “To complement the Toolkit, the AWG has created a Competition Advocacy Postings facility on the ICN website to enable ICN member agencies and non-governmental advisers (NGAs) to post their notes, articles, pronouncements, statements, and messages on competition advocacy matters for wider discussion by the ICN membership, NGAs, competition professionals, scholars, and the general public.” *Ibid.*, p. 4.
17. *Ibid.*, p. 21.
18. *Ibid.*, pp. 22–23. The *Advocacy Toolkit* discusses a variety of other case studies as well.
19. See Organisation for Economic Co-operation and Development, Directorate for Financial and Enterprise Affairs, Competition Committee, “Latin American Competition Forum, Session III–Advocacy: Mainstreaming Competition Policy into the Overall Economic Policy and Government Actions in Latin American and the Caribbean,” August 18, 2014, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/LACF\(2014\)6&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/LACF(2014)6&docLanguage=En) (accessed October 8, 2015).
20. Although the World Bank does not use the term “ACMDs,” the regulatory distortions that have been documented in World Bank-sponsored research undermine the competitive process and fall within the definition of ACMDs.
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22. See, for example, World Bank Group, “Pre-ICN Forum 2013,” <https://www.wbginvestmentclimate.org/advisory-services/cross-cutting-issues/competition-policy/pre-icn-forum-making-markets-work-for-development.cfm> (accessed October 8, 2015), and “Pre-ICN Forum 2014,” <https://www.wbginvestmentclimate.org/advisory-services/cross-cutting-issues/competition-policy/pre-icn-forum-2014.cfm> (accessed October 8, 2015).
23. Rod Sims, Chairman, Australian Competition and Consumer Commission, “Australia’s Experience Driving Economic Growth Through Competition Policy Reforms,” speech delivered at World Bank Forum, “Making Markets Work for Development: A Reform Agenda on Competition,” Warsaw, Poland, April 23, 2013, <https://www.austlii.edu.au/au/other/dfat/speeches/rod-sims-2013-04-23-competition-policy-reforms.html> (accessed October 8, 2015).
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25. The following examples are merely illustrative.
26. Guglielmo Barone and Federico Cingano, “Service Regulation and Growth: Evidence from OECD Countries,” *The Economic Journal*, Vol. 121, Issue 555 (2011), pp. 931–957, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1931357 (accessed October 9, 2015).

27. Renaud Bourlès, Gilbert Cette, Jimmy Lopez, Jacques Mairesse, and Giuseppe Nicoletti, “Do Product Market Regulations in Upstream Sectors Curb Productivity Growth? Panel Data for OECD Countries,” *The Review of Economics and Statistics*, Vol. 95, No. 5 (2013), pp. 1750–1768, http://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00338 (accessed October 8, 2015).
28. Mónica Correa-López and Rafael Doménech, “Does Anti-Competitive Service Sector Regulation Harm Exporters? Evidence from Manufacturing Firms in Spain,” BBVA Research *Working Paper* No. 14/13, June 2014, <https://www.bbva.com/wp-content/uploads/2014/06/WP-14-13.pdf> (accessed October 8, 2015).
29. Jens Matthias Arnold, Giuseppe Nicoletti, and Stefano Scarpetta, “Regulation, Resource Reallocation and Productivity Growth,” *European Investment Bank Papers*, Vol. 16, No 1 (2011), pp. 90–115, http://www.eib.org/attachments/efs/eibpapers/eibpapers_2011_v16_n01_en.pdf (accessed October 8, 2015).
30. Sandra Ospina and Marc Schiffbauer, “Competition and Firm Productivity: Evidence from Firm-Level Data,” International Monetary Fund *Working Paper* No. WP/10/67, March 2010, <https://www.imf.org/external/pubs/ft/wp/2010/wp1067.pdf> (accessed October 9, 2015).
31. Adam B. Summers, “Occupational Licensing: Ranking the States and Exploring Alternatives,” Reason Foundation *Policy Study* No. 361, August 2007, <http://reason.org/files/762c8fe96431b6fa5e27ca64eaa1818b.pdf> (accessed October 7, 2015).
32. See U.S. Department of the Treasury Office of Economic Policy, Council of Economic Advisers, and U.S. Department of Labor, *Occupational Licensing: A Framework for Policymakers*, The White House, August 2015 (discussing multiple studies), https://www.whitehouse.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf (accessed October 7, 2015).
33. This research, which has been developed by Shanker Singham, U. Srinivasa Rangan, Robert Bradley, and A. Molly Kiniry, has not yet been published and is being updated. The following description of the SRAB approach and preliminary results is based on draft materials available to the author of this chapter.
34. For purposes of the Simulator, competition in infrastructure means that there is competitive private-sector delivery of key services used in providing infrastructure such as energy, transportation services, telecommunications, and water supply.
35. The following estimates are derived from Shanker Singham, U. Srinivasa Rangan, Robert Bradley, and A. Molly Kiniry, “Anti-Competitive Market Distortions and Their Impact: A Case Study of India,” preliminary draft, September 2015, prepared for the Legatum Foundation.

Chapter 6

Global and Regional Developments

Ambassador Terry Miller and Anthony B. Kim

The rankings in the 2016 *Index of Economic Freedom* are based on evaluations of economic conditions and policy developments between July 1, 2014, and June 30, 2015. Many countries had to deal with difficult political and security issues during that period, and the global economy was still recovering from widespread financial crisis and recession. It is encouraging that despite such challenges, global economic freedom continued to advance. According to the 2016 *Index*:

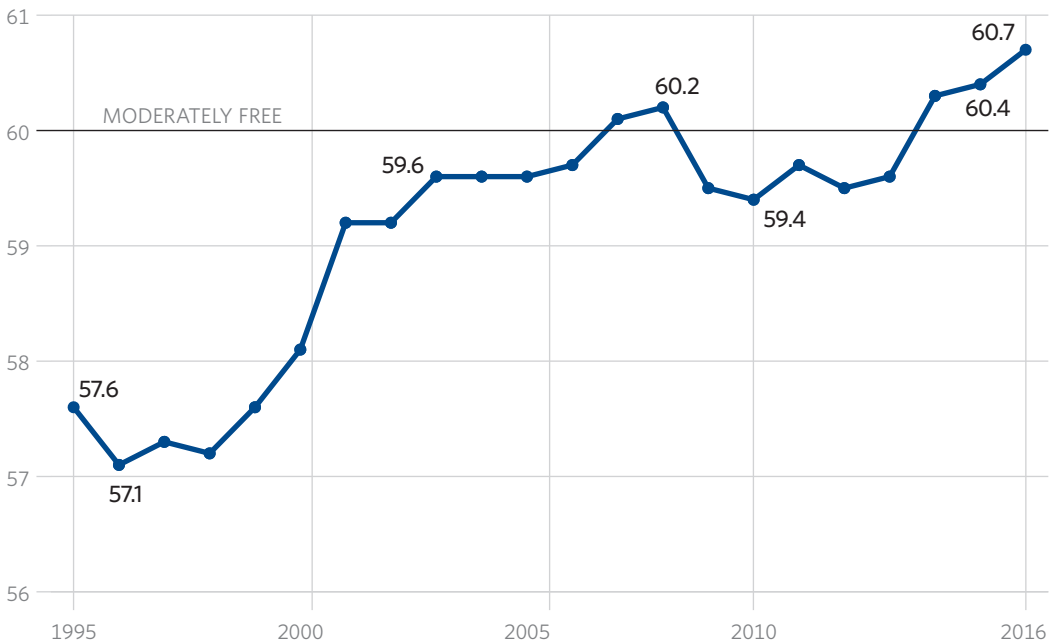
- Economic freedom improved worldwide for the fourth year in a row, with the average score up by three-tenths of a point from the previous year.
- The global average economic freedom score of 60.7 is the highest ever recorded in the 22-year history of the *Index*.
- The world average is now more than three points higher than in the first edition of the *Index* in 1995.

As shown in “The Ten Economic Freedoms: A Global Look” on page 63, on a worldwide basis, this year’s increase in economic freedom has been driven by improvements in half of the 10 economic freedoms.

- Investment freedom improved by one point on average, while ratings for the control of public spending and freedom from corruption were higher by an average of 0.8 point and 0.7 point, respectively. Both monetary freedom and trade freedom also recorded slight improvements.
- Overall gains were held back by a significant loss of labor freedom. The average global labor freedom score fell by 1.6 points, reflecting still-stagnant employment conditions around the world and pointing to a pressing need to enhance the flexibility of labor markets in many countries. The average property rights score also declined slightly, while no score changes were recorded in fiscal freedom, business freedom, or financial freedom.

Global Economic Freedom

Average Score in the Index of Economic Freedom

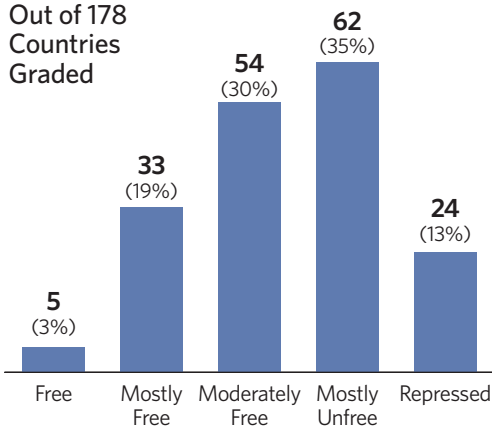


Source: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Chart 1 heritage.org

Economic Freedom by Category

Out of 178 Countries Graded



Source: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Chart 2 heritage.org

The global distribution of economic freedom is largely bell-shaped but tilted toward lower ratings. Of the 178 economies ranked in the 2016 *Index*:

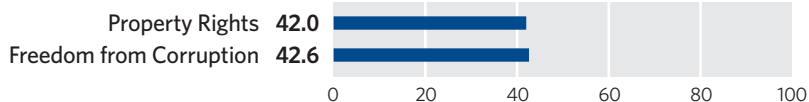
- Five (Hong Kong, Singapore, New Zealand, Switzerland, and Australia) earned the designation of “free” with scores above 80.
- Another 33 countries, with scores between 70 and 80, are considered “mostly free.” The 38 countries in these two groups, which were joined this year by Botswana, the Bahamas, and Latvia, have institutional environments in which individuals and private enterprises enjoy a substantial degree of economic freedom in the pursuit of greater opportunity and prosperity.
- The largest portion of the countries graded—116 economies—have freedom scores between 50 and 70. Of those, 54 economies are considered “moderately free” (scores of

The 10 Economic Freedoms: A Global Look

Score Changes

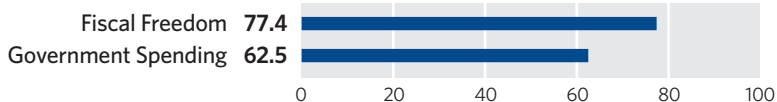
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-0.2	Fiscal Freedom	0	Business Freedom	0	Trade Freedom	+0.2
Freedom from Corruption	+0.7	Government Spending	+0.8	Labor Freedom	-1.6	Investment Freedom	+1.0
				Monetary Freedom	+0.3	Financial Freedom	0

RULE OF LAW



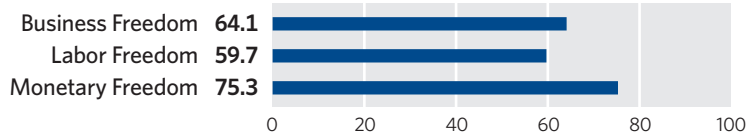
While some governments made progress during the year in improving property rights by increasing institutional competency, transparency, and accountability, in a number of other countries, serious corruption scandals—some of them related to narcotics trafficking and money laundering—had harmful effects on the rule of law.

GOVERNMENT SIZE



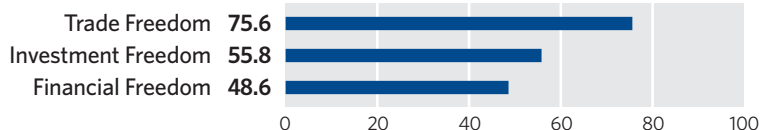
The average top individual income tax rate for all countries in the world is about 28.5 percent, and the average top corporate tax rate is 24.4 percent. The average overall tax burden as a percentage of gross domestic product (GDP) corresponds to around 23.5 percent. The average level of government spending as a percentage of GDP is equal to 34.3 percent. The average level of gross public debt for countries covered in the *Index* is equivalent to about 50 percent of GDP.

REGULATORY EFFICIENCY



Many countries continue to implement regulatory reforms, although the overall pace of reform in developed countries has generally lagged behind the pace in developing countries. For the world as a whole, a movement toward much higher minimum wages continues with a risk of pushing some workers out of the labor force and increasing poverty and dependence on government. Monetary freedom registered a continued improvement as a result of low inflationary pressures in general.

OPEN MARKETS



Worldwide, the average trade freedom score continues to improve, benefiting a greater number of people. The average investment freedom score remains essentially unchanged from the previous year. Investment policy measures in many countries remain geared toward sectoral investment promotion rather than general market openness. Despite some progress in stability, financial institutions in many countries continue to face uncertain regulatory environments.

Economic Freedom: Regional Variations (Regional Average)

Regional Ranking	North America (72.9)	Middle East / North Africa (62.6)	South and Central America / Caribbean (59.8)	Asia-Pacific (59.0)	Europe (66.9)	Sub-Saharan Africa (55.5)
1	Canada	Bahrain	Chile	Hong Kong	Switzerland	Mauritius
2	United States	United Arab Emirates	Bahamas	Singapore	Ireland	Botswana
3	Mexico	Qatar	Colombia	New Zealand	Estonia	Cabo Verde
4		Israel	Saint Lucia	Australia	United Kingdom	Rwanda
5		Jordan	Saint Vincent and the Grenadines	Taiwan	Denmark	Ghana
6		Oman	Uruguay	Japan	Lithuania	Seychelles
7		Kuwait	Barbados	South Korea	The Netherlands	South Africa
8		Saudi Arabia	Jamaica	Malaysia	Germany	Namibia
9		Morocco	Peru	Macau	Luxembourg	Madagascar
10		Lebanon	Costa Rica	Brunei	Czech Republic	Côte d'Ivoire
11		Tunisia	Dominica	Thailand	Georgia	Swaziland
12		Egypt	El Salvador	Kazakhstan	Finland	Benin
13		Algeria	Panama	Samoa	Sweden	Uganda
14		Iran	Trinidad and Tobago	The Philippines	Austria	Burkina Faso
15			Guatemala	Vanuatu	Norway	Gabon
16			Paraguay	Azerbaijan	Latvia	Zambia
17			Dominican Republic	Sri Lanka	Poland	Tanzania
18			Nicaragua	Tonga	Cyprus	Senegal
19			Honduras	Kyrgyz Republic	Spain	Kenya
20			Belize	Bhutan	Belgium	Nigeria
21			Brazil	Indonesia	Macedonia	The Gambia
22			Guyana	Mongolia	Armenia	São Tomé and Príncipe
23			Suriname	Fiji	Malta	Mali
24			Haiti	Cambodia	Slovakia	Djibouti
25			Ecuador	India	Hungary	Mauritania
26			Bolivia	Pakistan	Albania	Niger
27			Argentina	Vietnam	Bulgaria	Cameroon
28			Venezuela	Maldives	Romania	Burundi
29			Cuba	Bangladesh	Portugal	Togo
30				Papua New Guinea	Montenegro	Guinea
31				China	France	Mozambique
32				Micronesia	Serbia	Comoros
33				Tajikistan	Turkey	Sierra Leone
34				Nepal	Kosovo	Liberia
35				Laos	Italy	Guinea-Bissau
36				Burma	Slovenia	Malawi
37				Solomon Islands	Croatia	Ethiopia
38				Kiribati	Bosnia and Herzegovina	Lesotho
39				Uzbekistan	Moldova	Angola
40				Timor-Leste	Greece	Congo, Dem. Rep. of
41				Turkmenistan	Russia	Chad
42				North Korea	Belarus	Central African Republic
43					Ukraine	Equatorial Guinea
44						Congo, Rep. of
45						Eritrea
46						Zimbabwe

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

One-Year Freedom Score Change

Region	Index Year		One-Year Change
	2015	2016	
Middle East/North Africa	61.6	62.6	+1.0
Sub-Saharan Africa	54.9	55.5	+0.6
Asia-Pacific	58.8	59.0	+0.2
South and Central America/Caribbean	59.7	59.8	+0.1
Europe	67.0	66.9	-0.1
North America	73.9	72.9	-1.0

Source: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Chart 3  heritage.org

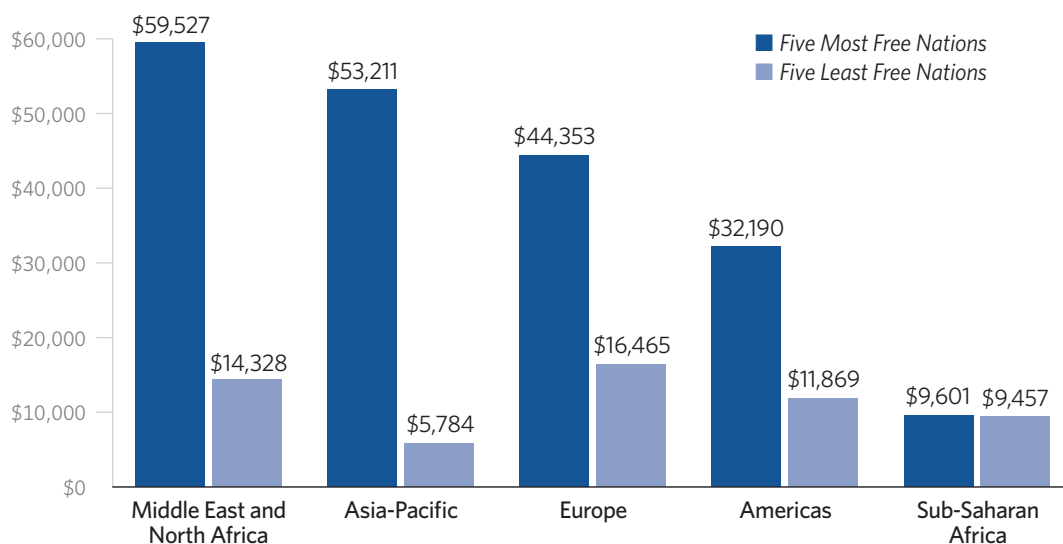
60–70), and 62 are “mostly unfree” (scores of 50–60). Twenty-four countries have “repressed” economies with scores below 50.

The 2016 *Index* has recorded a number of achievements or realignments in the rankings. Some of the most notable are:

- The United Kingdom replaced Mauritius as the tenth freest economy, so the world’s top 10 freest economies now consist of four Asia–Pacific economies (Hong Kong, Singapore, New Zealand, and Australia); four European economies (Switzerland, Ireland, Estonia, and the United Kingdom); and one country each from North

Per-Capita Income by Region

GDP per Capita (Purchasing Power Parity)




Sources: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>, and International Monetary Fund, World Economic Outlook Databases, <http://www.imf.org/external/ns/cs.aspx?id=28> (accessed December 14, 2015).

Chart 4  heritage.org

North America



Source: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Map 1  heritage.org

America (Canada) and the South and Central America/Caribbean region (Chile). No African or Middle Eastern country cracked the top 10.

- Ninety-seven countries, the majority of which are less developed, gained greater economic freedom over the past year; 32 countries, including Burma, Germany, India, Israel, Lithuania, the Philippines, Poland, and Vietnam, achieved their highest economic freedom scores ever in the 2016 *Index*; and 12 of these 32 countries, including Angola, Cabo Verde, Sierra Leone, and Togo, come from Sub-Saharan Africa.
- Score improvements in eight countries were significant enough to merit upgrades in the countries' economic freedom status in the *Index*. Notably, Latvia became a "mostly free"

economy for the first time, while Botswana and the Bahamas regained that status. Two Sub-Saharan African countries, Côte d'Ivoire and Seychelles, have advanced into the ranks of the "moderately free," and three countries (Algeria, Lesotho, and Micronesia) have moved out of the status of economically "repressed."

- Declining economic freedom was reported in 74 countries, including 19 advanced economies such as the United States, Japan, and Sweden. Six countries recorded no score change.

REGIONAL HIGHLIGHTS

Among the six regions, average levels of economic freedom vary widely. North America and Europe continue to record the highest average

Economic Freedom in North American Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
6	1	Canada	78.0	-1.1	90.0	81.0	80.0	50.4	81.8	72.6	76.9	87.0	80	80
11	2	United States	75.4	-0.8	80.0	74.0	65.6	54.7	84.7	91.4	77.0	87.0	70	70
62	3	Mexico	65.2	-1.2	50.0	35.0	74.9	76.4	70.7	58.2	77.4	79.2	70	60

Table 1  heritage.org

economic freedom scores among the regions: 72.9 and 66.9, respectively. Despite the ongoing economic and political turmoil in a number of countries in the Middle East and North Africa, the region as a whole still achieved an average economic freedom score slightly above 60 due to high ratings of economic freedom in Bahrain, the United Arab Emirates, and Qatar, reinforced by improved scores in Israel, Egypt, and Morocco. Average economic freedom scores in the South and Central America/Caribbean region, the Asia–Pacific region, and Sub-Saharan Africa continue to be below 60.

North America and Europe are the only two regions that registered score declines of 1.0 point and 0.1 point, respectively. While average economic freedom for the South and Central America/Caribbean region stayed largely the same as last year with an improvement of 0.1 point, the regional average for the Middle East/North Africa region increased significantly, by a full point. Average economic freedom scores for Sub-Saharan Africa and the Asia–Pacific region continued their recent upward trends, showing improvements of 0.6 point and 0.2 point, respectively, in the 2016 *Index*.

Despite varying levels of economic freedom across the regions, the fundamental relationship between economic freedom and prosperity holds true worldwide. Chart 4 shows that no matter the region, per capita income levels are consistently higher in countries that are economically freer.

The reason for this is clear: Governments that respect and promote economic freedom provide the best environment for experimentation, innovation, and progress, and it is through these that humankind grows in prosperity and well-being.

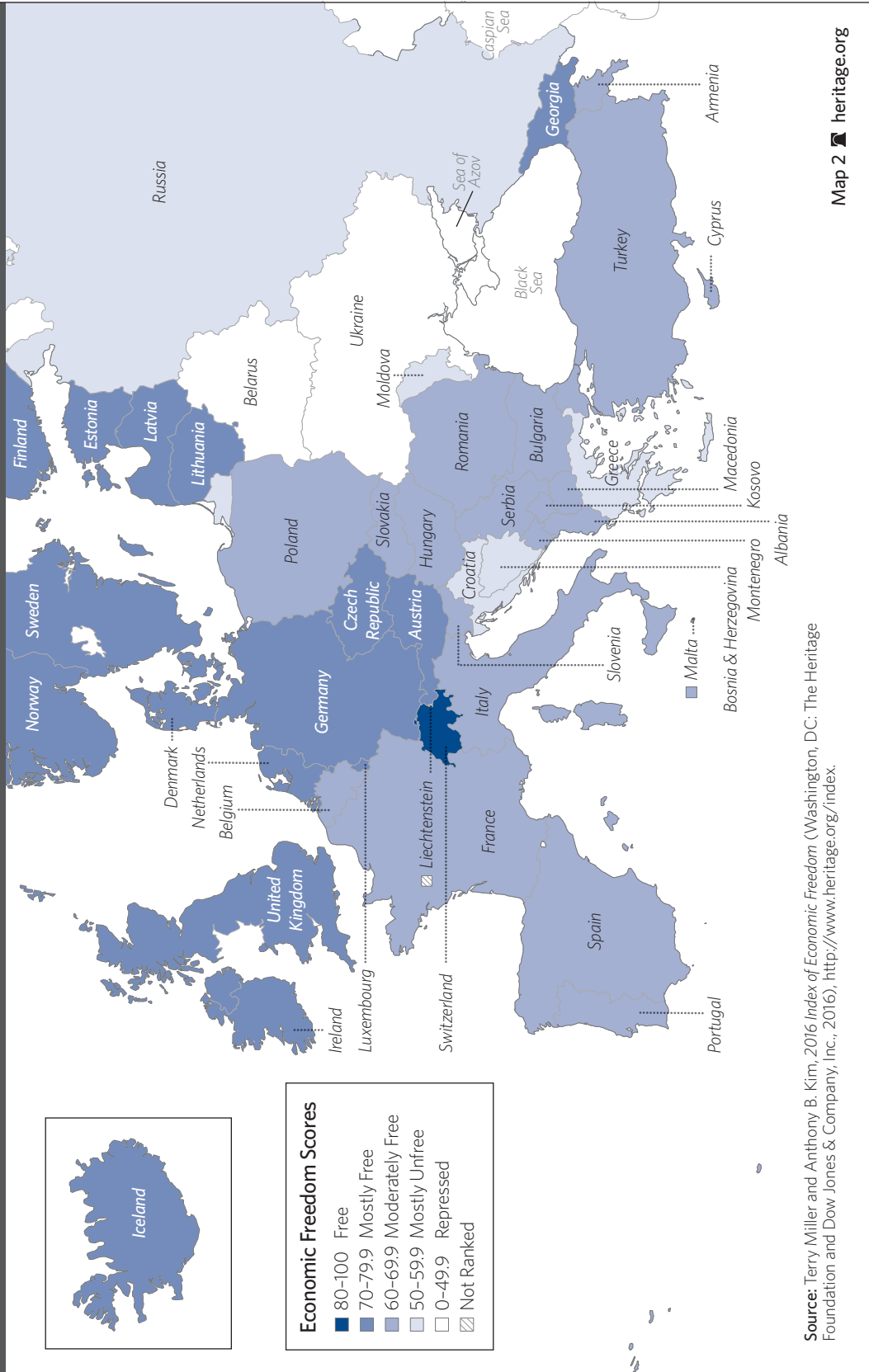
NORTH AMERICA

The North America region has two “mostly free” economies (Canada and the United States) and one “moderately free” economy (Mexico). The North American Free Trade Agreement remains the linchpin of massive trade and investment flows in the North America region.

The region’s increasing economic integration is reflected in converging scores for trade freedom and investment freedom. In 1995, when the first edition of the *Index* measured these freedoms, the score differences between the United States and Mexico were over 10 points in both categories. Over the past two decades, the trade and investment freedom margins have narrowed to less than three points.

Notable Countries: Canada has led the region in economic freedom since 2010. The United States continues to be mired in the ranks of the “mostly free,” the second-tier economic freedom category into which it dropped in 2010. Worse, with its scores in labor freedom, business freedom, and fiscal freedom notably declining, the economic freedom of the United States plunged 0.8 point to 75.4, matching its lowest score ever.

Europe



Source: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Economic Freedom in European Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
4	1	Switzerland	81.0	0.5	90.0	86.0	70.9	66.3	82.2	72.1	87.8	90.0	85	80
8	2	Ireland	77.3	0.7	90.0	74.0	73.6	50.3	79.6	72.1	85.5	88.0	90	70
9	3	Estonia	77.2	0.4	90.0	69.0	81.9	54.9	79.0	57.2	82.2	88.0	90	80
10	4	United Kingdom	76.4	0.6	90.0	78.0	64.9	39.0	86.0	71.8	76.4	88.0	90	80
12	5	Denmark	75.3	-1.0	95.0	92.0	39.5	2.3	95.4	86.0	84.4	88.0	90	80
13	6	Lithuania	75.2	0.5	65.0	58.0	92.9	63.8	80.0	60.0	84.6	88.0	80	80
16	7	Netherlands	74.6	0.9	90.0	83.0	52.7	34.4	80.0	64.0	83.4	88.0	90	80
17	8	Germany	74.4	0.6	90.0	79.0	61.5	41.3	90.0	50.6	83.3	88.0	90	70
19	9	Luxembourg	73.9	0.7	90.0	82.0	61.1	43.0	73.7	42.6	83.2	88.0	95	80
20	10	Iceland	73.3	1.3	90.0	79.0	73.3	42.1	90.1	61.6	79.5	87.8	70	60
21	11	Czech Republic	73.2	0.7	75.0	51.0	82.5	47.3	66.6	77.7	84.1	88.0	80	80
23	12	Georgia	72.6	-0.4	40.0	52.0	87.6	75.3	86.5	75.7	80.5	88.6	80	60
24	13	Finland	72.6	-0.8	90.0	89.0	66.5	0.8	90.7	53.7	81.9	88.0	85	80
26	14	Sweden	72.0	-0.7	90.0	87.0	44.4	14.9	89.7	53.5	87.1	88.0	85	80
28	15	Austria	71.7	0.5	90.0	72.0	50.7	22.4	79.4	72.5	81.7	88.0	90	70
32	16	Norway	70.8	-1.0	90.0	86.0	53.2	41.8	89.6	48.5	76.2	87.8	75	60
36	17	Latvia	70.4	0.7	50.0	55.0	84.8	58.4	78.6	59.5	84.8	88.0	85	60
39	18	Poland	69.3	0.7	65.0	61.0	75.5	46.5	68.7	58.0	85.2	88.0	75	70
42	19	Cyprus	68.7	0.8	70.0	63.0	76.1	47.3	74.5	58.2	85.3	88.0	75	50
43	20	Spain	68.5	0.9	70.0	60.0	58.3	41.1	76.0	51.7	84.7	88.0	85	70
44	21	Belgium	68.4	-0.4	80.0	76.0	44.2	11.0	85.4	60.5	84.0	88.0	85	70
47	22	Macedonia	67.5	0.4	35.0	45.0	92.1	69.6	76.4	66.7	83.5	86.4	60	60
54	23	Armenia	67.0	-0.1	20.0	37.0	83.8	80.7	77.5	62.2	72.8	85.6	80	70

(continued on next page)

EUROPE

The Europe region includes 44 ranked countries. Half of the world's 20 freest countries are in Europe, and the vast majority of the region's economies are considered at least "moderately free." Europe now has five "mostly unfree" economies (Croatia, Bosnia and Herzegovina, Moldova, Greece, and Russia) and two "repressed" economies (Ukraine and Belarus).

Taken as a whole, Europe still struggles with a variety of policy barriers to dynamic economic

expansion, such as overly protective and costly labor regulations, higher tax burdens, various market-distorting subsidies, and continuing problems in the management of public finance resulting from years of public-sector expansion. In some countries, lingering institutional shortcomings make it difficult to enhance respect for the rule of law. High levels of corruption, exacerbated by relatively inefficient judicial systems, weaken the prospects for dynamic long-term economic development.

Economic Freedom in European Countries *(continued)*

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
55	24	Malta	66.7	0.2	70.0	55.0	63.9	46.5	61.6	53.5	83.5	88.0	85	60
56	25	Slovakia	66.6	-0.6	50.0	50.0	80.1	49.5	68.4	55.0	79.5	88.0	75	70
58	26	Hungary	66.0	-0.8	45.0	54.0	78.7	26.7	70.6	63.8	88.3	88.0	75	70
59	27	Albania	65.9	0.2	35.0	33.0	87.8	75.0	67.6	51.5	81.7	87.6	70	70
60	28	Bulgaria	65.9	-0.9	30.0	43.0	91.1	60.4	66.9	71.6	82.6	88.0	65	60
61	29	Romania	65.6	-1.0	35.0	43.0	87.5	65.6	66.1	65.1	81.1	88.0	75	50
64	30	Portugal	65.1	-0.2	70.0	63.0	60.5	24.8	85.3	43.5	85.7	88.0	70	60
65	31	Montenegro	64.9	0.2	40.0	42.0	91.6	39.8	76.6	72.0	82.6	84.8	70	50
75	32	France	62.3	-0.2	80.0	69.0	47.7	2.5	78.4	43.5	79.1	83.0	70	70
77	33	Serbia	62.1	2.1	50.0	41.0	84.3	44.1	60.2	66.2	77.5	77.8	70	50
79	34	Turkey	62.1	-1.1	40.0	45.0	75.2	55.6	65.4	48.6	71.5	84.4	75	60
84	35	Kosovo	61.4		30.0	33.0	93.6	76.8	69.3	66.3	78.9	70.8	65	30
86	36	Italy	61.2	-0.5	50.0	43.0	55.8	22.1	70.3	53.0	84.5	88.0	85	60
90	37	Slovenia	60.6	0.3	60.0	58.0	58.6	0.0	82.0	55.4	84.3	88.0	70	50
103	38	Croatia	59.1	-2.4	35.0	48.0	70.8	33.7	60.3	42.4	78.7	87.4	75	60
108	39	Bosnia and Herzegovina	58.6	-0.4	20.0	39.0	83.9	33.1	54.6	59.4	84.3	87.0	65	60
117	40	Moldova	57.4	-0.1	40.0	35.0	85.4	55.6	64.6	39.3	76.0	73.6	55	50
138	41	Greece	53.2	-0.8	40.0	43.0	64.4	0.0	73.8	50.2	77.7	83.0	60	40
153	42	Russia	50.6	-1.5	20.0	27.0	82.2	56.2	72.2	57.6	62.9	72.4	25	30
157	43	Belarus	48.8	-1.0	20.0	31.0	88.6	44.8	69.0	74.9	50.4	79.0	20	10
162	44	Ukraine	46.8	-0.1	25.0	26.0	78.6	30.6	56.8	47.9	66.9	85.8	20	30
N/A	N/A	Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.0	85	80

Table 2  heritage.org

Notable Countries: The three Baltic States (Estonia, Lithuania, and Latvia) continue to gain greater economic freedom. Each has advanced its economic freedom every year since 2012. Insulated somewhat from the eurozone crisis and monetary uncertainty in the region, the United Kingdom has demonstrated a high level of economic resilience. Disciplined fiscal adjustments have contributed to restoring the country's economic dynamism and advancing it to 10th place in the *Index*. Croatia and Russia have registered the largest score declines in the region. Russia in

particular faces bleak prospects for long-term economic growth in the absence of an efficiently functioning legal framework and continued heavy government interference in the private sector through myriad state-owned enterprises.

SOUTH AND CENTRAL AMERICA/CARIBBEAN

In the South and Central America/Caribbean region, 29 countries are distributed throughout the rankings in a more bell-shaped way than is found among the countries of any other region.

South and Central America/Caribbean



Economic Freedom in South and Central America / Caribbean Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
7	1	Chile	77.7	-0.8	85.0	73.0	74.8	83.1	72.1	64.3	82.9	86.4	85	70
31	2	Bahamas	70.9	2.2	70.0	71.0	97.9	84.3	70.7	72.8	78.5	64.0	40	60
33	3	Colombia	70.8	-0.9	50.0	37.0	80.1	74.4	78.2	77.6	79.6	81.0	80	70
38	4	Saint Lucia	70.0	-0.2	70.0	71.0	76.9	70.6	77.6	76.2	80.3	72.0	65	40
40	5	Saint Vincent and the Grenadines	68.8	0.8	70.0	67.0	73.8	69.7	77.6	74.5	85.3	65.4	65	40
41	6	Uruguay	68.8	0.2	70.0	73.0	77.2	67.6	75.3	62.5	71.3	80.6	80	30
45	7	Barbados	68.3	0.4	80.0	74.0	75.8	37.6	70.2	67.3	80.8	62.2	75	60
48	8	Jamaica	67.5	-0.2	40.0	38.0	81.7	78.0	81.3	72.7	77.5	75.4	80	50
49	9	Peru	67.4	-0.3	40.0	38.0	78.5	86.1	67.8	62.9	83.7	87.0	70	60
50	10	Costa Rica	67.4	0.2	50.0	54.0	79.4	88.7	68.6	53.8	77.6	81.6	70	50
53	11	Dominica	67.0	0.9	60.0	58.0	74.0	68.5	73.3	68.7	90.1	72.6	75	30
63	12	El Salvador	65.1	-0.6	35.0	39.0	79.1	85.3	56.0	52.6	83.4	85.8	75	60
66	13	Panama	64.8	0.7	30.0	37.0	84.4	77.9	74.4	42.9	78.6	77.8	75	70
73	14	Trinidad and Tobago	62.9	-1.2	50.0	38.0	79.4	62.3	69.5	72.8	68.5	78.6	60	50

(continued on next page)

All but eight countries have received an economic freedom score between 50 and 70 in the 2016 *Index*, and 14 countries fall in the middle economic freedom category of “moderately free.” There is no “free” economy, but four “mostly free” economies (Chile, the Bahamas, Colombia, and Saint Lucia) lead the region.

The stark common reality across the region is that the foundations of well-functioning free-market democracy remain fragile. With widespread corruption and the weak protection of property rights aggravating systemic shortcomings such as regulatory inefficiency and monetary instability caused by various market distortions, the region as a whole has become increasingly vulnerable to deceptive models of populist governance.

Notable Countries: Several notable policy measures undertaken in recent years threaten Chile’s well-established tradition of economic freedom. Along with the introduction of redistributive tax measures, the corporate tax rate has been raised and is slated to rise further in coming years. Ongoing labor reforms have focused on increasing the minimum wage and strengthening union bargaining. Performing far below its potential, Argentina’s economy remains stifled by blatant disregard for the basic foundations of the rule of law and limited government; the country has recorded its lowest economic freedom score ever. In Venezuela, President Nicolás Maduro has pushed government spending to the brink, resulting in harmful increases in inflation and the public debt.

Economic Freedom in South and Central America / Caribbean Countries *(continued)*

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
82	15	Guatemala	61.8	1.4	20.0	32.0	79.1	94.3	62.5	50.9	77.9	86.4	65	50
83	16	Paraguay	61.5	0.4	30.0	24.0	96.3	83.3	62.6	30.4	76.8	76.2	75	60
88	17	Dominican Republic	61.0	0.0	25.0	32.0	84.5	90.2	56.6	56.5	73.1	77.2	75	40
109	18	Nicaragua	58.6	1.0	10.0	28.0	78.0	82.8	61.2	55.7	69.0	86.2	65	50
113	19	Honduras	57.7	0.3	30.0	29.0	84.2	72.0	58.0	31.0	74.8	78.4	60	60
118	20	Belize	57.4	0.6	35.0	6.7	82.1	71.9	63.3	60.3	79.2	70.0	55	50
122	21	Brazil	56.5	-0.1	45.0	43.0	69.7	55.2	61.4	52.5	64.2	69.4	55	50
127	22	Guyana	55.4	-0.1	30.0	30.0	68.7	73.1	63.0	70.7	77.4	70.8	40	30
134	23	Suriname	53.8	-0.4	30.0	36.0	69.4	70.3	48.8	76.3	78.7	68.4	30	30
150	24	Haiti	51.3	0.0	10.0	19.0	80.5	76.4	47.1	62.0	76.0	72.0	40	30
159	25	Ecuador	48.6	-0.6	15.0	33.0	79.2	41.8	55.5	51.6	68.1	71.4	30	40
160	26	Bolivia	47.4	0.6	10.0	35.0	86.4	55.5	58.8	31.7	65.0	76.6	15	40
169	27	Argentina	43.8	-0.3	15.0	34.0	66.1	51.3	56.0	43.9	44.0	67.4	30	30
176	28	Venezuela	33.7	-0.6	5.0	19.0	74.9	56.7	45.3	29.5	33.8	63.2	0	10
177	29	Cuba	29.8	0.2	10.0	46.0	52.1	0.0	20.0	20.0	65.2	64.6	10	10

Table 3  heritage.org

MIDDLE EAST/NORTH AFRICA

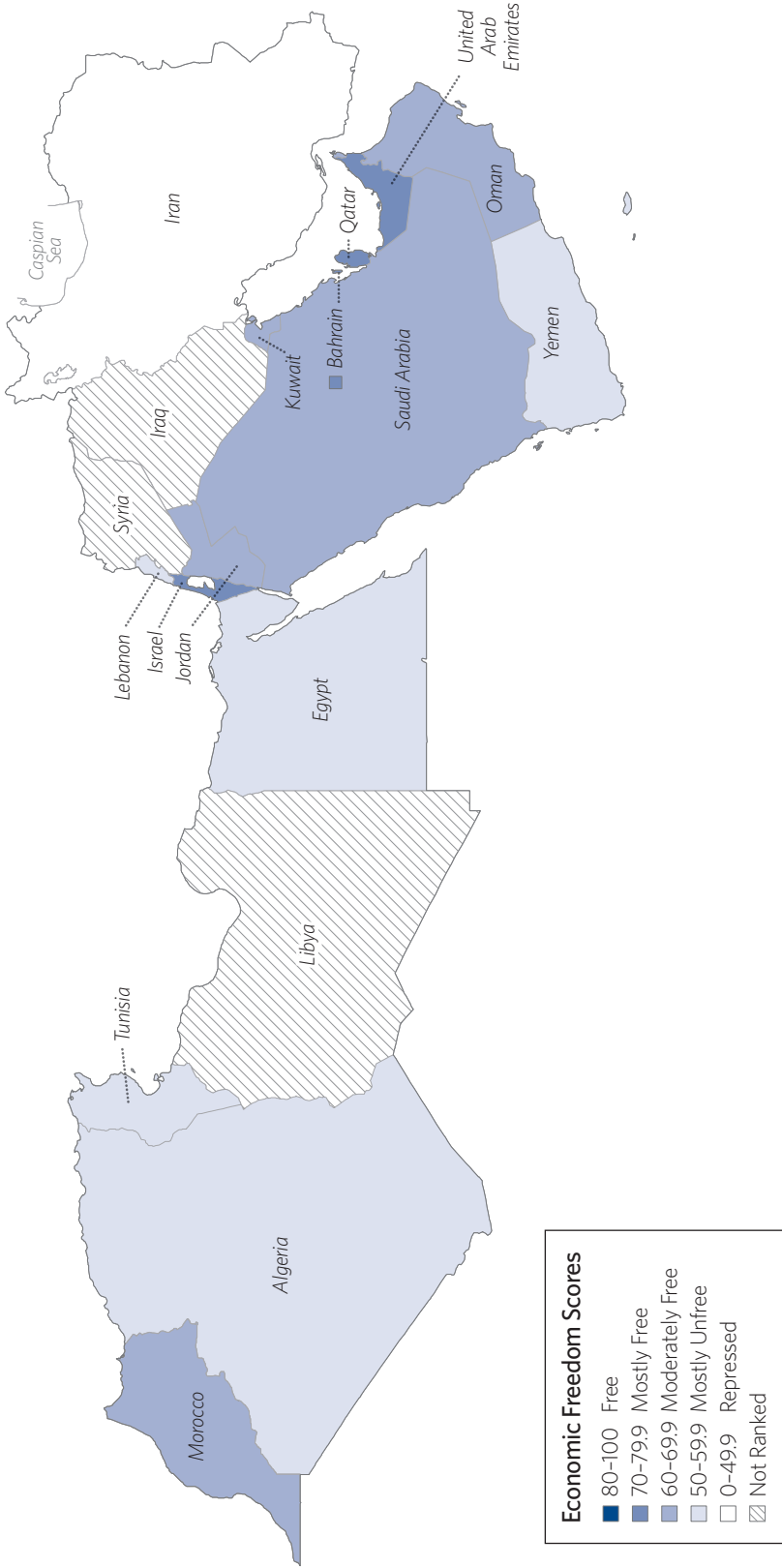
The Middle East/North Africa region continues to be a critical global hot spot with economic, political, and security vulnerabilities. Structural and institutional problems abound throughout the region, and private-sector growth continues to lag far behind levels needed to provide adequate jobs for growing populations. The majority of the Middle East/North Africa region's 14 economies graded by the *Index* continue to be only "moderately free" or "mostly unfree," with Iran becoming the only "repressed" economy in the region.

Since early 2011, many countries in the region have been undergoing socioeconomic upheaval, and the outcomes of continuing turmoil are far from certain. The lives of many ordinary people in the region have yet to change for the better.


Among the Arab Spring economies, Tunisia and Egypt have shown some encouraging results in recent years. However, grading of economic freedom for Iraq, Libya, Syria, and Yemen has had to be suspended because of ongoing and worsening civil unrest.

Notable Countries: Economic freedom in the United Arab Emirates has advanced for the eighth year in a row. With a transparent and favorable business climate and a high degree of political stability, the UAE has created a dynamic entrepreneurial environment for international investors. Improvements in key policy areas such as the management of public finance and the overall investment framework have propelled Israel further into the ranks of the "mostly free." The intensifying civil war in Yemen has destroyed

Middle East/North Africa



Source: Terry Miller and Anthony B. Kim, *2016 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Map 4  [heritage.org](http://www.heritage.org)

Economic Freedom in Middle East/North African Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
18	1	Bahrain	74.3	0.9	60.0	49.0	99.9	75.4	71.9	79.1	74.6	82.6	70	80
25	2	United Arab Emirates	72.6	0.2	55.0	70.0	95.0	76.1	79.6	80.7	81.3	82.8	45	60
34	3	Qatar	70.7	-0.1	65.0	69.0	99.7	70.4	71.4	70.7	74.1	81.8	45	60
35	4	Israel	70.7	0.2	75.0	60.0	60.6	48.8	70.6	64.6	84.2	88.2	85	70
46	5	Jordan	68.3	-1.0	60.0	49.0	91.7	62.0	64.9	68.4	83.1	73.4	70	60
52	6	Oman	67.1	0.4	55.0	45.0	98.5	36.8	70.1	72.5	77.9	85.0	70	60
74	7	Kuwait	62.7	0.2	45.0	44.0	97.7	57.7	63.4	62.7	74.2	77.2	55	50
78	8	Saudi Arabia	62.1	0.0	40.0	49.0	99.7	56.8	69.9	68.5	69.2	77.8	40	50
85	9	Morocco	61.3	1.2	40.0	39.0	71.5	65.6	66.4	34.3	84.1	81.8	70	60
98	10	Lebanon	59.5	0.2	20.0	27.0	91.3	75.7	59.1	57.3	79.0	75.8	60	50
114	11	Tunisia	57.6	-0.1	40.0	40.0	74.0	73.4	81.3	64.0	75.6	62.2	35	30
125	12	Egypt	56.0	0.8	20.0	37.0	85.6	65.9	68.3	51.4	65.8	70.6	55	40
154	13	Algeria	50.1	1.2	25.0	36.0	81.0	59.4	62.1	48.2	68.1	60.8	30	30
171	14	Iran	43.5	1.7	10.0	27.0	81.2	93.2	59.3	49.0	50.6	54.6	0	10
N/A	N/A	Iraq	N/A	N/A	N/A	16.0	N/A	29.7	63.2	68.5	75.0	N/A	N/A	N/A
N/A	N/A	Libya	N/A	N/A	10.0	18.0	95.0	0.0	55.5	63.1	74.0	N/A	5	N/A
N/A	N/A	Syria	N/A	N/A	10.0	20.0	N/A	N/A	62.4	46.9	42.7	56.6	0	20
N/A	N/A	Yemen	N/A	N/A	30.0	19.0	N/A	N/A	51.9	54.4	71.0	N/A	N/A	30

Table 4  heritage.org

infrastructure, displaced over a million people, and resulted in an acute humanitarian crisis.

ASIA-PACIFIC

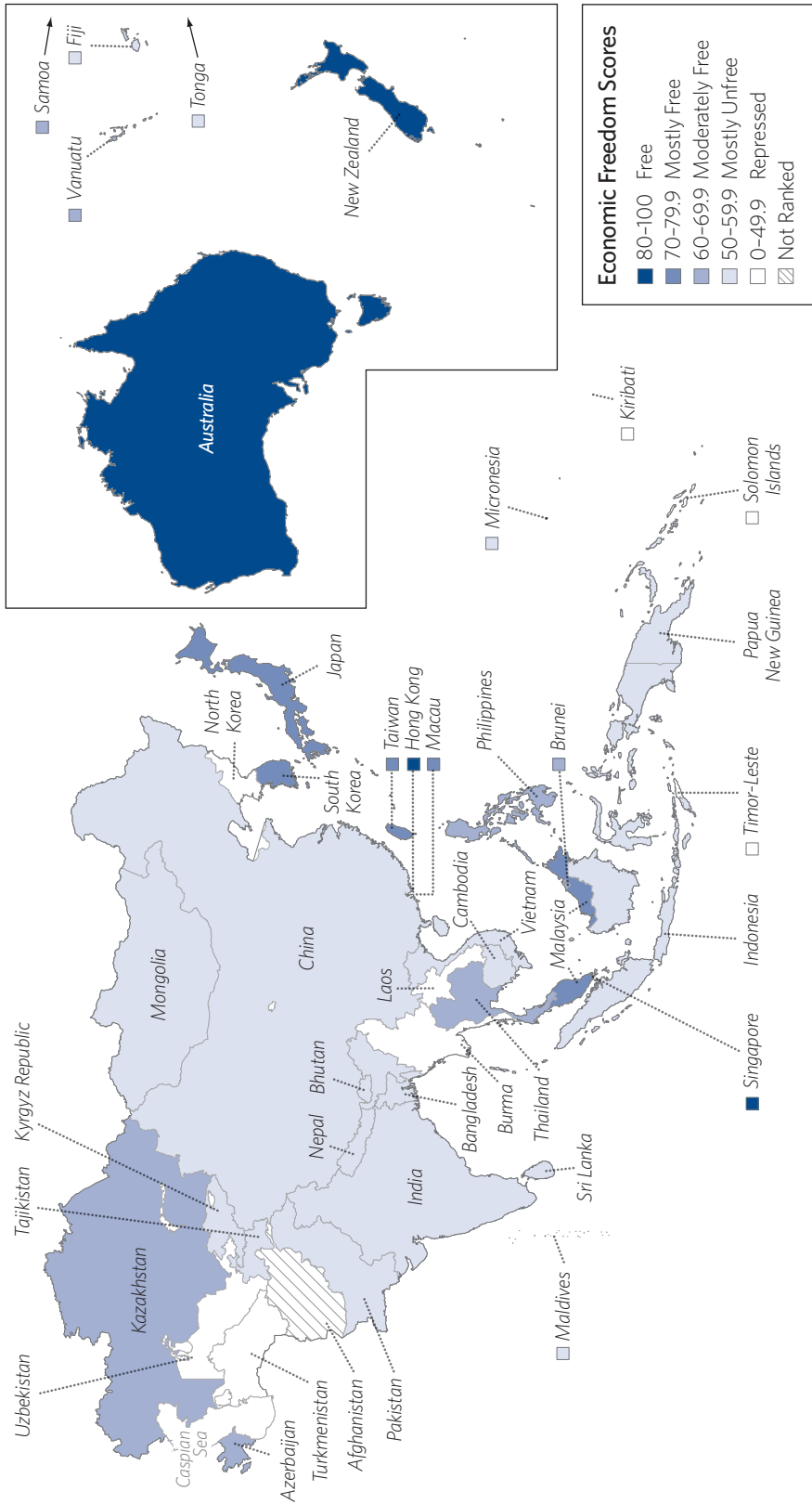
Economic freedom has advanced in the Asia-Pacific region for three years in a row. The cumulative score gain since 2013 is 1.6 points. In the 2016 *Index*, the scores of 22 countries in the region have improved, while those of 19 have worsened.

The Asia-Pacific area continues to have by far the largest number of the world's "free" economies. Hong Kong, Singapore, New Zealand, and Australia lead the *Index*. Nonetheless, the region is marked by sharp disparities in levels of economic freedom, with five of the world's 20 freest

economies but also seven of the 20 least free countries. Over 60 percent of the 42 ranked countries in the Asia-Pacific region score between 40 and 60 on the economic freedom scale, remaining either "mostly unfree" or "repressed."

Notable Countries: The economy of the Philippines has enjoyed growth in economic freedom every year since 2012. The government has pursued legislative reforms to enhance the entrepreneurial environment and develop a more vibrant private sector to encourage broader-based job creation. Vietnam has recorded the region's biggest score improvement. Gradually transforming itself into a more open, market-oriented economy, the country has benefited

Asia and the Pacific



Source: Terry Miller and Anthony B. Kim, 2016 Index of Economic Freedom (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Map 5 heritage.org

Economic Freedom in Asia-Pacific Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	1	Hong Kong	88.6	-1.0	90.0	74.0	92.6	90.7	97.4	89.0	81.8	90.0	90	90
2	2	Singapore	87.8	-1.6	90.0	84.0	91.2	90.1	95.0	90.7	81.8	90.0	85	80
3	3	New Zealand	81.6	-0.5	95.0	91.0	71.0	46.0	91.4	85.9	88.1	87.2	80	80
5	4	Australia	80.3	-1.1	90.0	80.0	63.2	62.0	89.4	77.2	85.2	86.4	80	90
14	5	Taiwan	74.7	-0.4	70.0	61.0	76.1	88.7	93.2	53.8	83.2	86.4	75	60
22	6	Japan	73.1	-0.2	80.0	76.0	68.5	46.2	82.5	83.9	81.2	82.6	70	60
27	7	South Korea	71.7	0.2	70.0	55.0	73.8	69.7	91.1	50.6	82.6	74.6	70	80
29	8	Malaysia	71.5	0.7	55.0	52.0	85.0	74.3	91.4	71.5	84.5	81.4	60	60
37	9	Macau	70.1	-0.2	60.0	49.7	73.1	93.9	60.0	50.0	69.6	90.0	85	70
51	10	Brunei Darussalam	67.3	-1.6	30.0	60.0	87.0	57.3	71.3	90.2	76.8	85.2	65	50
67	11	Thailand	63.9	1.5	40.0	38.0	81.1	82.2	76.3	62.5	70.9	77.6	50	60
68	12	Kazakhstan	63.6	0.3	30.0	29.0	93.0	87.7	72.3	82.7	74.0	77.4	40	50
69	13	Samoa	63.5	1.6	60.0	52.0	78.9	57.5	77.1	71.8	82.5	70.6	55	30
70	14	Philippines	63.1	0.9	30.0	38.0	79.0	89.6	63.0	57.1	77.7	76.4	60	60
89	15	Vanuatu	60.8	-0.3	40.0	33.5	97.0	86.1	51.8	47.7	78.3	74.0	60	40
91	16	Azerbaijan	60.2	-0.8	20.0	29.0	88.0	56.7	70.3	75.2	77.0	75.8	60	50
93	17	Sri Lanka	59.9	1.3	40.0	38.0	85.1	90.0	70.3	56.5	71.5	72.4	35	40
95	18	Tonga	59.6	0.3	25.0	28.6	86.9	76.3	76.4	86.1	77.4	79.6	40	20
96	19	Kyrgyz Republic	59.6	-1.7	20.0	27.0	93.7	56.3	65.3	80.4	68.4	75.0	60	50
97	20	Bhutan	59.5	2.1	60.0	65.0	83.1	67.5	65.2	77.6	66.9	60.0	20	30
99	21	Indonesia	59.4	1.3	30.0	34.0	83.4	89.0	54.0	49.3	74.3	80.4	40	60
100	22	Mongolia	59.4	0.2	30.0	39.0	84.4	51.5	67.7	77.9	68.0	70.0	45	60
107	23	Fiji	58.8	-0.2	30.0	22.3	81.2	75.3	62.0	70.6	77.6	68.8	50	50
112	24	Cambodia	57.9	0.4	25.0	21.0	90.5	87.4	32.3	62.5	78.1	72.2	60	50
123	25	India	56.2	1.6	55.0	38.0	77.1	78.1	47.6	47.8	72.8	71.0	35	40
126	26	Pakistan	55.9	0.3	30.0	29.0	79.0	86.2	61.2	42.1	71.5	65.0	55	40
131	27	Vietnam	54.0	2.3	15.0	31.0	79.3	75.1	58.3	62.6	70.6	83.0	25	40
132	28	Maldives	53.9	0.5	25.0	21.9	94.0	60.8	81.5	70.4	73.0	47.8	35	30
137	29	Bangladesh	53.3	-0.6	20.0	25.0	72.7	93.6	52.6	62.5	68.2	63.6	45	30
140	30	Papua New Guinea	53.2	0.1	20.0	25.0	67.3	76.2	59.9	71.9	70.6	85.6	25	30
144	31	China	52.0	-0.7	20.0	36.0	69.7	74.3	54.2	62.0	70.6	72.8	30	30
147	32	Micronesia	51.8	2.2	30.0	30.0	93.2	0.0	57.5	79.1	82.1	85.6	30	30
149	33	Tajikistan	51.3	-1.4	20.0	23.0	91.6	76.9	61.1	47.3	69.8	68.6	25	30

(continued on next page)

Economic Freedom in Asia-Pacific Countries *(continued)*

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
151	34	Nepal	50.9	-0.4	30.0	29.0	85.1	91.1	64.9	47.3	70.8	55.6	5	30
155	35	Laos	49.8	-1.6	15.0	25.0	86.1	73.8	55.9	57.6	71.3	58.6	35	20
158	36	Burma	48.7	1.8	10.0	21.0	86.6	75.3	32.6	76.8	70.0	74.2	20	20
161	37	Solomon Islands	47.0	0.0	30.0	25.0	61.4	25.2	68.5	66.2	75.5	73.0	15	30
165	38	Kiribati	46.2	-0.2	30.0	29.2	73.3	0.0	51.6	83.9	81.0	58.2	25	30
166	39	Uzbekistan	46.0	-1.0	15.0	18.0	90.4	66.6	67.1	61.9	65.6	65.6	0	10
167	40	Timor-Leste	45.8	0.3	20.0	28.0	64.7	0.0	68.0	66.0	70.9	80.0	40	20
174	41	Turkmenistan	41.9	0.5	5.0	17.0	95.3	92.2	30.0	20.0	69.4	80.0	0	10
178	42	North Korea	2.3	1.0	5.0	8.0	0.0	0.0	5.0	5.0	0.0	0.0	0	0
N/A	N/A	Afghanistan	N/A	N/A	N/A	12.0	91.6	81.2	56.6	63.2	N/A	N/A	55	N/A

Table 5  heritage.org

from integration into the global commercial system. Reforms have included partial privatization of state-owned enterprises, liberalization of the trade and investment regimes, and modernization of the financial sector. Over the past year, China's economy has undergone a period of financial market volatility and economic slowdown. Deep-seated structural problems, including continued overreliance on public investment and exports for growth, a state-controlled financial sector, and regulatory inefficiency, have become more acute.

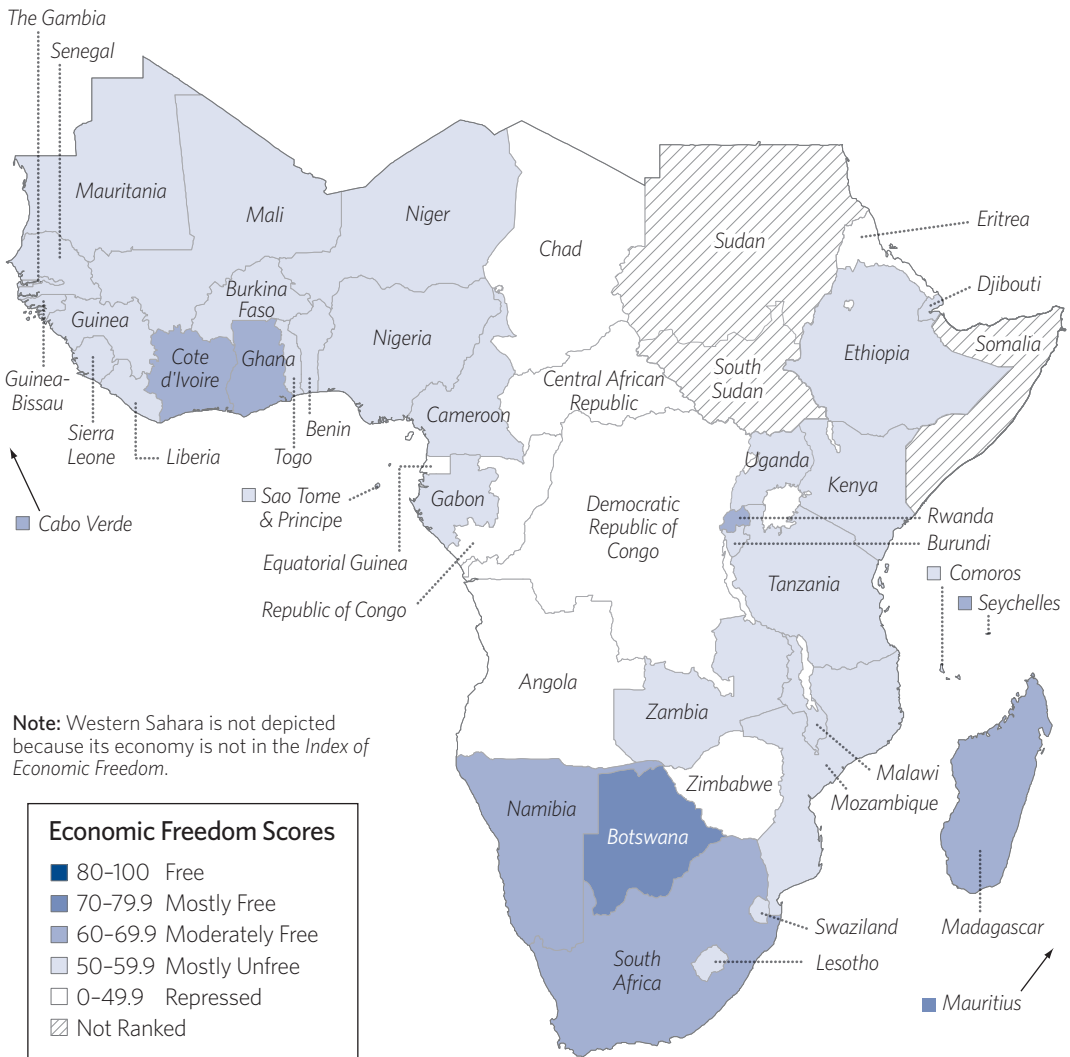
SUB-SAHARAN AFRICA

Unlike other regions that have a wider and more diverse range of economic freedom scores, Sub-Saharan Africa continues to show variations only within the lower bands of economic freedom. There is no "free" economy in the region, and Mauritius continues to lead the region as a "moderately free" economy. A majority of 46 nations are ranked either "mostly unfree" or "repressed." In fact, eight of the world's 24 "repressed" economies are in Sub-Saharan Africa.


Despite turmoil in commodity markets, Sub-Saharan Africa continues to be one of the world's fastest-growing regions. Together with the Asia-Pacific region, it has experienced the most widespread increases in economic freedom over the past year. In the 2016 *Index*, economic freedom has advanced in 65 percent of Sub-Saharan Africa's economies. However, the region as a whole continues to underperform in following through on policy changes that would encourage the emergence of a more dynamic private sector. Limited diversification has resulted in less broad-based growth, with exports often concentrated in sectors with little scope for sustained productivity increases.

Notable Countries: Mauritius continues to be a regional leader in economic freedom, but its economic freedom has been on a declining path since 2013. In the 2016 *Index*, the small island economy dropped out of the list of the world's 10 freest economies for the first time since the 2012 *Index*. Over the past five years, Côte d'Ivoire has made a notable economic transition from fragility to relative stability. Recent reform measures

Sub-Saharan Africa



Source: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

Map 6  heritage.org

include strengthening the management of public finance and structural reforms to foster a more dynamic private sector. Nigeria's high economic growth in recent years has not translated into real gains for most Nigerians. The pace of job creation has been impeded by bureaucratic rigidity and corruption in the economy, leading

to increasing frustration among underemployed youth. Equally troubling is that South Africa is increasingly hampered by social instability exacerbated by frequent violent strikes and a lack of employment opportunity. Policies to sustain dynamic flows of investment have been derailed in some cases.

Economic Freedom in Sub-Saharan Africa Countries

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
15	1	Mauritius	74.7	-1.7	60.0	54.0	92.0	81.5	77.5	65.0	78.7	88.6	80	70
30	2	Botswana	71.1	1.3	70.0	63.0	79.1	68.4	66.4	68.5	76.3	84.0	65	70
57	3	Cabo Verde	66.5	0.1	75.0	57.0	78.1	66.9	61.3	43.6	84.5	68.2	70	60
71	4	Rwanda	63.1	-1.7	30.0	49.0	80.1	77.1	60.5	82.0	79.4	67.6	65	40
72	5	Ghana	63.0	0.0	50.0	48.0	84.9	77.6	61.5	56.5	66.5	65.0	60	60
76	6	Seychelles	62.2	4.7	50.0	55.0	79.3	62.0	66.0	62.1	79.7	83.4	55	30
80	7	South Africa	61.9	-0.7	50.0	44.0	70.1	69.9	69.7	58.7	74.6	77.0	45	60
81	8	Namibia	61.9	2.3	30.0	49.0	64.4	63.9	68.2	84.5	75.1	83.4	60	40
87	9	Madagascar	61.1	-0.6	45.0	28.0	91.1	93.4	52.9	48.5	74.5	77.2	50	50
92	10	Côte d'Ivoire	60.0	1.5	30.0	32.0	78.3	85.4	62.2	46.9	73.5	71.8	70	50
94	11	Swaziland	59.7	-0.2	40.0	43.0	70.9	64.9	58.6	65.8	74.5	88.8	50	40
101	12	Benin	59.3	0.5	30.0	39.0	68.1	84.9	51.3	53.8	82.2	58.8	75	50
102	13	Uganda	59.3	-0.4	25.0	26.0	73.2	91.5	40.3	83.7	80.1	72.8	60	40
104	14	Burkina Faso	59.1	0.5	30.0	38.0	82.8	76.8	46.3	58.9	84.9	68.2	65	40
105	15	Gabon	59.0	0.7	40.0	37.0	77.6	74.5	58.4	61.9	78.4	61.8	60	40
106	16	Zambia	58.8	0.1	30.0	38.0	73.3	81.1	66.4	48.3	72.6	78.2	50	50
110	17	Tanzania	58.5	1.0	25.0	31.0	79.2	88.4	47.5	62.6	67.7	73.2	60	50
111	18	Senegal	58.1	0.3	40.0	43.0	71.6	76.1	49.1	42.4	84.9	73.8	60	40
115	19	Kenya	57.5	1.9	30.0	25.0	79.4	80.8	48.6	62.2	73.5	65.6	60	50
116	20	Nigeria	57.5	1.9	30.0	27.0	85.1	94.6	48.7	72.9	71.5	64.8	40	40
119	21	Gambia	57.1	-0.4	25.0	29.0	75.5	78.0	53.4	65.8	64.7	65.0	65	50
120	22	São Tomé and Príncipe	56.7	3.4	25.0	42.0	87.4	70.1	65.9	46.1	67.6	73.0	60	30
121	23	Mali	56.5	0.1	25.0	32.0	70.3	82.8	46.3	50.8	83.0	70.2	65	40
124	24	Djibouti	56.0	-1.5	25.0	34.0	80.6	57.4	50.8	62.9	74.3	54.6	70	50
128	25	Mauritania	54.8	1.5	25.0	30.0	81.6	75.3	48.7	50.7	77.7	69.0	50	40
129	26	Niger	54.3	-0.3	30.0	35.0	76.3	76.8	39.6	42.3	83.0	64.6	55	40
130	27	Cameroon	54.2	2.3	25.0	27.0	75.6	85.6	46.9	48.9	81.2	61.6	40	50
133	28	Burundi	53.9	0.2	20.0	20.0	73.8	70.5	54.2	67.6	73.8	74.2	55	30
135	29	Togo	53.6	0.6	30.0	29.0	68.7	80.4	51.4	46.2	79.5	71.2	50	30
136	30	Guinea	53.3	1.2	20.0	25.0	68.5	81.2	51.4	71.8	69.2	61.2	45	40
139	31	Mozambique	53.2	-1.6	30.0	31.0	74.3	63.5	55.9	41.9	79.5	70.8	35	50
141	32	Comoros	52.4	0.3	30.0	26.0	64.5	81.0	49.6	51.0	79.4	72.0	40	30
142	33	Sierra Leone	52.3	0.6	10.0	31.0	81.2	92.6	49.9	43.2	70.8	69.4	55	20
143	34	Liberia	52.2	-0.5	25.0	37.0	83.8	67.7	55.1	44.5	71.0	72.8	45	20

(continued on next page)

Economic Freedom in Sub-Saharan Africa Countries *(continued)*

World Rank	Regional Rank	Country	Overall Score	Change from 2015	Property Rights	Freedom from Corruption	Fiscal Freedom	Government Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
145	35	Guinea-Bissau	51.8	-0.2	20.0	19.0	89.3	94.1	36.7	61.1	78.5	59.4	30	30
146	36	Malawi	51.8	-3.0	40.0	33.0	79.0	27.1	44.5	63.4	53.6	72.4	55	50
148	37	Ethiopia	51.5	0.0	30.0	33.0	77.2	90.5	55.8	57.7	66.0	65.0	20	20
152	38	Lesotho	50.6	1.0	30.0	49.0	59.1	0.0	53.3	62.1	76.9	85.8	50	40
156	39	Angola	48.9	1.0	15.0	19.0	87.8	50.1	50.3	44.8	72.2	70.2	40	40
163	40	Congo, Dem. Rep. of	46.4	1.4	10.0	22.0	73.3	95.2	42.8	41.0	78.5	61.0	20	20
164	41	Chad	46.3	0.4	20.0	22.0	46.0	84.3	30.9	48.9	71.4	49.8	50	40
168	42	Central African Republic	45.2	-0.7	10.0	24.0	65.7	93.6	28.0	40.9	62.9	52.2	45	30
170	43	Equatorial Guinea	43.7	3.3	10.0	19.0	75.4	45.6	45.6	38.4	78.9	53.8	40	30
172	44	Congo, Rep. of	42.8	0.1	10.0	23.0	66.9	55.8	35.9	38.8	75.6	52.0	40	30
173	45	Eritrea	42.7	3.8	10.0	18.0	80.9	73.4	32.1	65.6	57.8	69.2	0	20
175	46	Zimbabwe	38.2	0.6	10.0	21.0	60.8	73.6	37.6	30.0	79.1	50.2	10	10
N/A	N/A	Somalia	N/A	N/A	N/A	8.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	Sudan	N/A	N/A	N/A	11.0	86.4	94.8	48.8	43.5	46.7	50.6	10	N/A

Table 6  heritage.org

Chapter 7

The Countries

For more than two decades, the *Index of Economic Freedom* has chronicled and benchmarked the many factors underpinning economic freedom in countries around the globe. The country profiles in the *Index* provide many examples of the impact, both positive and negative, of government economic policies. Those that enhance economic freedom tend to be associated with greater economic and social progress and can be emulated by other countries that are willing to reform. Successful countries are those that chart not just one path to development, but as many as the ingenuity of humans can produce when they are free to experiment and innovate.

This chapter reports data on economic freedom for each of the countries included in the 2016 *Index of Economic Freedom*. Of the 186 countries included in this edition, 178 are fully scored and ranked. Because of insufficient data, eight countries—Afghanistan, Iraq, Libya, Somalia, Sudan, Syria, Yemen, and Liechtenstein—are covered without numerical grading. In the 2016 *Index*, Kosovo has been graded and ranked for the first time.

For analytical understanding and presentational clarity, the 10 economic freedoms are grouped into four pillars of economic freedom:

- **Rule of law** (property rights, freedom from corruption);
- **Government size** (fiscal freedom, government spending);
- **Regulatory efficiency** (business freedom, labor freedom, monetary freedom); and
- **Market openness** (trade freedom, investment freedom, financial freedom).

Ranked countries are given a score ranging from 0 to 100 on each of the 10 components of economic freedom, and these scores are then averaged (using equal weights) to compute each country's final economic freedom score. In addition to the scores, the country pages include in each case a brief overview describing the economic strengths and weaknesses and the political and economic background influencing a country's performance, as well as a statistical profile documenting the country's main economic indicators.

To assure objectivity and reliability within each of the 10 components on which the countries are graded, every effort has been made to use the same data source consistently for all countries; when data are unavailable from the

primary source, secondary sources are used. (For details, see Appendix, “Methodology.”)

DEFINING THE “QUICK FACTS”

Each country page includes “Quick Facts” providing basic statistical data. In order 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 interpreting changes in these figures over time, as the PPP conversion rates are subject to regular revision by the IMF and World Bank. In order to provide accurate estimates of annual and 5-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: 2014 data from World Bank, *World Development Indicators Online*. 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, 2015*. The secondary source for GDP data is World Bank, *World Development Indicators Online*. 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 national currency units. Annual percent changes are year-on-year. The primary source is International Monetary Fund, *World Economic Outlook Database, 2015*. 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 compound annual growth: The compound average growth rate measured over a specified period of time. The compound annual growth rate is measured using data from 2008 to 2013, based on real GDP expressed in constant national currency units. It is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered. The primary source is

International Monetary Fund, *World Economic Outlook Database, 2015*. 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, 2015*; World Bank, *World Development Indicators Online*; U.S. Central Intelligence Agency, *The World Factbook 2015*; 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, *Global Employment Trends 2015*.

Inflation: The annual percent change in consumer prices as measured for 2014 (or the most recent available year). The primary source for 2014 data is International Monetary Fund, *World Economic Outlook Database, 2015*. Secondary sources are Economist Intelligence Unit, *Data Tool*; Asian Development Bank, *Asian Development Outlook 2015*; 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 2014 U.S. dollars, reported in millions. FDI flows are defined as investments that acquire a lasting management interest (10 percent or more of voting stock) in a local enterprise by an investor operating in another country. Such investment is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments and both short-term and long-term international loans. Data are from United Nations Conference on Trade and Development, *World Investment Report 2015*.

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 2014 data are International Monetary Fund, *World Economic Outlook Database, 2015*; International Monetary Fund, *Article IV Staff Reports, 2012–2015*; and a country's statistical agency.

COMMONLY USED ACRONYMS

CARICOM: Caribbean Community and Common Market, composed of Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

CEMAC: Central African Economic and Monetary Community, which includes Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.

EU: European Union, consisting of Austria, Belgium, Bulgaria, Cyprus, Croatia, the Czech Republic, Denmark, Estonia, Finland, France,

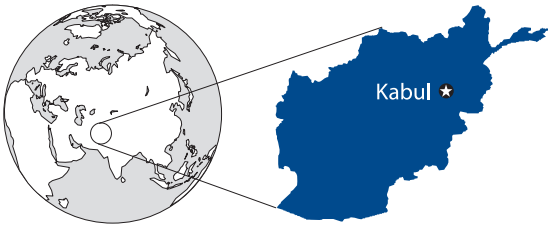
Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

IMF: International Monetary Fund, established in 1945 to help stabilize countries during crises; now includes 188 member countries.

OECD: Organisation for Economic Co-operation and Development, an international organization of developed countries, founded in 1948; now includes 34 member countries.

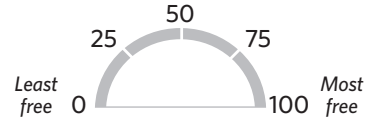
SACU: Southern African Customs Union, consisting of Botswana, Lesotho, Namibia, South Africa, and Swaziland.

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 November 2015, there were 162 member economies.



AFGHANISTAN

Economic Freedom Score



This economy is not graded

World Rank: Not Ranked

Regional Rank: Not Ranked

Afghanistan's economic freedom cannot be fully assessed because of the lack of reliable comparable data. The government's compilations of official economic data are inadequate, and data on Afghanistan in many of the international sources relied upon for *Index* grading are incomplete. Afghanistan's economic freedom will be ranked in future editions when more reliable information becomes available.

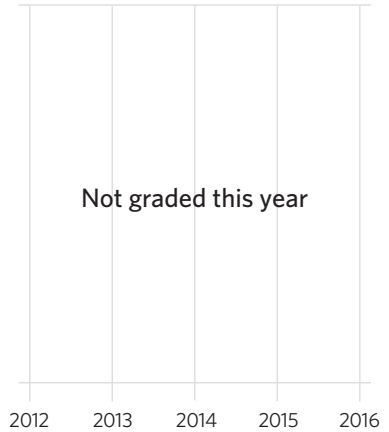
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Asia-Pacific Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

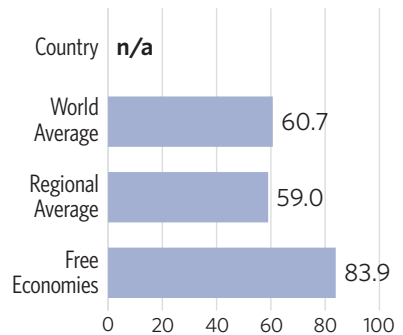
Afghanistan's overall economic environment is undermined by ongoing political and security challenges, and the inability to deliver basic services on a reliable basis has severely eroded confidence in the government. The economy is hobbled by insurgency and corruption. The agricultural sector depends heavily on cultivation of opium poppies.

BACKGROUND: Ashraf Ghani Ahmadzai became president following an election marred by allegations of vote-rigging in 2014. After three months of political wrangling, Ghani and former Foreign Minister Abdullah Abdullah agreed to form a unity government. Ghani, who won the election according to Afghanistan's Independent Election Commission, shares power with Abdullah, who is chief executive officer. Ghani signed a Bilateral Security Agreement with the U.S. in September 2014, opening the way for a continued non-combat U.S. presence. Taliban insurgents continue to attack Afghan security forces and civilians. In October 2015, President Obama announced that the United States would keep thousands of troops in Afghanistan through the end of his term in 2017.

Freedom Trend



Country Comparisons



Quick Facts

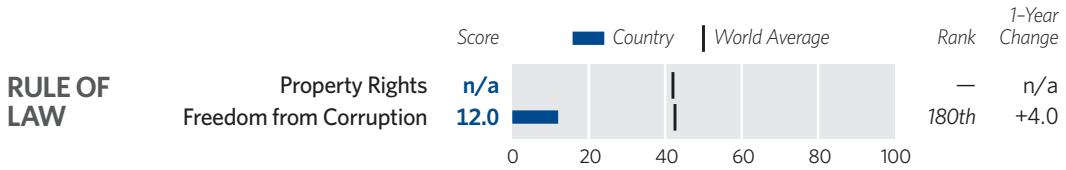
Population: 31.3 million
GDP (PPP): \$60.6 billion
 1.5% growth in 2014
 5-year compound annual growth 6.8%
 \$1,937 per capita
Unemployment: 9.1%
Inflation (CPI): 4.6%
FDI Inflow: \$53.6 million
Public Debt: 6.7% of GDP

How Do We Measure Economic Freedom?

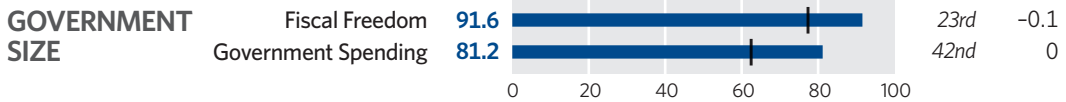
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

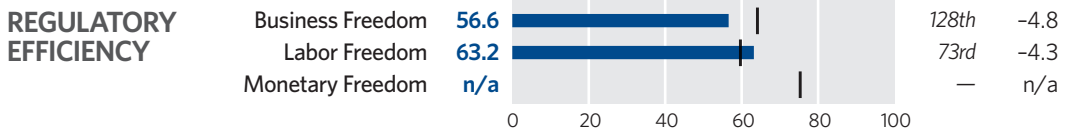
THE TEN ECONOMIC FREEDOMS



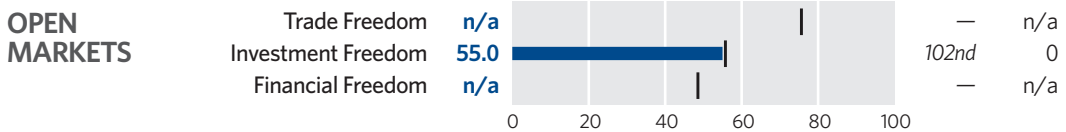
The transfer of security responsibility to Afghan forces and planned phasedown of international troops increase uncertainty as the government confronts high levels of corruption, heavy and persistent drug trafficking, weak institutional capacity, and a severely underdeveloped judicial system. Weak protection of property rights due to a lack of property registries or a land titling database leads to land title disputes.



The top income and corporate tax rates are 20 percent. Driven by sales taxes, overall tax revenue equals about 7 percent of total domestic income. Government spending has moderated, but the government still relies heavily on foreign assistance. Two years of political and security uncertainty have resulted in reduced economic activity and the emergence of significant fiscal vulnerabilities.



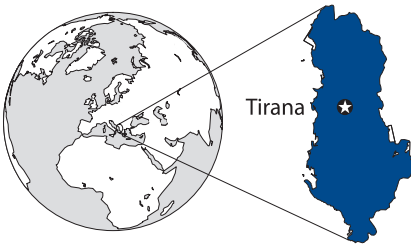
Despite efforts to streamline the procedures for establishing a business, bureaucratic impediments to private-sector production and investment still hamper the overall regulatory environment. The labor market remains severely underdeveloped, with the 2009 labor law poorly implemented. Due to the severe underdevelopment of the financial system, the government has very limited influence on monetary policy.



Afghanistan’s customs system is complex, and importation of goods generally takes many weeks. With the exception of land ownership, foreign and domestic investors are treated the same under the law. The financial sector remains underdeveloped, and scarce access to financing hinders private-sector growth. Three state banks and over 15 commercial banks are in operation across the country, but trust in the banking system is weak.

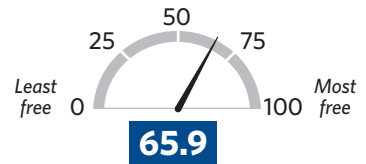
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



ALBANIA

Economic Freedom Score



World Rank: **59** Regional Rank: **27**

Albania's economy has benefited substantially from increased openness and flexibility over the past decade. Although the state continues to control key enterprises, particularly in the energy sector, the economy is mostly in private hands. Beneficial structural reforms have included bank privatization, implementation of competitive flat tax rates, and modernization of the regulatory environment.

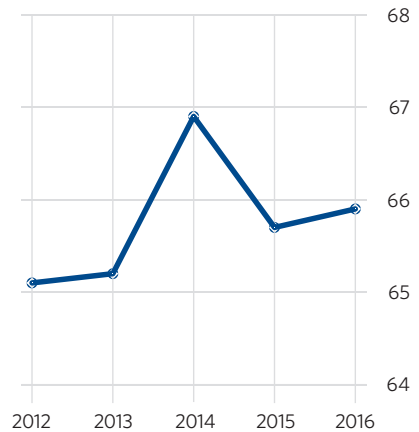
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.9 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **59th**
- Regional Ranking: **27th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+0.8**

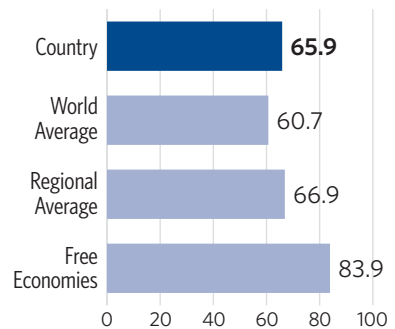
Deeper institutional reforms to reduce labor market regulations and increase the efficiency of the judiciary, which remains subject to political interference, are critical to further success. Corruption continues to undermine the prospects for long-term economic development. Expansionary public spending has led to budget deficits and rising public debt, now over 70 percent of GDP.

BACKGROUND: Socialist Edi Rama was elected prime minister in June 2013, defeating eight-year conservative incumbent Sali Berisha. As promised, Rama secured European Union candidacy status in June 2014. Albania achieved full membership in NATO in April 2009 and continues to make a small contribution to the NATO-led mission in Afghanistan. A Strategic Partnership agreement with the U.S. is intended to increase cooperation, including improvements in the rule of law. Albania receives significant foreign direct investment to fund development of its oil and natural gas resources. Its transportation and energy infrastructure remain poor by European standards. The economy is dominated by agriculture, which employs about half of the workforce, and services, including tourism. Growth is tepid, hampered by high public debt and corruption.

Freedom Trend



Country Comparisons



Quick Facts

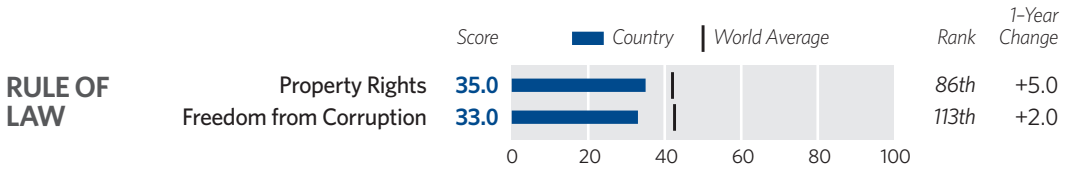
- Population:** 2.8 million
- GDP (PPP):** \$31.6 billion
- 2.1% growth in 2014
- 5-year compound annual growth 2.3%
- \$11,377 per capita
- Unemployment:** 16.1%
- Inflation (CPI):** 1.6%
- FDI Inflow:** \$1.1 billion
- Public Debt:** 72.6% of GDP

How Do We Measure Economic Freedom?

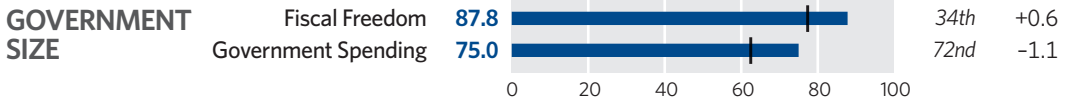
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2014 data unless otherwise noted.
Data compiled as of September 2015.

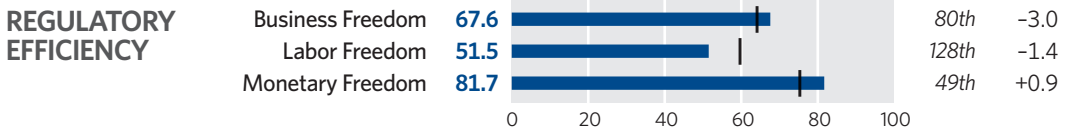
THE TEN ECONOMIC FREEDOMS



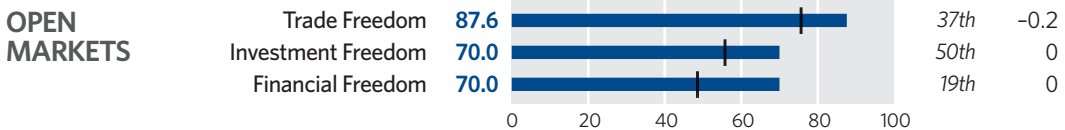
The arrest of the central bank governor in September 2014 may be a turning point in attitudes toward malfeasance as Albania seeks to join the European Union. The EU is demanding reforms in the judiciary and law enforcement agencies to combat deeply rooted corruption and organized crime. Judges sometimes face threats and physical violence. Protection of intellectual and real property rights is weak, particularly for land tenure.



The top individual income tax rate is now 23 percent, and the top corporate tax rate is 15 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 21.7 percent of total domestic income. Government expenditures stand at 28.9 percent of GDP, and public debt, which has increased since 2007, has reached a level equal to over 70 percent of GDP.



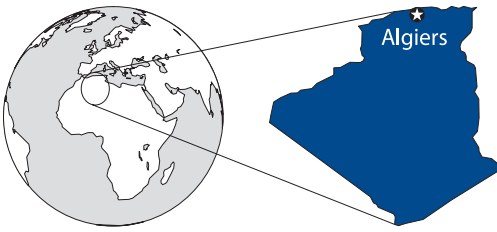
The entrepreneurial regulatory framework has become fairly streamlined, and starting a business takes less than the world averages of seven procedures and 30 days. Minimum capital requirements are modest. Despite some reform, labor market rules remain relatively rigid. Government subsidies and price controls distort domestic prices for electricity, water, agricultural products, and railroad transportation.



Albania's average tariff rate is just 1.2 percent, and its trade and investment policies are much more open than the global average. The government officially welcomes investment in most sectors of the economy. The banking sector, which remains relatively well capitalized, consists mainly of subsidiaries of foreign banks and remains relatively stable.

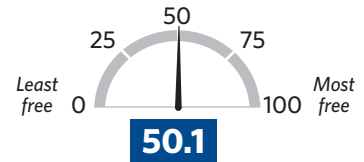
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+6.1	Business Freedom	-2.4	Trade Freedom	+28.6
Freedom from Corruption	+23.0	Government Spending	+40.7	Labor Freedom	+2.5	Investment Freedom	0
				Monetary Freedom	+59.6	Financial Freedom	+20.0



ALGERIA

Economic Freedom Score



World Rank: **154**

Regional Rank: **13**

Algeria's burdensome business environment and over-dependence on its energy sector continue to undermine prospects for sustained economic development. With structural reforms to diversify the economic base achieving only marginal progress, policies to enhance regulatory efficiency and maintain open markets for the development of a more dynamic private sector have not advanced.

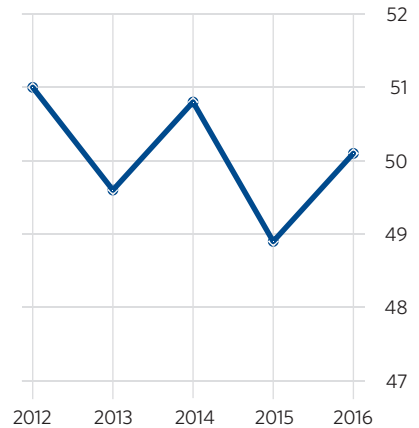
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **50.1 (up 1.2 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **154th**
- Regional Ranking: **13th in the Middle East/North Africa Region**
- Notable Successes: **Fiscal Freedom and Monetary Freedom**
- Concerns: **Regulatory Inefficiency, Rule of Law, and Investment Freedom**
- Overall Score Change Since 2012: **-0.9**

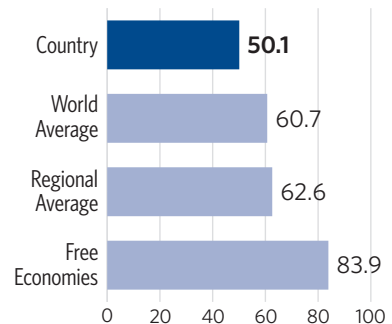
Rule of law remains fragile in Algeria due to corruption and an inefficient judicial system that is vulnerable to political interference. Lingering political uncertainty and a negative attitude toward foreign investment hamper fuller integration into the world economy, and policies to promote or sustain reforms have been neglected or even reversed.

BACKGROUND: President Abdelaziz Bouteflika won a fourth term in April 2014 despite rarely appearing in public after a 2013 stroke. Reforms introduced after the Arab Spring protests swept Tunisia and Libya included an end to almost two decades of state-of-emergency restrictions on civil liberties. The socialist model adopted after independence from France in 1962 has hindered development, and the state still dominates the economy. Formal-sector unemployment and housing shortages are persistently high. Algeria has the world's 10th-largest reserves of natural gas and is the world's sixth-largest gas exporter.

Freedom Trend



Country Comparisons



Quick Facts

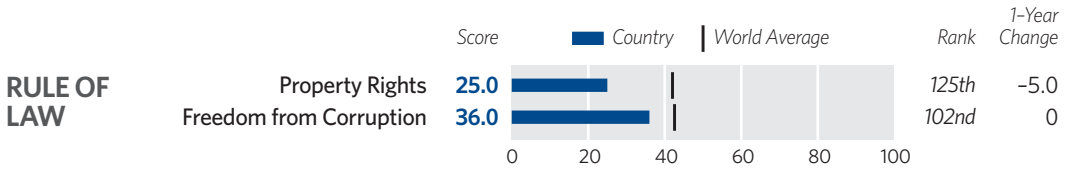
- Population:** 38.7 million
- GDP (PPP):** \$551.8 billion
- 4.1% growth in 2014
- 5-year compound annual growth 3.3%
- \$14,259 per capita
- Unemployment:** 9.5%
- Inflation (CPI):** 2.9%
- FDI Inflow:** \$1.5 billion
- Public Debt:** 8.8% of GDP

How Do We Measure Economic Freedom?

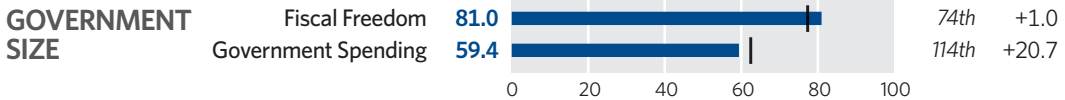
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

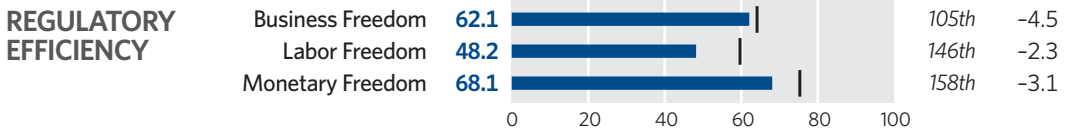
THE TEN ECONOMIC FREEDOMS



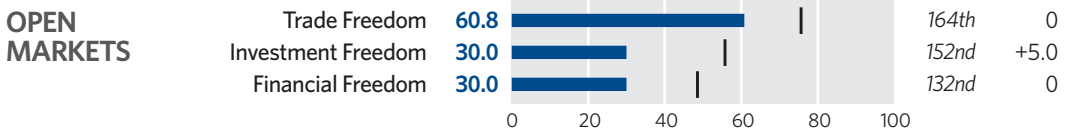
In 2015, the government clamped down on political opponents, fueling resentment and further weakening the state’s credibility. The judicial system is generally weak, slow, and opaque. High levels of corruption plague the business and public sectors, especially the energy sector. An estimated one-half of all economic transactions in Algeria occur in the informal sector. Most real property is in government hands.



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 12.2 percent of total domestic income. Following two years of significant spending, the government has undertaken fiscal consolidation since 2013. Public debt equals slightly less than 10 percent of the size of the economy, and government spending amounts to 38 percent of GDP.



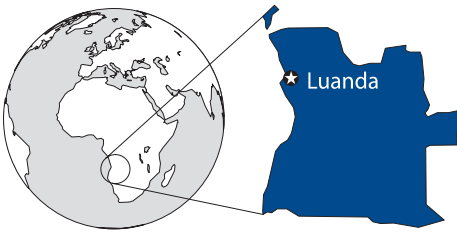
Despite some enhancement of the business environment, significant bureaucratic impediments to entrepreneurial activity and economic development persist. The labor market remains rigid, contributing to high youth unemployment. Despite falling global oil prices, the government refused to reduce costly subsidies for basic foods, fuels, electricity, and housing, increasing fiscal pressures and distorting the economy.



Algeria’s average tariff rate is 12.1 percent, and its trade and investment policies are less open than the global average. Screening of foreign investment has been reduced, but foreign investors are generally limited to minority status. Capital markets are underdeveloped; the number of private banks has grown, but the financial sector remains dominated by public banks.

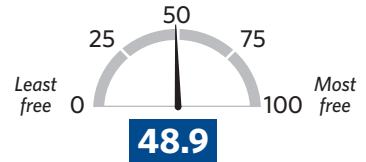
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	+32.2	Business Freedom	-7.9	Trade Freedom	+6.6
Freedom from Corruption	-14.0	Government Spending	-10.1	Labor Freedom	-7.7	Investment Freedom	-20.0
				Monetary Freedom	+8.9	Financial Freedom	-20.0



ANGOLA

Economic Freedom Score



World Rank: **156**

Regional Rank: **39**

Angola's economic performance has improved, facilitated by the booming oil industry. Increased economic dynamism has encouraged economic rebuilding and helped to sustain the overall advancement of economic freedom. Structural reforms have progressed in such areas as modernization of the regulatory environment.

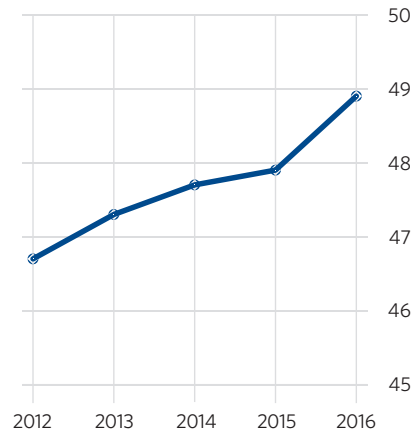
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **48.9 (up 1.0 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **156th**
- Regional Ranking: **39th in Sub-Saharan Africa**
- Notable Successes: **Fiscal Freedom and Trade Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **+2.2**

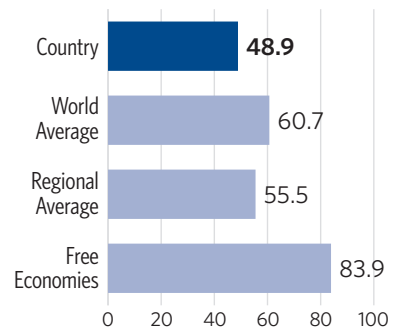
Pervasive corruption and the lack of capable public institutions continue to undermine the successful implementation of important reforms. Despite some progress, burdensome investment regulations continue to hamper development of a more dynamic private sector and interfere with diversification of the economic base.

BACKGROUND: José Eduardo dos Santos's Popular Movement for the Liberation of Angola (MPLA) won parliamentary elections in August 2012, the second such election since the end of the 27-year civil war in 2002. Angola is Africa's second-largest oil producer, with much of its proven reserves concentrated in Cabinda province, a region plagued by a separatist conflict. Oil production has more than doubled from about 800,000 barrels a day in 2001 to about 1.8 million barrels a day in 2015. In 2014, a French oil company invested \$16 billion in an offshore project. Despite the country's natural gas, diamonds, hydroelectric potential, and rich agricultural land, most Angolans remain poor and dependent on subsistence farming. Angola is a nonpermanent member of the United Nations Security Council for the 2015–2016 term.

Freedom Trend



Country Comparisons



Quick Facts

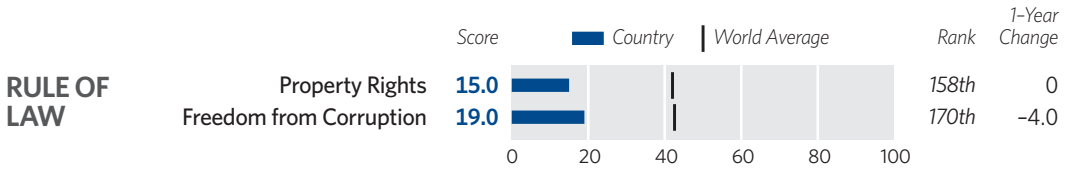
Population: 24.4 million
GDP (PPP): \$175.6 billion
 4.2% growth in 2014
 5-year compound annual growth 4.7%
 \$7,203 per capita
Unemployment: 6.8%
Inflation (CPI): 7.3%
FDI Inflow: -\$3.9 billion
Public Debt: 38.0% of GDP

How Do We Measure Economic Freedom?

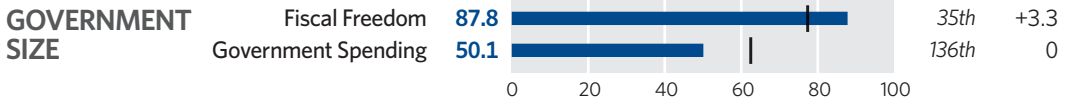
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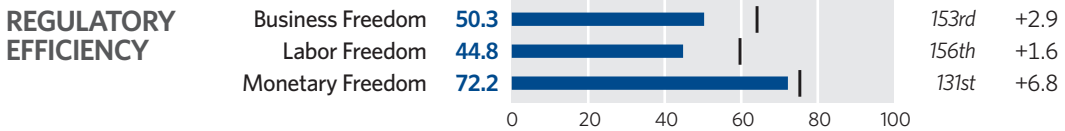
THE TEN ECONOMIC FREEDOMS



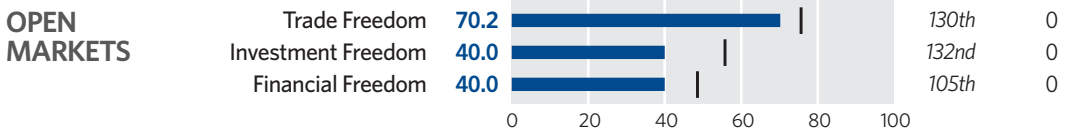
The *New York Times* reported in 2015 that most state health care funds are stolen every year, fueling rising infant and child mortality. Government corruption and patronage remain endemic, especially in the extractive sectors. Bribery often accompanies business activity. The judiciary is subject to extensive political influence from the executive. Property registration legal fees can be prohibitively expensive. Protection of property rights is weak.



The top income tax rate is 17 percent. The top corporate tax rate is 30 percent, although rates for the mining and oil industries are as high as 50 percent. Other taxes include a fuel tax and a consumption tax. The overall tax burden equals 6 percent of total domestic income. Government spending amounts to 40.8 percent of GDP. The budget surplus is large due to oil revenue, but accounting shortfalls have created fiscal uncertainty. Public debt is moderate.



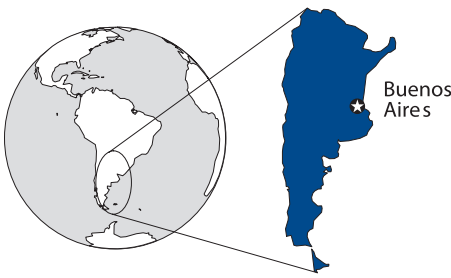
A more streamlined licensing process has made it easier to start a business, but the overall regulatory environment is still not conducive to entrepreneurial activity. The formal labor market is not fully developed. With significantly lower world oil prices dictating budgetary austerity, the government reduced fuel subsidies several times in 2015, pushing inflation higher.



Angola's average tariff rate is 4.9 percent, and its trade and investment policies are less open than the global average. The state owns most land, and bureaucratic barriers deter foreign investment. The growing banking sector has more than 20 banks in operation. Public utilization of banking services, however, remains low; only about 10 percent of the population maintains a bank account. The capital market is underdeveloped.

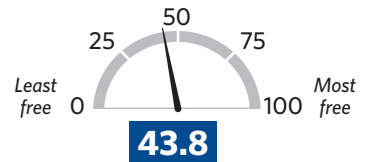
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+26.2	Business Freedom	+10.3	Trade Freedom	+45.2
Freedom from Corruption	-11.0	Government Spending	+50.1	Labor Freedom	-0.1	Investment Freedom	+10.0
				Monetary Freedom	+72.2	Financial Freedom	+10.0



ARGENTINA

Economic Freedom Score



World Rank: **169** Regional Rank: **27**

Performing far below its potential, Argentina's economy has been stifled by blatant disregard for both the rule of law and limited government. The private sector remains marginalized by structural and institutional impediments caused by ever-growing government encroachment into the marketplace.

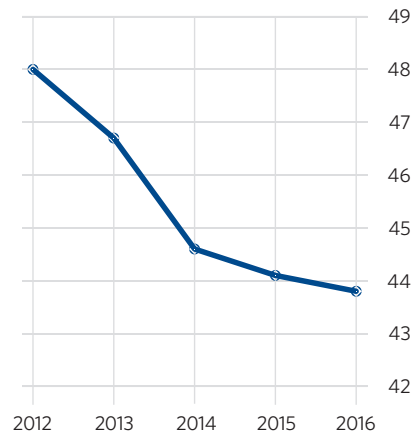
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **43.8 (down 0.3 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **169th**
- Regional Ranking: **27th in the South and Central America/Caribbean Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Overall Score Change since 2012: **-4.2**

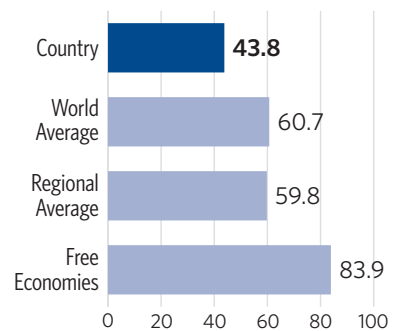
Interventionist, market-distorting policies including capital controls, restrictions on imports, and nationalizations have severely undercut economic growth, and double-digit inflation and price controls have severely eroded monetary stability. The judicial system has become more vulnerable to political interference, and corruption has been prevalent.

BACKGROUND: In a presidential runoff election in late November 2015, center-right candidate Mauricio Macri defeated President Cristina Fernández de Kirchner's hand-picked successor, Daniel Scioli, sending shock waves through the Peronist political establishment. Macri campaigned with promises to end abuses that have plagued Argentina's political and economic environments, including fiscal profligacy, labor unrest, rising protectionism, corruption, and expropriations. Argentina, which is rich in natural resources and has an educated and sophisticated population, has performed far below its potential. Beyond the problems inherent in Peronist authoritarianism, the government has made a series of high-profile policy mistakes, including continued claims to the Falkland Islands and a failure to settle with a small number of remaining "hold-out" creditors that led to a default on its restructured debt in 2014. These mistakes have positioned Argentina outside the mainstream of the international community.

Freedom Trend



Country Comparisons



Quick Facts

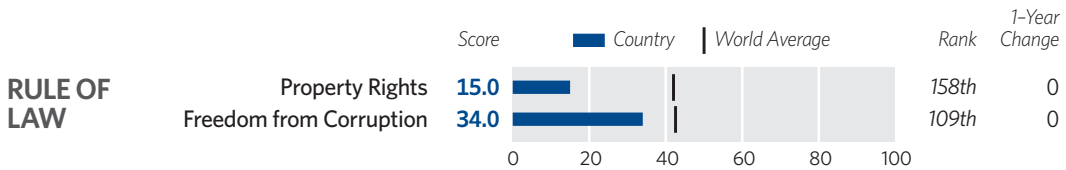
- Population:** 42.0 million
- GDP (PPP):** \$947.6 billion
- 0.5% growth in 2014
- 5-year compound annual growth 4.4%
- \$22,582 per capita
- Unemployment:** 8.2%
- Inflation (CPI):** 37.6%
- FDI Inflow:** \$6.6 billion
- Public Debt:** 48.6% of GDP

How Do We Measure Economic Freedom?

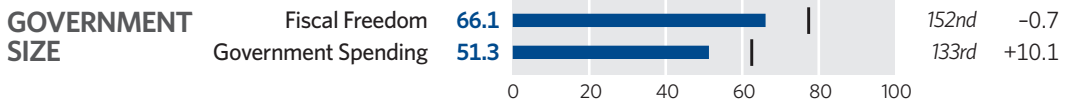
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

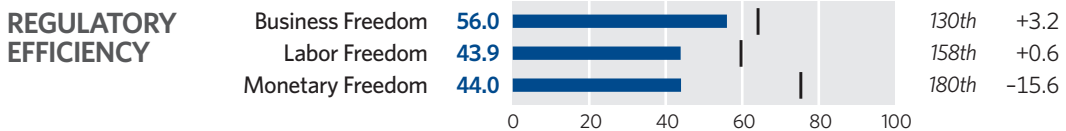
THE TEN ECONOMIC FREEDOMS



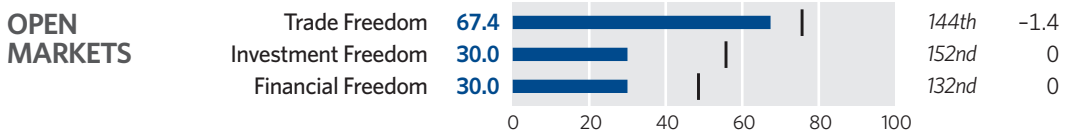
Corruption plagues Argentine society, and scandals are common. Drug-related violence has increased as international criminal organizations use the country as both an operational base and a transit route. The justice system is burdened by scores of tenured but incompetent and corrupt judges. The lower courts are highly politicized, although the Supreme Court maintains relative independence despite intense pressure from the government.



The top individual and corporate tax rates remain at 35 percent. Other taxes include a value-added tax, a wealth tax, and a tax on financial transactions. The overall tax burden now equals 30.6 percent of total domestic income. Government spending still equals over 40 percent of GDP. Public debt is close to 50 percent of domestic income. The budget deficit has been rising due to pension nationalization and increased subsidies.



Bureaucratic interference undercuts regulatory efficiency and productivity growth. The labor market remains rigidly controlled and severely impedes dynamic employment creation. Rebuffing IMF censure, the government underreported official inflation statistics and increased deficit spending on energy and other subsidies ahead of the 2015 presidential election.



Argentina has a 6.3 percent tariff rate. A wide range of non-tariff barriers and foreign investment restrictions give Argentina one of the world's worst trade and investment climates. The financial system remains hobbled by state interference and uncertainty about the direction of economic policies. State-owned banks play a dominant role, reducing competition in the sector.

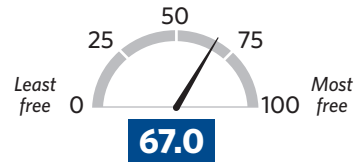
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-55.0	Fiscal Freedom	-14.6	Business Freedom	-29.0	Trade Freedom	+9.0
Freedom from Corruption	-16.0	Government Spending	-35.3	Labor Freedom	0	Investment Freedom	-40.0
				Monetary Freedom	-17.1	Financial Freedom	-20.0



ARMENIA

Economic Freedom Score



World Rank: **54**

Regional Rank: **23**

Considerable diversification of the economic base has increased economic dynamism in Armenia. Broad simplification of business procedures has facilitated regulatory efficiency. Following expansionary fiscal policies in recent years, steps have been taken to limit the cost of government through more prudent management of public finance.

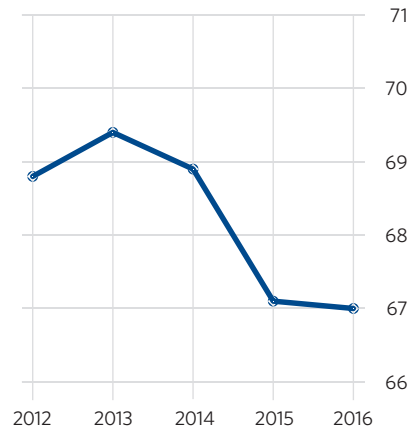
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.0** (down 0.1 point)
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **54th**
- Regional Ranking: **23rd in Europe**
- Notable Successes: **Open Markets and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-1.8**

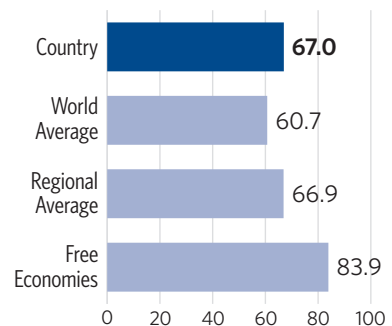
Although Armenia performs relatively well in many categories of economic freedom, deeper institutional reforms are needed in areas like judicial independence and government transparency. Despite progress in tackling corruption, the close relationships within political and business circles raise concerns about cronyism and special-interest influence.

BACKGROUND: President Serzh Sargsyan of the center-right Republican Party won a second five-year term in 2013. A cease-fire in Armenia's 24-year occupation of Azerbaijan's Nagorno-Karabakh region has been in effect since 1994, but minor hostilities continue. The economy relies on manufacturing, services, remittances, and agriculture. Armenia announced that it was suspending an association agreement with the European Union in September 2013 and joined the Russian-backed Eurasian Economic Union in 2015. The euro-zone financial crisis and the sluggish Russian economy, which accounts for 23 percent of Armenian exports, have inhibited growth. Unemployment is high. The government relies heavily on loans from the World Bank, the International Monetary Fund, the Asian Development Bank, and Russia.

Freedom Trend



Country Comparisons



Quick Facts

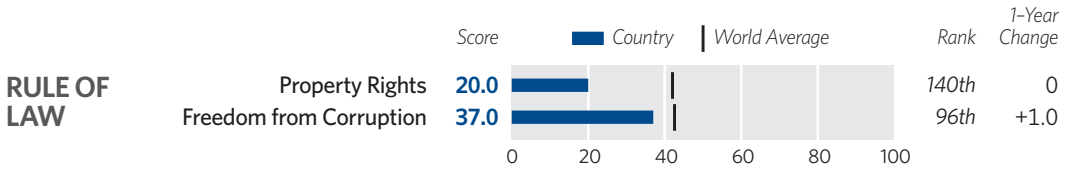
- Population:** 3.3 million
- GDP (PPP):** \$24.3 billion
- 3.4% growth in 2014
- 5-year compound annual growth 4.2%
- \$7,374 per capita
- Unemployment:** 17.1%
- Inflation (CPI):** 3.1%
- FDI Inflow:** \$382.8 million
- Public Debt:** 44.2% of GDP

How Do We Measure Economic Freedom?

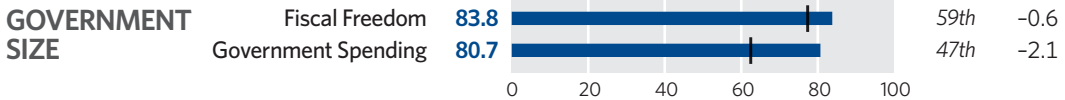
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

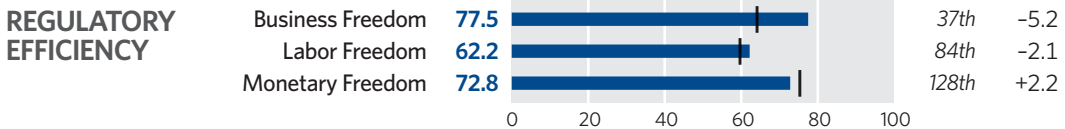
THE TEN ECONOMIC FREEDOMS



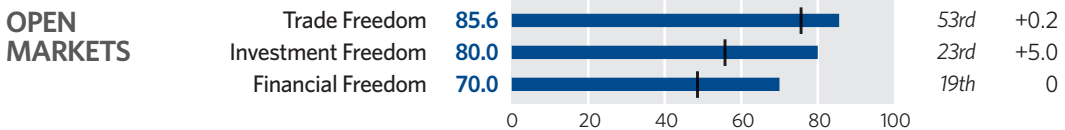
Pervasive corruption has been aggravated by Russia’s consolidation of its influence on Armenia’s economy and regional security. Bribery and nepotism are reportedly common among government officials, who are rarely prosecuted or removed for abuse of office. The judiciary suffers from a lack of independence and transparency. Pervasive police misconduct hobbles law enforcement.



The top individual income tax rate is 26 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden amounts to 23.4 percent of total domestic income. Government spending has moderated at 25.4 percent of total domestic output, and budget deficits remain relatively small. Public debt is around 45 percent of GDP.



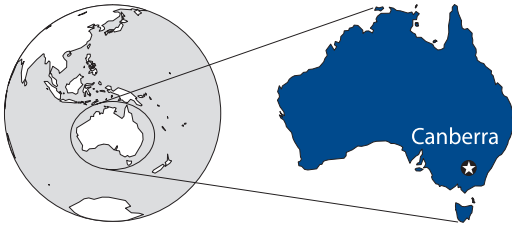
The regulatory framework is relatively efficient. The minimum capital requirement for starting a business has been eliminated, and bankruptcy procedures have been modernized. The non-salary cost of labor is moderate, but the informal labor market is sizable. Widespread public protests in June 2015 caused the government to block a planned pass-through of rate hikes by the Russian-owned power generation company.



With a 2.2 percent average tariff rate and few non-tariff barriers, Armenia is relatively open to trade. As with many other countries, however, foreign ownership of land is restricted, and bureaucratic hurdles may impede trade and foreign investment. The state no longer has a stake in any bank, but the banking sector, which accounts for over 90 percent of total financial-sector assets, still struggles to provide adequate long-term credit.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+8.0	Business Freedom	+22.5	Trade Freedom	+16.6
Freedom from Corruption	-13.0	Government Spending	+80.7	Labor Freedom	+0.1	Investment Freedom	+50.0
				Monetary Freedom	+72.8	Financial Freedom	+20.0



World Rank: **5**

Regional Rank: **4**

Australia, a vibrant free-market democracy, has recorded impressive economic progress without undergoing a single recession for almost 25 years. In addition to its abundant natural resources, the economy has benefited from lasting entrepreneurial development facilitated by an effective system of government, a well-functioning legal system, and an independent bureaucracy.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **80.3** (down 1.1 points)
- Economic Freedom Status: **Free**
- Global Ranking: **5th**
- Regional Ranking: **4th in the Asia-Pacific Region**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Fiscal Freedom and Government Spending**
- Overall Score Change Since 2012: **-2.8**

Australia continues to be an attractive and dynamic investment destination, with almost all industries open to foreign competition and a skilled workforce readily available. The government has withdrawn from most areas of the market, and competition in sectors such as financial services has increased. Government debt has been rising since the global financial crisis but remains substantially lower than in most other advanced economies.

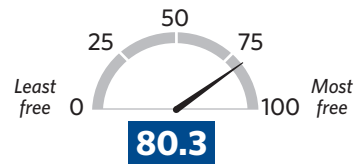
BACKGROUND: Since the early 1980s, successive Australian governments have deregulated financial and labor markets and reduced trade barriers. Malcolm Turnbull, a former communications minister, replaced Tony Abbott as head of the ruling Liberal-National coalition and as prime minister in a leadership ballot in September 2015. Australia is one of the Asia-Pacific's wealthiest nations and has enjoyed more than two decades of economic expansion. It emerged from the 2009 global recession relatively unscathed, but stimulus spending by the previous Labor government generated a fiscal deficit. Australia is internationally competitive in services, technologies, and high-value-added manufactured goods. Mining and agriculture are important sources of exports.

How Do We Measure Economic Freedom?

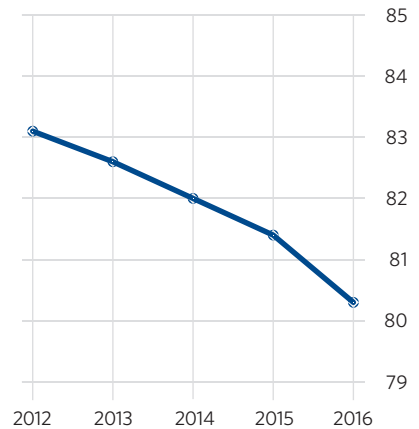
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

AUSTRALIA

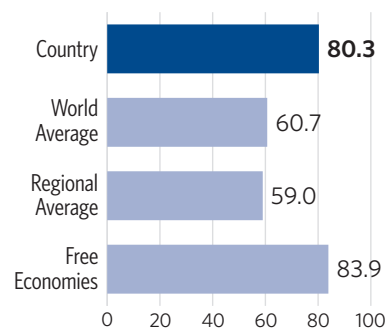
Economic Freedom Score



Freedom Trend



Country Comparisons

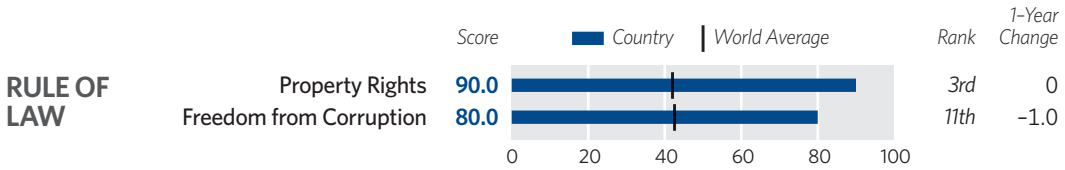


Quick Facts

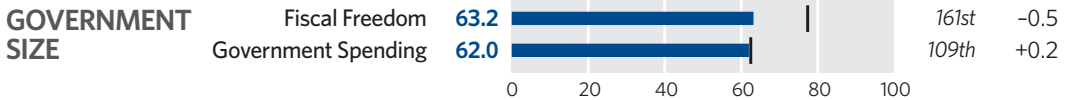
- Population:** 23.6 million
- GDP (PPP):** \$1.1 trillion
- 2.7% growth in 2014
- 5-year compound annual growth 2.7%
- \$46,433 per capita
- Unemployment:** 6.0%
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$51.9 billion
- Public Debt:** 34.3% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

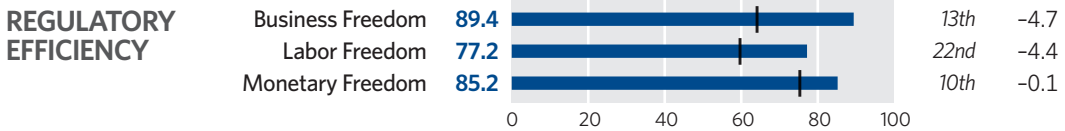
THE TEN ECONOMIC FREEDOMS



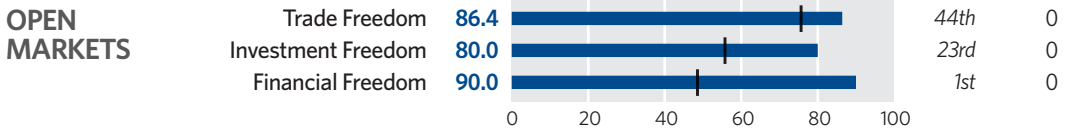
Australia’s judicial system operates independently and impartially. Property rights are secure, and enforcement of contracts is reliable. Expropriation is highly unusual. The stable political environment supports transparent and well-established political processes, a strong legal system, competent governance, and an independent bureaucracy. Anti-corruption measures are generally effective in discouraging bribery of public officials.



Fiscal policy has been relatively stable. The top income tax rate is 45 percent, and the flat corporate tax rate is 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals about 27.5 percent of GDP. Government spending amounts to 35.6 percent of total domestic output. Public debt remains low but has risen to around 35 percent of GDP.



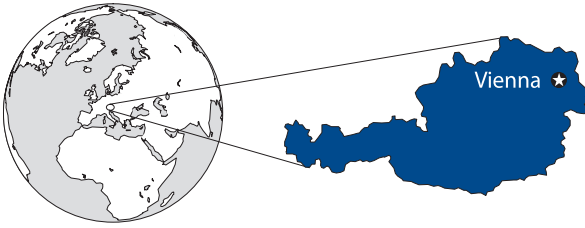
Australia’s regulatory environment, one of the world’s most transparent and efficient, is highly conducive to entrepreneurship. It takes only two days to launch a business. The flexible labor market facilitates dynamic employment opportunities. In 2015, the conservative government ordered the taxpayer-funded \$10 billion Clean Energy Finance Corporation (CEFC) to cease any new investments in wind power projects.



With a 1.8 percent average tariff rate, low non-tariff barriers, and few limits on foreign investment, Australia has some of the world’s most open trade and investment policies. The government screens large foreign investments. The well-developed financial sector is highly competitive and sound; all banks are privately owned. Since late 2010, banking reforms have fostered greater transparency and competition.

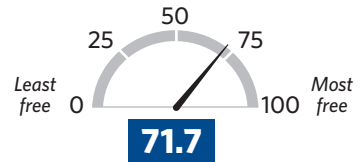
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.6	Business Freedom	+19.4	Trade Freedom	+9.4
Freedom from Corruption	+10.0	Government Spending	+8.1	Labor Freedom	-8.6	Investment Freedom	+10.0
				Monetary Freedom	-1.5	Financial Freedom	0



AUSTRIA

Economic Freedom Score



World Rank: **28**

Regional Rank: **15**

Austria's highly developed and resilient economy sustains high levels of prosperity. Openness to global trade and investment is firmly institutionalized and supported by a relatively efficient entrepreneurial framework. Austria has a strong tradition of reliable protection of property rights, and the legal system is transparent and evenly applied. Effective anti-corruption measures are in force.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **71.7 (up 0.5 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **28th**
- Regional Ranking: **15th in Europe**
- Notable Successes: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Concerns: **Fiscal Freedom and Government Spending**
- Overall Score Change Since 2012: **+1.4**

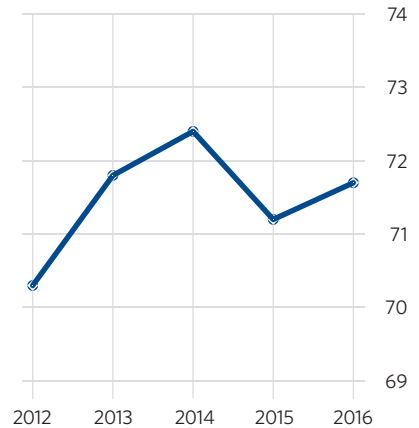
Though the corporate tax rate is comparatively low, high social security contributions and personal income tax rates discourage labor force participation and undermine dynamic growth. The overall tax burden remains quite high, and public spending accounts for about half of GDP. Reforms to increase labor market flexibility and competition in the services sector remain critical.

BACKGROUND: The center-left Social Democratic Party and center-right Austrian People's Party coalition, led by Social Democrat Chancellor Werner Faymann, lost seats in September 2013 but retained a governing majority. Eurosceptic parties made gains. Austria's economy has been relatively resilient through the eurozone crisis, outperforming many other EU economies. Austria still boasts one of the world's highest GDPs per capita, but recent overall GDP growth has been modest. Government debt is growing. The government has gradually relinquished control of formerly nationalized oil, gas, steel, and engineering companies and has deregulated telecommunications and electricity. Austria has large service and industrial sectors and a small, highly developed agricultural sector.

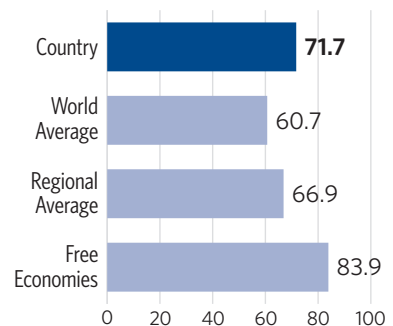
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

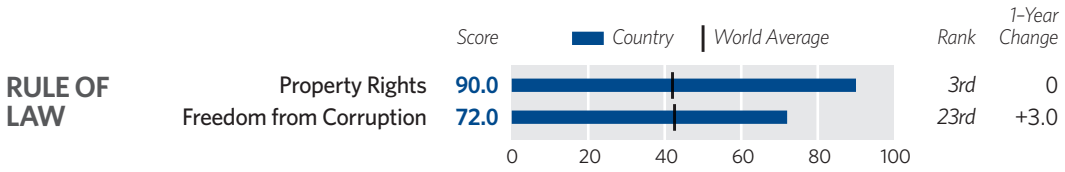


Quick Facts

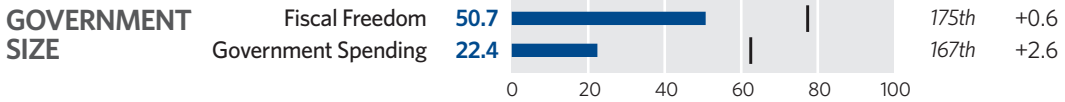
- Population:** 8.5 million
- GDP (PPP):** \$395.5 billion
- 0.3% growth in 2014
- 5-year compound annual growth 1.3%
- \$46,420 per capita
- Unemployment:** 5.0%
- Inflation (CPI):** 1.5%
- FDI Inflow:** \$4.7 billion
- Public Debt:** 86.8% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

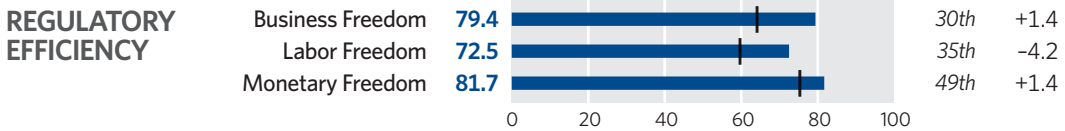
THE TEN ECONOMIC FREEDOMS



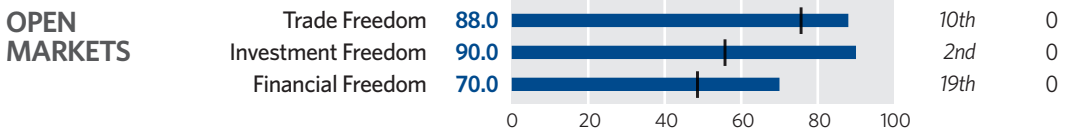
A 2014 EU anti-corruption report said the government had increased its prevention and prosecution efforts against corruption, which is relatively rare and widely reported in the media. The independent judiciary provides effective protection for the property and contractual rights of nationals and foreigners. The land registry is a reliable and publicly accessible system for recording interests in property.



The top income tax rate is 50 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a tax on real estate transfers. High social security contributions are shared between employers and employees. The overall tax burden equals 42.5 percent of total domestic income. Government spending continues to account for over half of total domestic output, and public debt equals approximately 87 percent of GDP.



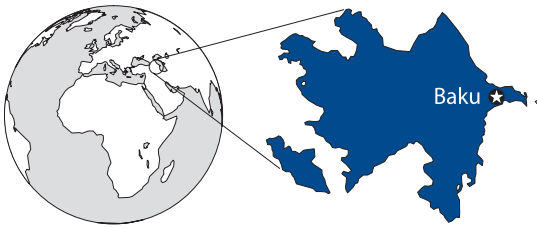
An efficient regulatory framework facilitates innovation, although the absence of major reforms has undermined international competitiveness. There is no nationally mandated minimum wage, but the cost of fringe benefits is very high. Although state-owned VERBUND is Austria's largest electricity provider, the government sparked tensions with the United Kingdom in 2015 by opposing EU subsidies for an Anglo-French nuclear power plant.



The EU has a low 1 percent average tariff rate, and most member countries have relatively low non-tariff barriers. Austria screens investments in some strategic sectors, but its overall trade and foreign investment climate is one of the most open in the world. There are no controls on currency transfers or repatriation of profits. The competitive financial sector continues to offer a wide range of financial services.

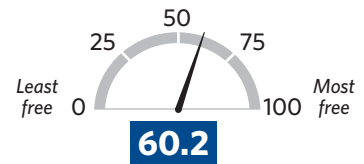
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+4.4	Business Freedom	+9.4	Trade Freedom	+7.0
Freedom from Corruption	-18.0	Government Spending	+12.8	Labor Freedom	-1.1	Investment Freedom	+20.0
				Monetary Freedom	-1.2	Financial Freedom	-20.0



AZERBAIJAN

Economic Freedom Score



World Rank: **91**

Regional Rank: **16**

Azerbaijan's strong economic growth has been driven mainly by development of the energy sector. Openness to global trade and some improvements in regulatory efficiency have aided the transition to a more market-based system. Continued transformation and restructuring are needed both to capitalize on the well-educated labor force and to broaden the production base.

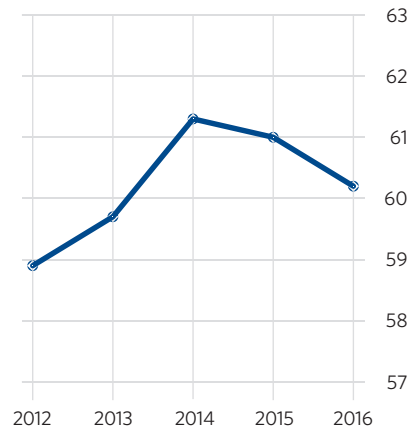
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **60.2 (down 0.8 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **91st**
- Regional Ranking: **16th in the Asia-Pacific Region**
- Notable Successes: **Fiscal Freedom, Regulatory Efficiency, and Trade Freedom**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **+1.3**

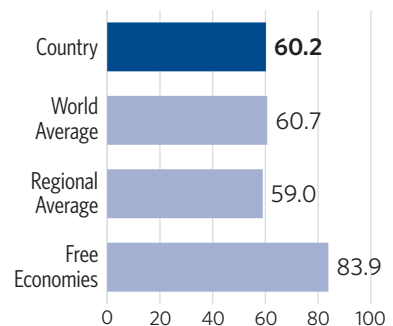
Challenges to diversification and sustainable growth remain, and deeper systemic reforms are critically needed to foster greater entrepreneurial dynamism and economic development. A decree to privatize a state-owned bank was signed in 2015. The perceived level of corruption in Azerbaijan continues to be substantial.

BACKGROUND: President Ilham Aliyev was elected to a third term in 2013 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 currently occupies the Nagorno-Karabakh region and seven neighboring districts that amount to 20 percent of Azerbaijan's internationally recognized territory. An upsurge in violence between Armenian and Azerbaijani partisans in 2014 and 2015 threatened to exacerbate regional instability. Falling oil production is expected to be partially offset by increased natural gas exports. In early 2015, construction began on the Trans-Anatolian Natural Gas Pipeline to export Azerbaijani gas through Turkey and ease Europe's energy dependence on Russia.

Freedom Trend



Country Comparisons



Quick Facts

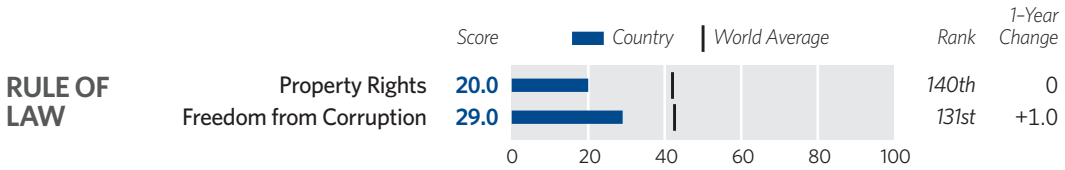
- Population:** 9.4 million
- GDP (PPP):** \$165.3 billion
- 2.8% growth in 2014
- 5-year compound annual growth 3.2%
- \$17,618 per capita
- Unemployment:** 5.2%
- Inflation (CPI):** 1.4%
- FDI Inflow:** \$4.4 billion
- Public Debt:** 16.4% of GDP

How Do We Measure Economic Freedom?

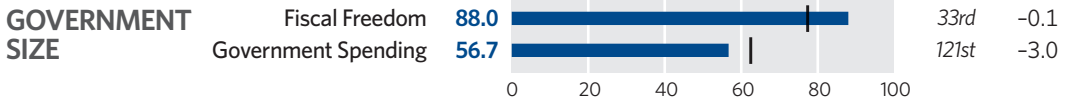
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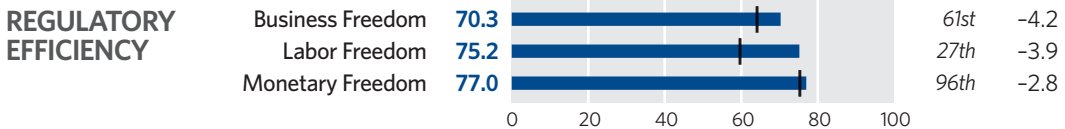
THE TEN ECONOMIC FREEDOMS



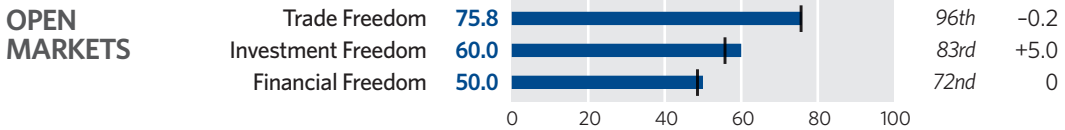
Corruption is widespread, although diminishing wealth from oil and gas exports yields fewer opportunities for graft. The corrupt and inefficient judiciary is largely subservient to the president and ruling party. Political opponents, journalists, and civil society activists arrested or sentenced during 2014 reported a variety of due process violations. The state seizes property at will, and options for recourse are extremely limited for ordinary citizens.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 13.3 percent of total domestic income. Government spending amounts to 38 percent of GDP. Large energy revenues enable budget surpluses, and strong non-energy growth has also encouraged fiscal health. Public debt remains low.



Despite progress in streamlining the process for launching a business, other time-consuming requirements undermine overall regulatory efficiency. Labor regulations have become more flexible, but enforcement of the labor code remains uneven. A sharp currency devaluation in 2015 related to falling global oil prices sparked inflation from higher import costs and led the government to increase some subsidies.

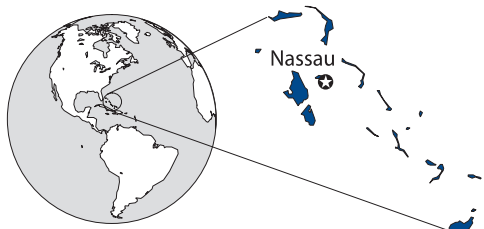


Azerbaijan's tariff rate is 4.6 percent. The government screens investments in some sectors of the economy. The regulatory system and lack of a strong legal system deter trade and investment. The banking sector remains dominated by a large state bank, and small private banks remain fragmented and inefficient. The financial sector has been weathering market volatility relatively well.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+41.7	Business Freedom	+30.3	Trade Freedom	+20.8
Freedom from Corruption	+19.0	Government Spending	+7.9	Labor Freedom	+10.4	Investment Freedom	+50.0
				Monetary Freedom	+77.0	Financial Freedom	+20.0

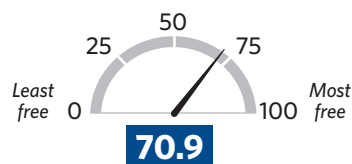
THE BAHAMAS



World Rank: **31**

Regional Rank: **2**

Economic Freedom Score



The Bahamian economy depends on tourism and off-shore banking. The overall regulatory system is conducive to entrepreneurial activity. However, the emergence of a more dynamic private sector is still held back by protectionism and bureaucracy that undermines the investment environment.

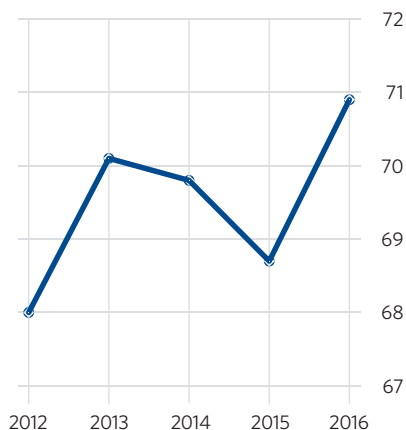
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.9** (up 2.2 points)
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **31st**
- Regional Ranking: **2nd in the South and Central America/Caribbean Region**
- Notable Successes: **Management of Public Spending and Rule of Law**
- Concerns: **Trade Freedom and Regulatory Efficiency**
- Overall Score Change Since 2012: **+2.9**

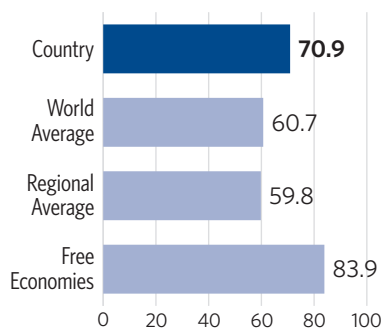
The Bahamas has regained some growth momentum but still faces challenges. High unemployment and household debt have held back domestic demand. Non-performing loans in the banking sector account for around 16 percent of total loan volume. A 7.5 percent value-added tax was introduced in 2015.

BACKGROUND: Prime Minister Perry Christie and his Progressive Liberal Party won a five-year term in 2012. Tourism accounts for more than 60 percent of GDP. International banking, investment management, and financial services are also economically important. The Bahamas began the process to attain membership in the World Trade Organization in 2001, but politicians and the private sector remain at loggerheads about how to replace tariff revenues. Located just 50 miles off the coast of Florida, the Bahamas is a major transshipment point for illegal drugs to the U.S. and Europe and for smuggling illegal migrants into the U.S.

Freedom Trend



Country Comparisons



Quick Facts

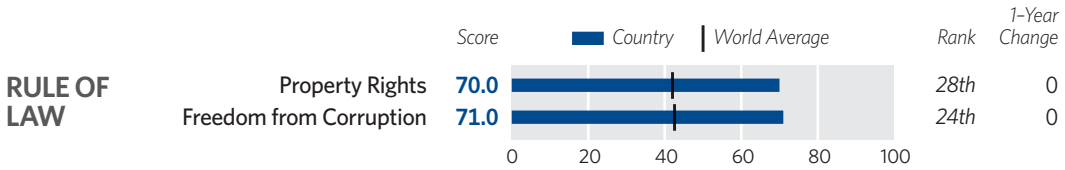
- Population:** 0.4 million
- GDP (PPP):** \$9.0 billion
- 1.3% growth in 2014
- 5-year compound annual growth 1.1%
- \$25,049 per capita
- Unemployment:** 15.4%
- Inflation (CPI):** 1.2%
- FDI Inflow:** \$1.6 billion
- Public Debt:** 60.4% of GDP

How Do We Measure Economic Freedom?

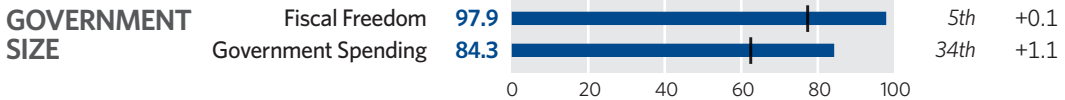
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

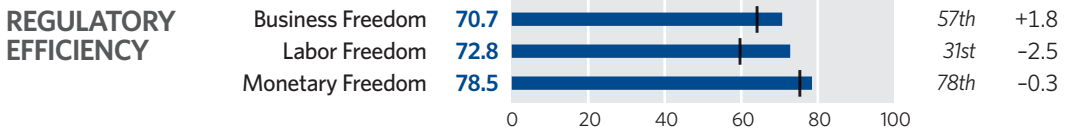
THE TEN ECONOMIC FREEDOMS



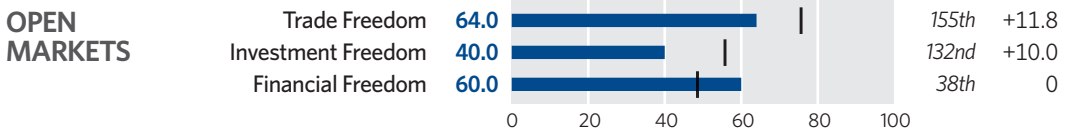
The Bahamas remains a major drug transit country, with increasing shipments of marijuana and cocaine interdicted in 2015. Money laundering and pervasive government corruption are ongoing problems. Critics allege extensive nepotism, cronyism, and favoritism. The largely well-functioning legal system, based on British common law, is independent, but the judicial process tends to be very slow. Property registration is difficult and time-consuming.



The Bahamas has one of the world’s lowest tax burdens. The government imposes national insurance, property, and stamp taxes but no income, corporate income, capital gains, value-added, or wealth taxes. Government spending amounts to about 22.8 percent of total domestic output, and tax revenue equals about 14 percent of GDP. Public debt has increased to a level equivalent to about 60 percent of annual economic activity.



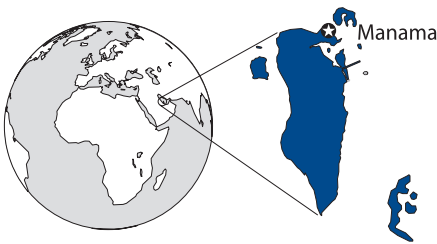
Starting a business costs about 10 percent of the level of average annual income, and no minimum capital is required. No major reforms have been implemented in recent years. The labor market is relatively flexible, and enforcement of the labor codes is somewhat lax. In 2015, the IMF estimated that annual subsidies of fuels and the state-owned electricity generation company amounted to nearly 1 percent of GDP.



The average tariff rate is a relatively high 13 percent due to the government’s reliance on tariffs as a major source of revenue. The government screens new foreign investment and restricts investment in certain sectors of the economy. The banking sector is diversified and remains stable and well capitalized, although the number of non-performing loans has increased.

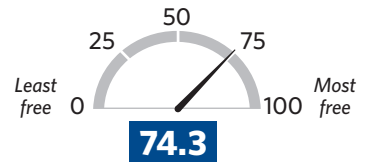
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+0.2	Business Freedom	-29.3	Trade Freedom	+45.0
Freedom from Corruption	+1.0	Government Spending	-2.6	Labor Freedom	-7.2	Investment Freedom	+10.0
				Monetary Freedom	-4.1	Financial Freedom	-10.0



BAHRAIN

Economic Freedom Score



World Rank: **18**

Regional Rank: **1**

Despite the challenging external and internal environments, Bahrain has maintained economic resilience and continues to be a regional leader in economic freedom. It remains a financial hub for dynamic economic activity, with high levels of trade and investment bolstered by a competitive and efficient regulatory environment.

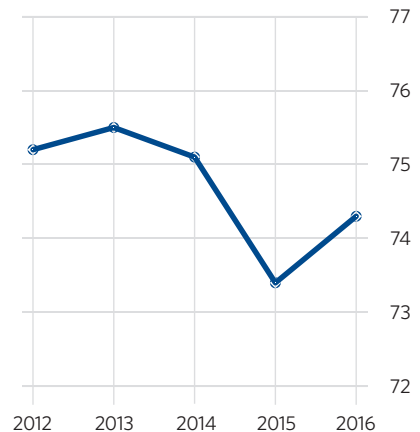
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **74.3 (up 0.9 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **18th**
- Regional Ranking: **1st in the Middle East/North Africa Region**
- Notable Successes: **Regulatory Efficiency, Fiscal Freedom, and Financial Freedom**
- Concerns: **Rule of Law**
- Overall Score Change Since 2012: **-0.9**

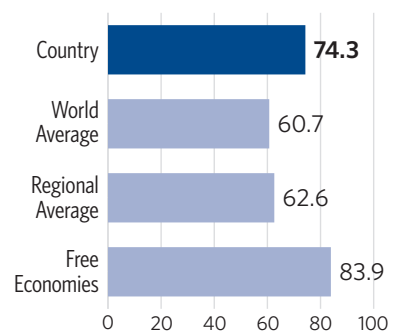
The kingdom's challenging transition to greater openness, diversification, and modernization continues. Firmly institutionalizing the rule of law by ensuring judicial independence and transparency will be critical to stamping out lingering corruption and safeguarding stability. Youth unemployment remains a major long-term economic challenge.

BACKGROUND: Bahrain has been a constitutional monarchy since 2002. In 2011, Shia activists launched a campaign demanding a new constitution and greater political power. When modest concessions and efforts at dialogue failed to stem the demonstrations, King Hamad bin Isa Al Khalifa authorized a crackdown that was subsequently supported by Gulf Cooperation Council security forces. The government has sought to ease tensions through a national dialogue led by the crown prince and by introducing law enforcement, intelligence, and judicial reforms. The government encourages investment in non-energy sectors such as finance and construction to reduce dependence on declining oil reserves. Home to many multinational firms that do business in the region, Bahrain has a modern communications and transportation infrastructure and a free trade agreement with the U.S.

Freedom Trend



Country Comparisons



Quick Facts

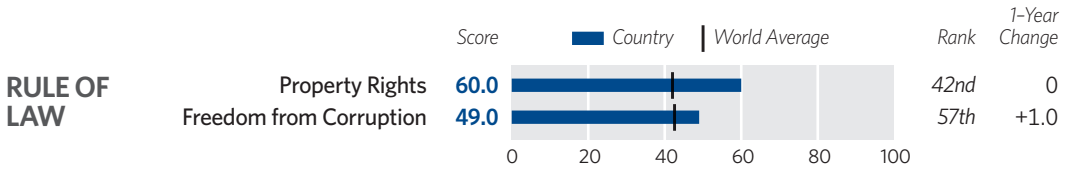
- Population:** 1.2 million
- GDP (PPP):** \$61.9 billion
- 4.7% growth in 2014
- 5-year compound annual growth 4.0%
- \$51,714 per capita
- Unemployment:** 4.1%
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$957.4 million
- Public Debt:** 43.8% of GDP

How Do We Measure Economic Freedom?

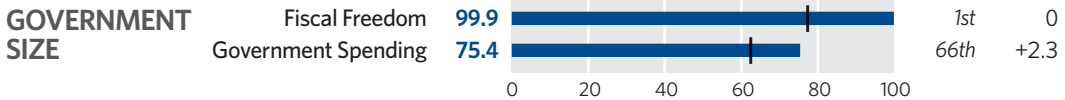
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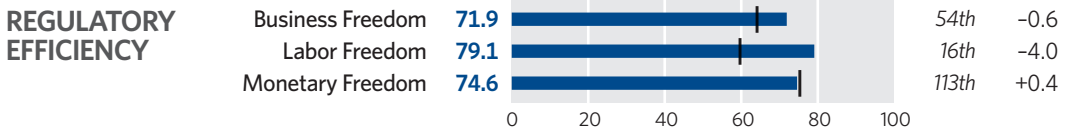
THE TEN ECONOMIC FREEDOMS



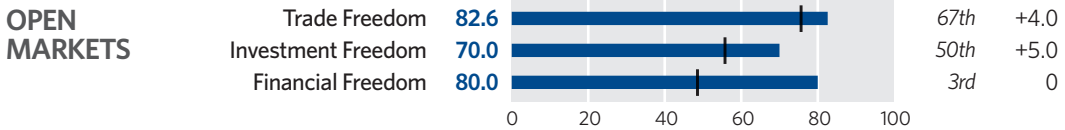
The Sunni Muslim ruling family appoints all judges, and the judicial system is seen as corrupt. Expropriation is infrequent, however, and private property is secure. Bahrain has some anti-corruption laws, but enforcement is weak, and high-ranking officials suspected of corruption are rarely punished. The king’s uncle, who is also prime minister, is a hardliner who has opposed reforms demanded by the country’s Shia majority.



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. Other taxes include a small stamp duty and a new tax on property purchases. Overall tax revenue equals 3.1 percent of GDP. Government spending amounts to 28.6 percent of total domestic output. Public debt equals slightly more than 40 percent of GDP.



The regulatory framework is relatively streamlined. There is no nationally mandated minimum wage, but wage increases have exceeded overall productivity growth. A March 2015 IMF report estimated that Bahrain’s subsidy programs covering natural gas for industrial users, food items, water, and electricity consume more than 12.5 percent of GDP.

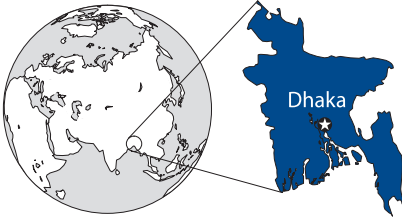


Bahrain has a 3.7 percent average tariff rate. State-owned enterprises and sectoral limits on foreign investment distort the economy. Non-tariff barriers are relatively low. Bahrain’s diverse and competitive financial institutions account for over 25 percent of GDP. Foreign and domestic investors have access to modern financial services.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.5	Business Freedom	-28.1	Trade Freedom	+4.2
Freedom from Corruption	-21.0	Government Spending	+3.7	Labor Freedom	+39.1	Investment Freedom	+20.0
				Monetary Freedom	-12.1	Financial Freedom	+10.0

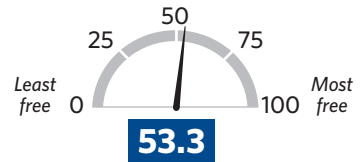
BANGLADESH



World Rank: **137**

Regional Rank: **29**

Economic Freedom Score



Bangladesh has shown remarkable macroeconomic resilience, and its economy has grown steadily over the past five years. Nonetheless, overall entrepreneurial activity is disadvantaged by an uncertain regulatory environment, poor infrastructure, and the absence of effective long-term institutional support for private-sector development.

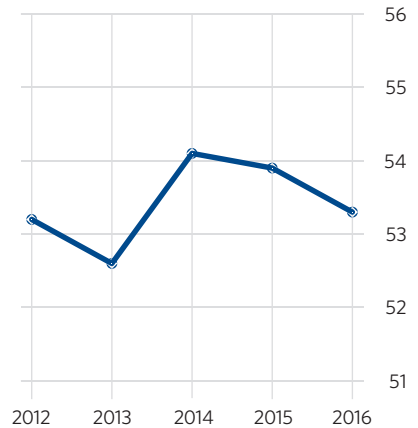
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.3 (down 0.6 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **137th**
- Regional Ranking: **29th in the Asia-Pacific Region**
- Notable Successes: **Management of Public Finance**
- Concerns: **Rule of Law and Open Markets**
- Overall Score Change Since 2012: **+0.1**

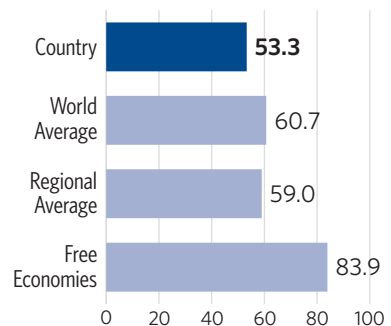
Economic development remains hampered by the fragile rule of law. Corruption and marginal enforcement of property rights have driven people and enterprises out of the formal sector. The government's inability to provide basic public goods further limits opportunities for business development and job growth.

BACKGROUND: Sheikh Hasina was reelected prime minister in January 2014 in an election marred by an opposition boycott. A year later, when anti-government demonstrations and a transport blockade fueled violence that killed over 120, the government jailed over 7,000 opposition members. In 2014, the tribunal set up to investigate human rights violations committed during the 1971 war for independence carried out death sentences against Islamist leaders. Despite a decade of economic and social gains for much of the population, Bangladesh remains one of the world's poorest nations. Garment manufacturing accounts for over 90 percent of export earnings. The April 2013 collapse of the Rana Plaza garment factory, which killed over 1,000 people, focused international attention on working conditions and labor and safety standards.

Freedom Trend



Country Comparisons



Quick Facts

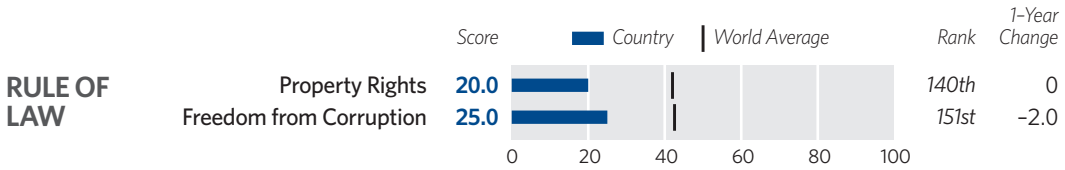
- Population:** 158.2 million
- GDP (PPP):** \$533.7 billion
- 6.1% growth in 2014
- 5-year compound annual growth 6.2%
- \$3,373 per capita
- Unemployment:** 4.3%
- Inflation (CPI):** 7.0%
- FDI Inflow:** \$1.5 billion
- Public Debt:** 33.9% of GDP

How Do We Measure Economic Freedom?

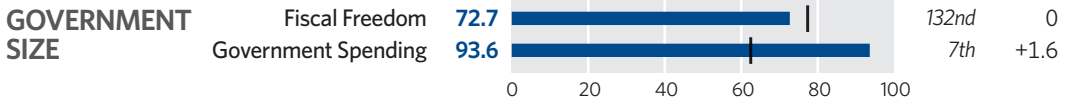
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Data compiled as of September 2015.

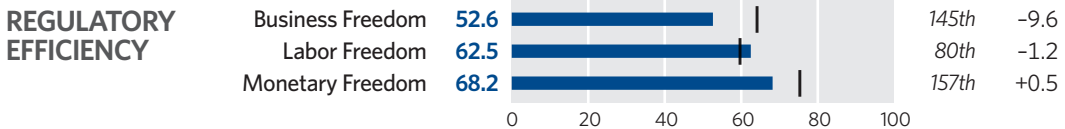
THE TEN ECONOMIC FREEDOMS



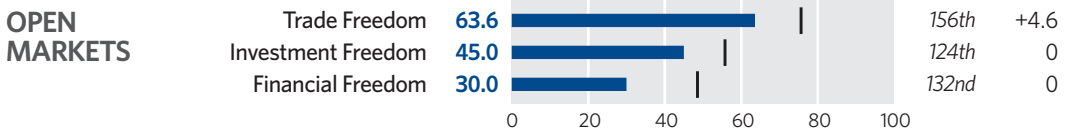
Endemic corruption and criminality, weak rule of law, limited bureaucratic transparency, and political polarization continue to undermine government accountability. Patchy or biased enforcement and subversion of the judicial process weaken anti-corruption efforts. The judiciary is insufficiently separated from the executive. Contract enforcement and dispute settlement procedures are inefficient, and property laws are antiquated.



The top income tax rate is 25 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax that is currently being reformed. The overall tax burden equals 9 percent of GDP. Government spending amounts to 14.6 percent of total domestic output, and public debt equals about 34 percent of GDP. A large bureaucracy hinders government effectiveness.



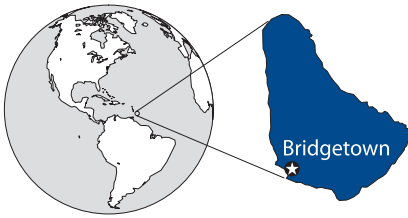
Business start-up has become simpler, with no minimum capital required, but obtaining necessary permits remains time-consuming. The labor laws amended in 2013 came into effect in 2015. The state-owned Bangladesh Power Development Board, which is responsible for electricity generation and distribution, faces ongoing financial difficulties as it continues to purchase electricity at higher prices than it charges the public.



Bangladesh’s average tariff rate is a relatively high 10.7 percent. Tariffs are a significant source of government revenue. Most sectors of the economy are open to foreign investment, but state-owned enterprises distort the economy. Despite ongoing reform of the financial sector, government ownership and interference remain considerable, undermining much-needed increases in efficiency.

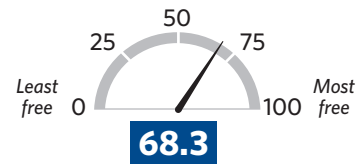
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+28.7	Business Freedom	+12.6	Trade Freedom	+63.6
Freedom from Corruption	+15.0	Government Spending	+2.1	Labor Freedom	-1.6	Investment Freedom	-5.0
				Monetary Freedom	-4.7	Financial Freedom	0



BARBADOS

Economic Freedom Score



World Rank: **45**

Regional Rank: **7**

With strong foundations of economic freedom supported by relatively low levels of corruption and an efficient judiciary, Barbados's economic policies have attracted international companies. Relatively high regulatory efficiency facilitates private-sector growth, and offshore finance and tourism continue to be important sources of economic growth.

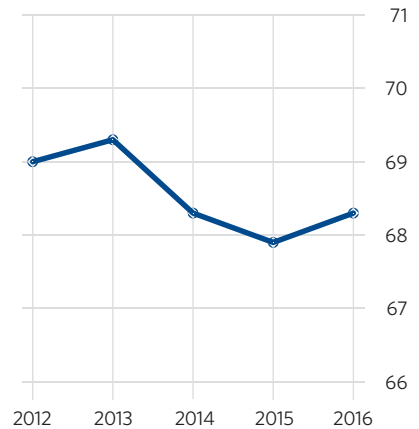
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.3 (up 0.4 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **45th**
- Regional Ranking: **7th in the South and Central America/Caribbean Region**
- Notable Successes: **Regulatory Efficiency and Rule of Law**
- Concerns: **Government Spending and Trade Freedom**
- Overall Score Change Since 2012: **-0.7**

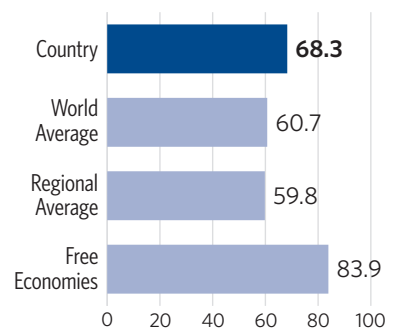
Expansionary stimulus spending has had little impact on high unemployment but is causing inflation. Chronic fiscal deficits have increased government debt to a level equivalent to annual GDP. Foreign direct investment is up, but without deeper institutional reforms, future broad-based private-sector growth is likely to be constrained.

BACKGROUND: Barbados is a stable parliamentary democracy. Prime Minister Freundel Stuart, whose Democratic Labour Party won a five-year term in 2013, has announced that he wants the Caribbean island to become a republic in 2016, the 50th anniversary of its independence from the United Kingdom. Barbados has transformed itself from a low-income agricultural economy producing mainly sugar and rum into a middle-income economy built on tourism and offshore banking that generates one of the Caribbean's highest per capita incomes. Fiscal consolidation measures adopted since 2014 have helped to stabilize the economy and contributed to a slight rebound in growth in 2015. Despite its success in cultivating a booming tourism sector, the government is trying to diversify the economy in order to reduce its external vulnerability.

Freedom Trend



Country Comparisons



Quick Facts

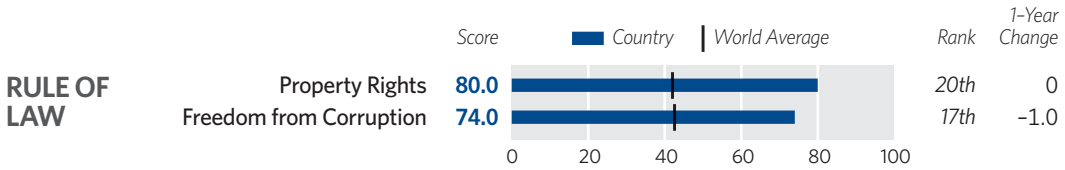
- Population:** 0.3 million
- GDP (PPP):** \$4.5 billion
- 0.3% growth in 2014
- 5-year compound annual growth 0.1%
- \$16,183 per capita
- Unemployment:** 12.0%
- Inflation (CPI):** 1.9%
- FDI Inflow:** \$275.1 million
- Public Debt:** 100.4% of GDP

How Do We Measure Economic Freedom?

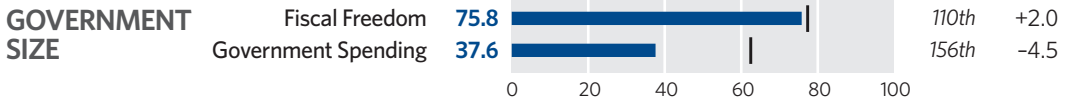
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Data compiled as of September 2015.

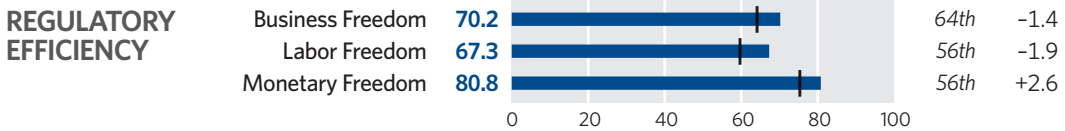
THE TEN ECONOMIC FREEDOMS



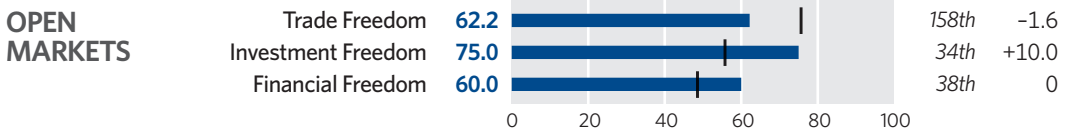
Corruption is not a major problem in Barbados. There are criminal penalties for official corruption, and the government’s enforcement of anti-corruption measures is generally effective. The court system is based on British common law and is generally unbiased and efficient. The protection of property rights is strong, and the rule of law is respected.



The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a property tax. The overall tax burden amounts to 23.9 percent of total domestic income. Expansionary government spending has climbed to over 45 percent of total domestic output. With chronically high budget deficits averaging over 4 percent of GDP, public debt has risen to about the size of the economy.



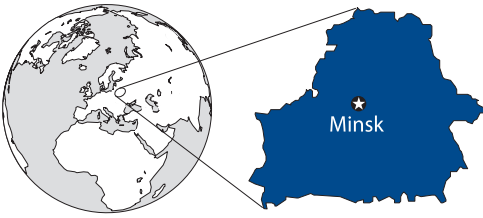
The regulatory framework generally facilitates entrepreneurial activity. With no minimum capital required, launching a business is relatively streamlined, but obtaining necessary permits remains time-consuming. Hiring and dismissal regulations are not burdensome. U.S. subsidies to rum producers in U.S. Caribbean territories negatively affect an economy already distorted by government energy subsidies and price controls on basic commodities.



Barbados has a relatively high 13.9 percent average tariff rate. Foreign investment in some sectors of the economy is limited; otherwise, foreign and domestic investors are generally treated the same under the law. The banking sector provides a wide range of services for domestic and foreign investors, although securities markets are relatively illiquid.

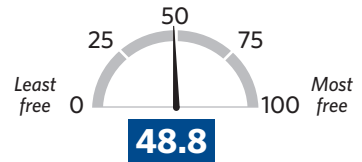
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+30.0	Fiscal Freedom	+15.0	Business Freedom	+0.2	Trade Freedom	+13.2
Freedom from Corruption	+44.0	Government Spending	-33.9	Labor Freedom	-12.7	Investment Freedom	+5.0
				Monetary Freedom	-8.2	Financial Freedom	-10.0



BELARUS

Economic Freedom Score



World Rank: **157**

Regional Rank: **43**

Belarus is one of only two European economies that remain mired in the “repressed” category. Pervasive state controls persist in many economic areas, and widespread state interference and redistribution activities have undermined the development of a diversified economy. Institutional reforms are critically needed to open markets and improve productivity.

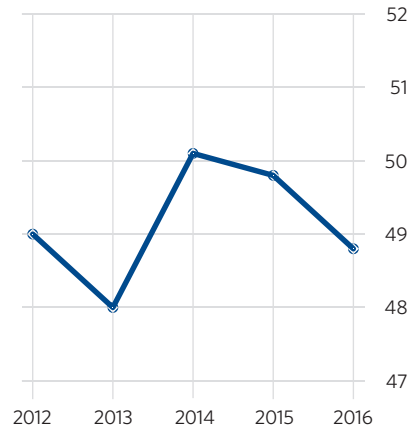
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **48.8 (down 1.0 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **157th**
- Regional Ranking: **43rd in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.2**

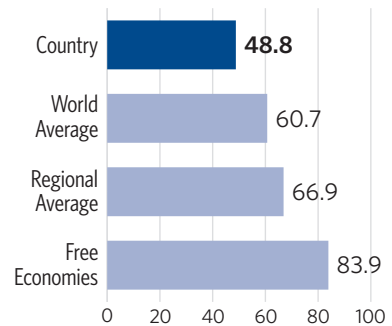
Overall progress in business reform has been uneven, and the small private sector remains marginalized. With poor protection of property rights and high levels of corruption, Belarus lacks the political will to build any momentum toward functioning markets. Dictatorial governance, an ineffective judiciary, and time-consuming bureaucracy leave prospective entrepreneurs with little hope of success.

BACKGROUND: President Alexander Lukashenko, in power since 1994, rules all branches of government. The U.N. Human Rights Council has appointed a human rights investigator for Belarus. The European Union imposed targeted economic sanctions following beatings and arrests of opposition figures after Lukashenko falsified the December 2010 election results. The two main opposition parties boycotted the rigged 2012 parliamentary elections. Lukashenko faced no serious competition in the October 2015 presidential election, which was neither free nor fair. Industries and state-controlled agriculture are not competitive. Corruption and inflation plague the economy. Russia maintains huge influence in the government and the economy, which has been negatively affected by a faltering Russian economy. Belarus joined the Russia-backed Eurasian Economic Union in January 2015.

Freedom Trend



Country Comparisons



Quick Facts

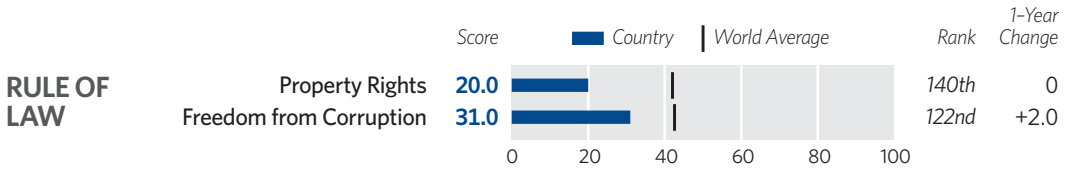
- Population:** 9.5 million
- GDP (PPP):** \$172.0 billion
- 1.6% growth in 2014
- 5-year compound annual growth 3.5%
- \$18,161 per capita
- Unemployment:** 5.9%
- Inflation (CPI):** 18.1%
- FDI Inflow:** \$1.8 billion
- Public Debt:** 37.9% of GDP

How Do We Measure Economic Freedom?

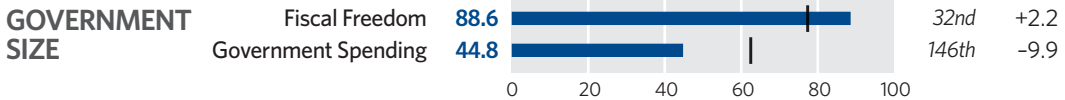
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

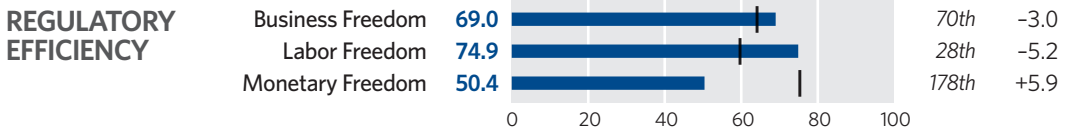
THE TEN ECONOMIC FREEDOMS



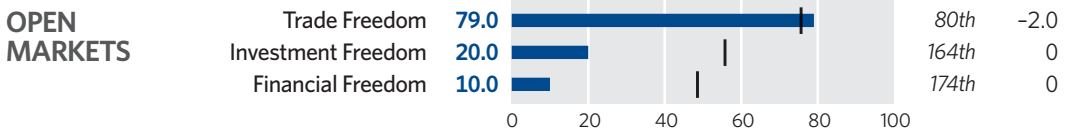
The constitution vests most power in the president, giving him control of the government, the courts, and even the legislative process by stating that presidential decrees have a greater legal force than ordinary legislation. The state controls 70 percent of the economy, feeding widespread corruption. Graft is also encouraged by an overall lack of government transparency and accountability. Soviet-era property laws remain in effect.



The personal income tax rate is 13 percent. The top corporate tax rate is still 18 percent. Other taxes include excise taxes and a value-added tax. The overall tax burden equals 25.4 percent of total domestic income. Government spending now equals 42.9 percent of total domestic output, and public debt hovers around 37 percent of GDP. The state remains highly dependent on external financing and subsidized energy.



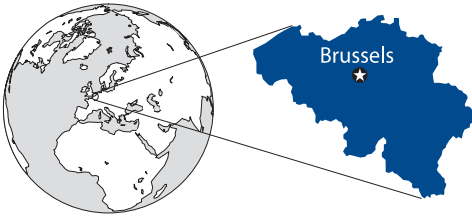
Simplifying registration formalities and abolishing the minimum capital requirement have facilitated business formation, but state interference and public-sector domination of the labor market still hamper the overall entrepreneurial environment. Belarus is heavily dependent on subsidized Russian energy, and the government subsidizes the inefficient agricultural sector and products made by state-owned enterprises.



Belarus has a 3 percent average tariff rate. It is a member of the Eurasian Customs Union, which includes Armenia, Kazakhstan, Kyrgyzstan, and Russia. The government screens foreign investment, and state-owned enterprises distort the economy. Limited reform of the state-owned financial sector has begun. Since 2011, the central bank has stopped its direct lending operations to banks.

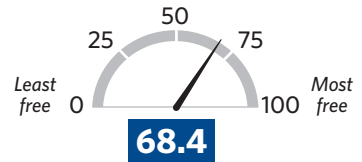
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+46.6	Business Freedom	-1.0	Trade Freedom	+19.0
Freedom from Corruption	+21.0	Government Spending	+13.3	Labor Freedom	+2.9	Investment Freedom	-30.0
				Monetary Freedom	+50.4	Financial Freedom	-40.0



BELGIUM

Economic Freedom Score



World Rank: **44**

Regional Rank: **21**

Belgium's institutional strengths, including an independent judiciary and government transparency, are not matched by a commitment to limited government. Expansionary public spending has generated significant budgetary pressure. With government debt reaching over 100 percent of GDP, reducing the chronic deficit needs to be a high priority.

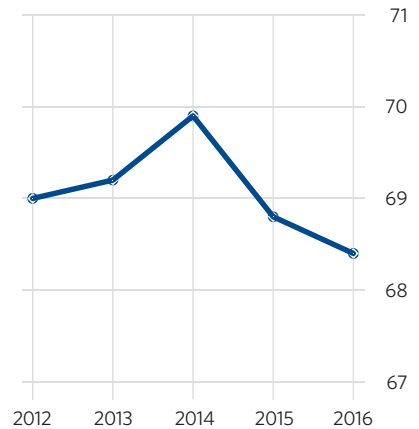
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.4 (down 0.4 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **44th**
- Regional Ranking: **21st in Europe**
- Notable Successes: **Regulatory Efficiency and Rule of Law**
- Concerns: **Management of Public Spending and Fiscal Freedom**
- Overall Score Change Since 2012: **-0.6**

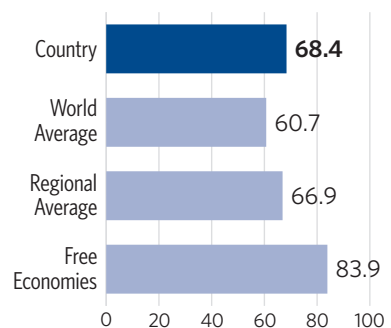
The government responded to turmoil in the banking sector and the subsequent contraction in overall economic activity by enacting fiscal stimulus packages. However, the economic recovery that began in mid-2009 has been uneven, and structural weaknesses, including a rigid labor market and high taxation, persist.

BACKGROUND: Belgium is a federal state with three culturally different regions: Flanders, Wallonia, and the capital city of Brussels. Brussels also serves as the headquarters of NATO and the European Union. Bart De Wever's center-right New Flemish Alliance won a plurality in the May 2014 federal elections, the first since electoral reforms were put in place. Neighboring countries have a strong political and economic impact on Belgium; in May 2015, commemorative coins created to mark the 200th anniversary of the Battle of Waterloo were destroyed after France objected. The Belgian economy has been held back by high public debt; average unemployment is lower than the eurozone average but higher in the Wallonia region. Services account for 75 percent of economic activity. Leading exports are electrical equipment, vehicles, diamonds, and chemicals.

Freedom Trend



Country Comparisons



Quick Facts

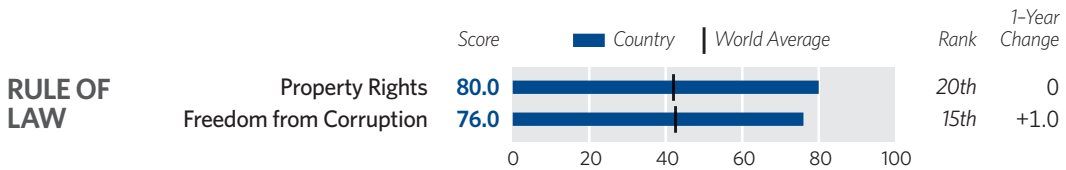
- Population:** 11.2 million
- GDP (PPP):** \$481.5 billion
- 1.0% growth in 2014
- 5-year compound annual growth 1.1%
- \$42,973 per capita
- Unemployment:** 8.5%
- Inflation (CPI):** 0.5%
- FDI Inflow:** -\$5.0 billion
- Public Debt:** 105.6% of GDP

How Do We Measure Economic Freedom?

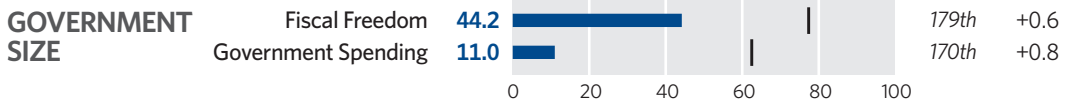
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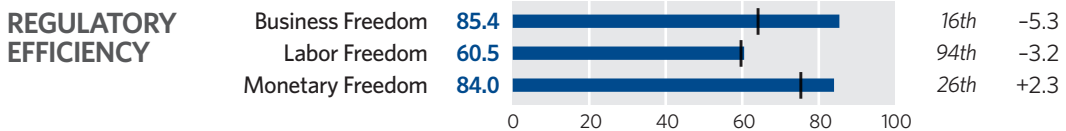
THE TEN ECONOMIC FREEDOMS



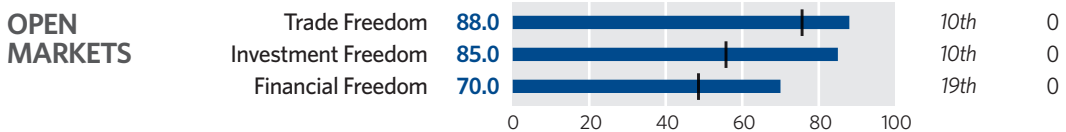
Corruption is relatively rare, and government efforts to cut spending and reduce the budget deficit would further reduce opportunities for rent-seeking. The government prohibits and punishes all forms of bribery. Property rights are well protected by law. Laws are well codified, and the independent judicial system is generally respected but can be slow to function. Enforcement actions to protect intellectual property rights can be protracted.



The top income tax rate is 50 percent, and the top corporate tax rate is 34 percent. Other taxes include a value-added tax and an estate tax. An environmental tax on packaging was abolished as of January 2015, but a tax on soft drinks will be implemented in 2016. The overall tax burden equals 43.8 percent of GDP. Government spending has leveled off at 53.4 percent of total domestic output, and public debt is over 100 percent of GDP.



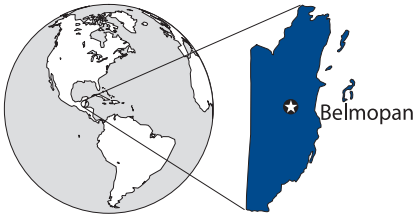
The cost of establishing a company has been reduced, and starting a business takes only three days and four procedures. Although employment regulations have gradually become less burdensome, the non-salary cost of hiring a worker remains high. The state imposes price controls on a wide range of fuels and other items, but the center-right federal government's fiscal consolidation agenda would eliminate some subsidies.



EU members have a 1 percent average tariff rate. Investment in some sectors of Belgium's economy is limited, but overall barriers to foreign trade and investment are low. Red tape may discourage foreign investment. The Financial Crisis Law grants the government strong powers to step in during crises. In a challenging operational environment, banks are well capitalized and have adapted to greater regulatory requirements.

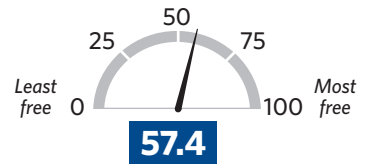
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+10.3	Business Freedom	+15.4	Trade Freedom	+10.2
Freedom from Corruption	-14.0	Government Spending	+3.7	Labor Freedom	-7.5	Investment Freedom	+15.0
				Monetary Freedom	-1.0	Financial Freedom	0



BELIZE

Economic Freedom Score



World Rank: **118**

Regional Rank: **20**

Economic freedom has stagnated in Belize over the past few years. The government's record on structural reform is uneven, and lingering policy weaknesses in many parts of the economy constrain more dynamic growth. Despite some streamlining of the process for setting up a business and completing regulatory requirements, such challenges as poor enforcement of the commercial code and lack of transparency often deter entrepreneurial activity.

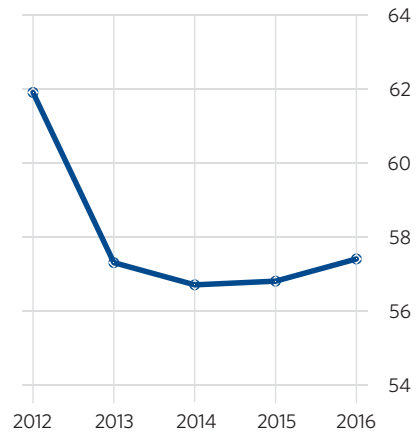
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.4 (up 0.6 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **118th**
- Regional Ranking: **20th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **-4.5**

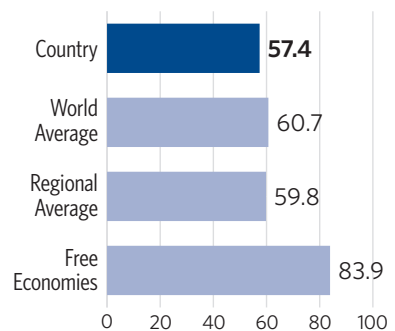
Belize has benefited from a comparatively high degree of trade freedom, but dynamic economic gains are undercut by the lack of progress in reforming financial services and investment, both of which are critical to sustaining open markets. The judicial system remains vulnerable to political interference, and corruption is common.

BACKGROUND: Belize is a parliamentary democracy. Prime Minister Dean Barrow of the United Democratic Party is serving his second consecutive five-year term until 2017, and his popularity could lead him to try for a third term. The economy relies primarily on tourism, followed by exports of marine products, citrus, sugar, and bananas. Economic growth increased in 2014, buoyed by subsidies from Venezuela. High unemployment and a heavy foreign debt burden remain major concerns. According to IMF estimates, claims for compensation arising from the government's nationalization of Belize Telemedia in August 2009 and Belize Electricity in June 2011 could increase the debt stock by 17 percent of annual GDP.

Freedom Trend



Country Comparisons



Quick Facts

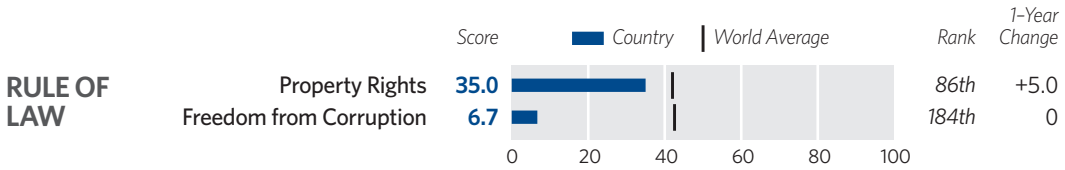
- Population:** 0.4 million
- GDP (PPP):** \$2.9 billion
- 3.4% growth in 2014
- 5-year compound annual growth 2.7%
- \$8,248 per capita
- Unemployment:** 11.5%
- Inflation (CPI):** 0.9%
- FDI Inflow:** \$141.1 million
- Public Debt:** 76.3% of GDP

How Do We Measure Economic Freedom?

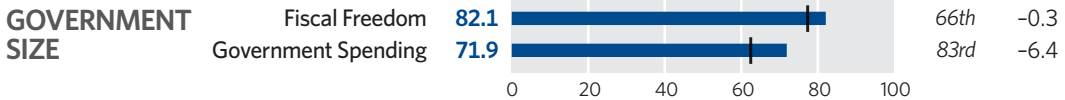
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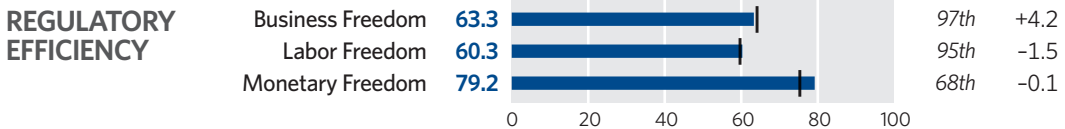
THE TEN ECONOMIC FREEDOMS



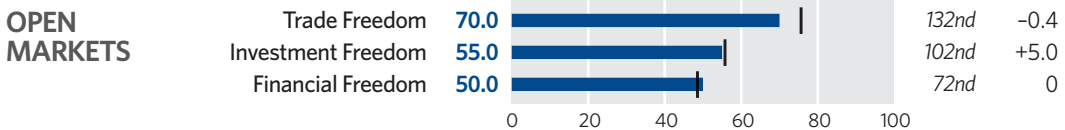
Belize is the only Central American country that is not a party to the U.N. Convention Against Corruption. Since 2009, Transparency International has not had enough access to data to include Belize in its annual Corruption Perceptions Index. The judiciary, although independent, is often influenced by the executive. In 2015, the government agreed to compensate the private owner of a major electricity company that it expropriated in 2011.



The top income and corporate tax rates are 25 percent; petroleum profits are taxed at 40 percent. Other taxes include a goods and services tax and a stamp duty. The overall tax burden equals 23.2 percent of total domestic income. Government spending amounts to 30.6 percent of GDP. Public debt has fallen below 80 percent of GDP due to reductions in budget deficits, but falling oil revenues threaten the fiscal outlook.



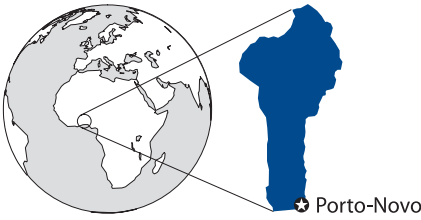
Launching a business still costs about half the level of average annual income, but there is no minimum capital requirement. Getting all the necessary permits takes more than 70 days. Despite flexible employment regulations, the formal labor market is not fully developed. The government maintains price controls on various products such as rice, sugar, and flour and subsidizes the cost of electricity.



Belize has a relatively high 10 percent average tariff rate. Import licenses are required for several categories of consumer and agricultural goods. The government screens foreign investment in domestic companies. The state influences credit allocation through quasi-government banks. The small financial sector has been largely immune to the global financial turmoil.

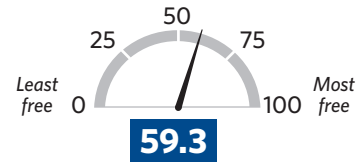
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-35.0	Fiscal Freedom	+18.9	Business Freedom	-6.7	Trade Freedom	+28.0
Freedom from Corruption	-43.3	Government Spending	+7.2	Labor Freedom	-23.0	Investment Freedom	-15.0
				Monetary Freedom	-7.3	Financial Freedom	0



BENIN

Economic Freedom Score



World Rank: **101**

Regional Rank: **12**

Benin's entrepreneurial environment has gradually benefited from a relatively stable political and macroeconomic situation. Continuing its efforts to promote economic diversification and modernization, the government has introduced structural reforms to revitalize the economy. Some government-owned enterprises have been privatized, but direct government involvement in economic activity continues to crowd out private-sector development.

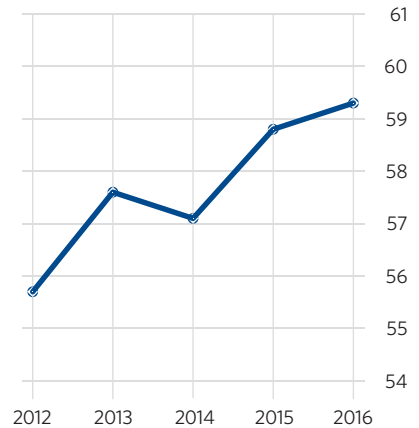
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.3 (up 0.5 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **101st**
- Regional Ranking: **12th in Sub-Saharan Africa**
- Notable Successes: **Investment Freedom and Control of Government Spending**
- Concerns: **Rule of Law, Business Freedom, and Labor Freedom**
- Overall Score Change Since 2012: **+3.6**

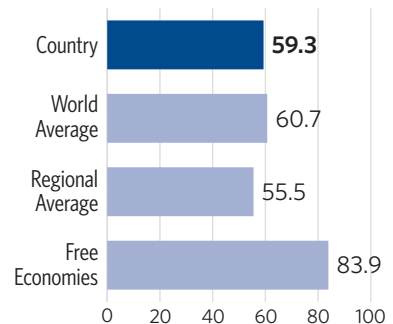
Benin lags in competitiveness and still lacks the broad-based economic activity that is critical to reducing poverty. The poor quality of physical and legal infrastructure, exacerbated by the government's inefficiency in delivering public goods, are serious impediments to long-term economic development.

BACKGROUND: President Thomas Boni Yayi was elected in 2006 and again in 2011 in elections that, despite being deemed free and fair by monitors, sparked opposition protests. Yayi survived an assassination attempt in 2007 and an alleged plot by close associates to poison him in March 2013. One of Africa's largest cotton producers, Benin nevertheless remains underdeveloped and dependent on subsistence agriculture and regional trade, particularly with Nigeria. The economy has grown over the past few years, but there have been border conflicts with Burkina Faso. In September 2015, the government signed its second Millennium Challenge Corporation compact for \$375 million to increase power generation in a country where two-thirds of the population lacks access to electricity.

Freedom Trend



Country Comparisons



Quick Facts

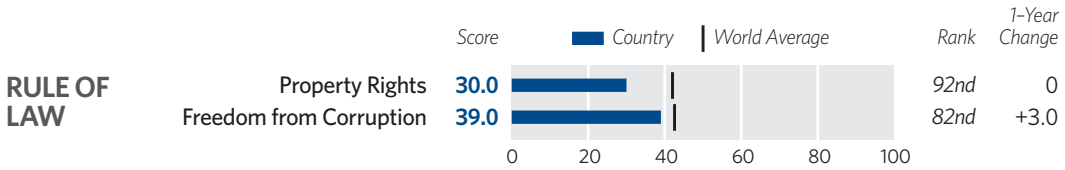
- Population:** 10.6 million
- GDP (PPP):** \$19.8 billion
- 5.5% growth in 2014
- 5-year compound annual growth 4.5%
- \$1,870 per capita
- Unemployment:** 1.0%
- Inflation (CPI):** -1.0%
- FDI Inflow:** \$377.4 million
- Public Debt:** 30.9% of GDP

How Do We Measure Economic Freedom?

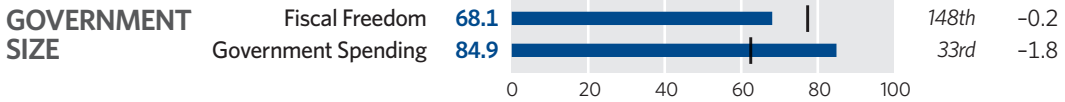
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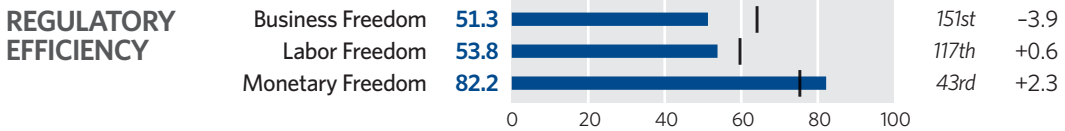
THE TEN ECONOMIC FREEDOMS



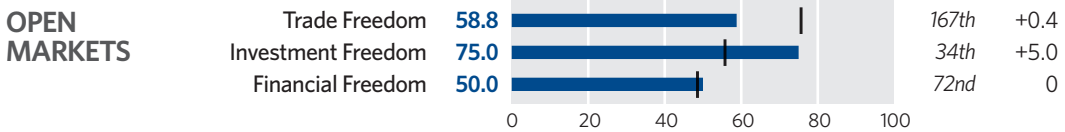
A 2015 outside audit found that public funds have been misappropriated in recent years, but few officials facing corruption charges are subject to thorough investigations or disciplinary action. The government’s failure to meet contractual obligations, ensure an independent judiciary, and accept adverse court decisions undermines the business environment. There are no separate commercial courts, and backlogs of civil cases cause long delays.



The top income tax rate is 45 percent, and the top corporate tax rate is 30 percent, with oil companies subject to a 45 percent rate. Other taxes include a value-added tax. The overall tax burden equals 16.3 percent of GDP. Government expenditures amount to 22.4 percent of GDP, and public debt equals approximately 30 percent of GDP. Fiscal health remains vulnerable due to heavy dependence on commodity exports.



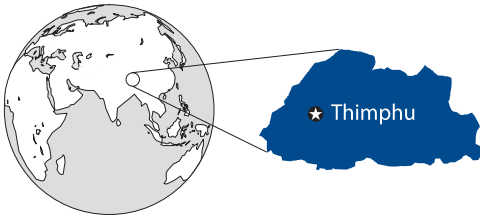
Bureaucratic procedures are not streamlined and lack transparency. Obtaining necessary business licenses is time-consuming and costly. Outmoded employment regulations hinder overall job creation and productivity growth. The government subsidizes cotton production, and low-priced gasoline and diesel fuel are smuggled in from Nigeria and subsidized by the Nigerian government.



Benin has a 15.6 percent average tariff rate. The government has worked to establish a one-stop shop to facilitate trade. There are some limits on foreign ownership of land, and the country’s slow-moving legal system may deter investment. Banking is largely private, but access to credit remains low despite the expansion of microfinance institutions.

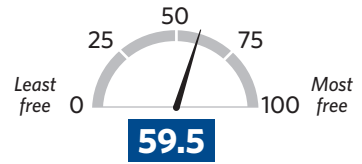
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	-4.0	Business Freedom	-18.7	Trade Freedom	+58.8
Freedom from Corruption	-11.0	Government Spending	-5.6	Labor Freedom	+1.2	Investment Freedom	+25.0
				Monetary Freedom	+24.3	Financial Freedom	0



BHUTAN

Economic Freedom Score



World Rank: **97**

Regional Rank: **20**

Bhutan has taken some steps to modernize its economic structure and reduce poverty. Recently, a higher priority has been placed on measures to diversify the economy. The public sector, especially hydropower, has long been the main source of economic growth, but the government now recognizes that broad-based private-sector development is crucial.

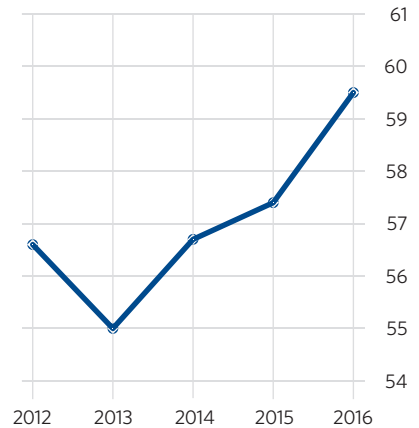
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.5 (up 2.1 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **97th**
- Regional Ranking: **20th in the Asia-Pacific Region**
- Notable Successes: **Property Rights and Freedom from Corruption**
- Concerns: **Open Markets and Regulatory Efficiency**
- Overall Score Change Since 2012: **+2.9**

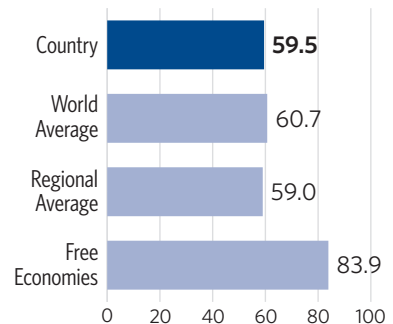
With the government running large budget deficits, Bhutan's public debt is over 100 percent of GDP. In 2015, in an attempt to control the growth of debt, the cabinet approved a draft public debt policy. Lingering constraints on more dynamic private-sector development include an inefficient regulatory framework, pervasive non-tariff barriers, and a rudimentary investment code.

BACKGROUND: Bhutan is a small Himalayan constitutional monarchy that made the transition from absolute monarchy to parliamentary democracy in March 2008. In July 2013, it completed its second democratic handover of power after the People's Democratic Party won the majority of seats in the National Assembly. Bhutan has one of the world's smallest and least-developed economies. Until a few decades ago, it was agrarian with few roads, little electricity, and no modern hospitals. Recent interregional economic cooperation, particularly involving trade with Bangladesh and India, is helping to encourage economic growth. Connections to global markets are limited and dominated significantly by India.

Freedom Trend



Country Comparisons



Quick Facts

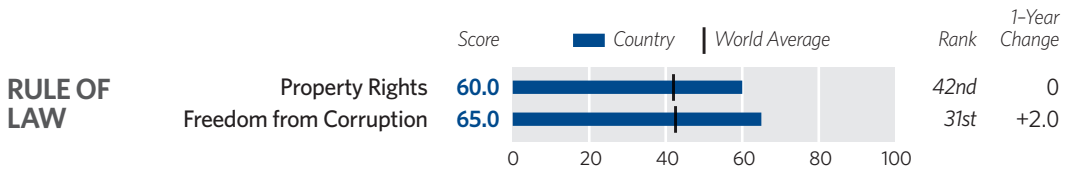
- Population:** 0.8 million
- GDP (PPP):** \$5.9 billion
- 6.4% growth in 2014
- 5-year compound annual growth 7.4%
- \$7,641 per capita
- Unemployment:** 2.8%
- Inflation (CPI):** 7.7%
- FDI Inflow:** \$5.8 million
- Public Debt:** 107.5% of GDP

How Do We Measure Economic Freedom?

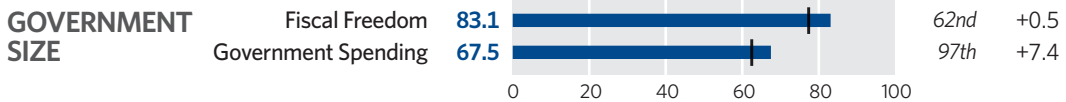
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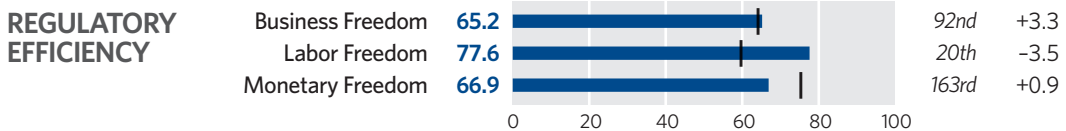
THE TEN ECONOMIC FREEDOMS



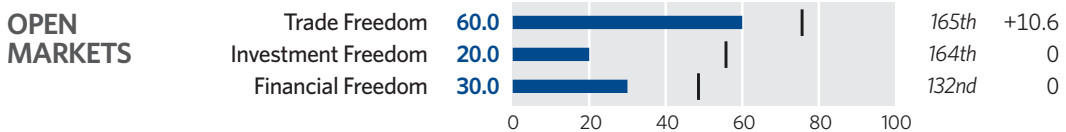
Government transparency and accountability are limited, but in 2015, Bhutan’s Anti-Corruption Commission stepped up efforts to crack down on corruption. Civil and criminal codes include many modern provisions based on English common law. Property rights are generally better protected than in other South Asian countries, but it is difficult to register property and enforce contracts.



The top income tax rate is 25 percent, and the corporate tax rate is 30 percent. Other taxes include a property tax and an excise tax. The overall tax burden equals 13 percent of total domestic income. A value-added tax is set to be introduced to broaden the tax base. Government spending amounts to 32.9 percent of total domestic output, and public debt equals more than 100 percent of GDP.



Recent reforms have reduced the cost of starting a business by eliminating the minimum capital requirement. Despite some improvement, the labor market’s supply-and-demand imbalance persists. India provides subsidized liquefied petroleum gas and kerosene to Bhutan, and the two governments are co-financing numerous hydropower projects. The state maintains significant financial and commercial controls.



Bhutan has a 10 percent tariff rate. Importation of goods is time-consuming. Investment levels in several sectors of the economy are capped; otherwise, foreign and domestic investors are generally treated equally under the law. Opening the banking sector to more foreign partnerships has improved competition, but the lack of access to financing is a serious constraint for potential entrepreneurs.

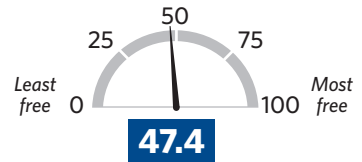
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.5	Business Freedom	+3.5	Trade Freedom	+18.0
Freedom from Corruption	+15.0	Government Spending	+9.2	Labor Freedom	-8.2	Investment Freedom	-10.0
				Monetary Freedom	-9.0	Financial Freedom	0



BOLIVIA

Economic Freedom Score



World Rank: **160** Regional Rank: **26**

Natural gas exports and relatively prudent macroeconomic policy have encouraged annual average growth of around 5 percent over the past five years, but institutional shortcomings still constrain development. Severely hampered by state interference, Bolivia's formal economy is increasingly stagnant, and informal economic activity is expanding.

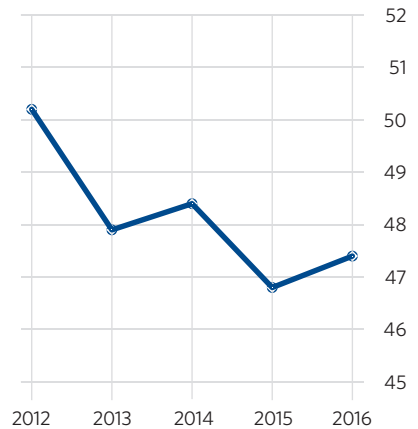
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **47.4 (up 0.6 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **160th**
- Regional Ranking: **26th in the South and Central America/Caribbean Region**
- Notable Successes: **Fiscal Freedom and Trade Freedom**
- Concerns: **Property Rights, Investment Freedom, and Labor Freedom**
- Overall Score Change Since 2012: **-2.8**

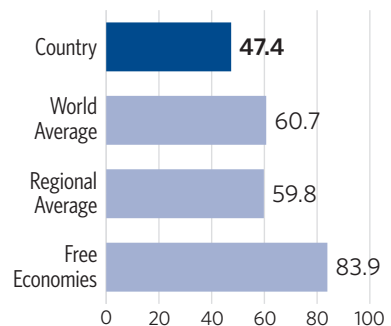
Weak investment protections and the higher cost of business have added to a perception of economic subjugation under President Evo Morales. Rampant corruption and deficiencies in the legal framework keep the rule of law fragile and uneven across the economy. The threat of expropriation remains high, constraining private-sector growth.

BACKGROUND: President Evo Morales imposed a new constitution in 2009 to expand his powers and increase state participation in the economy. Despite a constitutional two-term limit, he won a third five-year term in October 2014. His stated goal is "communitarian socialism." Bolivia has strong alliances with Cuba, Venezuela, and Iran. Its economic growth rate has recently been one of Latin America's highest thanks to revenues from gas exports, but projected growth has declined in line with lower world commodity prices. Bolivia's private investment rate is among the region's lowest, and foreign direct investment is concentrated in natural resources. Four out of 10 Bolivians live below the poverty line, and nearly 60 percent of working arrangements are informal. Bolivia is one of the world's largest producers of coca leaf and a major transit zone for Peruvian cocaine.

Freedom Trend



Country Comparisons



Quick Facts

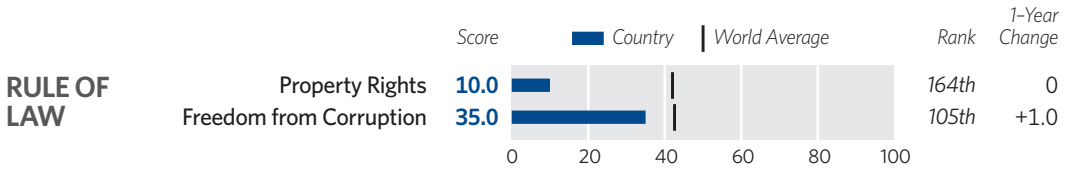
- Population:** 11.2 million
- GDP (PPP):** \$70.0 billion
- 5.4% growth in 2014
- 5-year compound annual growth 5.3%
- \$6,221 per capita
- Unemployment:** 2.7%
- Inflation (CPI):** 5.8%
- FDI Inflow:** \$647.8 million
- Public Debt:** 32.4% of GDP

How Do We Measure Economic Freedom?

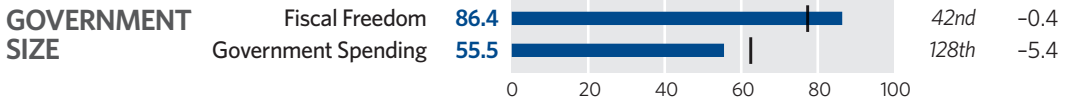
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

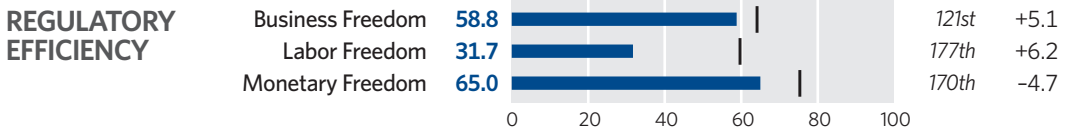
THE TEN ECONOMIC FREEDOMS



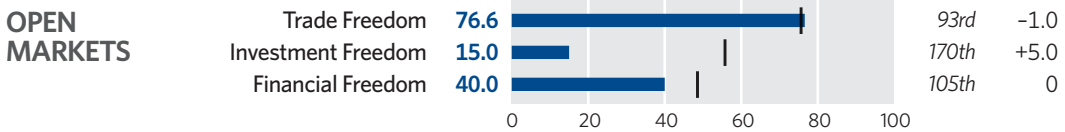
Corruption continues to affect a range of government entities and economic sectors, including law-enforcement bodies, officials hired to rein in the illegal drug trade, and extractive industries. Government officials often engage in corrupt practices with impunity. The judicial system faces ongoing systemic challenges. Indigenous communities have seized numerous privately owned rural and mining properties in recent years.



The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include a value-added tax and a transactions tax. The overall tax burden equals 23.8 percent of GDP. Government spending amounts to 38.5 percent of GDP, and budget surpluses continue to narrow. Public debt is less than 35 percent of GDP. State-owned enterprises remain dominant in major sectors.



Obtaining necessary permits costs more than half the level of average annual income and takes over 200 days. The labor market remains inefficient, with employment regulations stifling job growth. Fuel prices, subsidized and controlled by the government, are frozen for years at a time. Electricity is also subsidized, and the government increased bread and beef subsidies in 2015 to offset inflation in those sectors.

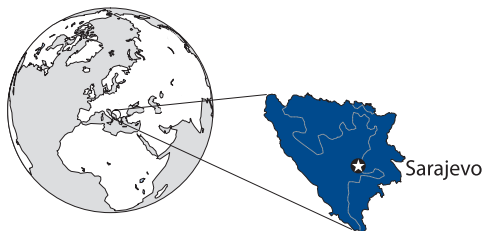


Bolivia has a 4.2 percent average tariff rate. State-owned enterprises distort the economy. According to its constitution, “Bolivian investment shall take priority over foreign investment,” and “public policies shall promote internal consumption of products made in Bolivia.” A new law directing banks to increase credit to certain sectors has made the financial sector more vulnerable to state interference.

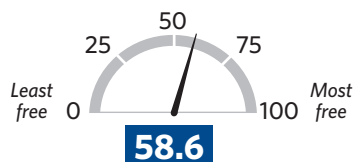
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	-4.6	Business Freedom	+3.8	Trade Freedom	+11.2
Freedom from Corruption	+25.0	Government Spending	-5.2	Labor Freedom	-16.0	Investment Freedom	-55.0
				Monetary Freedom	-14.5	Financial Freedom	+10.0

BOSNIA AND HERZEGOVINA



Economic Freedom Score



World Rank: **108**

Regional Rank: **39**

After several years of modest growth, Bosnia and Herzegovina's economic performance has deteriorated, partly because of the global economic slowdown but mainly due to lack of progress in improving regulatory efficiency and open-market policies. The state still controls a large number of companies, and privatization has virtually stalled.

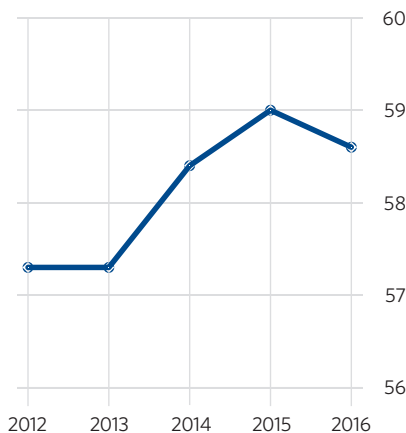
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **58.6 (down 0.4 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **108th**
- Regional Ranking: **39th in Europe**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Rule of Law and Management of Government Spending**
- Overall Score Change Since 2012: **+1.3**

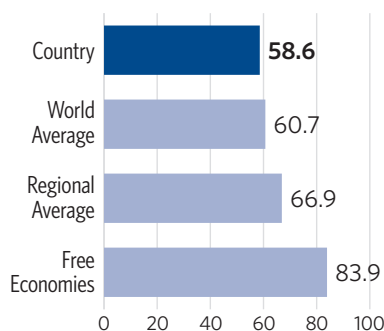
Poor protection of property rights and widespread corruption still discourage entrepreneurial activity. The rule of law is weak, and local courts are subject to substantial political interference and lack the resources to prosecute complex organized crimes effectively. Intrusive bureaucracy and costly registration procedures reflect a history of central planning.

BACKGROUND: The 1995 Dayton Agreement ended three years of war in the former Yugoslavia and finalized Bosnia and Herzegovina's independence. Two separate entities exist under a loose central government: the Republika Srpska (Serbian) and Federation of Bosnia and Herzegovina (Muslim/Croat). The European Union signed a Stabilization and Association Agreement with Bosnia and Herzegovina in 2008. Bosnia also received a NATO Membership Action Plan in 2010 and is one of four official candidates for NATO membership. The country is one of Europe's poorest. There has been some privatization, but agriculture and industry require modernization. Corruption is widespread, and the central government's weakness makes it difficult to implement reforms. The country was hit by violent unrest and protests in February 2014 and severe flooding in May 2014. Unemployment is extremely high, especially among youth.

Freedom Trend



Country Comparisons



Quick Facts

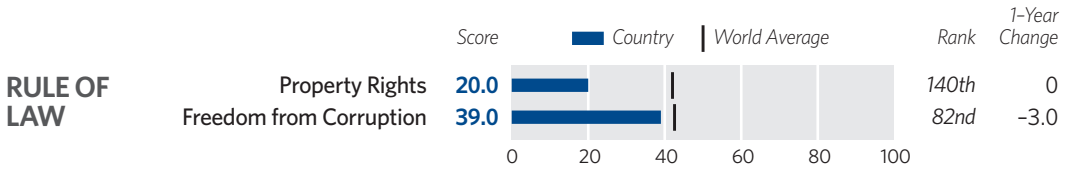
- Population:** 3.9 million
- GDP (PPP):** \$38.1 billion
- 0.8% growth in 2014
- 5-year compound annual growth 0.8%
- \$9,833 per capita
- Unemployment:** 27.9%
- Inflation (CPI):** -0.9%
- FDI Inflow:** \$564.0 million
- Public Debt:** 44.9% of GDP

How Do We Measure Economic Freedom?

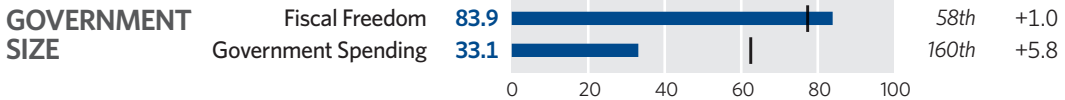
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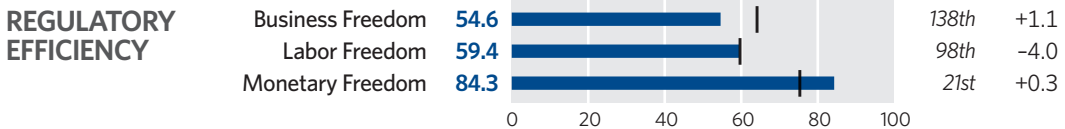
THE TEN ECONOMIC FREEDOMS



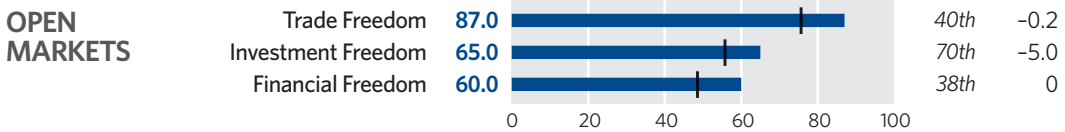
Although public procurement is one of the main sources of corruption and fraud in Bosnia and Herzegovina, the government largely ignored a significant anti-corruption movement’s calls for reforms in 2014. The complex system of government lends itself to deadlock, prevents reform, and has bred one of the region’s largest informal economies. Property registries are largely unreliable, leaving transfers open to dispute.



Bosnia and Herzegovina’s various governing entities have different tax policies. The top income and corporate tax rates are 10 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 37.6 percent of GDP. Government expenditures that amount to about half of total domestic output result in chronic budget deficits and growing public debt.



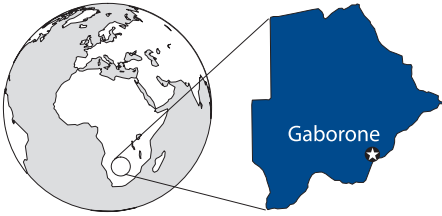
Despite some steps to reform the cumbersome regulatory framework, bureaucracy and lack of transparency often make the formation and operation of private enterprises costly and burdensome. The labor market is inefficient, and the unemployment rate, particularly among youth, is one of the region’s highest. The government subsidizes energy and, according to the World Bank, targets its agricultural subsidies poorly.



Bosnia and Herzegovina’s average tariff rate is a relatively low 1.5 percent. State-owned enterprises dominate the telecommunications and energy sectors. The legal and regulatory environment deters some foreign investment. The financial sector is underdeveloped. About 80 percent of banking capital is privately owned, but a lack of contract enforcement and an insecure regulatory environment limit credit availability.

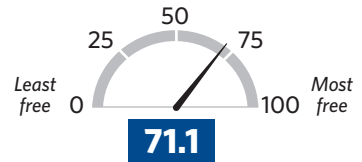
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	+5.1	Business Freedom	+14.6	Trade Freedom	+17.6
Freedom from Corruption	+29.0	Government Spending	+16.4	Labor Freedom	+4.6	Investment Freedom	+35.0
				Monetary Freedom	+84.3	Financial Freedom	+50.0



BOTSWANA

Economic Freedom Score



World Rank: **30**

Regional Rank: **2**

Botswana's economy has been diversifying, largely because of foreign investment attracted by low taxes, political stability, and an educated workforce. The country continues to set an example in the management of large endowments of natural resources. The level of corruption is the lowest in Africa. An independent judiciary enforces contracts effectively and protects property rights.

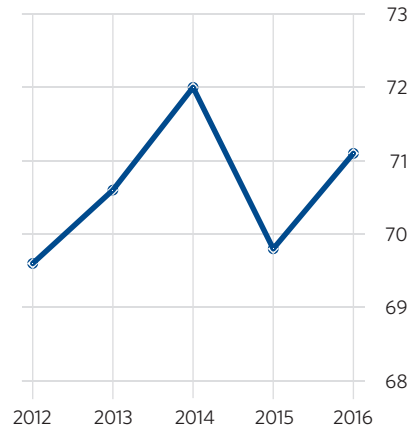
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **71.1 (up 1.3 points)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **30th**
- Regional Ranking: **2nd in Sub-Saharan Africa**
- Notable Successes: **Open Markets and Fiscal Freedom**
- Concerns: **Corruption, Management of Public Finance, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.5**

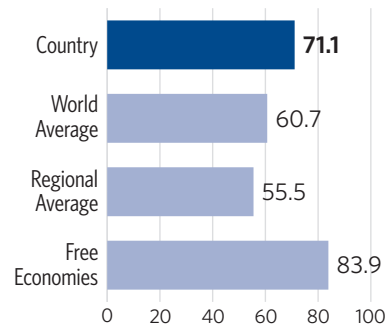
A relatively efficient regulatory environment and open trade policies have underpinned competitiveness, and diamond exports have ensured adequate flows of foreign exchange. The financial sector is fairly well developed, with an independent central bank and little government intervention.

BACKGROUND: The Botswana Democratic Party has governed this multi-party democracy since independence from Britain in 1966. President Ian Khama won a second term in October 2014, though the BDP for the first time garnered less than 50 percent of the vote as opposition groups gained significant support from young and urban middle-class voters. The 2014 elections were the most competitive in Botswana's history. Botswana has abundant natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings. Diamonds account for one-third of GDP. In an attempt to diversify the economy through tourism, Botswana focuses on conservation and developing its extensive nature preserves. It has one of the world's highest HIV/AIDS infection rates but is also among Africa's leaders in combating the disease.

Freedom Trend



Country Comparisons



Quick Facts

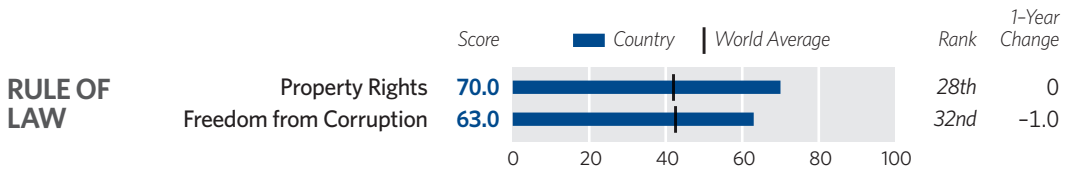
- Population:** 2.1 million
- GDP (PPP):** \$33.7 billion
- 4.9% growth in 2014
- 5-year compound annual growth 6.0%
- \$16,036 per capita
- Unemployment:** 18.2%
- Inflation (CPI):** 3.9%
- FDI Inflow:** \$393.2 million
- Public Debt:** 14.5% of GDP

How Do We Measure Economic Freedom?

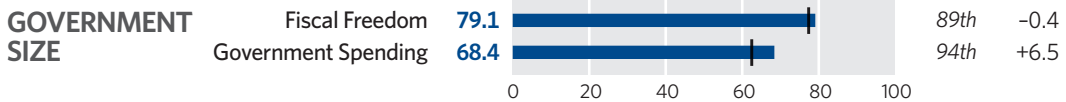
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2014 data unless otherwise noted.
Data compiled as of September 2015.

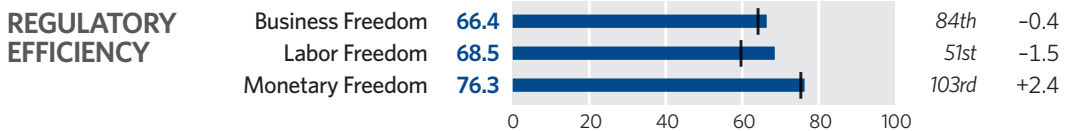
THE TEN ECONOMIC FREEDOMS



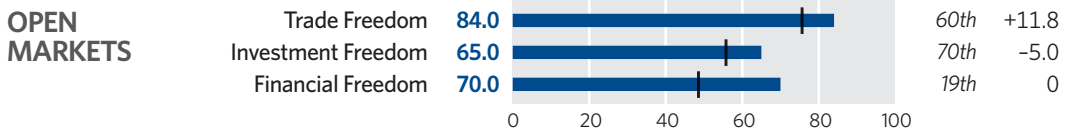
Botswana is still rated the African continent’s least corrupt country, but there are almost no restrictions on the private business activities of public servants, and political ties often play a role in awarding government jobs and tenders. Critics have accused President Ian Khama, a large stakeholder in the tourism sector, of creeping authoritarianism. The legal system is sufficient to enforce secure commercial dealings but very slow.



The top personal income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include a property tax, an inheritance tax, and a value-added tax. The overall tax burden equals 31.3 percent of total domestic income. Government spending amounts to 32.4 percent of total domestic output. Public debt equals less than 20 percent of GDP.



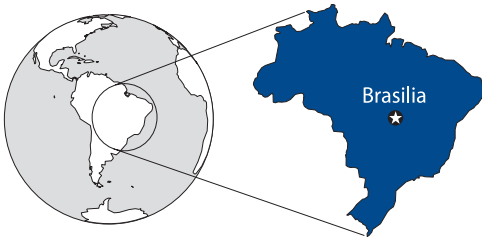
The overall freedom to establish and run a business is relatively well protected. With a one-stop shop for entrepreneurs in place, opening a business is easy and straightforward. The mismatch between labor market demand and the supply of skilled workers continues. Government-administered prices for electricity and water have risen, but the IMF reported that total grants and subsidies amounted to less than 7 percent of GDP in 2015.



Botswana has a low 0.5 percent average tariff rate, but importing goods can be costly. Many sectors remain closed to foreign investment, and in most cases, land cannot be sold to foreign investors. The financial sector is one of Africa’s most advanced, and the stock exchange has been growing. There have been no bank failures, and the banking sector continues to expand, although access to financial services remains low.

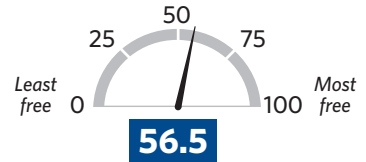
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+25.4	Business Freedom	-3.6	Trade Freedom	+37.8
Freedom from Corruption	+13.0	Government Spending	+13.3	Labor Freedom	+1.9	Investment Freedom	+15.0
				Monetary Freedom	+10.4	Financial Freedom	+20.0



BRAZIL

Economic Freedom Score



World Rank: **122** Regional Rank: **21**

Brazil's limited experiment with market-oriented reforms has been uneven and even derailed in some areas. The state's presence in such sectors as energy, financial services, and electricity remains extensive. The legacy of decades of central planning, state meddling in economic activity continues even where it has demonstrably failed, and the weak rule of law further undermines economic progress.

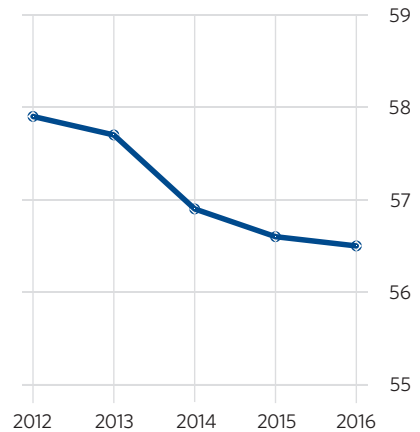
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56.5 (down 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **122nd**
- Regional Ranking: **21st in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Corruption, Management of Public Finance, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-1.4**

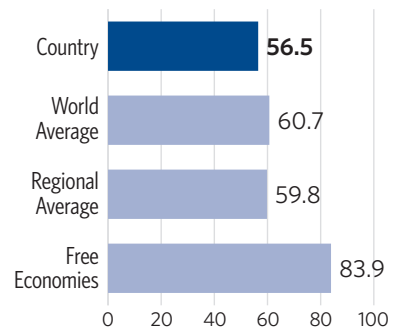
The onerous regulatory environment hinders needed economic transformation and undercuts realization of the economy's full potential. Growing public debt and higher debt service costs have kept fiscal pressure high, and burdensome taxes further crowd out private-sector growth.

BACKGROUND: President Dilma Rousseff of the leftist Workers' Party began her second term in January 2015. A recession, fiscal and monetary belt-tightening, and a far-reaching kickback scheme involving her party and the state-controlled Petróleo Brasileiro oil company sent her approval rating plummeting. Brazil has poor public services, antiquated and insufficient infrastructure, and high tax rates. In recent years, inflation has surged again. Growth is sluggish, but Brazil's "Bolsa Família" conditional cash transfer program for the poor has won support in some sectors. Brazil is the world's seventh-largest economy, and its population of almost 200 million is heavily concentrated on the Atlantic coast. Since the advent of the monetary "real plan" in the 1990s and the end of hyperinflation, the poverty rate has dropped, but heavy government intervention in the economy continues to limit development.

Freedom Trend



Country Comparisons



Quick Facts

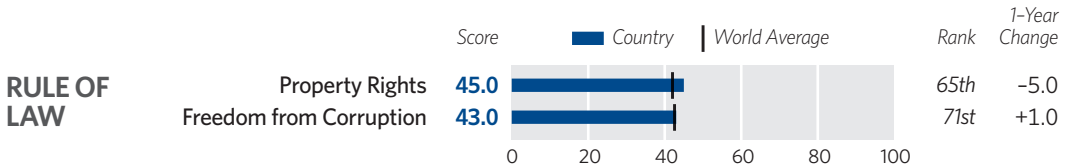
- Population:** 202.8 million
- GDP (PPP):** \$3.3 trillion
- 0.1% growth in 2014
- 5-year compound annual growth 3.2%
- \$16,096 per capita
- Unemployment:** 6.8%
- Inflation (CPI):** 6.3%
- FDI Inflow:** \$62.5 billion
- Public Debt:** 65.2% of GDP

How Do We Measure Economic Freedom?

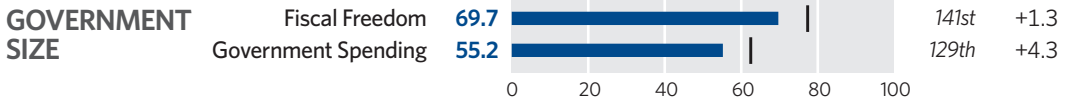
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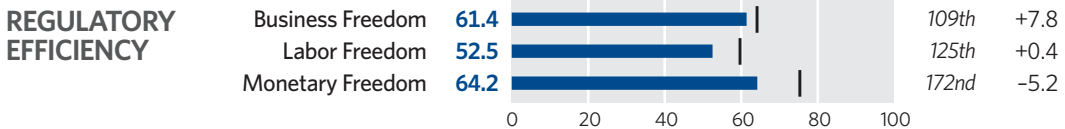
THE TEN ECONOMIC FREEDOMS



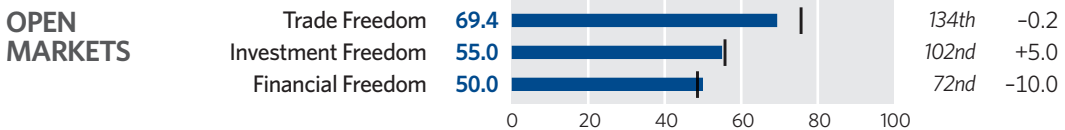
Graft remains endemic, and Brazilians disapprove of President Dilma Rousseff’s policies on corruption and crime. In 2014, a former director of state-owned Petrobras accused more than 40 politicians, including one minister and three governors, in a massive kickback investigation. Brazil’s judiciary is inefficient and subject to political and economic influence. The court system is overburdened, and contract disputes can be lengthy and complex.



The income tax rate is 27.5 percent. The standard corporate tax rate is 15 percent, but a financial transactions tax, 10 percent surtax, and 9 percent social contribution on net profits bring the effective rate to 34 percent. The overall tax burden amounts to 33.4 percent of GDP. Public spending equals over one-third of GDP, and fiscal stimulus efforts have increased chronic deficits. Public debt equals about 65 percent of GDP.



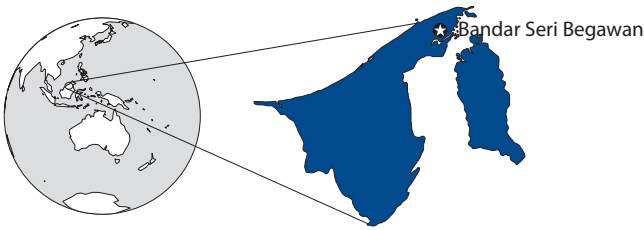
Bureaucratic hurdles remain common, including lengthy processes for launching a business and obtaining permits. The non-salary cost of employing a worker adds to the cost of doing business, and labor regulations remain stringent. In 2015, surging state-administered prices for gasoline, electricity, and transport—all heavily subsidized before the 2014 presidential election—caused inflation to reach its highest level in over a decade.



Brazil’s average tariff rate is 7.8 percent. Brazilians may not import used consumer goods like cars and clothing. Government procurement policies favor domestic companies. Foreign investment in agricultural land is restricted. Brazil has the region’s largest financial services market. The state’s role in credit markets has grown since 2008, and public banks now account for over 50 percent of loans to the private sector.

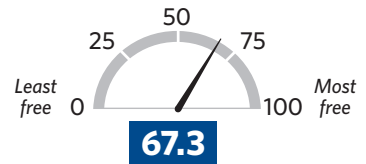
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-7.0	Business Freedom	+6.4	Trade Freedom	+13.0
Freedom from Corruption	-7.0	Government Spending	-19.2	Labor Freedom	-12.1	Investment Freedom	+5.0
				Monetary Freedom	+64.2	Financial Freedom	0



BRUNEI

Economic Freedom Score



World Rank: **51**

Regional Rank: **10**

Brunei has benefited from moderately well-maintained monetary stability and a relatively high level of market openness that facilitates engagement with the world through trade and investment. Economic growth has been sluggish in recent years, largely due to a decline in domestic production of crude oil and liquefied natural gas.

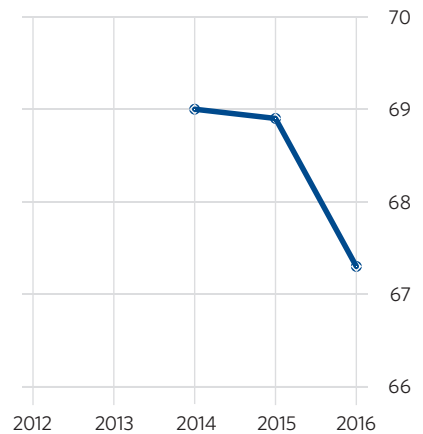
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.3 (down 1.6 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **51st**
- Regional Ranking: **10th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Business Freedom**
- Concerns: **Property Rights and Management of Public Finance**
- Overall Score Change Since 2014: **-1.7**

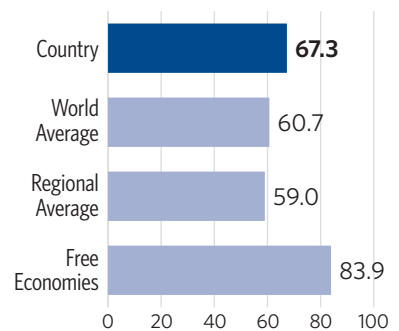
Measures to expand the non-energy sector have been undertaken, particularly in areas such as manufacturing, construction, and services. The investment environment is generally efficient and transparent, but the overall regulatory framework needs to be more streamlined to enhance overall competitiveness.

BACKGROUND: Brunei, two disconnected enclaves surrounded by the Malaysian state of Sarawak, lies on the northern coast of Borneo. The sultan serves as his own prime minister, minister of defense, and minister of finance. He is advised by several councils, including a Legislative Council and Privy Council, which he appoints. The oil and gas industry accounts for over half of GDP and 90 percent of government revenues. However, it provides for only a small fraction of employment, and most of the population works directly for the government. Brunei has extremely low manufacturing capacity and imports most of its manufactured goods and food. It is among the world's most prosperous countries due to its oil revenue, but long-standing efforts at economic diversification have met with only limited success.

Freedom Trend



Country Comparisons



Quick Facts

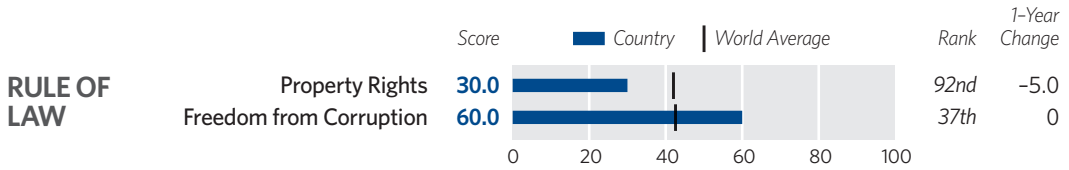
- Population:** 0.4 million
- GDP (PPP):** \$30.2 billion
- 0.7% growth in 2014
- 5-year compound annual growth 0.9%
- \$73,233 per capita
- Unemployment:** 3.8%
- Inflation (CPI):** -0.2%
- FDI Inflow:** \$567.9 million
- Public Debt:** 2.6% of GDP

How Do We Measure Economic Freedom?

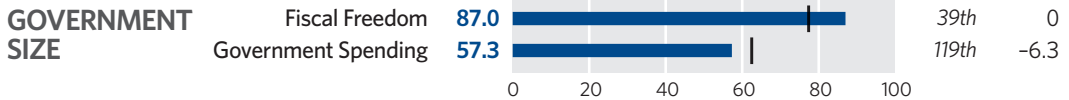
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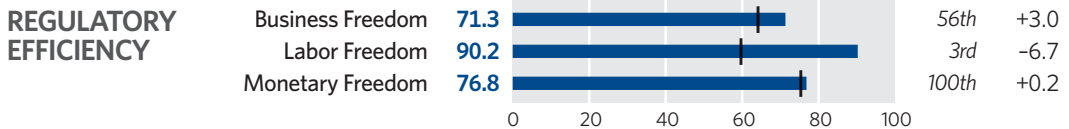
THE TEN ECONOMIC FREEDOMS



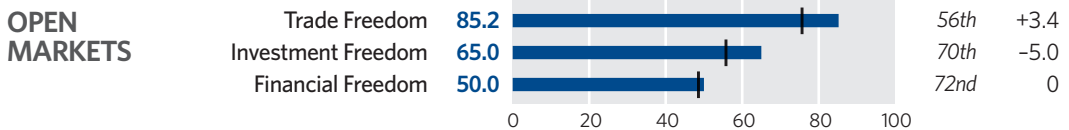
The government intends to fully implement sharia (Islamic) law in 2016, raising human rights concerns. Protection of private property is weak. Only Brunei citizens may purchase land; foreign firms must have a local partner. The constitution does not provide for an independent judiciary. Brunei is one of the world’s last remaining autocracies, and the sultan wields broad powers. No direct legislative elections have been held since 1962.



Brunei has no personal income tax. The top corporate tax rate is 20 percent for most companies, and the rate for oil and gas companies is 55 percent. Other taxes include a social security tax. Overall tax revenue is 30 percent of gross domestic output. Government spending is over one-third the size of the domestic economy, but substantial fiscal surpluses enable public debt to remain below 3 percent of GDP.



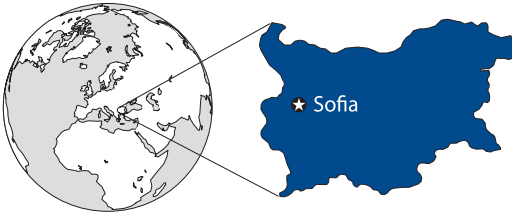
Despite some progress, procedures for establishing and registering a private enterprise remain time-consuming. The labor market is relatively flexible, and foreign workers account for over 70 percent of private-sector employment. The government provides generous but price-distorting subsidies for nearly everything the average citizen needs, such as fuel, power, food, health care, and education.



Brunei’s average tariff rate is 2.4 percent. Non-tariff barriers are low, but state-owned enterprises in the transportation, energy, and telecommunications sectors distort the economy. Among other restrictions, foreign investors may not own land. The small financial sector remains dominated by banking, which is well capitalized and open to foreign competition. Islamic financial services have grown considerably in recent years.

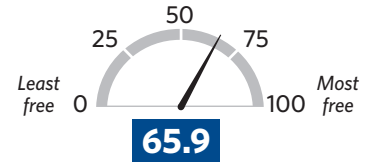
Long-Term Score Change (since 2014)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	-3.2	Business Freedom	+3.1	Trade Freedom	+3.4
Freedom from Corruption	+6.7	Government Spending	-8.8	Labor Freedom	-6.3	Investment Freedom	-5.0
				Monetary Freedom	+2.6	Financial Freedom	0



BULGARIA

Economic Freedom Score



World Rank: **60** Regional Rank: **28**

Bulgaria has maintained strong momentum in liberalizing economic activity while taking steps to restore fiscal discipline. Public debt and budget deficits remain among the region's lowest. Open-market policies are encouraging flows of trade and investment. Efforts are underway to revitalize the stalled privatization process.

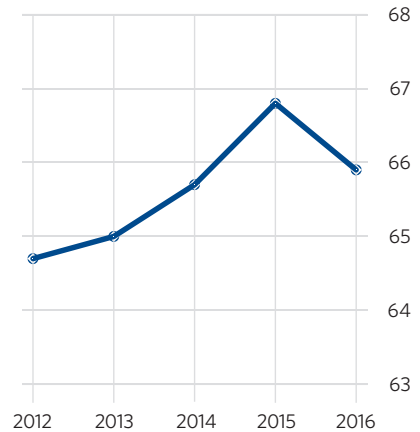
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.9 (down 0.9 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **60th**
- Regional Ranking: **28th in Europe**
- Notable Successes: **Management of Public Finance and Regulatory Efficiency**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **+1.2**

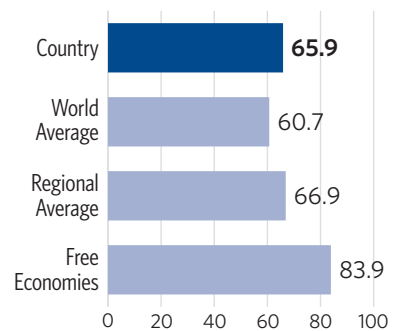
Continued reform is needed to ensure the growth of economic freedom and encourage vibrant economic development. The judicial system remains inefficient and vulnerable to political interference, and corruption is still perceived as widespread.

BACKGROUND: From May 2013 to October 2014, Bulgaria held a European Parliament election and two national parliamentary elections. A year after Bulgaria's 2013 parliamentary election and amid protests against low living standards, high energy costs, and corruption, President Rosen Plevneliev dissolved Parliament because of banking instability. Boyko Borissov of the center-right GERB party formed a minority coalition government with the center-right Reformist bloc and became prime minister for the second time. The eurozone crisis and internal instability have hurt the economy. Bulgaria remains one of the EU's poorest countries, and adoption of the euro is unlikely. Political instability hampers economic reform and efforts to reduce public corruption. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Despite some EU protests, Bulgaria continues to work on its section of the Azerbaijan/Turkey-backed Trans-Anatolian Natural Gas pipeline.

Freedom Trend



Country Comparisons



Quick Facts

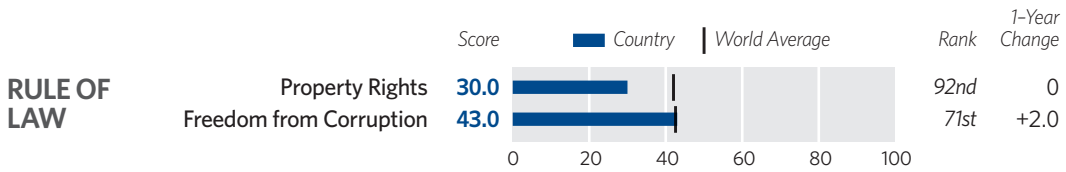
- Population:** 7.2 million
- GDP (PPP):** \$128.6 billion
- 1.7% growth in 2014
- 5-year compound annual growth 1.2%
- \$17,860 per capita
- Unemployment:** 11.6%
- Inflation (CPI):** -1.6%
- FDI Inflow:** \$1.7 billion
- Public Debt:** 26.9% of GDP

How Do We Measure Economic Freedom?

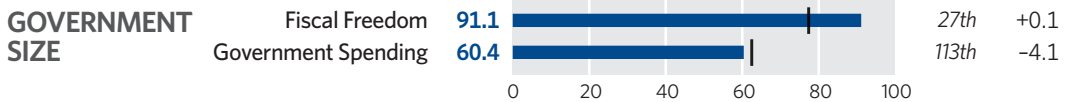
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

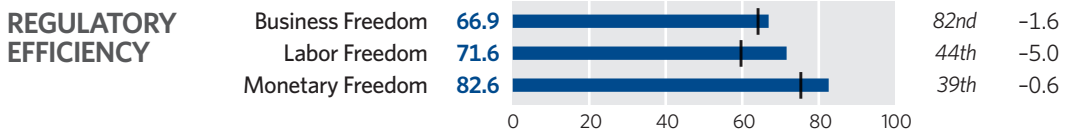
THE TEN ECONOMIC FREEDOMS



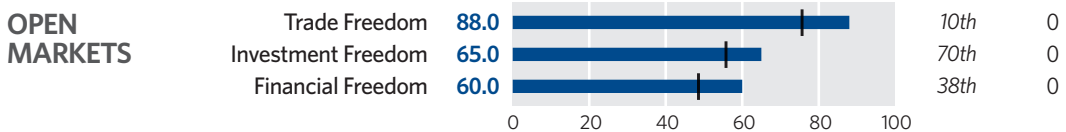
Corruption remains a serious problem in Bulgaria. The EU intervened several times in 2014 because of concerns about a fraud-prone energy deal and the collapse of a major bank, both seen as resulting from illicit collusion among the political and economic elite. Corrupt and inconsistent public administration, a weak judiciary, and organized crime continue to hamper Bulgaria’s economic prospects. Property rights are not well protected.



The individual income and corporate tax rates are a flat 10 percent. Other taxes include a value-added tax and an estate tax. The overall tax burden equals about 26.3 percent of total domestic income. Government spending amounts to 36.3 percent of total domestic output, and deficits have widened to slightly over 2 percent of GDP. Public debt equals about 27 percent of GDP.



Launching a business is now less time-consuming, and the minimum capital requirement has been eliminated. Labor regulations are relatively flexible, but the non-salary cost of employees can be burdensome. In 2015, the government began to reduce subsidies to the largely state-owned, loss-making energy sector by abolishing feed-in tariffs for new renewable energy projects and reforming the energy regulator.



EU members have a 1 percent average tariff rate. Although some non-tariff barriers exist, the EU is relatively open to external trade. Bulgaria’s relatively weak regulatory and judicial systems may deter foreign investment. The financial sector remains stable and well capitalized. All state-owned banks have been privatized, and credit is generally allocated on market terms.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+45.1	Business Freedom	+11.9	Trade Freedom	+15.6
Freedom from Corruption	+13.0	Government Spending	+9.9	Labor Freedom	-8.7	Investment Freedom	-5.0
				Monetary Freedom	+56.3	Financial Freedom	+10.0

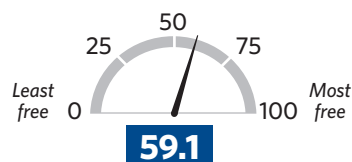
BURKINA FASO



World Rank: **104**

Regional Rank: **14**

Economic Freedom Score



Burkina Faso's landlocked economy still relies heavily on agricultural production. Deeper structural and institutional reforms are critically needed to maintain stability, diversify the production base, and ensure long-term economic development. A new mining code adopted in June 2015 is intended to standardize contract terms and provide greater clarity on regulations.

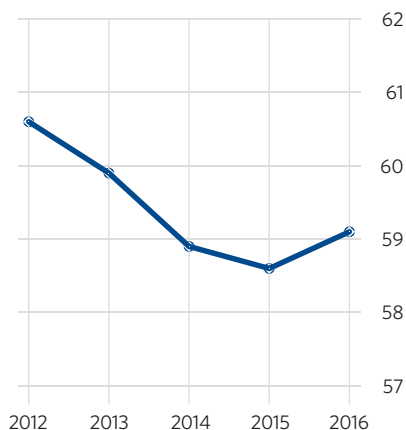
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.1 (up 0.5 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **104th**
- Regional Ranking: **14th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-1.5**

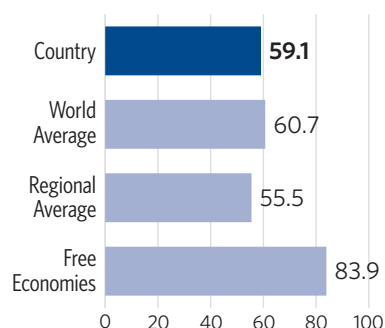
Systemic weaknesses in protection of property rights hinder the development of a more dynamic entrepreneurial environment. Little progress has been achieved in the fight against corruption. The weak rule of law, exacerbated by ongoing political turbulence, continues to undermine investor and consumer confidence.

BACKGROUND: President Blaise Compaoré, who seized power in 1987, was ousted in a coup in late 2014. In 2015, the Economic Community of West African States Court of Justice ruled against a law approved by interim President Michel Kafando that would have excluded a number of potential candidates who supported Compaoré from the October presidential elections. In September 2015, members of the elite Regiment of Presidential Security, considered loyal to Compaoré, unseated the interim government in a coup but then relinquished control, and elections were postponed. Burkina Faso is one of the world's poorest countries and relies heavily on cotton and gold exports. Approximately 80 percent of the population depends on subsistence agriculture.

Freedom Trend



Country Comparisons



Quick Facts

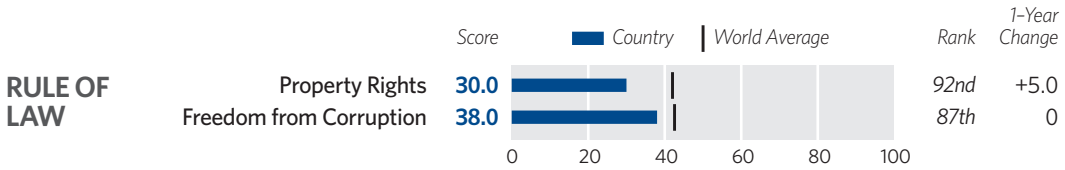
- Population:** 17.4 million
- GDP (PPP):** \$29.3 billion
- 4.0% growth in 2014
- 5-year compound annual growth 6.4%
- \$1,682 per capita
- Unemployment:** 3.1%
- Inflation (CPI):** -0.3%
- FDI Inflow:** \$341.9 million
- Public Debt:** 28.3% of GDP

How Do We Measure Economic Freedom?

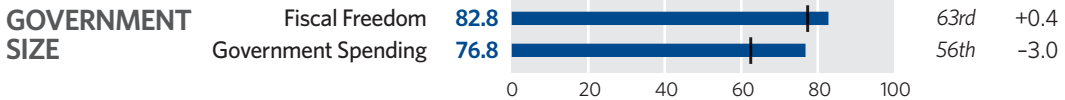
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

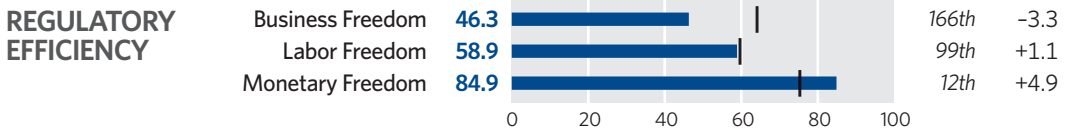
THE TEN ECONOMIC FREEDOMS



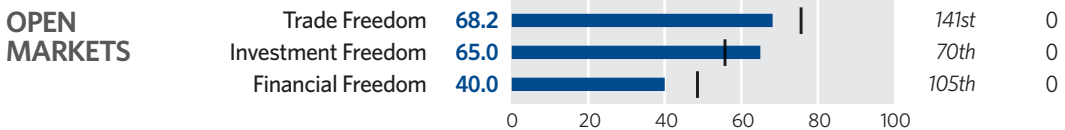
Although the Compaoré regime was forced from power in late 2014, any new government still faces the daunting task of reducing widespread corruption. The judiciary is weak. Courts, often unwilling or unable to pursue effective prosecution of senior officials charged with corruption, are further weakened by a lack of resources and citizens’ poor knowledge of their rights. Only about 5,000 land titles have been granted since 1960.



The top individual income and corporate tax rates are 27.5 percent. Other taxes include a value-added tax. The overall tax burden equals 14.5 percent of total domestic income. Government spending amounts to 27.8 percent of GDP. Public debt remains below 30 percent of GDP but has been increasing. Continuing dependence on gold exports to finance oil imports threatens fiscal health.



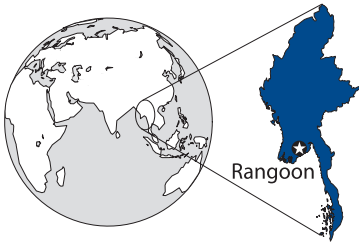
Measures to streamline the regulatory process, despite mixed progress, have helped to enhance the overall entrepreneurial environment and maintain some momentum for reform. Limited measures to modernize the labor market and enhance its flexibility have been undertaken. The state subsidizes fuel and electricity, maintains price supports for cotton, and influences other prices through the public sector.



Burkina Faso has an average tariff rate of 8.4 percent. Importation of goods is time-consuming and expensive. State-owned enterprises distort several sectors, including electricity and mail delivery. The government has pursued banking liberalization and restructuring, encouraging competition in the financial sector, but banking remains underdeveloped and provides a low level of access to basic financial services.

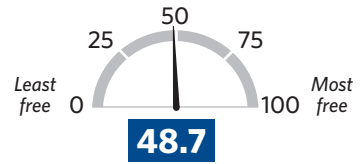
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+16.1	Business Freedom	+6.3	Trade Freedom	+13.2
Freedom from Corruption	+28.0	Government Spending	-7.5	Labor Freedom	+15.1	Investment Freedom	-5.0
				Monetary Freedom	+25.8	Financial Freedom	+10.0



BURMA

Economic Freedom Score



World Rank: **158**

Regional Rank: **36**

Several changes in Burma's economic environment have improved economic freedom in recent years. Economic sanctions have been eased or lifted. A new foreign investment law would permit full foreign ownership of firms and ease restrictions on land leases, although its implementation has been delayed. In 2015, three foreign banks opened branches for the first time in decades.

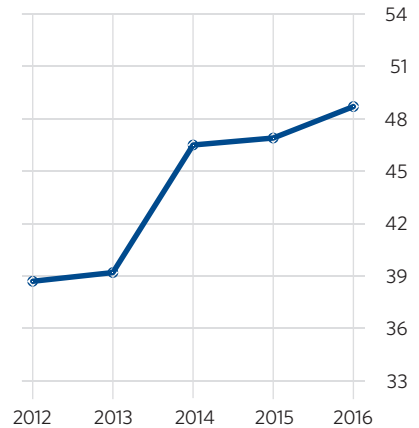
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **48.7 (up 1.8 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **158th**
- Regional Ranking: **36th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Property Rights, Corruption, and Business Freedom**
- Overall Score Change Since 2012: **+10**

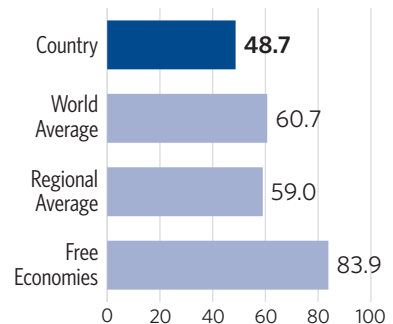
Burma still performs very poorly in many areas. Long-standing problems include poor public finance management and underdeveloped legal and regulatory frameworks. Weak enforcement of property rights and fragile rule of law have driven many people into the informal sector. The inefficient public sector remains the largest source of employment.

BACKGROUND: Burma's slow transition from military dictatorship continues. Beginning in 2010, it experimented with some political and economic reform, including releases of political prisoners, relaxation of media censorship, and exchange rate reform. National League for Democracy (NLD) leader and Nobel laureate Aung San Suu Kyi was released from jail in November 2010 and won a seat in parliament in 2012. In November 2015, the NLD swept the general election. However, the army remains a major political force. The United States and the European Union have eased some sanctions in response to limited changes, but sectarian violence and persecution of Muslims and Christians has continued. Heavy government intervention in the economy has made Burma one of the world's poorest countries.

Freedom Trend



Country Comparisons



Quick Facts

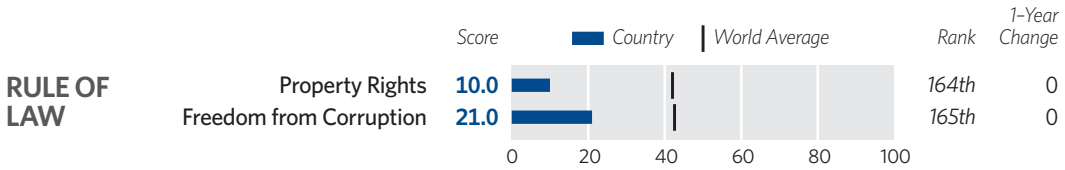
- Population:** 51.4 million
- GDP (PPP):** \$242.0 billion
- 7.7% growth in 2014
- 5-year compound annual growth 6.9%
- \$4,706 per capita
- Unemployment:** 3.3%
- Inflation (CPI):** 5.9%
- FDI Inflow:** \$946.2 million
- Public Debt:** 16.8% of GDP

How Do We Measure Economic Freedom?

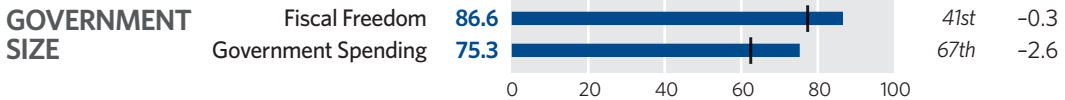
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

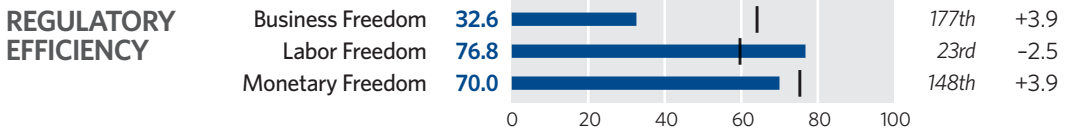
THE TEN ECONOMIC FREEDOMS



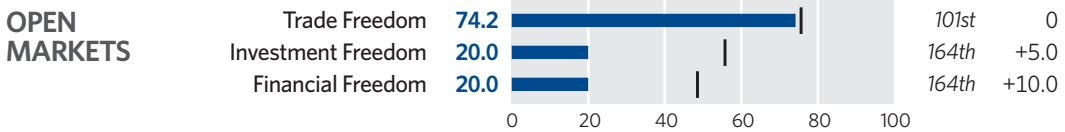
Corruption, tax evasion, and nepotism are rampant, and the government has not taken any significant steps to curb them. In theory, Burma has a legal system that protects and facilitates the acquisition and disposition of real property, but such judicial decisions can often be influenced by government interference, personal relationships, or bribes. The result is a judicial process that is perceived as far from impartial and fair.



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. Overall tax revenue equals 6.1 percent of GDP, although income tax revenue has been rising in recent years. Government spending amounts to 28.7 percent of total domestic output, but deficits have stabilized. Public debt corresponds to around 17 percent of GDP.



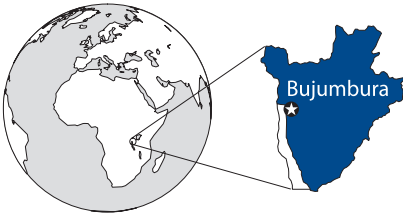
The regulatory environment is hampered by a lack of legal transparency, and much business activity is concentrated in state-owned enterprises. Inefficiencies in the labor market contribute to chronic unemployment and underemployment. In 2015, the government took initial steps to privatize the electricity generation utility that serves Rangoon.



Burma's average tariff rate is 2.9 percent, and some imports face additional restrictions. Exports are subject to a 2 percent tax. The government screens new foreign investment. Numerous state-owned enterprises distort the economy. Banking is dominated by state-owned banks, although several private banks have been in operation. Most loans are directed to state-led projects, and access to credit remains poor.

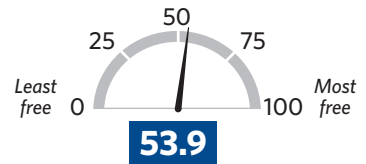
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+4.8	Business Freedom	-7.4	Trade Freedom	+24.2
Freedom from Corruption	+11.0	Government Spending	-6.0	Labor Freedom	+56.8	Investment Freedom	-10.0
				Monetary Freedom	+16.7	Financial Freedom	-10.0



BURUNDI

Economic Freedom Score



World Rank: **133**

Regional Rank: **28**

Burundi remains excessively dependent on its widely fluctuating agricultural sector, the principal source of jobs for over 80 percent of the population. The policy environment makes it difficult for the private sector to generate employment opportunities and lasting economic growth.

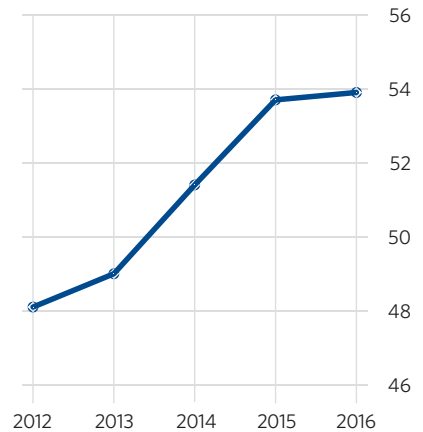
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.9 (up 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **133rd**
- Regional Ranking: **28th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, Regulatory Efficiency, and Financial Freedom**
- Overall Score Change Since 2012: **+5.8**

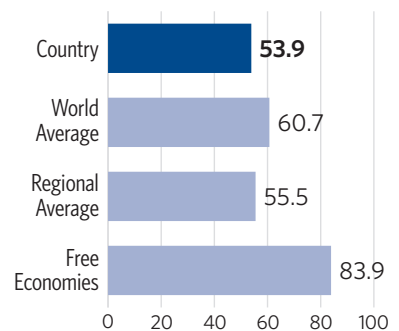
Long-standing structural problems, including inefficient public finance management and a poor legal framework that undermines regulatory efficiency, have driven many people and enterprises into the informal sector. Government interference in the economy and failure to sustain an open investment market undercut investment activity.

BACKGROUND: Pierre Nkurunziza was elected president by the National Assembly in 2005 and reelected in 2010 in a disputed vote. In June 2015, his party won a majority in tainted parliamentary elections, and he was reelected in July 2015 by relying on a technicality to sidestep a two-term constitutional limit. The opposition boycotted both elections, and several countries and Burundi's influential Catholic Church withdrew their support. Nkurunziza's decision to run and subsequent election sparked months of unrest that as of September 2015 had resulted in approximately 100 deaths, including assassinations of prominent opposition members and high-ranking regime officials. The economy is dominated by subsistence agriculture, and well over half of the population lives below the poverty line.

Freedom Trend



Country Comparisons



Quick Facts

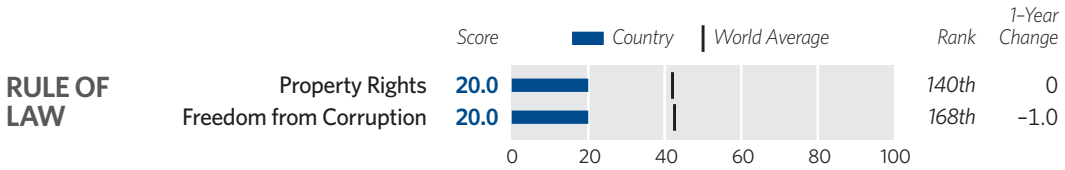
- Population:** 9.2 million
- GDP (PPP):** \$8.4 billion
- 4.7% growth in 2014
- 5-year compound annual growth 4.5%
- \$911 per capita
- Unemployment:** 6.9%
- Inflation (CPI):** 4.4%
- FDI Inflow:** \$32.0 million
- Public Debt:** 30.5% of GDP

How Do We Measure Economic Freedom?

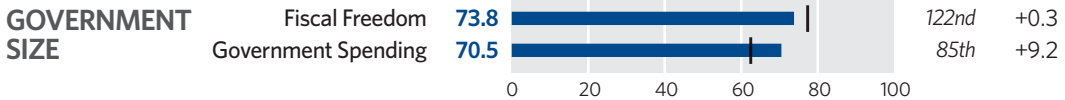
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Data compiled as of September 2015.

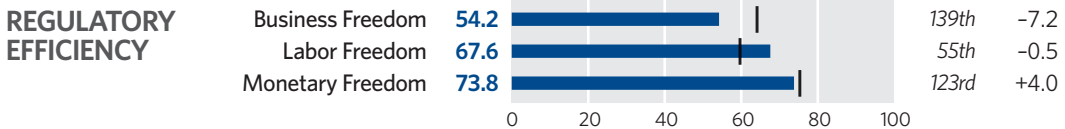
THE TEN ECONOMIC FREEDOMS



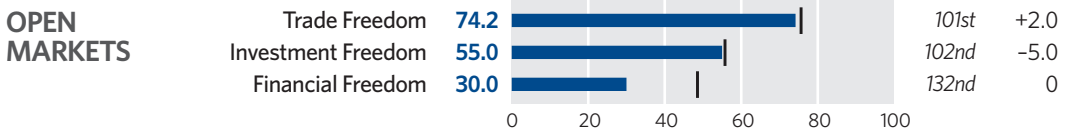
One of the world’s poorest nations, land-locked Burundi remains one of Sub-Saharan Africa’s most corrupt countries. Government procurement is conducted non-transparently amid frequent allegations of cronyism. Customs officials reportedly extort bribes. The judiciary is nominally independent but subject to political pressure. Private property is vulnerable to government expropriation and armed banditry.



The top individual income and corporate tax rates are 35 percent. Other taxes include a value-added tax that recently replaced the general sales tax. The overall tax burden equals 13.1 percent of total domestic income. Government spending amounts to 31.4 percent of total domestic output. Foreign aid makes up about 50 percent of the government budget, and public debt equals 30 percent of GDP.



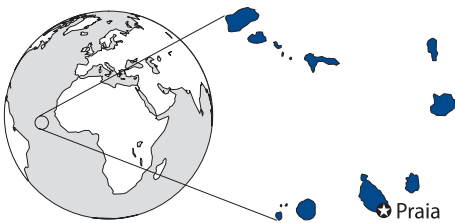
Burdensome regulations continue to constrain the business environment. Rigid employment regulations and an underdeveloped labor market hinder productivity and job creation. The non-salary cost of employing a worker is low, but enforcement of labor regulations is ineffective. The state subsidizes fuel, rations subsidized electricity, and influences other prices through state-owned enterprises and agriculture-support programs.



Burundi’s average tariff rate is 5.4 percent. Importation of goods is costly and time-consuming. State-owned enterprises in industries like telecommunications, sugar production, and real estate distort the economy. The small financial sector is dominated by banks, two of which are majority-owned by the state. With about 2 percent of the population holding bank accounts, many rely on informal lending.

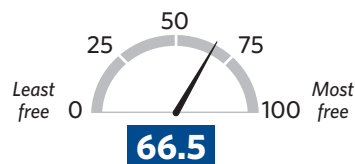
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+30.2	Business Freedom	-0.8	Trade Freedom	+4.0
Freedom from Corruption	+10.0	Government Spending	-11.0	Labor Freedom	+13.9	Investment Freedom	+25.0
				Monetary Freedom	+15.2	Financial Freedom	0



CABO VERDE

Economic Freedom Score



World Rank: **57**

Regional Rank: **3**

Substantial restructuring and the relatively dependable rule of law have facilitated Cabo Verde's transition to a more open and flexible economic system. Property rights are strongly protected in comparison to other economies in the region, and the small island economy's substantive reforms have reduced corruption and enhanced the quality of the regulatory environment.

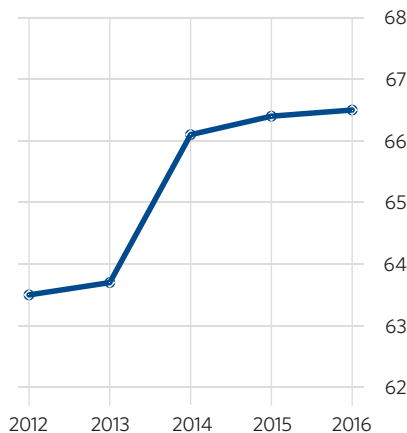
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **66.5 (up 0.1 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **57th**
- Regional Ranking: **3rd in Sub-Saharan Africa**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Management of Public Spending and Labor Freedom**
- Overall Score Change Since 2012: **+3**

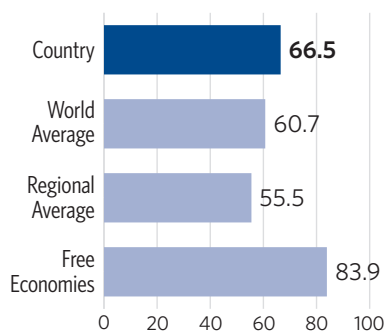
While maintaining macroeconomic stability, Cabo Verde has made considerable progress in income growth and poverty reduction. The government continues to support policies that promote free trade and open markets, although public spending and debt are approaching levels that cause concern. The government has been winding down its ambitious public investment projects to ensure debt sustainability.

BACKGROUND: Cabo Verde is a stable, multi-party parliamentary democracy. Jose Maria Neves of the African Party for Independence of Cabo Verde was appointed prime minister by the president in 2001 and again in 2006 and 2011. Opposition leader Jose Carlos Fonseca of the Movement for Democracy won the presidential election in 2011. The Cabo Verde islands have few natural resources. Services dominate the economy, and most of the country's food is imported. Cabo Verde's expatriate population is larger than its domestic population. Ongoing economic reforms aim to boost foreign investment and diversify the economy.

Freedom Trend



Country Comparisons



Quick Facts

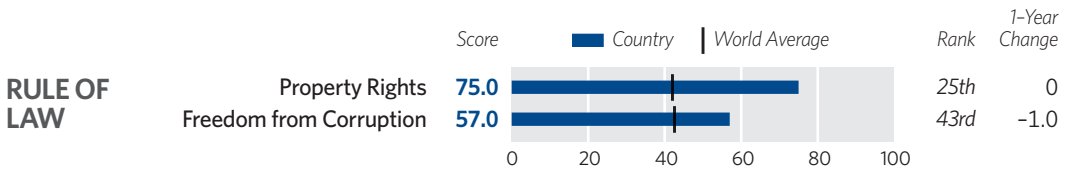
Population: 0.5 million
GDP (PPP): \$3.3 billion
 1.0% growth in 2014
 5-year compound annual growth 1.6%
 \$6,324 per capita
Unemployment: 9.2%
Inflation (CPI): -0.2%
FDI Inflow: \$78.1 million
Public Debt: 112.2% of GDP

How Do We Measure Economic Freedom?

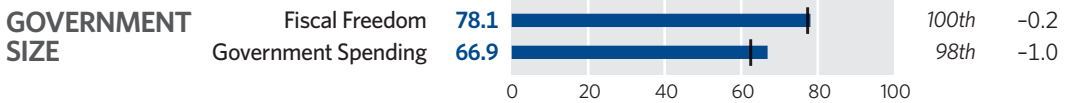
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

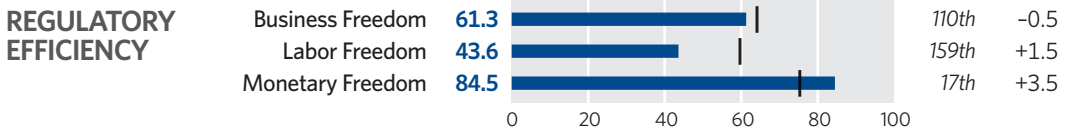
THE TEN ECONOMIC FREEDOMS



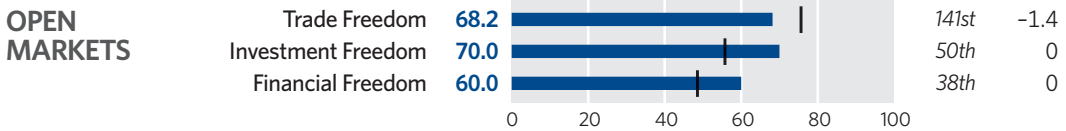
Broad political stability is underpinned by strong democratic institutions and decent protection of civic freedoms. Cabo Verde has relatively high levels of transparency and low levels of corruption compared to other African nations. Private property is reasonably well protected. The constitutionally independent judiciary is generally respected, but the judicial system is inefficient, and the case backlog causes significant delays.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 18.5 percent of total domestic income. Government spending amounts to 33.2 percent of total domestic output, and the budget deficit equals over 8 percent of GDP. Public investment stimulus programs have added to a public debt that now exceeds annual economic output.



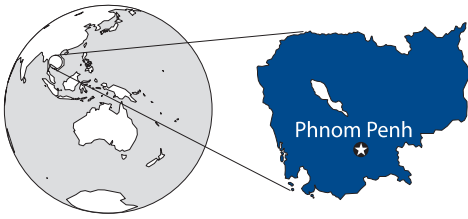
The business start-up process has been simplified, and the cost of launching a business now equals about 20 percent of average annual income. Despite efforts to increase labor market flexibility, the unemployment rate remains persistently high. The market determines most prices. The state subsidizes electricity, water, and a state-owned airline, but in 2015, the IMF praised efforts to improve their operational performance.



Cabo Verde's average tariff rate is a relatively high 10.9 percent. Domestic and foreign investors are generally treated equally under the law. Several state-owned enterprises have been privatized since the 1990s. Banking continues to expand, and the number of non-performing loans has decreased. With credit generally allocated on market terms, small and medium-size enterprises have increasingly adequate access to financing.

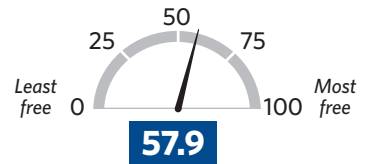
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+13.8	Business Freedom	+6.3	Trade Freedom	+23.2
Freedom from Corruption	+27.0	Government Spending	+36.0	Labor Freedom	-13.3	Investment Freedom	0
				Monetary Freedom	+12.2	Financial Freedom	+50.0



CAMBODIA

Economic Freedom Score



World Rank: **112**

Regional Rank: **24**

Cambodia continues to integrate more fully into the system of global trade and investment. There has been notable reform in the management of public finances, and the trade regime is more open and transparent. In an effort to foster the capital market's vitality, Cambodia's Securities and Exchange Commission has eased listing requirements for companies.

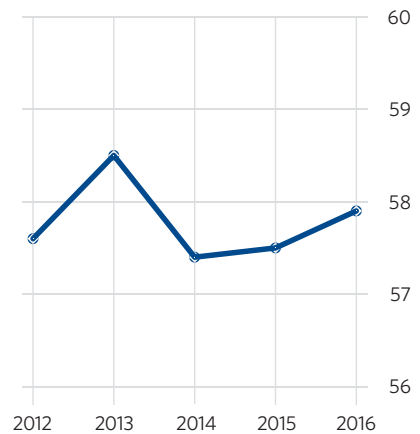
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.9 (up 0.4 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **112th**
- Regional Ranking: **24th in the Asia-Pacific Region**
- Notable Successes: **Management of Public Finance and Trade Freedom**
- Concerns: **Rule of Law, Business Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+0.3**

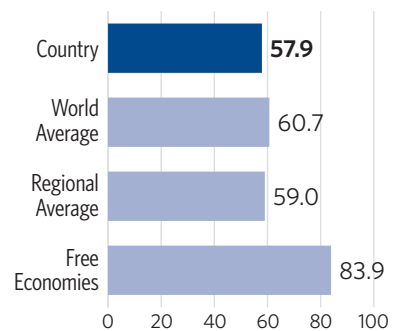
Substantial challenges remain, particularly in implementing deeper institutional and systemic reforms that are critical to advancing economic freedom. Weak property rights, pervasive corruption, and burdensome bureaucracy, exacerbated by lingering government interference and regulatory controls, continue to reduce the dynamism of investment flows and overall economic efficiency.

BACKGROUND: Between 1975 and 1979, Pol Pot's Khmer Rouge regime killed an estimated 3 million Cambodians. The Khmer Rouge Tribunal, established under an agreement with the United Nations to prosecute senior officials involved in the atrocities, has been slow to deliver justice. Nominally a democracy, Cambodia has been ruled by former Khmer Rouge member and Vietnamese ally Prime Minister Hun Sen since 1993. The general election victory of Hun Sen's Cambodian People's Party in 2013 was hotly contested by the opposition Cambodia National Rescue Party. In July 2014, after Hun Sen promised to initiate electoral reform, both parties agreed to suspend protests and reconvene government. Those reforms have yet to be implemented. Cambodia's economy remains heavily dependent on tourism and apparel assembly.

Freedom Trend



Country Comparisons



Quick Facts

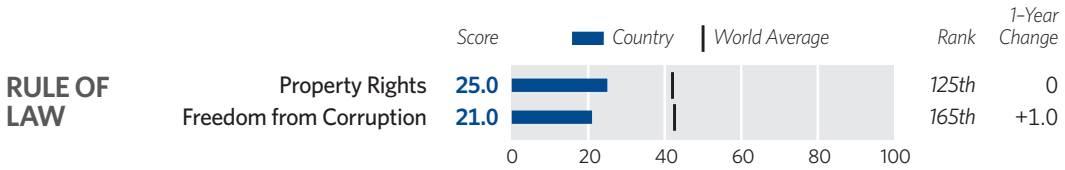
- Population:** 15.3 million
- GDP (PPP):** \$50.0 billion
- 7.0% growth in 2014
- 5-year compound annual growth 6.9%
- \$3,263 per capita
- Unemployment:** 0.4%
- Inflation (CPI):** 3.9%
- FDI Inflow:** \$1.7 billion
- Public Debt:** 29.5% of GDP

How Do We Measure Economic Freedom?

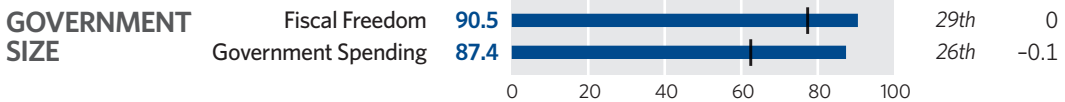
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2014 data unless otherwise noted.
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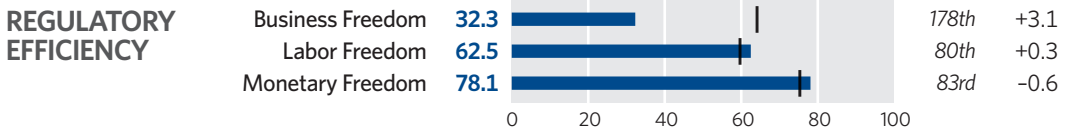
THE TEN ECONOMIC FREEDOMS



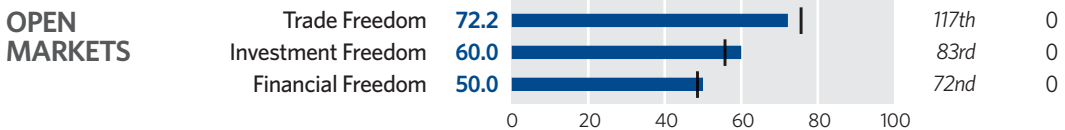
Corruption remains a serious obstacle to Cambodia’s economic development and social stability. Increased foreign investment has brought notable economic growth but frequently involves land grabs by powerful politicians, bureaucrats, and military officers. The judiciary is marred by inefficiency, corruption, and a lack of independence. There is a severe shortage of lawyers, and the system’s poorly trained judges are subject to political pressure.



The top individual income and corporate tax rates are 20 percent. Other taxes include an excise tax and a value-added tax. The overall tax burden equals 12.4 percent of total domestic income. Government spending amounts to 20.5 percent of total domestic output, but the budget balance remains under control. Public debt remains below 30 percent of GDP.



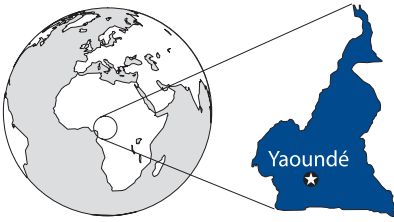
Measures to modernize commercial codes, including updated bankruptcy legislation, have been adopted in recent years. Completing licensing requirements still takes more than 100 days. The non-salary cost of employing a worker is low, but many aspects of the labor codes are not enforced effectively. The government enacted rent controls on some properties in 2015, but most prices are determined by the market.



Cambodia has an average tariff rate of 8.9 percent. Foreign investors may not own land. State-owned enterprises distribute electricity and water. A weak judicial system may discourage foreign investment. Despite banking privatizations, the financial sector remains subject to state influence.

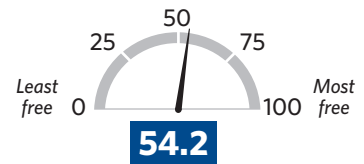
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-1.2	Business Freedom	-22.7	Trade Freedom	+57.2
Freedom from Corruption	-9.0	Government Spending	-4.4	Labor Freedom	+18.6	Investment Freedom	+10.0
				Monetary Freedom	+16.0	Financial Freedom	0



CAMEROON

Economic Freedom Score



World Rank: **130**

Regional Rank: **27**

Cameroon's economy has been resilient despite security and humanitarian crises at the country's northern and eastern borders. Productive economic activity has become relatively diversified, with the services sector contributing about half of total domestic production. Subsidies on retail fuel prices, which had been fixed since 2008, were removed in 2015.

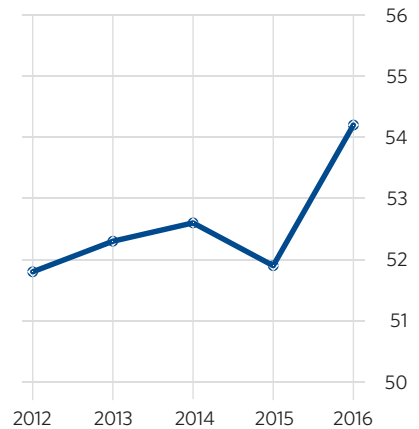
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **54.2 (up 2.3 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **130th**
- Regional Ranking: **27th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Open Markets**
- Overall Score Change Since 2012: **+2.4**

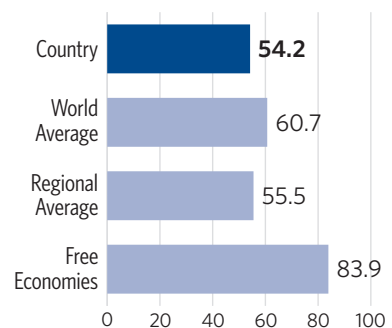
The inefficient public sector dominates the overall economic environment. The risk of state meddling in the private sector remains high in the country's uncertain political environment. The judiciary is vulnerable to corruption, and the protection of property rights remains weak, undermining prospects for more significant and dynamic long-term economic development.

BACKGROUND: President Paul Biya has ruled since 1982 and was reelected in October 2011 for another seven-year term in an election marred by irregularities. Cameroon is rife with corruption, and rights groups often accuse the government of failing to ensure equality under the law. The economy is heavily regulated and dependent on commodity exports. The ongoing war with the Nigerian Islamist terrorist group Boko Haram, which has attacked and infiltrated villages along the 1,975-km Cameroon–Nigerian border, has also discouraged growth. Cameroon currently hosts more than 250,000 refugees, primarily from the Central African Republic and Nigeria.

Freedom Trend



Country Comparisons



Quick Facts

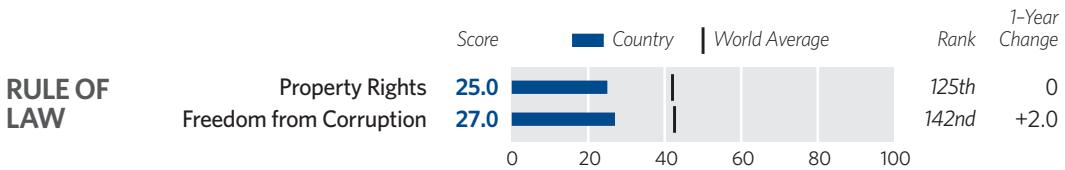
Population: 22.5 million
GDP (PPP): \$67.2 billion
 5.1% growth in 2014
 5-year compound annual growth 4.5%
 \$2,981 per capita
Unemployment: 4.3%
Inflation (CPI): 1.9%
FDI Inflow: \$501.2 million
Public Debt: 23.9% of GDP

How Do We Measure Economic Freedom?

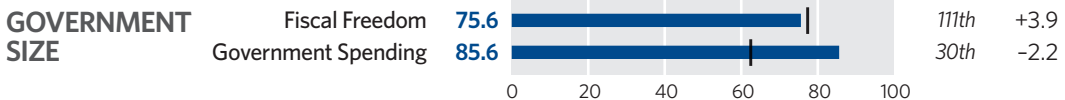
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2014 data unless otherwise noted.
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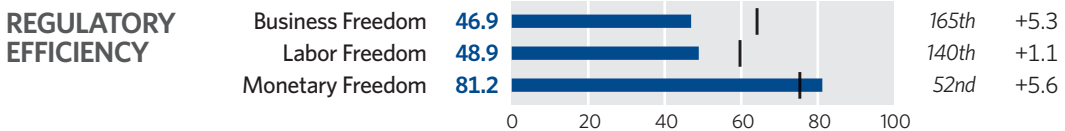
THE TEN ECONOMIC FREEDOMS



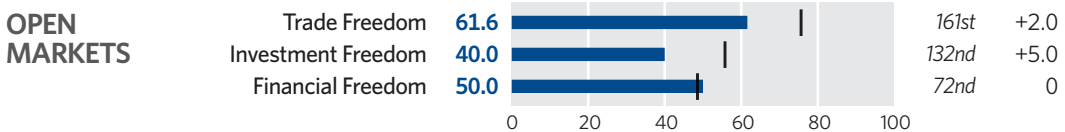
Corruption and cronyism are pervasive. Bribery is common in all sectors, from gaining school admission to fixing traffic infractions. Oil, gas, and mining revenues are not openly reported. A government anti-corruption campaign has been used to remove potential political opponents. Protection of real and intellectual property rights is weak, and the judicial system is inefficient, slow, and vulnerable to political interference.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 33 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 11.3 percent of GDP. Government spending amounts to 21.9 percent of total domestic output, and budget deficits hover around 2.5 percent of GDP. Public debt equals about 24 percent of annual economic activity.



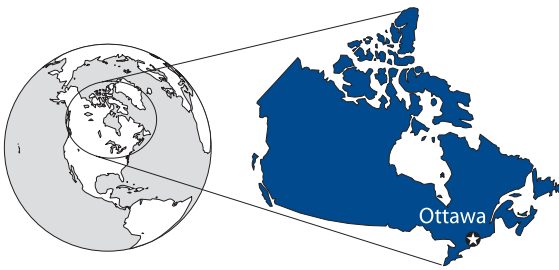
The process for establishing a company has become more streamlined, but the minimum capital required equals almost twice the level of average annual income. The formal labor market is not fully developed. The government significantly reduced subsidies for retail gasoline, diesel, and liquefied natural gas in 2014, but it continues both to subsidize electricity and food and to regulate other consumer prices heavily.



Cameroon's average tariff rate is 11.7 percent, and the non-tariff costs of importing can be high. More than 100 state-owned enterprises distort investment in industries that include telecommunications and energy production. Credit is expensive, and short-term loans dominate lending. The non-banking financial sector remains small, and capitalization of the stock market is modest.

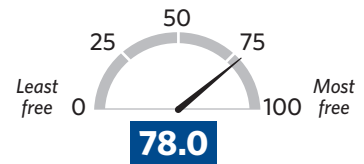
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	+24.5	Business Freedom	-8.1	Trade Freedom	+36.6
Freedom from Corruption	+17.0	Government Spending	-4.2	Labor Freedom	-3.1	Investment Freedom	-10.0
				Monetary Freedom	+0.3	Financial Freedom	0



CANADA

Economic Freedom Score



World Rank: **6** Regional Rank: **1**

Canada's economic fundamentals remain strong, well supported by solid protection of property rights and an independent judiciary that enforces the rule of law effectively. The country's commitment to open-market policies that facilitate global trade and investment flows has been strong, and the economy has demonstrated admirable resilience in the face of recent years' international and domestic challenges.

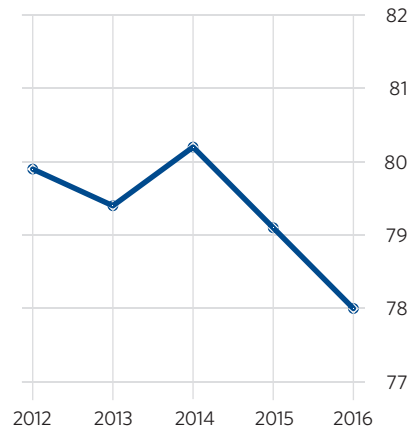
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **78.0 (down 1.1 points)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **6th**
- Regional Ranking: **1st in North America**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Control of Government Spending**
- Overall Score Change since 2012: **-1.9**

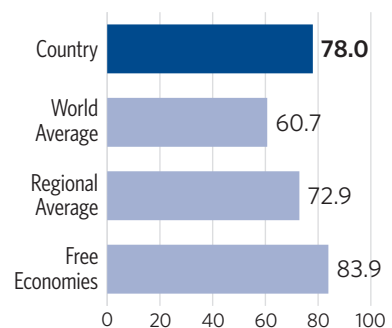
While many large advanced economies have been struggling with the heavy burden of government and fiscal constraints that result from years of unrestrained public spending, Canada's management of public finance has been comparatively prudent, with continued attention to controlling the size and scope of government.

BACKGROUND: In October 2015, Canada elected a new prime minister, Justin Trudeau of the Liberal Party. With the addition of 30 new seats in the House of Commons to increase representation for provinces with growing populations, Trudeau's Liberal Party claimed 184 of the now 338 seats in Parliament. Trudeau defeated Prime Minister Stephen Harper, whose party claimed only 99 seats after nine years in power. The New Democratic Party was reduced to 44 seats in the House of Commons. Substantial autonomy is given to Canada's 13 provinces and territories due to the country's diversity and vast geographical size. Canada is closely tied to the U.S. economy. Leading exports include oil, minerals, automobiles, manufactured goods, and forest products.

Freedom Trend



Country Comparisons



Quick Facts

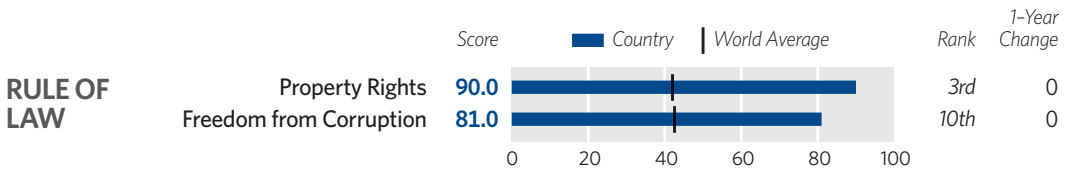
- Population:** 35.5 million
- GDP (PPP):** \$1.6 trillion
- 2.5% growth in 2014
- 5-year compound annual growth 2.6%
- \$44,843 per capita
- Unemployment:** 6.9%
- Inflation (CPI):** 1.9%
- FDI Inflow:** \$53.9 billion
- Public Debt:** 86.5% of GDP

How Do We Measure Economic Freedom?

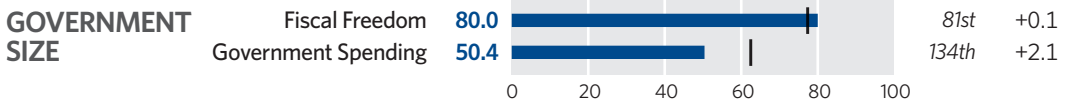
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2014 data unless otherwise noted.
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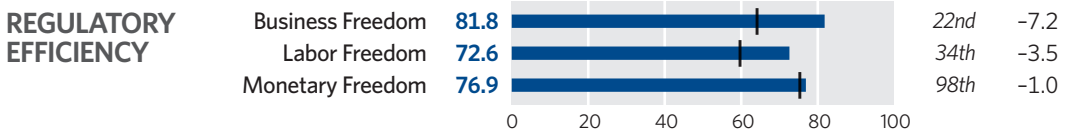
THE TEN ECONOMIC FREEDOMS



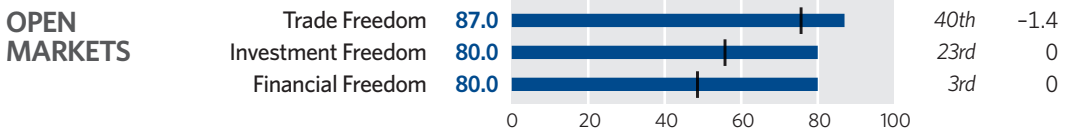
Canada has a reputation for clean government, a judicial system with an impeccable record of independence and transparency, and vigorous prosecution of corruption cases. Although 89 percent of Canada’s land area is owned by the state, the 11 percent that is privately owned property is well protected. Enforcement of contracts is very secure, and expropriation is highly unusual. Protection of intellectual property rights meets world standards.



The top federal personal income tax rate remains 29 percent, and the top corporate tax rate has been cut to 15 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 30.6 percent of total domestic income. Government spending amounts to 40.7 percent of total domestic output, with small deficits recorded in recent years. Public debt equals about 87 percent of GDP.



Canada’s highly competitive regulatory framework promotes business formation and operation. With no minimum capital standards, starting a company requires only one procedure. Flexible labor regulations enhance employment and productivity growth. Inflation has been modest, but the government controls virtually all prices for health care services through its mandatory “single-payer” nationalized program.

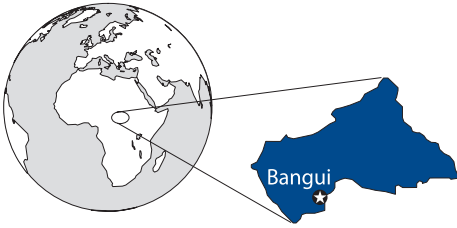


Canada’s average tariff rate is 1.5 percent. Imports of dairy products are subject to tariff-rate quotas. Foreign investment in the telecommunications and airlines sectors is restricted. Negotiations for a Canada–EU trade agreement were concluded in late 2014. The banking sector remains stable, having weathered the global financial turmoil with no need for bailouts. The “big six” domestic banks dominate the sector.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+15.8	Business Freedom	-3.2	Trade Freedom	+11.8
Freedom from Corruption	-9.0	Government Spending	+35.6	Labor Freedom	-9.6	Investment Freedom	+30.0
				Monetary Freedom	-9.0	Financial Freedom	+10.0

CENTRAL AFRICAN REPUBLIC



World Rank: **168**

Regional Rank: **42**

Political violence has shattered the Central African Republic's already fragile economy. The CAR performs poorly in many areas of economic freedom and lags behind many other developing countries in terms of economic and human development. Government effectiveness remains low, and the management of public finance has deteriorated.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **45.2** (down 0.7 point)
- Economic Freedom Status: **Repressed**
- Global Ranking: **168th**
- Regional Ranking: **42nd in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Overall Score Change Since 2012: **-5.1**

An inefficient and unstructured regulatory system and limited access to financing hold back much-needed private-sector development. The rule of law is particularly weak. There is little protection of property rights, and corruption is pervasive.

BACKGROUND: In 2013, Muslim Seleka rebels led by Michel Djotodia ousted President François Bozizé. Responding to widespread atrocities by the Seleka militia and the Christian “anti-balaka” militia that formed to fight them, France sent forces to its former colony in December 2013, and the U.N. deployed a peacekeeping force in September 2014. Djotodia stepped down early in 2014 and was replaced by interim President Catherine Samba-Panza. A cease-fire was signed in April 2015, but the violence, which has resulted in more than 6,000 deaths and more than 800,000 displaced persons, continues. The CAR is one of the world's least-developed countries. More than half of the population lives in rural areas and depends on subsistence agriculture. The country has abundant timber, diamonds, gold, uranium, and prospects for oil exploration.

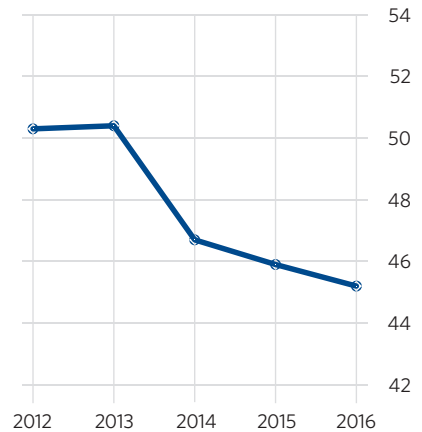
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

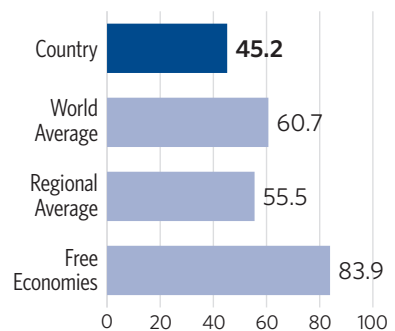
Economic Freedom Score



Freedom Trend



Country Comparisons

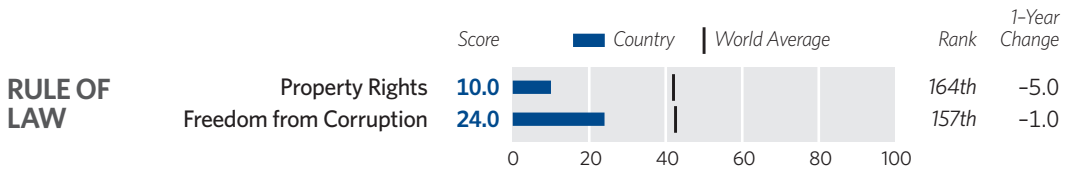


Quick Facts

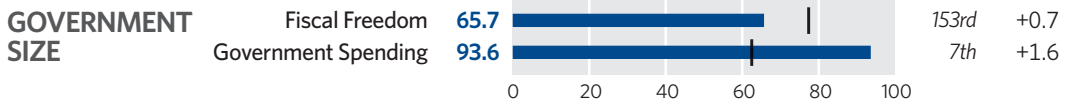
- Population:** 4.7 million
- GDP (PPP):** \$2.9 billion
- 1.0% growth in 2014
- 5-year compound annual growth -4.9%
- \$607 per capita
- Unemployment:** 7.4%
- Inflation (CPI):** 15.0%
- FDI Inflow:** \$3.5 million
- Public Debt:** 41.8% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

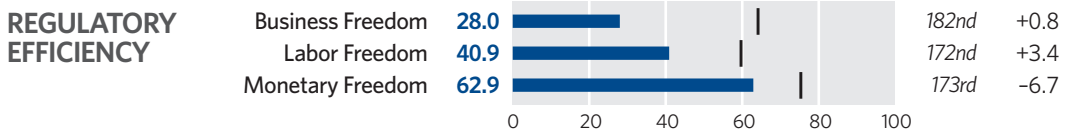
THE TEN ECONOMIC FREEDOMS



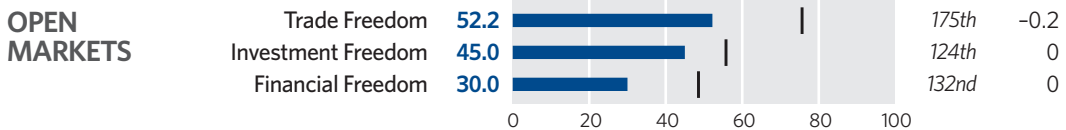
The 2013 coup removed all elected officeholders and imposed a non-transparent, unelected regime. The security situation prevents the current government from providing basic protection and services. Corruption remains pervasive. Armed groups are involved in illicit trade and exploitation of natural resources, especially gold and diamonds that account for more than half of export earnings. Protection of property rights is weak.



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 5.2 percent of total domestic income. Government spending amounts to 14.7 percent of total domestic output. The government budget has been in deficit in recent years, and public debt stands at around 42 percent of GDP.



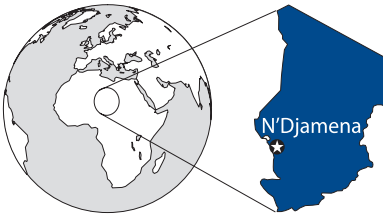
Private enterprises face costly regulatory hurdles. Minimum capital requirements to launch a company exceed four times the average level of annual income. The formal labor market is not fully developed. Government distortions of the economy through subsidies and wage/price controls are aggravated by persistent political volatility that undermines the basic functioning of state institutions.



The Central African Republic's average tariff rate is a relatively high 16.4 percent. Many products face export taxes. State-owned enterprises operate in the water, energy, and telecommunications sectors. The financial system is underdeveloped, and access to financing for businesses remains very limited. Loans to the private sector equal less than 10 percent of GDP.

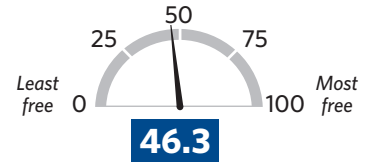
Long-Term Score Change (since 2002)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+0.4	Business Freedom	-27.0	Trade Freedom	+4.0
Freedom from Corruption	-6.0	Government Spending	+5.6	Labor Freedom	-8.8	Investment Freedom	-25.0
				Monetary Freedom	-19.1	Financial Freedom	-20.0



CHAD

Economic Freedom Score



World Rank: **164**

Regional Rank: **41**

Chad lags far behind many other developing countries in terms of economic and human development. The government is largely ineffective, and oil-backed budget surpluses have allowed fiscal mismanagement to continue. Low inflation has encouraged monetary stability, but price controls still interfere in the market for key goods.

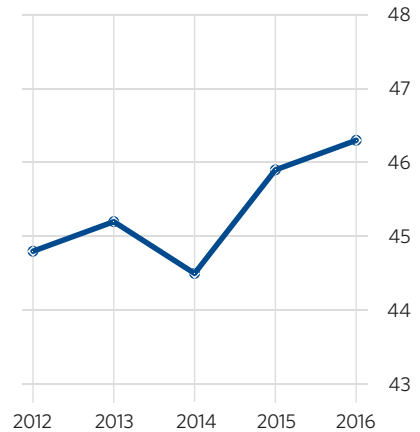
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **46.3 (up 0.4 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **164th**
- Regional Ranking: **41st in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Business Freedom**
- Overall Score Change Since 2012: **+1.5**

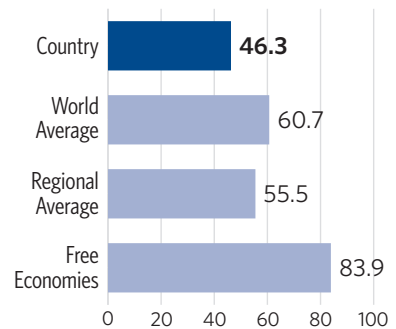
Despite recent efforts to diversify, Chad is still dependent on oil revenue and subject to the volatility that this entails. Institutional support for economic freedom remains weak. The rule of law is poorly maintained, perpetuating systematic corruption and lax enforcement of property rights and undermining prospects for long-term development.

BACKGROUND: President Idriss Déby, who seized power as the leader of a rebel movement in 1990, won a fourth term in 2011 in an opposition-boycotted election. Déby has faced various armed revolts and survived Sudanese-supported rebel attacks on the capital of N'Djamena in 2006 and 2008. Security forces also foiled a coup plot in 2013. Chad has sent security forces to assist peacekeeping missions in Darfur, the Central African Republic, Mali, and the Democratic Republic of Congo and is the major component of the multinational force battling Boko Haram in Nigeria. Chad hosts nearly 500,000 refugees, primarily from Sudan and the Central African Republic, and was on the U.N. Security Council for a two-year rotation from January 2014 until January 2016. Its economy relies heavily on oil and agriculture, with the former accounting for 60 percent of export revenues.

Freedom Trend



Country Comparisons



Quick Facts

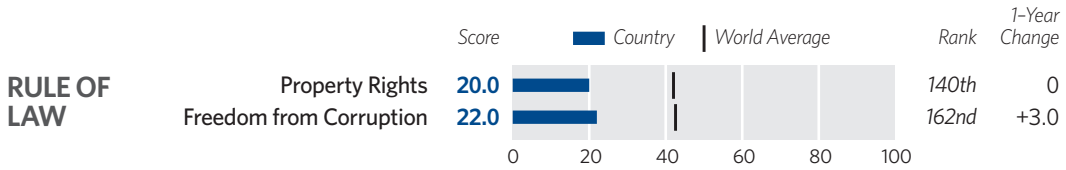
Population: 11.3 million
GDP (PPP): \$29.5 billion
 6.9% growth in 2014
 5-year compound annual growth 7.0%
 \$2,617 per capita
Unemployment: 7.0%
Inflation (CPI): 1.7%
FDI Inflow: \$760.5 million
Public Debt: 25.0% of GDP

How Do We Measure Economic Freedom?

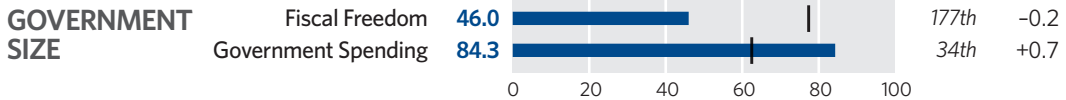
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

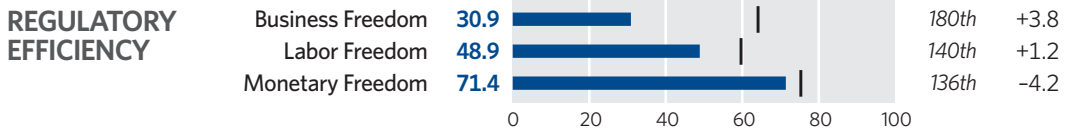
THE TEN ECONOMIC FREEDOMS



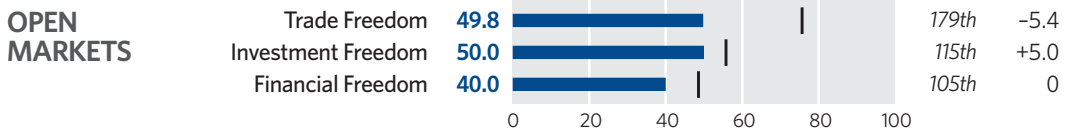
Corruption prevails at all levels of government, from the presidential cabinet’s siphoning off of the nation’s oil wealth to petty corruption in the police force and local bureaucracy. The rule of law is weak, and the judiciary lacks real independence. Protection of private property is inadequate, and fraud is common in property transactions. Property registration costs range from 8 percent to 15 percent of property value.



The top individual income tax rate is 60 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 6.6 percent of GDP. Government spending amounts to 22.9 percent of total domestic output, and public debt equals 25 percent of GDP. Overdependence on oil, prices for which are falling, necessitates more prudent budget management.



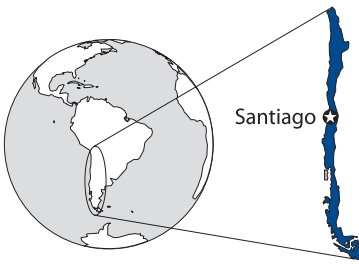
Starting a company takes longer than the world average of 30 days, and minimum capital requirements exceed three times the level of average annual income. Informal labor activity is widespread, and employment regulations are outmoded. The government cut spending on new infrastructure projects in 2015 but continues to subsidize state-owned enterprises such as electricity, water, and cotton companies, an oil refinery, and a tractor assembly plant.



Chad’s average tariff rate is 15.1 percent. Chad is a member of the Central African Economic and Monetary Community. Importation of goods is extremely costly and time-consuming. Numerous state-owned enterprises distort investment allocation throughout the economy. The financial sector is underdeveloped, and domestic credit balances equal less than 1 percent of GDP.

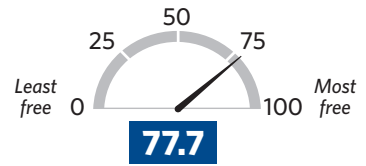
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	-0.2	Business Freedom	-24.1	Trade Freedom	-3.6
Freedom from Corruption	+12.0	Government Spending	-4.8	Labor Freedom	+5.6	Investment Freedom	+20.0
				Monetary Freedom	+9.0	Financial Freedom	+10.0



CHILE

Economic Freedom Score



World Rank: **7** Regional Rank: **1**

Several notable measures undertaken in recent years threaten Chile's well-established tradition of economic freedom. Along with the introduction of redistributive tax measures, the corporate tax rate has been raised and is slated to rise further. Labor reforms have focused on increasing the minimum wage and strengthening union bargaining.

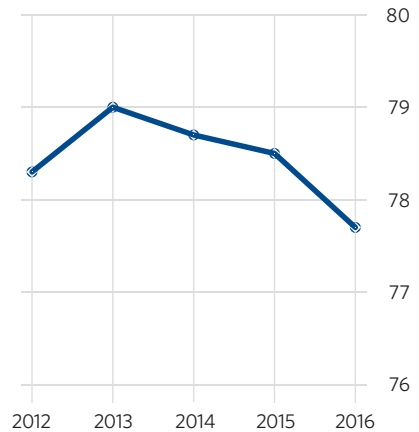
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **77.7 (down 0.8 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **7th**
- Regional Ranking: **1st in the South and Central America/Caribbean Region**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-0.6**

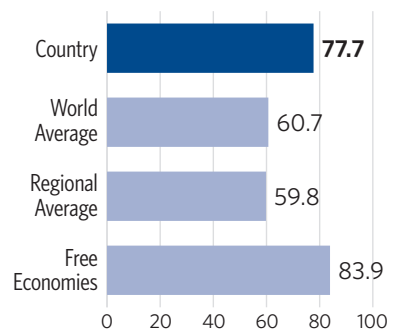
Despite recent slippage, Chile remains a global leader in economic freedom. Flexibility and openness have given the small economy an impressive capacity to adjust to external shocks. Chile's strong commitment to trade and investment liberalization is embodied in various trade pacts. The independent judicial system upholds the rule of law.

BACKGROUND: Socialist President Michelle Bachelet, serving her second non-consecutive four-year term, was tainted by a 2015 corruption scandal involving her son and his wife and an unusual bank loan made the day after Bachelet's 2014 election. Concerns about tax hikes and education reforms that roll back choice have reduced investment and dampened consumer confidence. Nonetheless, Chile retains the region's best investment profile and benefits from its membership in the Pacific Alliance and vast network of free-trade agreements. It was the first South American country to join the Organisation for Economic Co-operation and Development and is the world's leading producer of copper. The economy is open to imports and is an export powerhouse in minerals, wood, fruit, seafood, and wine.

Freedom Trend



Country Comparisons



Quick Facts

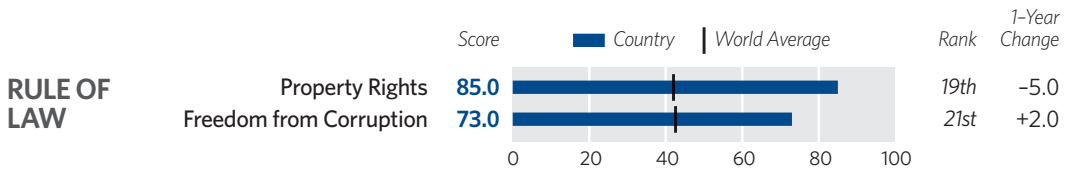
- Population:** 17.8 million
- GDP (PPP):** \$409.3 billion
- 1.8% growth in 2014
- 5-year compound annual growth 4.6%
- \$22,971 per capita
- Unemployment:** 6.4%
- Inflation (CPI):** 4.4%
- FDI Inflow:** \$22.9 billion
- Public Debt:** 13.9% of GDP

How Do We Measure Economic Freedom?

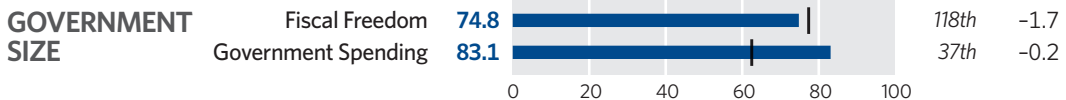
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

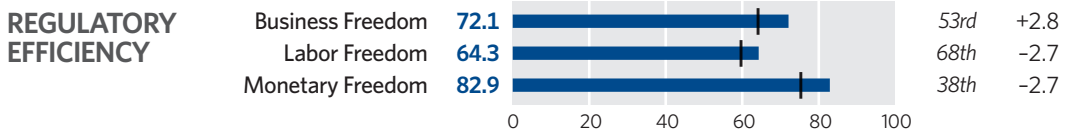
THE TEN ECONOMIC FREEDOMS



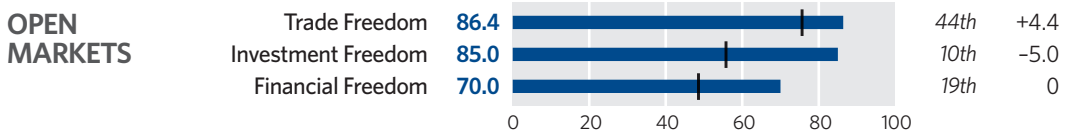
Although Chile remains among the least corrupt countries in South America, and although its judiciary is independent, competent, and generally free from political interference, a series of unrelated corruption scandals involving a mining firm, a major conglomerate, the president's son, and the opposition party combined to shake investor confidence in 2015. Property rights and contracts are strongly respected, and expropriation is rare.



The top individual income tax rate remains 40 percent, but the top corporate tax rate has been increased from 20 percent to 22.5 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 20.2 percent of GDP. Government spending amounts to 23.7 percent of total domestic output. Public spending has yielded small deficits, and public debt remains under control.



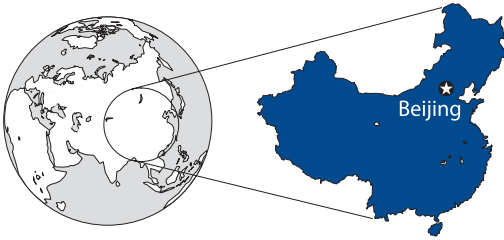
The overall business regulatory framework remains competitive. The labor market is dynamic, although minimum wage increases have exceeded overall productivity growth in recent years. Numerous non-conventional renewable energy projects are under construction to diversify sources of generation in a power sector that is nearly 100 percent privately owned and operated. The government continues to resist pressure to subsidize electricity.



Chile's average tariff rate is 1.8 percent. Most imports enter duty-free, and trade barriers have been reduced through the Pacific Alliance trade agreement with Colombia, Costa Rica, Mexico, and Peru. Foreign investment in some sectors of the economy can be screened by the government. With the well-capitalized and stable banking sector offering a wider range of services, the financial system remains one of the region's most competitive.

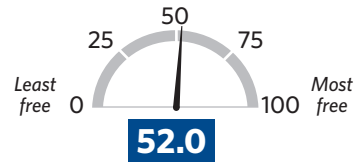
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-4.6	Business Freedom	-12.9	Trade Freedom	+23.4
Freedom from Corruption	+23.0	Government Spending	-3.9	Labor Freedom	-13.0	Investment Freedom	+15.0
				Monetary Freedom	+16.7	Financial Freedom	+20.0



CHINA

Economic Freedom Score



World Rank: **144**

Regional Rank: **31**

Over the past year, the Chinese economy has undergone a period of financial market volatility and economic slowdown. Deep-seated structural problems, including continued overreliance on public investment and exports for growth, a state-controlled financial sector, and regulatory inefficiency, have become more acute. Debt at various levels of the economy has been piling up as well, posing risks to long-term economic expansion.

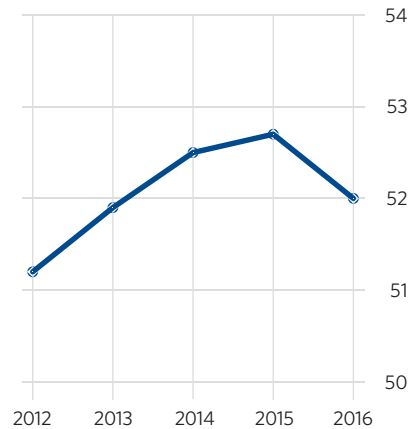
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **52.0 (down 0.7 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **144th**
- Regional Ranking: **31st in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+0.8**

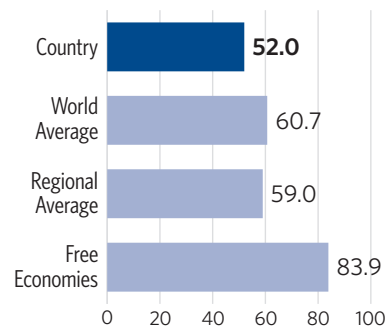
The Communist Party leadership occasionally emphasizes the need to embrace market principles to ensure China's ongoing economic transformation and development. However, beyond nominal openness to trade and investment, genuinely liberalizing reform measures have not been undertaken, and policies continue to favor the status quo and promotion of the party's interests. China's judicial system remains vulnerable to political influence.

BACKGROUND: After over two years in power, Communist Party General Secretary Xi Jinping's regime has failed to produce any significant progress in economic "rebalancing" from state-owned enterprises and local governments to the household sector. The government has recently backtracked on measures to limit borrowing from provincial and local governments. With a population of almost 1.5 billion people, the Chinese economy rivals that of the United States in overall size. While official measures have the economy growing at a reduced rate of 7 percent–7.5 percent, there is evidence that actual growth is even slower.

Freedom Trend



Country Comparisons



Quick Facts

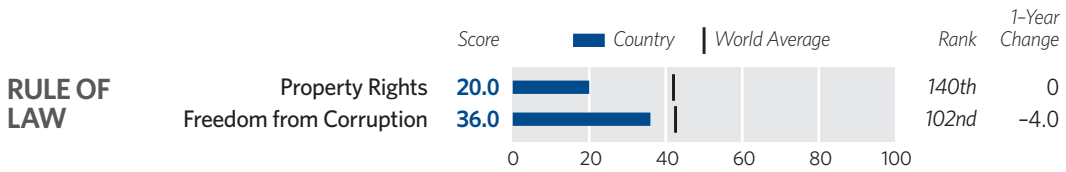
- Population:** 1.4 billion
- GDP (PPP):** \$17.6 trillion
- 7.4% growth in 2014
- 5-year compound annual growth 8.5%
- \$12,880 per capita
- Unemployment:** 4.7%
- Inflation (CPI):** 2.0%
- FDI Inflow:** \$128.5 billion
- Public Debt:** 41.1% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

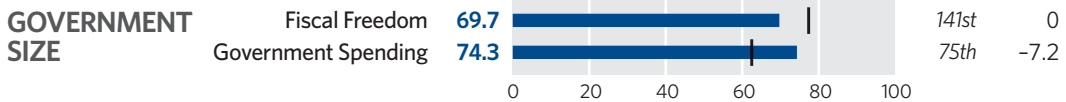
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

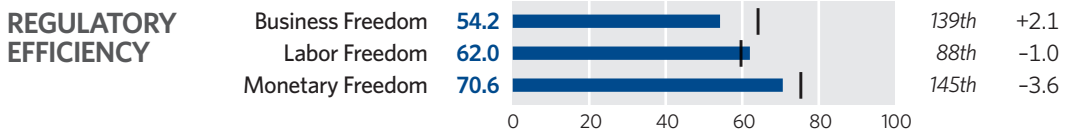
THE TEN ECONOMIC FREEDOMS



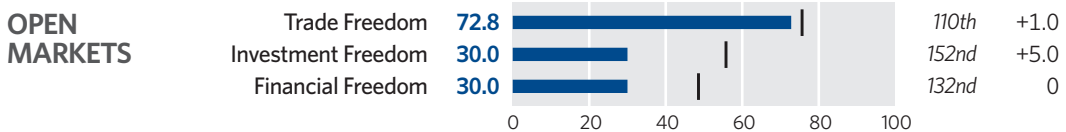
Xi Jinping’s anti-corruption campaign is much broader and more intense than anyone could have expected. In his administration’s first 18 months, nearly a quarter-million officials and others were held in detention or formally charged with corruption. Some 100 have died or committed suicide. Protection of property rights continues to erode as foreign multinationals feel pressure to transfer their intellectual property to do business in China.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a real estate tax. The overall tax burden equals 19.4 percent of total income. Government spending amounts to 29.3 percent of GDP. Reported public debt is estimated to equal about 41 percent of GDP, but large amounts of debt are held in off-budget obligations.



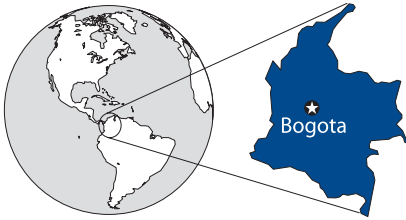
The overall regulatory framework remains complex and arbitrary. Completing licensing requirements costs over three times the level of average annual income. The labor regime remains repressive. In May 2015, the government announced a program of tax breaks and subsidies aimed at creating jobs and promoting entrepreneurship. The government has also set up a 40 billion yuan fund to help emerging market sectors of the economy.



China’s average tariff rate is 3.6 percent. Numerous non-tariff barriers interfere with trade. The government screens foreign investment. State-owned enterprises significantly distort the economy. The state continues its tight control of the financial system as its primary means for managing the rest of the economy. The government owns all large financial institutions, which lend according to state priorities and directives.

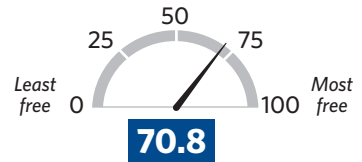
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	-0.9	Business Freedom	-0.8	Trade Freedom	+52.8
Freedom from Corruption	+6.0	Government Spending	-19.4	Labor Freedom	-3.0	Investment Freedom	-20.0
				Monetary Freedom	+2.2	Financial Freedom	-20.0



COLOMBIA

Economic Freedom Score



World Rank: **33** Regional Rank: **3**

Colombia's economic fundamentals, including macroeconomic stability and openness to global trade and finance, remain relatively strong. The economy has expanded by an average of around 5 percent annually over the past five years. Recent reforms have focused on improving regulation and fostering a stronger private sector.

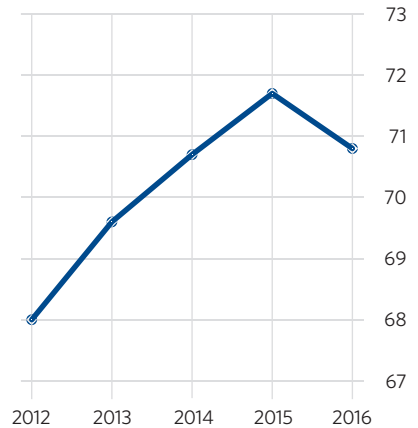
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.8 (down 0.9 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **33rd**
- Regional Ranking: **3rd in the South and Central America/Caribbean Region**
- Notable Successes: **Open Markets and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+2.8**

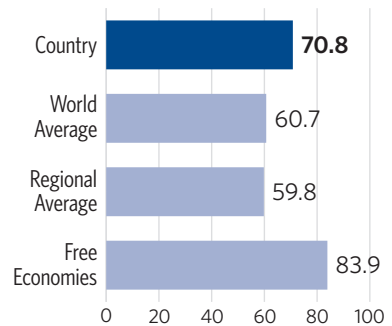
Management of public finance is relatively prudent, and public debt is under control. A strong fiscal climate has been reaffirmed by a boost in bond ratings. However, anti-corruption laws have had little impact, and the judicial system remains vulnerable to political interference. Deeper institutional reforms are needed.

BACKGROUND: President Juan Manuel Santos, reelected in 2014, has made peace with the Revolutionary Armed Forces of Colombia (FARC) his top priority, but negotiations have dragged on for more than four years. Santos has promised that there will be no impunity for the guerrillas, but FARC leaders have stated that they will not spend a day in jail. Santos also must raise the revenues to pay for any settlement. Colombia's economy is South America's third largest, behind Brazil and Argentina. It depends heavily on exports of petroleum, coffee, and cut flowers and has been affected by the drop in global commodity prices and tax increases introduced by Santos. Colombia is a founding member of the Pacific Alliance trade pact. Inflation remains low, and the poverty rate has decreased in recent years.

Freedom Trend



Country Comparisons



Quick Facts

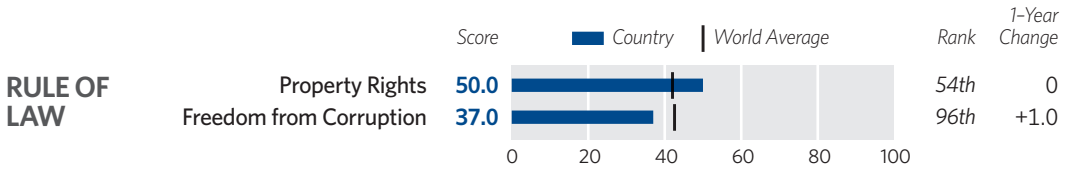
- Population:** 47.7 million
- GDP (PPP):** \$640.1 billion
- 4.6% growth in 2014
- 5-year compound annual growth 4.8%
- \$13,430 per capita
- Unemployment:** 10.1%
- Inflation (CPI):** 2.9%
- FDI Inflow:** \$16.1 billion
- Public Debt:** 38.0% of GDP

How Do We Measure Economic Freedom?

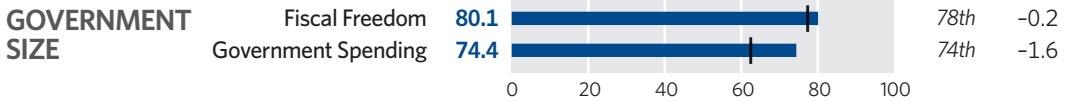
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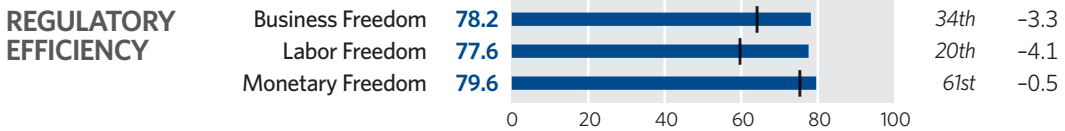
THE TEN ECONOMIC FREEDOMS



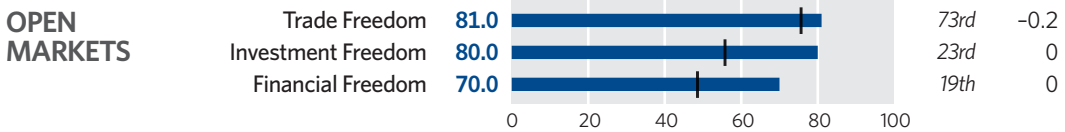
Drug-trafficking and the violence and corruption that it engenders continue to erode institutions. Corruption occurs at multiple levels of public administration. The courts have demonstrated some independence from the executive in recent years, but the justice system remains compromised by corruption and extortion. Colombia improved its ranking for ease of property registration in the World Bank's 2015 *Doing Business* report.



The top individual income tax rate is 33 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a financial transactions tax. The overall tax burden equals 16.5 percent of total domestic income. Government spending has stabilized at about 29.2 percent of total domestic output, and public debt remains below 40 percent of GDP.



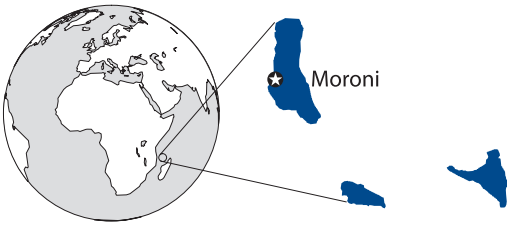
Business procedures have been streamlined. With no minimum capital required, the cost of launching a business equals less than 10 percent of average annual income. Reforms are needed to improve labor flexibility and lower non-wage costs. In 2015, the government ended a middle-class mortgage subsidy program that had been aimed at boosting home construction but increased subsidies for low-income and middle-income urban housing.



Colombia's average tariff rate is 4.5 percent. Restrictions affect some service-sector industries. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises are active in the energy sector. Private institutions dominate the growing and well-capitalized financial sector. The number of non-performing loans has declined, and the financial transaction tax is scheduled to be reduced.

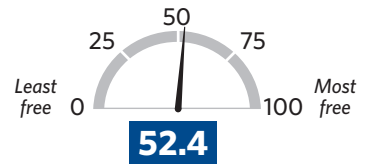
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.4	Business Freedom	-6.8	Trade Freedom	+16.0
Freedom from Corruption	+27.0	Government Spending	-11.6	Labor Freedom	+14.8	Investment Freedom	+10.0
				Monetary Freedom	+15.9	Financial Freedom	0



COMOROS

Economic Freedom Score



World Rank: **141**

Regional Rank: **32**

Comoros contrasts sharply with other African island nations that have found a path to modernization and sustainable development by advancing economic freedom. Despite some progress, the public sector remains dominant and lacks transparency. An overbearing regulatory framework and poor access to credit deter entrepreneurial activity and private-sector development.

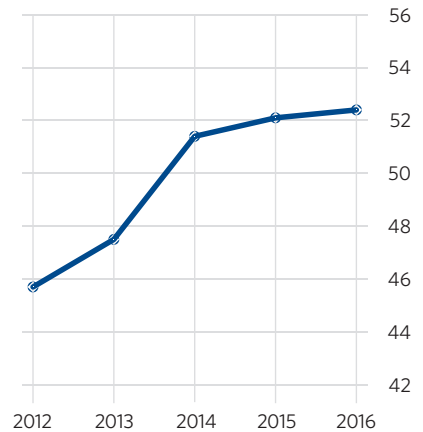
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **52.4 (up 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **141st**
- Regional Ranking: **32nd in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Rule of Law, Investment Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+6.7**

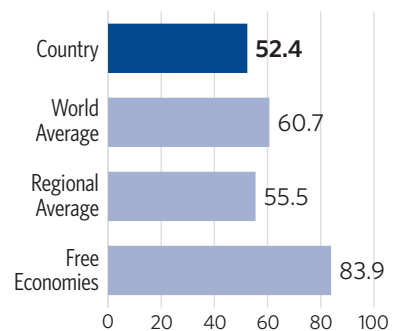
Poor management of macroeconomic policies and a decade of political crisis have hindered overall economic development. Arbitrary taxation, poor infrastructure, marginal enforcement of property rights, and weak rule of law have driven many people and enterprises into the informal sector.

BACKGROUND: The three-island Union of the Comoros has experienced more than 20 coup attempts since independence in 1975, most recently in 2013. A 2001 constitution granted each island increased autonomy and stipulated that the presidency would rotate among the three islands. A 2009 referendum extended presidents' terms from four to five years and increased the central government's authority at the expense of local governments. The transfer of power to President Ikililo Dhoinine in 2011 was peaceful, and the next presidential election is scheduled for 2016. Although Comoros is a leading producer of ylang-ylang, cloves, and vanilla, its narrow export base and closed economy leave it vulnerable to external shocks. It also has poor transportation infrastructure. Comoros is heavily dependent on foreign aid and remittances.

Freedom Trend



Country Comparisons



Quick Facts

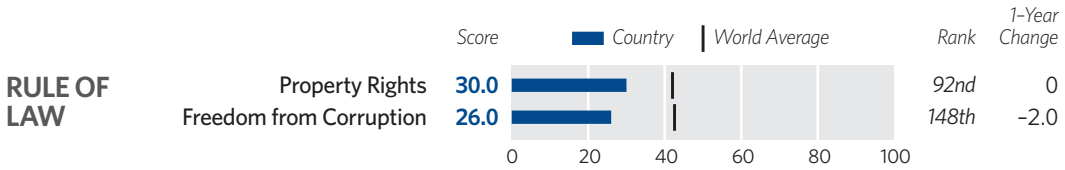
- Population:** 0.8 million
- GDP (PPP):** \$1.2 billion
- 3.3% growth in 2014
- 5-year compound annual growth 2.8%
- \$1,548 per capita
- Unemployment:** 6.5%
- Inflation (CPI):** 2.9%
- FDI Inflow:** \$14.0 million
- Public Debt:** 20.0% of GDP

How Do We Measure Economic Freedom?

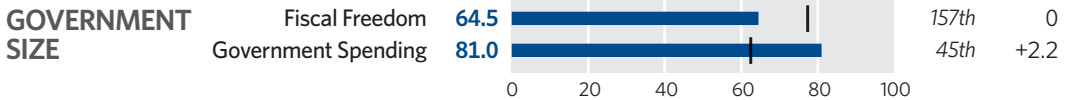
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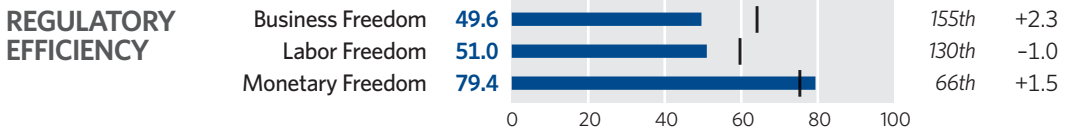
THE TEN ECONOMIC FREEDOMS



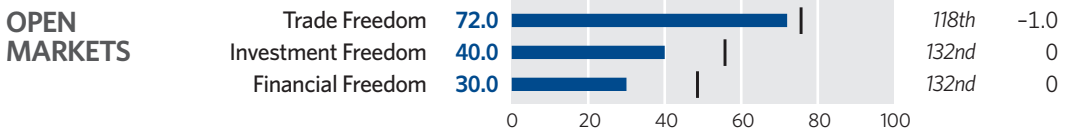
Corruption is reported at all levels of government, including the judiciary, the civil service, and the police and security forces, and is driven in part by internal political disputes and competition over resources by the three island administrations. The judicial system, based on both sharia (Islamic) law and the French legal code, is relatively weak and subject to influence by the executive branch and other elites.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 50 percent. Other taxes include a value-added tax and an insurance tax. The overall tax burden equals 12.1 percent of total domestic income. Government spending amounts to 25.2 percent of total domestic output. Government finance has been under pressure due to the growth in public-sector wages and salaries and the cost of legislative elections.



The overall regulatory framework remains poor. Establishing a business costs more than the level of average annual income. Retail services are the largest source of employment, and most employment is informal. The government subsidizes state-owned water, electricity, and oil utilities and controls other prices.

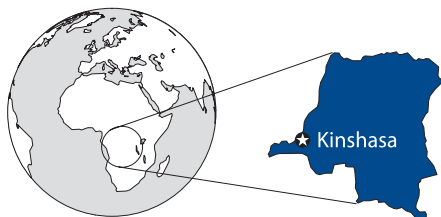


Comoros has an average tariff rate of 6.5 percent. It is a member of the Common Market for Eastern and Southern Africa, dedicated to “trade liberalization and customs co-operation.” The small, bank-dominated financial sector has recorded modest growth in recent years. With two new banks coming into operation, the banking sector has expanded, but many people and businesses still rely on informal lending.

Long-Term Score Change (since 2009)

RULE OF LAW	GOVERNMENT SIZE	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights Freedom	Fiscal Freedom	Business Freedom	Trade Freedom
0	-0.1	+3.1	+44.8
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-7.1	+19.2	+20.0
		Monetary Freedom	Financial Freedom
		+0.5	+10.0

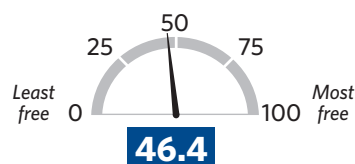
DEMOCRATIC REPUBLIC OF CONGO



World Rank: **163**

Regional Rank: **40**

Economic Freedom Score



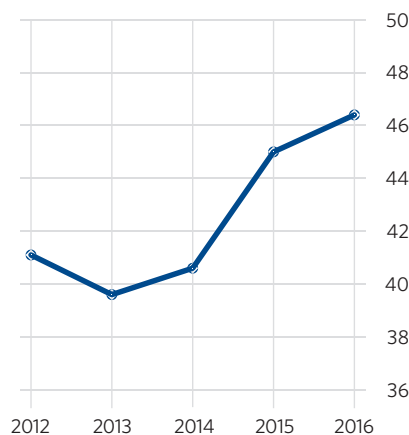
The Democratic Republic of Congo's immense natural resources, including copper and diamonds, have fueled conflict rather than lasting economic development. Despite annual average growth of around 8 percent since 2012, the economy has not achieved meaningful structural transformation. Political unrest has led foreign businesses to limit their operations, and the weak rule of law remains a powerful disincentive to expanding economic activity in the formal sector.

ECONOMIC FREEDOM SNAPSHOT

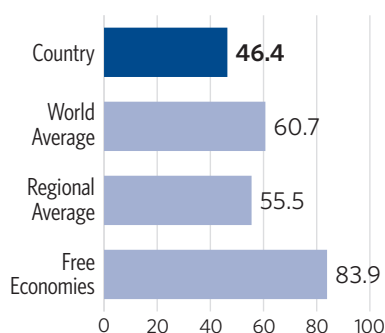
- 2016 Economic Freedom Score: **46.4 (up 1.4 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **163rd**
- Regional Ranking: **40th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **+5.3**

The uncertain regulatory environment and absence of institutional support or facilitation for private-sector development continue to curtail entrepreneurial activity. The government's failure to provide basic public goods and resistance from vested interests further deprive citizens of economic opportunities, leaving most of them to rely on informal employment.

Freedom Trend



Country Comparisons



Quick Facts

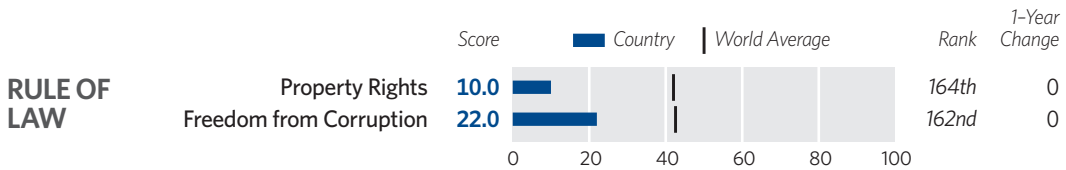
- Population:** 79.3 million
- GDP (PPP):** \$55.8 billion
- 9.1% growth in 2014
- 5-year compound annual growth 7.7%
- \$704 per capita
- Unemployment:** 8.0%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$2.1 billion
- Public Debt:** 19.7% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

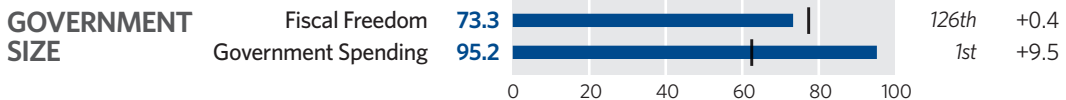
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

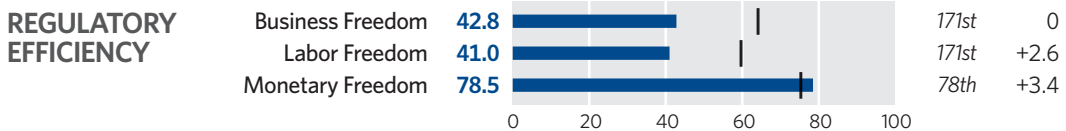
THE TEN ECONOMIC FREEDOMS



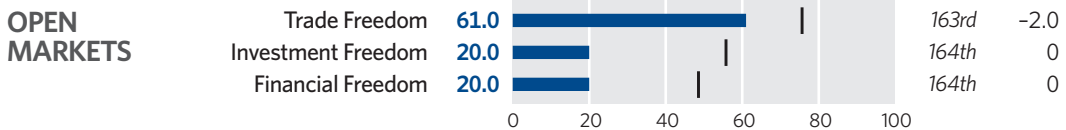
Massive government corruption and weak rule of law remain prevalent. The clandestine trade in minerals and other natural resources in eastern Congo by armed rebel militias and elements of the army helps to finance violence and depletes government revenues. Protection of property rights is weak and dependent on a dysfunctional public administration and judicial system. Human rights abuses and banditry deter economic activity.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 40 percent. Other taxes include a rental tax and a tax on vehicles. The overall tax burden equals 13 percent of total domestic income. Tax enforcement is arbitrary. Government spending equals 12.7 percent of domestic output. Much of the public debt was cancelled in 2010 under the Heavily Indebted Poor Countries Initiative.



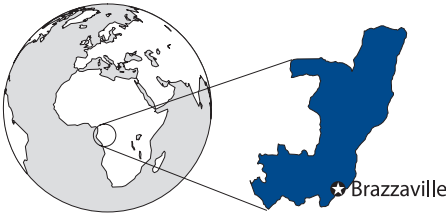
The regulatory system still discourages private entrepreneurship. Institutional deficiencies such as pervasive corruption and very limited access to credit discourage business start-ups. Much of the workforce is employed in the agricultural sector, and informal labor activity is widespread. Prices are controlled and regulated by the government, which also heavily subsidizes electricity.



The Democratic Republic of Congo’s average tariff rate is 12 percent. Importation of goods is costly and time-consuming. Foreign investment in some economic sectors is restricted. The private sector suffers from inadequate access to credit, particularly long-term loans, and overall use of financial services is highly constrained. Credit to the private sector amounts to less than 10 percent of GDP.

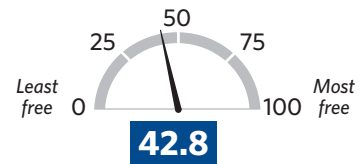
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+22.4	Business Freedom	-12.2	Trade Freedom	+12.0
Freedom from Corruption	+12.0	Government Spending	-2.0	Labor Freedom	+6.5	Investment Freedom	-10.0
				Monetary Freedom	+78.5	Financial Freedom	-10.0



REPUBLIC OF CONGO

Economic Freedom Score



World Rank: **172**

Regional Rank: **44**

The Republic of Congo continues to be a poorly diversified commodity producer, heavily dependent on oil. Economic growth has been erratic due to changes in the volume of oil production. Extensive state controls persist in major economic sectors, and the government restricts foreign investment to a few handpicked partners.

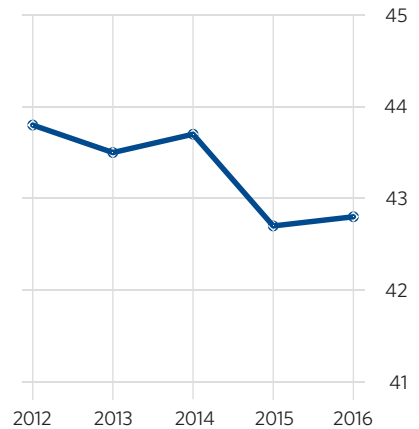
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **42.8 (up 0.1 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **172nd**
- Regional Ranking: **44th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Rule of Law, Business Freedom, and Investment Freedom**
- Overall Score Change Since 2012: **-1.0**

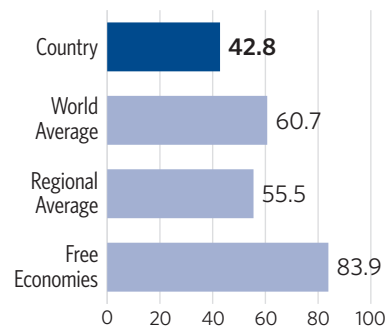
Weak but repressive governance suppresses economic opportunity and traps many in persistent poverty. Poor protection of property rights and widespread corruption discourage entrepreneurial activity, undermining prospects for long-term economic expansion. The judicial system remains subject to substantial political interference.

BACKGROUND: The Republic of Congo became independent in 1960. Denis Sassou-Nguesso seized power in 1979 and governed the country as a Marxist-Leninist state before moderating economic policy and allowing a multi-party election in 1992. He lost that election to Pascal Lissouba, seized power again following a 1997 civil war, won a flawed election in 2002, and won a seven-year term in 2009 in another dubious election. Civil war militias remain active in the southern Pool region. Congo is one of Sub-Saharan Africa's largest oil producers, but lack of infrastructure prevents exploitation of its sizable natural gas reserves and significant hydropower potential. As of December 2014, Congo hosted about 55,000 refugees from Angola, the Central African Republic, Chad, the Democratic Republic of Congo, and Rwanda.

Freedom Trend



Country Comparisons



Quick Facts

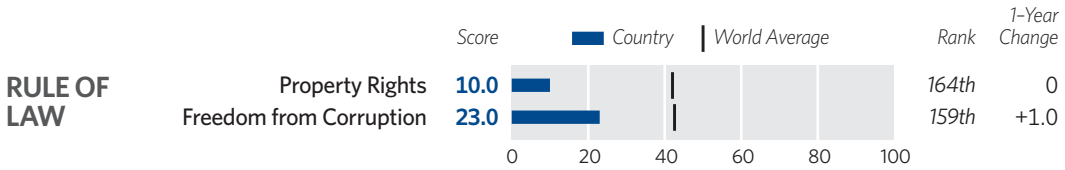
Population: 4.3 million
GDP (PPP): \$28.0 billion
 6.0% growth in 2014
 5-year compound annual growth 5.1%
 \$6,559 per capita
Unemployment: 6.5%
Inflation (CPI): 0.9%
FDI Inflow: \$5.5 billion
Public Debt: 42.3% of GDP

How Do We Measure Economic Freedom?

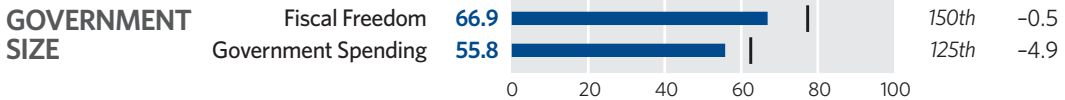
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

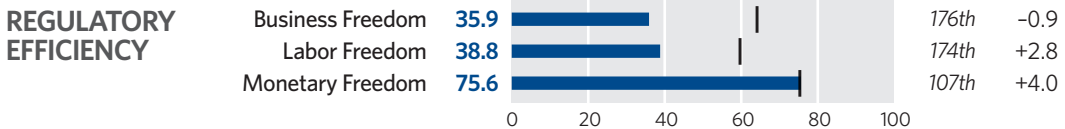
THE TEN ECONOMIC FREEDOMS



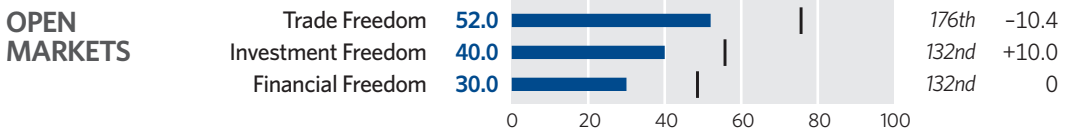
Corruption remains pervasive. The state oil company is directly controlled by the president’s family and advisers, and French authorities have been investigating alleged embezzlement of public funds since 2007. The judiciary is underfunded and crippled by institutional weakness and lack of technical capability. Contract terms are not transparent, and bribes are regularly solicited by “informal” tax collectors.



The top individual income tax rate is 45 percent, and the top corporate tax rate is 34 percent. Other taxes include a value-added tax, a tax on rental values, and an apprenticeship tax. The overall tax burden equals 11.2 percent of gross domestic output. Government spending amounts to 38.4 percent of GDP, and public debt equals about 40 percent of the domestic economy. Rebels continue to undermine tax collection.



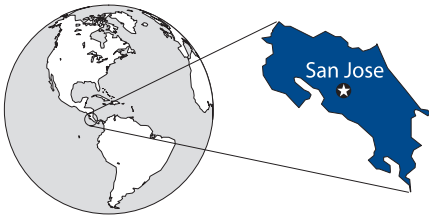
The regulatory environment imposes significant burdens on entrepreneurs. Launching a company takes more than 100 days. With development of a modern labor market lagging, the informal sector accounts for most employment. In 2015, the IMF recommended that all government spending on energy subsidies and the construction of a state-owned power plant be subject to better fiscal policy management.



The Republic of Congo’s average tariff rate is 16.5 percent. Importation of goods is costly and time-consuming. Bureaucratic barriers may discourage foreign investment, but foreign and domestic investors are treated equally under the law. The banking sector has recorded modest expansion, and more than 10 banks are in operation, but overall use of financial services is low. Only about 5 percent of Congolese have bank accounts.

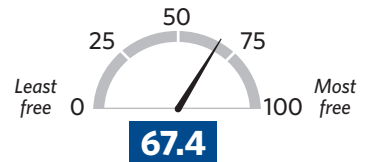
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+17.3	Business Freedom	-19.1	Trade Freedom	-0.4
Freedom from Corruption	+13.0	Government Spending	+1.0	Labor Freedom	-5.1	Investment Freedom	+10.0
				Monetary Freedom	+24.7	Financial Freedom	0



COSTA RICA

Economic Freedom Score



World Rank: **50**

Regional Rank: **10**

Costa Rica's economy has shown moderate resilience in the face of external economic challenges. Modest reform efforts have continued in several areas that are critical to improving economic freedom. The overall regulatory framework has become slightly more efficient, and business procedures have been streamlined.

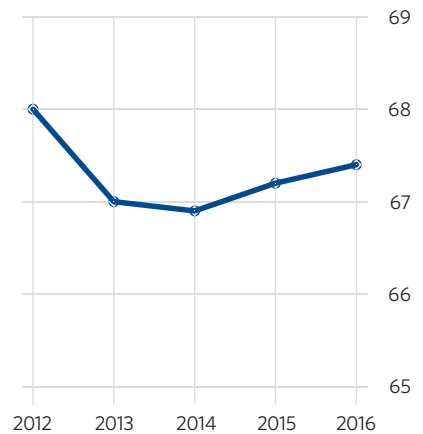
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.4 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **50th**
- Regional Ranking: **10th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Investment Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-0.6**

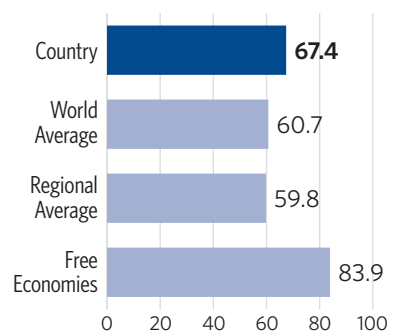
Despite uneven progress, implementation of policies that support open markets has facilitated vital entrepreneurship and investment. Costa Rica has lagged, however, in promoting the effective rule of law. The judicial system, while transparent, remains vulnerable to political interference, and lingering corruption hampers the emergence of more vibrant economic activity.

BACKGROUND: Since beginning his four-year term as president in 2014, Luis Guillermo Solís has faced legislative deadlock. Costa Rica has a long history of democratic stability and one of Latin America's highest levels of foreign direct investment per capita, but it also has a large underground economy and commensurate poverty. Significant economic reform is long overdue. While Costa Rica remains safer than many of its neighbors, crime is rising. There is an ongoing border dispute with Nicaragua. Costa Rica has benefited from foreign investment in electronics and health care. Its membership in the Central America–Dominican Republic–United States Free Trade Agreement and pending full membership in the Pacific Alliance trade pact have opened sectors such as insurance and telecommunications to private investors.

Freedom Trend



Country Comparisons



Quick Facts

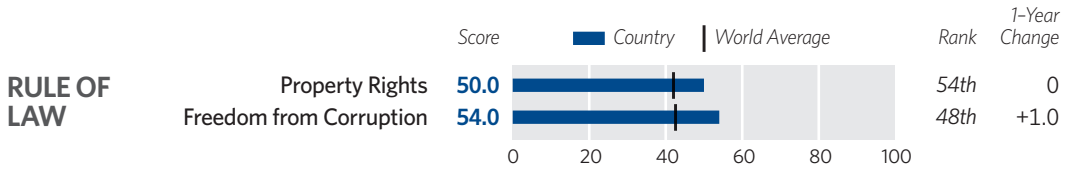
- Population:** 4.8 million
- GDP (PPP):** \$71.0 billion
- 3.5% growth in 2014
- 5-year compound annual growth 4.3%
- \$14,864 per capita
- Unemployment:** 8.3%
- Inflation (CPI):** 3.2%
- FDI Inflow:** \$2.1 billion
- Public Debt:** 39.8% of GDP

How Do We Measure Economic Freedom?

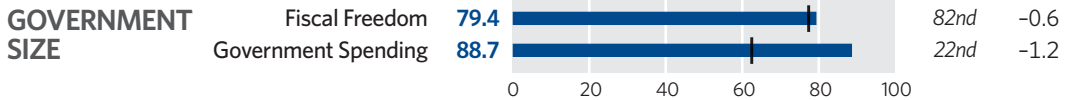
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

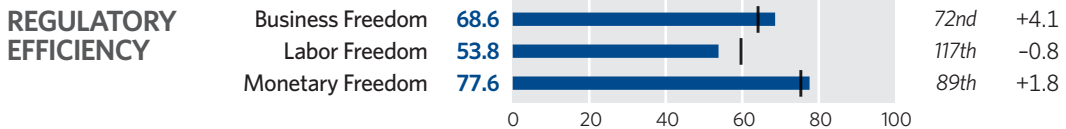
THE TEN ECONOMIC FREEDOMS



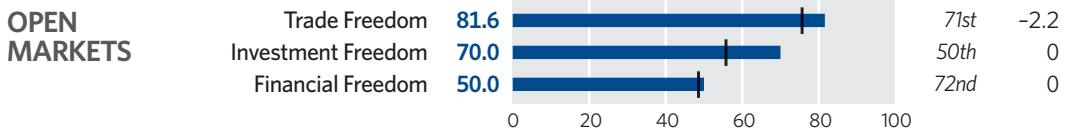
Thanks to strong institutions, corruption is lower than elsewhere in the region, but public dissatisfaction with the state of the country’s democracy, allegations of official corruption, and rising rates of crime linked to Mexican drug cartels are growing. The judicial branch is independent, but its processes are often slow. Property rights are secure, and contracts are generally upheld although sometimes difficult to enforce.



The top personal income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include a general sales tax and a real property tax. The overall tax burden equals 23.2 percent of total domestic income. Government spending amounts to 27.3 percent of total domestic output, and public debt equals approximately 40 percent of GDP. Continuing deficits have prompted structural reforms, particularly in tax administration.



The entrepreneurial environment is relatively streamlined, but regulatory compliance can be costly. Labor codes are stringent. Despite some flexibility in work hours, the non-salary cost of labor remains burdensome. Pursuant to its ongoing commitment to forswear the use of fossil fuels, the government subsidizes the cost to consumers of hydroelectric power generated by the state-owned electric utility.

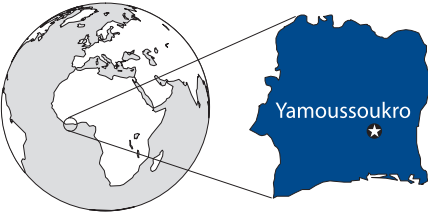


Costa Rica’s average tariff rate is 4.2 percent. Government procurement procedures may favor domestic producers. State-owned enterprises are active in the energy, telecommunications, banking, and insurance sectors. The growing financial sector has become more open to competition, but it remains dominated by three state-owned banks.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-3.2	Business Freedom	-1.4	Trade Freedom	+3.6
Freedom from Corruption	+4.0	Government Spending	-2.1	Labor Freedom	-7.3	Investment Freedom	0
				Monetary Freedom	+6.7	Financial Freedom	0

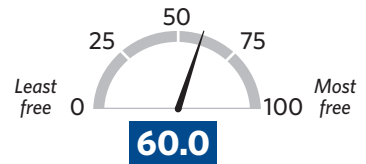
CÔTE D'IVOIRE



World Rank: **92**

Regional Rank: **10**

Economic Freedom Score



Over the past five years, Côte d'Ivoire has made a notable economic transition from fragility to relative stability. Although some root causes of conflict remain, political reconciliation and economic transformation have been strengthened by measures that support territorial development and promote regional cooperation toward integration.

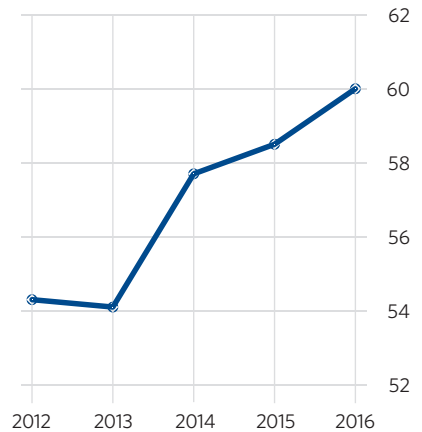
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **60.0 (up 1.5 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **92nd**
- Regional Ranking: **10th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+5.7**

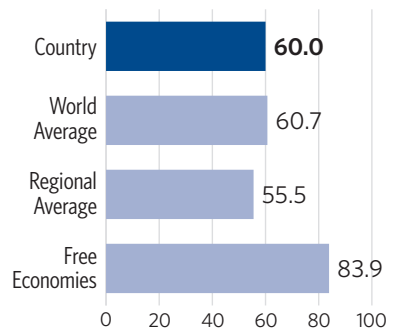
Much-delayed economic reforms undertaken to improve Côte d'Ivoire's macroeconomic stability and growth potential include strengthening the management of public finance and structural reforms to foster a more dynamic private sector. However, a weak judiciary continues to undermine property rights, and the perceived level of corruption is debilitating.

BACKGROUND: Côte d'Ivoire's civil war began with a failed coup against President Laurent Gbagbo in 2002 and ended with a cease-fire in 2003. It left the country split between a rebel-controlled North and a government-controlled South. In 2007, rebel leader Guillaume Soro joined Gbagbo's government as prime minister. After the 2010 presidential elections, Gbagbo refused to surrender power to internationally recognized winner Alassane Ouattara. U.N. and French forces eventually removed Gbagbo to The Hague for trial for alleged crimes against humanity committed during the post-election period. Côte d'Ivoire is West Africa's second-largest economy and a leading producer of cocoa and cashews. A legal dispute with Ghana over oil drilling in the Gulf of Guinea is being heard by the International Tribunal for the Law of the Sea.

Freedom Trend



Country Comparisons



Quick Facts

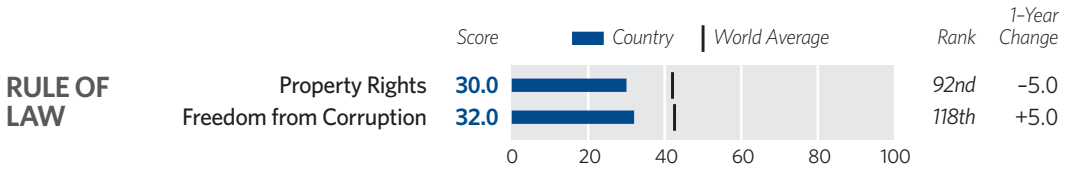
- Population:** 22.7 million
- GDP (PPP):** \$71.1 billion
- 7.5% growth in 2014
- 5-year compound annual growth 4.9%
- \$3,131 per capita
- Unemployment:** 4.0%
- Inflation (CPI):** 0.4%
- FDI Inflow:** \$462.0 million
- Public Debt:** 36.4% of GDP

How Do We Measure Economic Freedom?

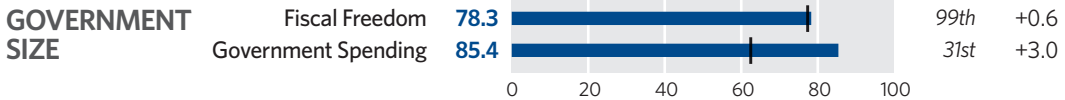
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2014 data unless otherwise noted.
Data compiled as of September 2015.

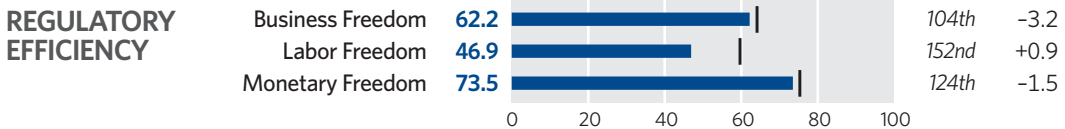
THE TEN ECONOMIC FREEDOMS



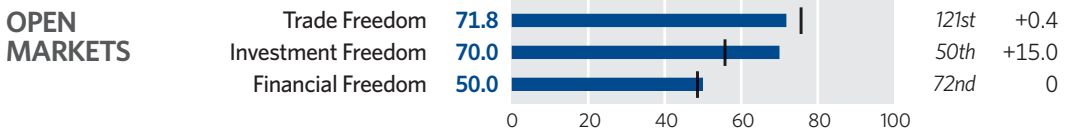
Corruption remains endemic, and perpetrators are seldom prosecuted despite an official “zero tolerance” policy. Freedom House reports that 80 percent of all government procurement was awarded in no-bid deals in 2013, up from 40 percent in 2012. The judiciary is not independent, and judges are highly susceptible to external interference and bribes. Protection of property rights is fragile, and land titles are rare outside of urban areas.



The top individual income tax rate is 36 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a tax on interest. The overall tax burden equals 15.7 percent of total domestic income. Government spending amounts to 22.1 percent of total domestic output. The budget deficit is still over 2 percent of GDP. Public debt equals about 36 percent of total domestic output.



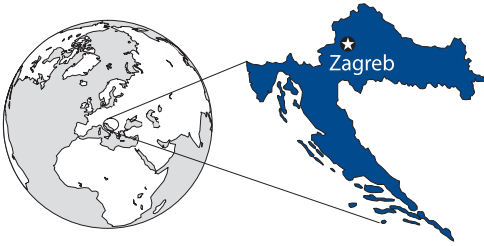
The time and number of procedures required to launch a business have been reduced, but the cost of minimum capital requirements still equals more than twice the average annual income. The labor market is inefficient. The government guarantees a minimum “farmgate” price to cocoa farmers, regulates many other prices, and increased the electricity subsidy in 2015 due to a higher use of heavy vacuum oil by the electricity sector.



Cote d'Ivoire's average tariff rate is 6.6 percent. The country is a member of the West Africa Economic and Monetary Union. Foreign and domestic investors are treated equally under the law, and there is no general screening of foreign investment. Despite some modernization and restructuring of the financial sector, state intrusiveness reduces the capacity to sustain more vibrant private-sector activity.

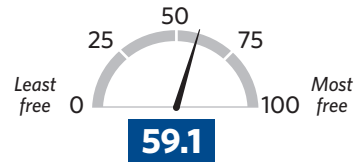
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+26.1	Business Freedom	-7.8	Trade Freedom	+59.2
Freedom from Corruption	+2.0	Government Spending	-0.7	Labor Freedom	-13.0	Investment Freedom	+20.0
				Monetary Freedom	-6.2	Financial Freedom	0



CROATIA

Economic Freedom Score



World Rank: **103**

Regional Rank: **38**

Mired in recession, Croatia's economy continues to face waning competitiveness and bureaucratic difficulties in the investment environment. Few meaningful steps have been taken to reduce or control government spending, and the bloated public sector severely undermines private-sector dynamism, prolonging the economic downturn in the absence of needed reforms.

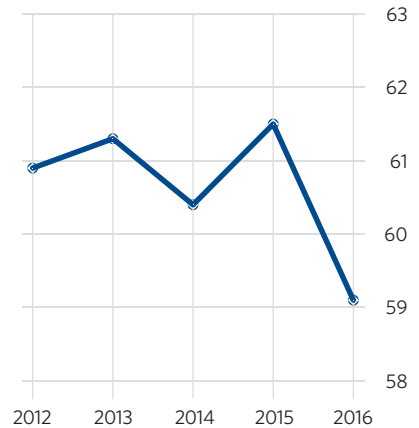
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.1 (down 2.4 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **103rd**
- Regional Ranking: **38th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law and Management of Public Finance**
- Overall Score Change Since 2012: **-1.8**

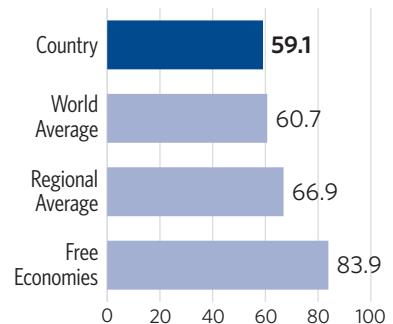
Pervasive corruption still erodes public trust in government. State ownership in such key sectors as transport, natural resources, and banking remains considerable. A new labor law was passed in July 2014 to make the labor market flexible and dynamic, but given the lack of progress in other critical areas, its impact is doubtful.

BACKGROUND: Croatia declared its independence in 1991, contributing to the breakup of Yugoslavia along ethnic and religious lines. Years of Croat/Serb conflict ended formally in 1995 with the Dayton Peace Accords. Croatia joined NATO in 2009 and the European Union in 2013. No party won a majority of seats in the November 2014 elections. The conservative Croatian Democratic Union won three more seats than the incumbent center-left Social Democrats, and the centrist Bridge of Independent Lists was third. Coalition talks are ongoing. The global financial crisis and overreliance on tourism have hurt growth. Domestic demand is weak. The economy contracted for the sixth consecutive year in 2014, and the slow pace of privatization, high indebtedness, and a weak export base have exacerbated this weakness.

Freedom Trend



Country Comparisons



Quick Facts

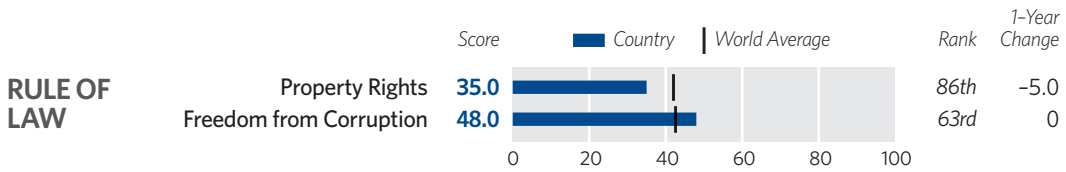
Population: 4.2 million
GDP (PPP): \$88.5 billion
 -0.4% growth in 2014
 5-year compound annual growth -1.1%
 \$20,889 per capita
Unemployment: 16.7%
Inflation (CPI): -0.2%
FDI Inflow: \$3.5 billion
Public Debt: 80.9% of GDP

How Do We Measure Economic Freedom?

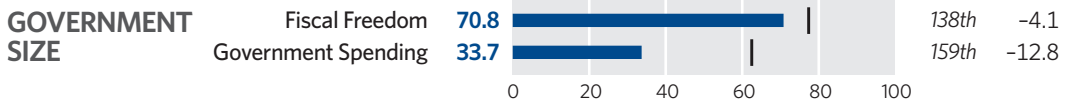
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

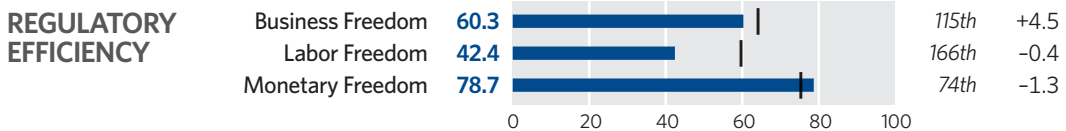
THE TEN ECONOMIC FREEDOMS



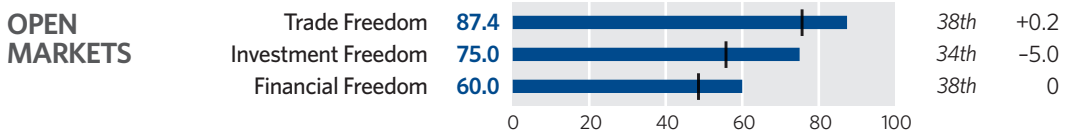
The 2013 criminal code enforces stiffer penalties for corruption, although more effort is needed to clean up public procurement. Judicial independence is generally respected, and a new judicial appointments system has increased professionalism, but the case backlog in courts remains above the EU average. Private property rights are well established, but there can be ambiguous and conflicting claims in some title cases.



The top personal income tax rate is 40 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 30.4 percent of GDP. Government spending amounts to 47 percent of total domestic output. Management of public finance has deteriorated significantly, with the deficit averaging around 5 percent during the past three years. Public debt equals over 80 percent of GDP.



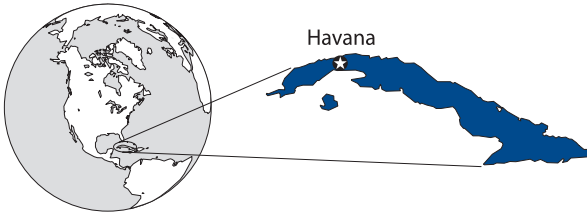
Reform measures have streamlined the procedures for establishing a business, but the overall regulatory environment remains burdensome and inefficient. Labor regulations remain rigid. The government made little progress in 2015 on structural reforms to reduce expenditures and subsidies as required by the European Commission's Excessive Deficit Procedure before Croatia can enter the eurozone.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises operate in several sectors of the economy. The consolidated banking sector is relatively sound and efficient, but the number of non-performing loans has risen significantly. Securities markets are open to foreign investors.

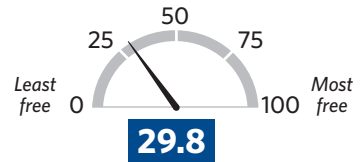
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	-6.6	Business Freedom	+5.3	Trade Freedom	+18.4
Freedom from Corruption	+18.0	Government Spending	-16.8	Labor Freedom	-1.9	Investment Freedom	+25.0
				Monetary Freedom	+78.7	Financial Freedom	+10.0



CUBA

Economic Freedom Score



World Rank: **177** Regional Rank: **29**

Cuba's economy remains repressed by the systemic inefficiency and institutional shortcomings characteristic of a Communist regime. Dominated by state-owned companies connected to the military and political elite, the economy continues to suffer from a lack of dynamism aggravated by cronyism, corruption, and bureaucracy. Non-state sectors have gradually expanded, but the absence of genuine political will for reform leaves business struggling within a poor regulatory framework.

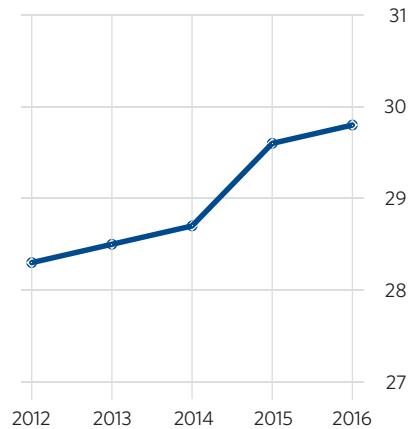
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **29.8 (up 0.2 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **177th**
- Regional Ranking: **29th in the South and Central America/Caribbean Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Labor Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+1.5**

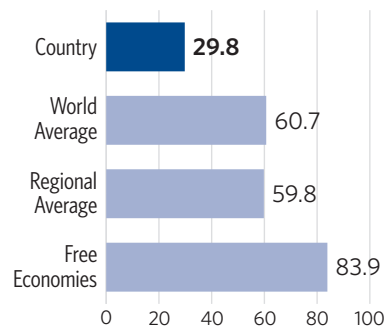
Much-touted “free-market reforms” have largely involved only cosmetic changes. The rule of law remains subject to political influence and the overriding interests of the Communist Party. The judiciary’s autonomy is severely impeded by the centralization of power in the one-party state.

BACKGROUND: Fidel Castro’s 84-year-old brother Raúl leads both the government and the Cuban Communist Party. Violent repression of civil society and dissidents has increased dramatically in the past year. Restrictions on foreign travel have been eased, but certain Cubans are still barred from leaving. Cuba depends on external assistance such as remittances from Cuban émigrés and oil subsidies provided by Venezuela for the foreign exchange it needs to survive. With world oil prices dropping and instability in Venezuela increasing, Cuba is hoping for new revenue from liberalized U.S. rules governing American travel to the island. Workers’ wages are not enough to live on, the agriculture sector is starved for investment, and tourism revenue is volatile.

Freedom Trend



Country Comparisons



Quick Facts

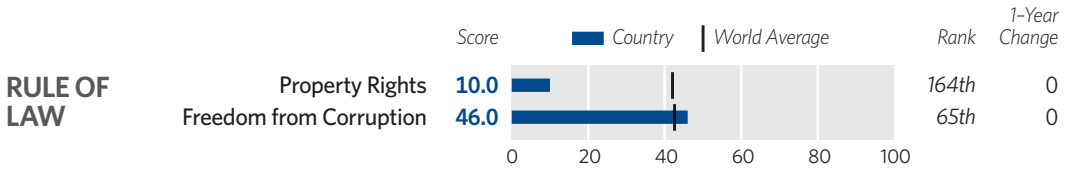
- Population:** 11.2 million
- GDP (PPP):** \$134.3 billion
- 1.3% growth in 2014
- 5-year compound annual growth 2.5%
- \$11,950 per capita
- Unemployment:** n/a
- Inflation (CPI):** 5.3%
- FDI Inflow:** n/a
- Public Debt:** 32.1% of GDP

How Do We Measure Economic Freedom?

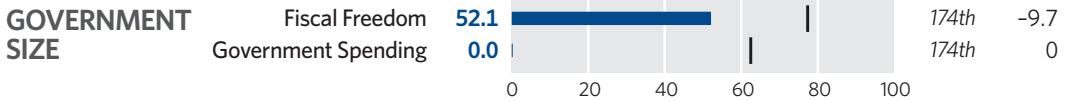
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

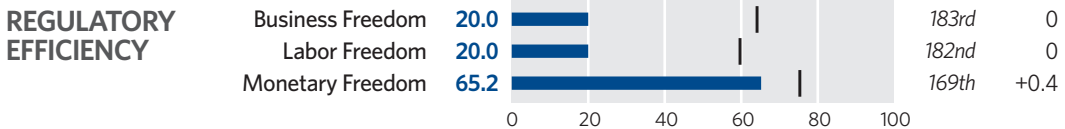
THE TEN ECONOMIC FREEDOMS



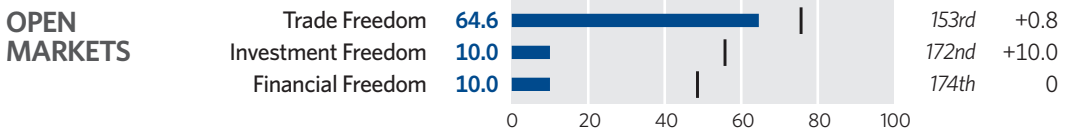
Corruption remains a serious problem, with widespread illegality permeating the limited private enterprises and the vast state-controlled economy. Freedom of movement is restricted. Only state enterprises may enter into economic agreements with foreigners as minority partners; ordinary citizens cannot participate. Most means of production are owned by the state. The Council of State completely controls the courts and the judiciary.



Cuba's top income tax rate is 50 percent. The top corporate tax rate is 30 percent (35 percent for companies with entirely foreign capital). Other taxes include a tax on property transfers and a sales tax. Taxation is not administered effectively. Overall tax revenue is estimated to equal about 37.3 percent of GDP. Inefficient public-sector spending remains high at over 60 percent of total domestic output.



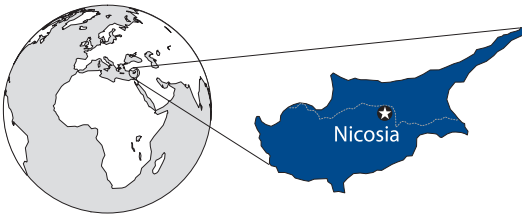
Regulatory efficiency remains poor, and private entrepreneurship is limited. The application of regulations is inconsistent and non-transparent. State control of the labor market has spurred creation of a large informal sector. The government still administers most prices and will face inflationary pressures as it proceeds with a plan to eliminate its dual currency system that has long been a source of economic distortions.



Cuba's average tariff rate is 7.7 percent. The country's centrally planned economy is a significant barrier to the free flow of international trade and investment. The financial sector remains heavily regulated and controlled by the state. Access to credit for entrepreneurial activity is uneven and further impeded by the shallowness of the financial market. The state maintains strict capital and exchange controls.

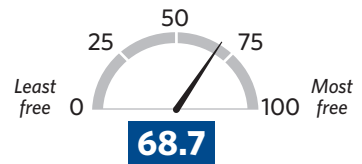
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+4.5	Business Freedom	-20.0	Trade Freedom	+4.6
Freedom from Corruption	+36.0	Government Spending	0	Labor Freedom	0	Investment Freedom	0
				Monetary Freedom	+2.3	Financial Freedom	0



CYPRUS

Economic Freedom Score



World Rank: **42**

Regional Rank: **19**

Cyprus has been emerging from a severe economic recession compounded by the collapse of its financial system in 2013. Economic policy has focused mainly on the fiscal discipline, structural reforms, and privatization required by the bailout program. Following the banking sector's recovery, Cyprus lifted all capital controls in April 2015.

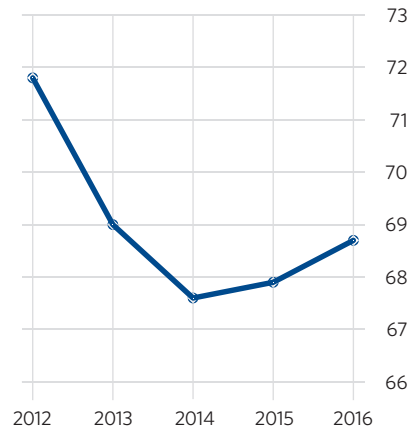
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.7 (up 0.8 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **42nd**
- Regional Ranking: **19th in Europe**
- Notable Successes: **Trade Freedom, Property Rights, and Business Freedom**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-3.1**

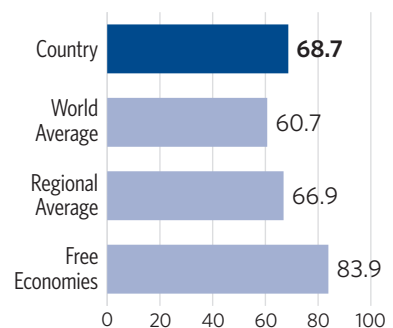
The overall regulatory framework is conducive to foreign direct investment and entrepreneurship. Most aspects of the economy are free from state interference, and the judicial system ensures the protection of property rights. In 2015, the parliament finally passed five insolvency laws and lifted its postponement of the foreclosure law's implementation.

BACKGROUND: 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 and acts as the island's internationally recognized administration. Despite deep mutual hostility, Greek and Turkish leaders continue to negotiate on possible reunification through U.N.-brokered talks. Center-right Cyprus President Nicos Anastasiades took office in February 2013. After the banking sector's collapse in 2013, Cyprus received a €10 billion bailout from the EU on condition that it agree to draconian measures such as taxing bank deposits. The economy, though it remains weak, registered quarterly growth in the first quarter of 2015 for the first time since 2011. The unemployment rate is one of Europe's highest.

Freedom Trend



Country Comparisons



Quick Facts

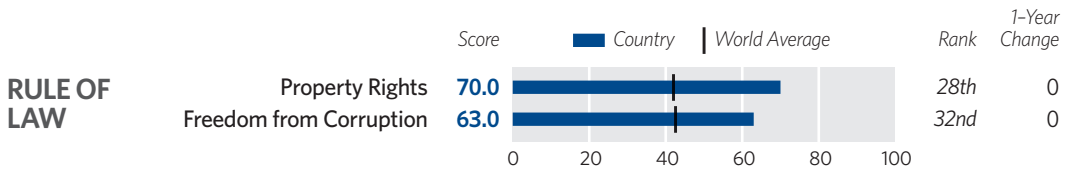
- Population:** 0.9 million
- GDP (PPP):** \$27.4 billion
- 2.3% growth in 2014
- 5-year compound annual growth -1.7%
- \$30,769 per capita
- Unemployment:** 15.6%
- Inflation (CPI):** -0.3%
- FDI Inflow:** \$679.0 million
- Public Debt:** 107.1% of GDP

How Do We Measure Economic Freedom?

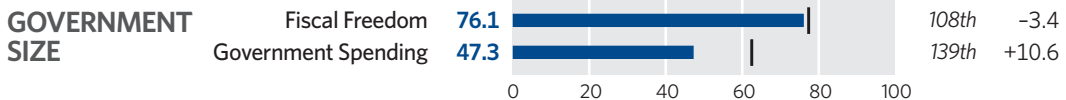
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2014 data unless otherwise noted.
Data compiled as of September 2015.

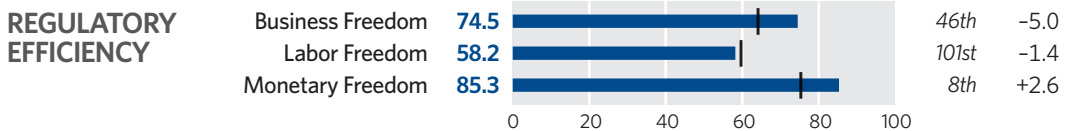
THE TEN ECONOMIC FREEDOMS



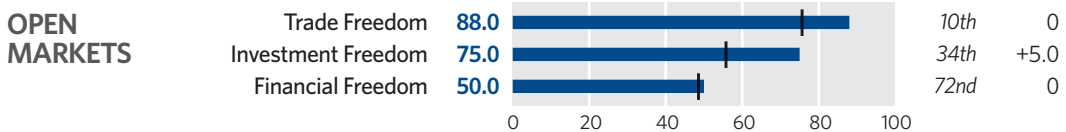
Corruption is generally not a major problem, but there is evidence that the banking system has served as a tax haven and has permitted the laundering of illegally obtained money from Russia and other countries. Corruption, patronage, and a lack of transparency continue to flourish in the Turkish-controlled area. The independent judiciary in the Republic of Cyprus operates according to the British tradition, upholding due process.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 12.5 percent. Other taxes include a value-added tax and a real estate tax. The overall tax burden equals 31.8 percent of total domestic income. Government spending amounts to 41.9 percent of total domestic output. Public debt still exceeds the size of the economy, but budget deficits have been reduced over the past five years.



The overall freedom to start, operate, or close a business is relatively well maintained within the regulatory framework. Relatively flexible labor regulations facilitate employment and productivity growth, although union power is quite strong. In 2015, the government imposed across-the-board price reductions on all medicines and continued subsidies for the national airline and renewable energy producers.

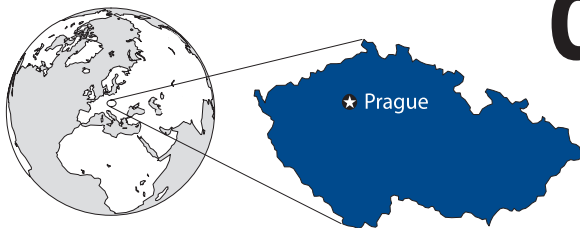


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Investment in several sectors is restricted. The financial system has experienced strains and uncertainty. Banks are heavily exposed to Greek debt and have suffered from the sharp downturn in the housing market, and the number of non-performing loans has risen.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	+4.2	Business Freedom	-10.5	Trade Freedom	+19.6
Freedom from Corruption	+13.0	Government Spending	-20.6	Labor Freedom	-11.8	Investment Freedom	+5.0
				Monetary Freedom	+9.3	Financial Freedom	-20.0

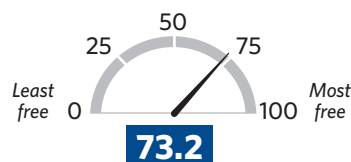
CZECH REPUBLIC



World Rank: **21**

Regional Rank: **11**

Economic Freedom Score



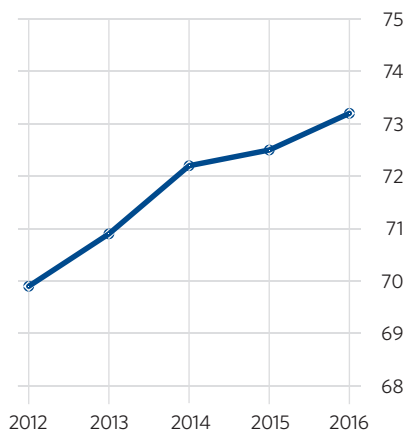
The Czech economy's transition to greater openness and flexibility has been facilitated by a decade of restructuring and liberalization. Open-market policies sustain global trade and investment flows and enable the economy to capitalize on regulatory efficiencies achieved through earlier reforms. Low tax rates encourage the development of a vibrant private sector.

ECONOMIC FREEDOM SNAPSHOT

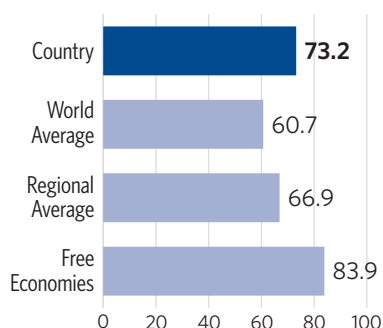
- 2016 Economic Freedom Score: **73.2 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **21st**
- Regional Ranking: **11th in Europe**
- Notable Successes: **Open Markets and Property Rights**
- Concerns: **Management of Government Spending and Corruption**
- Overall Score Change Since 2012: **+3.3**

The government has placed a high priority on fiscal discipline and is striving for budgetary balance after years of fiscal deficits. Lingering corruption increases the overall cost of doing business, and continued institutional reforms to enhance transparency and keep government spending under control will be indispensable to ensuring entrepreneurial dynamism.

Freedom Trend



Country Comparisons



Quick Facts

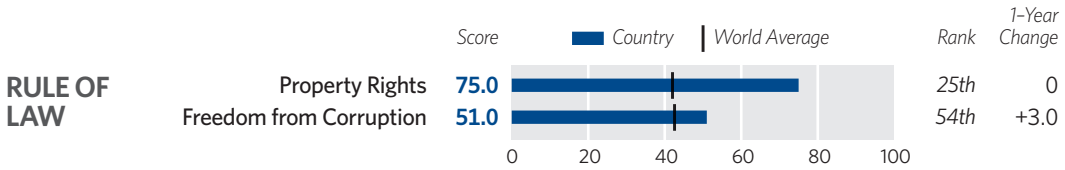
- Population:** 10.5 million
- GDP (PPP):** \$314.6 billion
- 2.0% growth in 2014
- 5-year compound annual growth 1.0%
- \$29,925 per capita
- Unemployment:** 6.2%
- Inflation (CPI):** 0.4%
- FDI Inflow:** \$5.9 billion
- Public Debt:** 41.6% of GDP

How Do We Measure Economic Freedom?

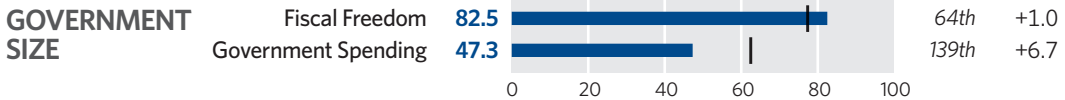
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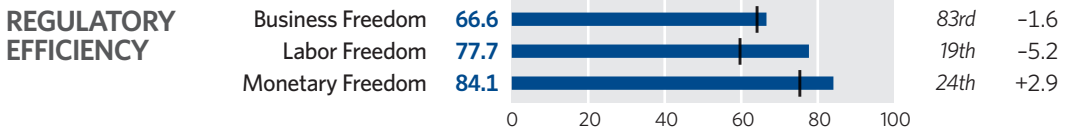
THE TEN ECONOMIC FREEDOMS



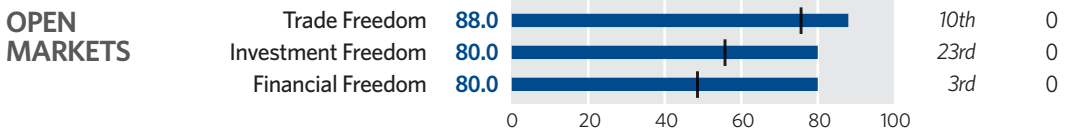
Chronic corruption has tainted public procurement and the management of EU funds. Several high-ranking politicians and civil servants have been implicated in an ongoing investigation of graft and abuse of office. The judiciary’s independence is largely respected, but its complexity and multilayered composition cause the delivery of judgments to be slow. Property rights are relatively well protected, and contracts are generally secure.



The individual income tax rate is a flat 15 percent, and the standard corporate tax rate is 19 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 34.1 percent of total domestic income. Government spending has stabilized at about 41.9 percent of total domestic output. The budget has been in deficit, driving public debt to over 40 percent of GDP.



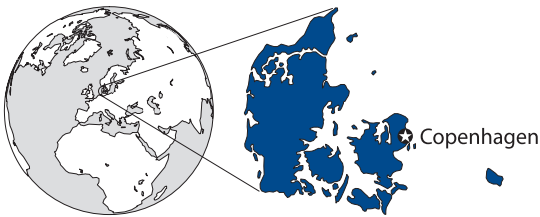
Recent reforms have reduced the cost and number of procedures required to launch a company, but the pace of reform has slowed in comparison to other comparable economies. The labor market is relatively flexible. Unemployment has declined to the lowest level since 2009. Subsidies from the EU to fund a variety of programs, from economic convergence to agriculture, increased substantially in 2015.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Although most state-owned enterprises have been privatized, some remain unreformed. The financial sector, diversified and competitive, has shown its resilience in maintaining capital levels and liquidity.

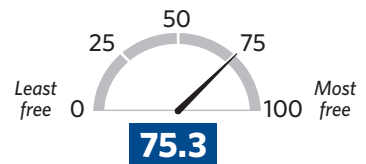
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+35.8	Business Freedom	-33.4	Trade Freedom	+12.0
Freedom from Corruption	+1.0	Government Spending	+9.1	Labor Freedom	+20.0	Investment Freedom	+10.0
				Monetary Freedom	+14.9	Financial Freedom	-10.0



DENMARK

Economic Freedom Score



World Rank: **12**

Regional Rank: **5**

The Danish economy continues to benefit from a high degree of regulatory efficiency. Open-market policies encourage flexibility, competitiveness, and flows of trade and investment, and the transparent and efficient legal environment facilitates robust entrepreneurial activity.

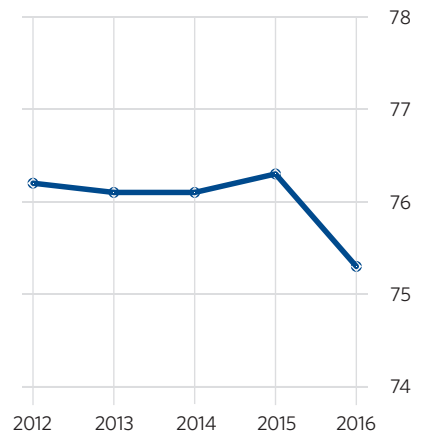
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **75.3 (down 1 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **12th**
- Regional Ranking: **5th in Europe**
- Notable Successes: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Concerns: **Management of Public Finance**
- Overall Score Change Since 2012: **-0.9**

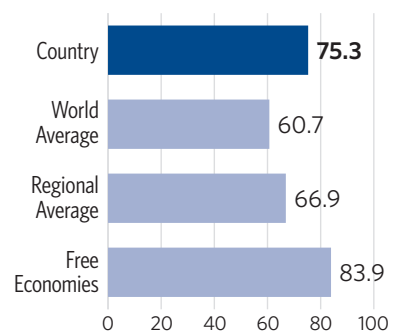
Public spending remains high, accounting for over half of GDP. The complicated tax regime finances the large scope of government activity through various direct and indirect taxes, and the overall tax burden is one of the world's highest. Banking regulations are sensible, and lending practices have been relatively prudent. Monetary stability is well maintained, with inflationary pressures under control.

BACKGROUND: Social Democrat Prime Minister Helle Thorning-Schmidt's center-left coalition defeated then-Prime Minister Lars Løkke Rasmussen in the September 2011 parliamentary elections. In 2015, a center-right coalition won more seats in parliament, and Rasmussen became prime minister again. Denmark has been a member of the European Union since 1973. Its economy depends heavily on foreign trade, and the private sector includes many small and medium-size companies. Increased immigration spurred by the 2011 uprisings in North Africa has led the government to consider more restrictive immigration laws. Although not party to the euro, Denmark has felt the impact of the European economic crisis. Economic growth has been sluggish, but unemployment remains relatively low. The government is considering proposals to move closer to a cashless economy.

Freedom Trend



Country Comparisons



Quick Facts

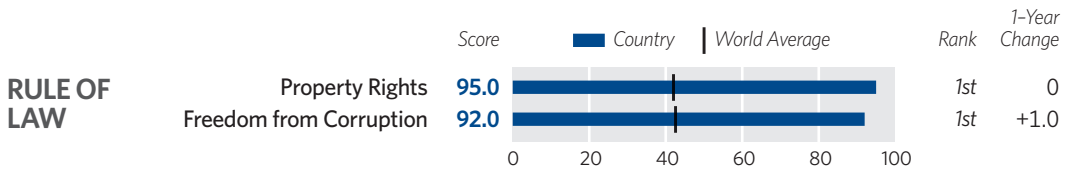
- Population:** 5.6 million
- GDP (PPP):** \$249.5 billion
- 1.0% growth in 2014
- 5-year compound annual growth 0.5%
- \$44,343 per capita
- Unemployment:** 6.6%
- Inflation (CPI):** 0.6%
- FDI Inflow:** \$3.7 billion
- Public Debt:** 42.6% of GDP

How Do We Measure Economic Freedom?

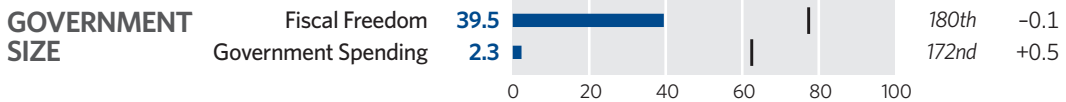
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2014 data unless otherwise noted.
Data compiled as of September 2015.

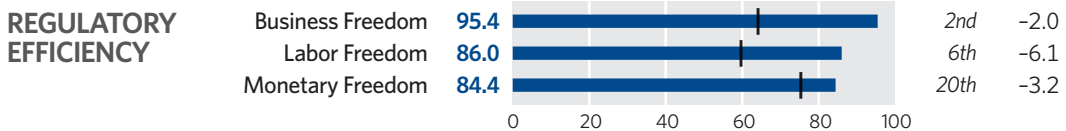
THE TEN ECONOMIC FREEDOMS



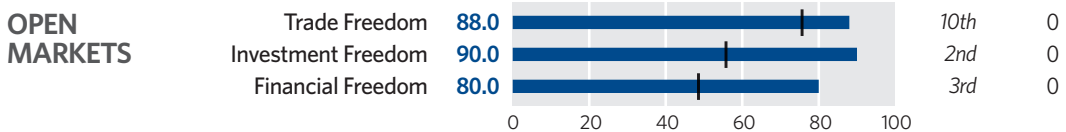
Levels of corruption are generally very low in Denmark, which was ranked first out of 175 countries surveyed in Transparency International’s 2014 Corruption Perceptions Index. An independent and fair judicial system is institutionalized throughout the economy, and protection of property rights is strongly enforced. Intellectual property rights are respected, and enforcement is consistent with world standards.



The top personal income tax rate is 56 percent, and the top corporate tax rate is 23.5 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals almost 50 percent of total domestic income. Government spending amounts to more than 55 percent of GDP, and budget deficits are around 3 percent of GDP. Public debt equals just under 45 percent of total domestic output.



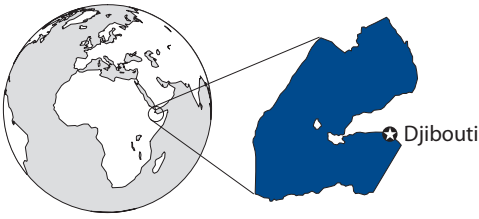
The regulatory environment remains one of the world’s most efficient, and starting a business takes fewer procedures than the world averages. Relatively flexible hiring and dismissal regulations sustain an efficient labor market. Monetary stability is well established. June 2015 parliamentary elections centered on which party could best be trusted to deny immigrants access to Denmark’s generous welfare-state subsidies.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The economy is one of the world’s most open with respect to foreign investment, and the investment code is transparent and efficiently administered. The diversified financial sector has undergone a period of instability with several banks performing poorly.

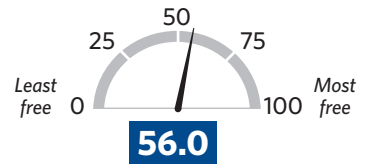
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+8.0	Business Freedom	+10.4	Trade Freedom	+10.2
Freedom from Corruption	+2.0	Government Spending	+2.3	Labor Freedom	-13.9	Investment Freedom	+20.0
				Monetary Freedom	-7.0	Financial Freedom	+10.0



DJIBOUTI

Economic Freedom Score



World Rank: **124**

Regional Rank: **24**

Djibouti has sought to transform itself into a regional trade, finance, and telecommunications hub. The economy is driven mainly by services, with industry accounting for less than 20 percent of GDP. Increased investment, particularly in construction and port operations, has led to relatively high growth, but onerous regulations still hinder private-sector development.

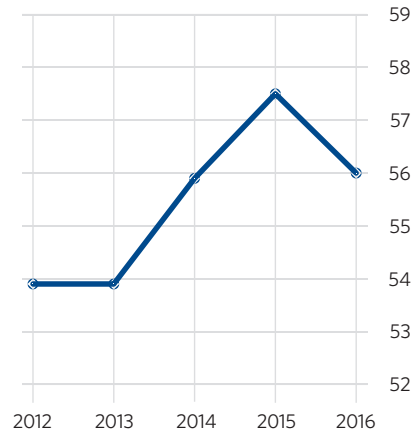
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56 (down 1.5 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **124th**
- Regional Ranking: **24th in Sub-Saharan Africa**
- Notable Successes: **Investment Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Trade Freedom**
- Overall Score Change Since 2012: **+2.1**

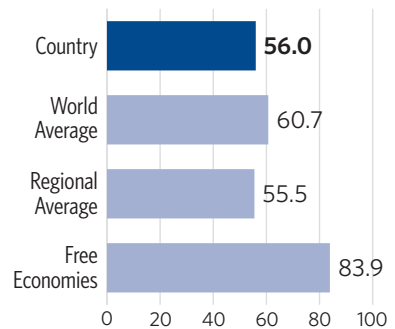
Effective implementation of deeper institutional reforms remains critical to reinforcing dynamic economic growth. Protection of property rights and enforcement of anti-corruption measures remain weak, and the judiciary remains vulnerable to political influence.

BACKGROUND: President Ismael Omar Guelleh, whose multi-party, multi-ethnic coalition controls all levels of government, was reelected to a third term in 2011 after getting parliament to change a constitutional prohibition on more than two terms. The opposition boycotted the polls. One of Djibouti's comparative advantages is its geostrategic location at the mouth of the Red Sea. Port facilities and the railway are key assets. The main port serves as an important staging point for international antipiracy operations, and Djibouti is active in the African Union's AMISOM peacekeeping mission in Somalia. The country has few natural resources and imports most of its food, and the government relies on foreign assistance to pay its bills and finance development projects. With the recent conflict in Yemen, thousands of refugees have made their way to Djibouti.

Freedom Trend



Country Comparisons



Quick Facts

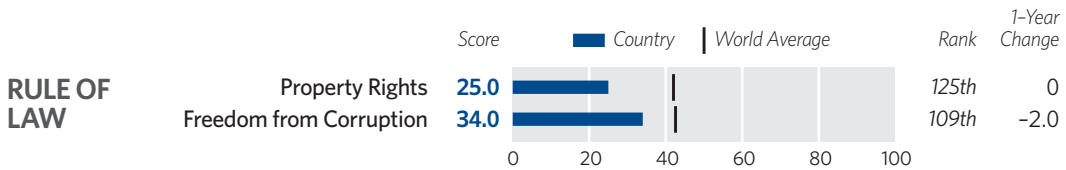
Population: 0.9 million
GDP (PPP): \$2.9 billion
 6.0% growth in 2014
 5-year compound annual growth 4.8%
 \$3,051 per capita
Unemployment: 60%
Inflation (CPI): 2.9%
FDI Inflow: \$153.0 million
Public Debt: 44.6% of GDP

How Do We Measure Economic Freedom?

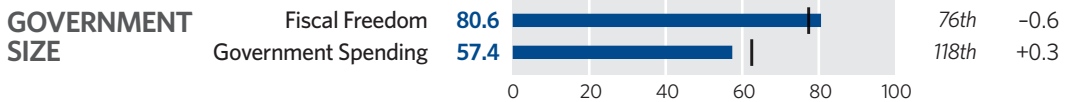
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

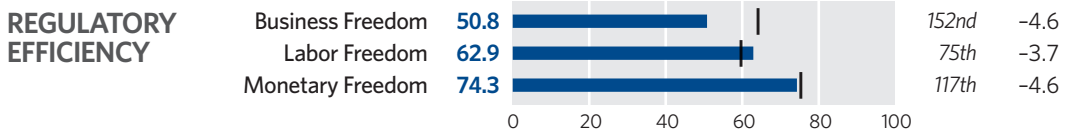
THE TEN ECONOMIC FREEDOMS



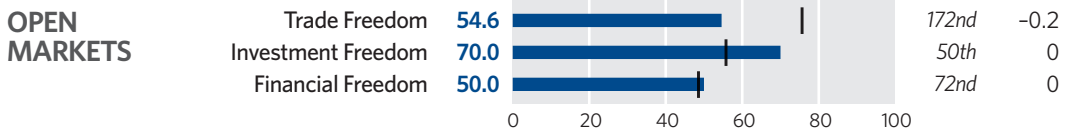
Efforts to curb government corruption have met with little success. Power remains heavily concentrated in the hands of the president, and repression of political opposition has increased. Public officials do not have to disclose their assets. Judicial proceedings and trials are time-consuming, prone to corruption, and subject to political manipulation. Protection of private property is weak. Sharia (Islamic) law prevails in family matters.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a property tax and an excise tax. The overall tax burden equals 20.3 percent of total domestic income. Government spending amounts to 37.7 percent of total domestic output. Public debt has been reduced to below 50 percent of GDP, but the latest budget remains in deficit.



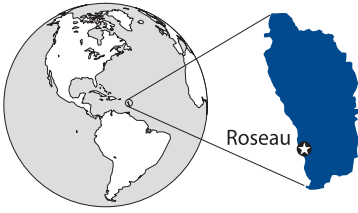
The regulatory system suffers from a lack of transparency and clarity, and the minimum capital requirement to start a company is costly. Recent labor-market reforms have not been fully enforced. Many goods and services are subject to price controls, and in 2015, the IMF again urged the heavily indebted government to replace costly subsidies for food and fuel with targeted assistance.



Djibouti’s average tariff rate is 17.7 percent. Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA), dedicated to “trade liberalization and customs co-operation.” State-owned enterprises distort several sectors of the economy. The financial sector generates an increasing share of GDP. Despite establishment of new banks, the sector remains dominated by the two main banks.

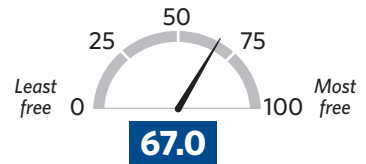
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	-3.5	Business Freedom	-4.2	Trade Freedom	+3.6
Freedom from Corruption	+4.0	Government Spending	+12.9	Labor Freedom	+3.2	Investment Freedom	+20.0
				Monetary Freedom	-1.2	Financial Freedom	0



DOMINICA

Economic Freedom Score



World Rank: **53** Regional Rank: **11**

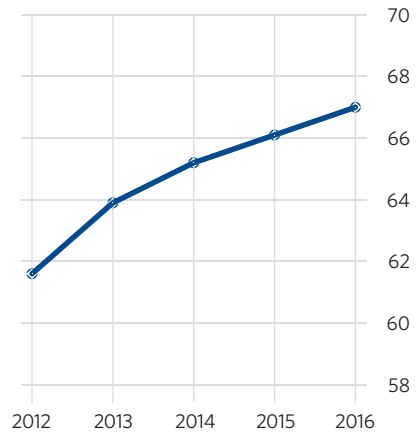
Reforms that include simplification of the business start-up process and reduction of the corporate tax rate have helped to improve the overall investment framework. However, momentum remains subdued, and the economy has been largely stagnant for five years.

ECONOMIC FREEDOM SNAPSHOT

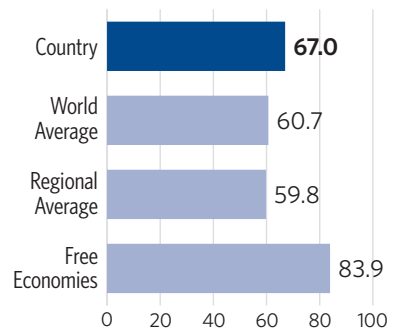
- 2016 Economic Freedom Score: **67 (up 0.9 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **53rd**
- Regional Ranking: **11th in the South and Central America/Caribbean Region**
- Notable Successes: **Regulatory Efficiency and Trade Freedom**
- Concerns: **Financial Freedom and Management of Public Finance**
- Overall Score Change Since 2012: **+5.4**

Despite some progress, inefficient and high public spending still burdens the population and increases the political system's vulnerability to outside pressure. Efforts to open markets further have not advanced, and the lack of access to long-term financing remains a serious impediment to more dynamic economic expansion.

Freedom Trend



Country Comparisons



Quick Facts

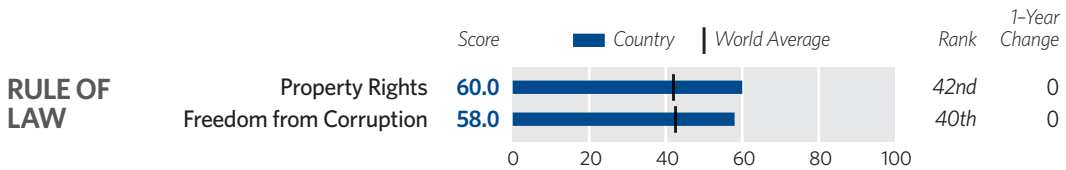
- Population:** 0.1 million
- GDP (PPP):** \$0.8 billion
- 1.1% growth in 2014
- 5-year compound annual growth 0.0%
- \$10,800 per capita
- Unemployment:** n/a
- Inflation (CPI):** 0.7%
- FDI Inflow:** \$41.1 million
- Public Debt:** 76.6% of GDP

How Do We Measure Economic Freedom?

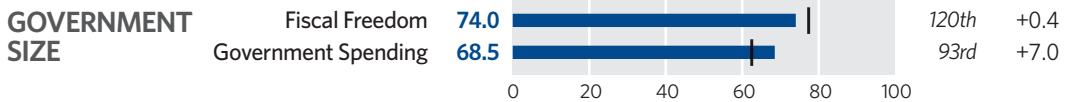
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

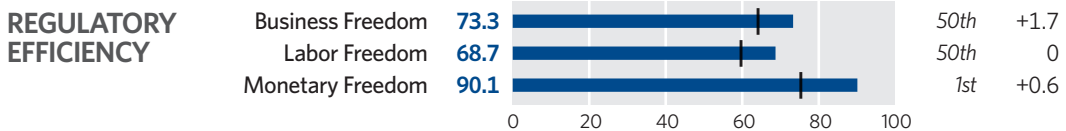
THE TEN ECONOMIC FREEDOMS



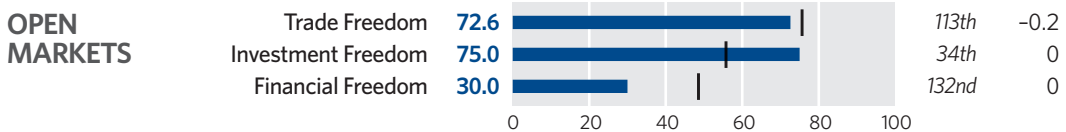
Corruption is not a major problem, but anti-corruption statutes are not always implemented effectively. Dominica has an independent judiciary based on English common law, and private property rights are generally respected. Public trials are considered fair. Pirated copyrighted material is sold openly. Non-bank financial institutions are monitored to combat money laundering and the financing of terrorism.



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 and an environmental tax. The overall tax burden equals 21.7 percent of GDP. Government spending amounts to 32.4 percent of total domestic output. Expansionary spending continues to undermine fiscal discipline, and public debt equals about 77 percent of GDP.



Launching a business takes only five procedures, and no minimum capital is required. The cost of obtaining necessary permits has been reduced. The non-salary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. A comprehensive restructuring of the economy to meet IMF requirements, including elimination of price controls, has been underway for more than a decade.



Dominica’s average tariff rate is 8.7 percent. Foreign and domestic investors normally are treated equally under the law. There generally are no caps on foreign investment, although there are some restrictions on land ownership. The financial sector remains underdeveloped. Shallow markets and the lack of a wide variety of financial instruments restrict overall access to credit.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+6.6	Business Freedom	-3.1	Trade Freedom	-1.6
Freedom from Corruption	+2.0	Government Spending	+16.3	Labor Freedom	-1.3	Investment Freedom	+15.0
				Monetary Freedom	+10.3	Financial Freedom	0

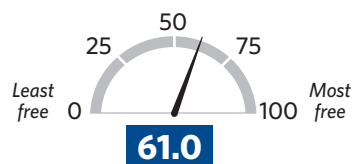
DOMINICAN REPUBLIC



World Rank: **88**

Regional Rank: **17**

Economic Freedom Score



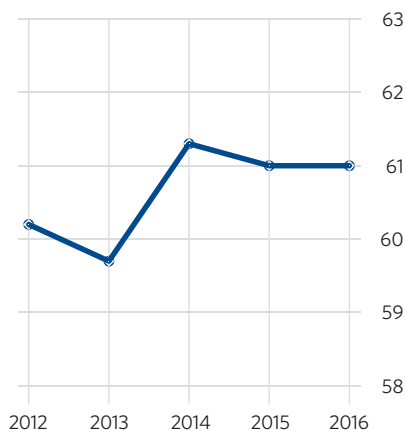
The Dominican Republic has implemented a number of regulatory reforms. With licensing requirements cut, business start-ups are less time-consuming. In 2015, a streamlined bankruptcy law was adopted. A liberalized investment regime has facilitated growth around free trade zones and contributed to economic expansion of about 5 percent annually over the past five years.

ECONOMIC FREEDOM SNAPSHOT

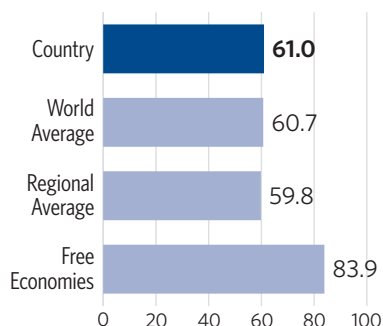
- 2016 Economic Freedom Score: **61.0 (no change)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **88th**
- Regional Ranking: **17th in the South and Central America/Caribbean Region**
- Notable Successes: **Business Freedom, Trade Freedom, and Investment Freedom**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **+0.8**

Revitalizing the political momentum for deeper institutional reform remains critical to long-term economic development. Further progress on structural reform has become challenging, with fiscal adjustments complicated by entrenched interests. Corruption and erratic enforcement of the law continue to reduce commercial confidence and undercut economic dynamism.

Freedom Trend



Country Comparisons



Quick Facts

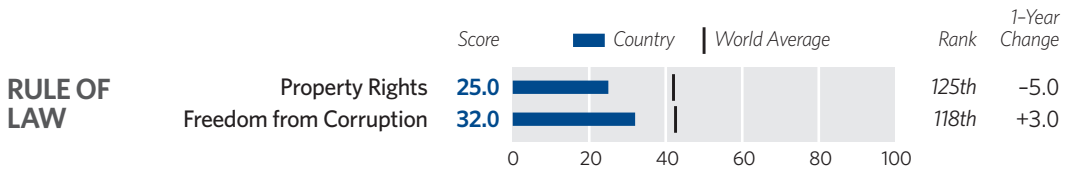
- Population:** 10.6 million
- GDP (PPP):** \$138.0 billion
- 7.3% growth in 2014
- 5-year compound annual growth 5.2%
- \$13,012 per capita
- Unemployment:** 15.0%
- Inflation (CPI):** 3.0%
- FDI Inflow:** \$2.2 billion
- Public Debt:** 35.1% of GDP

How Do We Measure Economic Freedom?

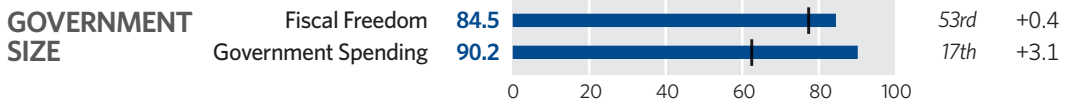
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

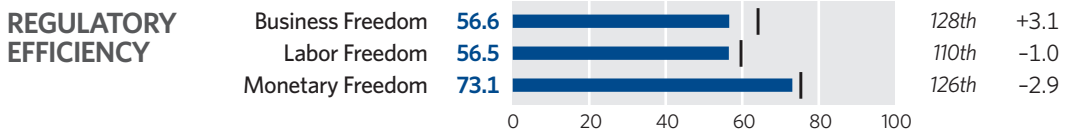
THE TEN ECONOMIC FREEDOMS



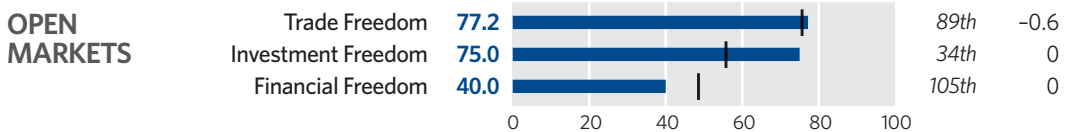
Corruption is a serious problem at all levels of government, including the judiciary and the security forces, and in the private sector. Institutionalized graft is tied to a sharp increase in drug trafficking. Freedom House reports that drug cartels make monthly payments to police officers. The judiciary is corrupt, politicized, and stacked against those who lack money or influence. Enforcement of intellectual property rights is poor.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 27 percent. Other taxes include a value-added tax, an estate tax, and a net wealth tax. The overall tax burden equals 13.9 percent of total domestic income. Government spending amounts to 18.1 percent of total domestic output. The deficit is still over 2.5 percent of GDP, and public debt equals about 35 percent of GDP.



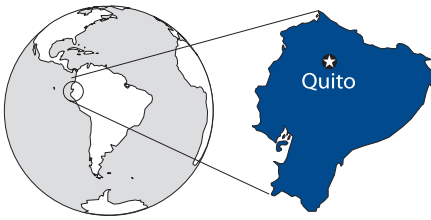
The cost of completing licensing requirements has been reduced, and launching a business takes only seven procedures. The non-salary cost of employing a worker is moderate, but restrictions on work hours are rigid. Before the 2016 presidential election, a much-needed increase in electricity rates is likely to be avoided for political reasons, in which case fiscal transfers to the power sector to help cover its losses will remain large.



The Dominican Republic's average tariff rate is 6.4 percent. Imports of agricultural products require a permit. There is no general screening of foreign investment, and there are no limits on foreign investment in most sectors. The small financial sector has been modernized and consolidated, but confidence in banking has been shaky. Capital markets are underdeveloped, and long-term financing is hard to obtain.

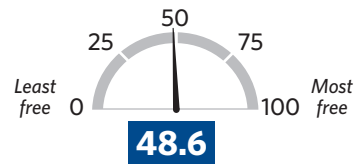
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+0.2	Business Freedom	+1.6	Trade Freedom	+46.2
Freedom from Corruption	+2.0	Government Spending	-5.1	Labor Freedom	-0.4	Investment Freedom	+25.0
				Monetary Freedom	-3.1	Financial Freedom	-10.0



ECUADOR

Economic Freedom Score



World Rank: **159** Regional Rank: **25**

Economic freedom is at grave risk in Ecuador. The government's reach has expanded beyond petroleum and mining, and a restrictive entrepreneurial environment has marginalized the private sector. The underdeveloped financial sector, often subjected to state-directed allocation of credit, limits access to financing and adds to business costs.

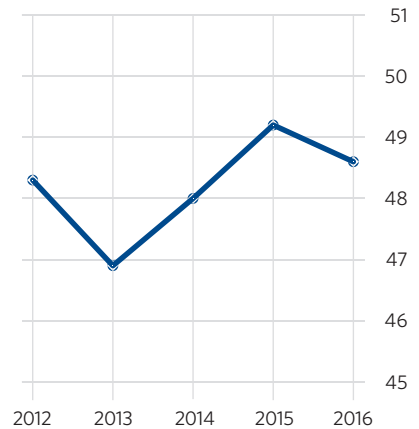
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **48.6 (down 0.6 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **159th**
- Regional Ranking: **25th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Rule of Law, Regulatory Efficiency, Investment Freedom**
- Overall Score Change Since 2012: **+0.3**

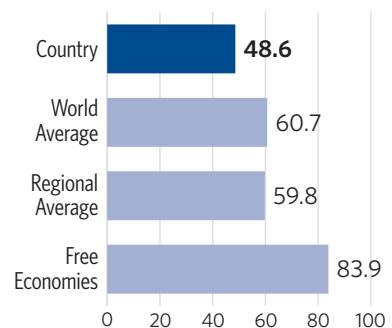
Ecuador's repressive political environment makes investment increasingly risky. By controlling trade and investment, the government is forcing closer economic ties with Venezuela and China. The judicial system remains vulnerable to political interference.

BACKGROUND: President Rafael Correa, reelected to an unprecedented third term in 2013, is laying the groundwork to run again in 2017. Ecuador is part of the Bolivarian Alliance for the Peoples of Our America (ALBA), led by socialist Venezuela, and has strengthened its relations with Iran and Russia and with China, the major buyer of its oil exports. The judiciary is not independent, and the Inter-American Human Rights Commission has criticized Ecuador for restricting freedom of the press. Correa relies on heavy public-sector spending to reward his core supporters, but government revenues have fallen as world oil prices have dropped. In March 2015, the government imposed tariff surcharges ranging from 5 percent to 45 percent on some imports for 15 months. It is also rumored that the government would like to abandon use of the dollar as legal tender. Approximately one-third of the population lives below the poverty line.

Freedom Trend



Country Comparisons



Quick Facts

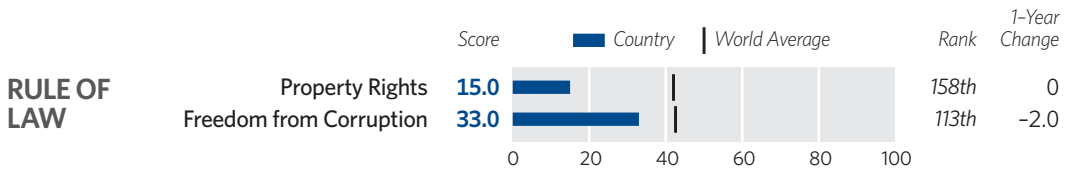
- Population:** 16.0 million
- GDP (PPP):** \$180.2 billion
- 3.6% growth in 2014
- 5-year compound annual growth 5.0%
- \$11,244 per capita
- Unemployment:** 4.6%
- Inflation (CPI):** 3.6%
- FDI Inflow:** \$773.9 million
- Public Debt:** 29.8% of GDP

How Do We Measure Economic Freedom?

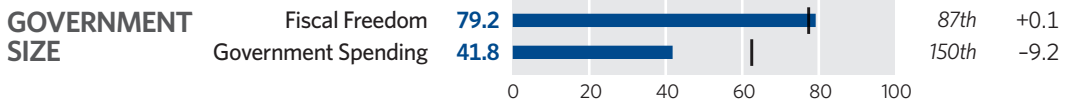
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2014 data unless otherwise noted.
Data compiled as of September 2015.

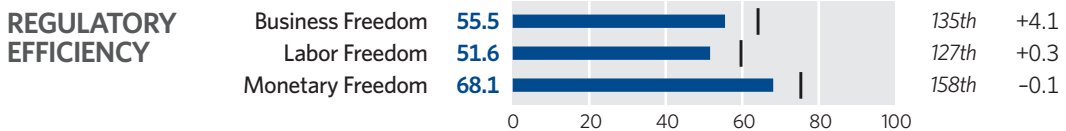
THE TEN ECONOMIC FREEDOMS



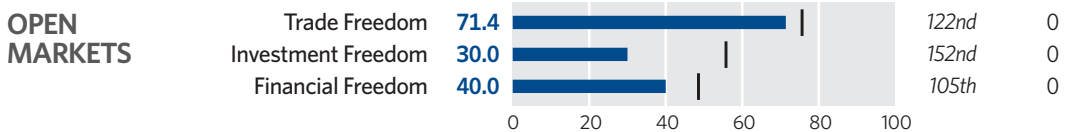
Persistent corruption is fueled by cronyism, excessive judicial discretion, fragmented anti-corruption policies, incongruities between offenses and sanctions, and collusion. A weak judiciary and lack of investigative capacity contribute to an environment of impunity. In 2015, the government closed Fundamedios, an NGO that had openly criticized it. Ecuador decriminalized intellectual property rights violations in 2014.



The top personal income tax rate is 35 percent, and the corporate tax rate is 22 percent. Profits reinvested in capital purchases are subject to a special 15 percent rate. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 19.3 percent of GDP. Government spending amounts to 44 percent of total domestic output. Public debt is about 30 percent of GDP.



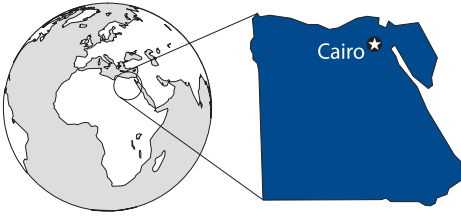
Regulatory efficiency remains poor, and application of regulations is inconsistent and non-transparent. The labor market lacks flexibility and hinders job growth. Although dollarization generates a modicum of monetary stability, the government makes extensive use of price controls and subsidies. The IMF has urged a carefully planned overhaul of very high fuel subsidies to reduce the drain on the budget.



Ecuador’s average tariff rate is 4.3 percent. The government’s import substitution strategy interferes with trade. Investment in some “strategic” sectors including telecommunications and electricity is restricted. Although the banking sector has grown, the state’s interventionist policy stance constrains overall growth in financial services. The number of non-performing loans has been increasing.

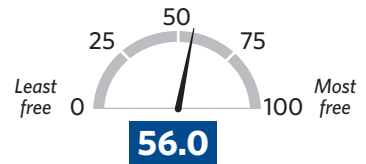
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-35.0	Fiscal Freedom	-2.6	Business Freedom	+0.5	Trade Freedom	+10.4
Freedom from Corruption	+23.0	Government Spending	-53.1	Labor Freedom	+11.8	Investment Freedom	-40.0
				Monetary Freedom	+21.8	Financial Freedom	-10.0



EGYPT

Economic Freedom Score



World Rank: **125**

Regional Rank: **12**

After years of political upheaval that left the economy in tatters, Egypt has made progress in restoring confidence. Recent policy choices include measures designed to induce more dynamic investment and spur much-needed private-sector job creation. The reform of fuel subsidies has been a notable achievement.

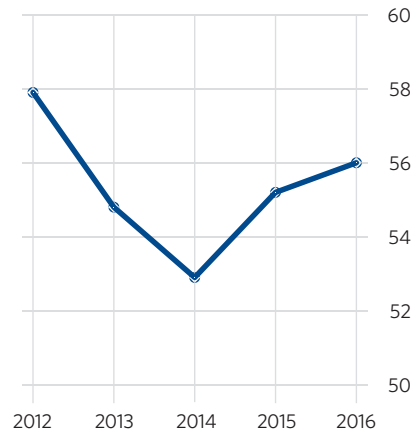
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56.0 (up 0.8 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **125th**
- Regional Ranking: **12th in the Middle East/North Africa Region**
- Notable Successes: **Trade Freedom and Investment Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-1.9**

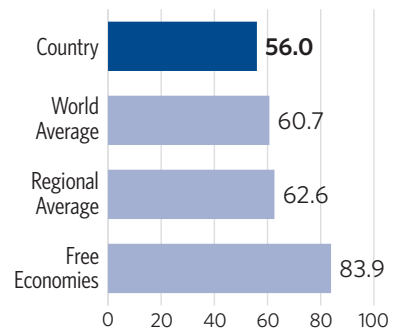
The government's commitment to institutional and structural reforms will be critical to reinforcing progress and ensuring long-term transformation of the economy. The rule of law is uneven across the country, with judicial independence still vulnerable to political pressure. Property rights are not protected effectively, and the perceived level of corruption is very high.

BACKGROUND: In 2011, the army ousted President Hosni Mubarak. The ensuing period of political instability included dissolution of the parliament in 2012, recurring street demonstrations, and an army coup that ousted the government of Mohamed Morsi of the Muslim Brotherhood's Freedom and Justice Party in 2013. A new constitution was approved by referendum in January 2014. The current president, Field Marshal Abdel Fattah el-Sisi, was elected in May 2014. As political turmoil has subsided, the vital tourism industry has begun to revive despite continued terrorist attacks, and there are signs of increased investment and economic growth. Despite only a small amount of arable land, farming is an important part of Egypt's relatively well-diversified economy and employs about 30 percent of the workforce.

Freedom Trend



Country Comparisons



Quick Facts

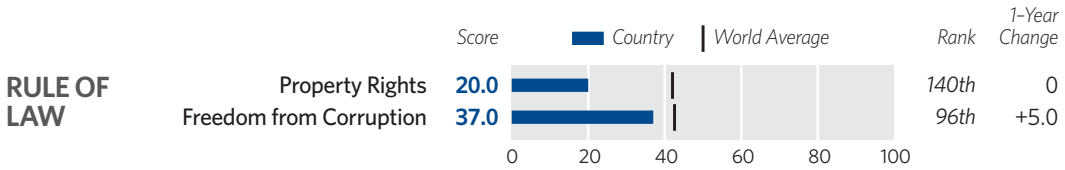
- Population:** 86.7 million
- GDP (PPP):** \$943.1 billion
- 2.2% growth in 2014
- 5-year compound annual growth 2.7%
- \$10,877 per capita
- Unemployment:** 13.2%
- Inflation (CPI):** 10.1%
- FDI Inflow:** \$4.8 billion
- Public Debt:** 90.5% of GDP

How Do We Measure Economic Freedom?

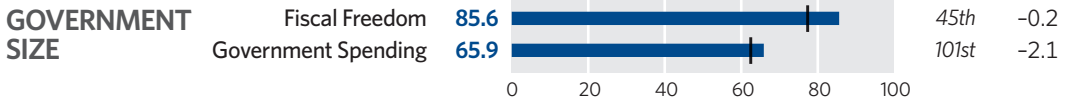
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2014 data unless otherwise noted.
Data compiled as of September 2015.

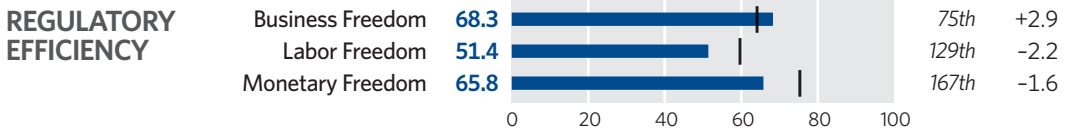
THE TEN ECONOMIC FREEDOMS



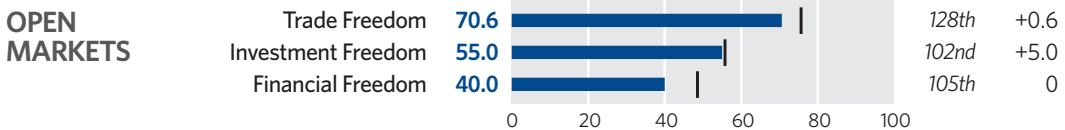
Corruption pervades all levels of government, and official mechanisms for investigating and punishing it are very weak. Like its predecessors, the el-Sisi administration is not transparent about government operations and budgeting. The rule of law remains highly unstable, and the judicial system’s independence is poorly institutionalized, although the new constitution has enhanced its autonomy. Property rights are not protected effectively.



Egypt’s top individual and corporate income tax rates are 25 percent. Other taxes include a property tax and a general sales tax. Total tax revenue equals 13.9 percent of domestic income. Government spending amounts to 33.7 percent of the domestic economy. Government fiscal policy is expansionary, with budget deficits over 10 percent of GDP and public debt equivalent to over 90 percent of annual output.



Ongoing regulatory reforms have made starting a business less time-consuming, but in the absence of needed reforms in other critical areas, they have not had much real impact. Informal labor activity persists in many sectors. The government reduced electricity and fuel subsidies significantly in 2014 but did not reduce them further in the 2015 budget, despite the deflationary drop in global oil prices.

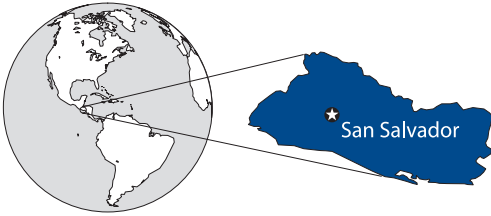


Egypt’s average tariff rate is 9.7 percent. Foreign investment in construction and transportation services may not exceed 49 percent. State-owned enterprises are active in several sectors. The state’s presence in the financial sector has been phased out, but modernization of the sector has progressed slowly. Overall use of financial services remains low and has decreased over the past five years.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+39.6	Business Freedom	+13.3	Trade Freedom	+45.6
Freedom from Corruption	+7.0	Government Spending	+12.2	Labor Freedom	-8.3	Investment Freedom	+5.0
				Monetary Freedom	-6.2	Financial Freedom	-10.0

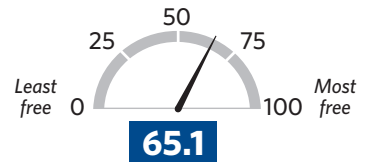
EL SALVADOR



World Rank: **63**

Regional Rank: **12**

Economic Freedom Score



The government's turn away from economic reform and liberalization has caused El Salvador's economy to record a gradual decline in dynamism. Institutional shortcomings have slowed growth, and regulatory inefficiency and the precarious security situation have undercut competitiveness.

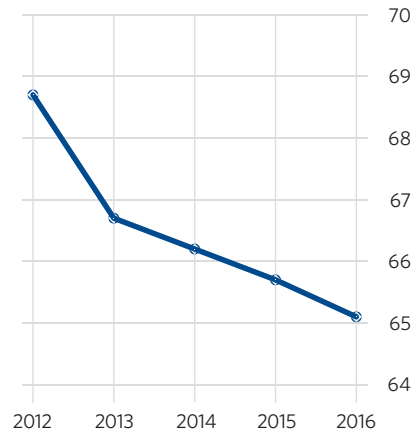
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.1 (down 0.6 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **63rd**
- Regional Ranking: **12th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **-3.6**

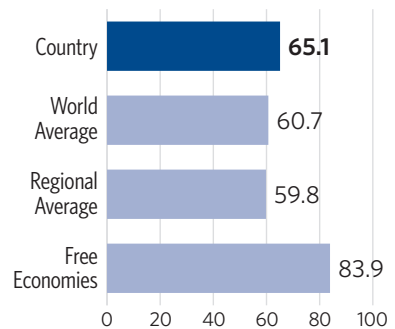
Law enforcement remains ineffective, respect for the rule of law is low, and corruption is perceived as widespread. Crime and violence continue to disrupt overall social development and economic growth.

BACKGROUND: Following four years of rule by FMLN President Mauricio Funes, Salvador Sánchez Cerén, a former Marxist guerrilla of the same party, took office in June 2014 following a narrow and hotly contested election. Since then, increasing violent crime and slow economic growth have eroded his popularity. The opposition center-right Alianza Republicana Nacionalista (ARENA) became the largest party in Congress after March 2015 midterm elections, but Sánchez Cerén still controls the legislature through an FMLN coalition with the smaller, putatively right-wing Gran Alianza Nacional (Gana) party. Transparency International's San Salvador representative has alleged that the FMLN government's persecution of political enemies is reminiscent of the 1970s military governments. El Salvador's National Association of Private Enterprise has accused the government of using social media to harass those who defend free speech, generate jobs, and are considered the opposition. In two successive presidential terms, the FMLN has increased the state's role in the economy.

Freedom Trend



Country Comparisons



Quick Facts

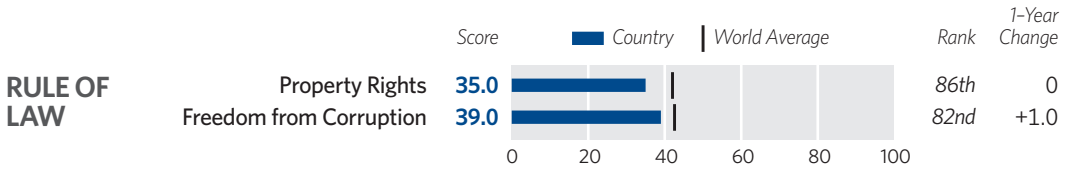
- Population:** 6.4 million
- GDP (PPP):** \$50.9 billion
- 2.0% growth in 2014
- 5-year compound annual growth 1.8%
- \$8,021 per capita
- Unemployment:** 6.2%
- Inflation (CPI):** 1.1%
- FDI Inflow:** \$275.0 million
- Public Debt:** 56.5% of GDP

How Do We Measure Economic Freedom?

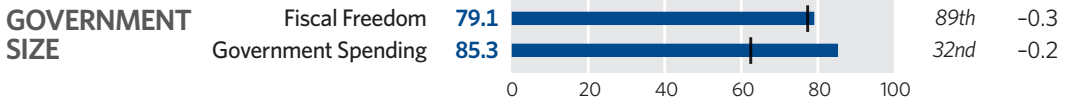
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

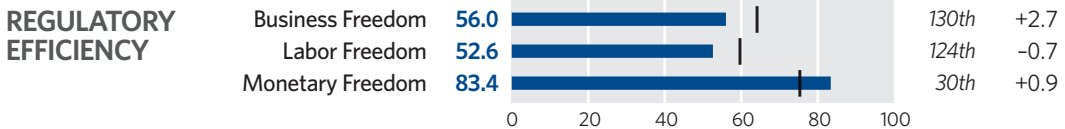
THE TEN ECONOMIC FREEDOMS



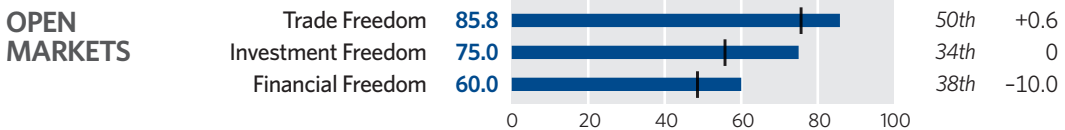
El Salvador had one of the world’s highest per capita homicide rates in 2015, much of it related to gang activity and narco-trafficking. Corruption is still a serious problem, and few high-level public officials have been charged or convicted. The judicial system is somewhat independent but remains subject to corruption and obstructionism. Property rights are not strongly respected, and law enforcement is inefficient and uneven.



The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 17.1 percent of total domestic income. Government spending amounts to 22.1 percent of total domestic output. The government budget is chronically in deficit, and public debt has increased to about 57 percent of GDP.



A significant reduction in the minimum capital requirement has made business start-ups less burdensome, but obtaining the necessary permits remains time-consuming. Imbalances persist in the demand and supply of skilled workers in the rigid labor market. The government imposes price controls on a range of goods and services, and the IMF reports that poorly targeted subsidies cost the economy about 1 percent of GDP each year.

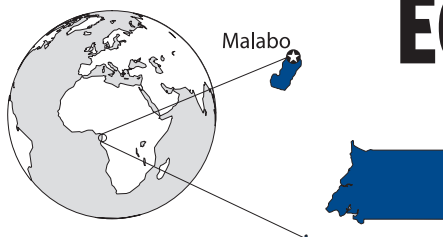


El Salvador’s average tariff rate is 2.1 percent. Quotas and high tariffs restrict rice and pork imports. Foreign and domestic investors are generally treated equally under the law, but the slow-moving judicial system may discourage foreign investment. Banking is highly concentrated, with four private banks accounting for over 70 percent of total assets. Progress in broader financial-sector reforms has been limited.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	-4.7	Business Freedom	-14.0	Trade Freedom	+20.8
Freedom from Corruption	-11.0	Government Spending	-8.3	Labor Freedom	-15.5	Investment Freedom	+5.0
				Monetary Freedom	+14.0	Financial Freedom	-10.0

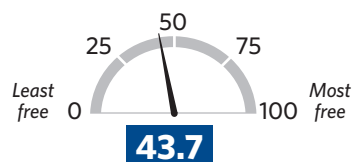
EQUATORIAL GUINEEA



World Rank: **170**

Regional Rank: **43**

Economic Freedom Score



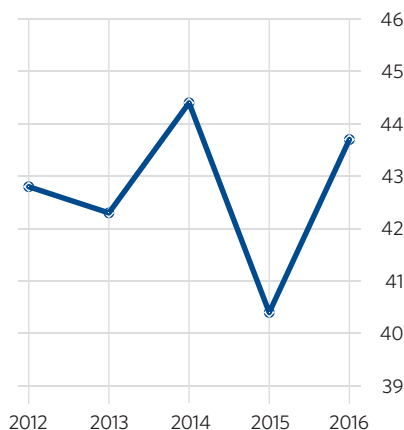
Oil has driven high GDP growth rates, but Equatorial Guinea's overall economic development remains uneven, and poverty is pervasive. Political instability undermines prospects for reform, and extreme reliance on natural resource-driven investment has left the economy vulnerable to external price shocks.

ECONOMIC FREEDOM SNAPSHOT

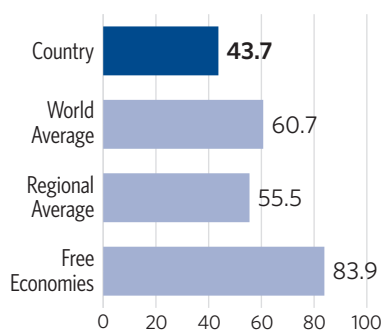
- 2016 Economic Freedom Score: **43.7 (up 3.3 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **170th**
- Regional Ranking: **43rd in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Corruption, Property Rights, and Open Markets**
- Overall Score Change Since 2012: **+0.9**

Private property is vulnerable to political interference and even expropriation, and corruption is widespread. Worsening institutional weaknesses and the fragile rule of law impede emergence of a more vibrant private sector, stifling prospects for broad-based economic development. More than half of the workforce is estimated to work in the informal economy.

Freedom Trend



Country Comparisons



Quick Facts

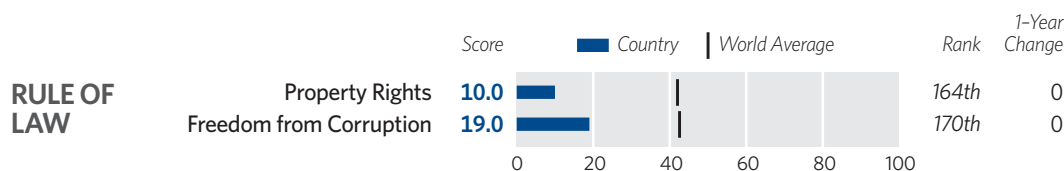
- Population:** 0.8 million
- GDP (PPP):** \$25.1 billion
- 3.1% growth in 2014
- 5-year compound annual growth -0.2%
- \$32,266 per capita
- Unemployment:** 7.9%
- Inflation (CPI):** 3.0%
- FDI Inflow:** \$1.9 billion
- Public Debt:** 7.6% of GDP

How Do We Measure Economic Freedom?

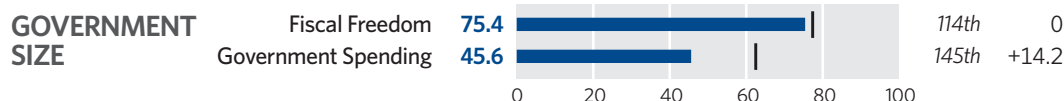
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

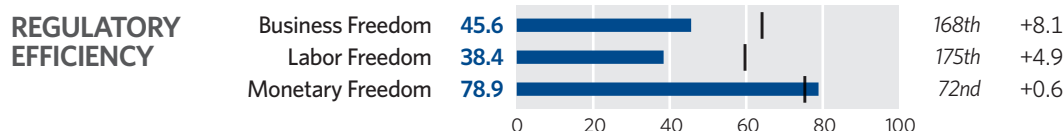
THE TEN ECONOMIC FREEDOMS



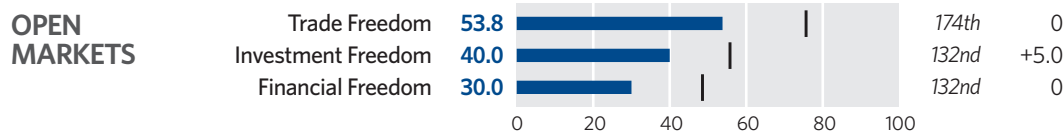
President Obiang, his sons, and his inner circle continue to dominate the economic landscape with absolute power. Graft and nepotism are rampant. The government views domestic private firms without links to the regime as suspicious. In May 2015, the president decreed the “complete dissolution” of the judiciary without explanation and then appointed new judges with ties to the regime. Protection of property rights is poor.



The top personal income and corporate tax rates are 35 percent. Other taxes include a value-added tax and a tax on inheritance. The overall tax burden equals 2.3 percent of GDP. Government spending amounts to 42.6 percent of total domestic output, but substantial oil revenue has allowed the government to maintain low deficit and debt levels. Public debt equals less than 10 percent of GDP.



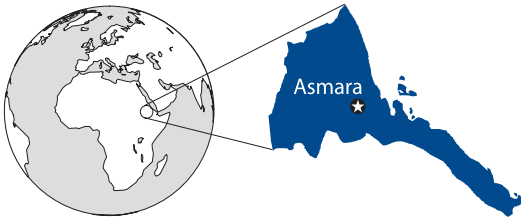
High compliance costs slow licensing and increase the difficulty of starting a business. In the absence of private-sector employment opportunities, an organized labor market has not emerged. During the commodity boom, the state misused its substantial oil revenues to subsidize strategic sectors such as fisheries and agriculture. With the plunge in global oil prices in 2015, government revenues have plummeted.



Equatorial Guinea’s average tariff rate was 15.6 percent as of 2007. Bureaucratic barriers interfere with international trade and investment flows. The government screens foreign investment and imposes some sectoral limits. Credit costs are high, and access to financing is limited. The government controls long-term lending through the state-owned development bank.

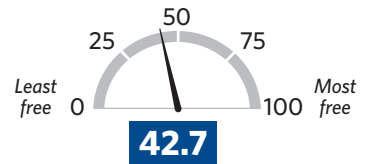
Long-Term Score Change (since 1999)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-13.9	Business Freedom	-9.4	Trade Freedom	-0.6
Freedom from Corruption	+9.0	Government Spending	-35.8	Labor Freedom	-9.0	Investment Freedom	+10.0
				Monetary Freedom	+12.9	Financial Freedom	+20.0



ERITREA

Economic Freedom Score



World Rank: **173**

Regional Rank: **45**

Eritrea, one of the world's most isolated and economically stagnant countries, has been governed under emergency rule since 1998. Its economy remains severely underdeveloped, and the rule of law remains extremely fragile. It is estimated that about 9 percent of the population has fled the country in recent years.

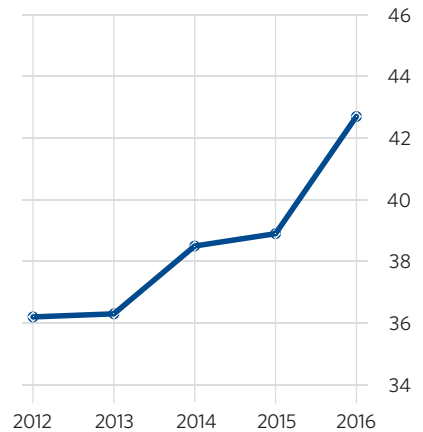
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **42.7 (up 3.8 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **173rd**
- Regional Ranking: **45th in Sub-Saharan Africa**
- Notable Successes: **None**
- Concerns: **Rule of Law, Management of Public Finance, and Open Markets**
- Overall Score Change Since 2012: **+6.5**

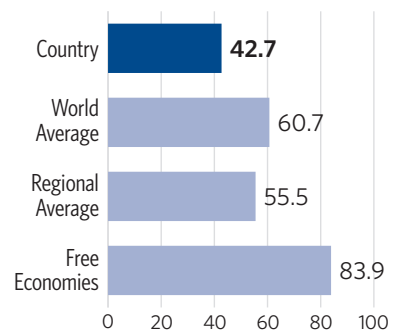
The public sector remains the largest source of formal employment, and the informal economy accounts for much non-mining private-sector activity. Chronic deficits exacerbate already fragile monetary stability. A repressive central government continues to marginalize the private sector and perpetuate an uncertain investment climate.

BACKGROUND: Isaias Afewerki has ruled this one-party state since it voted in 1993 for independence from Ethiopia after winning a 30-year war with its southern neighbor. The hostile relationship between Ethiopia and Eritrea occasionally flares into conflict. According to the Committee to Protect Journalists, Eritrea is the world's most censored country. It is also subject to U.N. military and economic sanctions for allegedly supporting armed groups in the Horn of Africa. Economic growth is far too low to make a dent in pervasive poverty. Copper and gold are important exports, but military spending drains resources from development of public infrastructure. The government declines most international food aid. Diaspora remittances are a major source of revenue through a yearly tax of 2 percent levied on all diaspora earnings.

Freedom Trend



Country Comparisons



Quick Facts

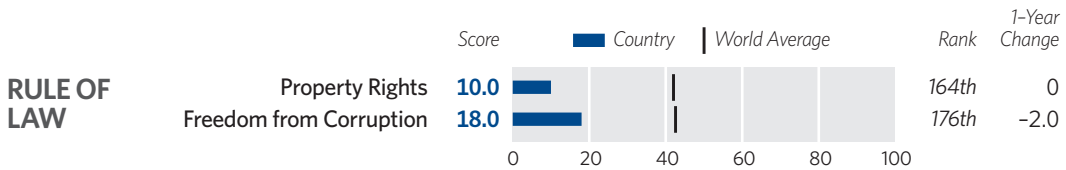
- Population:** 6.5 million
- GDP (PPP):** \$7.8 billion
- 1.7% growth in 2014
- 5-year compound annual growth 4.2%
- \$1,195 per capita
- Unemployment:** 7.2%
- Inflation (CPI):** 12.3%
- FDI Inflow:** \$46.5 million
- Public Debt:** 125.3% of GDP

How Do We Measure Economic Freedom?

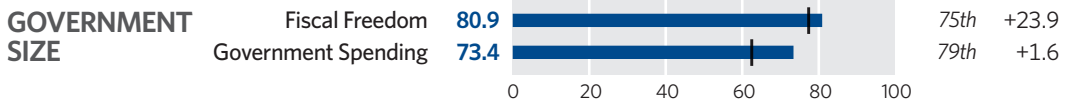
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

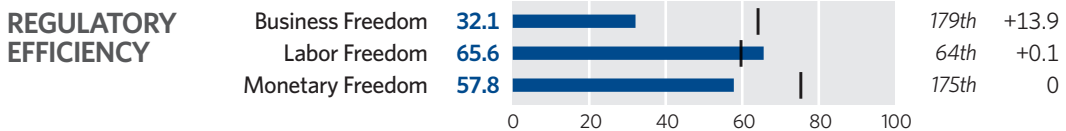
THE TEN ECONOMIC FREEDOMS



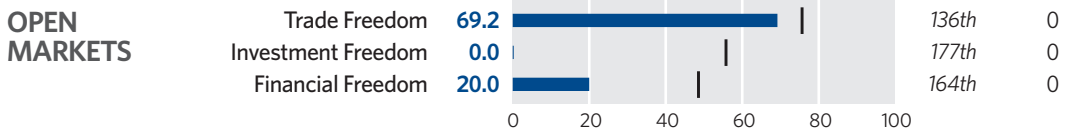
This one-party state ruled by the autocratic regime of the president and his small circle of senior advisers and military commanders is widely considered one of the world’s most repressive. Corruption is a major problem. The politicized and understaffed judiciary has never ruled against the government. Protection of property rights is poor. The state often expropriates private property without notice, explanation, or compensation.



The top personal income and corporate tax rates are 30 percent. The overall tax burden is estimated to equal about 10 percent of GDP, but taxation is erratic. Government spending amounts to 29.8 percent of total domestic output. The deficit has been chronically high at over 10 percent of GDP, and public debt equals more than 100 percent of total annual income. The reliability of Eritrea’s budgetary statistics is questionable.



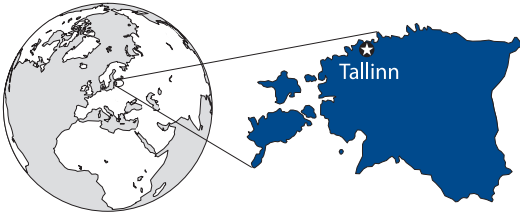
Prolonged political instability and the lack of legal transparency hamper the regulatory environment. Published regulations are severely outdated and ineffective in practice. In the absence of a functioning labor market, labor regulations are not enforced effectively. Monetary stability has been weak. Subsidies and price controls have been a core feature of the country’s command economy.



Eritrea’s average tariff rate was 5.4 percent as of 2006. Importation of goods is costly and time-consuming. There is no private ownership of land, and state-owned enterprises distort the economy. Foreign investment in some sectors is prohibited. The financial system remains severely underdeveloped. All banks are majority-owned by the government, and private-sector participation in the system remains constrained.

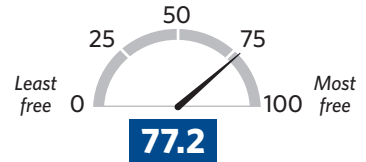
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-5.5	Business Freedom	+13.8	Trade Freedom	0
Freedom from Corruption	-10.0	Government Spending	+63.5	Labor Freedom	-8.3	Investment Freedom	-10.0
				Monetary Freedom	-1.2	Financial Freedom	0



ESTONIA

Economic Freedom Score



World Rank: **9**

Regional Rank: **3**

The Estonian economy continues to benefit from the government's strong commitment to economic freedom. The rule of law is enforced by an independent judicial system. A simplified tax system, dependable regulatory efficiency, and dynamic engagement with global commerce support the resilient and well-functioning economy.

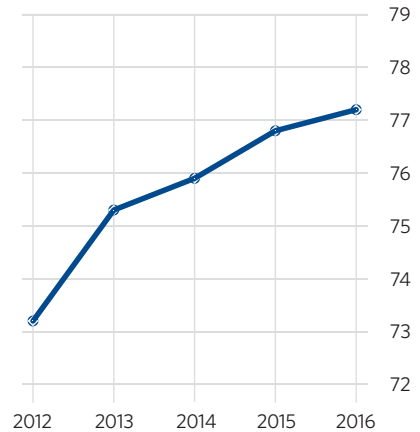
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **77.2 (up 0.4 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **9th**
- Regional Ranking: **3rd in Europe**
- Notable Successes: **Rule of Law, Management of Public Finance, and Open Markets**
- Concerns: **Labor Freedom**
- Overall Score Change Since 2012: **+4**

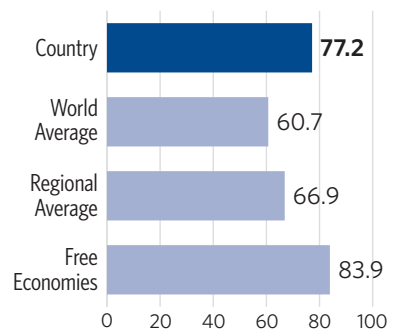
Institutionalized openness and flexibility have given Estonia an impressive capacity to adjust to external shocks. The small economy has reacted quickly to the challenging economic environment since 2009, with wage cuts and swift employment adjustments facilitated by a new labor law. Sound macroeconomic policies ensure vibrant investment and entrepreneurial activity.

BACKGROUND: Estonia regained its independence from the Soviet Union in 1991 and is a stable multi-party democracy. It joined NATO and the European Union in 2004 and the Organisation for Economic Co-operation and Development in 2010. In 2011, it became the first former Soviet state to adopt the euro. With a liberal investment climate, foreign investment has risen substantially since independence. The center-right Reform Party won the most seats in the March 2015 parliamentary elections and heads a coalition government. Estonia is one of the world's most dynamic and modern economies and has the EU's lowest debt-to-GDP ratio. Domestic demand and strong trade relations with Russia, Germany, Sweden, and Finland have fueled modest economic growth.

Freedom Trend



Country Comparisons



Quick Facts

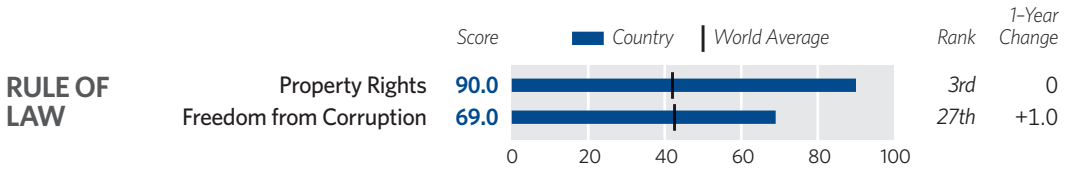
- Population:** 1.3 million
- GDP (PPP):** \$35.6 billion
- 2.1% growth in 2014
- 5-year compound annual growth 3.8%
- \$26,999 per capita
- Unemployment:** 7.7%
- Inflation (CPI):** 0.5%
- FDI Inflow:** \$982.9 million
- Public Debt:** 9.7% of GDP

How Do We Measure Economic Freedom?

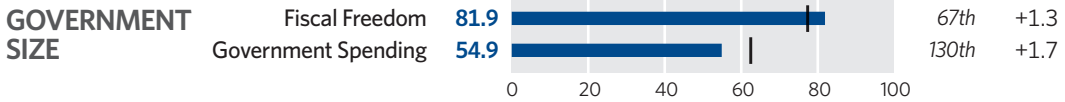
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2014 data unless otherwise noted.
Data compiled as of September 2015.

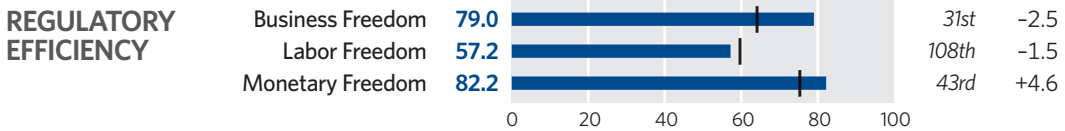
THE TEN ECONOMIC FREEDOMS



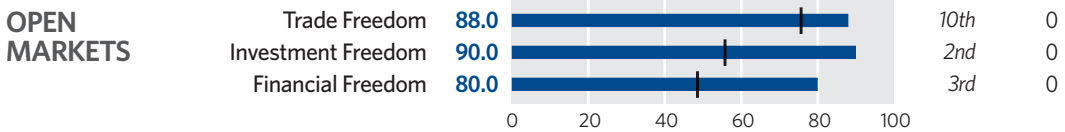
There are occasional problems with government corruption. Recent years have seen heavily publicized allegations of money laundering within the Reform Party and the Center Party, but no criminal convictions have followed. The judiciary is effectively insulated from government influence. Property rights and contracts are well enforced and secure. Commercial codes are applied consistently.



The top personal income and corporate tax rates have been reduced to 20 percent. Undistributed profits are not taxed. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 31.8 percent of total domestic income. Government spending amounts to 38.8 percent of total domestic output. Widening budget deficits have been brought under control, and public debt remains less than 10 percent of GDP.



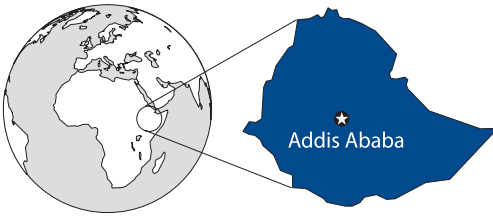
The business start-up process is straightforward, and the cost of completing licensing requirements has been substantially reduced. Enhancing labor productivity has been a key goal. A government scheme augmented with EU funding that uses targeted subsidies in an attempt to create a “Baltic Silicon Valley” of information technology start-up businesses has received mixed reviews.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The investment environment is attractive and conducive to the free flow of capital. Foreign and domestic investors have the same legal rights. The competitive banking sector provides a wide range of financing options with little state intervention.

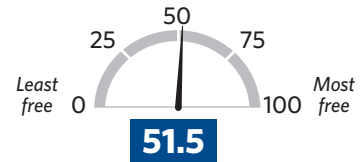
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	-0.1	Business Freedom	-6.0	Trade Freedom	+11.0
Freedom from Corruption	+19.0	Government Spending	-8.4	Labor Freedom	+9.8	Investment Freedom	0
				Monetary Freedom	+82.2	Financial Freedom	+10.0



ETHIOPIA

Economic Freedom Score



World Rank: **148**

Regional Rank: **37**

Ethiopia is Africa's second most populous country and has one of its fastest growing economies. Economic expansion of around 10 percent over the past five years has been facilitated by improved infrastructure and more effective mining and farming techniques, but growth remains highly vulnerable to external shocks.

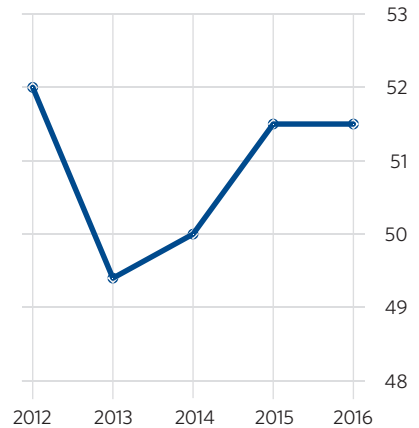
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **51.5 (no change)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **148th**
- Regional Ranking: **37th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.5**

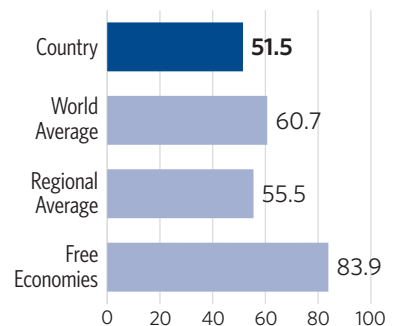
Weak rule of law and lack of effective implementation undercut policies aimed at promoting open markets. Endless red tape and an underdeveloped financial sector continue to deter investors and prevent the emergence of vibrant entrepreneurial activity. The informal economy provides most jobs for the relatively unskilled labor force.

BACKGROUND: Prime Minister Hailemariam Desalegn's Ethiopian People's Revolutionary Democratic Front (EPRDF) and its allies claimed all 547 seats in the May 2015 parliamentary elections. Little remains of democracy since the passage of laws that repress political opposition, tighten control of civil society, and suppress independent media. Ethiopia joined the African Union's peacekeeping mission in Somalia in 2014 and has been at odds with Eritrea ever since the latter declared its independence from Ethiopia in 1993. Economic growth has reduced the percentage of the population living in poverty by 33 percent since 2000, but per capita income remains among the world's lowest, and many young people leave to seek opportunity elsewhere. The economy is based largely on agriculture and remains vulnerable to droughts and external shocks.

Freedom Trend



Country Comparisons



Quick Facts

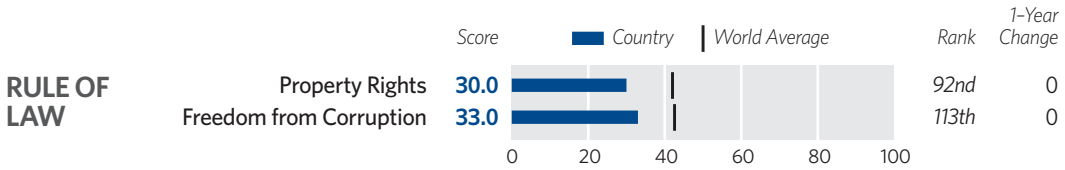
- Population:** 91.0 million
- GDP (PPP):** \$144.6 billion
- 10.3% growth in 2014
- 5-year compound annual growth 10.2%
- \$1,589 per capita
- Unemployment:** 5.2%
- Inflation (CPI):** 7.4%
- FDI Inflow:** \$1.2 billion
- Public Debt:** 21.9% of GDP

How Do We Measure Economic Freedom?

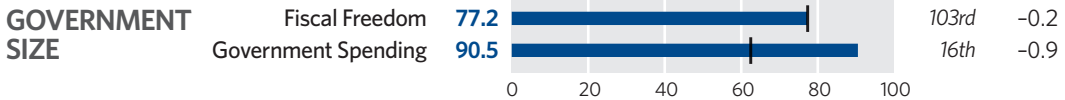
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

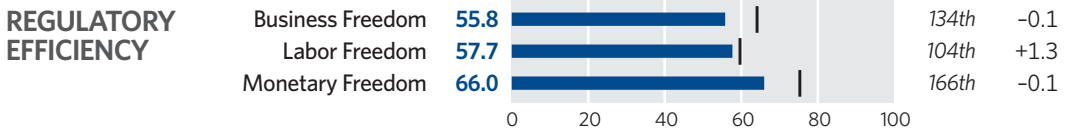
THE TEN ECONOMIC FREEDOMS



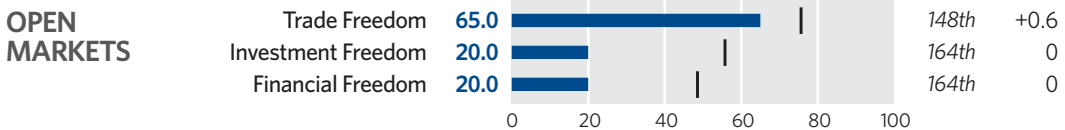
Corruption remains a significant problem. Ruling EPRDF officials who dominate state institutions reportedly enjoy preferential access to credit, land leases, and jobs. Lower-level officials solicit bribes in return for processing documents. The judiciary is officially independent, but its judgments rarely deviate from government policy. All land ownership remains in the hands of the state with usage rights granted to landholders.



Ethiopia's top individual income tax rate is 35 percent, and its top corporate tax rate is still 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 12.4 percent of GDP. Government spending amounts to 17.8 percent of total domestic output, and the deficit has increased. Public debt amounts to about 22 percent of GDP.



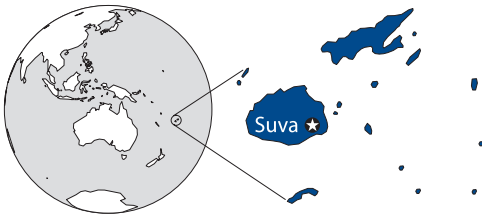
Burdensome and opaque regulatory requirements still increase the overall cost of conducting business. The underdeveloped labor market continues to trap much of the labor force in the informal sector. The World Bank says that the Ethiopian birr is overvalued, and the IMF warns of the risks of crowding out private-sector activity. Several subsidized parastatals have had to resort to non-concessional foreign loans to stay afloat.



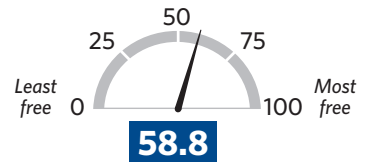
Ethiopia has a 10 percent average tariff rate. It is not a member of the World Trade Organization. Foreigners may not invest in financial services, and many other regulations interfere with foreign investment. All land is owned by the government. The state strongly influences lending and funds state-led development projects by forcing private banks to purchase treasury bills. Foreign ownership of banks remains prohibited.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+36.2	Business Freedom	+0.8	Trade Freedom	+38.0
Freedom from Corruption	+3.0	Government Spending	+2.0	Labor Freedom	-3.9	Investment Freedom	+10.0
				Monetary Freedom	-6.0	Financial Freedom	-10.0



Economic Freedom Score



World Rank: **107** Regional Rank: **23**

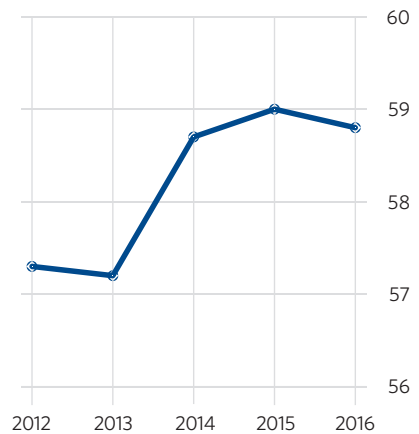
Fiji's economy is supported by robust services and tourism, but the majority of the workforce is employed in agriculture. Recent investment in sugar refining technologies has led to greater efficiency and production. The state's presence in the economy remains pervasive, and regulatory inefficiency hurts development.

ECONOMIC FREEDOM SNAPSHOT

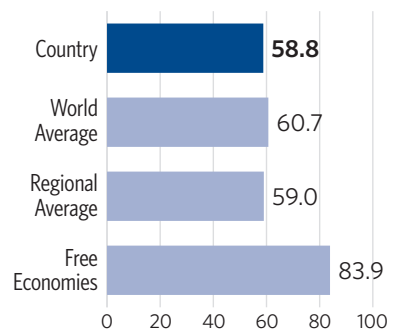
- 2016 Economic Freedom Score: **58.8 (down 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **107th**
- Regional Ranking: **23rd in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Corruption, Property Rights, and Business Freedom**
- Overall Score Change Since 2012: **+1.5**

The return to parliamentary democracy after successful elections in 2014 has somewhat boosted investor confidence and contributed to foreign direct investment. The government continues to increase spending in attempts to fund infrastructure advancements and improve primary and secondary education.

Freedom Trend



Country Comparisons



Quick Facts

- Population:** 0.9 million
- GDP (PPP):** \$7.3 billion
- 4.1% growth in 2014
- 5-year compound annual growth 3.2%
- \$8,236 per capita
- Unemployment:** 7.9%
- Inflation (CPI):** 0.5%
- FDI Inflow:** \$278.9 million
- Public Debt:** 49.5% of GDP

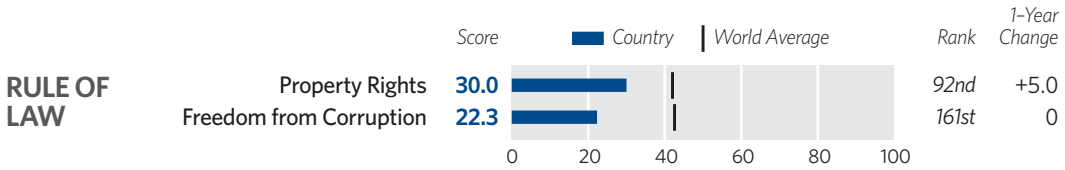
BACKGROUND: Military strongman Commodore Frank Bainimarama has ruled the Pacific island nation of Fiji for a decade. There is a long history of ethnic tension between the indigenous, mostly Christian population and a large minority of Hindu and Muslim Indo-Fijians. Sanctions imposed in 2006 by Fiji's main trading partners, including the European Union and Australia, in reaction to the coup that installed Bainimarama hurt vital agriculture, apparel, and fishing industries. In 2012, Australia and New Zealand restored diplomatic ties in response to Fiji's preparations for democratic elections in 2014. In Fiji's first election since 2006, Bainimarama was elected prime minister. Soon after the elections, Australia and the United States lifted their sanctions. Fiji's membership in the Commonwealth of Nations, suspended since 2009, was reinstated in September 2014.

How Do We Measure Economic Freedom?

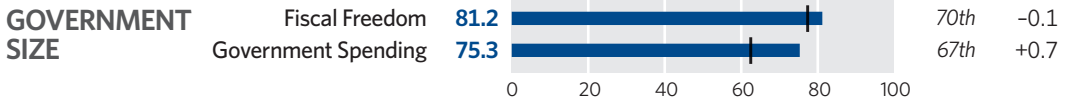
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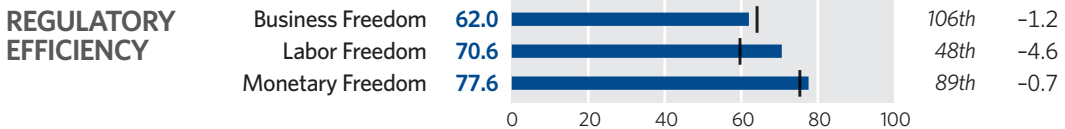
THE TEN ECONOMIC FREEDOMS



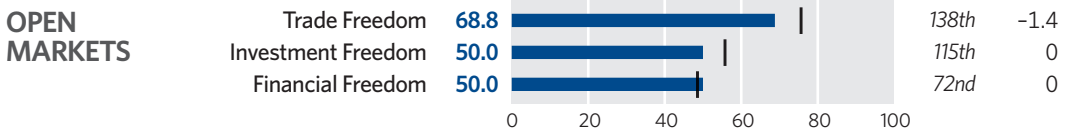
The new, democratically elected government holds some promise for increased government accountability. The interim government had made fighting the serious problems of official abuse and corruption a top priority. The land situation remains complex: 8 percent is freehold, and the rest, indigenous and government land, can only be leased. Protection of property rights is highly uncertain. Obtaining land titles is difficult.



Fiji's top individual income tax rate is 29 percent, and its top corporate tax rate is 20 percent. Other taxes include a value-added tax and a land sales tax. The overall tax burden equals 25.3 percent of total domestic income. Government spending amounts to 28.7 percent of total domestic output. Deficits have narrowed to below 2 percent of GDP. Public debt amounts to about 50 percent of the economy.



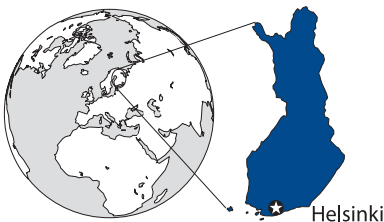
Despite some progress, procedures for establishing and running a private enterprise are still time-consuming and costly. The recent labor reform consolidated and updated the labor codes, but an efficient labor market has not developed. Despite the new government's ambitious goals for economic reform, its 2015 budget increased infrastructure spending and subsidies to low-income households.



Fiji has a 10.6 percent average tariff rate. Some products require import licenses. Most land is owned by the government. State-owned enterprises operate in several sectors of the economy. The government has withdrawn from commercial banking, and foreign participation is significant. Foreign exchange controls have been eased but still limit repatriation of capital and profits.

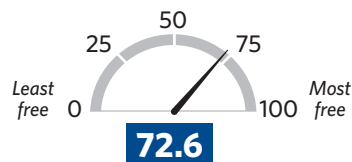
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+24.1	Business Freedom	+7.0	Trade Freedom	+16.2
Freedom from Corruption	-7.7	Government Spending	+2.8	Labor Freedom	-13.0	Investment Freedom	0
				Monetary Freedom	+2.1	Financial Freedom	0



FINLAND

Economic Freedom Score



World Rank: **24**

Regional Rank: **13**

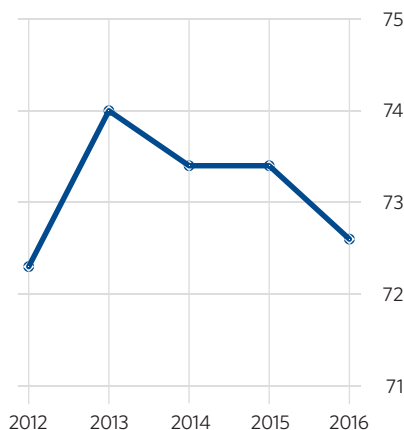
Finland has long benefited from open-market policies that support dynamic trade and investment. The regulatory environment encourages entrepreneurial activity and sustains a high degree of competitiveness. With an efficient legal framework that strongly upholds the rule of law, minimum tolerance for corruption is firmly institutionalized.

ECONOMIC FREEDOM SNAPSHOT

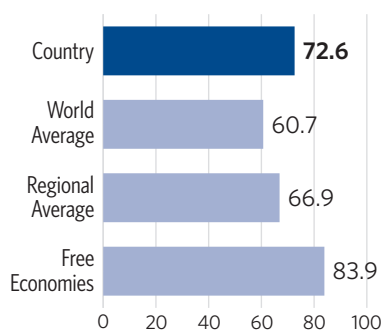
- 2016 Economic Freedom Score: **72.6 (down 0.8 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **24th**
- Regional Ranking: **13th in Europe**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Labor Freedom and Management of Public Finance**
- Overall Score Change Since 2012: **+0.3**

Over the past five years, Finland's economy has undergone slowdown and uncertainty. The soundness of public finance has deteriorated notably. Government spending accounts for over half of GDP and has proven to be a drag on the economy instead of a stimulus, and budget deficits continue to widen.

Freedom Trend



Country Comparisons



Quick Facts

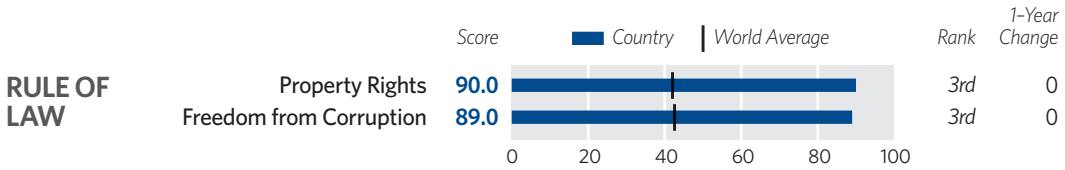
- Population:** 5.5 million
- GDP (PPP):** \$221.0 billion
- 0.1% growth in 2014
- 5-year compound annual growth 0.5%
- \$40,347 per capita
- Unemployment:** 8.6%
- Inflation (CPI):** 1.2%
- FDI Inflow:** \$18.6 billion
- Public Debt:** 59.6% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

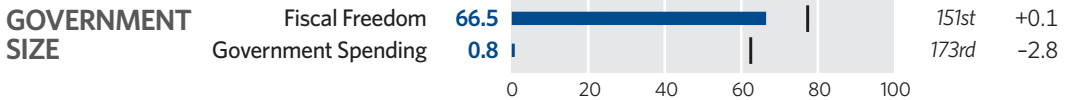
How Do We Measure Economic Freedom?

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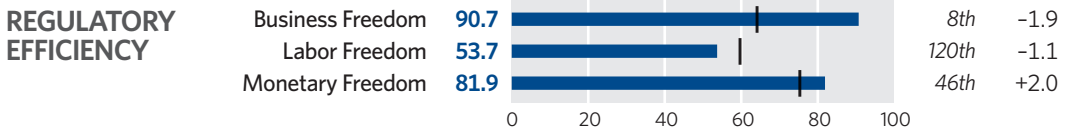
THE TEN ECONOMIC FREEDOMS



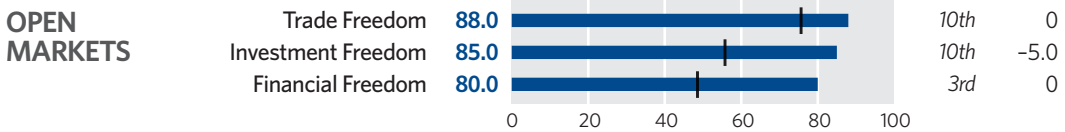
Corruption is not a significant problem in Finland, which was ranked third out of 175 countries surveyed in Transparency International’s 2014 Corruption Perceptions Index. Property rights are recognized and enforced effectively and extend to intellectual property as well as real property. Contractual agreements are strictly honored. The quality of the judiciary is generally high.



The top personal income tax rate is 31.8 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a tax on capital income. The overall tax burden equals 44 percent of total domestic income. Government spending amounts to 57.5 percent of GDP, and the budget deficit has been over 3 percent of GDP. Public debt equals approximately 60 percent of total domestic output.



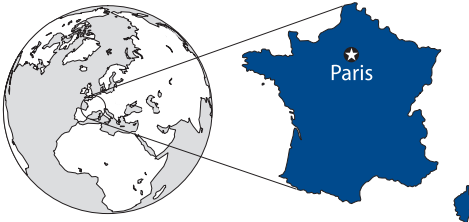
The efficient and transparent regulatory framework encourages entrepreneurship. Launching a business takes only three procedures. The non-salary cost of employing a worker is high, but severance payments are not overly burdensome. The center-right, three-party coalition government formed in May 2015 was elected in part because of public demands to overhaul Finland’s extensive welfare state and cut subsidies.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The government generally treats foreign and domestic investors equally. State-owned enterprises operate in several sectors. The well-developed financial system remains competitive and provides a wide range of services.

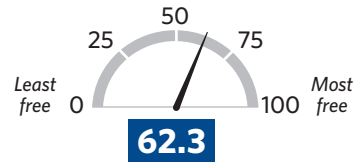
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+8.1	Business Freedom	+35.7	Trade Freedom	+10.2
Freedom from Corruption	-1.0	Government Spending	+0.8	Labor Freedom	+3.8	Investment Freedom	+15.0
				Monetary Freedom	-0.4	Financial Freedom	+30.0



FRANCE

Economic Freedom Score



World Rank: **75**

Regional Rank: **32**

The French economy is highly diversified, and institutional strengths like strong protection of property rights and a comparatively efficient regulatory framework facilitate entrepreneurial activity. Various reforms have been attempted to boost the economy's lagging competitiveness and flexibility, but progress has been uneven.

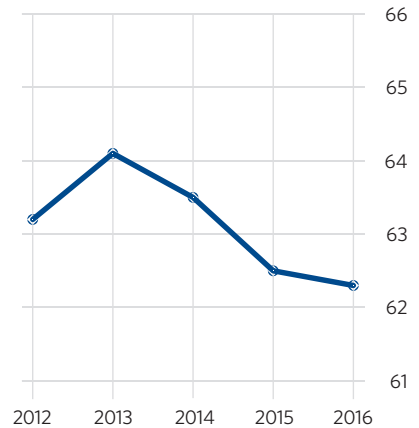
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.3 (down 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **75th**
- Regional Ranking: **32nd in Europe**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-0.9**

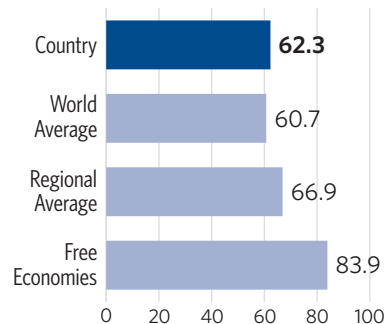
Responsible for more than half of GDP, the government still dominates major sectors of the economy as a large shareholder in many semi-public enterprises. Various stimulus measures have resulted in a deterioration of public finance. Despite recent reform efforts, the labor market remains rigid, undermining long-term productivity and employment growth.

BACKGROUND: François Hollande was elected president in May 2012, and his Socialist Party has majority control of the National Assembly. Hollande's poor handling of the economy has led to low approval ratings. The conservative UMP (Union for a Popular Movement, now renamed the Republicans) made significant gains in the March 2015 local elections. France was a leading participant in NATO's March 2011 military engagement in Libya and has sent troops to Mali and the Central African Republic to counter advancing Islamic militants. France began airstrikes against ISIS in spring 2015 and suffered major terrorist attacks in November that killed 130 and injured hundreds more in Paris. The economy is diversified, and economic growth hit a two-year high in May 2015, but unemployment, debt, and government spending also remain high.

Freedom Trend



Country Comparisons



Quick Facts

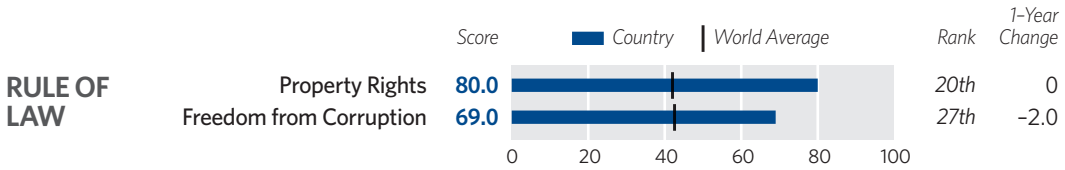
Population: 63.9 million
GDP (PPP): \$2.6 trillion
 0.4% growth in 2014
 5-year compound annual growth 1.0%
 \$40,375 per capita
Unemployment: 9.9%
Inflation (CPI): 0.6%
FDI Inflow: \$15.2 billion
Public Debt: 95.1% of GDP

How Do We Measure Economic Freedom?

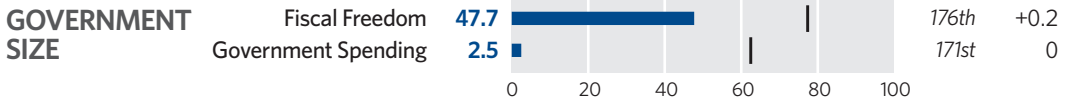
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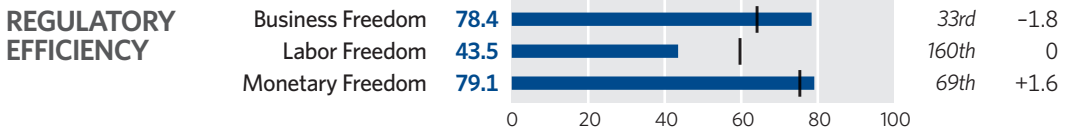
THE TEN ECONOMIC FREEDOMS



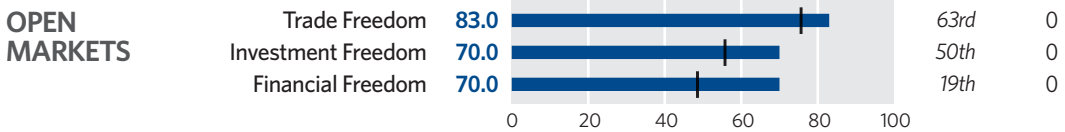
Although the government actively promotes transparency, accountability, and civic participation, France continues to face corruption challenges in such sectors as public works and the defense industry. An independent judiciary and the rule of law are firmly established. Property rights and contract enforcement are secure, but real estate regulation is complex and inefficient. France is a strong defender of intellectual property rights.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 34.3 percent. Other taxes include a value-added tax. The overall tax burden equals 45 percent of GDP. Recent tax hikes have focused on high earners and large corporations. Government spending equals 57.5 percent of total domestic output. With deficits hovering around 4 percent of GDP, public debt has reached around 95 percent of GDP.



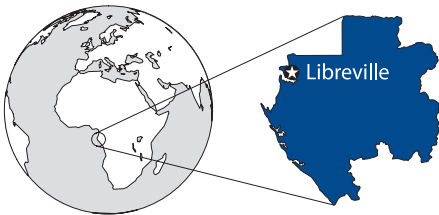
With no minimum capital requirement for launching a firm, the business start-up process is relatively straightforward. The labor market remains stagnant. The labor code's rigid regulations have hurt competitiveness and increased unemployment. Price controls affect a number of products and services. France is the largest recipient of subsidies under the European Union's Common Agricultural Policy.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The government invests directly in firms in many sectors throughout the economy. The financial sector remains under relatively strong state influence, with only a small number of foreign banks operating.

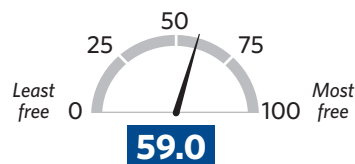
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	-13.1	Business Freedom	-6.6	Trade Freedom	+5.2
Freedom from Corruption	-21.0	Government Spending	-13.2	Labor Freedom	-10.8	Investment Freedom	+20.0
				Monetary Freedom	-1.4	Financial Freedom	+20.0



GABON

Economic Freedom Score



World Rank: **105**

Regional Rank: **15**

Gabon's economy has moved toward greater economic freedom over the past five years, but progress has been uneven. Underperforming in many critical areas, the economy continues to be hampered by the legacy of state-led development. Open-market policies have not been advanced strongly, and lingering non-tariff barriers undercut competitiveness.

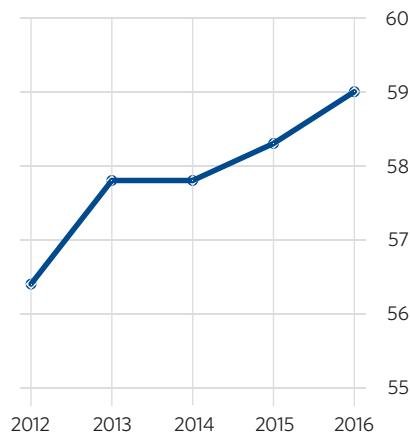
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.0 (up 0.7 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **105th**
- Regional Ranking: **15th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Control of Government Spending**
- Concerns: **Rule of Law and Open Markets**
- Overall Score Change Since 2012: **+2.6**

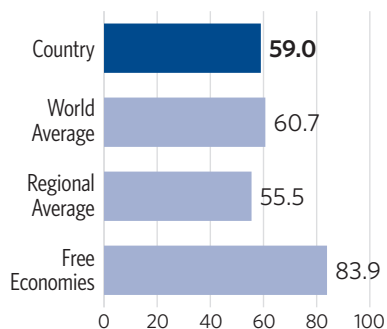
A bureaucratic investment regime and lack of access to financing preclude entrepreneurial growth and perpetuate overreliance on oil. The absence of an independent and fair judiciary weakens the rule of law and further undercuts prospects for sustainable economic development.

BACKGROUND: President Omar Bongo ruled Gabon from 1967 until his death in 2009. His son, Ali Ben Bongo, was elected to succeed him. Opposition leaders accused the Bongo family of electoral fraud to ensure dynastic succession. In 2011, Bongo's Gabonese Democratic Party took 95 percent of the seats in parliamentary elections that were boycotted by the opposition. The Bongo family is the subject of a long-running corruption investigation in France. Due to the oil wealth of a few, Gabon has one of Africa's highest average per capita incomes, but most Gabonese are poor. Gabon is the ninth-largest oil producer in Sub-Saharan Africa, but oil production has been declining steadily in recent years. The government is working to reduce dependence on oil and to diversify the economy by spending more on education and infrastructure.

Freedom Trend



Country Comparisons



Quick Facts

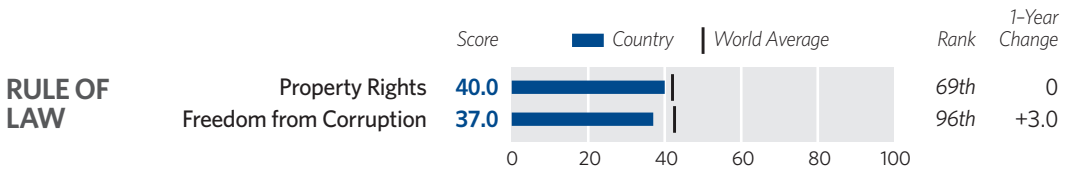
Population: 1.6 million
GDP (PPP): \$36.3 billion
 5.1% growth in 2014
 5-year compound annual growth 5.9%
 \$22,924 per capita
Unemployment: 19.7%
Inflation (CPI): 4.5%
FDI Inflow: \$972.9 million
Public Debt: 27.8% of GDP

How Do We Measure Economic Freedom?

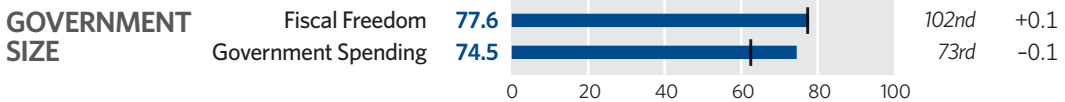
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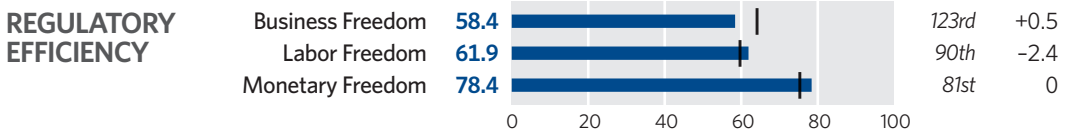
THE TEN ECONOMIC FREEDOMS



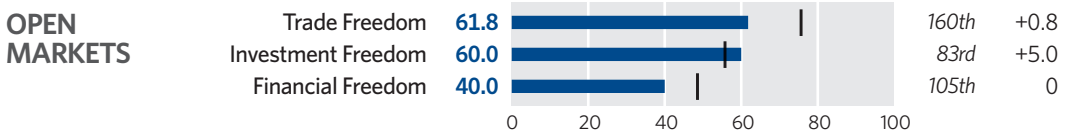
Public frustration with the ruling party’s clientelism grew during the boom years when, because of rampant corruption, increased petroleum revenues failed to produce improved living standards for much of the population. Business and commercial payoffs are common, particularly in the energy sector. The judiciary is inefficient and not independent. Protections for property rights and contracts are not strongly enforced.



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 10.6 percent of total domestic income. Government spending amounts to 29.2 percent of total domestic output. The budget surplus has been reduced to below 2.1 percent of GDP, but public debt amounts to around 28 percent of total domestic output.



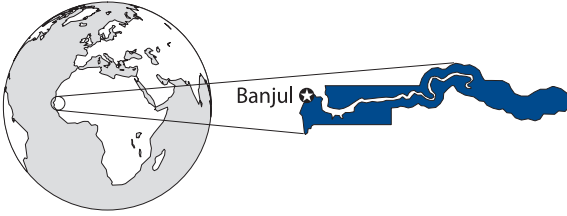
The regulatory framework subjects potential entrepreneurs to significant procedural hurdles, and licensing requirements are time-consuming. Labor regulations are outdated and applied inconsistently. The government cut fuel subsidies in response to a dramatic drop in oil revenues in 2015 but continues to influence prices through payments to state-owned enterprises and direct control of the prices of other products.



Gabon’s average tariff rate is 14.1 percent. The government restricts imports of certain products, including sugar, eggs, and used cars. Local governments may impose requirements that discourage foreign investment. The underdeveloped financial sector remains state-controlled. Credit costs are high, and access to financing is scarce. The government controls long-term lending through the state-owned development bank.

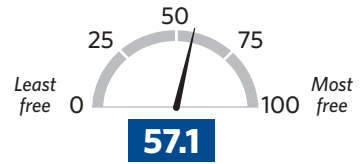
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+28.2	Business Freedom	-11.6	Trade Freedom	+38.2
Freedom from Corruption	-13.0	Government Spending	-1.5	Labor Freedom	+1.7	Investment Freedom	-10.0
				Monetary Freedom	-0.5	Financial Freedom	-10.0



THE GAMBIA

Economic Freedom Score



World Rank: **119**

Regional Rank: **21**

Much-delayed economic measures undertaken to improve macroeconomic stability and enhance economic growth include reforming fiscal policies and strengthening management of public finance. There has been little progress in terms of privatization, however, and implementation of the overall reform program has been inconsistent.

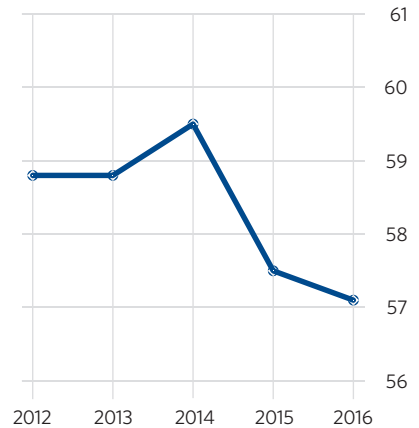
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.1 (down 0.4 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **119th**
- Regional Ranking: **21st in Sub-Saharan Africa**
- Notable Successes: **Investment Freedom and Management of Public Finance**
- Concerns: **Corruption, Property Rights, and Business Freedom**
- Overall Score Change Since 2012: **-1.7**

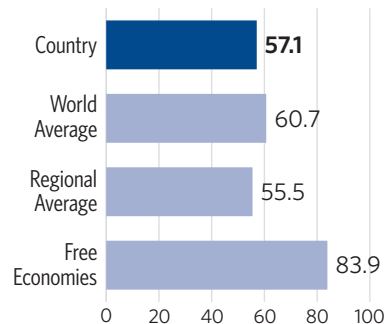
The poor judicial system has diminished the government's ability to protect property rights, undercutting dynamic development of the private sector. Corruption and protectionism remain major impediments to economic freedom. Despite some reforms in customs automation, tariffs and investment restrictions continue to undermine productivity growth in the private sector.

BACKGROUND: Yahya Jammeh, who came to power in a bloodless coup in 1994, won his fourth term in 2011 in flawed elections. Jammeh's Alliance for Patriotic Reorientation and Construction won a major victory in the 2012 legislative elections, which were boycotted by opposition parties. The government restrains civil liberties and harasses political opponents. In 2013, President Jammeh withdrew The Gambia from the British Commonwealth. The Gambia has few natural resources. Government revenue depends heavily on peanut exports, leaving the state vulnerable to price fluctuations and market shocks. Because of its unique location along the Gambia River, the country is also a natural hub for tourism and trade.

Freedom Trend



Country Comparisons



Quick Facts

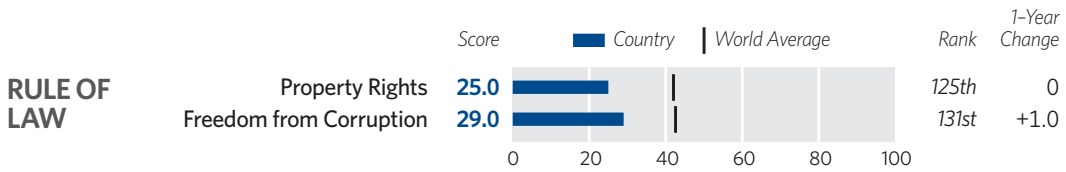
- Population:** 1.9 million
- GDP (PPP):** \$3.1 billion
- 0.2% growth in 2014
- 5-year compound annual growth 2.5%
- \$1,599 per capita
- Unemployment:** 7.0%
- Inflation (CPI):** 6.3%
- FDI Inflow:** \$28.4 million
- Public Debt:** 100.2% of GDP

How Do We Measure Economic Freedom?

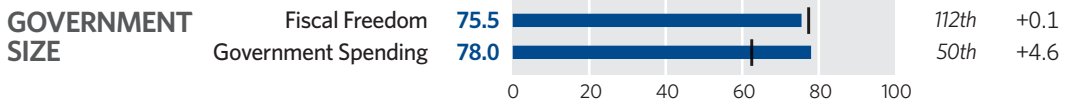
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

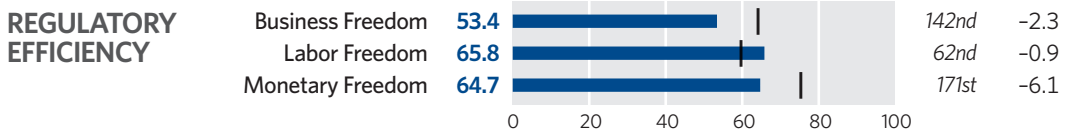
THE TEN ECONOMIC FREEDOMS



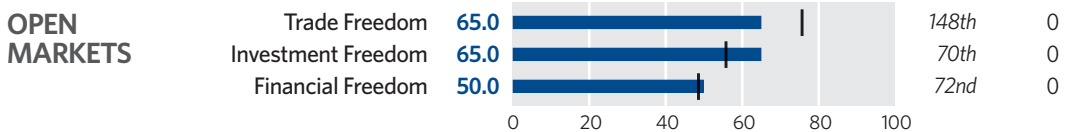
Official corruption and impunity are serious problems, and government officials reportedly participate in drug trafficking. President Jammeh’s erratic rule through a combination of patronage and repression was a factor in an attempted coup in late 2014. Although the constitution provides for an independent judiciary, Jammeh selects and dismisses judges. The judicial system recognizes both customary law and sharia (Islamic) law.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 32 percent. Other taxes include a capital gains tax and a sales tax. The overall tax burden equals 14.3 percent of GDP. Government spending amounts to 27.1 percent of total domestic output. The deficit has moderated, but public debt equals 100 percent of GDP. Tax administration and spending reforms are underway to improve government financial stability.



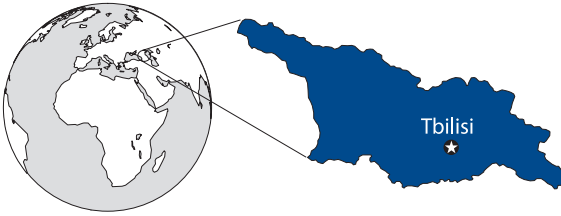
Regulatory inefficiency continues to hamper the business environment. There is no minimum capital requirement, but business start-up costs exceed the level of average annual income. The labor market remains stagnant. In 2015, contrary to IMF guidance, the government continued to incur debt to heavily subsidize the parastatal water and electricity companies that are among the least efficient in Africa.



The Gambia’s average tariff rate is 12.5 percent. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises operate in several economic sectors. The financial sector has gradually expanded and benefited from increased competition. Almost all commercial banks are majority-owned by foreign banks, and credit to the private sector has been rising.

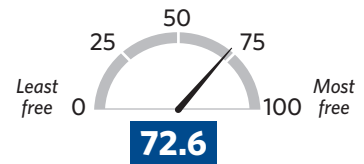
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-45.0	Fiscal Freedom	+3.0	Business Freedom	-1.6	Trade Freedom	+7.0
Freedom from Corruption	+19.0	Government Spending	-2.8	Labor Freedom	-9.3	Investment Freedom	+35.0
				Monetary Freedom	-5.2	Financial Freedom	+20.0



GEORGIA

Economic Freedom Score



World Rank: **23** Regional Rank: **12**

Despite global and regional challenges, Georgia's economy has demonstrated considerable resilience. Efforts to eliminate corruption and restore fiscal soundness by revitalizing the commitment to limited government have borne fruit. Two years of fiscal consolidation has kept government spending under control and ensured macroeconomic stability.

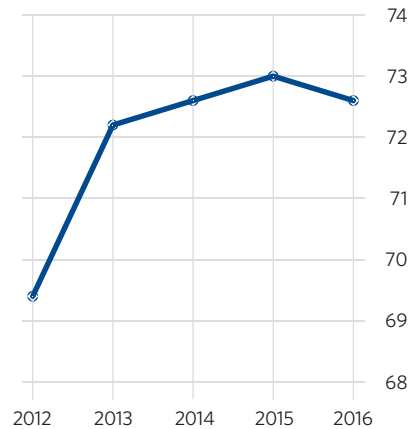
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **72.6 (down 0.4 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **23rd**
- Regional Ranking: **12th in Europe**
- Notable Successes: **Management of Public Finance, Open Markets, and Regulatory Efficiency**
- Concerns: **Rule of Law**
- Overall Score Change Since 2012: **+3.2**

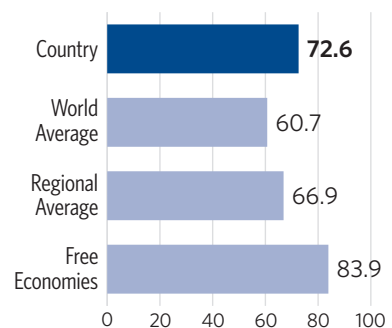
Georgia's pursuit of greater economic freedom, reinforced by relative political stability, has made its entrepreneurial environment one of the best in the region. Large-scale privatization has advanced, and anti-corruption efforts have yielded tangible results. Deeper institutional reforms to enhance judicial independence and effectiveness remain critical.

BACKGROUND: A leading economic reformer among the former Soviet republics, Georgia has reduced regulations, taxes, and corruption. Russia invaded Georgia in 2008 and continues to occupy its South Ossetia and Abkhazia regions. In 2012, billionaire Bidzina Ivanishvili and his Georgian Dream coalition defeated President Mikheil Saakashvili's United National Movement. Victory by Giorgi Margvelashvili in the 2013 presidential elections reinforced Georgian Dream's political dominance. Georgia has been affected by the economic downturn in Russia and low oil prices, and its currency has lost 30 percent of its value relative to the dollar since November 2014. Agriculture or related industries employ over half of the workforce. Georgia signed Association Agreements with the EU in June 2014 and hopes to join NATO.

Freedom Trend



Country Comparisons



Quick Facts

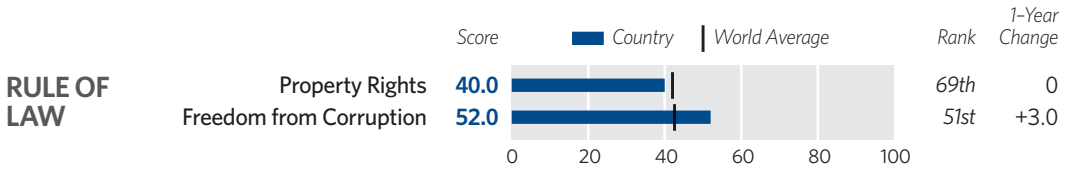
- Population:** 4.5 million
- GDP (PPP):** \$34.2 billion
- 4.7% growth in 2014
- 5-year compound annual growth 5.6%
- \$7,653 per capita
- Unemployment:** 13.4%
- Inflation (CPI):** 3.1%
- FDI Inflow:** \$1.3 billion
- Public Debt:** 35.1% of GDP

How Do We Measure Economic Freedom?

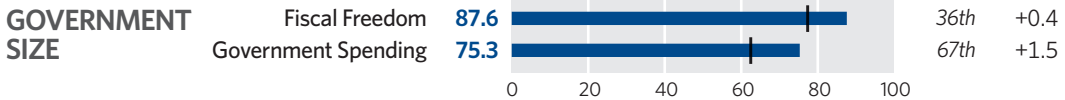
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

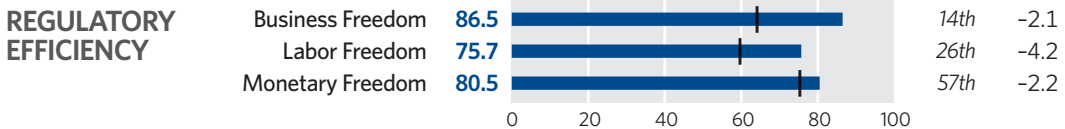
THE TEN ECONOMIC FREEDOMS



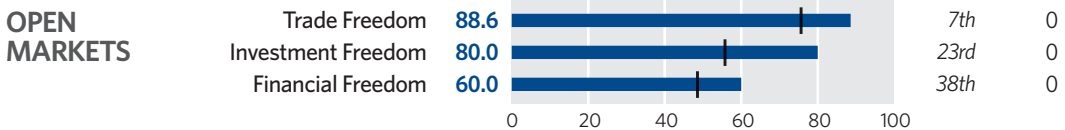
Georgia still struggles with the effects of Soviet-era corruption as well as ongoing Russian influence. Reforms largely eliminated petty corruption more than a decade ago, but in late 2014, President Giorgi Margvelashvili singled out disrespect for institutions and a lack of institutional governance as enduring problems. Executive and legislative interference in the judiciary is substantial. Protection of property rights has improved.



The flat income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax and a tax on dividends. The overall tax burden equals 24.8 percent of GDP. Government spending has fallen to 28.7 percent of total domestic output. The budget balance has been in deficit, but public debt remains below 40 percent of GDP. Better budget management has helped fiscal stability.



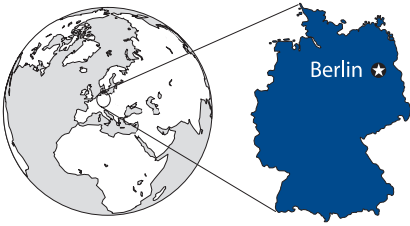
The competitive regulatory framework is conducive to entrepreneurial activity. It takes only two procedures to launch a business, and no minimum capital is required. The non-salary cost of hiring a worker is moderate, and regulations on work hours are flexible. A sharp currency devaluation beginning in late 2014 generated partisan political pressure on the independent central bank to make distortionary interventions.



Georgia has a low 0.7 percent average tariff rate. Foreign and domestic investors are treated equally under the law, and there is little screening of foreign investment. Most state-owned enterprises have been privatized. The growing banking sector offers improved access to financing, but the stock exchange remains small and underdeveloped.

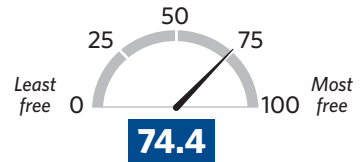
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	-4.4	Business Freedom	+31.5	Trade Freedom	+19.6
Freedom from Corruption	+42.0	Government Spending	+14.0	Labor Freedom	+8.9	Investment Freedom	+30.0
				Monetary Freedom	+80.5	Financial Freedom	+30.0



GERMANY

Economic Freedom Score



World Rank: **17** Regional Rank: **8**

Germany's economy has been resilient in the face of global economic uncertainty. The government has held firm to sound public finance, and deficit-cutting efforts have kept public spending under control. Earlier labor market reforms that raised working-hour flexibility and reduced structural unemployment have helped to sustain the relatively robust job market.

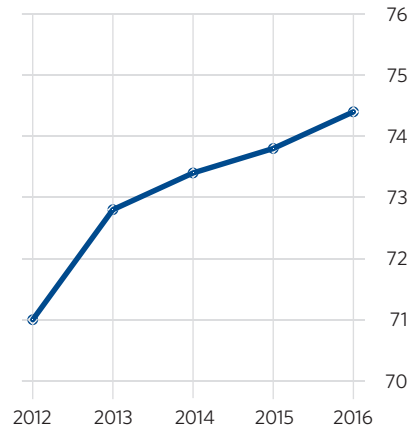
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **74.4 (up 0.6 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **17th**
- Regional Ranking: **8th in Europe**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Fiscal Freedom and Labor Freedom**
- Overall Score Change Since 2012: **+3.4**

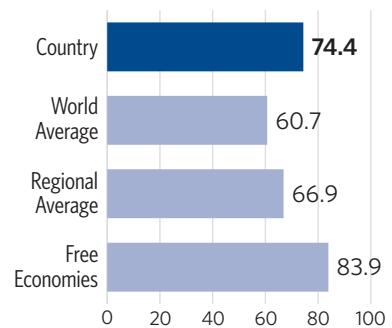
Germany's commitment to regulatory efficiency and open-market policies continues to be bolstered by the effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimal tolerance for corruption is firmly institutionalized.

BACKGROUND: Chancellor Angela Merkel's Christian Democratic Union won the biggest share of the national vote in the September 2013 election, but its economically liberal coalition partner, the Free Democratic Party, is no longer in the Bundestag. In December 2013, Merkel's party formed a new coalition government with the Social Democratic Party. Economic reforms remain stalled, with most policy attention focused on rescuing the euro. Germany has funded the lion's share of large rescue packages for fellow eurozone members. Its industrialized economy, which is Europe's largest and well integrated into the global marketplace, generates average per capita incomes that are among the world's highest. Growth has slowed, but Germany's unemployment rate is still one of Europe's lowest. Germany remains, both politically and economically, the most influential nation in the EU.

Freedom Trend



Country Comparisons



Quick Facts

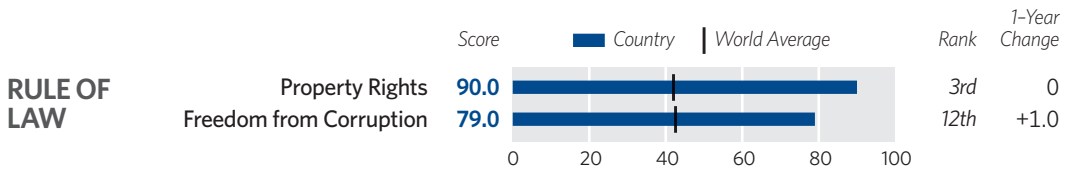
- Population:** 81.1 million
- GDP (PPP):** \$3.7 trillion
- 1.6% growth in 2014
- 5-year compound annual growth 2.0%
- \$45,888 per capita
- Unemployment:** 5.0%
- Inflation (CPI):** 0.8%
- FDI Inflow:** \$1.8 billion
- Public Debt:** 73.1% of GDP

How Do We Measure Economic Freedom?

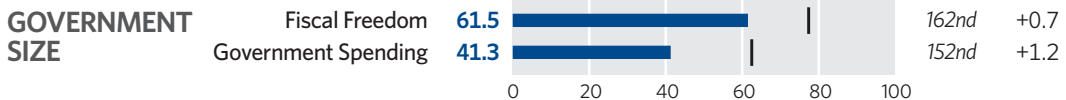
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2014 data unless otherwise noted.
Data compiled as of September 2015.

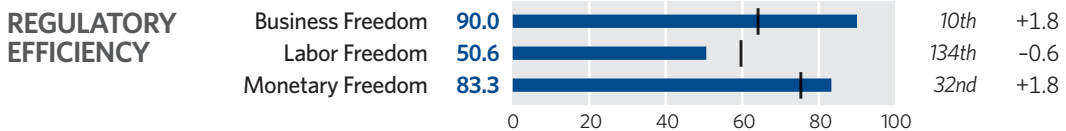
THE TEN ECONOMIC FREEDOMS



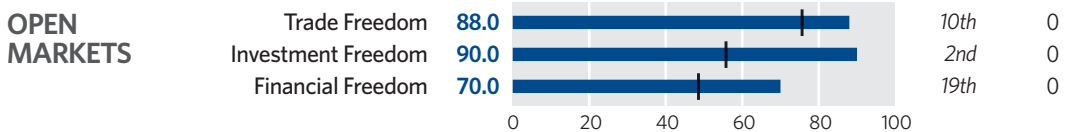
Although government transparency is high and anti-corruption measures are enforced effectively, the auto industry, construction, and public contracting, in conjunction with questionable political party influence and party donations, are areas of continued concern. The law fully protects property owned by foreigners, and secured interests in both chattel and real property are recognized and enforced.



The top individual income tax rate is 45 percent. The federal corporate tax rate is 15.8 percent (15 percent plus a 5.5 percent solidarity surtax). Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 36.7 percent of GDP. Government spending amounts to 44.3 percent of GDP. Public debt equals approximately 73 percent of GDP, but the fiscal balance is in surplus.



The regulatory regime aids dynamic business formation. No minimum capital is required to launch a new business. The labor market functions well, and employers and workers have worked cooperatively in response to the changing economic environment. The government has cut subsidies for renewable energy sources but maintains price controls in other economic sectors, such as rental housing.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Foreign and domestic investors are generally treated equally under the law. The financial sector, competitive and largely stable, offers a full range of services. The traditional three-tiered system of private, public, and cooperative banks remains intact.

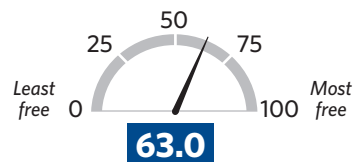
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+28.3	Business Freedom	+5.0	Trade Freedom	+10.2
Freedom from Corruption	-11.0	Government Spending	+10.7	Labor Freedom	+1.9	Investment Freedom	+20.0
				Monetary Freedom	+1.7	Financial Freedom	0



GHANA

Economic Freedom Score



World Rank: **72**

Regional Rank: **5**

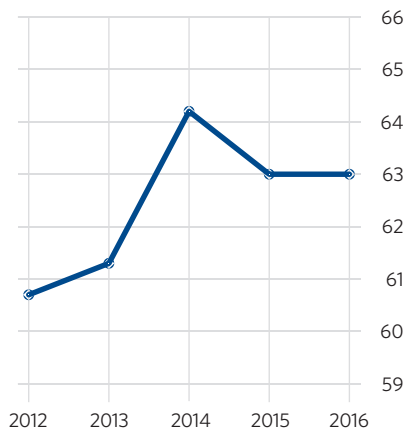
With relatively sound institutional and legal frameworks, Ghana has made significant progress in poverty reduction despite slowing economic expansion. Maintaining momentum for reform will be critical to securing improvements in the entrepreneurial framework and achieving more broad-based economic development.

ECONOMIC FREEDOM SNAPSHOT

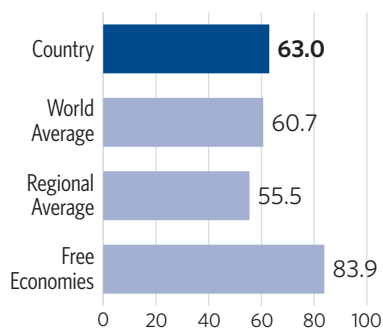
- 2016 Economic Freedom Score: **63.0 (no change)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **72nd**
- Regional Ranking: **5th in Sub-Saharan Africa**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **+2.3**

Sluggish economic growth accompanied by high inflation has taken a toll on living standards over the past two years. Poor management of public finance, which resulted in a mounting deficit and growing public debt, has contributed to current economic troubles. Measures to cut government spending and restore the soundness of fiscal policy have been discussed, but uncertainty continues.

Freedom Trend



Country Comparisons



Quick Facts

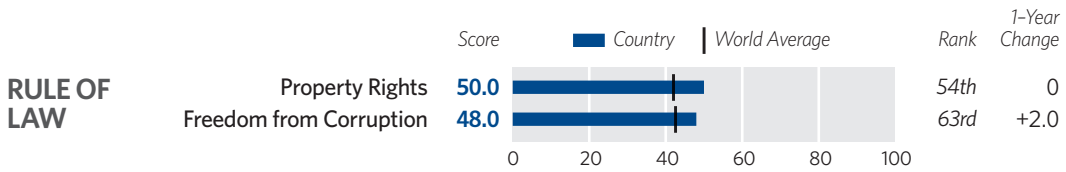
- Population:** 26.2 million
- GDP (PPP):** \$108.3 billion
- 4.2% growth in 2014
- 5-year compound annual growth 8.3%
- \$4,129 per capita
- Unemployment:** 2.4%
- Inflation (CPI):** 15.5%
- FDI Inflow:** \$3.4 billion
- Public Debt:** 67.6% of GDP

How Do We Measure Economic Freedom?

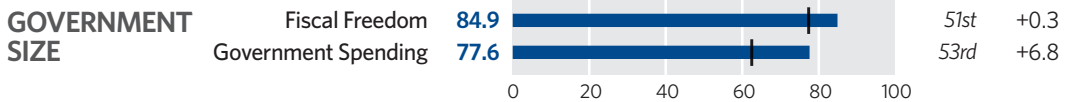
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2014 data unless otherwise noted.
Data compiled as of September 2015.

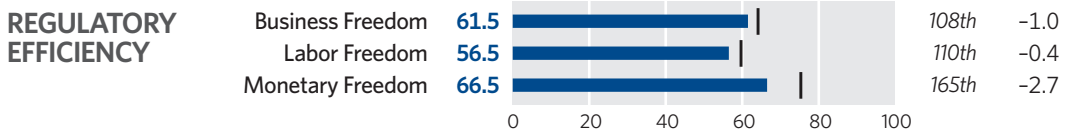
THE TEN ECONOMIC FREEDOMS



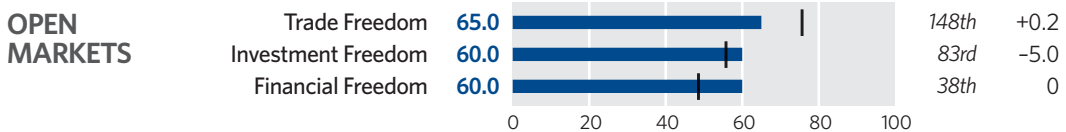
Political corruption persists despite the existence of robust legal and institutional frameworks to combat it, active media coverage, and the government’s willingness to investigate major scandals. The scarcity of resources compromises and delays the judicial process, and poorly paid judges can be tempted by bribes. The process for getting clear title to land is often difficult, complicated, and lengthy.



The top personal income and corporate tax rates are 25 percent. Other taxes include a value-added tax, a national health insurance levy, and a capital gains tax. The overall tax burden equals 12.1 percent of total domestic income. Government spending has fallen to the equivalent of 39.8 percent of GDP. However, the budget remains in deficit, and public debt has reached over 60 percent of total domestic output.



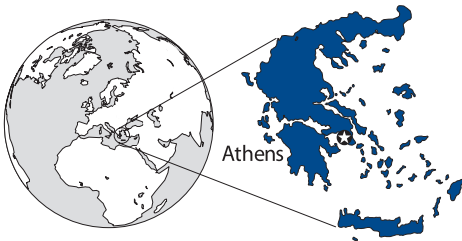
Business start-ups have become less burdensome, taking only seven procedures, but the cost of necessary permits exceeds four times the average annual income. Despite ongoing efforts to modernize the labor code, much of the labor force works in the informal economy. In accordance with its three-year IMF extended credit facility, the government committed to removing all remaining fuel subsidies in 2015.



Ghana’s average tariff rate is 10 percent. Government procurement procedures favor domestic firms. In most cases, foreign investors must have a domestic partner. New foreign investment must be registered with the government. The financial sector has undergone privatization, but banking is undercapitalized, and access to financing remains limited.

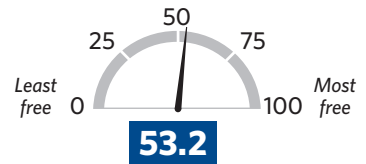
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+18.6	Business Freedom	+6.5	Trade Freedom	+33.8
Freedom from Corruption	-22.0	Government Spending	-4.2	Labor Freedom	+6.3	Investment Freedom	+40.0
				Monetary Freedom	+0.3	Financial Freedom	+10.0



GREECE

Economic Freedom Score



World Rank: **138**

Regional Rank: **41**

The continuing lack of economic freedom compounds Greece's worsening competitiveness and political volatility. Bold policy actions are needed to restore fiscal sustainability, enhance labor market flexibility, and tackle systemic corruption.

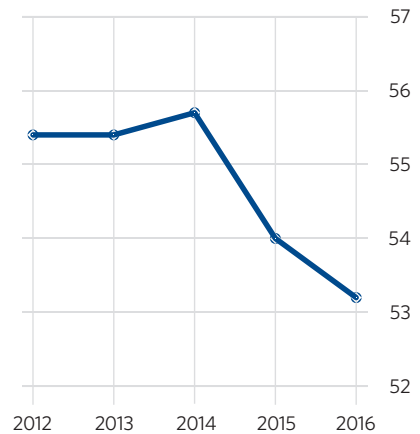
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.2 (down 0.8 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **138th**
- Regional Ranking: **41st in Europe**
- Notable Successes: **Trade Freedom**
- Concerns: **Management of Public Finance, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-2.2**

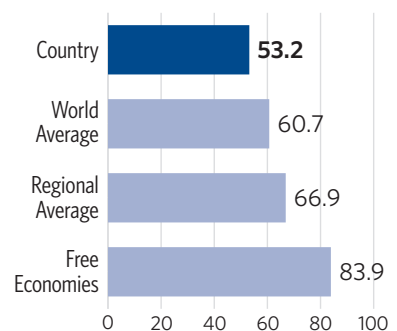
Major fiscal weaknesses exposed by the debt and employment crisis have not been sufficiently addressed. Unemployment remains high, particularly among young people, and public unions and special interests stifle or delay adjustments to market conditions.

BACKGROUND: Greece joined NATO in 1952 and the European Union in 1981. It adopted the euro in 2002. Following elections in January 2015, the Coalition of the Radical Left (Syriza) party assumed power on a pledge to end "austerity" and renegotiate debt repayments. In August, the EU Commission, International Monetary Fund, and European Central Bank agreed to a \$95 billion bailout package in exchange for more fiscal and economic reforms and additional austerity. It was the third bailout package in five years. Prime Minister Alexis Tsipras resigned in August after his support in parliament crumbled following his signing of the deal, but he was able to reestablish his coalition following snap elections in September. Greece remains mired in political and economic uncertainty, and its future in the eurozone is uncertain. The economy, which depends on shipping and tourism, fell back into recession in the first quarter of 2015 after a brief upswing. Unemployment is the highest in the eurozone.

Freedom Trend



Country Comparisons



Quick Facts

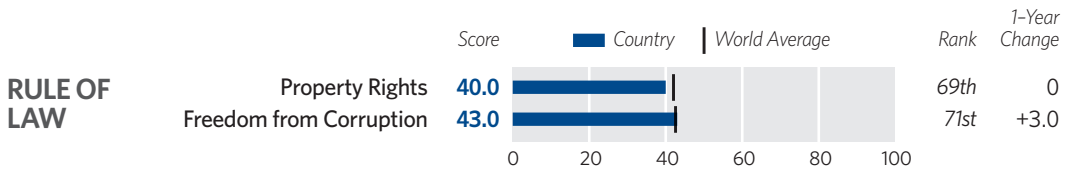
- Population:** 11.0 million
- GDP (PPP):** \$284.3 billion
- 0.8% growth in 2014
- 5-year compound annual growth -4.8%
- \$25,859 per capita
- Unemployment:** 26.3%
- Inflation (CPI):** -1.4%
- FDI Inflow:** \$2.2 billion
- Public Debt:** 177.2% of GDP

How Do We Measure Economic Freedom?

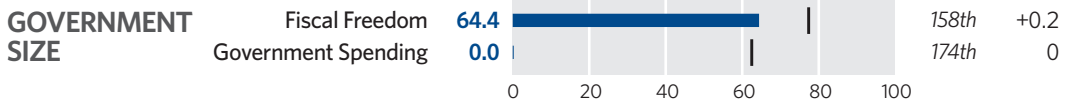
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2014 data unless otherwise noted.
Data compiled as of September 2015.

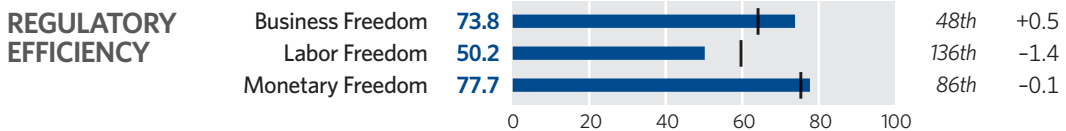
THE TEN ECONOMIC FREEDOMS



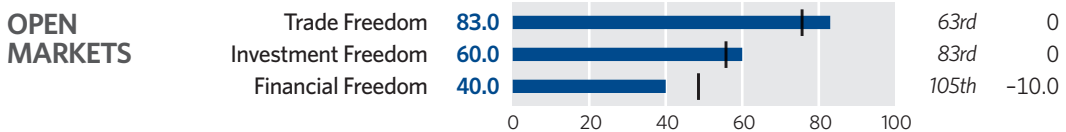
Deeply rooted systemic cronyism and corruption, as well as the absence of a strong civil society, lie at the heart of the Greek debt crisis. Both public-sector and private-sector elites are able to plunder the country and their fellow citizens with impunity. Tax evasion is rampant. The judiciary is independent, but protection of property rights is not strongly enforced.



The top personal income tax rate has increased to 42 percent. The top corporate tax rate is 26 percent. The overall tax burden equals about 33.5 percent of GDP. Government spending remains at over 50 percent of GDP, chronic budget deficits continue, and public debt far exceeds the size of the economy. Fiscal stability is highly dependent on eurozone creditors, and structural adjustments have been marginal.



Efforts to enhance the business environment have been sporadic. The process for launching a company is fairly streamlined, but licensing requirements remain time-consuming. With high non-salary costs for employing a worker and rigid restrictions on work hours, the labor market remains stagnant. Resolution of the debt crisis will require privatization of heavily subsidized and loss-making state-owned enterprises.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Greece maintains non-tariff barriers to the provision of some professional services by non-EU providers. The financial system's overall stability has been severely undermined, and banking has been under increasing strain.

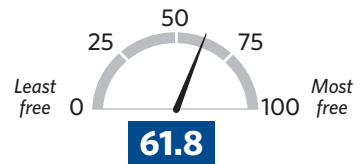
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+1.9	Business Freedom	+3.8	Trade Freedom	+5.2
Freedom from Corruption	-7.0	Government Spending	-55.3	Labor Freedom	-5.9	Investment Freedom	-10.0
				Monetary Freedom	+12.4	Financial Freedom	+10.0



GUATEMALA

Economic Freedom Score



World Rank: **82**

Regional Rank: **15**

Guatemala's progress in advancing economic freedom has been uneven. Openness to global trade is relatively high, but the dynamic gains from trade are largely undercut by lack of progress in improving the investment regime and regulatory efficiency. The lack of a consistent commitment to structural reform is an ongoing problem.

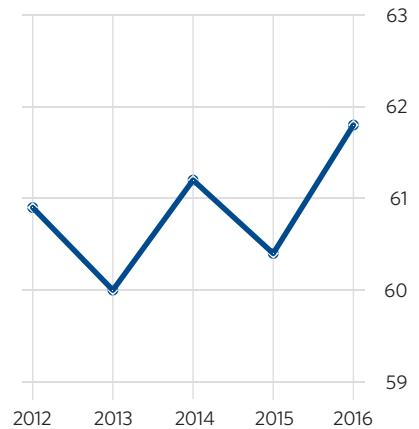
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.8 (up 1.4 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **82nd**
- Regional Ranking: **15th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+0.9**

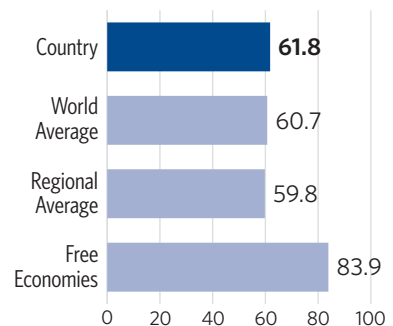
Guatemala has lagged notably in promoting the effective rule of law. The judicial system remains vulnerable to political interference, and property rights are not strongly protected. Lingering corruption further undermines overall economic freedom and hampers the emergence of more vibrant private-sector economic activity.

BACKGROUND: Former President Otto Pérez Molina, an ex-Army general, won office in 2011 with a tough-on-crime campaign, but his administration was riddled with corruption. In May 2015, his vice president stepped down amid credible allegations that she had links to organized crime. Following Molina's subsequent resignation and arrest on corruption charges, political newcomer and former television comedian Jimmy Morales won an October 2015 presidential runoff election on an anti-corruption platform that was short on specifics. More than half of the population lives below the national poverty line, and 22 percent of the indigenous population lives in extreme poverty. Nearly one-half of children under five years of age are chronically malnourished. Mexican drug cartels continue to expand their influence in the country.

Freedom Trend



Country Comparisons



Quick Facts

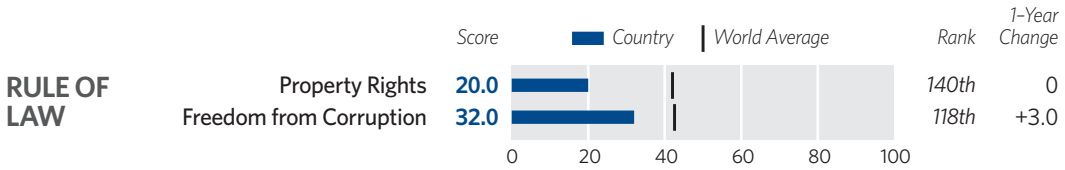
Population: 15.9 million
GDP (PPP): \$119.1 billion
 4.0% growth in 2014
 5-year compound annual growth 3.5%
 \$7,503 per capita
Unemployment: 2.9%
Inflation (CPI): 3.4%
FDI Inflow: \$1.4 billion
Public Debt: 23.7% of GDP

How Do We Measure Economic Freedom?

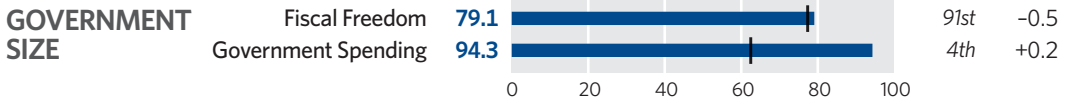
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

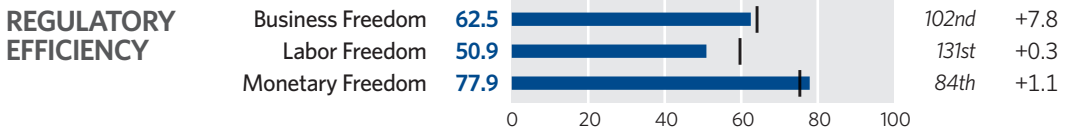
THE TEN ECONOMIC FREEDOMS



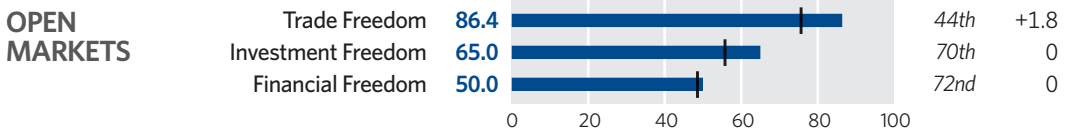
In 2015, a corruption scandal involving Guatemala’s president led to calls for anti-corruption and governance reforms. Narcotics-related organized crime groups have infiltrated key state institutions. Corruption and mismanagement remain widespread, especially in the customs and tax agencies. The judiciary is troubled by corruption, inefficiency, capacity shortages, and intimidation of judges, prosecutors, and witnesses.



The top individual income and corporate tax rates are 31 percent. Other taxes include a value-added tax and a tax on real estate. The overall tax burden equals 13 percent of total domestic income. Government spending amounts to 13.8 percent of total domestic output. The government budget is running a deficit, although public debt remains less than 25 percent of GDP.



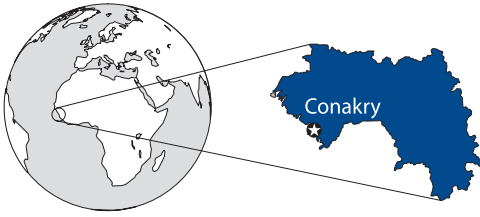
Despite some progress, the overall regulatory environment is inefficient. Starting a business is time-consuming, and the cost of obtaining necessary licenses equals about five times the average annual income. The labor market is inefficient, and much of the labor force is employed in the informal sector. The state maintains few price controls but subsidizes numerous key economic activities and products.



Guatemala’s average tariff rate is 1.8 percent. Judicial and regulatory inefficiency and corruption discourage foreign investment. The government may not expropriate property without providing compensation. The highly concentrated banking sector remains relatively stable and well capitalized, and the number of non-performing loans is declining. The recently enacted insurance law opened the insurance market to foreign firms.

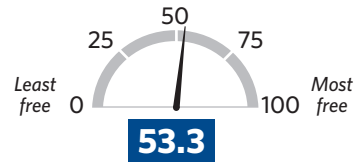
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	-7.7	Business Freedom	+7.5	Trade Freedom	+34.0
Freedom from Corruption	-18.0	Government Spending	-2.3	Labor Freedom	-9.7	Investment Freedom	+15.0
				Monetary Freedom	+11.0	Financial Freedom	0



GUINEA

Economic Freedom Score



World Rank: **136**

Regional Rank: **30**

Limited attempts at structural reform have generated uneven progress in economic development, and the emergence of a dynamic private sector remains constrained by institutionalized weaknesses. The judicial system remains inefficient and vulnerable to political interference, and corruption is perceived as widespread.

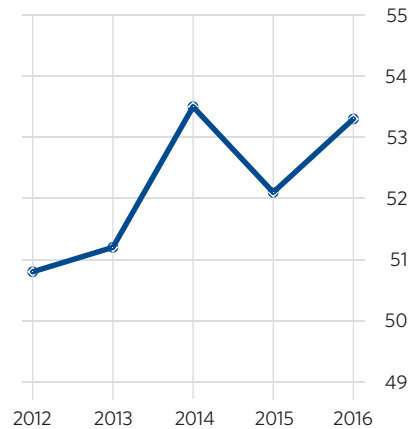
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.3 (up 1.2 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **136th**
- Regional Ranking: **30th in Sub-Saharan Africa**
- Notable Successes: **Control of Government Spending**
- Concerns: **Property Rights, Corruption, and Open Markets**
- Overall Score Change Since 2012: **+2.5**

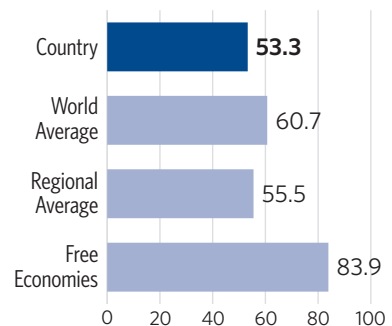
The overall regulatory framework is not conducive to starting businesses and discourages broad-based employment growth. Potentially dynamic economic gains from trade continue to be undercut by the absence of progress in reforming the financial and investment areas that are critical to sustaining efficient open markets.

BACKGROUND: In 2010, Alpha Condé won Guinea's first presidential election since independence from France in 1958; the election was marred by irregularities and political violence. In 2013, Condé's Rally of the Guinean People party won a majority of seats in flawed parliamentary elections. In the run-up to presidential elections slated for October 2015, the government's announcement of a change in election timetables that contravened a 2013 agreement led to street protests. The Ebola epidemic that erupted in West Africa in 2014 badly damaged Guinea's health system and economy. Guinea has two-thirds of the world's bauxite reserves and large deposits of iron ore, gold, and diamonds, but the population remains impoverished because of rampant corruption, poor government administration, limited infrastructure, political instability, and the lack of property rights.

Freedom Trend



Country Comparisons



Quick Facts

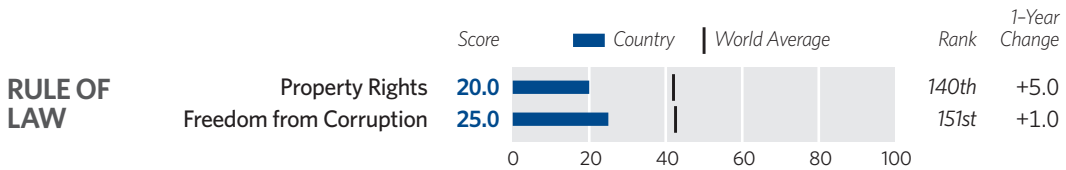
- Population:** 11.4 million
- GDP (PPP):** \$15.0 billion
- 0.4% growth in 2014
- 5-year compound annual growth 2.5%
- \$1,313 per capita
- Unemployment:** 1.8%
- Inflation (CPI):** 9.7%
- FDI Inflow:** \$566.0 million
- Public Debt:** 37.4% of GDP

How Do We Measure Economic Freedom?

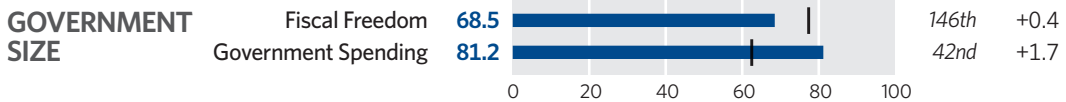
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

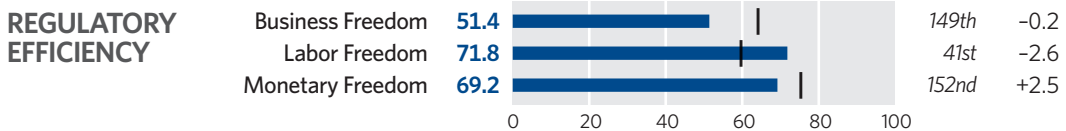
THE TEN ECONOMIC FREEDOMS



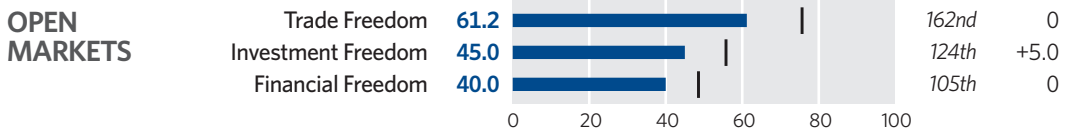
Although corruption remains pervasive, leaving the majority of Guineans in poverty despite the country’s rich natural resources, the government took important steps toward resolving the country’s most severe bribery scandal in years by suspending the mining license awarded to BSG Resources by former President Lansana Conté. The court system is subject to political interference. The protection of property rights is weak.



The top personal income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 17.9 percent of total domestic income. Government spending amounts to 25.1 percent of total domestic output. Public debt equals 37 percent of GDP. The Ebola epidemic has taken a heavy toll, and spending pressures continue to increase.



Establishing a business is time-consuming, and other regulatory requirements remain burdensome. Minimum capital requirements exceed three times the average annual income. The formal labor market is underdeveloped. Due to the economic impact of the Ebola outbreak, Guinea received higher levels of international aid in 2014 from the IMF and the EU to subsidize electricity and food.

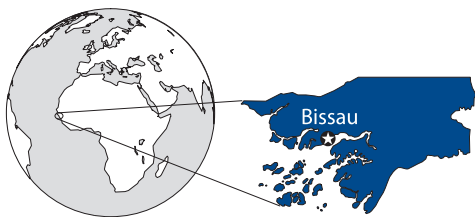


Guinea’s average tariff rate is 11.9 percent. Non-tariff barriers include a ban on imports including rice, flour, and sugar. Foreign investment in the media sector is capped, but there are no limits on investment in most other sectors of the economy. Underdevelopment in the financial sector is a serious impediment to private-sector growth. Most economic activity remains outside of the formal banking sector.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	-2.8	Business Freedom	-18.6	Trade Freedom	+10.2
Freedom from Corruption	+15.0	Government Spending	-5.2	Labor Freedom	+1.3	Investment Freedom	-5.0
				Monetary Freedom	-6.7	Financial Freedom	-30.0

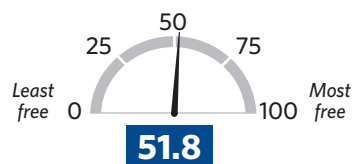
GUINEA-BISSAU



World Rank: **145**

Regional Rank: **35**

Economic Freedom Score



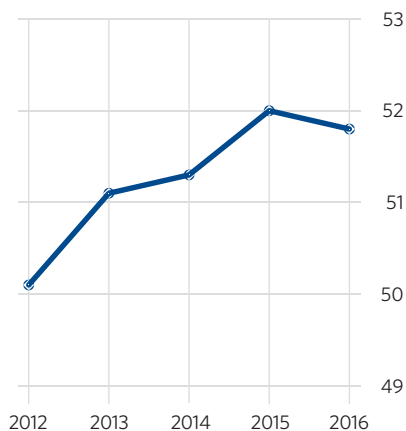
Guinea-Bissau has joined a number of other African countries in embracing the merits of regulatory and budgetary reform. Moderate improvements over the past few years include simplifying the business start-up process and improving the control of public spending.

ECONOMIC FREEDOM SNAPSHOT

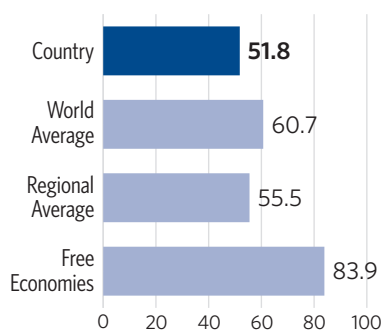
- 2016 Economic Freedom Score: **51.8 (down 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **145th**
- Regional Ranking: **35th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **+1.7**

Despite some progress, the institutional setting for economic development remains oppressive. Corruption and weak enforcement of property rights drain economic resources, and the judicial system lacks transparency and independence. The lack of improvement in the trade and investment regimes continues to hold back productivity gains and job growth.

Freedom Trend



Country Comparisons



Quick Facts

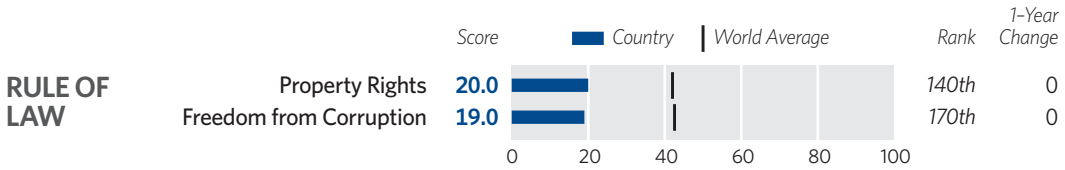
- Population:** 1.7 million
- GDP (PPP):** \$2.5 billion
- 2.5% growth in 2014
- 5-year compound annual growth 2.8%
- \$1,436 per capita
- Unemployment:** 6.9%
- Inflation (CPI):** -1.0%
- FDI Inflow:** \$21.5 million
- Public Debt:** 61.0% of GDP

How Do We Measure Economic Freedom?

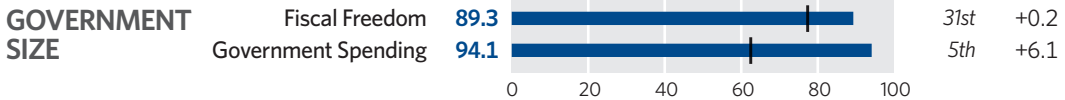
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

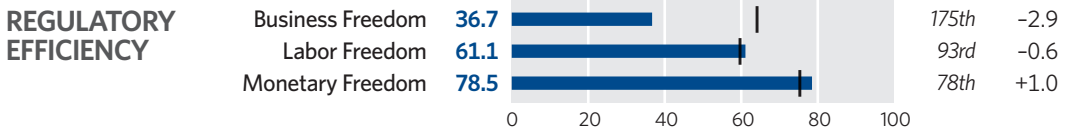
THE TEN ECONOMIC FREEDOMS



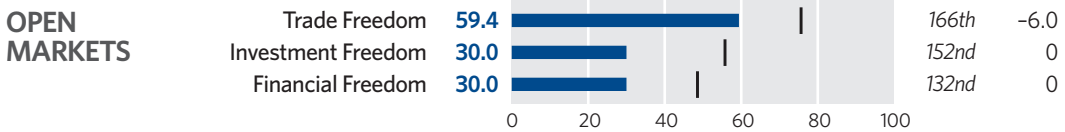
Weak governance, a strained economy, international narco-trafficking, and widespread poverty have created an environment conducive to bureaucratic and large-scale corruption at all levels of government and the military. Scant resources and endemic corruption severely challenge judicial independence. Judges and magistrates are poorly trained, irregularly paid, and highly susceptible to graft and political pressure.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax has been reduced to 10 percent on certain commodities. The overall tax burden equals 6.5 percent of total domestic income. Government spending amounts to 14 percent of total domestic output. Oil revenues have kept the budget deficit low. Public debt has increased to over 60 percent of GDP.



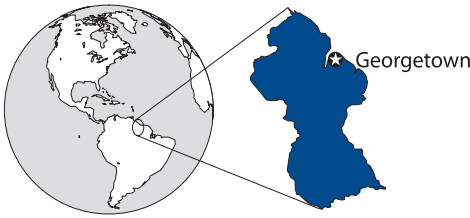
Business start-ups are now simpler and less time-consuming, but completing licensing requirements continues to be costly. With the labor market relatively underdeveloped, most formal employment remains confined to the public sector. Political progress in 2014 unlocked renewed backing from international donors on condition that the government would make immediate reforms such as reducing fuel subsidies.



Guinea-Bissau has an average tariff rate of 12.8 percent and is a member of the Economic Community of West African States and the West African Economic and Monetary Union. Foreign and domestic investors are treated equally under the law. The underdeveloped financial sector continues to provide a very limited range of services. Many people still rely on informal lending and have no bank accounts.

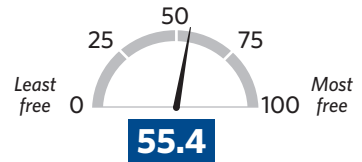
Long-Term Score Change (since 1999)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	+23.8	Business Freedom	-3.3	Trade Freedom	+30.0
Freedom from Corruption	+9.0	Government Spending	+28.2	Labor Freedom	+9.5	Investment Freedom	0
				Monetary Freedom	+37.9	Financial Freedom	+20.0



GUYANA

Economic Freedom Score



World Rank: **127** Regional Rank: **22**

Guyana's policy failures and structural inadequacies continue to hinder broad-based economic growth. Efforts to improve the management of public finance have had little impact, and the inefficient public sector remains a serious drag on private-sector development. Mining revenue has sustained average annual growth rates of close to 5 percent for the past five years.

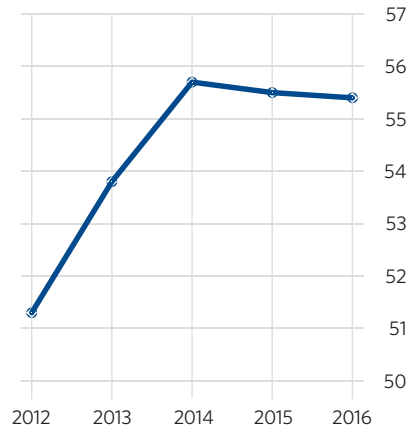
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **55.4 (down 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **127th**
- Regional Ranking: **22nd in the South and Central America/Caribbean Region**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Rule of Law, Investment Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+4.1**

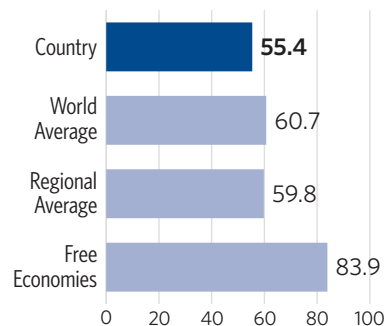
Long-standing constraints on Guyana's economic freedom include widespread government corruption and fragile protection of property rights under the weak rule of law. Restrictions on new investment and the lack of access to long-term financing are significant impediments to business development and job growth.

BACKGROUND: In the first change of government in 23 years, a multiracial coalition of the Partnership for National Unity and the Alliance for Change led by David Granger won 50.3 percent of the votes in the 2015 election. Granger took office as president on May 16 and will face huge difficulties in implementing his agenda. Although the risk of political violence is low, relations between the new government and the formerly ruling Indo-Guyanese PPC/Civic parties remain strained. Exports of sugar, gold, bauxite, shrimp, timber, and rice represent nearly 60 percent of formal GDP. Violent crime and drug trafficking are endemic.

Freedom Trend



Country Comparisons



Quick Facts

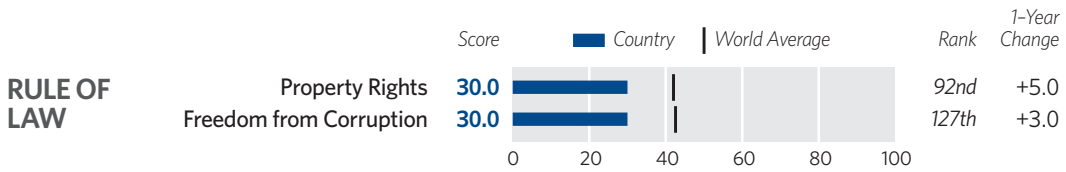
- Population:** 0.8 million
- GDP (PPP):** \$5.5 billion
- 3.8% growth in 2014
- 5-year compound annual growth 4.7%
- \$6,895 per capita
- Unemployment:** 11.1%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$255.2 million
- Public Debt:** 65.8% of GDP

How Do We Measure Economic Freedom?

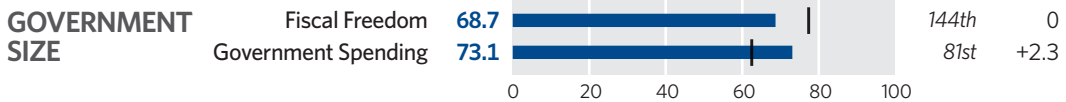
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

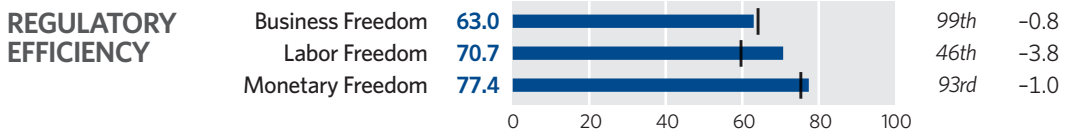
THE TEN ECONOMIC FREEDOMS



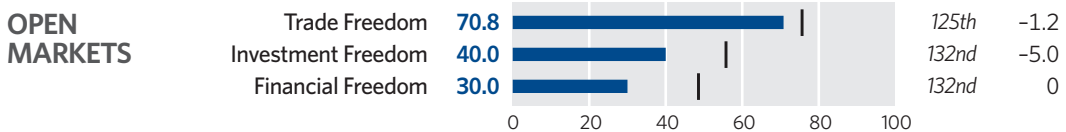
Voters who elected a new government in May 2015 were fed up with organized criminal activity, narco-trafficking, human trafficking, gun violence, and corruption. Violent crime is a major problem. Guyana is a transit point for cocaine destined for North America and Europe. The judicial system is generally perceived as slow and ineffective in enforcing contracts or resolving disputes. Protection of property rights is insufficient.



The top personal income tax rate is 33.3 percent, and the top corporate tax rate is 40 percent. Other taxes include a property tax and a value-added tax. The overall tax burden equals 20.6 percent of total domestic income. Government spending amounts to 29.9 percent of total domestic output. The budget balance is in deficit, and public debt has climbed to over 65 percent of total domestic output.



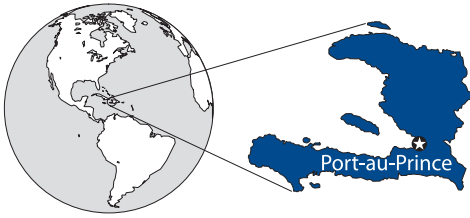
The overall pace of regulatory reform continues to lag behind that of other countries. Licensing still consumes about 100 days. The labor market remains underdeveloped, and many rely on the informal sector for employment. Although a request to increase regulated telecom prices was rejected and state-administered fuel prices were cut in 2015, electricity subsidies were increased in 2014, and sugar subsidies remain high.



Guyana has an average tariff rate of 7.1 percent and is a member of the Caribbean Community and Common Market. Some imports require licenses. Foreign investment in the mining sector is restricted. Otherwise, foreign and domestic investors are treated equally under the law. Banking remains plagued by inefficiency and a poor financial regulatory framework.

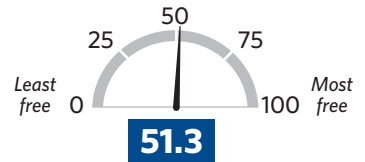
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+12.9	Business Freedom	+8.0	Trade Freedom	+4.8
Freedom from Corruption	+20.0	Government Spending	+42.8	Labor Freedom	+8.2	Investment Freedom	-10.0
				Monetary Freedom	+13.4	Financial Freedom	0



HAITI

Economic Freedom Score



World Rank: **150**

Regional Rank: **24**

Haiti's post-earthquake reconstruction efforts continue, assisted by substantial aid from the international community. Governing institutions remain weak and inefficient, and overall progress has not been substantial. The effectiveness of public spending has been severely undermined by ongoing political volatility that undercuts the already weak rule of law.

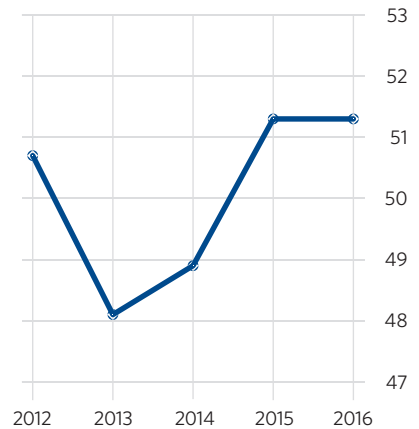
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **51.3 (no change)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **150th**
- Regional Ranking: **24th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, Financial Freedom**
- Overall Score Change Since 2012: **+0.6**

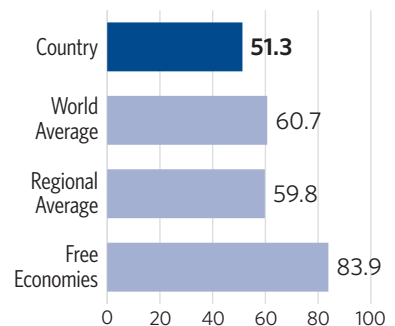
Reforms to improve the business and investment climates have had little effect because of pervasive corruption and the inefficient judicial framework. Limited efforts to liberalize trade have been undermined by bureaucracy and red tape that continue to deter much-needed new investment.

BACKGROUND: Haiti's already dysfunctional democracy deteriorated significantly under the leadership of outgoing President Michel Martelly, whose term in office was characterized by political stalemate, delayed elections, and political chaos. By the spring of 2015, the entire bicameral legislature consisted of only 10 senators. The results of legislative elections initially held in August 2015 were still in dispute at year's end, with runoffs and a second round of presidential balloting scheduled for December 27. Twenty-five percent of Haiti's people live in extreme poverty. Relations with the neighboring Dominican Republic have been strained since Santo Domingo began to deport tens of thousands of Dominican-born people of Haitian descent.

Freedom Trend



Country Comparisons



Quick Facts

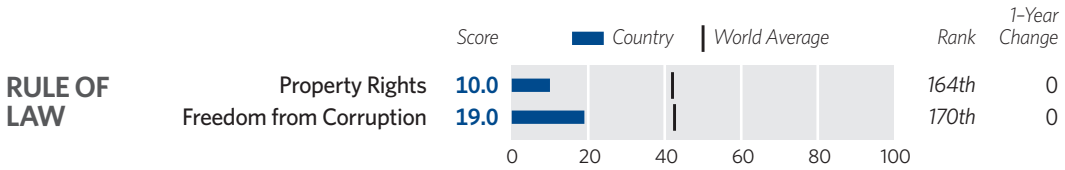
- Population:** 10.5 million
- GDP (PPP):** \$18.3 billion
- 2.8% growth in 2014
- 5-year compound annual growth 2.0%
- \$1,750 per capita
- Unemployment:** 6.8%
- Inflation (CPI):** 3.9%
- FDI Inflow:** \$99.0 million
- Public Debt:** 26.0% of GDP

How Do We Measure Economic Freedom?

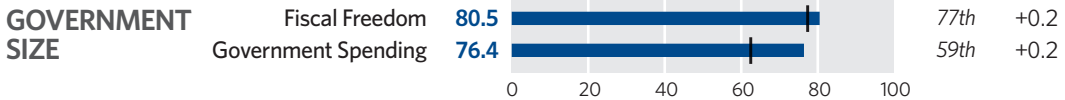
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2014 data unless otherwise noted.
Data compiled as of September 2015.

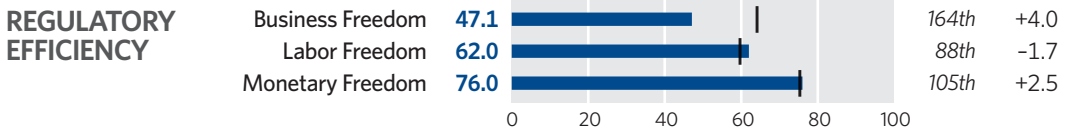
THE TEN ECONOMIC FREEDOMS



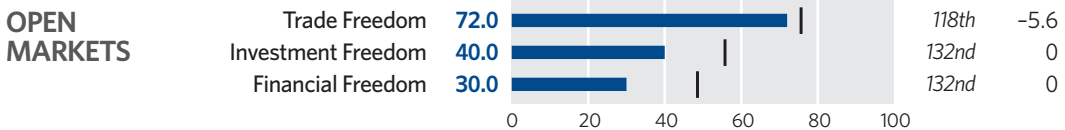
President Michel Martelly, whose closest aides had criminal histories, further weakened Haiti’s already fragmented institutions. Haiti is a major narco-trafficking transshipment point. The dysfunctional judicial system is underfunded, inefficient, corrupt, and burdened by a large backlog of cases, outdated legal codes, and poor facilities. There is no comprehensive civil registry, and clear titles to property are virtually nonexistent.



The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden is estimated to equal about 12.2 percent of GDP. Government spending amounts to 28 percent of total domestic output. The budget balance has fluctuated between deficit and surplus, and public debt has increased to 26 percent of GDP. The government relies extensively on foreign aid.



The overall business environment remains burdensome, and political uncertainty further undercuts already poor regulatory efficiency. A large portion of the workforce is unemployed or dependent on informal activity. An IMF-approved extended credit facility requires Haiti to take advantage of lower global oil prices to undertake various structural reforms, including reducing fuel subsidies to shrink the fiscal deficit.



Haiti’s average tariff rate is 6.5 percent. Foreign and domestic investors are treated equally under the law. In most cases, foreign investors can maintain up to 100 percent equity and freely remit profits. The small financial sector remains underdeveloped and does not provide adequate support for the private sector. Most financial transactions are handled informally, and credit for new business ventures remains severely constrained.

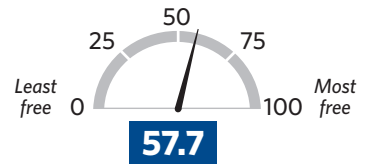
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.9	Business Freedom	+7.1	Trade Freedom	-8.0
Freedom from Corruption	+9.0	Government Spending	-19.1	Labor Freedom	+0.1	Investment Freedom	+30.0
				Monetary Freedom	+23.2	Financial Freedom	+20.0



HONDURAS

Economic Freedom Score



World Rank: **113**

Regional Rank: **19**

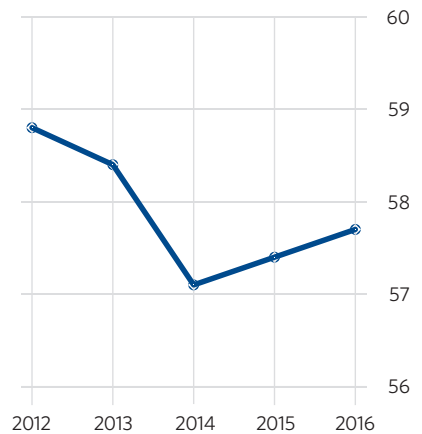
Honduras has pursued policies that sustain market openness and facilitate engagement in global commerce. The Central America–Dominican Republic–United States Free Trade Agreement and other free trade agreements have led to modernization and liberalization of trade and investment. Reducing severe crime and violence continues to be a priority.

ECONOMIC FREEDOM SNAPSHOT

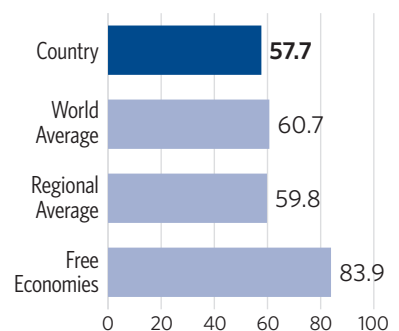
- 2016 Economic Freedom Score: **57.7 (up 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **113th**
- Regional Ranking: **19th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Corruption, Property Rights, and Labor Freedom**
- Overall Score Change Since 2012: **-1.1**

Broader implementation of deeper institutional reforms remains critical to spurring more dynamic economic growth across the country. Systemic public-sector corruption continues to erode the rule of law and trust in the government. The judicial system is weak and vulnerable to political influence.

Freedom Trend



Country Comparisons



Quick Facts

- Population:** 8.3 million
- GDP (PPP):** \$39.1 billion
- 3.1% growth in 2014
- 5-year compound annual growth 3.5%
- \$4,729 per capita
- Unemployment:** 3.9%
- Inflation (CPI):** 6.1%
- FDI Inflow:** \$1.1 billion
- Public Debt:** 46.1% of GDP

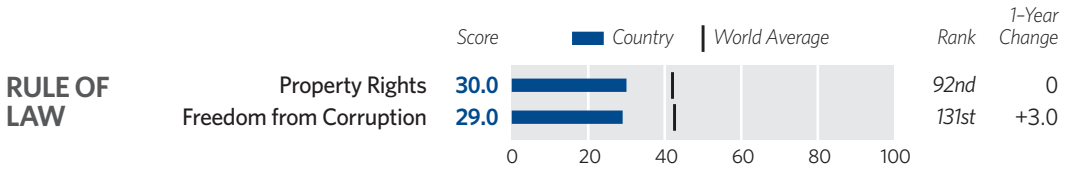
BACKGROUND: The Honduran supreme court's April 2015 elimination of the single-term limit for the presidency permits President Juan Orlando Hernández to seek a second term in 2017. Honduras still has the world's highest per capita homicide rate. The victims are mostly young men. Corruption and criminal behavior in police forces is acute. The economy depends heavily on U.S. trade and remittances. Hernández has promoted foreign investment and encouraged leaders of El Salvador and Nicaragua to join him in making Central America more competitive, but Honduras remains one of Latin America's poorest countries, with more than two-thirds of the population living below the poverty line. The country signed a three-year IMF standby arrangement in December 2014.

How Do We Measure Economic Freedom?

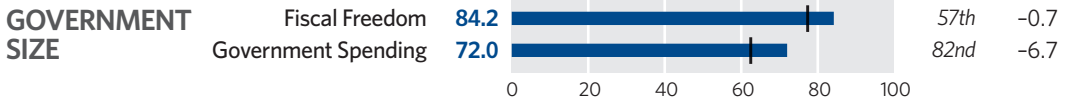
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

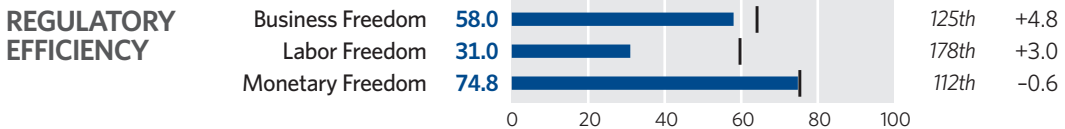
THE TEN ECONOMIC FREEDOMS



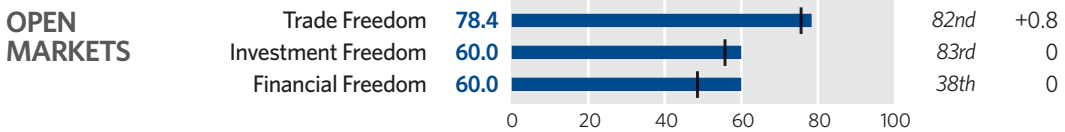
Rampant corruption and weak state institutions make it virtually impossible to combat violent transnational gangs and organized criminal groups. Honduras has one of the world’s highest murder rates. The court system is weak and inefficient, and resolution of disputed cases can take years. Laws and practices regarding real estate differ substantially from those in more developed countries, and fraudulent deeds and titles are common.



The top individual income and corporate tax rates are 25 percent (27.5 percent for corporations with an added social contribution tax). Other taxes include a capital gains tax and a general sales tax. The overall tax burden equals 18.1 percent of total domestic income. Government spending amounts to 30.6 percent of GDP. The deficit remains over 4 percent of GDP, and public debt equals more than 45 percent of total domestic output.



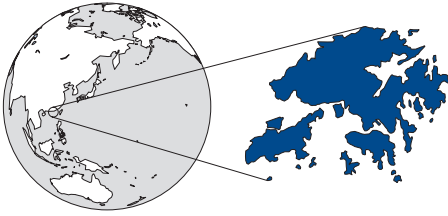
Recent reforms have reduced the number of days and procedures required to launch a new business. The cost of necessary licenses still equals more than twice the average annual income. The informal sector employs a large portion of the workforce. In 2015, the IMF praised government efforts to overhaul the struggling state-owned electricity utility, the structural deficit for which exerts a heavy toll on the budget.



The average tariff rate for Honduras is 5.8 percent. Additional barriers impede imports of rice, corn, and other agricultural goods. The judicial and regulatory systems may act as barriers to foreign investment. The financial sector remains relatively stable and continues to expand. There are two state-owned banks, but private banks dominate the banking sector.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+18.7	Business Freedom	+3.0	Trade Freedom	+17.4
Freedom from Corruption	-1.0	Government Spending	-11.4	Labor Freedom	-13.7	Investment Freedom	+10.0
				Monetary Freedom	+7.0	Financial Freedom	+10.0

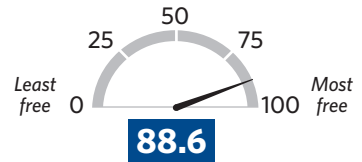


HONG KONG

World Rank: **1**

Regional Rank: **1**

Economic Freedom Score



The implementation of prudent economic policy within a stable and transparent legal environment has been the cornerstone of Hong Kong's continuing achievement in maintaining the world's freest economy. Well-secured property rights ensure vibrant commercial interactions and entrepreneurial growth. With a high level of market openness and fiscal discipline, Hong Kong continues to be a leading global business and financial hub.

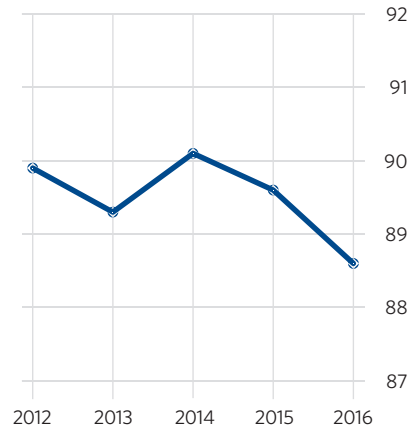
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **88.6 (down 1 point)**
- Economic Freedom Status: **Free**
- Global Ranking: **1st**
- Regional Ranking: **1st in the Asia-Pacific Region**
- Notable Successes: **Open Markets and Regulatory Efficiency**
- Concerns: **Rule of Law**
- Overall Score Change since 2012: **-1.3**

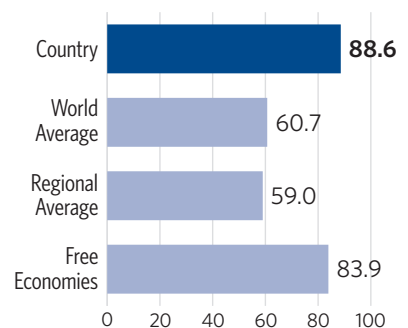
The highly competitive regulatory, tax, and spending policies that facilitate the dynamic engagement of the well-motivated and skilled workforce in world markets have come under pressure from those who favor more government involvement in the economy. The outcome of ongoing debates about the proper scope and reach of government will shape Hong Kong's future success.

BACKGROUND: Hong Kong became part of the People's Republic of China in 1997. Under the "one country, two systems" agreement, China promised not to impose its socialist policies on Hong Kong and to allow Hong Kong a high degree of autonomy in all matters except foreign and defense policy for 50 years. The shape and form of the "universal suffrage" promised for 2017 by Chinese authorities is not clear. Major industries include financial services and shipping; manufacturing has largely migrated to the mainland and other Southeast Asian economies. Hong Kong's economy has become increasingly integrated with the mainland economy through trade, tourism, and financial links.

Freedom Trend



Country Comparisons



Quick Facts

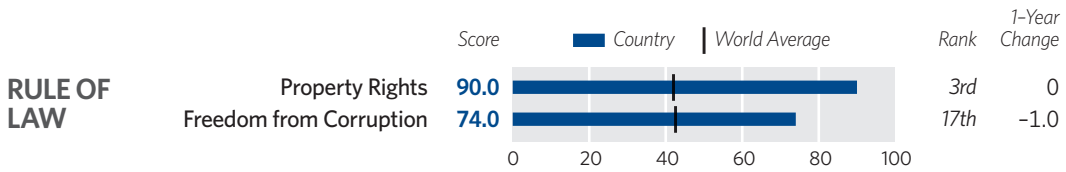
- Population:** 7.2 million
- GDP (PPP):** \$397.5 billion
- 2.5% growth in 2014
- 5-year compound annual growth 3.7%
- \$54,722 per capita
- Unemployment:** 3.3%
- Inflation (CPI):** 4.4%
- FDI Inflow:** \$103.3 billion
- Public Debt:** 0.1% of GDP

How Do We Measure Economic Freedom?

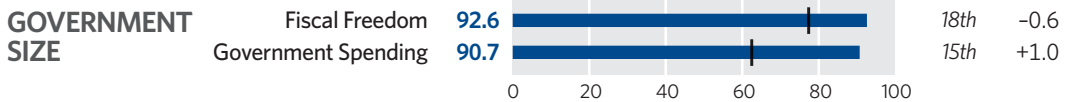
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2014 data unless otherwise noted.
Data compiled as of September 2015.

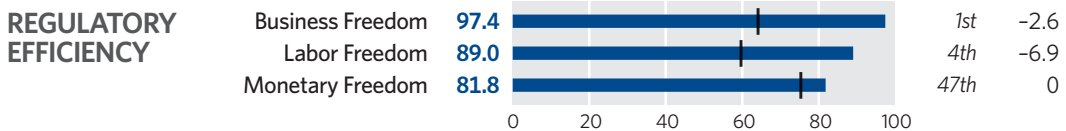
THE TEN ECONOMIC FREEDOMS



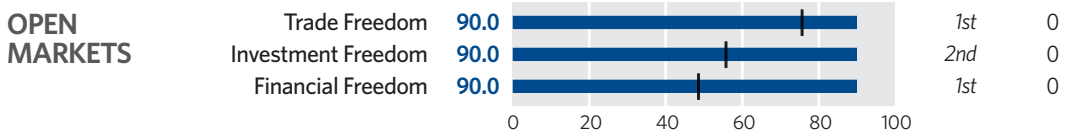
The sensational anti-corruption prosecution of a high-profile property developer for bribery in late 2014 illustrated why corruption rates remain low. Beijing’s ongoing efforts to erode the power of Hong Kong’s judiciary and Legislative Council and to intervene in the economy could undermine the rule of law. At least for now, however, the efficient and capable judiciary remains independent, and private property rights are well protected.



The standard income tax rate is 15 percent, and the top corporate tax rate is 16.5 percent. The tax system is simple and efficient, and the overall tax burden is low at 15.7 percent of GDP. Government spending amounts to 17.6 percent of GDP. Public debt is virtually nonexistent, and a budget surplus has been consistently maintained. In recent years, greater spending on social programs has increased fiscal pressures.



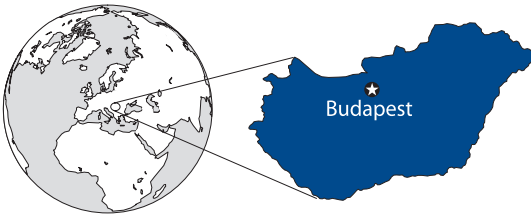
The overall entrepreneurial environment remains one of the world’s most transparent and efficient. The business start-up process is straightforward, with no minimum capital required. The labor market is vibrant, and the labor force participation rate has gradually increased since 2010. The peg between the Hong Kong dollar and its U.S. counterpart has served the territory well since 1983, ensuring monetary stability and facilitating international commerce.



Hong Kong has a 0 percent average tariff rate. The country remains one of the most open economies in the world for international trade and investment. There is no general screening of foreign investment, and in most cases, foreign investors can maintain 100 percent ownership. The financial sector remains highly competitive and well capitalized, serving as a leading global hub.

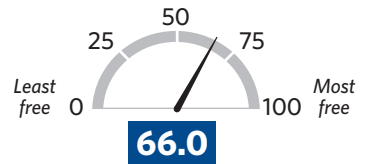
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.4	Business Freedom	-2.6	Trade Freedom	0
Freedom from Corruption	-16.0	Government Spending	-2.8	Labor Freedom	+2.5	Investment Freedom	0
				Monetary Freedom	+1.0	Financial Freedom	+20.0



HUNGARY

Economic Freedom Score



World Rank: **58**

Regional Rank: **26**

Hungary's transition to a market economy has been facilitated by the modernization of trade and investment. The business environment remains relatively conducive to entrepreneurship and risk-taking. However, concerns about the rule of law have been increasing, and budget deficits have raised public debt and hurt fiscal soundness.

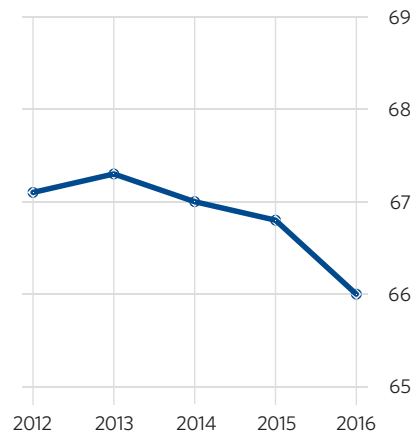
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **66 (down 0.8 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **58th**
- Regional Ranking: **26th in Europe**
- Notable Successes: **Open Markets, Business Freedom, and Monetary Freedom**
- Concerns: **Rule of Law and Management of Public Spending**
- Overall Score Change Since 2012: **-1.1**

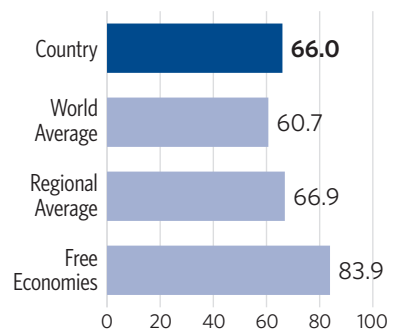
State involvement in the economy has deepened as the government has acquired assets in several key sectors, including energy and banking. Since introduction of the 2010 levy on financial institutions, new taxes have also been added on the financial sector and other sectors such as telecommunications and retail.

BACKGROUND: Hungary has been a member of NATO since 1999 and a member of the European Union since 2004. In the April 2014 parliamentary election, held in accordance with a new constitution that went into force in January 2012, the center-right Fidesz-Hungarian Civic Alliance won the majority of seats, and Prime Minister Viktor Orbán, who has been in office since May 2010, formed a new government. Despite broad electoral support, Orbán has achieved only limited economic success. Recent modest economic growth reflects better-than-projected industrial output. The supply of low-skilled labor greatly exceeds demand, generating high unemployment. Hard-currency indebtedness remains a key vulnerability; the central bank plans to continue monetary easing to counter a period of prolonged deflation.

Freedom Trend



Country Comparisons



Quick Facts

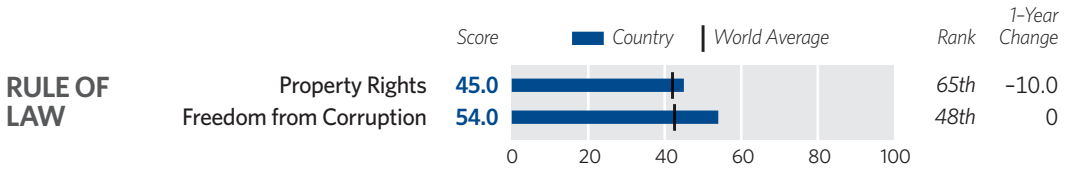
- Population:** 9.9 million
- GDP (PPP):** \$246.4 billion
- 3.6% growth in 2014
- 5-year compound annual growth 1.3%
- \$24,942 per capita
- Unemployment:** 7.8%
- Inflation (CPI):** -0.3%
- FDI Inflow:** \$4.0 billion
- Public Debt:** 76.9% of GDP

How Do We Measure Economic Freedom?

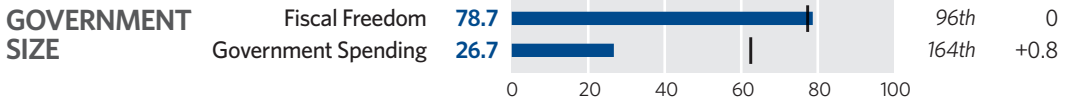
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2014 data unless otherwise noted.
Data compiled as of September 2015.

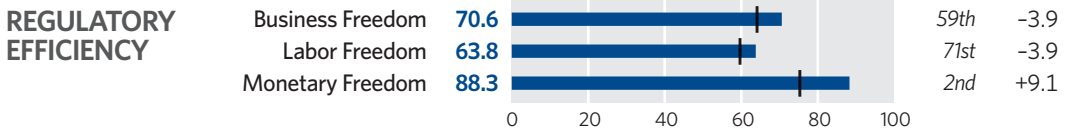
THE TEN ECONOMIC FREEDOMS



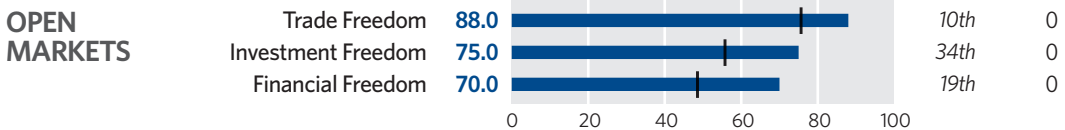
Corruption remains a serious problem, with rampant collusion between the public sector and privileged private businesses. In 2014, it was estimated that firms routinely pay bribes of up to 20 percent of a project’s value. The ruling Fidesz-led coalition has appointed its allies to lead state anti-corruption agencies. Judicial independence is increasingly threatened. Courts are forbidden to refer to laws in effect before the 2012 Fidesz constitution.



The personal income tax rate is a flat 16 percent, and the top corporate tax rate is 19 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 38.9 percent of total domestic income. Government spending accounts for 49.4 percent of total domestic output. Public debt remains at about 77 percent of GDP, and borrowing costs have risen.



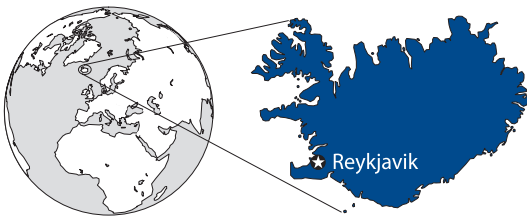
The regulatory regime generally allows innovative business formation and operation. The overall labor code lacks flexibility, and restrictions on work hours remain rigid. The government passed along savings to consumers from lower global oil prices in 2015 by cutting domestic regulated energy prices and implemented a radical reform of its agricultural subsidy allocation system by cutting payments to large farms.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Most state-owned enterprises have been privatized. Foreign and domestic investors are treated equally under the law. The growing financial sector is open to competition, but banks have been negatively affected by special taxes and other regulatory changes since 2010.

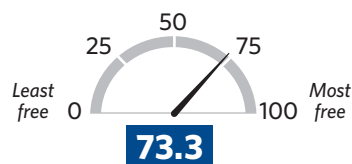
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	+31.9	Business Freedom	-14.4	Trade Freedom	+27.0
Freedom from Corruption	+4.0	Government Spending	+26.7	Labor Freedom	-4.4	Investment Freedom	+5.0
				Monetary Freedom	+24.1	Financial Freedom	+20.0



ICELAND

Economic Freedom Score



World Rank: **20**

Regional Rank: **10**

Recovering from the acute 2008 banking crisis, Iceland has demonstrated a strong commitment to restoring the soundness of public finance and the credibility of its policies. Long-institutionalized regulatory efficiency and open-market policies underpin efforts to restore positive growth momentum. Widespread strikes over pay increases in the spring of 2015 threatened to undermine the recovery but did not stop the government from taking the first steps to ease capital controls in June.

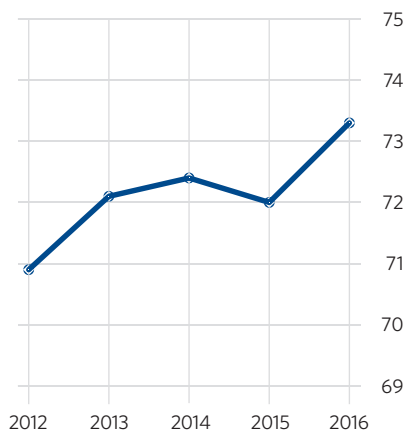
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **73.3 (up 1.3 points)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **20th**
- Regional Ranking: **10th in Europe**
- Notable Successes: **Rule of Law and Regulatory Efficiency**
- Concerns: **Labor Freedom and Financial Freedom**
- Overall Score Change Since 2012: **+2.4**

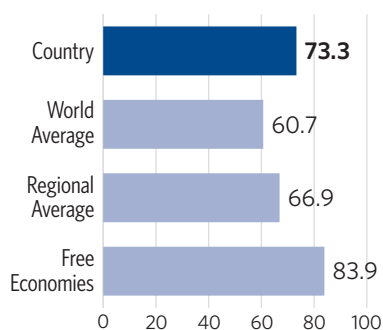
The quality of the legal framework remains among the world's highest, providing effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimum tolerance for corruption is firmly in place.

BACKGROUND: The pro-European Union Social Democrats lost the April 2013 parliamentary elections. Sigmundur Davíð Gunnlaugsson of the Progressive Party was elected prime minister by a coalition of the Progressive Party and Independence Party. The new government indefinitely suspended accession talks with the EU in May 2013 and officially withdrew Iceland's application in March 2015. Iceland already enjoys EU-related benefits that include free trade and movement of capital, labor, goods, and services within the region. Its membership in the Schengen Zone allows visa-free travel in 26 European countries. The economy is dependent on tourism and fishing. Unemployment is low, and economic growth accelerated in 2015.

Freedom Trend



Country Comparisons



Quick Facts

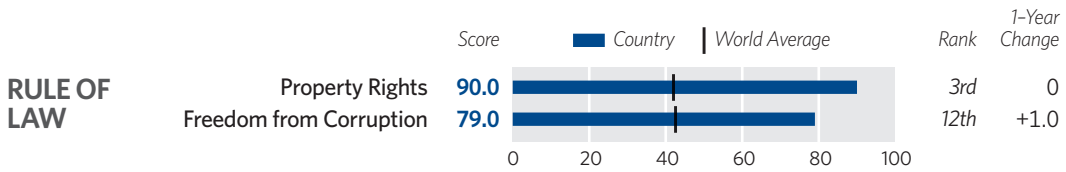
- Population:** 0.3 million
- GDP (PPP):** \$14.2 billion
- 1.8% growth in 2014
- 5-year compound annual growth 1.1%
- \$43,637 per capita
- Unemployment:** 5.0%
- Inflation (CPI):** 2.0%
- FDI Inflow:** \$436.1 million
- Public Debt:** 82.1% of GDP

How Do We Measure Economic Freedom?

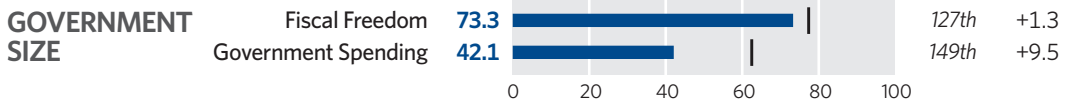
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2014 data unless otherwise noted.
Data compiled as of September 2015.

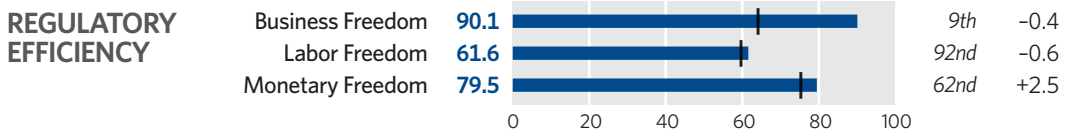
THE TEN ECONOMIC FREEDOMS



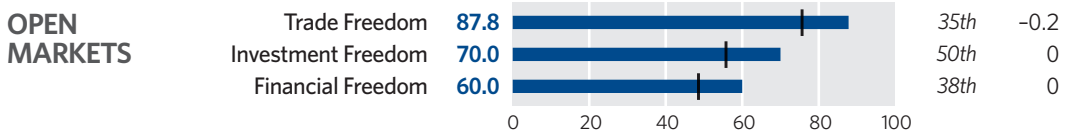
The institutionalization of accountability and transparency in Iceland results from 1,000 years of parliamentary government. Isolated cases of corruption are not an obstacle to foreign investment. Private property is well protected. Iceland has a solid legislative and institutional framework to enforce laws protecting intellectual property. The constitution provides for an independent judiciary, and trials are generally public and fair.



The top personal income tax rate is 31.8 percent, and the flat corporate rate is 20 percent. Other taxes include a value-added tax and an estate tax. The overall tax burden equals 35.5 percent of total domestic income. Government spending has fallen to 43.9 percent of total domestic output. The government has recorded its first budget surplus in seven years, and public debt is around 80 percent of GDP.



The overall regulatory environment remains efficient and competitive. Labor regulations are rigid, with broad wage settlements and high unionization. Financial crises have occurred periodically, and the government has proposed a sovereign money system whereby the central bank would increase the money supply in proportion to growth and consistent with a mandated inflation target.



Iceland's average tariff rate is 1.1 percent. The government restricts imports of meat and dairy products and caps investment levels in a few sectors of the economy, including energy and aviation. Iceland has restructured and recapitalized its banking system. The central bank has eased some of the restrictions on the movement of capital that were instituted following the financial turmoil in 2008.

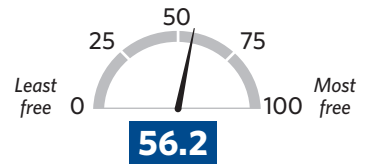
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+11.7	Business Freedom	+20.1	Trade Freedom	+7.0
Freedom from Corruption	-11.0	Government Spending	+1.5	Labor Freedom	-3.0	Investment Freedom	0
				Monetary Freedom	-1.8	Financial Freedom	+10.0



INDIA

Economic Freedom Score



World Rank: **123**

Regional Rank: **25**

The reform-minded government of Narendra Modi has undertaken some necessary structural adjustments with a focus on improving the inefficient and bloated government sector, better managing public finance, and improving the business and investment environments. Despite some success, however, overall progress on implementing reform measures has been limited and uneven.

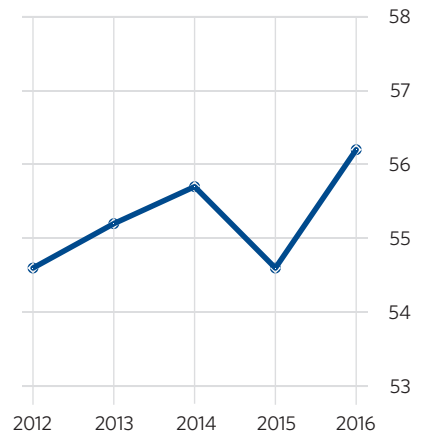
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56.2 (up 1.6 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **123rd**
- Regional Ranking: **25th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Corruption, Regulatory Efficiency, and Investment Freedom**
- Overall Score Change Since 2012: **+1.6**

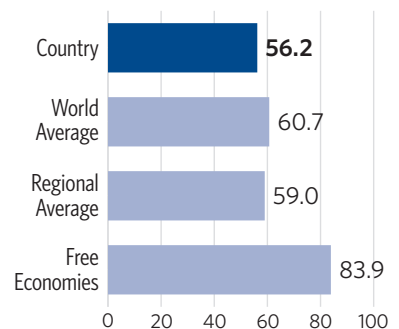
India's long-standing institutional shortcomings continue to undermine the momentum for economic development. In the absence of a well-functioning legal and regulatory framework, corruption remains a serious impediment to the emergence of a more dynamic private sector. The state's presence in the economy remains extensive through state-owned enterprises.

BACKGROUND: India is a stable democracy. It is 80 percent Hindu but also home to one of the world's largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party, took office in 2014 and is credited with reviving the economy and reinvigorating India's foreign policy. Corruption, poor infrastructure, and fiscal deficits are a drag on development, but with lower global oil prices, the economy has been sustaining a growth rate of about 7 percent. Modi has opened the defense and insurance sectors to private investment, but his government has failed to secure passage of promised reforms in land acquisition and goods and services taxes. India is a significant force in world trade, but growth remains below potential.

Freedom Trend



Country Comparisons



Quick Facts

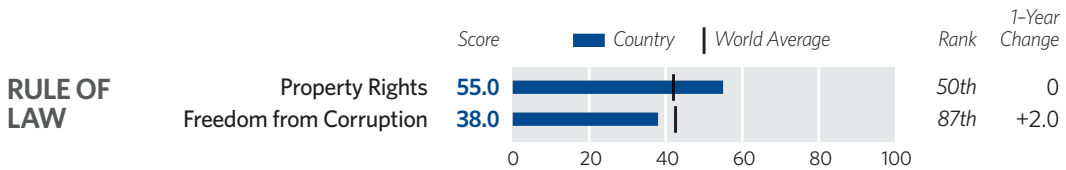
- Population:** 1.3 billion
- GDP (PPP):** \$7.4 trillion
- 7.2% growth in 2014
- 5-year compound annual growth 7.2%
- \$5,855 per capita
- Unemployment:** 3.6%
- Inflation (CPI):** 6.0%
- FDI Inflow:** \$34.4 billion
- Public Debt:** 65.0% of GDP

How Do We Measure Economic Freedom?

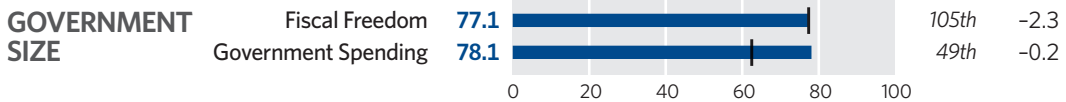
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2014 data unless otherwise noted.
Data compiled as of September 2015.

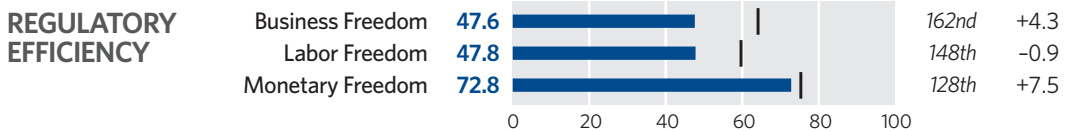
THE TEN ECONOMIC FREEDOMS



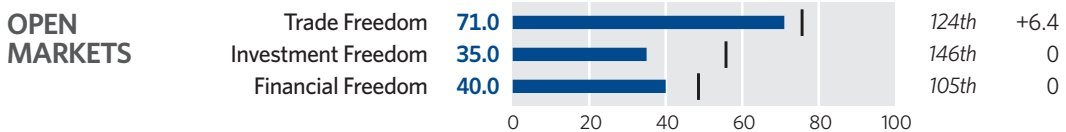
Political corruption has a negative effect on government efficiency and economic performance. Civil servants at all levels are known to accept bribes or engage in other corrupt behavior, usually with impunity. India's judiciary is independent, but courts are understaffed and lack the technology necessary to clear an enormous backlog. Uncertainty about land ownership is one of the biggest problems facing the economy.



The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 34.6 percent. The overall tax burden equals 16.7 percent of GDP. Government spending amounts to 27 percent of total domestic output, and the budget remains in chronic deficit. Progress in reforming subsidy programs over the past year has been slow. Public debt is equivalent to 65 percent of GDP.



Organizing new investment and production remains burdensome. Launching a business takes more than 25 days on average, and licensing requirements are costly. The underdeveloped labor market lacks efficiency, and the informal sector remains an important source of employment. In 2014, the government scrapped plans to impose price controls on a range of branded generic drugs and lifted state control of diesel prices.



India's average tariff rate is 7 percent. Numerous non-tariff barriers impede the free flow of goods and services. Government procurement policies favor domestic firms. Foreign investment in many sectors of the economy is capped. State-owned institutions dominate the financial sector, and foreign participation is limited. In public-sector banks, troubled assets account for about 10 percent of total assets.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+30.3	Business Freedom	-7.4	Trade Freedom	+71.0
Freedom from Corruption	+28.0	Government Spending	-14.3	Labor Freedom	-13.9	Investment Freedom	-15.0
				Monetary Freedom	+1.1	Financial Freedom	+10.0

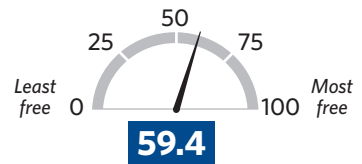
INDONESIA



World Rank: **99**

Regional Rank: **21**

Economic Freedom Score



Indonesia has undertaken various reforms to address structural weaknesses and improve competitiveness. Recent reform measures have put greater emphasis on improving regulatory efficiency, enhancing regional competitiveness, and creating a more vibrant private sector by modernizing the financial sector. In January 2015, the subsidy for gasoline was eliminated.

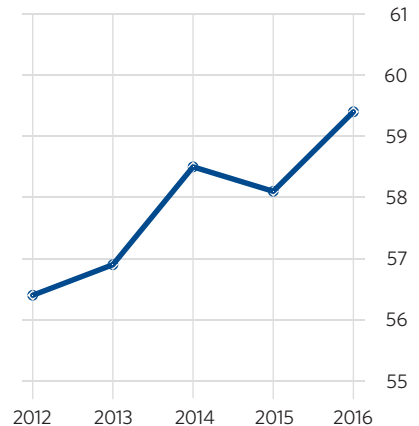
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.4 (up 1.3 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **99th**
- Regional Ranking: **21st in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+3**

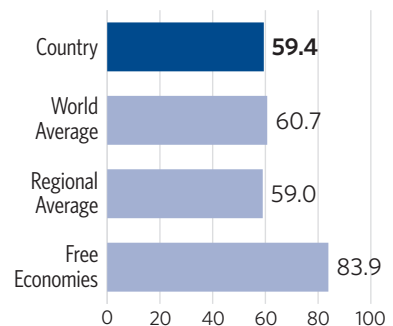
Despite apparent progress, Indonesia's growth potential remains fragile and hampered by inefficient legal and investment regimes. Political interference in the private economy discourages dynamic economic expansion, and the majority of Indonesia's workforce is employed in the informal sector. Pervasive corruption exacerbated by a weak judicial system adds to business risk.

BACKGROUND: Indonesia is the world's most populous Muslim-majority democracy. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 250 million people have enjoyed a widening range of political freedoms, and participation in the political process is high. Joko Widodo, former businessman and governor of Jakarta, won a tight race for the presidency in 2014, pledging to end corruption and promote economic reform. Weak rule of law remains a major impediment to attracting capital. As a member of the G20 and a driving force within the Association of Southeast Asian Nations, Indonesia plays a growing role at the multilateral level. Its increasingly modern and diversified economy has recovered from the 2009 global recession.

Freedom Trend



Country Comparisons



Quick Facts

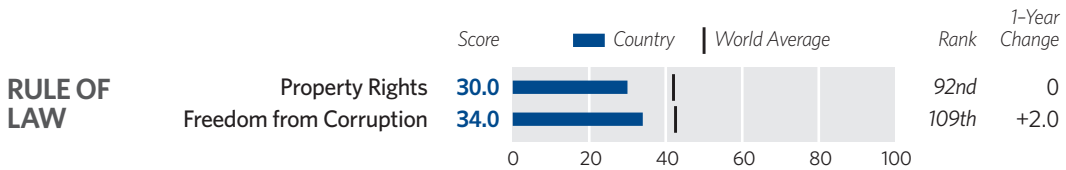
- Population:** 251.5 million
- GDP (PPP):** \$2.7 trillion
- 5.0% growth in 2014
- 5-year compound annual growth 5.8%
- \$10,641 per capita
- Unemployment:** 6.2%
- Inflation (CPI):** 6.4%
- FDI Inflow:** \$22.6 billion
- Public Debt:** 25.0% of GDP

How Do We Measure Economic Freedom?

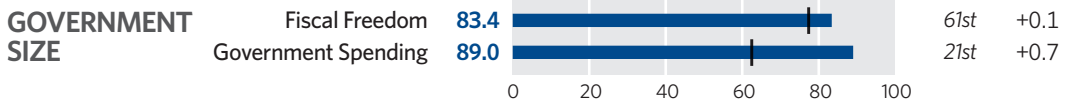
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
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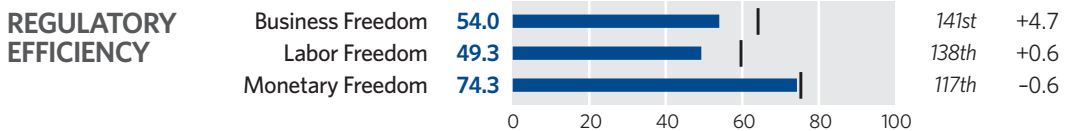
THE TEN ECONOMIC FREEDOMS



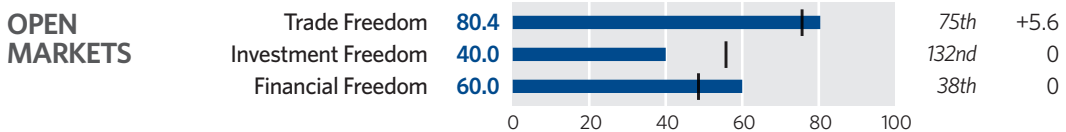
Corruption among civil servants and elected officials remains pervasive and inhibits foreign direct investment. In January 2015, police responded to a government investigation of corruption in law-enforcement agencies by arresting the deputy chief of the Anti-Corruption Commission. The judiciary has demonstrated its independence in some cases. Property rights are generally respected, but enforcement is inefficient and uneven.



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 and a property tax. The overall tax burden equals 11.8 percent of total domestic income. Government spending amounts to 19.1 percent of GDP, and the budget deficit is below 2 percent of GDP. Public debt still equals about 25 percent of total annual domestic output.



Overall regulatory efficiency is weak, and completing licensing requirements can be costly. Regulations concerning the creation and termination of employment are rigid, undermining the development of a dynamic labor market. The government responded to falling oil prices in late 2014 by lowering fuel subsidies, removing distortions in the market but keeping consumer price inflation artificially elevated.

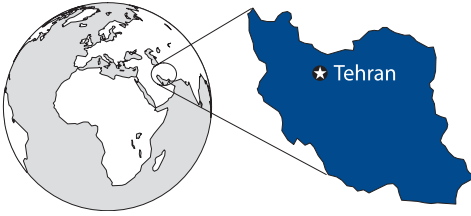


Indonesia's average tariff rate is 2.3 percent. Non-tariff barriers, including licensing and quotas, further distort trade. Numerous state-owned enterprises distort the economy. Foreign investment in several sectors of the economy is capped. The financial sector remains stable, and a Financial Services Authority has been formed with the stated goal of improving regulatory efficiency in the sector.

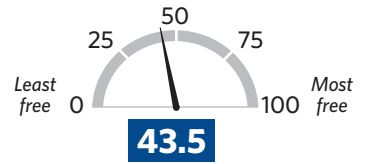
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+10.3	Business Freedom	-1.0	Trade Freedom	+35.4
Freedom from Corruption	+24.0	Government Spending	-0.7	Labor Freedom	+0.2	Investment Freedom	-10.0
				Monetary Freedom	+3.4	Financial Freedom	+10.0

IRAN



Economic Freedom Score



World Rank: **171**

Regional Rank: **14**

Severely hampered by state interference, the formal Iranian economy remains stagnant, and informal economic activity is expanding. Recent five-year plans have talked about pursuing a gradual move toward a market-oriented economy, but there has been little real change.

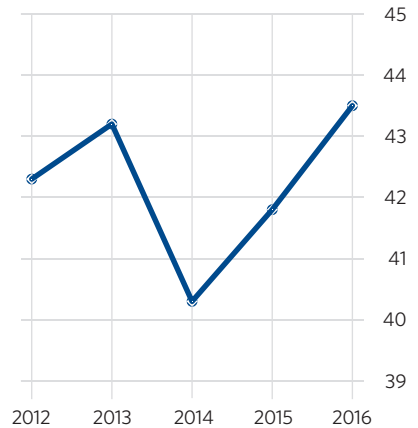
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **43.5 (up 1.7 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **171st**
- Regional Ranking: **14th in the Middle East/North Africa Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.2**

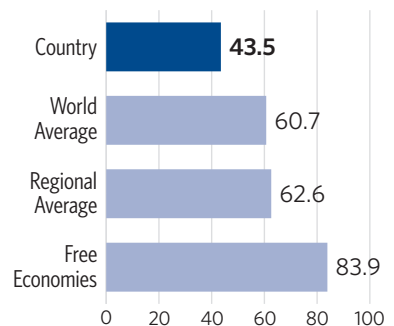
As a direct result of political oppression and deficiencies in the legal framework, the rule of law remains fragile. Efforts to enhance the business climate have been modest and occasionally undone to maintain the status quo. The private sector remains largely marginalized. The government's money-laundering and terrorist-financing activities continue to be major problems.

BACKGROUND: After the pro-Western shah was overthrown in 1979, radical Islamic forces established a theocratic government with religious authorities holding the most power. The president, who has limited powers, is elected every four years by popular vote in a charade orchestrated by hard-line clerics who veto candidates that pose a threat to the regime. Current President Hassan Rowhani, elected in 2013 as a pragmatist, has tried to steer a less confrontational path in dealing with foreign powers. Petroleum exports account for over 80 percent of government revenues. The government owns and directly operates numerous enterprises and indirectly controls many companies affiliated with the security forces. Relaxation of economic sanctions as a result of negotiations relating to Iran's nuclear weapons program has raised hopes for an economic turnaround.

Freedom Trend



Country Comparisons



Quick Facts

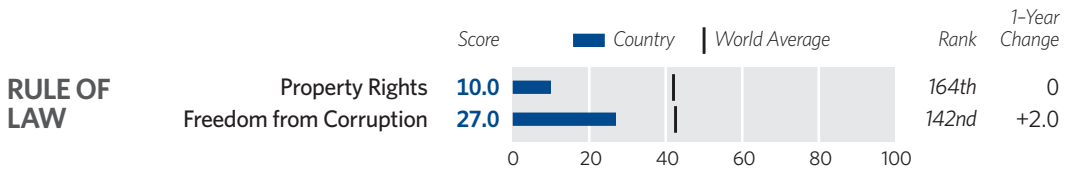
- Population:** 78.0 million
- GDP (PPP):** \$1.3 trillion
- 3.0% growth in 2014
- 5-year compound annual growth 1.0%
- \$17,114 per capita
- Unemployment:** 12.8%
- Inflation (CPI):** 15.5%
- FDI Inflow:** \$2.1 billion
- Public Debt:** 12.2% of GDP

How Do We Measure Economic Freedom?

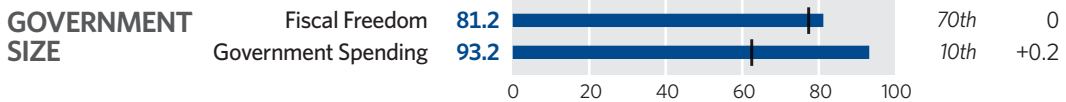
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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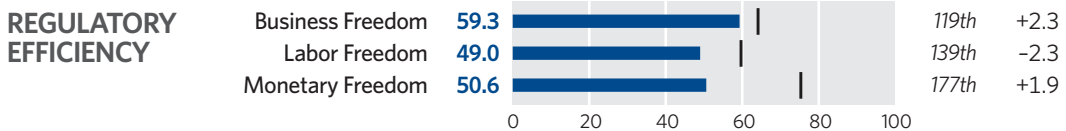
THE TEN ECONOMIC FREEDOMS



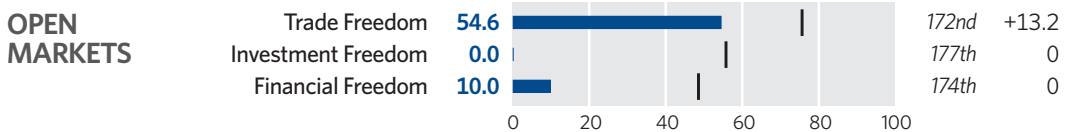
Corruption is pervasive. The hard-line clerical establishment has gained great wealth through control of tax-exempt foundations that dominate many economic sectors. The government long ago abolished independent financial watchdogs. The judicial system is not independent; the supreme leader directly appoints the head of the judiciary, who in turn appoints senior judges. The government has confiscated property belonging to religious minorities.



The top personal income tax rate is 35 percent, and the top corporate rate is 25 percent. All property transfers are subject to a standard tax. A value-added tax has been collected intermittently. The overall tax burden equals an estimated 5.8 percent of total domestic income. Government spending amounts to 15 percent of GDP. The budget is in surplus because of oil revenue, and public debt equals 12 percent of GDP.



The regulatory environment remains restrictive, severely constraining private economic activity. Labor market rigidity exacerbated by state interference continues to discourage dynamic job growth. In 2015, the government was forced to make significant cuts in subsidies, not as part of an orderly and enlightened liberalization plan to make structural reforms but because of sharply lower oil revenues.

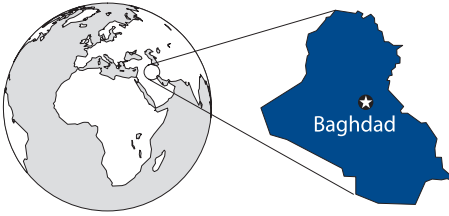


Iran's average tariff rate is 15.2 percent. Customs delays impede trade. Foreign investment is subject to government screening and sectoral restrictions. International sanctions limit trade and investment. Strict government controls limit access to financing for businesses. State-owned commercial banks account for a majority of total banking-sector assets, and credit allocation is directed by the government.

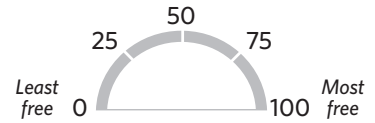
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+39.7	Business Freedom	+4.3	Trade Freedom	+9.6
Freedom from Corruption	+17.0	Government Spending	+1.1	Labor Freedom	-27.4	Investment Freedom	-10.0
				Monetary Freedom	-0.7	Financial Freedom	0

IRAQ



Economic Freedom Score



This economy is not graded

World Rank: Not Ranked

Regional Rank: Not Ranked

Iraq's economic freedom remains ungraded because of a lack of reliable data. The government's compilations of official economic statistics are inadequate, and data on Iraq in many of the international sources relied upon for *Index* grading are incomplete. Iraq's economic freedom will be ranked in future editions when more reliable information becomes available.

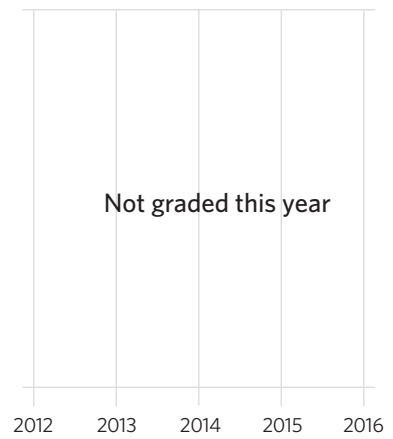
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Middle East/North Africa Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

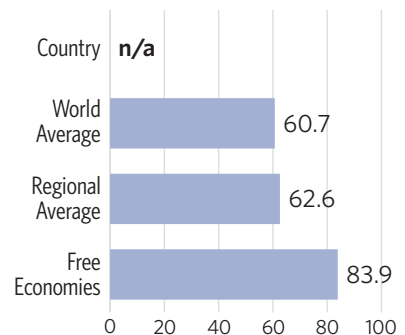
Iraq's ongoing economic reconstruction has become increasingly fragile. The central government's weakness, the presence of powerful vested interests, and political volatility have hindered difficult policy reforms, undermining the limited but measureable progress made in past years. Grave security threats and instability continue to aggravate economic and humanitarian crises.

BACKGROUND: Iraq has become increasingly unstable since 2013 due to the rise of the Islamic State in Iraq and Syria (ISIS), which is estimated to control one-third of the country. Prime Minister Nuri al-Maliki's party won the largest number of seats in the April 2014 parliamentary elections, but he alienated Sunni Arabs and Kurds with a heavy-handed sectarian agenda. He stepped down in August 2014 and was succeeded by Haider al-Abadi. The oil industry provides more than 90 percent of government revenue. ISIS imposes a high cost on the economy, and the central government is corrupt and ineffective. Increasing insecurity and financial instability have diminished the prospects for an improving economy and for attracting foreign investment.

Freedom Trend



Country Comparisons



Quick Facts

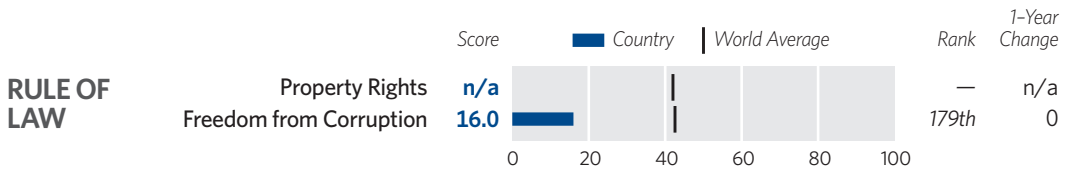
- Population:** 35.9 million
- GDP (PPP):** \$522.7 billion
- 2.4% growth in 2014
- 5-year compound annual growth 6.4%
- \$14,571 per capita
- Unemployment:** 16.4%
- Inflation (CPI):** 2.2%
- FDI Inflow:** \$4.8 billion
- Public Debt:** 37.0% of GDP

How Do We Measure Economic Freedom?

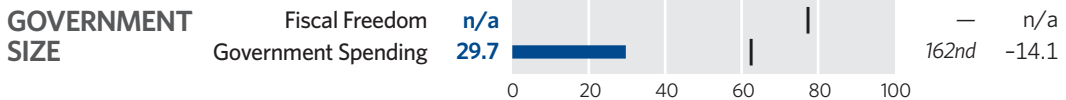
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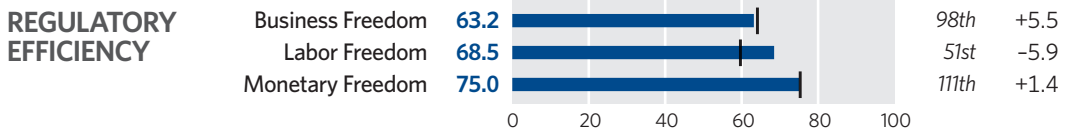
THE TEN ECONOMIC FREEDOMS



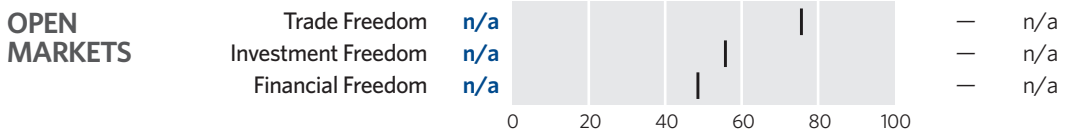
Rampant public corruption, insurgencies, and the state’s limited administrative capacity are major obstacles to the development of Iraq’s economy and political stability. The government has lost control of a large section of Iraqi territory to ISIS, at least in part because the military had been weakened by politicized appointments, incompetence, and graft. Under such circumstances, property rights are not well protected.



Individual and corporate income tax rates are capped at 15 percent. Tax revenue as a percentage of GDP is negligible due to high levels of evasion and lax enforcement. Public spending is estimated to equal more than half of total domestic output, and the budget records surpluses only because of oil revenue, which funds more than 90 percent of government expenses. Public debt equals 37 percent of GDP.



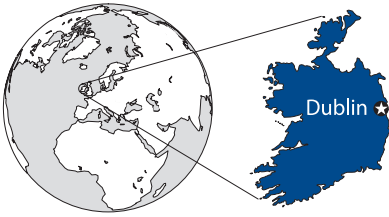
The application of existing regulations has been inconsistent and non-transparent. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. Faced with lower oil revenues and instability caused by ISIS, the government has been unable to pursue reforms to rationalize state-owned enterprises and reduce subsidies for basic goods and services.



Trade flows remain far below potential as the threat of violence suppresses broad-based commercial activity. Numerous non-tariff 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.

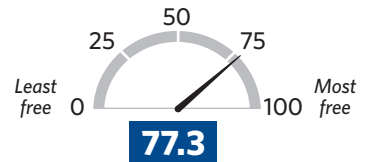
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



IRELAND

Economic Freedom Score



World Rank: **8**

Regional Rank: **2**

The Irish economy has made impressive progress over the past three years. Undertaking politically difficult reform measures, including sharp cuts in public-sector wages and restructuring of the banking sector, Ireland has regained its fiscal health and become the first country to exit a European Union bailout. Its economy is now one of the fastest-growing in the eurozone.

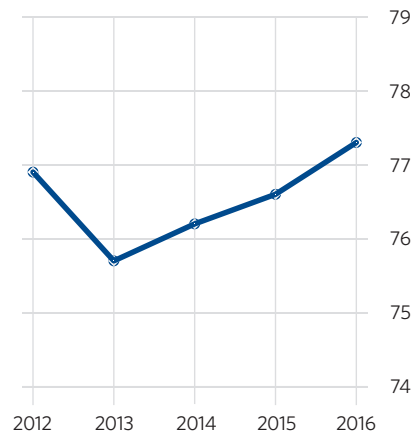
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **77.3 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **8th**
- Regional Ranking: **2nd in Europe**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Management of Public Finance**
- Overall Score Change Since 2012: **+0.4**

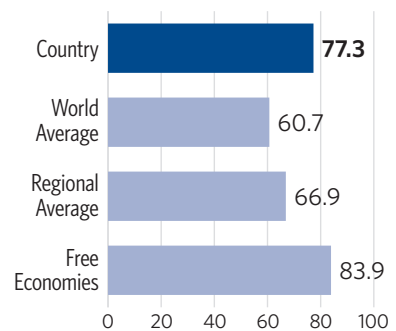
Ireland's economy benefits from significant institutional strengths. Property rights are well established, and the judiciary is stable. The streamlined regulatory process facilitates dynamic investment and allows business decisions needed to enhance innovation and productivity.

BACKGROUND: Prime Minister Enda Kenny's Fine Gael government was elected in February 2011. Ireland's modern, highly industrialized economy performed extraordinarily well throughout the 1990s and most of the 2000s, encouraged by free-market policies that attracted investment capital, but a speculative housing bubble burst in 2008, generating a financial crisis. The 2010 National Recovery Plan was implemented after the government nationalized several banks, and Ireland accepted a \$90 billion European Union–International Monetary Fund rescue package. In February 2013, Ireland reached agreement with the European Central Bank to restructure loans and ease the debt burden incurred when the Anglo Irish Bank was nationalized in 2009. Growth is high by European standards, but the ratio of public debt to GDP also remains very high despite some recent improvement.

Freedom Trend



Country Comparisons



Quick Facts

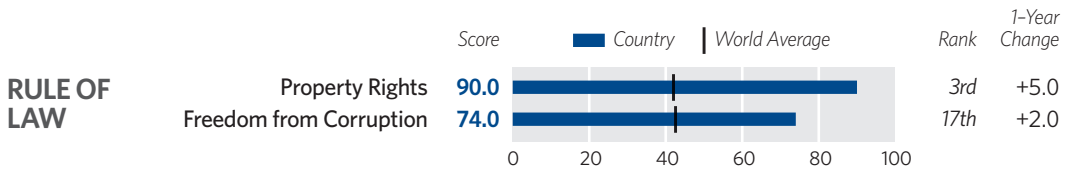
- Population:** 4.6 million
- GDP (PPP):** \$226.8 billion
- 4.8% growth in 2014
- 5-year compound annual growth 1.4%
- \$49,195 per capita
- Unemployment:** 9.7%
- Inflation (CPI):** 0.3%
- FDI Inflow:** \$7.7 billion
- Public Debt:** 109.5% of GDP

How Do We Measure Economic Freedom?

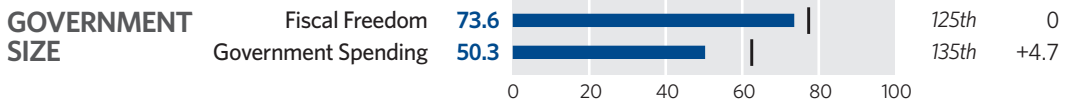
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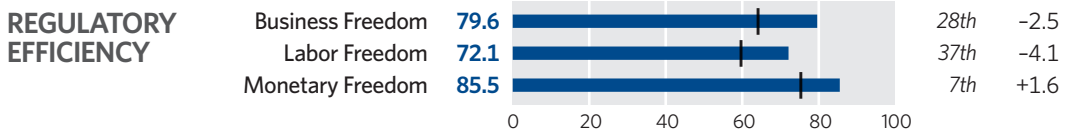
THE TEN ECONOMIC FREEDOMS



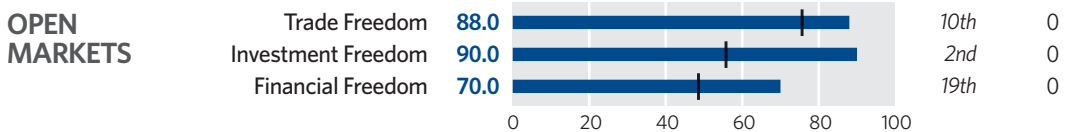
Corruption, including cronyism, political patronage, and illegal donations, is a modest but recurring problem that affects all levels of politics. Nevertheless, contracts are secure, and expropriation is rare. Ireland’s legal system is based on common law, and the judiciary is independent. In October 2014, a new court of appeals was established to ease the backlog of cases faced by the Supreme Court. Property rights are well protected.



The top personal income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include a value-added tax and a capital gains tax. The total tax burden equals 28.3 percent of total domestic income. Government spending amounts to 40.7 percent of GDP. Despite ongoing austerity measures and reduced budget deficits, public debt still equals over 100 percent of total domestic output.



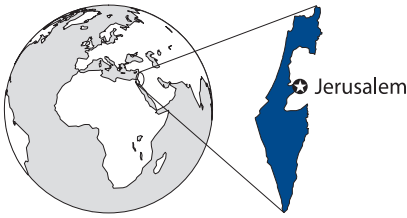
The efficient regulatory framework supports business formation, and no minimum capital is required to establish a business. The labor market remains relatively flexible, and labor costs are moderate. In the midst of a robust economic recovery in 2015, the coalition government slowed the pace of post-crisis reforms by (among other actions) postponing an unpopular plan to end a long-standing nationwide subsidy on tap water.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Foreign and domestic investors are generally treated equally under the law. Recapitalization and restructuring have taken place to restore the soundness of the banking sector. The state still retains its ownership in banks, but some divestment has occurred.

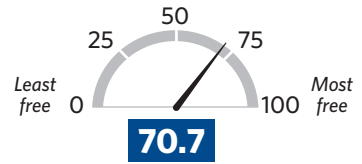
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+24.5	Business Freedom	-5.4	Trade Freedom	+10.2
Freedom from Corruption	+24.0	Government Spending	+11.6	Labor Freedom	-6.1	Investment Freedom	+20.0
				Monetary Freedom	-0.6	Financial Freedom	0



ISRAEL

Economic Freedom Score



World Rank: **35**

Regional Rank: **4**

Israel's openness to global commerce is an important factor in promoting innovation and productivity growth. Benefitting from an increasingly diversified productive base and ongoing structural reforms, the economy has grown almost 4 percent annually over the past five years. The government has revitalized privatization programs covering all key state-owned entities, but progress remains to be seen.

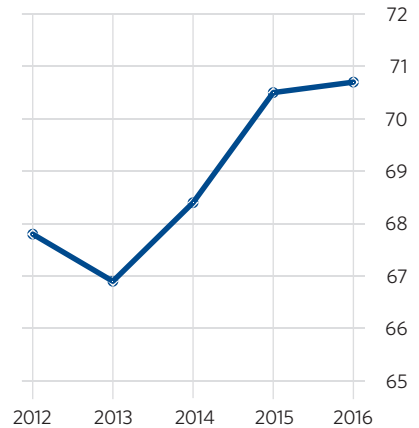
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.7 (up 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **35th**
- Regional Ranking: **4th in the Middle East/North Africa Region**
- Notable Successes: **Open Markets, Rule of Law, and Regulatory Efficiency**
- Concerns: **Management of Public Finance**
- Overall Score Change Since 2012: **+2.9**

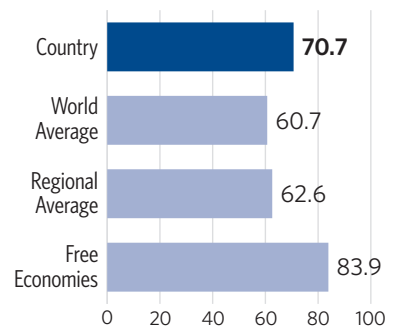
The relatively sound judicial framework that sustains the rule of law and provides consistent protection for property rights has contributed to economic stability and long-term competitiveness. Israel has the world's highest concentration of high-technology start-ups per head, although big firms continue to dominate the stock exchange.

BACKGROUND: Israel gained independence in 1948, and its vibrant democracy remains unique in the region. Prime Minister Benjamin Netanyahu, reelected in March 2015, leads a coalition government of right-leaning and religious parties. Israel has a modern market economy with a thriving high-technology sector that attracts considerable foreign investment. The recent discovery of large offshore natural gas deposits has improved Israel's energy security and balance-of-payments prospects. Despite the 2006 war against Hezbollah in Lebanon and the 2008–2009, 2012, and 2014 wars against Hamas in Gaza, as well as the constant threat of terrorism, Israel's economy is fundamentally sound and dynamic.

Freedom Trend



Country Comparisons



Quick Facts

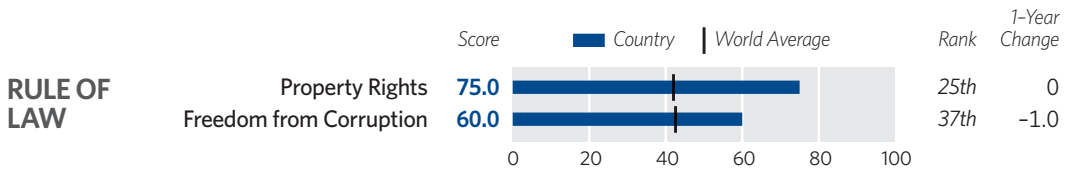
- Population:** 8.2 million
- GDP (PPP):** \$268.5 billion
- 2.8% growth in 2014
- 5-year compound annual growth 3.8%
- \$32,691 per capita
- Unemployment:** 6.1%
- Inflation (CPI):** 0.5%
- FDI Inflow:** \$6.4 billion
- Public Debt:** 68.8% of GDP

How Do We Measure Economic Freedom?

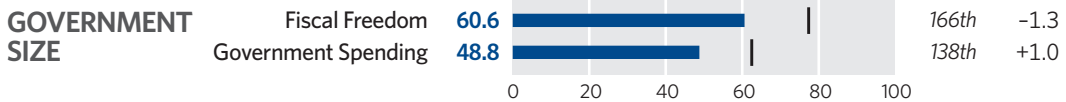
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

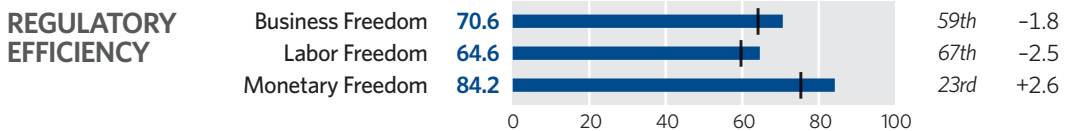
THE TEN ECONOMIC FREEDOMS



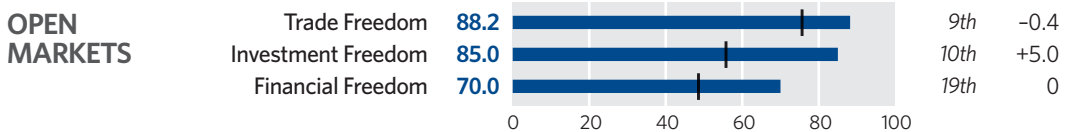
Bribery and other forms of corruption are illegal under several Israeli laws and civil service regulations. A strong societal intolerance for graft contributes to a governance environment with relatively low levels of corruption that has buttressed the foundations of economic freedom. Israel’s modern legal system is based on British common law and provides effective means for enforcing property and contractual rights. Courts are independent.



The top personal income tax rate has been raised to 48 percent, and the corporate tax rate has been increased to 26.5 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 30.5 percent of total domestic income. Government spending amounts to 41.3 percent of GDP. The government has been running a budget deficit, and public debt corresponds to around 70 percent of GDP.



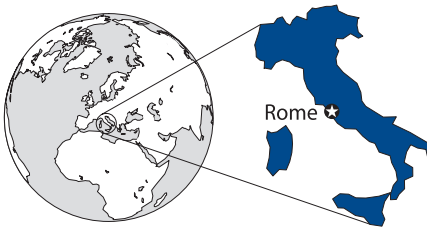
The relatively efficient regulatory framework supports business formation and innovation, and no minimum capital is required to launch a business. The labor market needs more flexibility to accommodate rapid economic transformation. As economic recovery proceeds in 2016, the center-right government’s plans to revive its stalled privatization program are likely to meet union resistance.



Israel’s average tariff rate is 0.9 percent. The government restricts imports of some agricultural products. Foreign investment in most sectors of the economy is not subject to screening. State-owned enterprises operate in several sectors, including transportation and energy. Financial institutions offer a wide range of services. Capital markets have been evolving as part of Israel’s effort to reinvent itself as a regional financial hub.

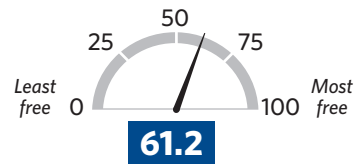
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+15.8	Business Freedom	-14.4	Trade Freedom	+7.8
Freedom from Corruption	+30.0	Government Spending	+18.8	Labor Freedom	+0.4	Investment Freedom	-5.0
				Monetary Freedom	+11.0	Financial Freedom	+20.0



ITALY

Economic Freedom Score



World Rank: **86**

Regional Rank: **36**

Italy has undertaken a range of reforms over the past year. The Jobs Act, approved in December 2014, revises protections for new hires and has instituted use of an open-ended contract with gradually increasing protections. A new banking law that obliges the largest cooperative banks to become joint-stock companies was passed in 2015.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.2 (down 0.5 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **86th**
- Regional Ranking: **36th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Corruption, Management of Public Spending, and Labor Freedom**
- Overall Score Change Since 2012: **+2.4**

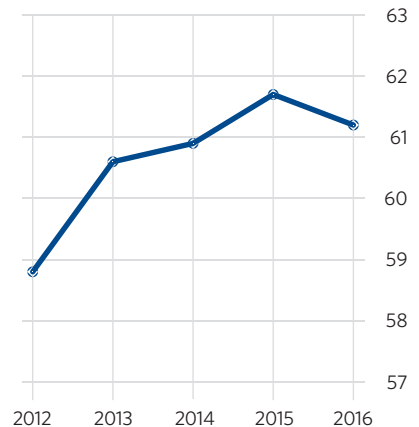
Sharp increases in public debt aggravated by institutional weaknesses undercut long-term competitiveness. Due to the burdensome regulatory environment, the informal sector still accounts for considerable economic activity, particularly in the South. Corruption, often involving government officials, continues to undermine public trust.

BACKGROUND: In February 2014, former Florence Mayor Matteo Renzi won 80 percent of the vote and became Italy's youngest-ever prime minister, succeeding Democratic Party leader Enrico Letta. He leads a coalition government consisting of the center-left Democratic Party, the center-right People of Freedom Party led by former Prime Minister Silvio Berlusconi, and the centrist Civic Choice Party. Renzi has pledged to reform entitlements, taxes, and labor laws. The government has passed electoral reforms meant to ensure cleaner outcomes, a major Democratic Party campaign issue. Italy has an immense public debt, entrenched organized crime, a large informal sector, and high unemployment, particularly among the young. Huge disparities between the industrialized North and less developed South persist, including in education, economic growth, employment, infrastructure, and rule of law.

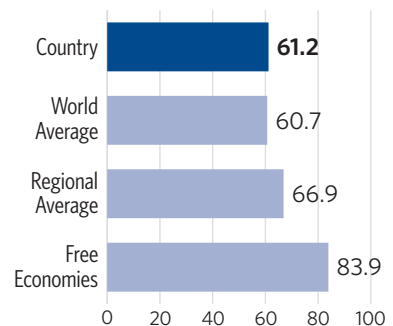
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

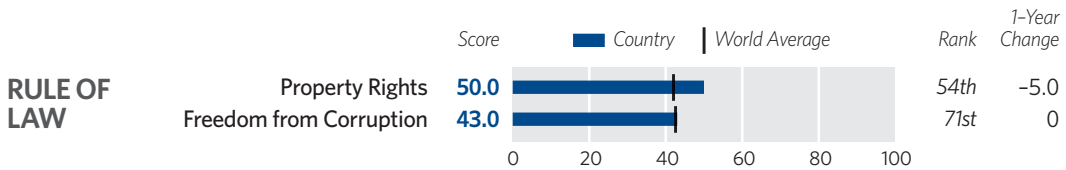


Quick Facts

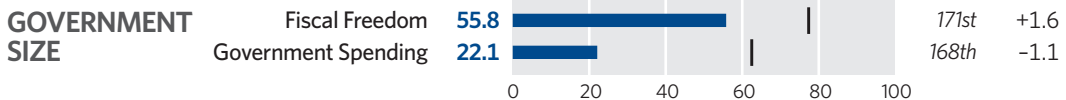
- Population:** 60.0 million
- GDP (PPP):** \$2.1 trillion
- 0.4% growth in 2014
- 5-year compound annual growth -0.5%
- \$35,486 per capita
- Unemployment:** 12.5%
- Inflation (CPI):** 0.2%
- FDI Inflow:** \$11.5 billion
- Public Debt:** 132.1% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

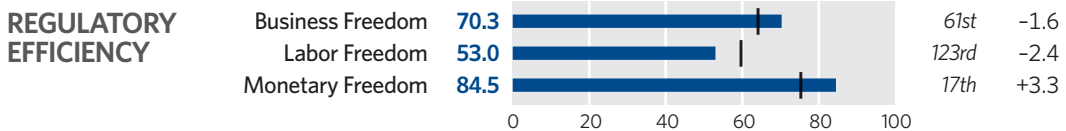
THE TEN ECONOMIC FREEDOMS



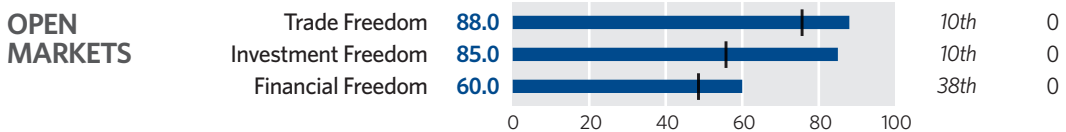
A series of high-level, politically destabilizing corruption scandals culminated in a December 2014 investigation of numerous Rome municipal officials implicated in a public contracts corruption case, known as “Mafia Capitale” owing to the involvement of local organized crime. The legal system is vulnerable to political interference. Property rights and contracts are secure, but court procedures are extremely slow.



The top personal income tax rate is 43 percent, and the top corporate rate is 27.5 percent. Other taxes include small regional and municipal income taxes, a value-added tax, and an inheritance tax. The overall tax burden equals 42.6 percent of GDP. Government spending amounts to about 51 percent of GDP. The deficit remains high but has been reduced by recent spending cuts. Public debt exceeds 130 percent of GDP.



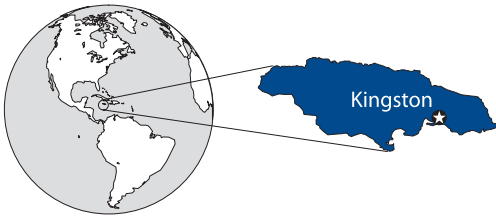
Regulatory complexity causes delays and increases the cost of entrepreneurial activity. Licensing requirements are time-consuming and costly. Serious labor market rigidities constrain job growth, and the informal labor market accounts for a large proportion of employment. As of 2015, Prime Minister Renzi had not fulfilled his pledge to liberalize the economy or reduce subsidies to railways and other state-owned enterprises.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The government’s Strategic Investment Fund invests in so-called strategic companies. The financial system is subject to political interference, and banks have been seriously strained by the European sovereign debt crisis.

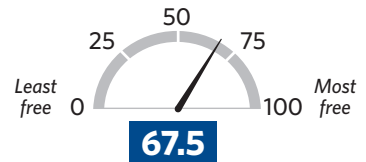
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+12.2	Business Freedom	-14.7	Trade Freedom	+10.2
Freedom from Corruption	-27.0	Government Spending	+18.5	Labor Freedom	-21.5	Investment Freedom	+15.0
				Monetary Freedom	+3.4	Financial Freedom	+10.0



JAMAICA

Economic Freedom Score



World Rank: **48**

Regional Rank: **8**

A number of structural and institutional shortcomings still plague the Jamaican economy and hold back prospects for more dynamic economic development. Continuing fiscal deficits have pushed public debt to about 140 percent of GDP, trapping Jamaica in a cycle of debt service and borrowing.

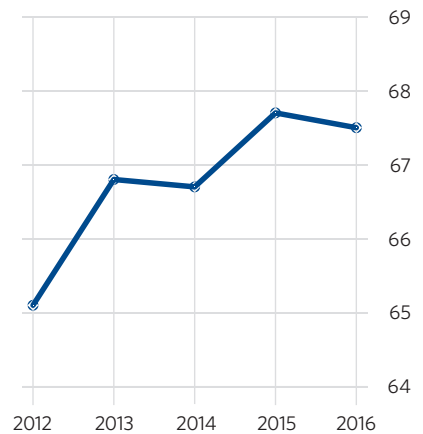
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.5 (down 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **48th**
- Regional Ranking: **8th in the South and Central America/Caribbean Region**
- Notable Successes: **Open Markets**
- Concerns: **Rule of Law, Management of Public Finance, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+2.4**

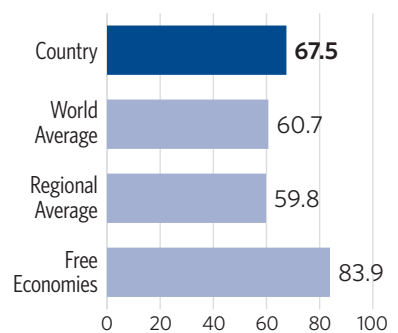
The high burdens of government regulation and political favoritism are a drag on Jamaica's overall competitiveness. A cumbersome bureaucracy dissuades potential entrepreneurs, and pervasive corruption remains unchecked by anti-corruption measures that are not enforced.

BACKGROUND: Prime Minister Portia Simpson-Miller's People's National Party, in office since 2012, must call elections no later than April 2017. Simpson-Miller has maintained market-friendly policies, but economic growth has stalled. High levels of crime contribute to economic uncertainty. Prospects are gradually improving thanks to lower oil prices and prudent monetary policy, which has slowed inflation. Foreign exchange is heavily dependent on remittances, tourism, and bauxite production. Services account for more than 60 percent of GDP. Official unemployment is high. In 2015, Jamaica began talks with financial institutions on a plan to pay off the debt it owes Venezuela for oil received through the PetroCaribe energy program.

Freedom Trend



Country Comparisons



Quick Facts

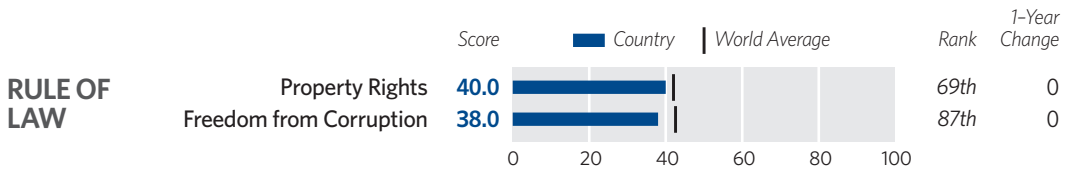
Population: 2.8 million
GDP (PPP): \$24.1 billion
 0.5% growth in 2014
 5-year compound annual growth 0.0%
 \$8,609 per capita
Unemployment: 13.2%
Inflation (CPI): 7.1%
FDI Inflow: \$550.8 million
Public Debt: 140.6% of GDP

How Do We Measure Economic Freedom?

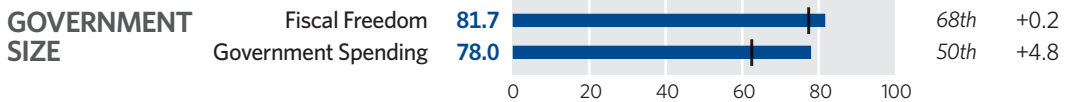
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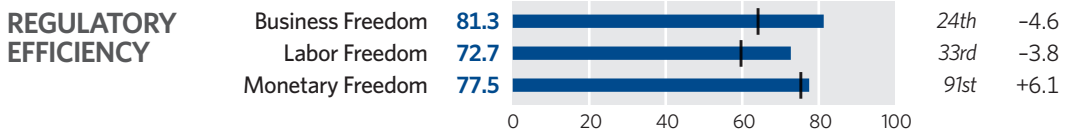
THE TEN ECONOMIC FREEDOMS



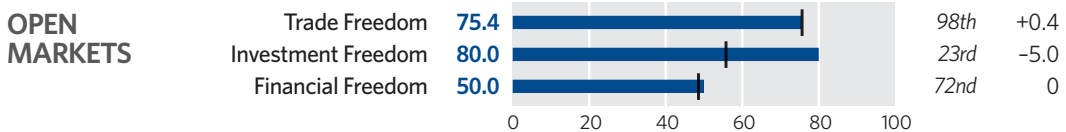
Long-standing relationships between elected representatives and organized crime, through which some criminal gangs operate with impunity in exchange for their votes, are among the root causes of corruption and Jamaica’s high crime rate. About half of the land is registered, and many properties lack current titles. The inefficient legal system weakens the security of property rights and the rule of law.



Jamaica’s top individual and corporate income tax rates are 25 percent. Other taxes include a property transfer tax and a general consumption tax. The overall tax burden equals 24 percent of total domestic income. Government spending amounts to 27.1 percent of total domestic output. The deficit has been reduced to below 3 percent of GDP, but public debt remains larger than annual production.



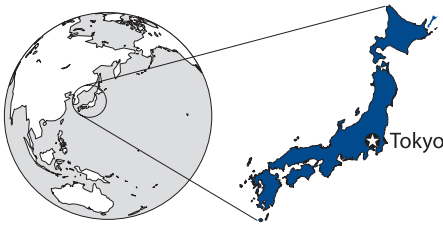
The business start-up process is straightforward, with no minimum capital required, but obtaining necessary licenses remains costly. Rigid employment regulations are not conducive to job growth. In 2015, after a mid-program review of its four-year extended fund facility for Jamaica, the IMF praised the government for continuing to phase out subsidies to money-losing state-owned enterprises such as Clarendon Alumina Partners.



Jamaica’s average tariff rate is 7.3 percent. Some imports require a license. Foreign and domestic investors are treated equally under the law. State-owned enterprises distort several sectors of the economy. The financial system continues to grow, and the private sector has access to a wide range of credit instruments. Three large commercial banks dominate the banking sector, which remains relatively sound.

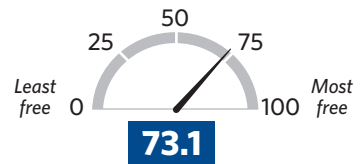
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+4.2	Business Freedom	+11.3	Trade Freedom	+10.4
Freedom from Corruption	-12.0	Government Spending	+1.5	Labor Freedom	+4.3	Investment Freedom	+10.0
				Monetary Freedom	+26.6	Financial Freedom	-20.0



JAPAN

Economic Freedom Score



World Rank: **22**

Regional Rank: **6**

The Japanese economy benefits from political and social stability and efficiently run institutions. The rule of law is firmly respected and supported by an effective judicial framework and a relatively low level of perceived corruption. The need for economic reforms is apparent following decades of stagnation and despite relatively high levels of income.

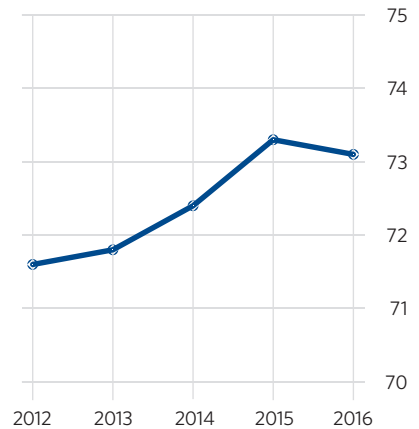
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **73.1 (down 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **22nd**
- Regional Ranking: **6th in the Asia-Pacific Region**
- Notable Successes: **Rule of Law and Trade Freedom**
- Concerns: **Management of Public Finance and Financial Freedom**
- Overall Score Change Since 2012: **+1.5**

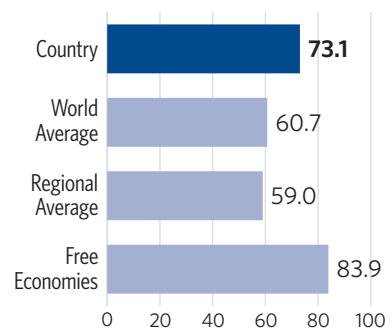
A monetary policy aimed at preserving low interest rates has reduced any acute concern over Japan's large debt burden, but it has also limited the political motivation to implement urgently needed fiscal reform. Privatization of Japan Post, the country's largest financial institution by assets, has moved forward with an initial public offering made in 2015.

BACKGROUND: Prime Minister Shinzō Abe's Liberal Democratic Party has reversed a 13-year trend of steadily decreasing defense spending, has pushed forward on collective self-defense, and has made an issue of Chinese assertiveness near the Japanese-controlled Senkaku Islands. However, Abe has failed to generate the international confidence necessary to win support for defense reforms that would allow Japan a larger regional role. Abe has taken preliminary steps toward structural economic reform as part of his "Abenomics" plan to pull Japan from a two-decade economic slump, but he faces significant resistance from entrenched special interests.

Freedom Trend



Country Comparisons



Quick Facts

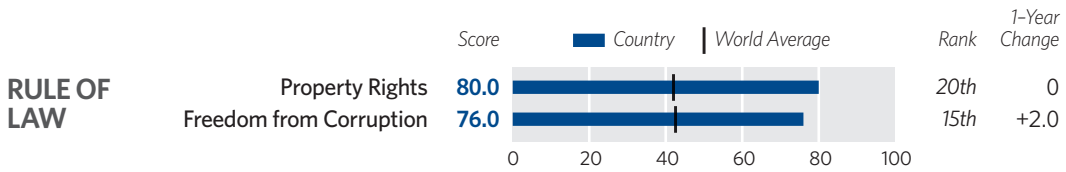
- Population:** 127.1 million
- GDP (PPP):** \$4.8 trillion
- 0.1% growth in 2014
- 5-year compound annual growth 1.5%
- \$37,390 per capita
- Unemployment:** 3.7%
- Inflation (CPI):** 2.7%
- FDI Inflow:** \$2.1 billion
- Public Debt:** 246.4% of GDP

How Do We Measure Economic Freedom?

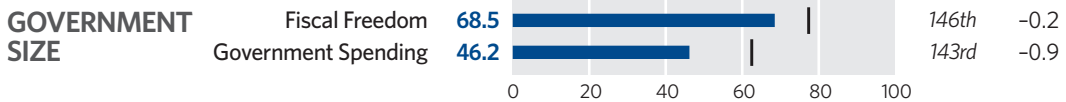
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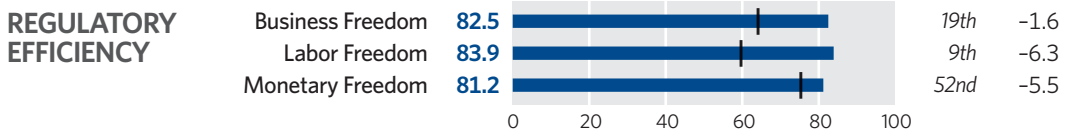
THE TEN ECONOMIC FREEDOMS



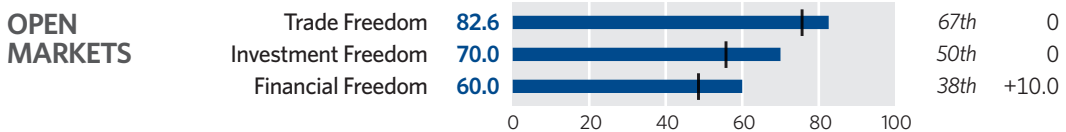
The direct exchange of cash for favors from government officials in Japan is extremely rare. A web of close relationships among companies, politicians, government agencies, and other groups fosters an inwardly cooperative business climate conducive to corruption, most often seen in the rigging of bids on government public works projects. The judiciary is independent and provides secure protection of real and intellectual property.



The top personal income tax rate is 40.8 percent. The top corporate rate is 23.9 percent, which local taxes and an enterprise tax can increase significantly. Other taxes include a value-added tax and an estate tax. The overall tax burden equals 30.3 percent of total domestic income. Government spending amounts to 42.3 percent of GDP, and budget deficits are around 8 percent of GDP. Public debt is over twice the size of the economy.



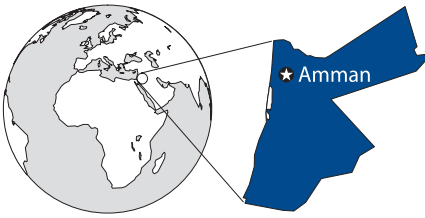
With no minimum capital required, business formation takes less than 10 procedures, but dynamic entrepreneurial growth is discouraged by lingering regulatory rigidities. A propensity for lifetime-employment guarantees and seniority-based wages hurts productivity and impedes development of a more flexible labor market. A government effort to scale back institutionalized farm subsidies has encountered stiff political resistance.



Japan has a 1.2 percent average tariff rate. Imports of many agricultural products are restricted. The government screens investments in several sectors of the economy, including agriculture and telecommunications. The banking sector is competitive but lacks dynamic growth. Japan Post (the holding company for the post office, postal bank, and postal-insurance company) has distorted the financial sector.

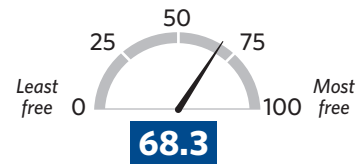
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+14.9	Business Freedom	-2.5	Trade Freedom	+0.6
Freedom from Corruption	-14.0	Government Spending	-21.5	Labor Freedom	+0.6	Investment Freedom	+20.0
				Monetary Freedom	-5.8	Financial Freedom	-10.0



JORDAN

Economic Freedom Score



World Rank: **46**

Regional Rank: **5**

The Syrian crisis has disrupted trade and caused a large influx of refugees, straining public services, finances, and labor market conditions in Jordan. Despite ongoing consolidation, the budget is in deficit, and public debt has increased to about 90 per cent of GDP.

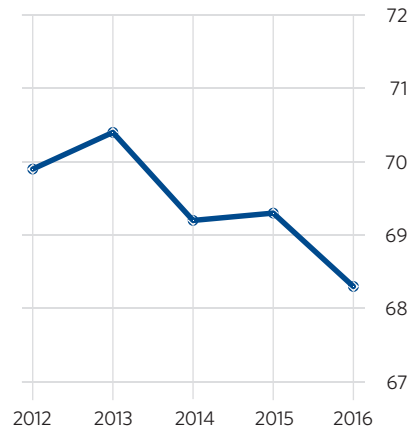
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.3 (down 1.0 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **46th**
- Regional Ranking: **5th in the Middle East/North Africa Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Management of Public Spending and Business Freedom**
- Overall Score Change Since 2012: **-1.6**

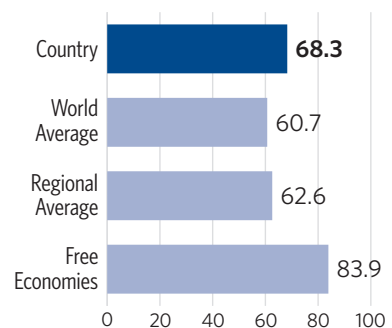
Privatization has reduced state ownership across most sectors, but substantial challenges to long-term development remain, particularly in implementing deeper systemic reforms, including improved transparency and rule of law, critical to the emergence of a more dynamic private sector.

BACKGROUND: In 2011, constitutional monarch King Abdullah responded to Arab Spring demonstrations by dismissing his cabinet and ceding greater authority to the judiciary and parliament. The government also implemented two economic relief packages and a supplementary budget to subsidize the middle class and the poor. Jordan has relatively few natural resources and imports 97 percent of its energy needs. Foreign loans, international aid, and remittances from expatriate workers support the economy. In 2000, Jordan joined the World Trade Organization and signed a free trade agreement with the United States; in 2001, it signed an association agreement with the European Union. Jordan negotiated a \$2.1 billion standby arrangement with the IMF in 2012 to finance its budgetary and balance-of-payments deficits. The conflict in Syria and Iraq has brought regional trade to a standstill and triggered an influx of more than 600,000 Syrian refugees.

Freedom Trend



Country Comparisons



Quick Facts

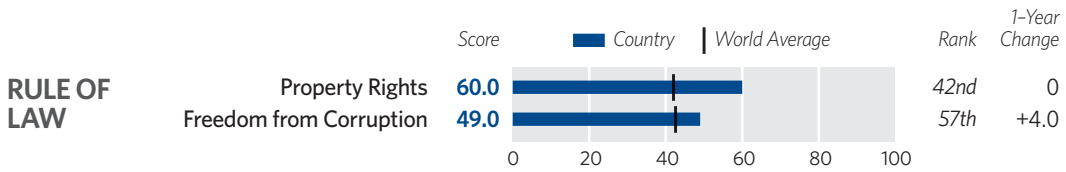
Population: 6.7 million
GDP (PPP): \$79.6 billion
 3.1% growth in 2014
 5-year compound annual growth 2.7%
 \$11,927 per capita
Unemployment: 11.1%
Inflation (CPI): 2.9%
FDI Inflow: \$1.8 billion
Public Debt: 89.3% of GDP

How Do We Measure Economic Freedom?

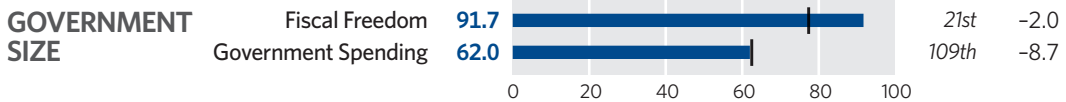
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2014 data unless otherwise noted.
 Data compiled as of September 2015.

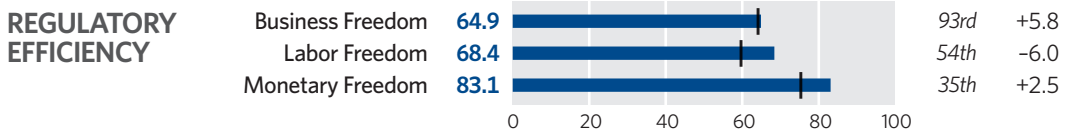
THE TEN ECONOMIC FREEDOMS



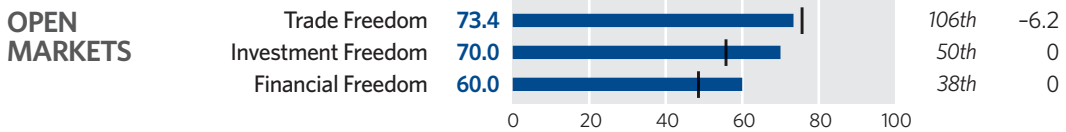
The use of family, business, and other personal connections to advance business and financial interests (known as *wasta*) is endemic in Jordan. Weak investigative journalism, limited access to information, and a lack of institutional checks and balances undermine efforts to combat widespread corruption. Property rights are respected for the most part. The judiciary is generally independent, but the king is the ultimate authority.



The top individual income tax rate is 14 percent. As of January 1, 2015, the standard corporate tax rate rose to 20 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 15.3 percent of GDP. Government spending amounts to 35.6 percent of total domestic output. The deficit has risen to over 6 percent of GDP, and public debt stands at about 90 percent of GDP.



The business start-up process takes fewer than 10 procedures, but the cost of licensing requirements equals over five times the average annual income. Progress in reforming bloated public-sector employment has been dismal, and the labor market remains rigid. Continuing with liberalizing reforms that began with the elimination of fuel subsidies, the government plans to move toward market-based electricity pricing.

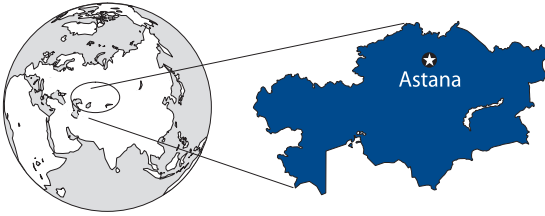


Jordan's average tariff rate is 8.3 percent. The Jordan Investment Board screens foreign and domestic investment. Investment in some sectors of the economy is capped. Many state-owned enterprises have been privatized. The evolving financial sector remains relatively stable. The state owns no commercial banks but does own five specialized credit institutions. Activity and liquidity in capital markets remain limited.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+45.1	Business Freedom	-5.1	Trade Freedom	+14.2
Freedom from Corruption	+19.0	Government Spending	-8.6	Labor Freedom	-5.5	Investment Freedom	0
				Monetary Freedom	+5.6	Financial Freedom	-10.0

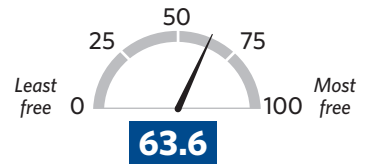
KAZAKHSTAN



World Rank: **68**

Regional Rank: **12**

Economic Freedom Score



Kazakhstan is Central Asia's largest economy. Although large-scale privatizations have been promised for the coming years, progress in implementing such reforms remains to be seen. In an attempt to promote diversified economic growth, regulatory reforms have aimed at streamlining the business start-up process. Diversification of the economy and the need to lower dependence on hydrocarbon exports remain significant challenges.

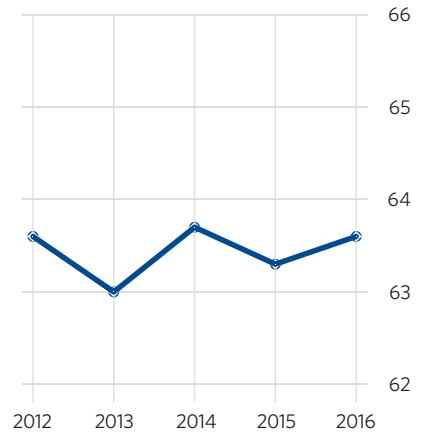
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.6 (up 0.3 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **68th**
- Regional Ranking: **12th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **No Change**

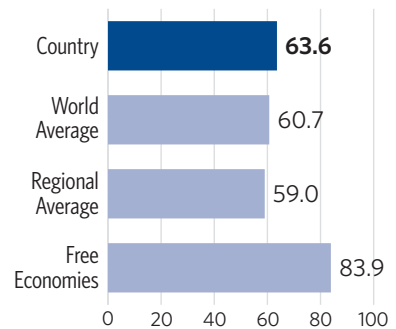
Implementation of deeper institutional reforms remains critical to securing sustainable long-term and broad-based economic expansion. Systemic weaknesses persist in the protection of property rights and enforcement of anti-corruption measures. Lacking transparency, the judicial system is vulnerable to political influence.

BACKGROUND: President Nursultan Nazarbayev, whose rule began in 1989 when Kazakhstan was still a Soviet republic, won a sixth five-year term in 2015. The opposition is marginalized, and the lack of a succession plan creates longer-term political uncertainty. Kazakhstan joined the Eurasian Economic Union, which includes Russia and Belarus, on January 1, 2015. Production in the giant Kashagan oil field off the northern shore of the Caspian Sea is expected to begin by 2016 and could help Kazakhstan extract 3 million barrels per day by 2030. Kazakhstan is also the world's largest producer of uranium.

Freedom Trend



Country Comparisons



Quick Facts

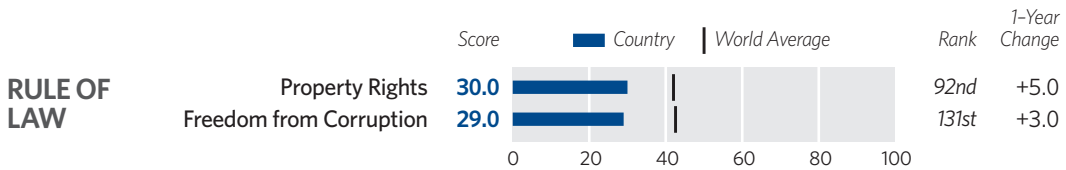
- Population:** 17.4 million
- GDP (PPP):** \$418.5 billion
- 4.3% growth in 2014
- 5-year compound annual growth 6.0%
- \$24,020 per capita
- Unemployment:** 4.1%
- Inflation (CPI):** 6.7%
- FDI Inflow:** \$9.6 billion
- Public Debt:** 15.1% of GDP

How Do We Measure Economic Freedom?

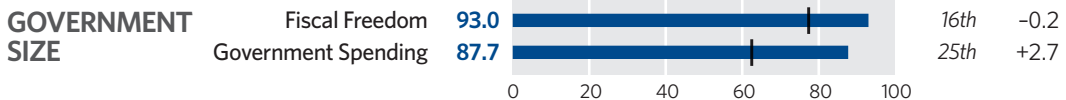
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

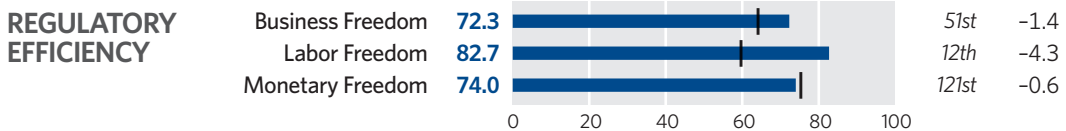
THE TEN ECONOMIC FREEDOMS



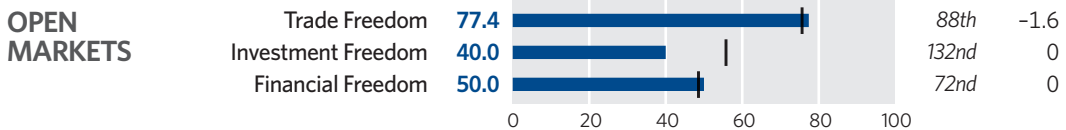
Corruption is widespread at all levels of government. As of January 2015, a new criminal code strengthened penalties for accepting and giving bribes. The judiciary is constitutionally subservient to the executive branch, judges are subject to political bias, and corruption is evident throughout the judicial system. In 2014, new procedures made property transfer and registration easier, but property rights are not protected effectively.



The flat personal income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 14 percent of total domestic income. Government spending accounts for 20.2 percent of total domestic output. Large oil revenues have kept the budget balanced, and public debt is about 15 percent of GDP.



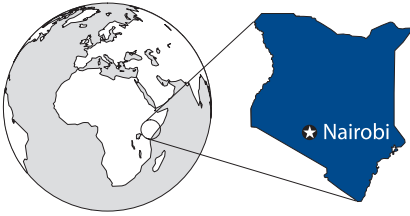
Launching a business takes six procedures, and no minimum capital is required, but completing licensing requirements can be burdensome. Labor regulations are relatively flexible, but enforcement of the labor code is erratic. In 2015, the government tried to resist a sharp currency devaluation, and newly reelected President Nursultan Nazarbayev included in his latest reform program a pledge to reduce electricity subsidies.



Kazakhstan's average tariff rate is 3.8 percent. Kazakhstan was approved to be the 162nd member of the World Trade Organization in 2015. Local content requirements and sectoral barriers impede foreign investment. Troubled banks have been recapitalized, and the financial sector has become largely stabilized. However, the number of non-performing loans remains high, concentrated mostly in three banks.

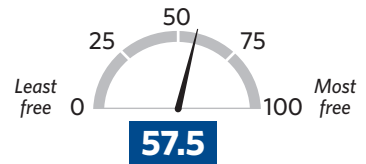
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+19.7	Business Freedom	+17.3	Trade Freedom	+16.4
Freedom from Corruption	+19.0	Government Spending	+2.0	Labor Freedom	+0.1	Investment Freedom	+10.0
				Monetary Freedom	+74.0	Financial Freedom	+20.0



KENYA

Economic Freedom Score



World Rank: **115**

Regional Rank: **19**

Kenya's economy, one of Africa's most developed, has gradually emerged from political instability and the economic slowdown. Reforms to improve management of public finance and enhance regulatory efficiency have continued, but progress has been sluggish. After lengthy delays, four measures to improve the business environment (the Companies Act, Insolvency Act, Business Registration Act, and Special Economic Zones Act) were signed into law in 2015.

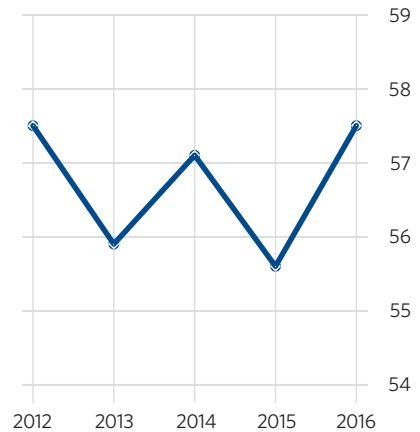
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.5 (up 1.9 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **115th**
- Regional Ranking: **19th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Regulatory Efficiency**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **No Change**

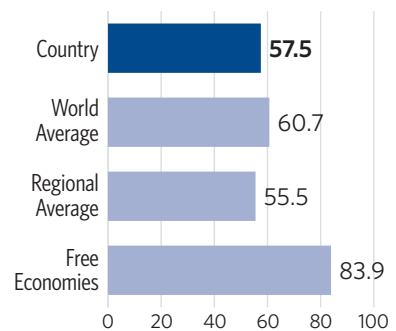
Challenges to sustaining long-term economic development include the weak rule of law, which remains uneven across Kenya. Corruption is perceived as pervasive, and the judicial system remains vulnerable to political influence.

BACKGROUND: In March 2013, Uhuru Kenyatta won the first presidential election under a constitution promulgated in 2010. In 2014, the International Criminal Court dropped charges against him for crimes against humanity stemming from post-election violence in 2007. Kenya invaded Somalia in 2011 in pursuit of the Islamic fundamentalist group al-Shabaab and the next year formally joined the African Union coalition battling the terrorist organization. Since the invasion, Kenya has suffered a surge of terrorist attacks, and the government has responded by cracking down on the domestic Muslim population, the media, and non-governmental organizations. Kenya has experienced a moderate economic recovery since the 2007–2008 violence, but poor infrastructure, systemic corruption, high unemployment, and insecurity undermine development. China is funding several ambitious infrastructure projects.

Freedom Trend



Country Comparisons



Quick Facts

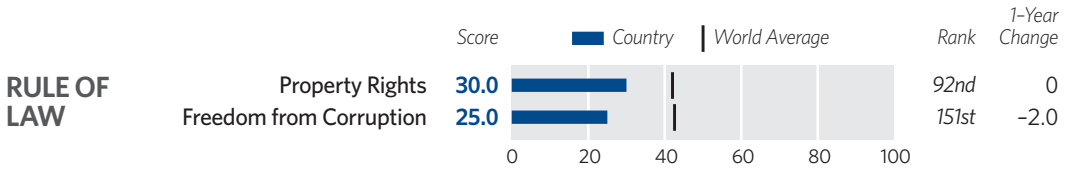
- Population:** 42.9 million
- GDP (PPP):** \$132.4 billion
- 5.3% growth in 2014
- 5-year compound annual growth 6.0%
- \$3,084 per capita
- Unemployment:** 9.2%
- Inflation (CPI):** 6.9%
- FDI Inflow:** \$989.0 million
- Public Debt:** 48.6% of GDP

How Do We Measure Economic Freedom?

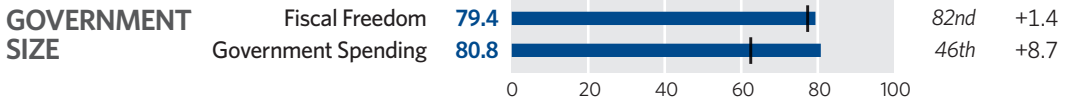
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

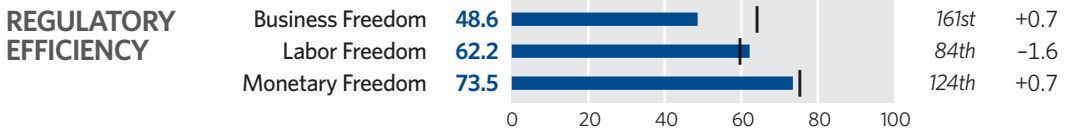
THE TEN ECONOMIC FREEDOMS



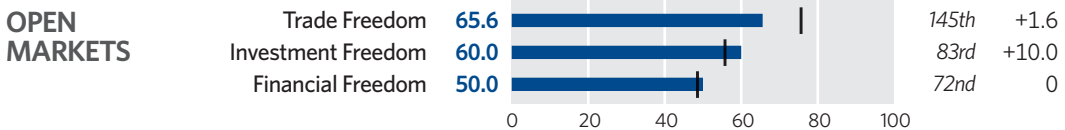
Corruption remains a major impediment to doing business in Kenya. In March 2015, the president ordered dozens of government employees, including five ministers and other senior elected officials, to step down temporarily pending an anti-corruption probe. Weak institutional capacity undermines efforts to increase the transparency of procurement and other government activities. More than 10 percent of the land lacks clear title.



The top 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 16.2 percent of GDP. Government spending amounts to 25.3 percent of total domestic output. The fiscal climate remains steady. The deficit has increased to over 5 percent of GDP, and public debt equals about 49 percent of total domestic output.



The business start-up process takes 10 procedures, and no minimum capital is required, but the cost of completing licensing requirements equals over twice the average annual income. The public sector employs much of the labor force. The government still regulates prices through subsidies, agricultural marketing boards, and state-owned enterprises. Subsidies from international donors are funding development of geothermal power.



Kenya's average tariff rate is 9.7 percent. Imports of agricultural products face regulatory barriers. The government is involved in many state-owned enterprises. It may not expropriate private property without providing compensation. The financial sector remains vulnerable to government influence. The state owns or holds shares in several domestic financial institutions and continues to influence the allocation of credit.

Long-Term Score Change (since 1995)

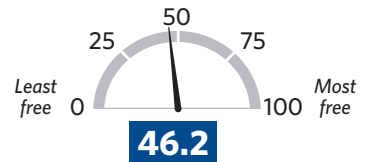
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+11.4	Business Freedom	-6.4	Trade Freedom	+12.0
Freedom from Corruption	-25.0	Government Spending	+17.8	Labor Freedom	+2.8	Investment Freedom	+10.0
				Monetary Freedom	+23.1	Financial Freedom	0



Tarawa 🌐

KIRIBATI

Economic Freedom Score



World Rank: **165**

Regional Rank: **38**

Kiribati is one of the least developed Pacific Island nations. The public sector continues to dominate economic activity, accounting for two-thirds of employment and over 80 percent of GDP. Budgetary pressure has undermined economic growth, and the economy is heavily dependent on foreign assistance, remittances, and an increasingly important tourism sector.

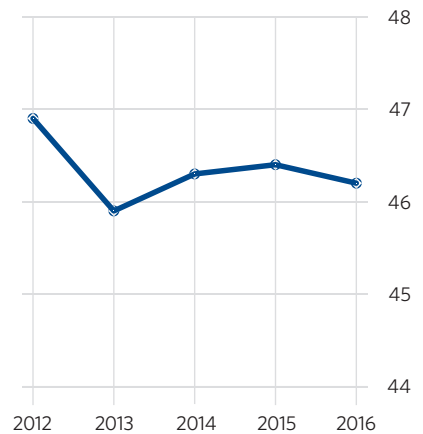
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **46.2 (down 0.2 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **165th**
- Regional Ranking: **38th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom**
- Concerns: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.7**

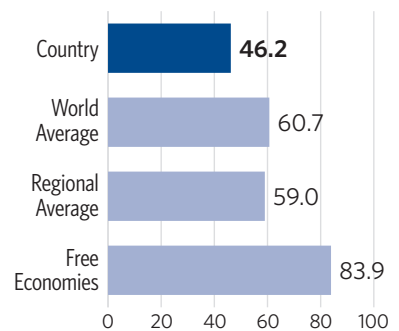
Economic dynamism is also hindered by poor public administration. An inefficient regulatory framework has pushed much of the workforce into the informal economy. High tariffs continue to limit trade and investment flows, reducing benefits from integration into the global economy.

BACKGROUND: The Pacific archipelago of Kiribati gained its independence from Britain in 1979 and is a democracy. With presidential elections scheduled for early 2016, third-term President Anote Tong is barred from reelection. Economic activity in Kiribati once centered on the mining of phosphates, but deposits were exhausted in 1979. However, a \$500 million Revenue Equalization Reserve Fund created with mining revenues continues to provide significant revenue. Reliance on foreign assistance, remittances from overseas, fishing licenses, exports of fish and coconuts, and tourism is also heavy. Crippling algae in the corals surrounding Kiribati seriously threaten the fishing industry, and preservation of the coral ecosystem, the South Pacific's largest marine reserve, remains a priority.

Freedom Trend



Country Comparisons



Quick Facts

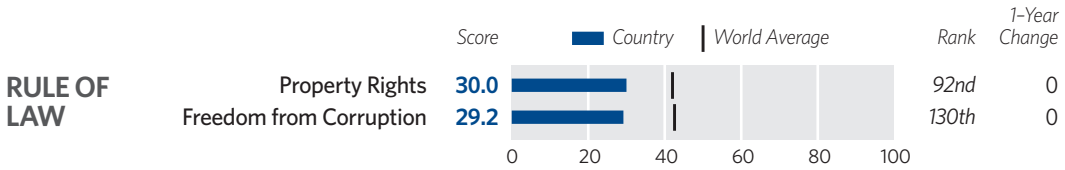
Population: 0.1 million
GDP (PPP): \$0.2 billion
 3.8% growth in 2014
 5-year compound annual growth 1.7%
 \$1,713 per capita
Unemployment: n/a
Inflation (CPI): 2.1%
FDI Inflow: \$1.2 million
Public Debt: 8.0% of GDP

How Do We Measure Economic Freedom?

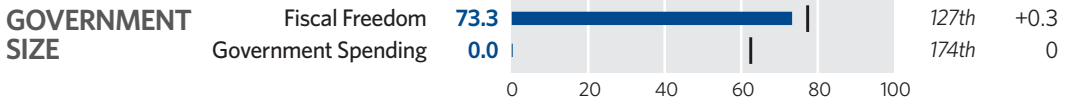
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

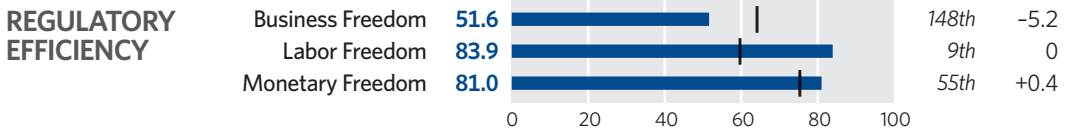
THE TEN ECONOMIC FREEDOMS



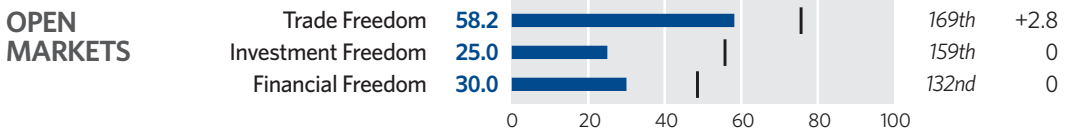
Official corruption and abuse are serious problems, and international donors continue to push for improved governance and transparency. The judicial system is modeled on English common law and provides adequate due process rights, but the rule of law remains uneven across the country. Traditional customs permit corporal punishment. Contracts are weakly enforced, and courts are relatively inexperienced in commercial litigation.



The top individual income and corporate tax rates are 35 percent. Taxation remains erratic and poorly administered. The total tax burden is estimated to equal 14.9 percent of total domestic income. Government spending amounts to 96.6 percent of GDP. Large reserves held in a sovereign wealth fund have helped to cushion the effects of the global downturn. Public debt amounts to less than 10 percent of GDP.



The costs of launching a business and completing licensing requirements remain high, discouraging new investment. A small share of the labor force participates in the formal economy, and the public sector is the major source of employment. Monetary instability is mitigated by use of the Australian dollar as the official currency, but the government funds price-distorting subsidies for some agricultural products such as coconut oil.

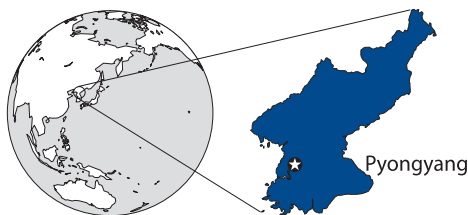


Kiribati's average tariff rate was 15.9 percent as of 2006. The government relies heavily on tariffs for revenue. New foreign investment may be screened, and foreign ownership of land is restricted. With a large part of the population remaining outside the formal banking system, constrained access to financing severely impedes entrepreneurial activity and development of the private sector.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+31.1	Business Freedom	-10.9	Trade Freedom	+3.2
Freedom from Corruption	-3.8	Government Spending	0	Labor Freedom	-1.7	Investment Freedom	-5.0
				Monetary Freedom	-7.7	Financial Freedom	0

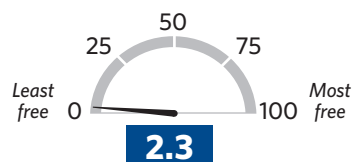
NORTH KOREA



World Rank: **178**

Regional Rank: **42**

Economic Freedom Score



North Korea remains the world's most repressed economy, firmly adhering to a system of state command and control under the regime's long-standing *songun* ("military first") policy. Every aspect of economic activity remains tightly controlled by the Communist Party and Kim Jong-un, the hermit kingdom's third-generation "supreme leader."

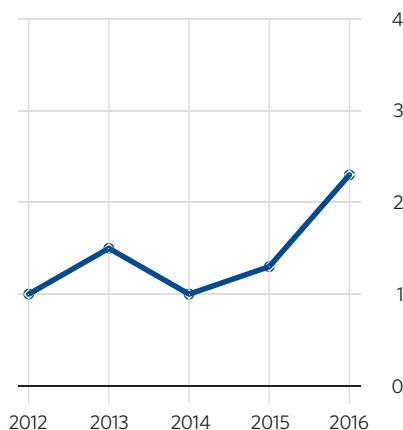
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **2.3 (up 1 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **178th**
- Regional Ranking: **42nd in the Asia-Pacific Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.3**

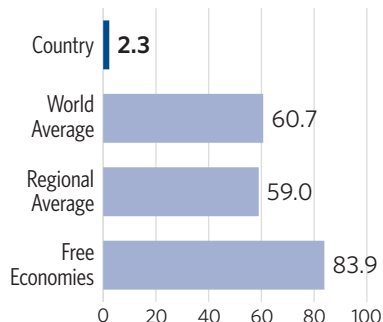
Although details are difficult to confirm, it has been reported that in 2015, changes occurred in a number of investment laws, including the foreign investment code and legislation governing "economic development parks." Allegedly, market experimentation has allowed participation by state factory managers in limited economic activities such as setting workers' salaries and buying raw materials.

BACKGROUND: Western-educated Kim Jong-un rules a totalitarian state unchanged since the death of his dictator father in 2011. Kim rejects any alterations in the status quo, warning of the dangers of outside contagion. Maintaining its aggressive rhetoric and provocative behavior toward its neighbors and the international community, North Korea remains in defiance of U.N. Security Council resolutions, has threatened nuclear attacks on the United States and its allies, and continues to augment and refine its nuclear and missile-delivery capabilities. Pyongyang typically escalates and then lowers tensions in attempts to win diplomatic and economic benefits from the international community. The U.S., South Korea, and Japan have refused to resume negotiations on denuclearizing the Korean Peninsula without tangible signs of change in North Korean policy.

Freedom Trend



Country Comparisons



Quick Facts

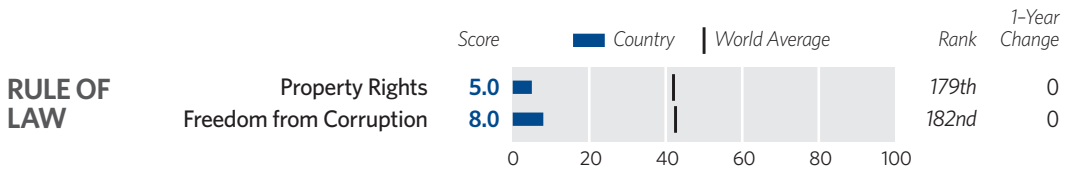
- Population:** 24.7 million
- GDP (nominal):** \$15.5 billion
- 0.9% growth in 2014
- 5-year compound annual growth n/a
- n/a per capita
- Unemployment:** n/a
- Inflation (CPI):** n/a
- FDI Inflow:** \$134.3 million
- Public Debt:** n/a

How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

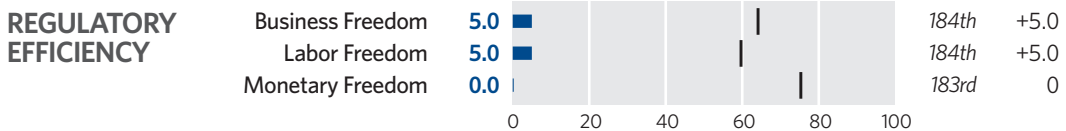
THE TEN ECONOMIC FREEDOMS



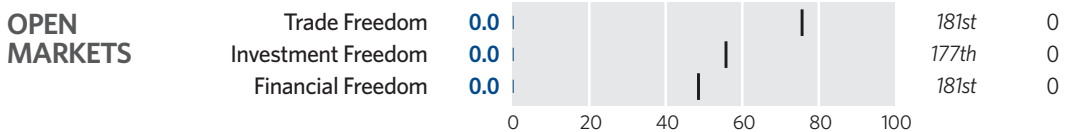
Bribery is pervasive, and corruption is endemic at every level of the state and economy. A functioning, modern, and independent judiciary does not exist. The ruling Workers' Party, the Korean People's Army, and members of the cabinet run companies that compete to earn foreign exchange. Almost all property belongs to the state. Government control extends even to chattel property (domestically produced goods and all imports and exports).



No effective tax system is in place. The government commands almost every part of the economy. The government sets production levels for most products, and state-owned industries account for nearly all GDP. The state directs all significant economic activity. Large military spending further drains scarce resources. Despite the state's attempts to crack down on them, black markets have grown.



The state continues to regulate the economy heavily through central planning. As the main source of employment, the state determines wages. It also tightly controls the labor market and the movement of people. The botched currency reform in 2009 has disrupted already fragile monetary stability. North Korea receives extensive food and energy subsidies from China. Its monetary regime is completely controlled, and prices are politically determined.

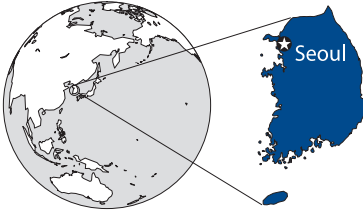


North Korea is isolated from the global economy. International trade and investment are tightly controlled by the government. Multilateral sanctions on North Korea further restrict trade and investment. Limited foreign participation in the economy is allowed through special economic zones where investment is approved on a case-by-case basis. The financial sector is completely controlled by the state.

Long-Term Score Change (since 1995)

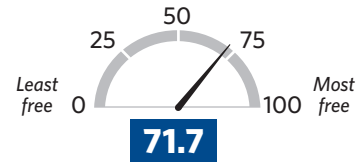
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	0	Business Freedom	-35.0	Trade Freedom	0
Freedom from Corruption	-2.0	Government Spending	0	Labor Freedom	+5.0	Investment Freedom	-10.0
				Monetary Freedom	0	Financial Freedom	-10.0

SOUTH KOREA



World Rank: **27** Regional Rank: **7**

Economic Freedom Score



Over the past five years, South Korea’s economy has charted steady, uninterrupted progress in economic freedom. Recent reforms have put greater emphasis on enhancing regulatory efficiency and ensuring a larger role for small and medium-size enterprises in the economy. South Korea’s dynamic private sector, bolstered by a well-educated, hard-working labor force, continues to capitalize on the country’s openness to global trade and investment.

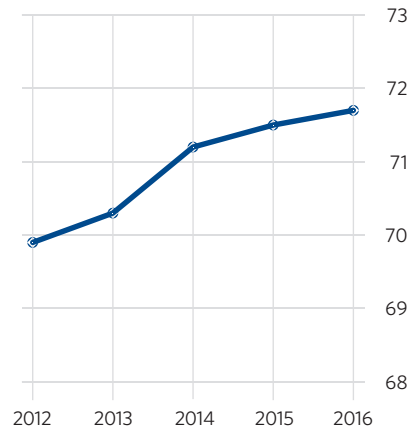
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **71.7 (up 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **27th**
- Regional Ranking: **7th in the Asia-Pacific Region**
- Notable Successes: **Open Markets and Monetary Stability**
- Concerns: **Corruption and Labor Freedom**
- Overall Score Change Since 2012: **+1.8**

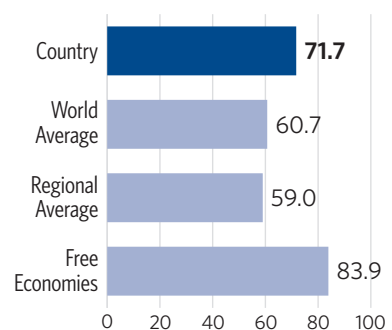
Despite the challenging international economic environment, the overall soundness of South Korea’s public finance has been well maintained. The independent judicial system upholds the rule of law effectively, but corruption continues to undermine confidence and trust in political institutions. Reforming the rigid labor market remains critical to ensuring long-term competitiveness.

BACKGROUND: Conservative President Park Geun-hye assumed office in February 2013 promising a new policy toward North Korea. Her “trustpolitik” strategy balances enhancing South Korea’s ability to deter North Korean attacks with a willingness to engage Pyongyang in conditional, reciprocal diplomacy. Pyongyang rejected Park’s “Dresden Declaration,” a vision for Korean reconciliation articulated during a 2014 visit to Germany, as an attempt at “unification through absorption.” In early 2015, there were hopes for improved relations, but Pyongyang subsequently rejected all attempts at dialogue. Park’s tenure has been plagued by a series of scandals involving senior administration officials. South Korea remains a world leader in electronics, telecommunications, automobile production, and shipbuilding.

Freedom Trend



Country Comparisons



Quick Facts

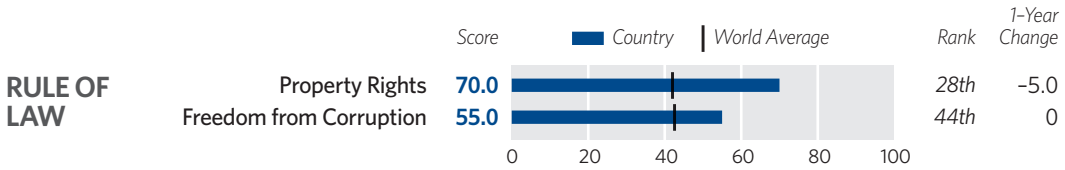
- Population:** 50.4 million
- GDP (PPP):** \$1.8 trillion
- 3.3% growth in 2014
- 5-year compound annual growth 3.8%
- \$35,277 per capita
- Unemployment:** 3.5%
- Inflation (CPI):** 1.3%
- FDI Inflow:** \$9.9 billion
- Public Debt:** 35.7% of GDP

How Do We Measure Economic Freedom?

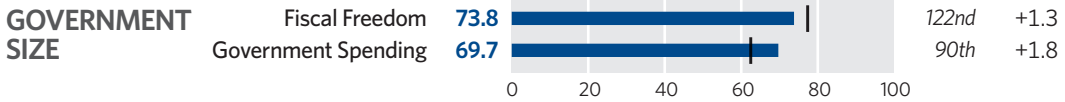
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Data compiled as of September 2015.

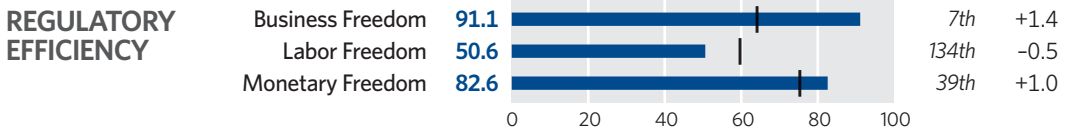
THE TEN ECONOMIC FREEDOMS



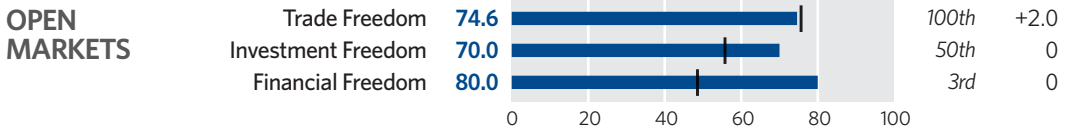
Bribery and influence peddling persist in politics, business, and everyday life despite government anti-corruption efforts. Large family-run conglomerates known as *chaebols* enjoy outsized influence and continue to dominate the economy. Nevertheless, the rule of law is effective, the judicial system is independent and efficient, and private property rights are protected.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. A 10 percent surtax on individual and corporate rates and a value-added tax bring the overall tax burden to 24.3 percent of GDP. Government spending amounts to 31.8 percent of total domestic output. The budget has generated a small surplus, and public debt equals about 35 percent of GDP.



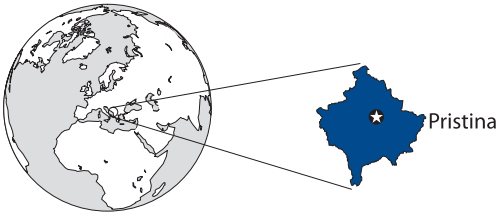
The regulatory framework is relatively competitive. With no minimum capital required, starting a business is not overly burdensome. The labor market remains dynamic, but there are lingering regulatory rigidities, and powerful trade unions add to the cost of conducting business. Monetary stability has been well maintained, but government subsidies of numerous renewable energy projects as well as child care and medical care affect prices.



South Korea's average tariff rate is 7.7 percent. Foreign investment levels in many sectors of the economy are capped. Several state-owned enterprises are active in the economy. The government may not expropriate property without providing compensation. The financial sector has become more competitive, although business start-ups still struggle to obtain financing. The banking sector remains largely stable.

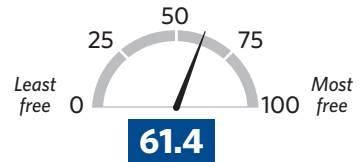
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+10.5	Business Freedom	+21.1	Trade Freedom	+5.4
Freedom from Corruption	-15.0	Government Spending	-15.9	Labor Freedom	-6.0	Investment Freedom	+20.0
				Monetary Freedom	+2.5	Financial Freedom	+10.0



KOSOVO

Economic Freedom Score



World Rank: **84**

Regional Rank: **35**

Kosovo's economic freedom is being graded for the first time in the 2016 *Index*. The country is engaged in a gradual transition from a centrally planned economy to a market-based economy. Opening its borders to trade and investment, Kosovo has undertaken a number of structural reforms, including divestment of inefficient state-owned assets and modernization of the regulatory regime.

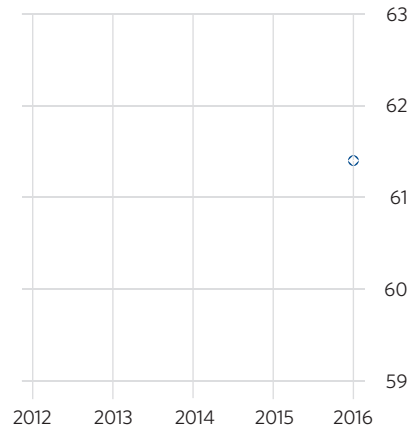
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.4**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **84th**
- Regional Ranking: **35th in Europe**
- Notable Successes: **Monetary Freedom and Control of Government Spending**
- Concerns: **Property Rights, Corruption, and Financial Freedom**
- Overall Score Change since 2012: **N/A**

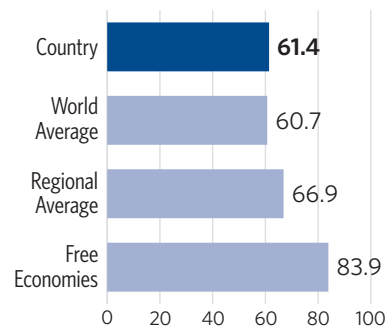
Spending on public-sector wages and benefits has risen significantly, but deficit and debt ceilings remain respected. Despite progress, the slow pace of privatization has left major infrastructure underdeveloped and the informal sector large. Weak institutionalization of an effective rule of law contributes to the persistence of corruption.

BACKGROUND: Since declaring its independence from Serbia in 2008, Kosovo has gained recognition from over 100 countries. The Brussels Agreement of 2013 helped stabilize relations between Kosovo and Serbia, but NATO still maintains a peacekeeping force in the country. Parliamentary elections in June 2014 produced political deadlock. In December 2014, Prime Minister Hashim Thaçi of the center-right Democratic Party was replaced by Isa Mustafa of the center-right Democratic League of Kosovo. Half of Kosovo's population is under 25, unemployment is high, and informal networks and transactions are a large portion of the economy. Despite progress since breaking away from Serbia, institutional capacity is weak, and the judiciary is not independent. Remittances account for around 15 percent of GDP.

Freedom Trend



Country Comparisons



Quick Facts

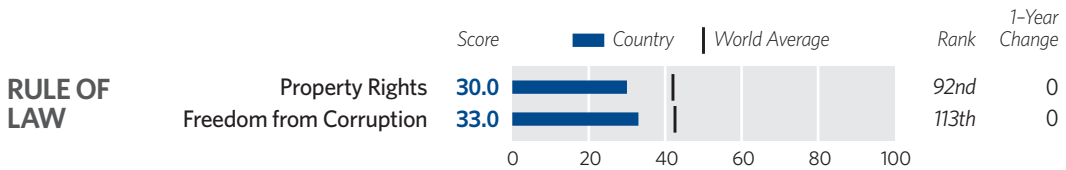
- Population:** 1.87 million
- GDP (PPP):** \$16.9 billion
- 2.7% growth in 2014
- 5-year compound annual growth 3.3%
- \$9,037 per capita
- Unemployment:** 30.0% (2013)
- Inflation (CPI):** 0.4%
- FDI Inflow:** n/a
- Public Debt:** 19.1% of GDP

How Do We Measure Economic Freedom?

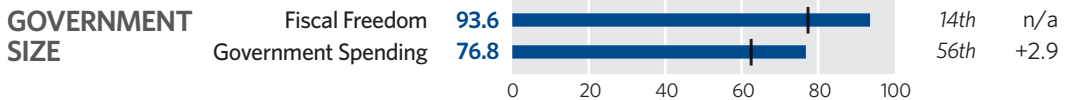
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

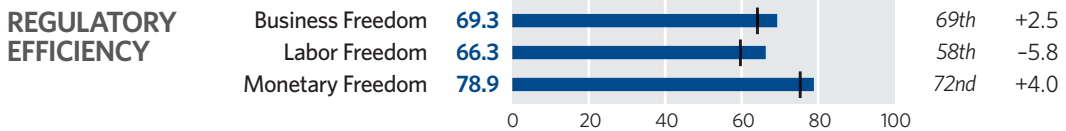
THE TEN ECONOMIC FREEDOMS



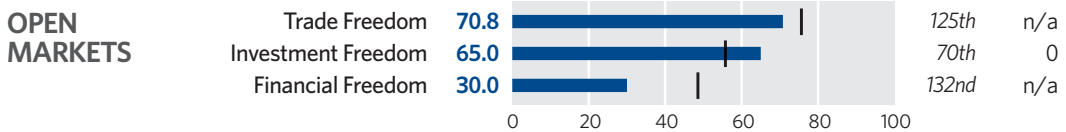
Corruption remains a serious problem. A legislative framework to combat corruption is in place, but its implementation has been insufficient, and graft and misconduct remain widespread in many state institutions. Resolution of residential, agricultural, and commercial property claims remains a serious and contentious issue in Kosovo, and the current institutional framework is not designed to resolve them.



The top personal income tax and corporate tax rates are 10 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 21 percent of GDP. Government spending amounts to 27.8 percent of GDP. International assistance and remittances bolster government finances. Fiscal policy has been anchored to a deficit ceiling of 2 percent of GDP and a debt cap of 40 percent of GDP.



Despite notable progress, the overall regulatory framework remains time-consuming. Starting a business does not require minimum capital, but completing requirements for necessary permits takes more than five months. The formal labor market is poorly developed, and informal labor activity is substantial. Agricultural and energy-related subsidies provided by the government and international donors amount to more than one-third of GDP.



Kosovo's average tariff rate is 7.1 percent. In most cases, foreign and domestic investors are treated equally under the law. The complexity of regulatory systems may deter foreign investment. State-owned enterprises are active in many sectors. The financial system continues to evolve, and the level of financial intermediation is increasing. The banking sector, dominated by foreign banks, remains stable. Non-performing loans are a serious problem.

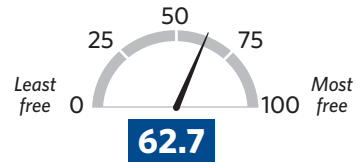
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



KUWAIT

Economic Freedom Score



World Rank: **74**

Regional Rank: **7**

Despite efforts to modernize and diversify Kuwait's economy, oil production remains dominant. The private sector is largely dependent on government spending and expatriate labor, and the labor market is highly segmented. The public sector employs about 80 percent of the labor force; expatriates are employed mostly in the small private sector.

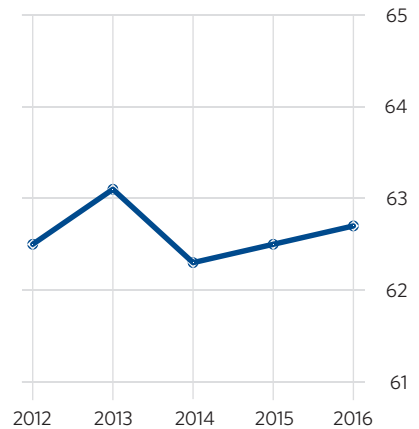
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.7 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **74th**
- Regional Ranking: **7th in the Middle East/North Africa Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law, Business Freedom, and Labor Freedom**
- Overall Score Change Since 2012: **+0.2**

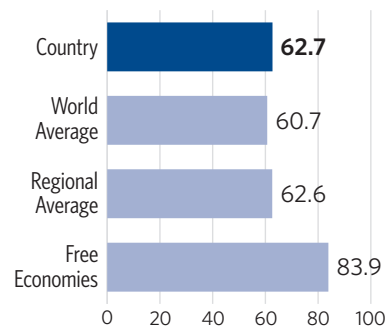
Kuwait performs relatively well in promoting many aspects of economic freedom, but institutional deficiencies stemming from state bureaucracy and an entitlement culture still stifle economic dynamism. The judicial system remains vulnerable to political influence, lacks transparency, and cannot defend property rights effectively.

BACKGROUND: Kuwait, the first Arab country in the Gulf to create an elected parliament, is a constitutional monarchy ruled by the al-Sabah dynasty. After Islamists scored major gains in parliamentary elections in February 2012, Amir Sabah al-Ahmad al-Jabr al-Sabah annulled the results and changed the election laws. This sparked protests and triggered a boycott of the new election in December, the results of which were annulled by the Constitutional Court. In new balloting in July 2013, pro-government Sunni candidates achieved a significant majority. Political tensions remain high, and economic policymaking has been constrained by disputes between the royal family and parliament. Kuwait controls roughly 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and 95 percent of export revenues.

Freedom Trend



Country Comparisons



Quick Facts

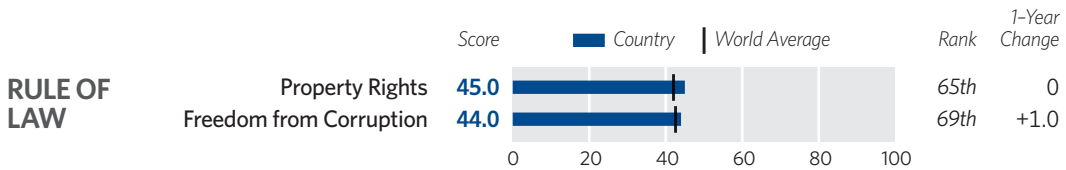
- Population:** 4.0 million
- GDP (PPP):** \$284.0 billion
- 1.3% growth in 2014
- 5-year compound annual growth 3.3%
- \$71,020 per capita
- Unemployment:** 3.0%
- Inflation (CPI):** 2.9%
- FDI Inflow:** \$485.8 million
- Public Debt:** 7.1% of GDP

How Do We Measure Economic Freedom?

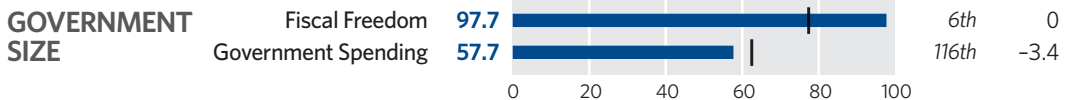
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

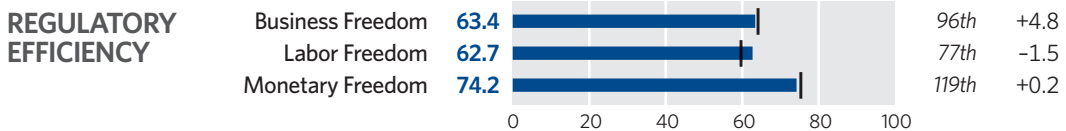
THE TEN ECONOMIC FREEDOMS



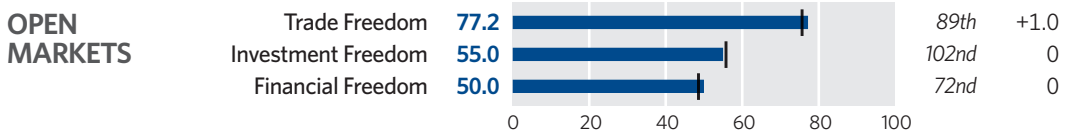
The opposition is pressuring the government to address corruption, but the ruling family has obstructed parliamentary efforts to investigate it. Inadequate transparency in government spending and operations is exacerbated by the weak rule of law. The legal system is not well developed, and foreigners face difficulties enforcing contract provisions in local courts. Only citizens of Gulf Cooperation Council countries may own land.



Kuwait does not tax individual income. In practice, foreign-owned firms and joint ventures are the only businesses subject to the corporate income tax, which is a flat 15 percent. Duties on international trade and transactions account for most other tax revenue. Government spending equals 37.5 percent of GDP, and public debt is less than 10 percent of GDP. Oil revenues allow tax rates to be kept low while maintaining government revenue.



Progress in regulatory reform has been gradual and uneven. Bureaucratic hurdles add to the cost of completing licensing requirements. Labor regulations lack flexibility, and the labor market remains highly segmented. Reflecting the reality of long-term lower oil prices, the government has initiated a five-year (2015–2019) development plan to phase out Kuwait’s extensive system of subsidies, currently 9 percent of GDP.

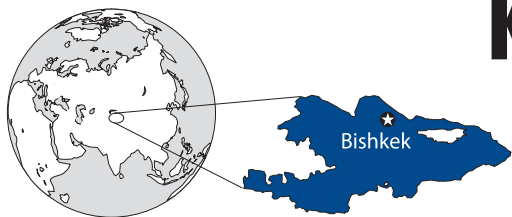


Kuwait’s average tariff rate is 3.9 percent. Government procurement processes favor domestic firms. The government screens new foreign investment and restricts investment in some sectors of the economy. The financial sector continues to evolve. The number of non-performing loans is declining, and the banking sector remains well capitalized. The Capital Markets Authority took on a supervisory role in September 2011.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-45.0	Fiscal Freedom	-2.2	Business Freedom	-21.6	Trade Freedom	+0.2
Freedom from Corruption	-26.0	Government Spending	+46.8	Labor Freedom	-17.5	Investment Freedom	+25.0
				Monetary Freedom	-7.5	Financial Freedom	0

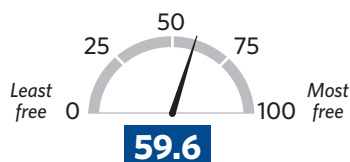
KYRGYZ REPUBLIC



World Rank: **96**

Regional Rank: **19**

Economic Freedom Score



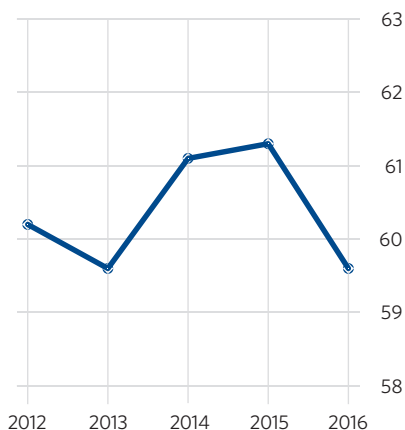
Broader-based economic development in the Kyrgyz Republic continues to be held back by institutional shortcomings, with remnants of the former Communist system evident in many areas. Political unrest and violence have undermined the transition to a more market-driven economy. Subsequent instability and uncertainty have hurt the prospects for long-term economic expansion.

ECONOMIC FREEDOM SNAPSHOT

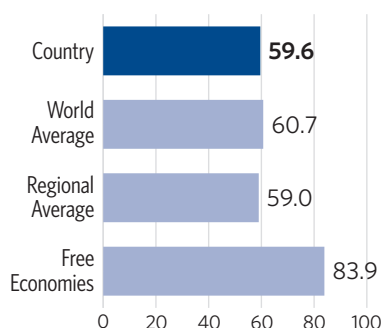
- 2016 Economic Freedom Score: **59.6 (down 1.7 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **96th**
- Regional Ranking: **19th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Financial Freedom**
- Overall Score Change Since 2012: **-0.6**

Despite the implementation of reform measures in past years, including adoption of a flat tax rate and simplification of the business start-up process, overall improvement in the business and investment environment has been slow and uneven. Corruption and weak rule of law continue to undercut competitiveness and raise transaction costs for entrepreneurs.

Freedom Trend



Country Comparisons



Quick Facts

- Population:** 5.7 million
- GDP (PPP):** \$19.2 billion
- 3.6% growth in 2014
- 5-year compound annual growth 3.7%
- \$3,361 per capita
- Unemployment:** 8.1%
- Inflation (CPI):** 7.5%
- FDI Inflow:** \$210.5 million
- Public Debt:** 53.0% of GDP

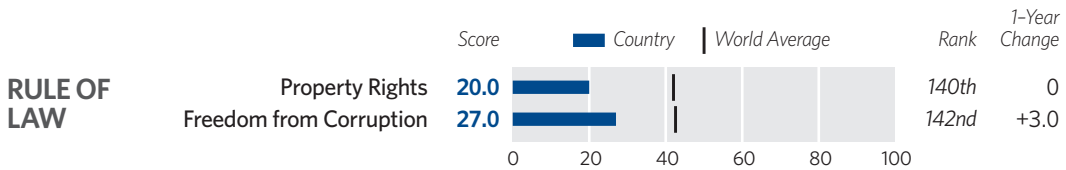
BACKGROUND: The Kyrgyz Republic is one of Central Asia's poorest countries and is sharply divided along ethnic lines. Weak governance under Almazbek Atambayev, elected president in 2011 with Moscow's support, has encouraged extremist threats, organized crime, and corruption. The government has accumulated high levels of external debt and is heavily dependent on foreign aid. The economy depends heavily on gold exports and remittances from Kyrgyzstani migrant workers, primarily in Russia. Cotton, tobacco, wool, and meat are the main agricultural products, but only tobacco and cotton are exported in any quantity. Foreign investment from Russia has been strong. The Kyrgyz Republic is now a member of the Eurasian Economic Union. Currency depreciation has spawned inflation.

How Do We Measure Economic Freedom?

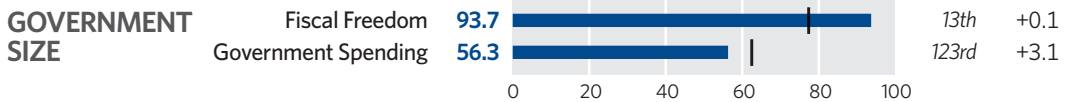
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

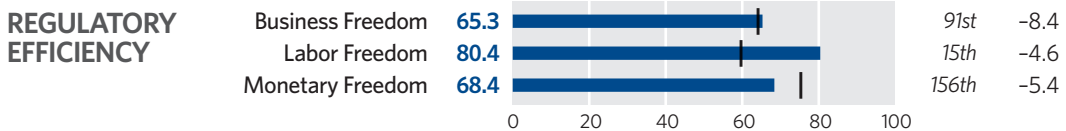
THE TEN ECONOMIC FREEDOMS



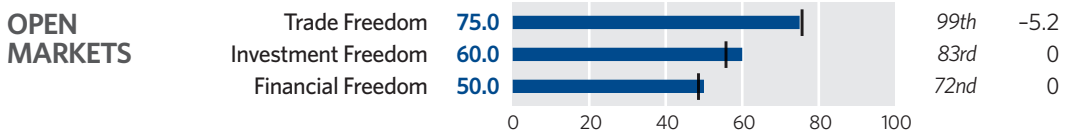
Corruption remains a serious problem throughout society and the economy. Although politicians and citizens alike are aware of this corruption, many view the paying of bribes as the most efficient way to receive government assistance. Many others, in turn, gain benefits from these corrupt practices. The judiciary is not independent and remains dominated by the executive branch. Corruption among judges is widespread.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. In the most recent year, the overall tax burden was estimated to equal 20.8 percent of total domestic income. Government spending accounts for 38.1 percent of total domestic output. The budget deficit has been declining, and public debt has fallen below 60 percent of GDP.



The business start-up process has been streamlined, and no minimum capital is required, but the cost of necessary licenses is higher than the average annual income. The labor market is poorly developed. In 2015, the government capitulated to external pressure and joined the Russian-led Eurasian Economic Union, thereby qualifying for up to \$1 billion in Russian loans and grants to subsidize various economic activities.

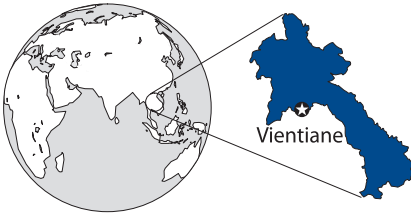


The Kyrgyz Republic's average tariff rate is 2.5 percent. Exports may be subject to taxation. The legal and regulatory environment deters foreign investment. State-owned enterprises operate in the energy and telecommunications sectors. The financial sector remains vulnerable to state interference, but the level of financial intermediation has increased. A new banking law submitted to the parliament has not yet been approved.

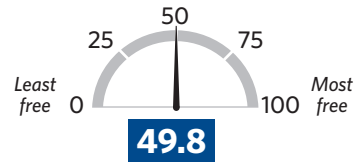
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+21.4	Business Freedom	+10.3	Trade Freedom	+10.0
Freedom from Corruption	-3.0	Government Spending	-16.3	Labor Freedom	+15.6	Investment Freedom	+10.0
				Monetary Freedom	+27.3	Financial Freedom	0

LAOS



Economic Freedom Score



World Rank: **155**

Regional Rank: **35**

Laos is one of the Asia-Pacific region's fastest-growing economies, albeit from a low base. The country has attempted to reform its trade and investment regimes, but non-tariff barriers exacerbated by regulatory inefficiency continue to constrain dynamic flows of goods and services. The pace of economic liberalization and poverty reduction has been slower than in other countries in the region.

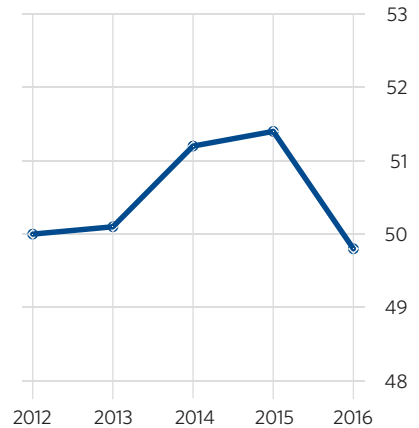
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **49.8 (down 1.6 points)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **155th**
- Regional Ranking: **35th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **-0.2**

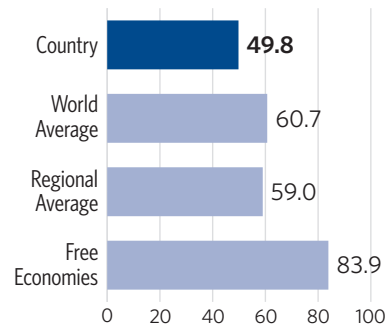
Many aspects of the Laotian economy are in critical need of deep institutional reforms to spur broad-based long-term development. The economy's overall legal framework is inefficient and lacks transparency. Political interference undermines the rule of law, and systemic corruption hinders the emergence of a more active entrepreneurial class.

BACKGROUND: The Communist government of Laos, in power since 1975, wrecked the economy in the early years of its rule. Minimal liberalization, begun in 1986, has yielded little progress. To advance its "state-managed market-orientated economy," the government has taken on increasing levels of external public and publicly guaranteed debt since 2012 to subsidize construction of hydropower and mining mega-projects. Corruption is endemic, laws are applied erratically, and the country is highly dependent on international aid. Basic civil liberties are heavily restricted. Seventy-five percent of the workforce is employed in subsistence farming. In 2013, after 15 years of negotiations, Laos became a member of the World Trade Organization.

Freedom Trend



Country Comparisons



Quick Facts

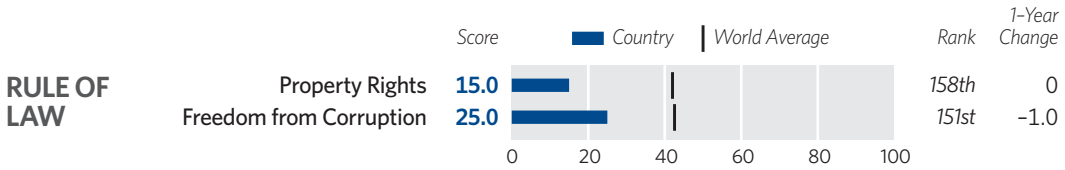
- Population:** 6.9 million
- GDP (PPP):** \$34.4 billion
- 7.4% growth in 2014
- 5-year compound annual growth 7.9%
- \$4,987 per capita
- Unemployment:** 1.4%
- Inflation (CPI):** 4.1%
- FDI Inflow:** \$720.8 million
- Public Debt:** 62.5% of GDP

How Do We Measure Economic Freedom?

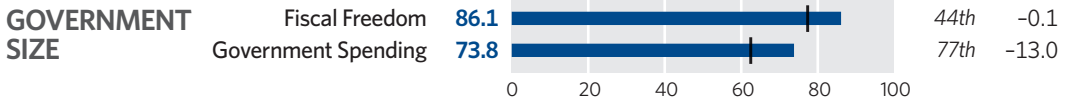
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2014 data unless otherwise noted.
Data compiled as of September 2015.

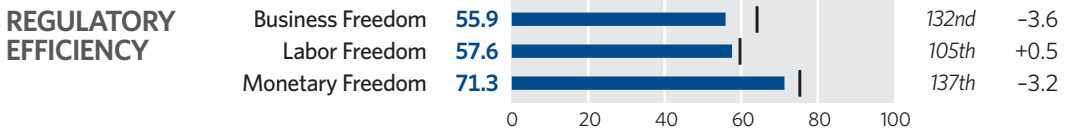
THE TEN ECONOMIC FREEDOMS



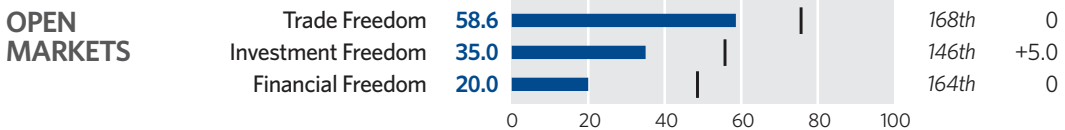
High levels of government corruption and graft fuel public discontent and cause leaks in revenue collection and the degradation of public services. Several anti-corruption laws have been passed, but their enforcement remains weak, and no high-profile cases have been brought to trial. The inefficient Laotian judicial system is corrupt and controlled by the ruling party. Protections for property rights are weak.



Both the top personal and corporate income tax rates are 24 percent. Other taxes include a vehicle tax and excise taxes. The overall tax burden for the most recent year equals 15.3 percent of GDP. Government spending has increased to 29.6 percent of total domestic output. The government budget is chronically in deficit, and public debt has increased to over 60 percent of GDP.



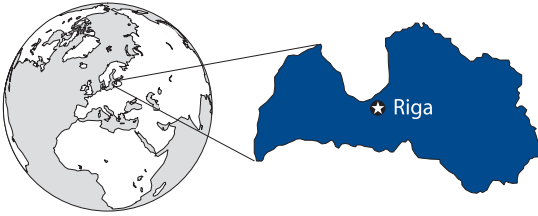
Regulatory efficiency has improved. Launching a business no longer requires minimum capital, and licensing requirements, although they still take over 100 days on average, are less costly. The underdeveloped labor market does not provide dynamic employment opportunities for the growing labor supply. Inflation has been rising. The government influences many prices through subsidies and state-owned enterprises and utilities.



Laos has an average tariff rate of 13.2 percent. Some imports require a license. The judicial and regulatory systems may discourage foreign investment. Numerous state-owned enterprises distort the economy. Reforms are ongoing in the underdeveloped financial sector, and the stock market has been in operation since 2011. Government attempts to reform the banking sector have been sluggish.

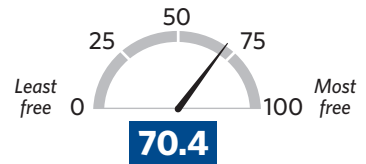
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+53.8	Business Freedom	+15.9	Trade Freedom	-22.4
Freedom from Corruption	+15.0	Government Spending	-16.4	Labor Freedom	-3.7	Investment Freedom	+25.0
				Monetary Freedom	+8.5	Financial Freedom	+10.0



LATVIA

Economic Freedom Score



World Rank: **36**

Regional Rank: **17**

The Latvian economy has made a notable recovery from the severe shock of the recent global financial crisis. Particularly since mid-2010, with determined budget-cutting measures, the political leadership has demonstrated solid commitment to reform, and Latvia is now better positioned than many other countries in the region to sustain resilient economic growth.

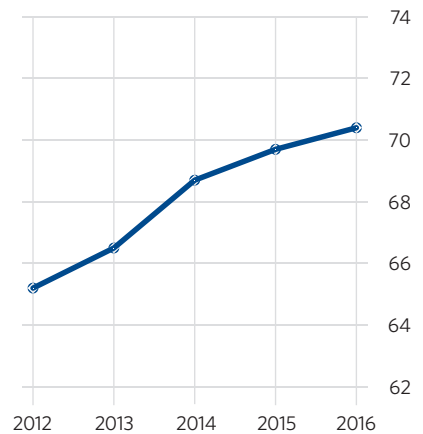
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.4 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **36th**
- Regional Ranking: **17th in Europe**
- Notable Successes: **Trade Freedom and Business Freedom**
- Concerns: **Corruption and Labor Freedom**
- Overall Score Change Since 2012: **+5.2**

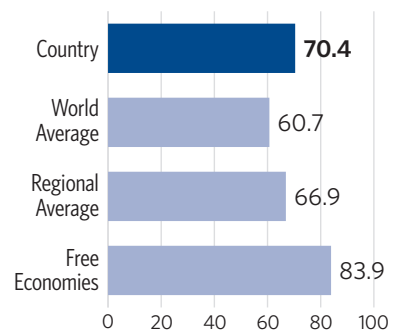
Latvia's ongoing transition to a more dynamic and market-oriented economy has been facilitated by the efficiency of business regulations designed to promote entrepreneurial activity. However, lingering corruption exacerbated by a relatively inefficient judicial system could become a growing challenge to long-term competitiveness if left unaddressed.

BACKGROUND: Latvia regained its independence from the Soviet Union in 1991 and joined the European Union and NATO in 2004. Prime Minister Laimdota Straujuma of the conservative Union Party returned to power after the October 2014 elections. She heads a three-party coalition that also includes the National Alliance and the Union of Greens and Farmers. The pro-Russian Harmony party is the biggest party despite not gaining power, although its total vote share fell by 5 percent. Latvia's economic standing and credit rating have improved following pro-market reforms. Low productivity remains a problem, and there is a large underground economy. Latvia joined the eurozone in 2014.

Freedom Trend



Country Comparisons



Quick Facts

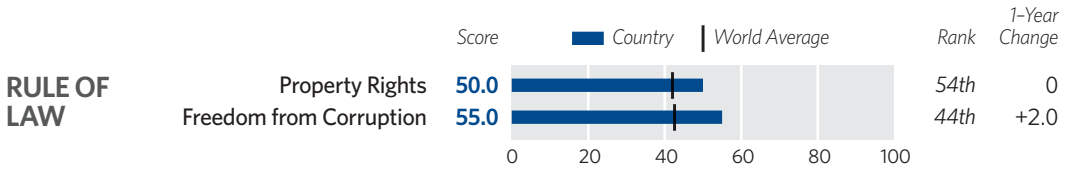
- Population:** 2.0 million
- GDP (PPP):** \$48.2 billion
- 2.4% growth in 2014
- 5-year compound annual growth 2.7%
- \$23,707 per capita
- Unemployment:** 10.0%
- Inflation (CPI):** 0.7%
- FDI Inflow:** \$473.5 million
- Public Debt:** 37.8% of GDP

How Do We Measure Economic Freedom?

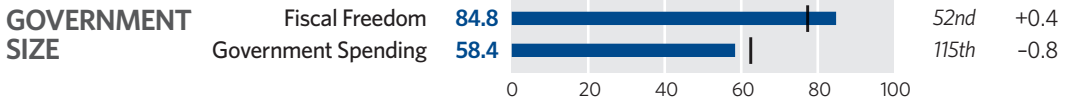
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

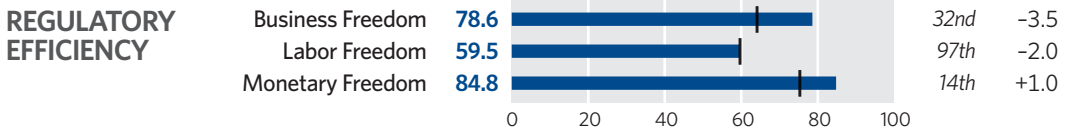
THE TEN ECONOMIC FREEDOMS



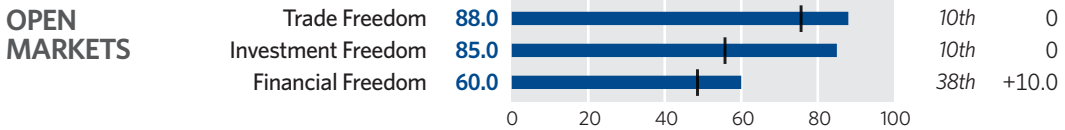
Although it is a crime under Latvian law to offer or accept a bribe or to facilitate an act of bribery, corruption exists at every level of government, and very few officials have ever been prosecuted and convicted. Judicial independence is generally respected, and property rights are protected, but the public is still distrustful of a judicial system that it views as inefficient, politicized, and corrupt.



The individual income tax rate is a flat 23 percent, and the corporate tax rate is a flat 15 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 27.7 percent of total domestic income. Government spending amounts to 37.2 percent of GDP. The budget deficit has been declining in recent years, and public debt is about 40 percent of GDP.



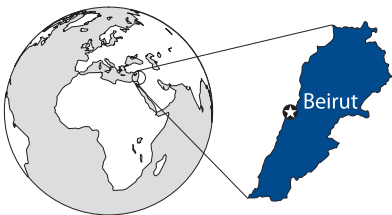
The regulatory framework is relatively efficient, and the business start-up process has been streamlined. The labor market lacks flexibility; non-salary costs of employing workers are high, and restrictions on work hours are rigid. Inflation is expected to remain low, partly reflecting the sharply lower global oil price forecast and the absence of fuel subsidies, but the ongoing liberalization of electricity tariffs will be felt by businesses and consumers.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises operate in several sectors. The financial sector has undergone regulatory adjustments since early 2009, with the government providing capital injections. Banking remains stable, and the number of non-performing loans is declining.

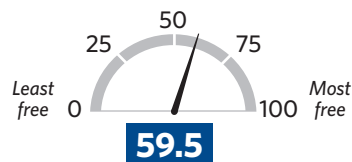
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+6.8	Business Freedom	+8.6	Trade Freedom	+33.0
Freedom from Corruption	+5.0	Government Spending	+7.6	Labor Freedom	-4.0	Investment Freedom	+35.0
				Monetary Freedom	+43.7	Financial Freedom	+10.0



LEBANON

Economic Freedom Score



World Rank: **98**

Regional Rank: **10**

The Lebanese economy remains fragile. Regulatory inefficiency and uncertainty exacerbated by political instability and ongoing security threats by violent extremists continue to undermine private-sector activity and development. Government bureaucracy and the lack of transparency perpetuate an environment hostile to investors.

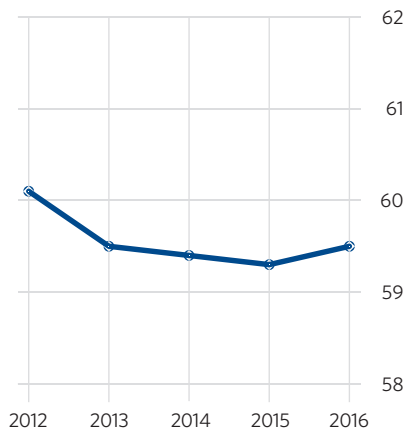
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.5 (up 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **98th**
- Regional Ranking: **10th in the Middle East/North Africa Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.6**

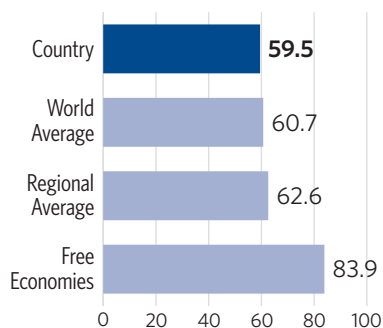
The ongoing threat of strikes and the recent waste-management crisis underline the gravity of Lebanon's financial and political problems. Systemic weaknesses persist in the protection of property rights and effective enforcement of anti-corruption measures. The judiciary remains vulnerable to political influence.

BACKGROUND: Since 1975, Lebanon has been destabilized by civil war, Syrian occupation, Hezbollah clashes with Israel, political uncertainty, and sectarian tensions. Syria was forced to withdraw its army in 2005 after its government was implicated in the assassination of former Lebanese Prime Minister Rafiq Hariri. After a period of political deadlock, Prime Minister Tammam Salam, a Sunni, was able to form a government in 2014, but violence and instability are increasing. Sectarian divides hinder political cooperation on key government appointments and substantive policy issues. Parliamentary elections have been postponed repeatedly after members were unable to agree on a new electoral law. The civil war in neighboring Syria has severely hampered economic growth. Once a leading regional center for finance and tourism, Lebanon's economy has fallen on hard times.

Freedom Trend



Country Comparisons



Quick Facts

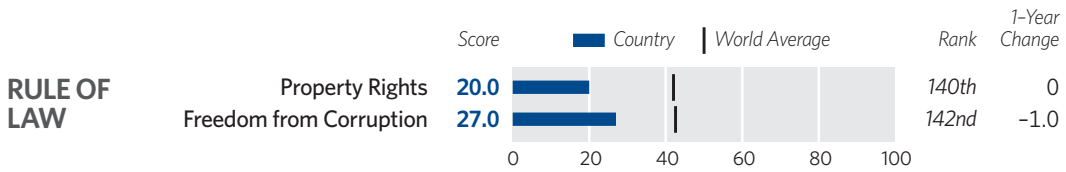
- Population:** 4.5 million
- GDP (PPP):** \$81.1 billion
- 2.0% growth in 2014
- 5-year compound annual growth 3.2%
- \$17,986 per capita
- Unemployment:** 6.4%
- Inflation (CPI):** 1.9%
- FDI Inflow:** \$3.1 billion
- Public Debt:** 134.4% of GDP

How Do We Measure Economic Freedom?

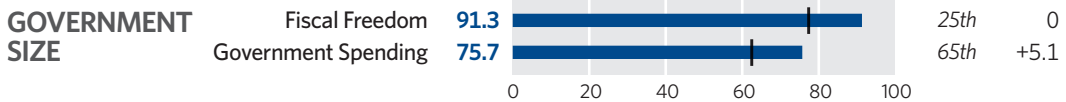
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

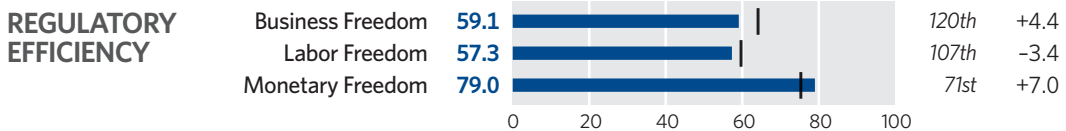
THE TEN ECONOMIC FREEDOMS



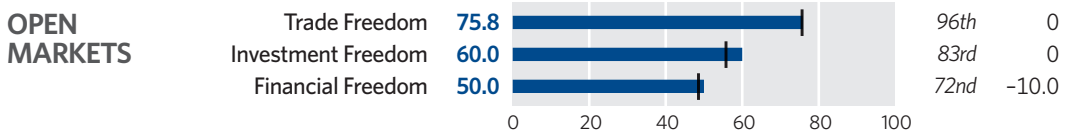
Proximity to the worsening Syrian crisis has aggravated the political instability caused in part by rampant corruption in Lebanon’s public sector. The sectarian political system and the actions of foreign patrons effectively limit elected officials’ accountability to the public. The judicial system is in need of root-and-branch reform to change both its procedures and many of its junior, middle-ranking, and senior personnel.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 15 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 15.5 percent of total domestic income. Government spending amounts to 28.5 percent of total domestic output. The deficit has been over 5 percent of GDP, and public debt exceeds annual economic output.



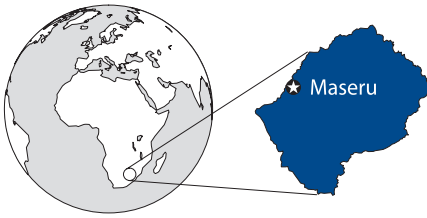
The entrepreneurial framework lacks transparency and efficiency. The cost of completing licensing requirements equals over three times the average annual income. The rigid labor market is stagnant. Although government transfers to the loss-making, state-owned Electricite du Liban power utility dropped by 40 percent in 2015 as a byproduct of weaker oil prices, the IMF has called for additional subsidy cuts.



Lebanon’s average tariff rate is 7.1 percent. State-owned enterprises are active in many sectors, including electricity and telecommunications. In general, foreign and domestic investors are treated equally under the law. Banking is relatively well developed for the region. The state retains no ownership in any commercial banks. Because of Lebanon’s ongoing political insecurity, the financial sector is under increasing strain.

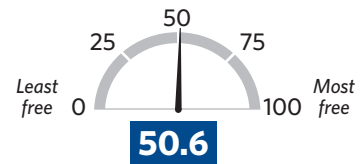
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	-6.7	Business Freedom	-10.9	Trade Freedom	+0.8
Freedom from Corruption	+17.0	Government Spending	-4.2	Labor Freedom	-1.9	Investment Freedom	+10.0
				Monetary Freedom	+12.6	Financial Freedom	-20.0



LESOTHO

Economic Freedom Score



World Rank: **152**

Regional Rank: **38**

Institutional shortcomings and the lack of much-needed economic reform continue to undermine Lesotho's entrepreneurial growth. Recent fiscal reforms have been limited in scope and depth. Impeded by political volatility and pervasive corruption, the protection of property rights and enforcement of the rule of law remain weak.

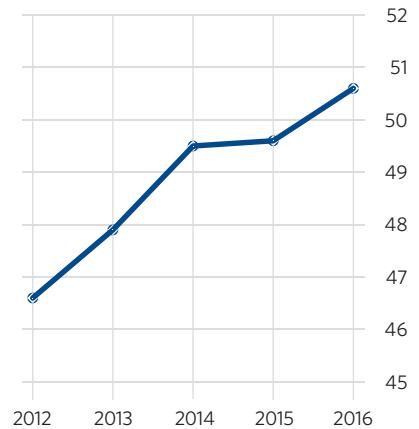
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **50.6 (up 1.0 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **152nd**
- Regional Ranking: **38th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Management of Public Finance and Rule of Law**
- Overall Score Change Since 2012: **+4**

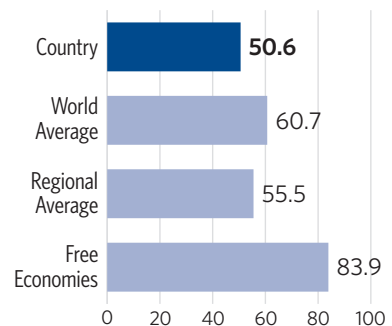
The state's presence in private-sector activity remains intrusive, and government spending is high. Despite marginal economic reforms, including the strengthening of contract enforcement through a new commercial court, regulatory barriers and poor trade freedom still stifle broad-based private-sector development.

BACKGROUND: Lesotho is a parliamentary constitutional monarchy, and King Letsie III is ceremonial head of state. Thomas Thabane, elected prime minister in May 2012, fled in August 2014 after an attempted coup. He returned four days later following a deal brokered by the South African government and fled again, along with other opposition leaders, in May 2015. General elections held in February 2015 were largely viewed as free and fair, and Pakalitha Mosisili is now prime minister in a coalition government. Geographically surrounded by and economically integrated with South Africa, Lesotho relies on customs duties from the Southern Africa Customs Union for government revenue and remittances from laborers employed in South Africa for much of its national income. Principal exports include diamonds and water. Lesotho has the world's third-highest HIV rate.

Freedom Trend



Country Comparisons



Quick Facts

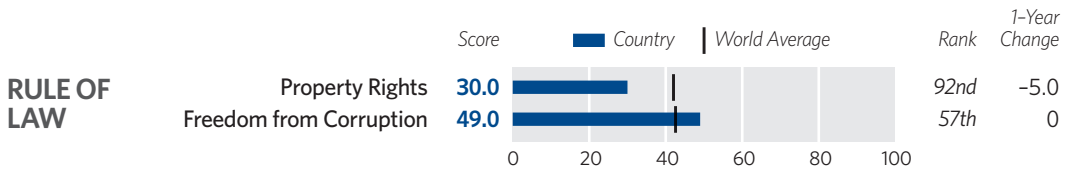
- Population:** 1.9 million
- GDP (PPP):** \$5.3 billion
- 2.2% growth in 2014
- 5-year compound annual growth 4.5%
- \$2,764 per capita
- Unemployment:** 26.2%
- Inflation (CPI):** 3.9%
- FDI Inflow:** \$46.4 million
- Public Debt:** 45.9% of GDP

How Do We Measure Economic Freedom?

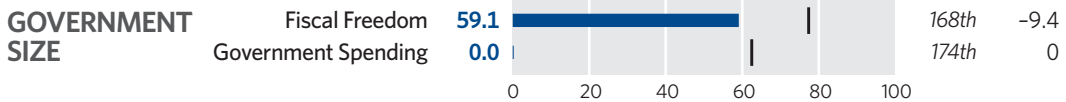
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2014 data unless otherwise noted.
Data compiled as of September 2015.

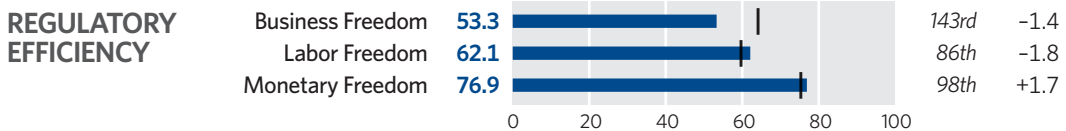
THE TEN ECONOMIC FREEDOMS



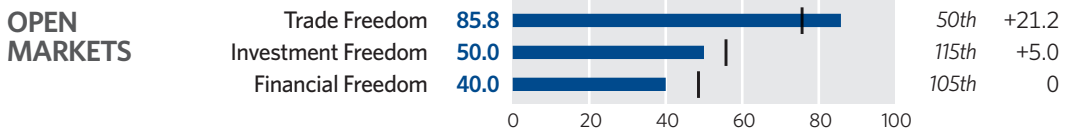
The August 2014 failed military coup shook Lesotho’s political institutions, temporarily closed the courts, and left lasting tensions. Corruption remains pervasive in all sectors of government and public services, and cronyism is prevalent in state bidding procedures. The judiciary is relatively independent but politicized and chronically underfunded. Protection of private property rights is ineffective, but expropriation is unlikely.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a tax on dividends. Overall tax revenue equals 47.3 percent of national income. Government spending has reached over 60 percent of GDP. The deficit has been around 2 percent, and public debt equals about 46 percent of total domestic output.



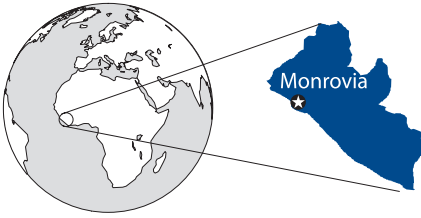
The entrepreneurial environment remains hampered by regulatory inefficiency and a lack of transparency. The cost of licensing requirements still equals almost 10 times the average annual income. The labor market remains inefficient, and informal labor activity is high. The government increased food subsidies in 2015 and influences prices through state-owned enterprises. The volatility of the South African rand affects monetary stability.



Lesotho’s average tariff rate is 2.1 percent. A license may be required to import used clothing and cars. Additional controls apply to agricultural imports and exports. There is no general screening of foreign investment. Much of the population lacks adequate access to banking services. The high cost of credit hinders entrepreneurial activity and the development of a vibrant private sector.

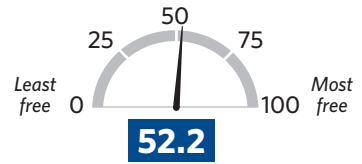
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	0	Business Freedom	-1.7	Trade Freedom	+40.8
Freedom from Corruption	+19.0	Government Spending	-38.7	Labor Freedom	-9.8	Investment Freedom	0
				Monetary Freedom	+11.6	Financial Freedom	+10.0



LIBERIA

Economic Freedom Score



World Rank: **143** Regional Rank: **34**

Liberia's reform-minded government has managed to place the country on a path of growth despite the challenging economic environment. Reforms have dismantled some of the barriers to trade, simplified business licensing, and eased credit restrictions, contributing to an average growth rate of over 6 percent over the past five years.

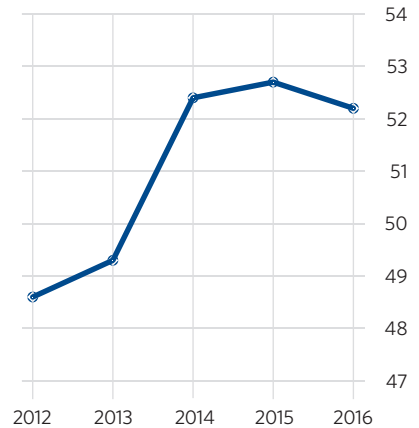
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **52.2 (down 0.5 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **143rd**
- Regional Ranking: **34th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+3.6**

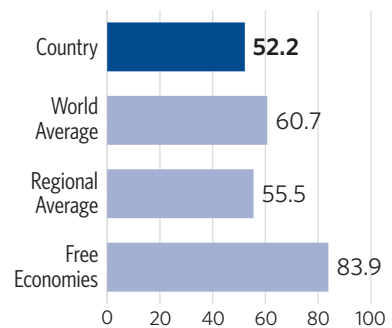
Progress and gains from previous reforms continue to be undermined or disrupted by institutional shortcomings. The country has little margin for dealing with crises of any sort. Further reforms, particularly strengthening the rule of law and improving regulatory efficiency, are critical to promoting long-term economic development.

BACKGROUND: In the early 1990s, civil war killed 250,000 Liberians. A peace agreement was reached in 1995, and rebel leader Charles Taylor was elected president in 1997. He was forced to step down in 2003 and was found guilty of war crimes in 2012. Ellen Johnson Sirleaf, president since 2005, was awarded the Nobel Peace Prize in 2011. Liberia remains fragile. In 2013, the United Nations Refugee Agency repatriated 155,000 Liberians who had fled during the civil war. Rampant corruption, high unemployment, and widespread illiteracy hinder development. Political instability has driven out many foreign investors. Liberia is rich in natural resources, including rubber, mineral resources, and iron ore. It was one of the countries hit hardest by the 2014 Ebola outbreak in West Africa.

Freedom Trend



Country Comparisons



Quick Facts

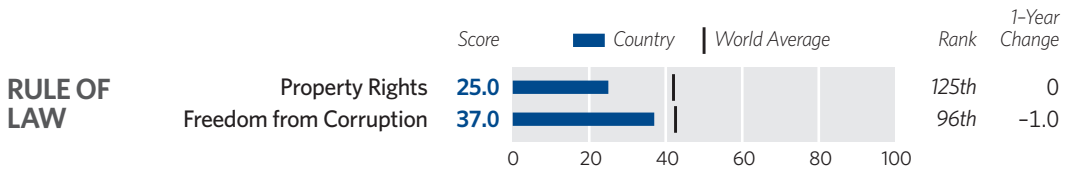
- Population:** 4.2 million
- GDP (PPP):** \$3.7 billion
- 0.5% growth in 2014
- 5-year compound annual growth 6.2%
- \$882 per capita
- Unemployment:** 3.8%
- Inflation (CPI):** 9.9%
- FDI Inflow:** \$302.0 million
- Public Debt:** 33.2% of GDP

How Do We Measure Economic Freedom?

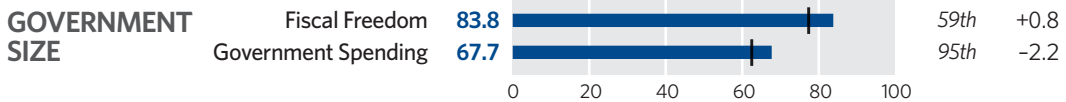
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2014 data unless otherwise noted.
Data compiled as of September 2015.

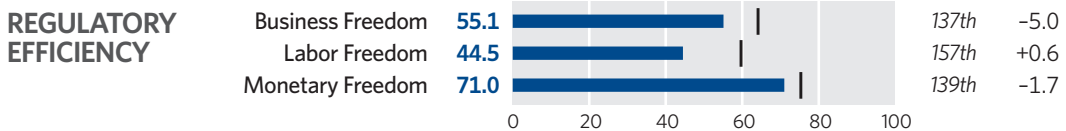
THE TEN ECONOMIC FREEDOMS



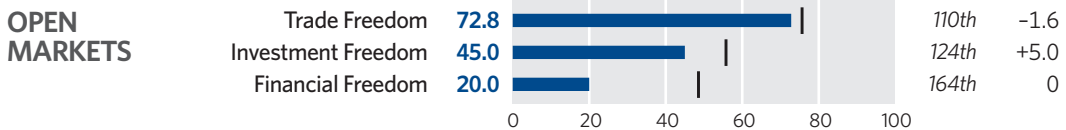
Corruption remains pervasive. Liberia was the first African state to comply with the Extractive Industries Transparency Initiative rules governing natural-resource extraction, and a number of institutions are devoted to fighting corruption, but they lack the resources and capacity to function effectively. The judiciary lacks adequate facilities. Property rights are not strongly protected, and the rule of law remains uneven across the country.



Liberia’s top individual and corporate income tax rates are 25 percent. Other taxes include a property tax and a goods and services tax. The overall tax burden equals 19.2 percent of total domestic income. Government spending is equivalent to 32.8 percent of GDP. The budget has been in chronic deficit. Public debt amounts to about 33 percent of total domestic output.



Considerable effort has been made to modernize the regulatory framework. The business start-up process is more straightforward, with no minimum capital required. The labor market is underdeveloped, and about 80 percent of the workforce is engaged in informal activity. Following the Ebola crisis, the government increased subsidies for education and health care and received higher levels of subsidized food aid from international donors.

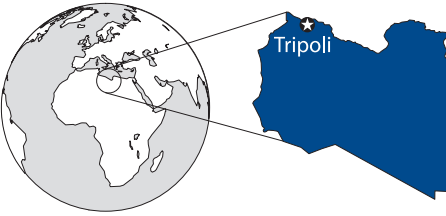


Liberia’s average tariff rate is 6.1 percent. Several sectors of the economy are reserved for domestic investors. Foreign investors may not own land. The government may not expropriate property without providing compensation. The high cost of credit and scarce access to financing hinder private-sector development. A large part of the population remains outside of the formal banking sector.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+10.0	Business Freedom	+14.9	Trade Freedom	+19.0
Freedom from Corruption	+16.0	Government Spending	-29.5	Labor Freedom	-5.3	Investment Freedom	+15.0
				Monetary Freedom	+0.9	Financial Freedom	0

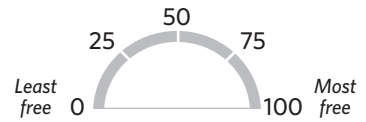
LIBYA



World Rank: Not Ranked

Regional Rank: Not Ranked

Economic Freedom Score



This economy is not graded

Libya's economic freedom remains unrated due to a lack of reliable data. The government's compilations of official economic data are inadequate, and data on Libya in many of the international sources relied upon for *Index* grading are incomplete. Libya's economic freedom will be ranked in future editions when more reliable information becomes available.

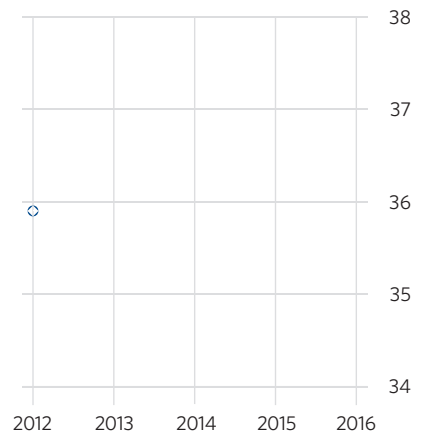
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Middle East/North Africa Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

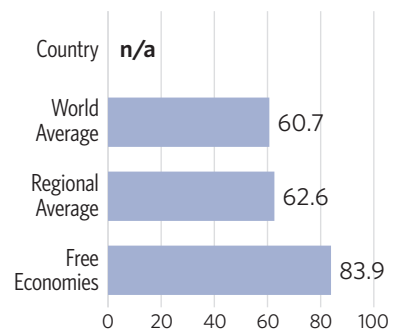
Libya's economy is at a critical juncture as security deteriorates and sectarian tensions deepen. With the state's legitimacy eroding, the government confronts the daunting challenge of stabilizing the macroeconomic environment in the midst of political turmoil. The economic infrastructure is significantly degraded, and economic uncertainty remains very high.

BACKGROUND: Dictator Muammar Qadhafi was overthrown in 2011, and political upheaval continues to this day. In June 2014, Libya held its second parliamentary election since the fall of Qadhafi; in November, the Supreme Constitutional Court ruled that the elected parliament was constitutionally illegitimate. Pro-Islamist militias allied with the Muslim Brotherhood have established parallel institutions. Oil and natural gas provide about 80 percent of GDP, 95 percent of export revenues, and 99 percent of government revenues. Economic recovery began in 2012, but political instability, factional clashes, and security threats from Libyan followers of the Islamic State in Iraq and Syria (ISIS) are serious deterrents to growth. The government faces major challenges in disarming and demobilizing militias, improving the rule of law, and reforming the state-dominated economy.

Freedom Trend



Country Comparisons



Quick Facts

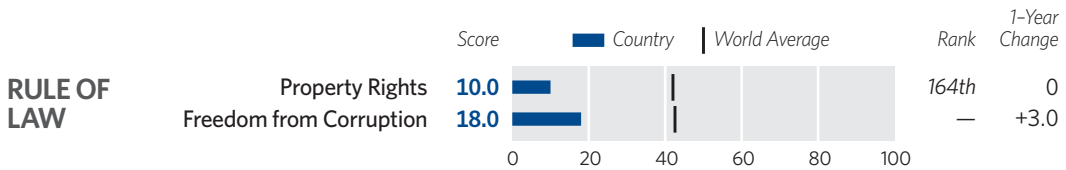
Population: 6.2 million
GDP (PPP): \$97.6 billion
 -24.0% growth in 2014
 5-year compound annual growth 2.0%
 \$15,706 per capita
Unemployment: 19.2%
Inflation (CPI): 2.8%
FDI Inflow: \$50.0 million
Public Debt: 39.3% of GDP

How Do We Measure Economic Freedom?

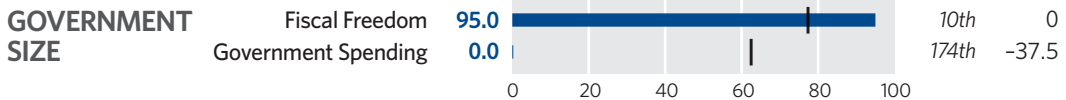
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 Data compiled as of September 2015.

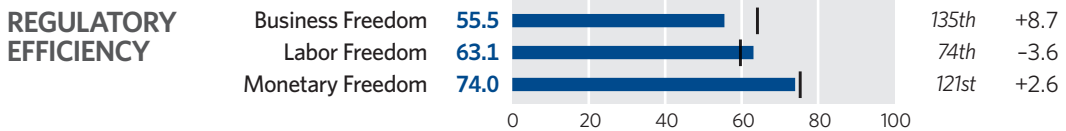
THE TEN ECONOMIC FREEDOMS



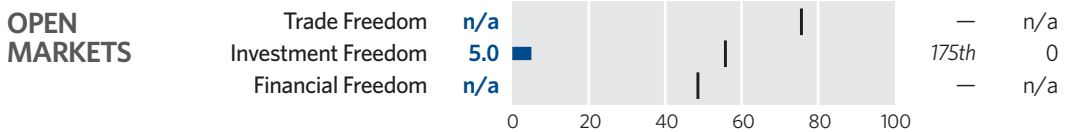
In the absence of an effective national government, pervasive corruption continues in both the private sector and the government. The fall of the Qadhafi regime initially raised hopes that the level of graft would decline, but oil interests, foreign governments, smuggling syndicates, and armed groups still wield undue influence. The role of the judiciary remains unclear without a permanent constitution.



The top income tax rate is 10 percent, but other taxes make the top rate much higher in practice. The top effective corporate tax rate is 20 percent. Taxation has not been enforced effectively since early 2011. Large oil revenues have funded excessive government spending in the past. Instability and a weak central government continue to hamper the effective management of public finance.



Regulatory efficiency is severely undermined by ongoing political instability. The labor market remains destabilized, and the large informal sector is an important source of employment. Sharply decreased revenues from lower oil prices and increased payments for state salaries and subsidies on fuel and food led to an estimated budget deficit of about 50 percent of GDP in 2014, up from about 4 percent in 2013.

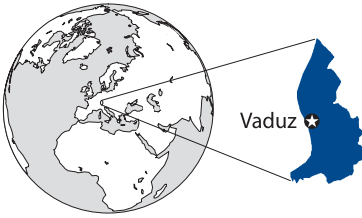


Libya has a 0 percent average tariff rate. Regulatory barriers interfere with trade. The government screens new foreign investment. State-owned enterprises distort the economy, and political instability undermines international trade and investment. The financial system is hampered by unstable political and economic conditions, and limited access to financing severely impedes any meaningful private business development.

Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a

LIECHTENSTEIN



World Rank: Not Ranked

Regional Rank: Not Ranked

Openness to global trade and investment is a core strength of Liechtenstein's small economy. A high degree of macroeconomic and political stability minimizes uncertainty, and the transparent regulatory framework supports the operation of numerous small and medium-sized enterprises. Liechtenstein remains unranked in the 2016 *Index* because of the lack of readily available comparable statistics on the economy.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in Europe**
- Notable Successes: **Open Markets**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

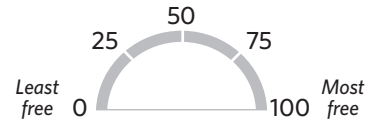
A stable and flexible financial services sector underpins Liechtenstein's overall prosperity, contributing roughly one-third of GDP. Solid defense of property rights, buttressed by a strong tradition of minimum tolerance for corruption, sustains the rule of law effectively.

BACKGROUND: Prince of Liechtenstein Hans-Adam II is head of state, but his son Prince Alois wields considerable power as regent. The center-right Progressive Citizens' Party won the March 2013 parliamentary elections, and Prime Minister Adrian Hasler heads the government. Liechtenstein has a vibrant free-enterprise economy. Low taxes and traditions of strict bank secrecy (though less strict than before) have helped financial institutions to attract funds, but the worldwide financial crisis led to a sharp contraction in the banking sector. In 2009, the Organisation for Economic Cooperation and Development removed Liechtenstein from its list of uncooperative tax havens. The principality's economy is closely linked to Switzerland, whose currency it shares, and the European Union. Liechtenstein is a member of the European Free Trade Association and the European Economic Area but not the EU.

How Do We Measure Economic Freedom?

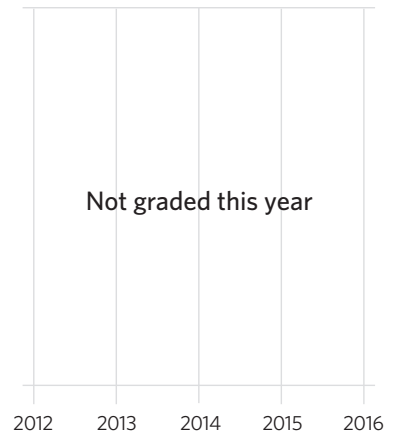
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Economic Freedom Score

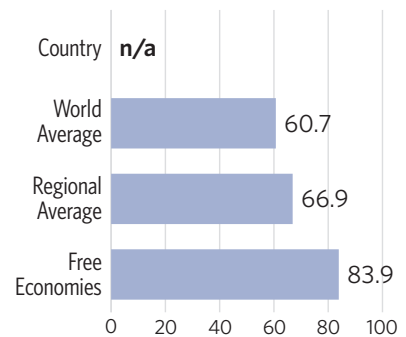


This economy is not graded

Freedom Trend



Country Comparisons



Quick Facts

Population: 37,624

GDP (nominal): \$5.8 billion (2012)

1.8% growth in 2012

5-year compound annual growth n/a

\$158,976 per capita

Unemployment: 2.3% (2012)

Inflation (CPI): -0.7% (2012)

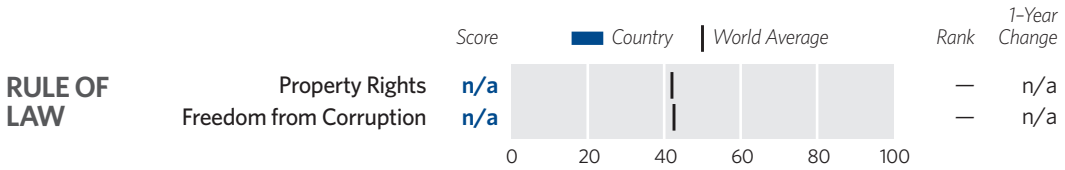
FDI Inflow: n/a

Public Debt: n/a

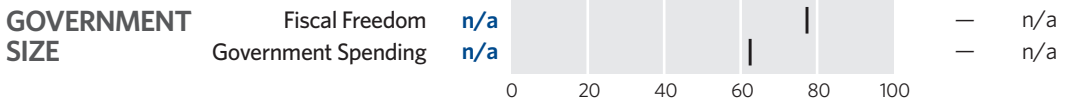
2014 data unless otherwise noted.

Data compiled as of September 2015.

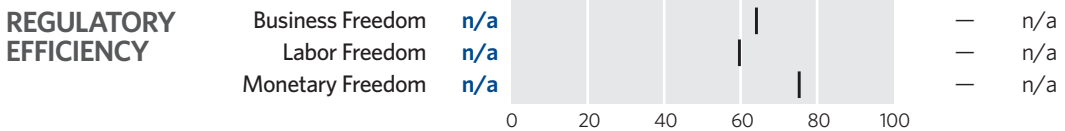
THE TEN ECONOMIC FREEDOMS



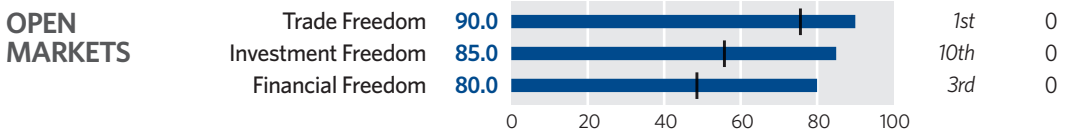
Politics and society are largely free of corruption. Although Liechtenstein is a leading offshore tax haven and traditionally has maintained tight bank secrecy laws, the government has made efforts in recent years to increase transparency in banking. The judiciary is independent and impartial despite the appointment of judges by the hereditary monarch. Property rights and contracts are secure.



Liechtenstein imposes relatively low taxes on nationals and non-nationals. Under the tax reform law that became effective in January 2011, the tax system has become more modern and attractive. The corporate tax rate is now a flat 12.5 percent, and capital gains, inheritance, and gift taxes have been abolished. Although the fiscal system lacks transparency, government fiscal management has been relatively sound.



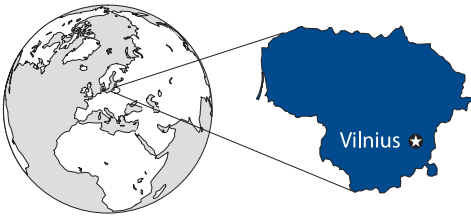
The entrepreneurial environment is supported by efficient and transparent regulations. Administrative procedures are straightforward and applied consistently. The labor market is dynamic, and unemployment traditionally has been very low. Liechtenstein has a de facto monetary union with Switzerland, although the principality has no say in the Swiss National Bank's monetary policies.



Liechtenstein has a 0 percent average tariff rate. Agricultural imports face non-tariff barriers. Imports are not subject to anti-dumping or countervailing duty laws. Foreign and domestic investors are generally treated equally under the law. 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 sensible regulatory regime.

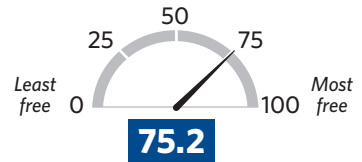
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



LITHUANIA

Economic Freedom Score



World Rank: **13**

Regional Rank: **6**

Lithuania has implemented critical reforms in many areas, gradually expanding its vibrant private sector. Business start-up procedures have been streamlined, and a relatively efficient tax regime facilitates entrepreneurial growth. Amendments to labor regulations, intended to enhance labor market flexibility, came into force in July 2015.

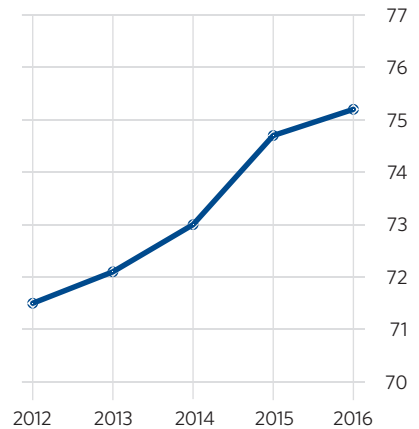
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **75.2 (up 0.5 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **13th**
- Regional Ranking: **6th in Europe**
- Notable Successes: **Open Markets, Business Freedom, and Fiscal Freedom**
- Concerns: **Labor Freedom**
- Overall Score Change Since 2012: **+3.7**

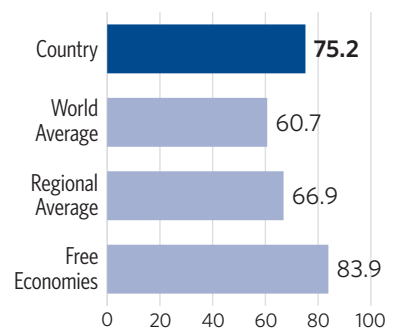
Contributing to overall stability and competitiveness, Lithuania's relatively sound judicial framework sustains the rule of law. Since the adoption of the euro in January 2015, Lithuania's monetary policy has been in the hands of the European Central Bank. Continuing fiscal consolidation and better management of public finance will be critical to managing inflation and ensuring economic resilience.

BACKGROUND: Lithuania, largest of the three Baltic States, regained its independence from the Soviet Union in 1991. It joined the European Union and NATO in 2004. Lithuania is a parliamentary republic with some attributes of a presidential system. Under President Dalia Grybauskaitė, reelected in May 2014, the country has worked to improve transparency in parliamentary elections, pass judicial reforms, and boost energy and financial security. Prime Minister Algirdas Butkevicius of the Social Democratic Party presides over a center-left coalition. Lithuania depends heavily on Russia for natural gas but recently completed construction of the region's largest offshore liquefied natural gas terminal to access other markets. The construction, financial services, and retail sectors have grown substantially since independence.

Freedom Trend



Country Comparisons



Quick Facts

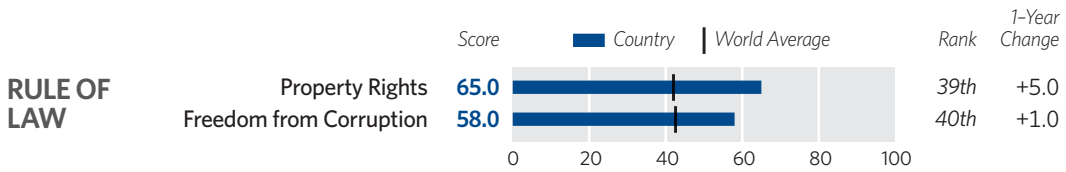
- Population:** 2.9 million
- GDP (PPP):** \$79.6 billion
- 2.9% growth in 2014
- 5-year compound annual growth 3.6%
- \$27,051 per capita
- Unemployment:** 11.3%
- Inflation (CPI):** 0.2%
- FDI Inflow:** \$217.1 million
- Public Debt:** 37.7% of GDP

How Do We Measure Economic Freedom?

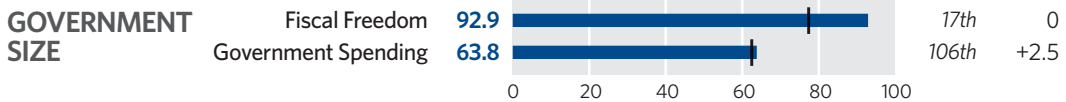
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

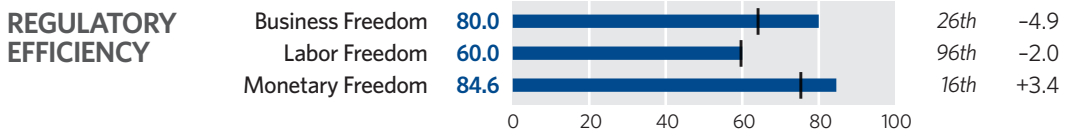
THE TEN ECONOMIC FREEDOMS



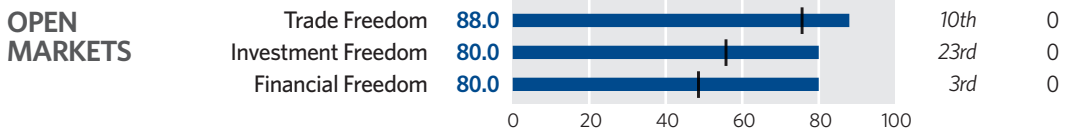
Corruption remains an issue in Lithuania, but progress is apparent. In 2014, the new president announced that she would not approve ministers whose deputies were included on a so-called blacklist created by the Secret Investigation Service that named eight vice-ministers who allegedly were involved in corruption cases. Judicial independence has been strengthened by membership in the EU.



Lithuania's top individual and corporate income tax rates are 15 percent. Other taxes include an inheritance tax and a value-added tax. The overall tax burden equals 16 percent of total domestic income. Government spending amounts to 34.7 percent of GDP. The budget deficit has been declining, and public debt equals slightly less than 40 percent of total annual domestic output.



Business formation and operation are possible without bureaucratic interference, and no minimum capital is required. Despite some reform, relatively stringent employment protections perpetuate labor market rigidity. Adoption of the euro in January 2015 reduced systemic risks relating to euro-denominated debt but led the government to increase its monitoring and control of prices during the transition from the lita.

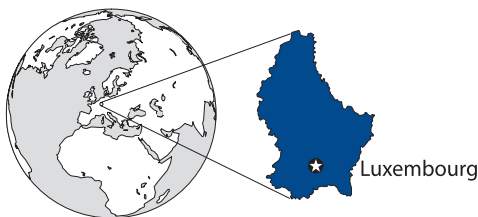


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Several state-owned enterprises operate in Lithuania. Offering a wide range of banking and financing services, the financial sector remains competitive and relatively stable. Capital markets are small but function well.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+15.0	Fiscal Freedom	+16.3	Business Freedom	+10.0	Trade Freedom	+23.0
Freedom from Corruption	+28.0	Government Spending	+1.4	Labor Freedom	+4.2	Investment Freedom	+30.0
				Monetary Freedom	+71.7	Financial Freedom	+50.0

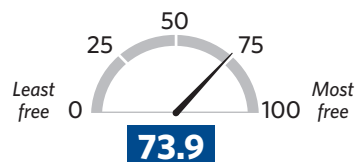
LUXEMBOURG



World Rank: **19**

Regional Rank: **9**

Economic Freedom Score



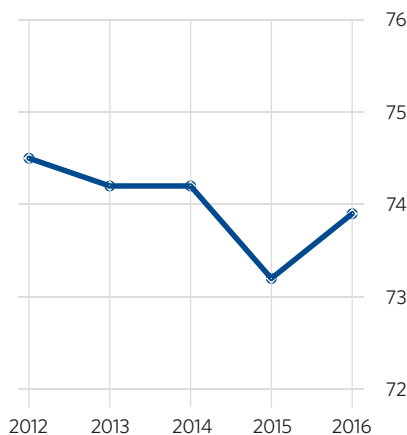
Sustaining a competitive business environment, Luxembourg continues to be economically resilient with well-functioning institutions. The legal framework remains among the world's best, providing effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimum tolerance for corruption is firmly in place.

ECONOMIC FREEDOM SNAPSHOT

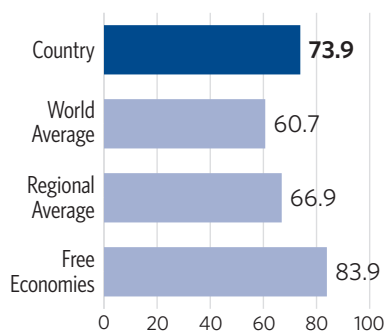
- 2016 Economic Freedom Score: **73.9 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **19th**
- Regional Ranking: **9th in Europe**
- Notable Successes: **Rule of Law and Open Markets**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-0.6**

Luxembourg has demonstrated a commitment to restoring the soundness of public finance and the credibility of its fiscal policies. Deficit-cutting efforts involving reductions in government spending have encouraged economic recovery. The efficiency of the regulatory system, though still above average, has declined relative to the most competitive economies.

Freedom Trend



Country Comparisons



Quick Facts

Population: 0.6 million
GDP (PPP): \$51.4 billion
 2.9% growth in 2014
 5-year compound annual growth 2.5%
 \$92,049 per capita
Unemployment: 6.1%
Inflation (CPI): 0.7%
FDI Inflow: \$7.1 billion
Public Debt: 24.6% of GDP

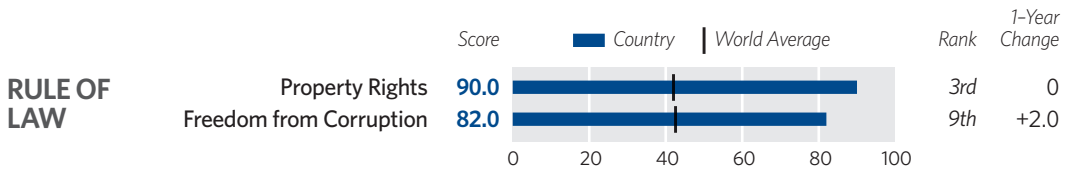
BACKGROUND: A founding member of the European Union in 1957 and the eurozone in 1999, the Grand Duchy of Luxembourg continues to promote European integration. Prime Minister Xavier Bettel of the Democratic Party was elected in December 2013, defeating the Christian Social People's Party that had been in power since 1979. Luxembourgers have one of the world's highest income levels, although the global economic crisis provoked the first recession in 60 years in 2009. During the 20th century, Luxembourg evolved into a mixed manufacturing and services economy with a strong financial services sector. The government is trying to diversify the economy by promoting Luxembourg as an information technology and e-commerce hub. The country has a skilled workforce and well-developed infrastructure.

How Do We Measure Economic Freedom?

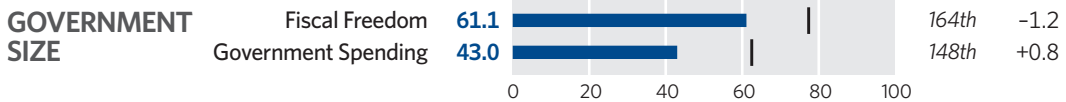
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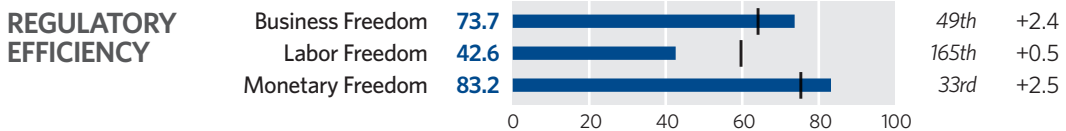
THE TEN ECONOMIC FREEDOMS



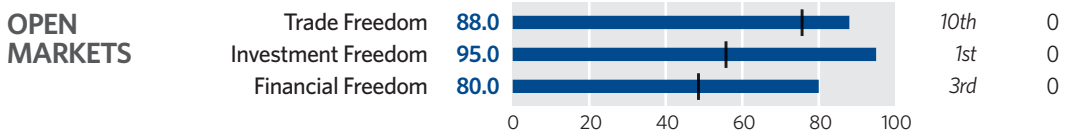
Luxembourg has the legal infrastructure to combat corruption effectively. Laws are enforced impartially. The judiciary is independent, and social norms and customs strongly support the rule of law. Private property rights are well protected, and contracts are secure. Adequate steps have been taken to implement the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement.



The top individual income tax rate is 43.6 percent, and the top corporate tax rate is 21 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 39.3 percent of total domestic income. Government spending amounts to 43.6 percent of GDP. The budget balance is slightly in surplus. Public debt equals less than 25 percent of total annual domestic output.



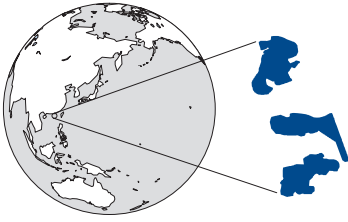
The efficient regulatory framework supports entrepreneurial activity. Business formation and operation take place without bureaucratic interference. The labor market lacks flexibility, and the minimum wage is one of the region’s highest. Monetary stability is well maintained. The agricultural sector is highly subsidized, both by the government and through the EU’s Common Agricultural Policy.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Foreign and domestic investors are generally treated equally under the law. Luxembourg continues to be one of the world’s most resilient financial centers. Its highly competitive financial sector remains stable and well capitalized, providing a wide range of financing options.

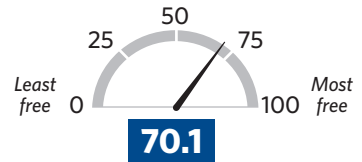
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+14.5	Business Freedom	-11.3	Trade Freedom	+9.0
Freedom from Corruption	-8.0	Government Spending	+5.9	Labor Freedom	-8.8	Investment Freedom	+25.0
				Monetary Freedom	-1.5	Financial Freedom	+10.0



MACAU

Economic Freedom Score



World Rank: **37**

Regional Rank: **9**

Macau has attracted significant investment since opening up its gaming industry in 2002. Ever-growing investment in resort and entertainment projects and related infrastructure has made Macau one of the world's leading tourism destinations, with services accounting for almost 90 percent of GDP and over 70 percent of total employment.

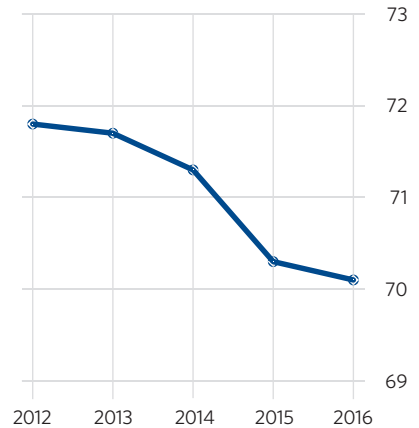
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.1 (down 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **37th**
- Regional Ranking: **9th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Investment Freedom**
- Concerns: **Corruption and Labor Freedom**
- Overall Score Change Since 2012: **-1.7**

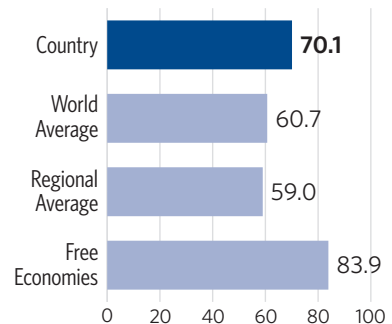
As a Special Administrative Region of China, Macau largely maintains its own free-market economic structure. The rule of law is relatively well respected, though more effective anti-corruption measures are needed. More committed structural reforms are also needed to enhance prospects for broad-based long-term economic development.

BACKGROUND: Macau, colonized by the Portuguese in the 16th century, became a Special Administrative Region of China in 1999, and its chief executive is appointed by Beijing. Under China's "one country, two systems" policy, Macau enjoys a high degree of autonomy except in matters of national defense and foreign policy. Macau is one of the world's largest gaming centers and the only place in China where casinos are legal. Gaming-related taxes account for approximately 80 percent of government revenue. During 2014, Macau's economy was negatively affected by China's anti-corruption campaign and the mainland's economic slowdown. Gaming revenues are down around 40 percent from the previous year. Two ongoing structural problems are a lack of tourist attractions for non-gamblers and high travel expenses.

Freedom Trend



Country Comparisons



Quick Facts

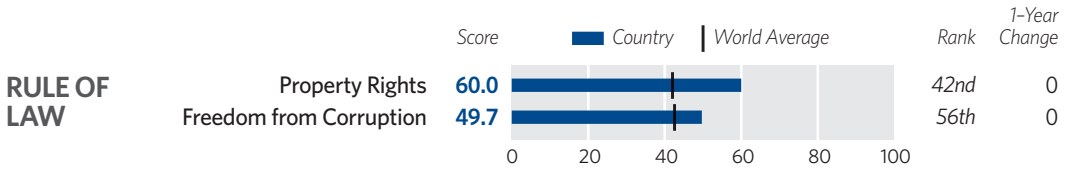
Population: 0.6 million
GDP (PPP): \$80.8 billion
 -0.4% growth in 2014
 5-year compound annual growth 13.7%
 \$139,220 per capita
Unemployment: n/a
Inflation (CPI): 6.0%
FDI Inflow: \$3.0 billion
Public Debt: 0.0% of GDP

How Do We Measure Economic Freedom?

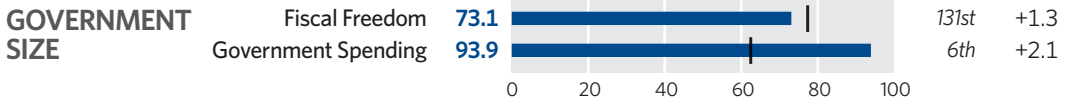
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

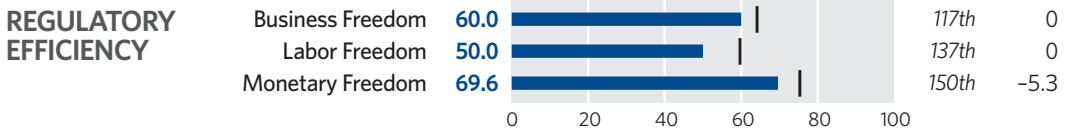
THE TEN ECONOMIC FREEDOMS



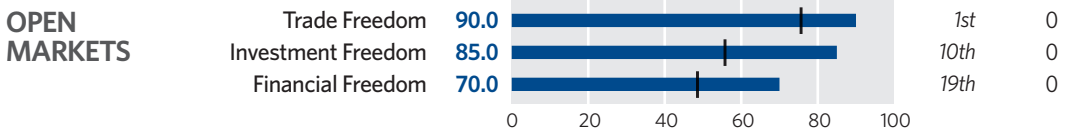
The mainland Chinese government’s anti-graft campaign has led to a sharp decline in gambling revenue in Macau that has caused a sharp contraction in the economy. Macau has its own judicial system with a high court; the legal framework is based largely on Portuguese law. Private ownership of property and contractual rights are well established. There are no restrictions on foreign property ownership.



The top personal income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high, and overall tax revenue equals 32 percent of GDP. Government spending is equivalent to 14.3 percent of total domestic output. Gambling revenue has outpaced the growth of public spending, generating considerable surpluses.



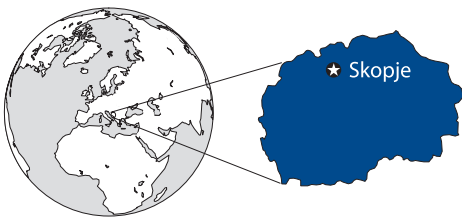
The overall regulatory environment is less efficient than those of similar economies. License requirements vary by type of economic activity. The lack of a dynamic, broad-based labor market is caused partly by the absence of serious reform efforts. Monetary stability has been relatively well maintained, but government subsidies to households increased by nearly 50 percent in the first half of 2015 despite a severe economic downturn.



Macau has an average tariff rate of 0 percent. Non-tariff barriers are low and do not interfere significantly with trade. Most sectors of the economy are open to foreign investment. Foreign and domestic investors are generally treated equally under the law. The relatively small financial sector is dominated by banking and provides easy access to financing. Capital markets remain underdeveloped.

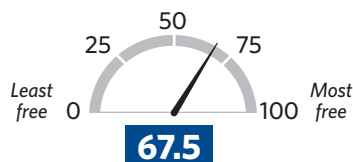
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-6.2	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	-7.3	Government Spending	+0.6	Labor Freedom	-10.0	Investment Freedom	+15.0
				Monetary Freedom	-10.7	Financial Freedom	0



MACEDONIA

Economic Freedom Score



World Rank: **47**

Regional Rank: **22**

Macedonia's transition to a more open and flexible economic system has been facilitated by 10 years of substantial economic reform. Macroeconomic stability is relatively high, and implementation of competitive flat tax rates and an open trade regime has encouraged the development of a growing entrepreneurial sector.

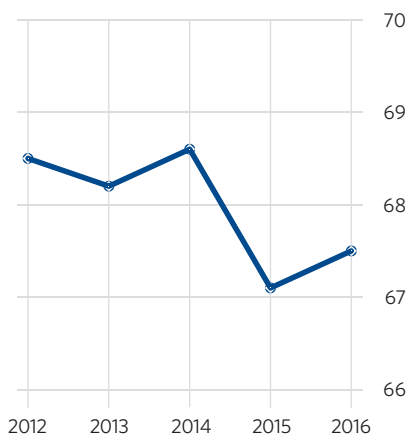
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.5 (up 0.4 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **47th**
- Regional Ranking: **22nd in Europe**
- Notable Successes: **Trade Freedom, Regulatory Efficiency, and Fiscal Freedom**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **-1**

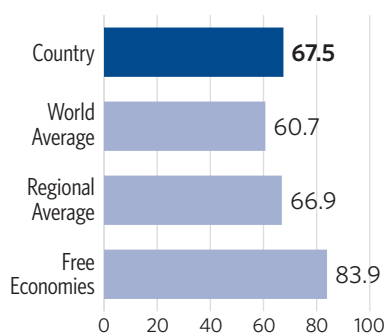
Macedonia's economy has a good record of fiscal prudence, as shown by the relatively moderate level of public debt, but government deficits and debt have increased in recent years. The judicial system remains weak, undercut by lingering corruption.

BACKGROUND: The Republic of Macedonia gained its independence from the former Yugoslavia in 1991 and has achieved considerable political and economic stability. Prime Minister Nikola Gruevski of the conservative VMRO-DPMNE party prevailed in the April 2014 presidential and parliamentary elections in a coalition with the ethnic Albanian Democratic Union for Integration. The SDSM, the main opposition party, has since boycotted parliament because it disputes the election results. In order to end the political stalemate, new elections have been scheduled for April 2016. Macedonia completed NATO's Membership Action Plan in 2008, but Greece continues to block its accession because it objects to Macedonia's name. This is also delaying Macedonia's accession to the European Union. Improvements in the legal framework are creating a stable environment for foreign and domestic investment.

Freedom Trend



Country Comparisons



Quick Facts

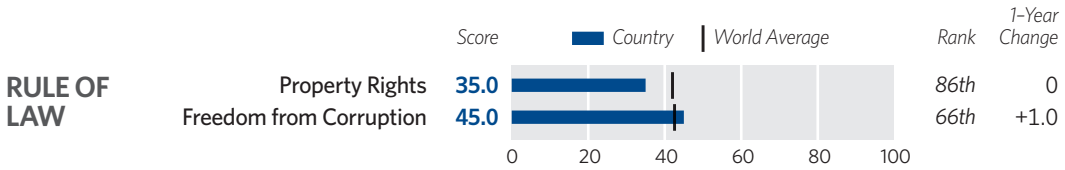
- Population:** 2.1 million
- GDP (PPP):** \$27.6 billion
- 3.8% growth in 2014
- 5-year compound annual growth 2.3%
- \$13,349 per capita
- Unemployment:** 27.9%
- Inflation (CPI):** -0.1%
- FDI Inflow:** \$348.0 million
- Public Debt:** 38.0% of GDP

How Do We Measure Economic Freedom?

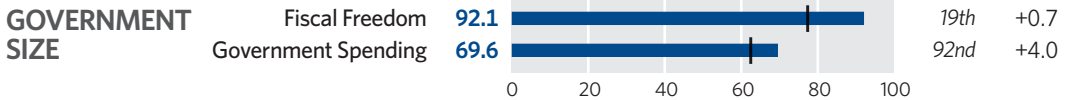
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Data compiled as of September 2015.

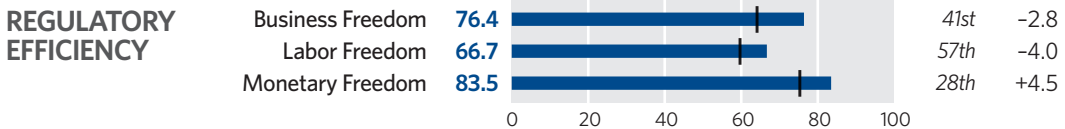
THE TEN ECONOMIC FREEDOMS



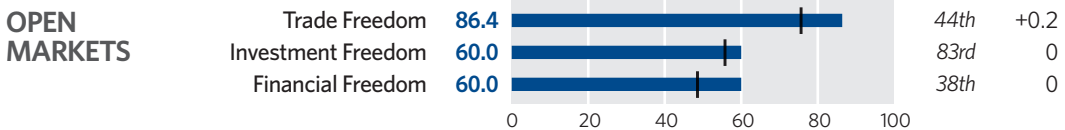
Although Macedonia’s legal framework is sound, enforcement of the laws is weak, and the public is skeptical of the government’s willingness to prosecute corrupt officials. The public generally views the police, courts, higher education, and health care as the most corrupt public sectors. Despite the existence of a legal basis for the protection of property rights, enforcement remains problematic.



The individual income and corporate tax rates are a flat 10 percent. Other taxes include a value-added tax and a property transfer tax. Overall tax revenue equals 24.2 percent of total domestic income. Government spending amounts to 31.8 percent of total domestic output. The government has run a relatively small budget deficit. Public debt remains under 40 percent of GDP.



Launching a business takes only two days and two procedures, and no minimum capital is required. After years of high unemployment, recent reforms have focused on injecting greater flexibility into the labor market. The IMF reports that non-financial public-sector debt is expected to rise, mainly due to a substantial expected increase in the debt burden of the two largest state-owned enterprises.

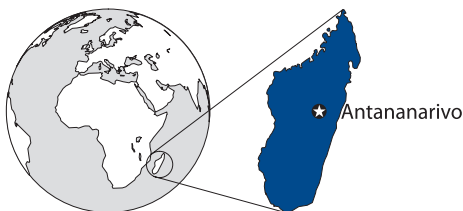


Macedonia’s average tariff rate is 1.8 percent. The government generally treats foreign and domestic investors equally. State-owned enterprises operate in several sectors of the economy. The financial sector has strengthened in recent years, with the government’s role limited primarily to regulatory enforcement. The market is dominated by foreign banks, which account for over 90 per cent of total banking assets.

Long-Term Score Change (since 2002)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+11.1	Business Freedom	+21.4	Trade Freedom	+23.4
Freedom from Corruption	+12.0	Government Spending	+6.3	Labor Freedom	+10.5	Investment Freedom	+10.0
				Monetary Freedom	+6.3	Financial Freedom	-10.0

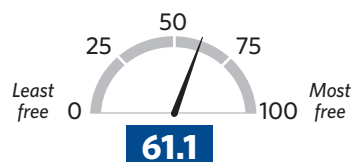
MADAGASCAR



World Rank: **87**

Regional Rank: **9**

Economic Freedom Score



Madagascar has performed relatively well in limiting its trade barriers, encouraging an agriculture industry that accounts for 80 percent of the economy. However, recent years' progress on institutional development and economic liberalization has been uneven and often disrupted by political volatility.

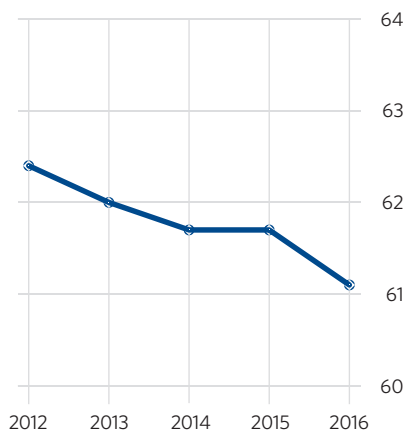
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.1 (down 0.6 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **87th**
- Regional Ranking: **9th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-1.3**

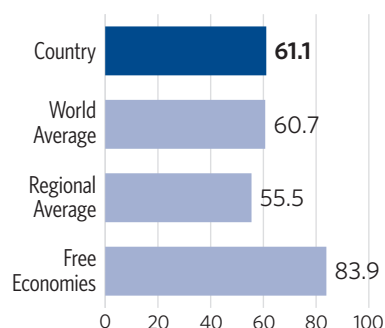
Poverty remains a serious challenge, and efforts to promote private-sector job growth and business development are undermined by a weak judicial system and corruption. Poor governance exacerbated by political instability and a deteriorating rule of law continues to undermine prospects for long-term economic development.

BACKGROUND: The former French colony of Madagascar, after decades of military coups, political violence, and corruption, has stabilized in recent years. Hery Rajaonarimampianina was elected president in January 2014 after years of political instability sparked by a 2009 coup. In January 2015, a general, Jean Ravelonarivo, succeeded Roger Kolo as prime minister when Kolo and his government resigned after less than a year in office. Given the country's improved stability, international organizations and foreign donors have restored ties that had been severed following the 2009 coup. Madagascar's economy is largely agricultural. Sitting just off the east coast of Africa, the country is highly vulnerable to natural disasters and weather shocks. The World Bank estimates that 92 percent of Malagasy live on less than \$2 a day.

Freedom Trend



Country Comparisons



Quick Facts

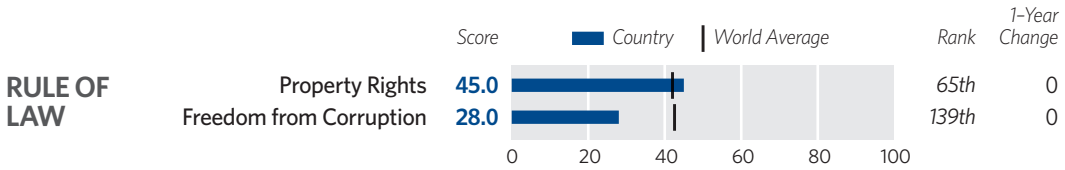
Population: 23.6 million
GDP (PPP): \$33.9 billion
 3.0% growth in 2014
 5-year compound annual growth 2.0%
 \$1,437 per capita
Unemployment: 3.6%
Inflation (CPI): 6.1%
FDI Inflow: \$350.7 million
Public Debt: 34.9% of GDP

How Do We Measure Economic Freedom?

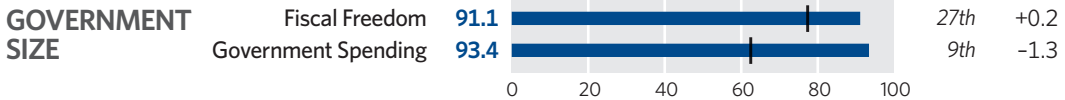
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

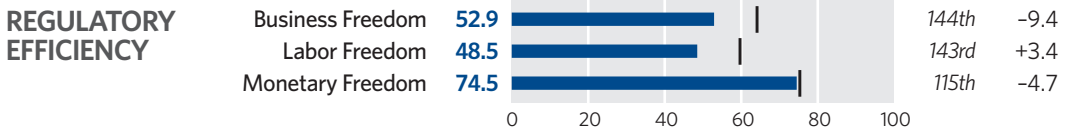
THE TEN ECONOMIC FREEDOMS



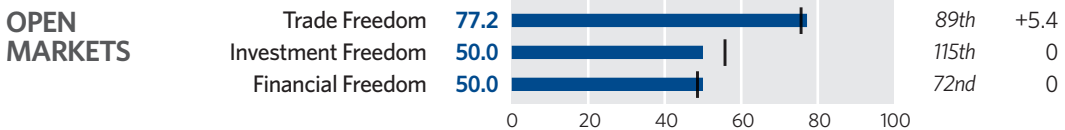
Significant corruption exists in nearly all sectors but is most pervasive in the judiciary, the police, taxation, customs, land, trade, mining, industry, environment, education, and health. Madagascar has continued the land tenure policies of the French colonial administration, with the presumption of state ownership of all land and the central government as the sole provider of legitimate land titles.



The top individual income and corporate tax rates are 20 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 9.3 percent of GDP. Revenue collection remains low because of the large informal sector and tax avoidance. Government spending amounts to 14.9 percent of total domestic output. The budget balance has been in deficit, and public debt equals about 35 percent of GDP.



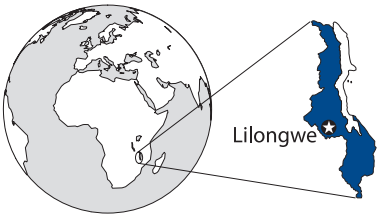
Procedures for starting a business have been simplified, and no minimum capital is required, but the cost of completing licensing requirements remains 10 times the average annual income. The outmoded labor laws undermine development of a dynamic labor market. In 2015, the government again pledged to the IMF that it would reduce fuel price subsidies, which cost an estimated 1.5 percent of GDP per year.



Madagascar's average tariff rate is 6.4 percent. Foreign and domestic investors are treated equally under the law. State-owned enterprises operate in the energy, air transportation, and other sectors of the economy. Despite some progress, the relatively high cost of financing hinders entrepreneurial growth, particularly for small and medium-size firms. Capital markets remain underdeveloped.

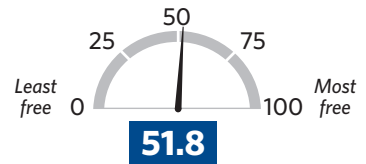
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+15.0	Fiscal Freedom	+16.4	Business Freedom	-17.1	Trade Freedom	+39.6
Freedom from Corruption	+18.0	Government Spending	+5.5	Labor Freedom	-0.4	Investment Freedom	0
				Monetary Freedom	+0.5	Financial Freedom	+20.0



MALAWI

Economic Freedom Score



World Rank: **146**

Regional Rank: **36**

Recent reforms have put greater emphasis on simplifying Malawi's business start-up process and creating a more vibrant private sector through decentralization. However, the East African nation has been mired in a fiscal environment characterized by a large budget deficit and rising debt service costs.

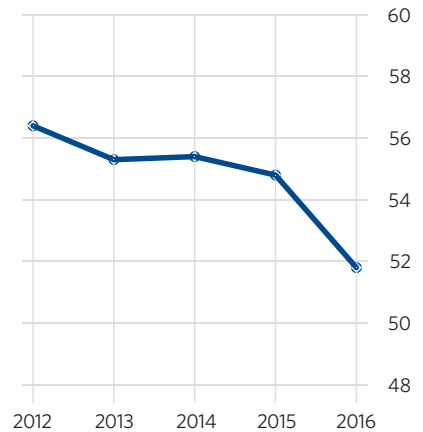
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **51.8 (down 3 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **146th**
- Regional Ranking: **36th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Corruption, Management of Public Finance, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-4.6**

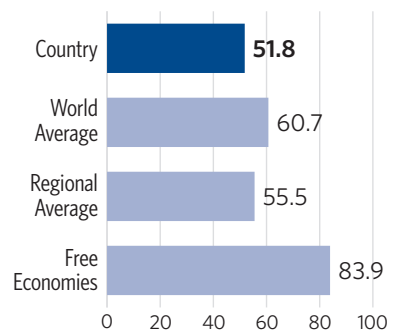
Lingering state interference in the private sector discourages dynamic long-term development. Malawi's growth potential remains fragile, hampered by an inefficient investment regime that undermines entrepreneurship and job growth. Pervasive corruption and a weak judicial system continue to compound uncertainty and risk.

BACKGROUND: Malawi achieved independence from the British in 1964 and was ruled as a one-party state by Dr. Hastings Kamuzu Banda for 30 years. President Bingu wa Mutharika, elected in 2004 and reelected in 2009, died in April 2012 and was replaced by Vice President Joyce Banda. In May 2014, Peter Mutharika, brother of the late president, won the presidency in elections of questionable legitimacy. Malawi is one of Africa's most densely populated countries. More than half of the population lives below the poverty line, and over 85 percent depend on subsistence agriculture. Tobacco, tea, and sugar are the most important exports. In late 2013, international donors suspended aid to protest a scandal that involved the public looting of roughly 1 percent of Malawi's annual GDP over a period of six months.

Freedom Trend



Country Comparisons



Quick Facts

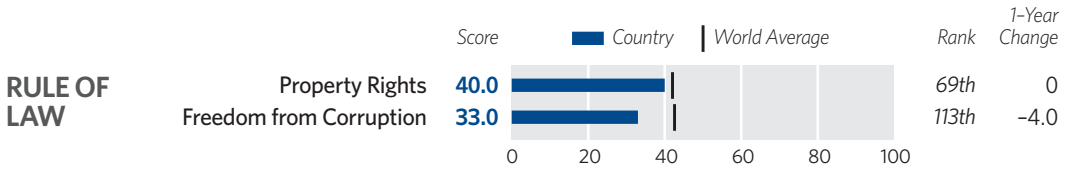
- Population:** 17.6 million
- GDP (PPP):** \$13.7 billion
- 5.7% growth in 2014
- 5-year compound annual growth 4.7%
- \$780 per capita
- Unemployment:** 7.5%
- Inflation (CPI):** 23.8%
- FDI Inflow:** \$130.0 million
- Public Debt:** 62.0% of GDP

How Do We Measure Economic Freedom?

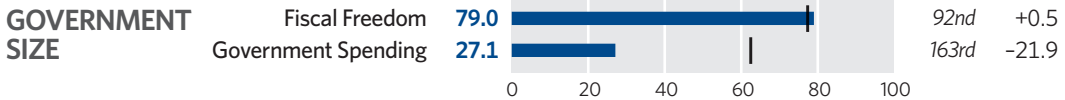
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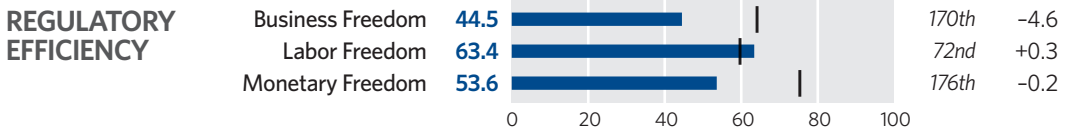
THE TEN ECONOMIC FREEDOMS



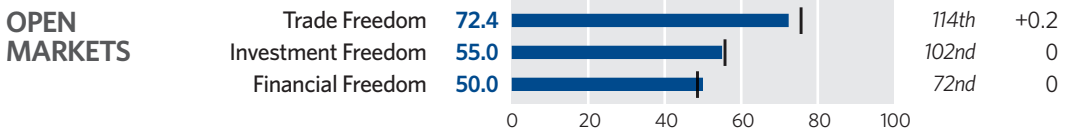
Corruption is endemic in Malawi. President Peter Mutharika still faces significant challenges in rebuilding popular trust in state institutions and political stability as fallout from the large government corruption “Cashgate” scandal that erupted in 2013 continues to reverberate. Judicial independence is generally respected, but the overburdened and inefficient court system lacks resources, personnel, and training.



The top individual income and corporate tax rates are 30 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 17.4 percent of total domestic income. Government spending has risen to 49.3 percent of total domestic output. The budget deficit has increased to over 5 percent of GDP, and public debt has reached a level equal to over 60 percent of GDP.



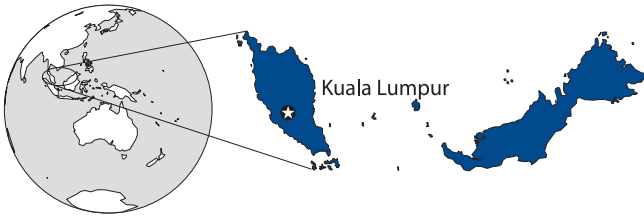
Launching a business has become more straightforward, but licensing requirements remain time-consuming. The labor market is poorly developed. Most of the population is employed outside of the formal sector, primarily in agriculture. The administration elected in 2014 pledged to continue the market-based exchange rate and market-determined fuel prices, but the IMF reports that it has “drifted off-track.”



Malawi’s average tariff rate is 3.8 percent. Importation of goods is relatively time-consuming. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises operate in many sectors of the economy. The financial sector, dominated by banking, remains underdeveloped, and a full range of modern financing tools is not readily available. Capital transactions and foreign exchange accounts are also limited.

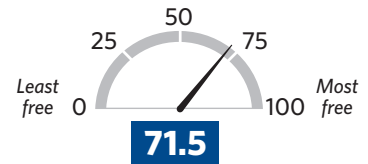
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+9.7	Business Freedom	-10.5	Trade Freedom	+8.4
Freedom from Corruption	+3.0	Government Spending	-37.0	Labor Freedom	+5.5	Investment Freedom	+5.0
				Monetary Freedom	-6.6	Financial Freedom	0



MALAYSIA

Economic Freedom Score



World Rank: **29** Regional Rank: **8**

Malaysia has undertaken structural reforms to enhance the entrepreneurial environment. Management of public finance has been relatively prudent, with gradual reductions in various government subsidies in recent years, and the corporate income tax rate will be reduced from 25 percent to 24 percent in 2016.

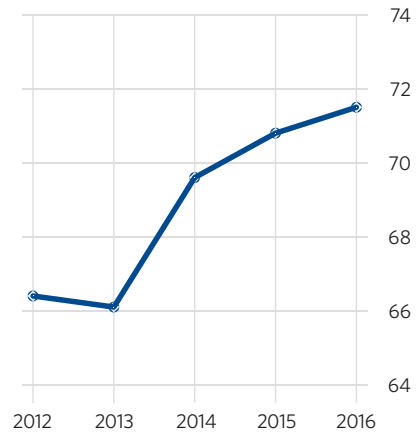
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **71.5 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **29th**
- Regional Ranking: **8th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Corruption and Property Rights**
- Overall Score Change Since 2012: **+5.1**

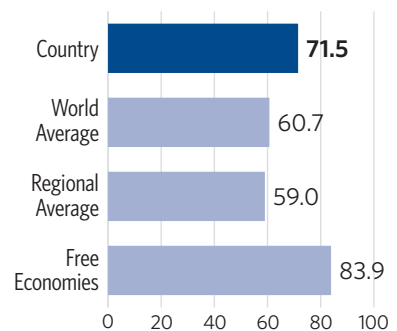
Malaysia's overall economic freedom continues to be constrained by systemic shortcomings that damage prospects for more vibrant long-term economic expansion. The perceived level of corruption has increased, and there is no sign of effective anti-corruption measures. The judicial system remains vulnerable to political interference.

BACKGROUND: The United Malays National Organization (UMNO) has ruled the ethnically and religiously diverse constitutional monarchy of Malaysia since independence in 1957. Widespread dissatisfaction with pro-Malay affirmative-action programs and corruption led to important opposition gains in the March 2008 elections. In the 2013 elections, the UMNO-led coalition retained power but for the first time failed to win more than 50 percent of the popular vote. The government maintains investments in such key sectors as banking, media, automobiles, and airlines. Malaysia is a leading exporter of electronics and information technology products; other industries include agricultural products and automobiles.

Freedom Trend



Country Comparisons



Quick Facts

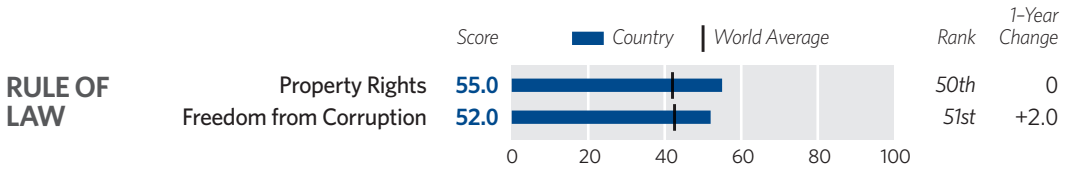
- Population:** 30.3 million
- GDP (PPP):** \$746.1 billion
- 6.0% growth in 2014
- 5-year compound annual growth 5.8%
- \$24,654 per capita
- Unemployment:** 2.0%
- Inflation (CPI):** 3.1%
- FDI Inflow:** \$10.8 billion
- Public Debt:** 57.0% of GDP

How Do We Measure Economic Freedom?

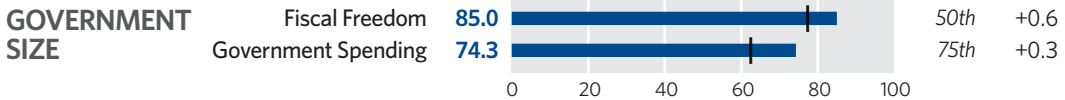
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Data compiled as of September 2015.

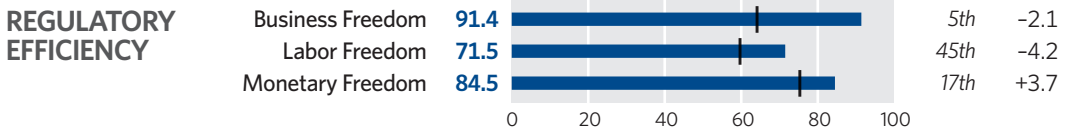
THE TEN ECONOMIC FREEDOMS



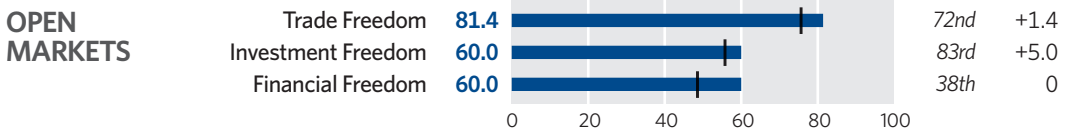
Government favoritism and the occasional lack of clear distinctions between public and private enterprises create conditions conducive to corruption. Officials regularly move back and forth between the private and public sectors, fostering cronyism and graft. The judiciary is subject to extensive executive branch influence. Arbitrary or politically motivated verdicts are common. The courts protect property rights adequately.



Malaysia's top individual and corporate income tax rates are 25 percent; the corporate rate is set to decline in 2016. Other taxes include a capital gains tax. The overall tax burden equals 15.8 percent of total domestic income. Government spending amounts to 29.3 percent of GDP. Large government spending projects have contributed to a budget deficit above 3 percent of GDP, and public debt equals 57 percent of total domestic output.



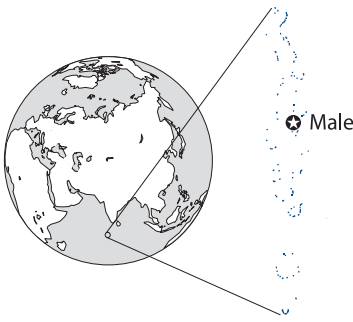
Steps to introduce greater regulatory efficiency have been implemented in recent years. With no minimum capital required, it takes only three procedures to start a business. Persistent labor market rigidity hampers dynamic job growth. In 2015, the IMF praised the government for taking bold fiscal action through a multi-year drive to reduce costly subsidies and ultimately remove remaining gasoline and diesel subsidies.



Malaysia's average tariff rate is 4.3 percent. Imported vehicles are subject to high tariffs. State-owned enterprises play a significant role in the economy. There are limits on foreign ownership levels in some industries. The financial sector remains stable. Measures to open the banking sector to greater competition have been adopted, but progress has been slow.

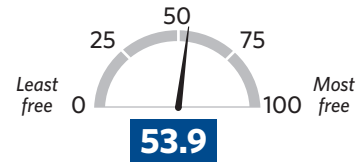
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+10.9	Business Freedom	+6.4	Trade Freedom	+14.4
Freedom from Corruption	-18.0	Government Spending	-4.0	Labor Freedom	-0.5	Investment Freedom	-10.0
				Monetary Freedom	+2.0	Financial Freedom	+10.0



MALDIVES

Economic Freedom Score



World Rank: **132** Regional Rank: **28**

The Maldives' effort to modernize and upgrade its economic structures has been uneven. Public ownership is widespread in sectors other than tourism, and the public sector remains the largest source of jobs, employing over one-third of the labor force. Political instability and significant government interference in the economy continue to erode productivity and raise uncertainty.

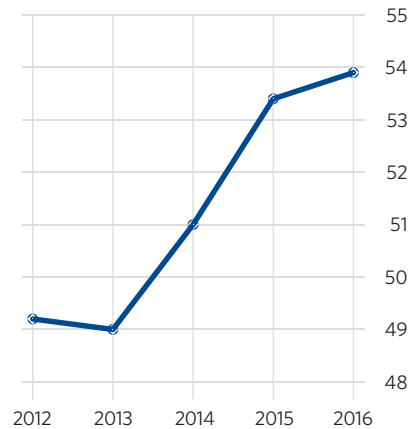
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.9 (up 0.5 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **132nd**
- Regional Ranking: **28th in the Asia-Pacific Region**
- Notable Successes: **Fiscal Freedom**
- Concerns: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Overall Score Change Since 2012: **+4.7**

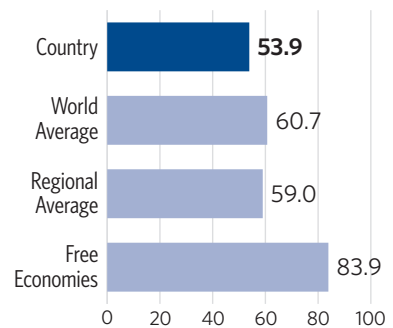
Impediments to economic diversification and sustained private-sector growth persist, in large part due to institutional deficiencies such as corruption and the weak protection of property rights. Other weaknesses include chronically high government spending that perpetuates the inefficiency of the outsized public sector.

BACKGROUND: The military forced President Mohammed Nasheed to step down in February 2012 after several weeks of anti-government street protests instigated by former dictator Maumoon Abdul Gayoom. In November 2013, Gayoom's half-brother Abdulla Yameen was elected president, putting an end to nearly two years of political turmoil. In March 2015, the court sentenced former President Nasheed to 13 years in prison based on allegations of terrorism, prompting large-scale protests among his supporters and cancellation of a planned state visit by the Indian prime minister. Tourism is the centerpiece of the economy and accounts for approximately 30 percent of GDP and more than 90 percent of government tax revenue.

Freedom Trend



Country Comparisons



Quick Facts

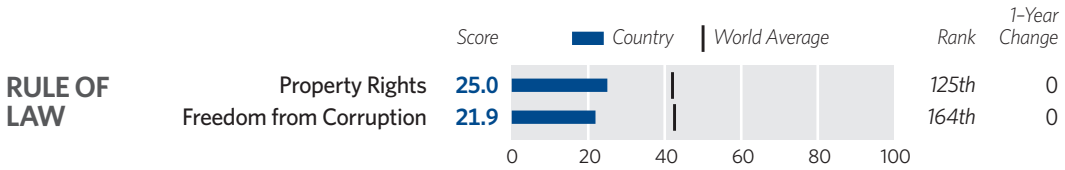
- Population:** 0.3 million
- GDP (PPP):** \$4.9 billion
- 5.0% growth in 2014
- 5-year compound annual growth 4.9%
- \$14,383 per capita
- Unemployment:** 11.6%
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$363.3 million
- Public Debt:** 74.8% of GDP

How Do We Measure Economic Freedom?

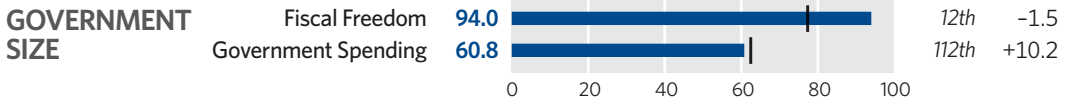
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Data compiled as of September 2015.

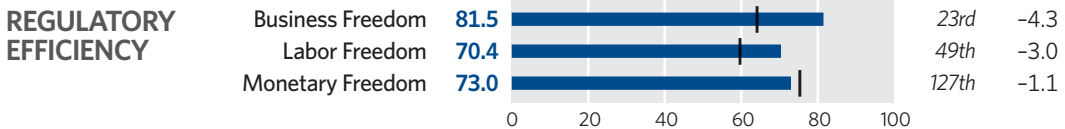
THE TEN ECONOMIC FREEDOMS



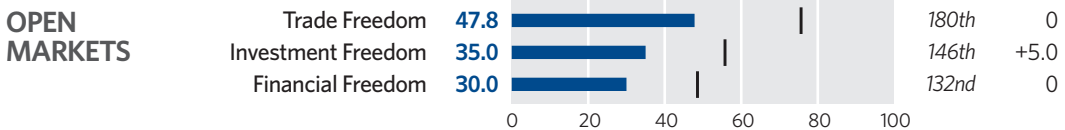
Legal institutions have functioned more coherently in recent years, but political polarization and uncertainty, corruption in government procurement, and other corrupt behavior such as vote-buying have limited elected officials’ effectiveness in crafting policy and passing legislation. Civil law is used in most cases but is subordinate to sharia (Islamic) law in family and other civil matters. The inefficient judicial system is subject to political influence.



There is no personal income or corporate tax. Bank profits are subject to a profits tax. Overall tax revenue equals 24.5 percent of total domestic income. Government spending remains high and amounts to 36.1 percent of GDP. The chronic budget deficit exceeds 10 percent of total domestic output, and public debt has reached over 70 percent of GDP. Recent policy deviations have undermined joint IMF and World Bank debt relief programs.



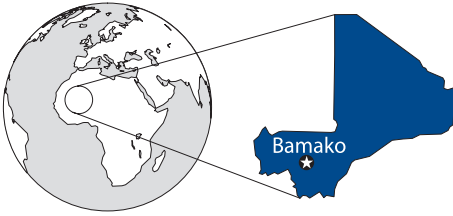
The overall regulatory environment is not conducive to new business formation or efficient operation. The labor market is underdeveloped. Much of the labor force is employed in the large public sector. Lack of competition in the market has inflated price levels and hurt the standard of living. The IMF estimates that increased spending on subsidies helped to drive the fiscal deficit to nearly 12 percent of GDP in 2014.



The Maldives’ average tariff rate is 21.1 percent. The government relies on tariffs for revenue. Quotas restrict agricultural imports including rice and sugar. Land may not be sold to foreign investors. Heavy bureaucracy in the investment approval process and political unrest hurt the already weak investment climate. Banking has expanded, but high costs and limited access to financial services contribute to sectoral shallowness.

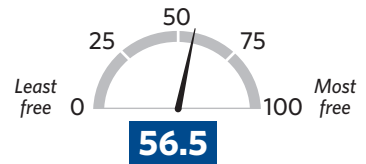
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-1.8	Business Freedom	-1.7	Trade Freedom	+3.8
Freedom from Corruption	-11.1	Government Spending	+60.8	Labor Freedom	-19.7	Investment Freedom	+5.0
				Monetary Freedom	-3.5	Financial Freedom	0



MALI

Economic Freedom Score



World Rank: **121**

Regional Rank: **23**

Mali's overall institutional weaknesses continue to limit economic dynamism and perpetuate poverty. The government has implemented regulatory reforms over the past year to enhance the entrepreneurial environment, but these reforms have been undercut by ongoing political instability.

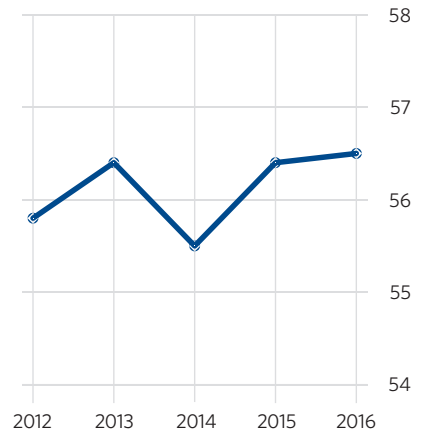
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56.5 (up 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **121st**
- Regional Ranking: **23rd in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Financial Freedom**
- Overall Score Change Since 2012: **+0.7**

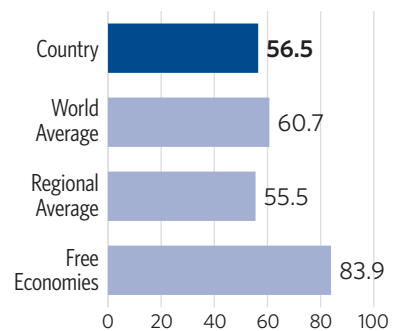
Corruption continues to undermine the rule of law and is exacerbated by an inefficient judicial system that remains vulnerable to political influence. Open-market policies to promote dynamic investment have not been fully institutionalized, and tariffs and other restrictions inhibit potential entrepreneurs from participating efficiently in the global economy.

BACKGROUND: After President Amadou Toumani Touré was ousted in a March 2012 military coup, Tuareg separatists and militants linked to al-Qaeda took control of Northern Mali and declared independence. French armed forces restored government control in the major cities in January 2013, and former Prime Minister Ibrahim Boubacar Keita won the presidential election in a second round of balloting in August. In June 2015, the government and an alliance of Tuareg separatist groups signed a peace accord, but clashes between the separatists and pro-government militias soon resumed. Approximately 1,000 French troops remain in the country along with a U.N. peacekeeping operation. The economy depends on agricultural exports such as cotton for foreign exchange. Cotton-price fluctuations and drought contribute to poverty and political instability.

Freedom Trend



Country Comparisons



Quick Facts

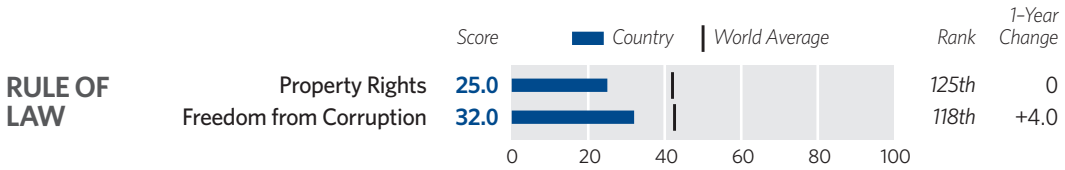
- Population:** 15.8 million
- GDP (PPP):** \$27.3 billion
- 6.8% growth in 2014
- 5-year compound annual growth 3.4%
- \$1,729 per capita
- Unemployment:** 8.1%
- Inflation (CPI):** 0.9%
- FDI Inflow:** \$198.9 million
- Public Debt:** 31.5% of GDP

How Do We Measure Economic Freedom?

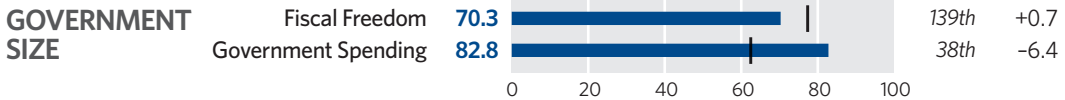
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

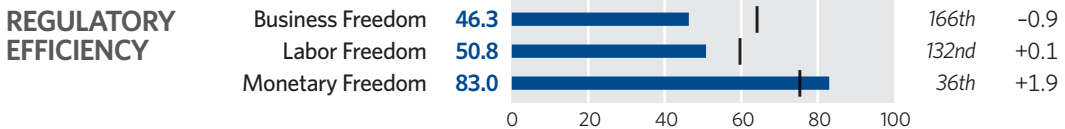
THE TEN ECONOMIC FREEDOMS



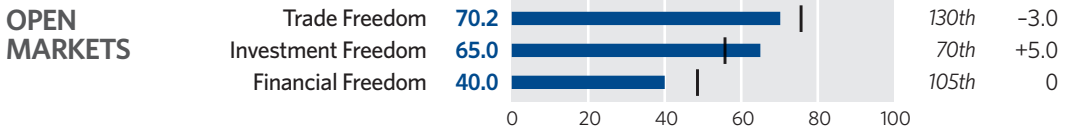
Government corruption remains a problem and was a factor in the Islamist takeover of the North. Demands for bribes are frequently reported in large public procurements and in both public and private contracting and investment projects. Corruption also poses an obstacle to foreign direct investment. The judicial system is inefficient and prone to corruption. Property rights are not adequately protected in practice.



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. Overall tax revenue equals 12.2 percent of total domestic income, and government spending has decreased to 23.9 percent of GDP. The budget has been in deficit for five years, and public debt has reached a level equal to about 30 percent of GDP.



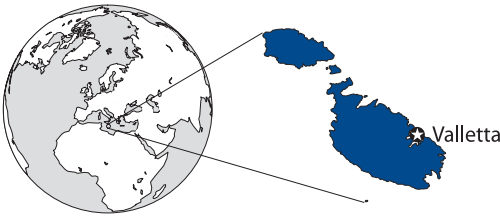
Commercial regulations are not enforced effectively. Economic diversification has lagged, and much private-sector activity takes place outside of the formal economy. Labor regulations, although not fully enforced, are relatively rigid. In 2015, the IMF urged the government to take additional steps to place the state-owned, heavily subsidized electricity company's finances on a sustainable footing.



Mali's average tariff rate is 7.4 percent. Importation of goods is expensive and time-consuming. Foreign and domestic investors are generally treated equally under the law, and there are no limits on foreign ownership in most cases. The financial sector remains underdeveloped, and banks cannot provide adequate financing for entrepreneurial activity. Much of the population has little access to formal financial services and relies on informal lending.

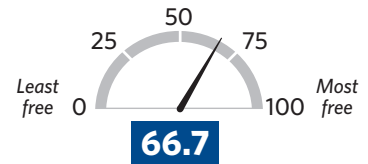
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+21.4	Business Freedom	-8.7	Trade Freedom	+5.2
Freedom from Corruption	+22.0	Government Spending	+2.2	Labor Freedom	-12.5	Investment Freedom	-5.0
				Monetary Freedom	+0.9	Financial Freedom	+10.0



MALTA

Economic Freedom Score



World Rank: **55**

Regional Rank: **24**

Malta's economy benefits from a relatively high degree of openness to global trade and investment. The government has taken steps to enhance the competitiveness and soundness of a financial sector that is now about eight times the size of the economy. The banking sector has weathered the European sovereign debt turmoil relatively well with no need for capital injections.

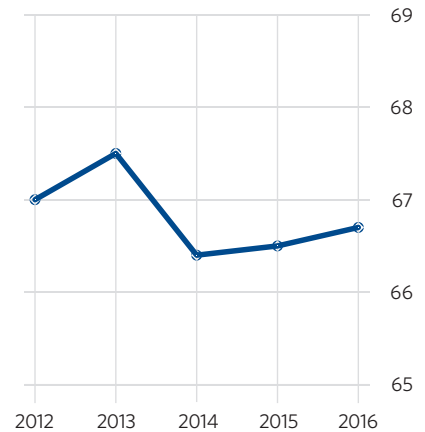
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **66.7 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **55th**
- Regional Ranking: **24th in Europe**
- Notable Successes: **Open Markets and Monetary Freedom**
- Concerns: **Corruption and Management of Public Finance**
- Overall Score Change Since 2012: **-0.3**

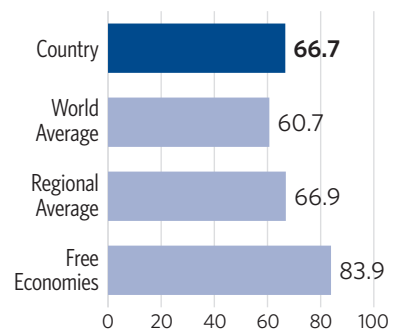
Despite progress in recent years, lingering institutional shortcomings continue to undercut prospects for more dynamic long-term economic expansion. The court system, although transparent and relatively free of corruption, remains inefficient. The government continues to intrude excessively in economic activity, imposing heavy tax burdens and maintaining high levels of spending.

BACKGROUND: Malta joined the European Union in 2004 and the eurozone in 2008. Labour Party leader Joseph Muscat won the March 2013 elections and became prime minister. With few natural resources, Malta imports most of its food and fresh water and 100 percent of its energy. The economy depends on tourism, trade, and manufacturing. Well-trained workers, low labor costs, and membership in the EU attract foreign investment, but the government maintains a sprawling socialist bureaucracy, with the majority of spending allocated to housing, education, and health care. Unemployment is relatively low. Substantial migration from North Africa and instability in the region are of increasing concern to the government.

Freedom Trend



Country Comparisons



Quick Facts

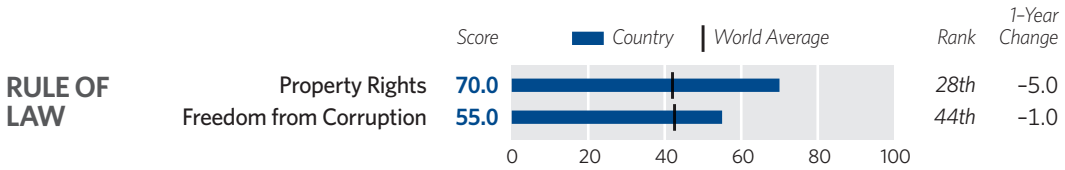
- Population:** 0.4 million
- GDP (PPP):** \$14.1 billion
- 3.6% growth in 2014
- 5-year compound annual growth 2.9%
- \$33,216 per capita
- Unemployment:** 5.9%
- Inflation (CPI):** 0.8%
- FDI Inflow:** \$9.3 billion
- Public Debt:** 68.1% of GDP

How Do We Measure Economic Freedom?

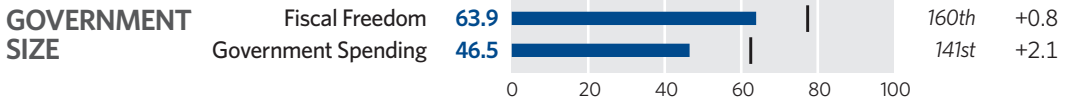
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

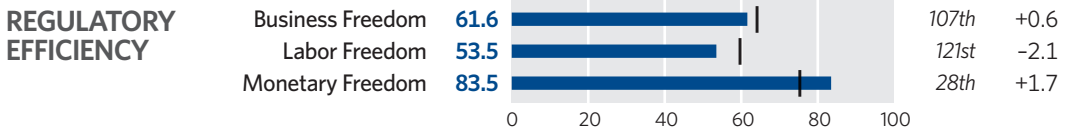
THE TEN ECONOMIC FREEDOMS



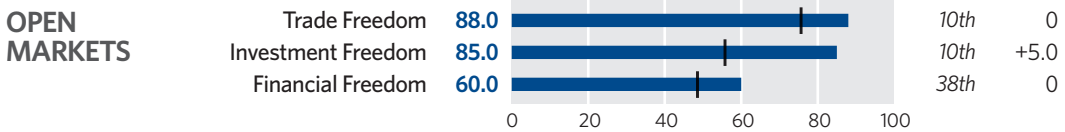
New allegations continue to surface in ongoing multiple investigations into bribery, misappropriation, tax evasion, and abuse of office by the former head of Enemalta, Malta’s state energy provider. Malta’s judiciary is independent both constitutionally and in practice. Property rights are protected, and expropriation is unlikely. Foreigners do not have full rights to buy property in Malta.



The top individual income and corporate tax rates are 35 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 34 percent of total domestic income. Despite some reduction in spending, government spending remains high and amounts to 42.2 percent of total domestic output. Public debt, at about 70 percent of GDP, is in potentially dangerous territory.



The overall regulatory framework remains burdensome despite reform efforts. Starting a business takes 40 days on average, and completing licensing requirements is time-consuming. The labor market remains relatively rigid. The government mandates a minimum wage, and labor relations can be confrontational. The government passed the Fiscal Responsibility Act in 2014 and is restructuring various subsidized, state-owned enterprises.

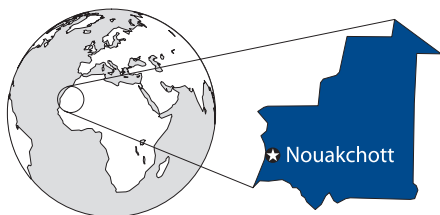


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The government may not expropriate property without providing compensation. The financial sector has undergone gradual restructuring and expansion, and the banking sector has become more open to foreign banks.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	-4.3	Business Freedom	-8.4	Trade Freedom	+24.4
Freedom from Corruption	+45.0	Government Spending	-5.3	Labor Freedom	-6.5	Investment Freedom	+15.0
				Monetary Freedom	+10.1	Financial Freedom	+10.0

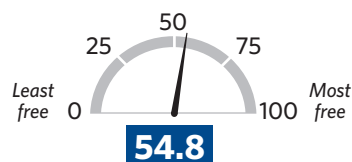
MAURITANIA



World Rank: **128**

Regional Rank: **25**

Economic Freedom Score



The Mauritanian economy has grown significantly since 2010, mainly as a result of investments in mining, which have underpinned the country's sustained growth rate of over 5 percent on average over the past five years. Despite the economic expansion, however, policies needed to sustain long-term economic development are lacking, and there is considerable government interference in the economy.

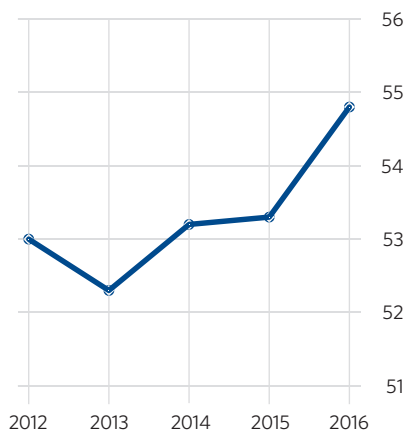
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **54.8 (up 1.5 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **128th**
- Regional Ranking: **25th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Rule of Law, Financial Freedom, and Business Freedom**
- Overall Score Change Since 2012: **+1.8**

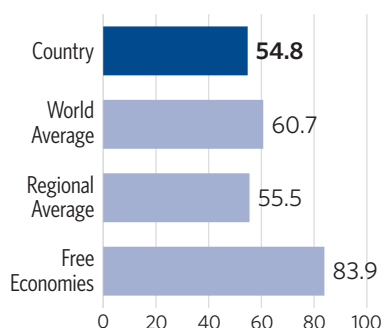
Overall progress in reforming and modernizing Mauritania's resource-oriented economy has been uneven and deficient. Lingering corruption and an inefficient judicial system continue to undermine the rule of law. Erratic governance and structural problems constrain the emergence of a more dynamic private sector.

BACKGROUND: A military junta ruled the former French colony of Mauritania from 1978 until 1992, when the first multi-party elections were held. In 2008, General Mohamed Ould Abdel Aziz overthrew President Sidi Ould Cheikh Abdallahi. Aziz won elections, which were boycotted by the opposition, in July 2009 and again in June 2014. There are recurring ethnic tensions within the mixed population of Moors and black Africans. Mauritania is threatened by the terrorist group al-Qaeda in the Islamic Maghreb, which has kidnapped and killed several foreigners. Mining and fishing dominate the economy. Mauritania is one of Africa's newest oil producers, and offshore gas exploration was proceeding in 2015.

Freedom Trend



Country Comparisons



Quick Facts

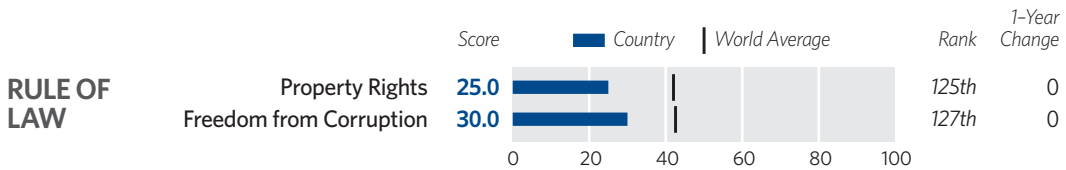
- Population:** 3.6 million
- GDP (PPP):** \$15.5 billion
- 6.4% growth in 2014
- 5-year compound annual growth 5.4%
- \$4,288 per capita
- Unemployment:** 31.0%
- Inflation (CPI):** 3.5%
- FDI Inflow:** \$492.5 million
- Public Debt:** 59.1% of GDP

How Do We Measure Economic Freedom?

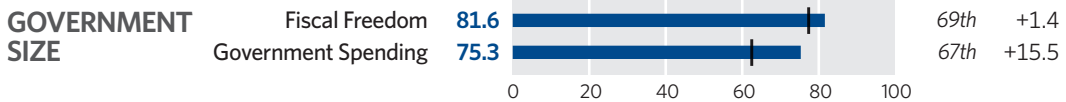
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2014 data unless otherwise noted.
Data compiled as of September 2015.

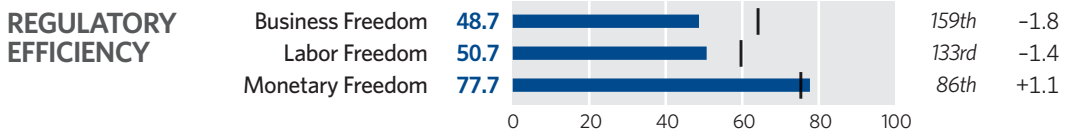
THE TEN ECONOMIC FREEDOMS



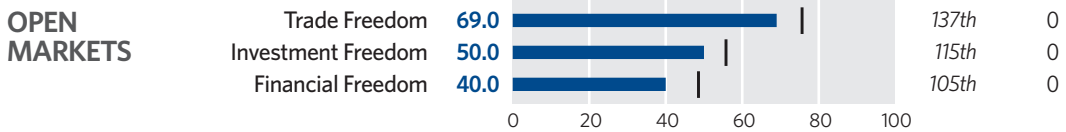
Corruption and fiscal transparency are serious problems, especially in bank loans, fishing license attribution, land distribution, government contracts, and tax payments. Property rights are protected under the Mauritanian Civil Code, which is modeled on the French code. In practice, however, gaining redress for grievances through the courts can be difficult. The chaotic and corrupt judicial system is heavily influenced by the government.



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 17.7 percent of total domestic income. Government spending amounts to 28.7 percent of GDP. The budget remains in deficit, and public debt is equal to about 60 percent of total domestic output.



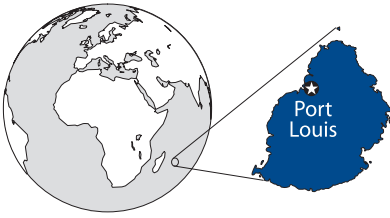
The minimum capital requirement for launching a business is over three times the level of average annual income, and obtaining necessary licenses is time-consuming. The labor law dating from 2004 is quite strict about hiring, and the required notification process makes dismissal difficult. Recognizing the fiscal unsustainability of subsidies, the IMF is pushing the government to adopt automatic price mechanisms to depoliticize price setting.



Mauritania’s average tariff rate is 8 percent. The government screens foreign investment. Most sectors of the economy are open to foreign investment, but the undeveloped judicial system may impede investment, and many state-owned enterprises deter opportunities for private investment. Progress in modernizing the financial sector has been sluggish and limited.

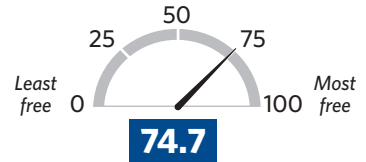
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+31.8	Business Freedom	-6.3	Trade Freedom	+14.0
Freedom from Corruption	0	Government Spending	-5.0	Labor Freedom	+3.7	Investment Freedom	+20.0
				Monetary Freedom	+8.1	Financial Freedom	+30.0



MAURITIUS

Economic Freedom Score



World Rank: **15**

Regional Rank: **1**

Mauritius continues to be a regional leader in economic freedom. The small island economy benefits greatly from a sound and transparent legal framework that institutionalizes and supports the rule of law. Fiscal policy has recently been more expansionary than planned, but the overall deficit and public debt remain manageable.

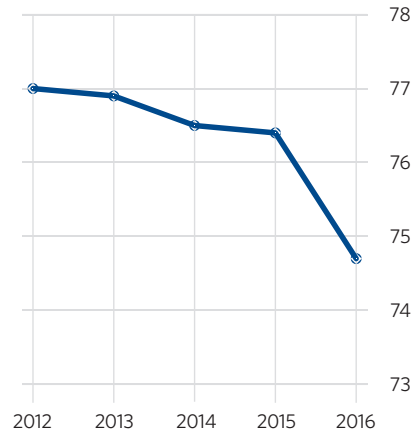
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **74.7 (down 1.7 points)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **15th**
- Regional Ranking: **1st in Sub-Saharan Africa**
- Notable Successes: **Open Markets and Regulatory Efficiency**
- Concerns: **Property Rights and Labor Freedom**
- Overall Score Change Since 2012: **-2.3**

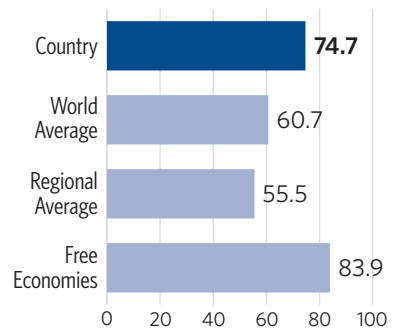
With a stable business climate, Mauritius sustains a good environment for dynamic entrepreneurial activity. Efficient regulations support open-market policies. Inflationary pressures are under control, and foreign investment is welcome.

BACKGROUND: Independent since 1968, Mauritius is the only African country ranked as a “full democracy” by the Economist Intelligence Unit. Sir Anerood Jugnauth was appointed prime minister in December 2014, the third time he has held the position, and Ameenah Gurib-Fakim was elected to the presidency in June 2015, the first woman to hold the largely ceremonial role. The government is trying to encourage modernization of the sugar and textile industries while promoting diversification into such areas as information and communications technology, financial and business services, seafood processing, and exports. Services and tourism remain the main economic drivers. Mauritius has made maritime security a priority and in 2012 signed a deal with Britain’s Royal Navy to transfer suspected pirates to Mauritius for prosecution. Both Mauritius and the United Kingdom claim control of the Chagos Islands, administered by the U.K. and home to a U.S. military base.

Freedom Trend



Country Comparisons



Quick Facts

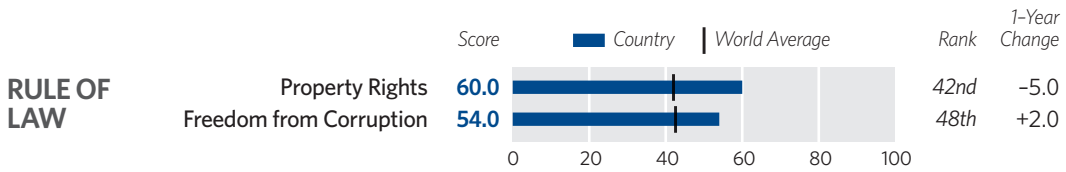
- Population:** 1.3 million
- GDP (PPP):** \$23.4 billion
- 3.2% growth in 2014
- 5-year compound annual growth 3.5%
- \$18,553 per capita
- Unemployment:** 7.7%
- Inflation (CPI):** 3.0%
- FDI Inflow:** \$418.4 million
- Public Debt:** 52.8% of GDP

How Do We Measure Economic Freedom?

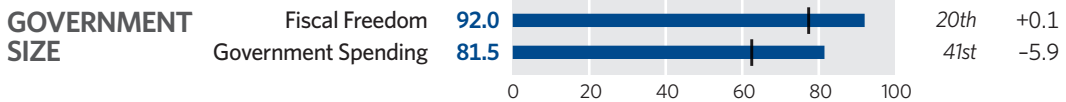
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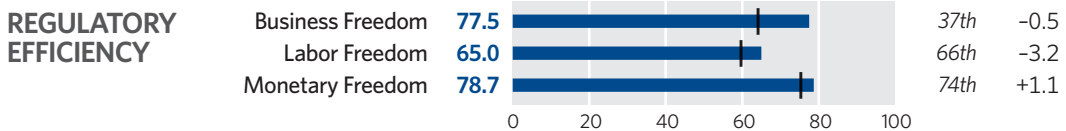
THE TEN ECONOMIC FREEDOMS



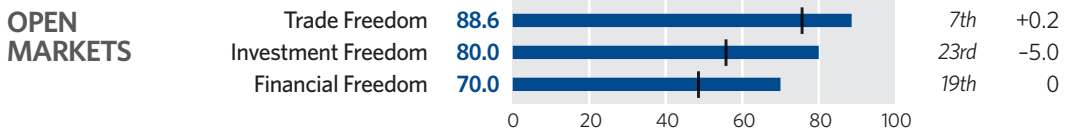
Since the current government came to power in December 2014, it has been accused of using an anti-corruption drive to retaliate against members and backers of the former administration (for example, by issuing an arrest warrant in 2015 for the director of public prosecutions). The judiciary continues to be independent, however, and the legal system is generally non-discriminatory and transparent. Property rights are respected.



The personal income and corporate tax rates are a flat 15 percent. Other taxes include a value-added tax. The overall tax burden equals 18.6 percent of total domestic income. Government spending has increased to 24.9 percent of GDP. The budget deficit has been under control, and public debt continues to hover around 50 percent of total domestic output.



With no minimum capital requirements, the overall start-up process has been simplified. Launching a business takes five procedures and six days on average. Licensing requirements still take over 100 days to complete. Labor regulations are not rigid, and costs to terminate employment are relatively low. In 2015, India announced new subsidies to Mauritius in the form of \$500 million in concessional loans for infrastructure development.



The average tariff rate for Mauritius is a low 0.7 percent, and both tariff and non-tariff trade barriers have been unilaterally reduced. The government screens new investment, but most sectors of the economy are open to foreign investment. The growing financial sector, dominated by private commercial banks, is competitive. The number of non-performing loans is declining, and banks continue to be well capitalized and resilient.

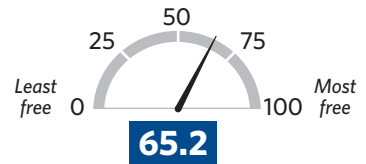
Long-Term Score Change (since 1999)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+16.0	Business Freedom	-7.5	Trade Freedom	+31.6
Freedom from Corruption	+4.0	Government Spending	-3.6	Labor Freedom	-11.4	Investment Freedom	+30.0
				Monetary Freedom	+5.1	Financial Freedom	0



MEXICO

Economic Freedom Score



World Rank: **62**

Regional Rank: **3**

The Mexican economy has shown a moderate degree of resilience in the face of a challenging global economic environment. Reform efforts have continued in many areas related to enhancing regulatory efficiency and liberalizing investment regimes.

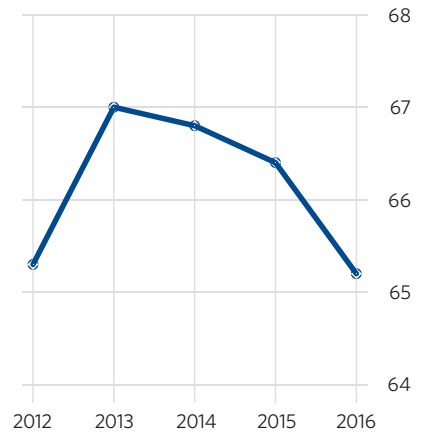
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.2 (down 1.2 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **62nd**
- Regional Ranking: **3rd in North America**
- Notable Successes: **Trade Freedom and Investment Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-0.1**

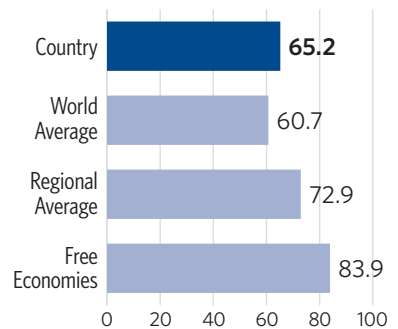
Mexico has lagged notably in promoting the effective rule of law and strengthening its legal framework. The judicial system remains vulnerable to political interference, and property rights are not strongly protected. Corruption further undermines long-term commercial competitiveness. Recent years' expansionary public spending threatens fiscal sustainability. The reform agenda addressing these shortcomings has been extensive, but progress has been limited.

BACKGROUND: President Enrique Peña Nieto, in office since 2012, has made constitutional reforms in education, energy, and telecommunications the centerpiece of his administration. Mexico is also replacing the current inquisitorial paper-based judicial process with an oral adversarial system that seeks to increase the quality, expediency, and transparency of Mexican justice. However, implementation of both economic and judicial reforms has been slow. As a result, Mexico has yet to see the expected increase in foreign direct investment that might come from a stronger rule of law and more competition. Investment in the automobile sector is strong, but growth remains below potential. The informal sector is large. Organized crime and corruption are endemic.

Freedom Trend



Country Comparisons



Quick Facts

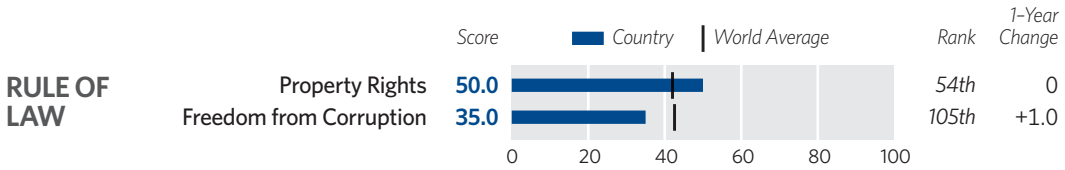
- Population:** 119.7 million
- GDP (PPP):** \$2.1 trillion
- 2.1% growth in 2014
- 5-year compound annual growth 3.3%
- \$17,881 per capita
- Unemployment:** 4.9%
- Inflation (CPI):** 4.0%
- FDI Inflow:** \$22.8 billion
- Public Debt:** 50.1% of GDP

How Do We Measure Economic Freedom?

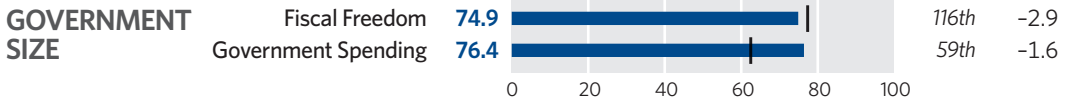
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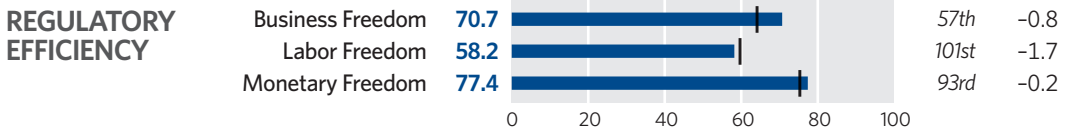
THE TEN ECONOMIC FREEDOMS



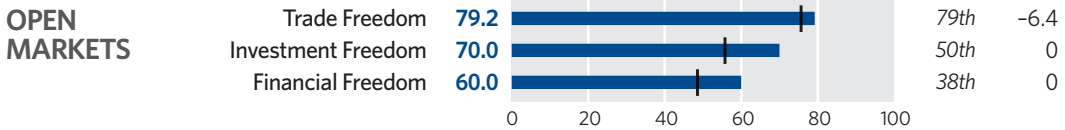
Corruption, deeply embedded culturally, is pervasive and fed by billions of narco-dollars. It entrenches the power of monopolists, party bosses, and other mafias. The murder of 43 college students by a drug gang in September 2014 after a political protest was a poignant reminder of Mexico’s ongoing epidemic of violence, corruption, and impunity. Contracts are generally upheld, but courts are inefficient and vulnerable to political interference.



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 about 19.7 percent of GDP. Government spending now accounts for 28.1 percent of total domestic output, and budget deficits have been widening. Public debt is equivalent to about 50 percent of GDP.



With no minimum capital required, launching a business takes less than 10 procedures, but completing licensing requirements remains costly. The recent labor reform bill was watered down to protect unions. In the wake of lower oil revenues, the government’s 2015 budget included significant cuts in subsidies to Pemex, the state-owned oil company, and CFE, the state-owned electricity firm, but housing subsidies were increased.

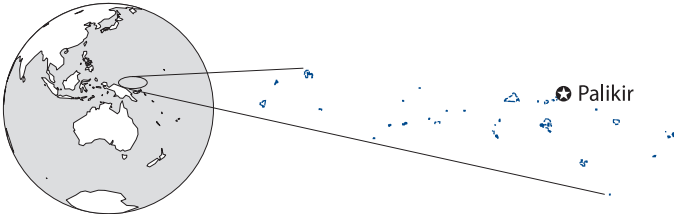


Mexico’s average tariff rate is 5.4 percent. Mexico has reduced tariff and non-tariff barriers both unilaterally and through trade agreements. Oil and gas reserves are owned by the government, but the energy sector is being liberalized. The financial sector has become more competitive and open in spite of the challenging global environment. Banking remains relatively stable, and foreign participation has grown rapidly.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+2.5	Business Freedom	+15.7	Trade Freedom	+13.0
Freedom from Corruption	-15.0	Government Spending	-10.4	Labor Freedom	-3.2	Investment Freedom	0
				Monetary Freedom	+9.6	Financial Freedom	+30.0

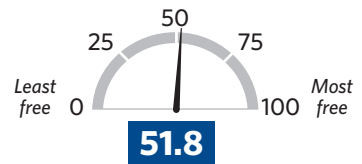
MICRONESIA



World Rank: **147**

Regional Rank: **32**

Economic Freedom Score



Micronesia's economy remains highly dependent on foreign aid. Long-standing problems include poor management of public finance and underdeveloped legal and regulatory frameworks. Weak enforcement of property rights and fragile rule of law have driven many people into the informal sector.

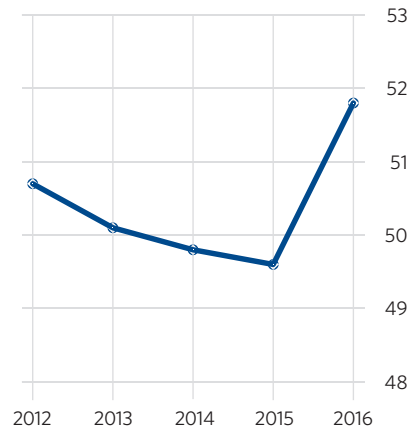
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **51.8 (up 2.2 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **147th**
- Regional Ranking: **32nd in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Rule of Law, Management of Government Spending, and Business Freedom**
- Overall Score Change Since 2012: **+1.1**

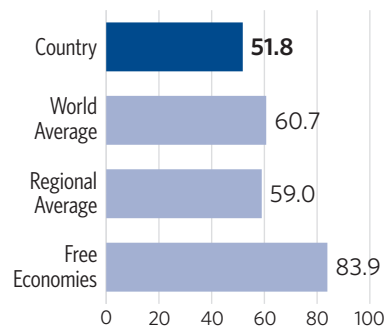
Micronesia's lack of commitment to structural reform has long hampered much-needed economic development. Faced with a non-transparent and onerous regulatory framework, the private sector has been marginalized to a great extent in an economically stagnant environment. The absence of open-market policies is largely responsible for the lack of dynamic investment.

BACKGROUND: Politically organized as a confederation of four states (the island groups of Pohnpei, Chuuk, Yap, and Kosrae), the 607-island South Pacific archipelago of Micronesia has a central government with limited powers. The president is elected by the small unicameral legislature from among its at-large members. Micronesia's most recent parliamentary election took place in March 2015. Formerly administered by the United States as a U.N. Trust Territory, Micronesia became independent in 1986 and signed a Compact of Free Association with the United States. Under an amended compact, it receives about \$130 million annually in direct assistance from the U.S. The government sector employs more than half of the workforce. The country has poor water and electricity infrastructure.

Freedom Trend



Country Comparisons



Quick Facts

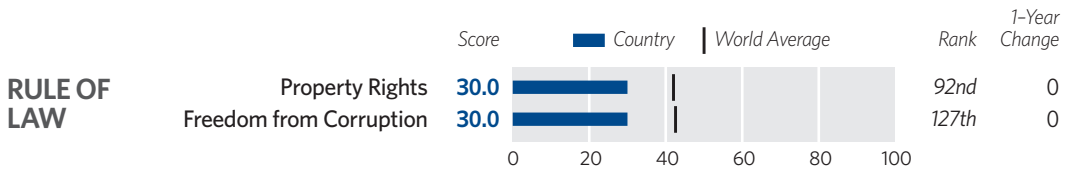
- Population:** 0.1 million
- GDP (PPP):** \$0.3 billion
- 0.1% growth in 2014
- 5-year compound annual growth 0.2%
- \$3,015 per capita
- Unemployment:** n/a
- Inflation (CPI):** 0.7%
- FDI Inflow:** \$0.8 million
- Public Debt:** 26.5% of GDP

How Do We Measure Economic Freedom?

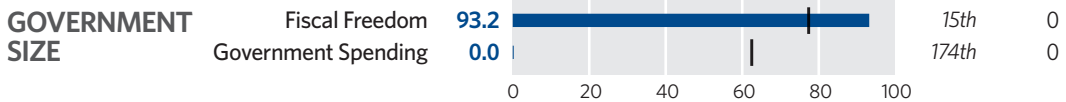
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

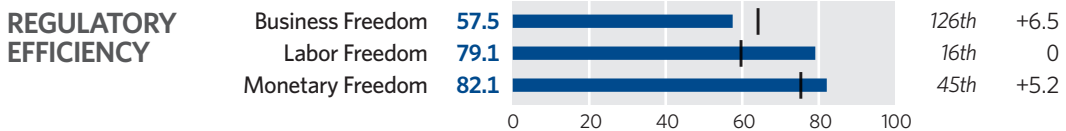
THE TEN ECONOMIC FREEDOMS



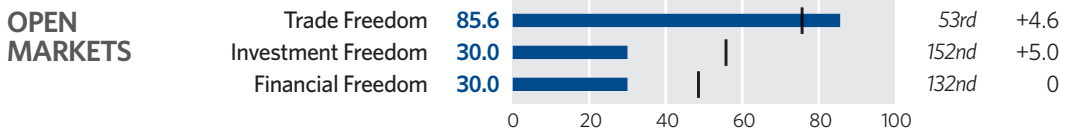
Official corruption is a major source of public discontent. A 2012 public audit report found fundamental weaknesses in the public payroll system, such as paychecks going to past employees and overpayment for unauthorized work hours. Corruption and political influence are serious problems in the chronically underfunded judicial system. Foreign nationals may not own real property.



Micronesia’s tax laws are administered and enforced erratically. The personal income tax rate is 10 percent, and the corporate tax rate is 21 percent. Other taxes include regional sales taxes and import taxes. The overall tax burden is estimated to equal 11.6 percent of GDP. Public spending has been chronically high at levels equivalent to over 60 percent of total domestic output.



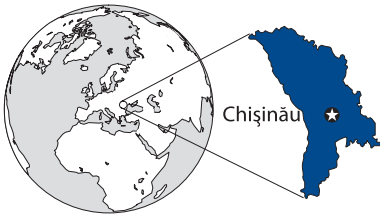
Regulations are not applied consistently, and the non-transparent and costly regulatory framework continues to discourage entrepreneurial activity. Labor regulations are not enforced effectively, and a large share of the workforce is employed in the informal sector. The economic outlook is fragile because of Micronesia’s heavy dependence on U.S. assistance and the lackluster performance of its stagnant private sector.



Micronesia’s average tariff rate was 2.2 percent as of 2006. Land may not be sold to foreign investors. State governments impose various degrees of limits on foreign investment. The financial sector remains rudimentary, forcing much of the population to operate outside of the formal banking sector. High credit costs and scarce access to financing continue to constrain the small private sector.

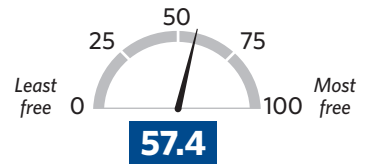
Long-Term Score Change (since 2009)

RULE OF LAW	GOVERNMENT SIZE	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	-4.2	-2.3	+4.6
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	0	-3.2	0
		Monetary Freedom	Financial Freedom
		+5.4	0



MOLDOVA

Economic Freedom Score



World Rank: **117** Regional Rank: **40**

Driven largely by remittance-based consumption and credit expansion, Moldova's relatively resilient economic growth over the past five years has created some momentum for improving the business environment and liberalizing the trade regime. However, the ongoing transition to a more stable market-oriented economy remains fragile.

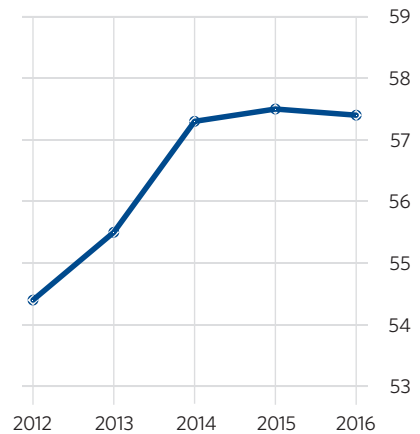
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.4 (down 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **117th**
- Regional Ranking: **40th in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Corruption, Labor Freedom, and Investment Freedom**
- Overall Score Change Since 2012: **+3**

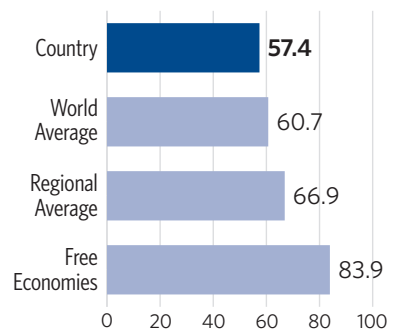
The government's overall commitment to enhancing the entrepreneurial climate and advancing economic freedom has been uneven. Despite a number of privatizations, the public sector still plays a dominant role in the economy. The rule of law is not firmly institutionalized, and the judiciary remains vulnerable to political interference and corruption.

BACKGROUND: Moldova gained independence after the collapse of the Soviet Union in 1991 but faces a secessionist pro-Russian movement in its Transnistria region. The country is poor, and excessive economic dependence on Russia threatens its sovereignty. The pro-Russia PSRM party won the most seats in the December 2014 parliamentary election but was kept from forming a government by a pro-European coalition of the center-right Liberal Democrat Party and center-left Democrat Party, forming the Political Alliance for a European Moldova. Association Agreements signed with the European Union in June 2014 include Deep and Comprehensive Free Trade Area (DCFTA) accords, and exports to the EU are increasing. Foodstuffs, wine, and agricultural products are the main exports, although the technology sector is slowly developing.

Freedom Trend



Country Comparisons



Quick Facts

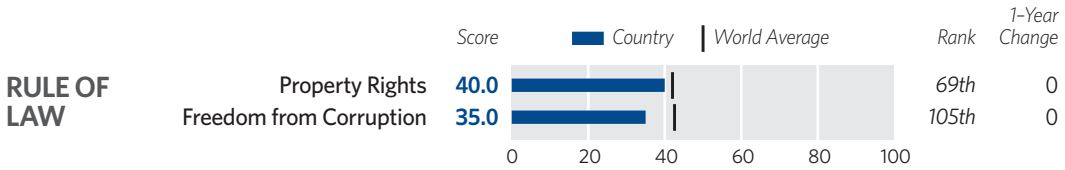
- Population:** 3.6 million
- GDP (PPP):** \$17.7 billion
- 4.6% growth in 2014
- 5-year compound annual growth 5.4%
- \$4,979 per capita
- Unemployment:** 3.4%
- Inflation (CPI):** 5.1%
- FDI Inflow:** \$207.4 million
- Public Debt:** 31.5% of GDP

How Do We Measure Economic Freedom?

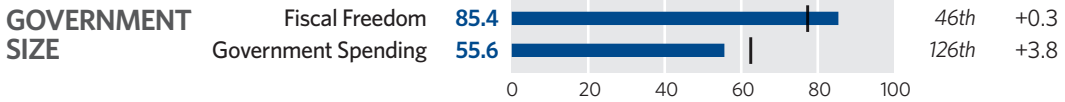
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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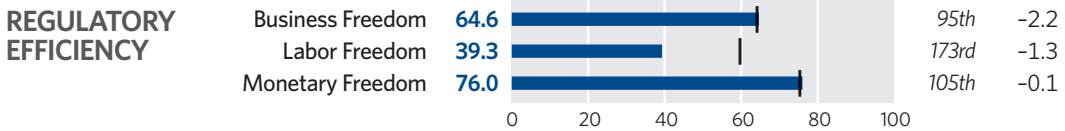
THE TEN ECONOMIC FREEDOMS



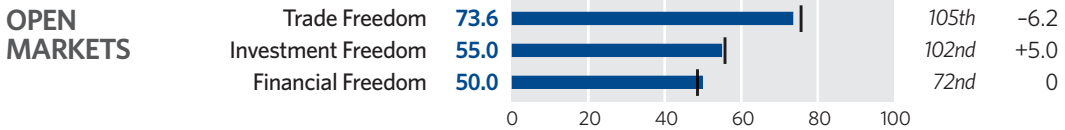
Most Moldovans see corruption as one of their country’s major challenges. It is a systemic problem that is deeply embedded in public institutions, especially in law enforcement, the judicial system, public service, political parties, the educational system, and the legislature. The constitution provides for an independent judiciary, but the legal framework is ineffective, and reform efforts suffer from lack of funds.



The top personal income tax rate is 18 percent, and the top corporate tax rate is 12 percent. Other taxes include a value-added tax. The overall tax burden equals 31.5 percent of GDP. Government spending amounts to 38.5 percent of total domestic output. The government budget has recorded a small deficit, and public debt has reached a level equivalent to over 30 percent of GDP.



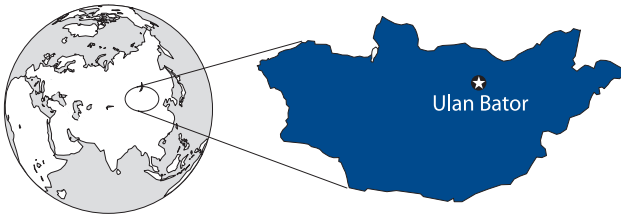
Bureaucracy and a lack of transparency often make the formation and operation of private enterprises costly and burdensome. Labor regulations are rigid. The non-salary cost of employing a worker is high, and restrictions on work hours are stringent. A marked pickup in inflation was driven by a rapid fall in the leu in early 2015.



Moldova’s average tariff rate is 5.7 percent. Foreign and domestic investors are generally treated equally under the law. Most state-owned enterprises have been privatized, but some remain in operation in such sectors as energy, telecommunications, and transportation. The financial sector is relatively stable, but the level of overall financial intermediation remains shallow, and government interference is significant.

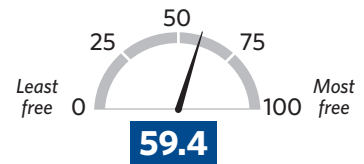
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+48.1	Business Freedom	-5.4	Trade Freedom	+56.0
Freedom from Corruption	+25.0	Government Spending	-16.5	Labor Freedom	-25.5	Investment Freedom	+25.0
				Monetary Freedom	+76.0	Financial Freedom	+40.0



MONGOLIA

Economic Freedom Score



World Rank: **100**

Regional Rank: **22**

Mongolia is gradually becoming a more modern and vibrant economy, with notable economic growth driven by the mining sector. The trade regime is increasingly open, and the regulatory framework has become more efficient, generally facilitating the development of a growing private sector.

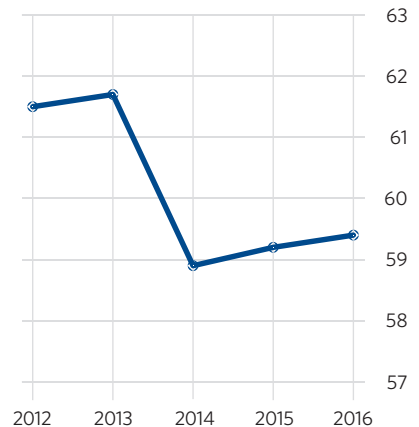
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.4 (up 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **100th**
- Regional Ranking: **22nd in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-2.1**

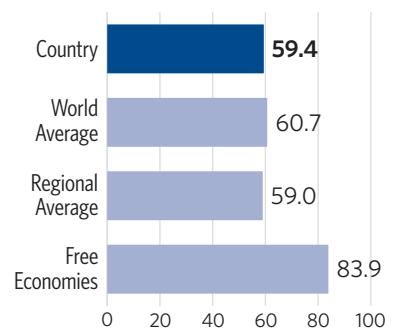
Despite notable strides made over the past decade, the momentum for swift structural reform has largely stalled. Prospects for enhancing economic dynamism remain curtailed by a lack of institutional commitment to the strong protection of property rights and ineffectiveness in fighting corruption. The narrow economic base keeps Mongolia vulnerable to external shocks.

BACKGROUND: Since the adoption of a new constitution in 1992, Mongolia has transformed from a closed society ruled by a repressive single-party Communist system into an open society and a dynamic multi-party democracy. The transition to democracy has been accompanied by the gradual introduction of free-market reforms and relatively well-maintained political stability. While improving overall relations with the U.S., Japan, and South Korea, Mongolia has also maintained strong ties with Russia and China. President Tsakhiagiin Elbegdorj, whose Democratic Party coalition controls parliament, is serving his second term. Agriculture and mining remain the most important sectors of the economy. In recent years, lingering uncertainty over investment rules has caused investment in the mineral sector to ebb and flow.

Freedom Trend



Country Comparisons



Quick Facts

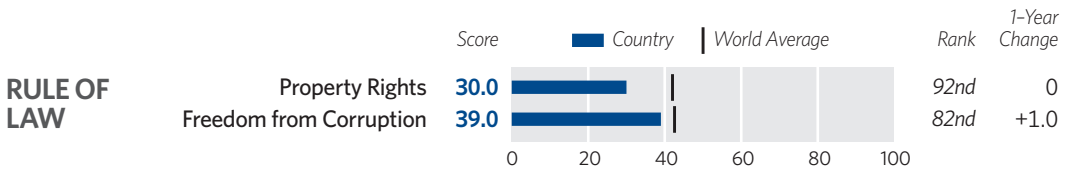
- Population:** 2.9 million
- GDP (PPP):** \$34.8 billion
- 7.8% growth in 2014
- 5-year compound annual growth 14.0%
- \$11,882 per capita
- Unemployment:** 4.8%
- Inflation (CPI):** 12.9%
- FDI Inflow:** \$507.6 million
- Public Debt:** 67.3% of GDP

How Do We Measure Economic Freedom?

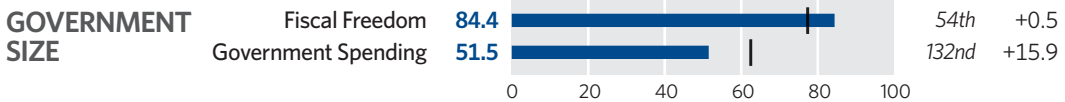
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

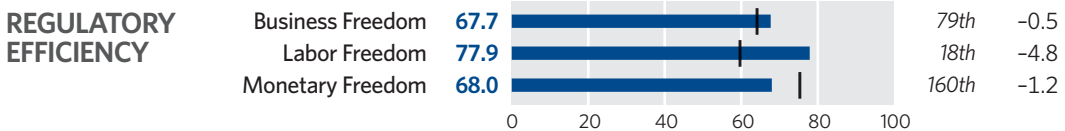
THE TEN ECONOMIC FREEDOMS



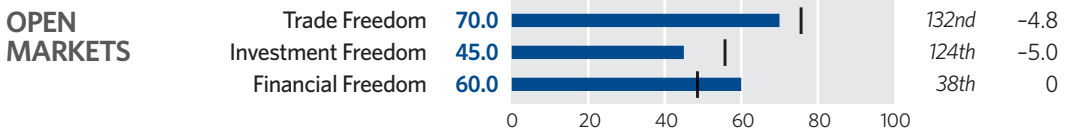
Corruption remains a serious problem in Mongolia and is viewed as pervasive. Graft is endemic, and weak institutions do not enforce anti-corruption measures effectively. The judiciary is independent but inefficient and vulnerable to political interference. Corruption persists among judges. Property and contractual rights are recognized, but enforcement is weak. The government lacks the capacity to enforce intellectual property rights laws.



The individual income tax rate is a flat 10 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and an excise tax. The overall tax burden equals 28.8 percent of GDP. Government spending amounts to 40.2 percent of total domestic output. The budget balance has been in deficit, and public debt has reached a level equivalent to over 65 percent of GDP.



A modern and efficient regulatory framework is emerging, albeit slowly. With no minimum capital required, launching a business takes less than 10 procedures on average. Employment regulations are relatively flexible, but the labor market lacks dynamism. The significant depreciation of the togrog in 2015 forced the central bank to raise interest rates and attempt to sustain currency reserves.

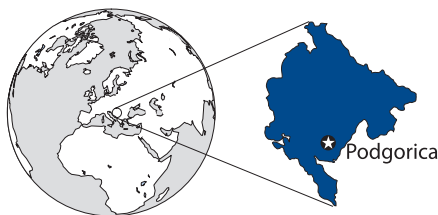


Mongolia's average tariff rate is 5 percent. Importation of goods is expensive and time-consuming. The government has imposed travel bans on foreign executives to prevent them from leaving the country in order to coerce concessions from their employers. The financial system has undergone modernization. Gradually weathering the strain caused by the global financial turmoil, the banking sector has become largely stable.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+36.8	Business Freedom	-2.3	Trade Freedom	+15.0
Freedom from Corruption	-11.0	Government Spending	+34.2	Labor Freedom	+7.5	Investment Freedom	-25.0
				Monetary Freedom	+68.0	Financial Freedom	+10.0

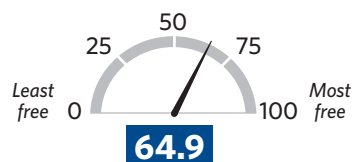
MONTENEGRO



World Rank: **65**

Regional Rank: **31**

Economic Freedom Score



Structural reforms and an increasingly vibrant private sector have facilitated Montenegro's ongoing transition to a free-market economy. Openness to global commerce and trade, competitively low flat tax rates, and an evolving regulatory system have encouraged a more dynamic and broadly based economic expansion.

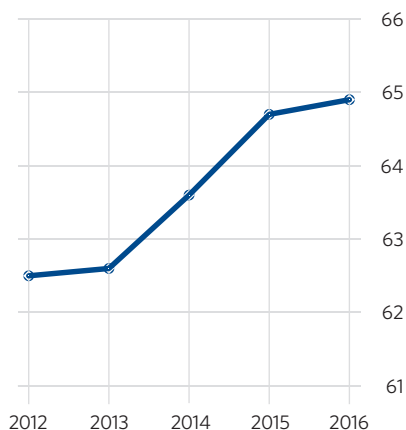
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **64.9 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **65th**
- Regional Ranking: **31st in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Management of Government Spending and Corruption**
- Overall Score Change Since 2012: **+2.4**

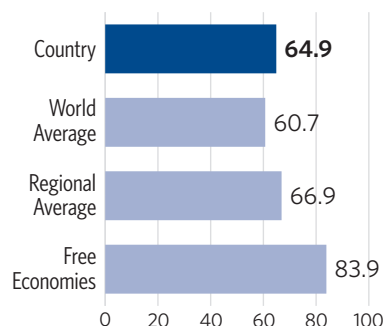
The government has pursued reforms to curb chronically high levels of spending and improve public-sector efficiency, but progress has been sluggish. Despite the relatively well-maintained rule of law, the pace of legislative and judicial reform has been slow, and corruption is still perceived as significant.

BACKGROUND: The Republic of Montenegro declared its independence from Serbia in 2006, introduced significant privatization, and adopted the euro as its currency despite not being a member of the eurozone. Milo Đukanovic, leader of the Coalition for European Montenegro, an alliance between the Democratic Party of Socialists of Montenegro and two other center-left parties, became prime minister in December 2012. Montenegro was invited to launch a NATO Membership Action Plan in 2009 but did not receive an invitation to join the alliance during the 2014 NATO Summit in Wales. It became a candidate for membership in the European Union in 2010 and joined the World Trade Organization in 2011. The economy relies heavily on tourism and exports of refined metals, but real estate is gaining importance. Unprofitable state companies burden public finances, and unemployment is high.

Freedom Trend



Country Comparisons



Quick Facts

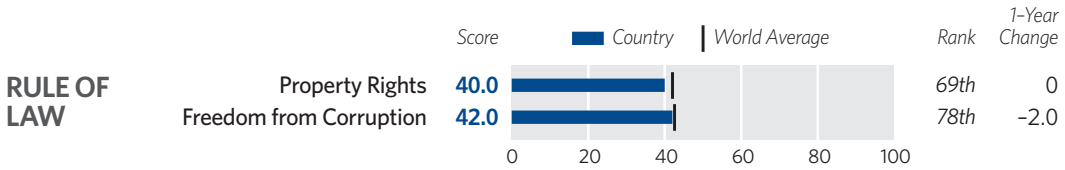
Population: 0.6 million
GDP (PPP): \$9.4 billion
 1.1% growth in 2014
 5-year compound annual growth 1.5%
 \$14,996 per capita
Unemployment: 19.1%
Inflation (CPI): -0.7%
FDI Inflow: \$497.0 million
Public Debt: 58.4% of GDP

How Do We Measure Economic Freedom?

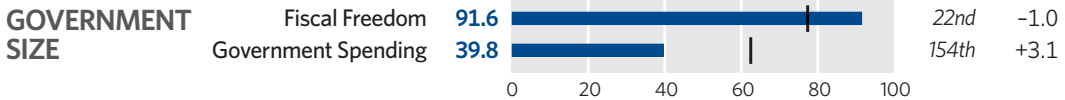
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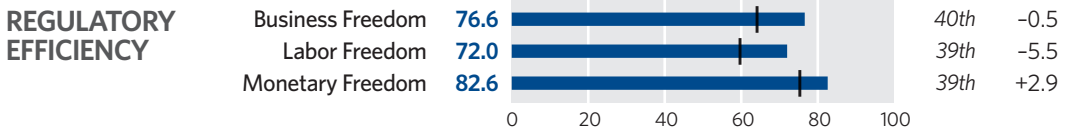
THE TEN ECONOMIC FREEDOMS



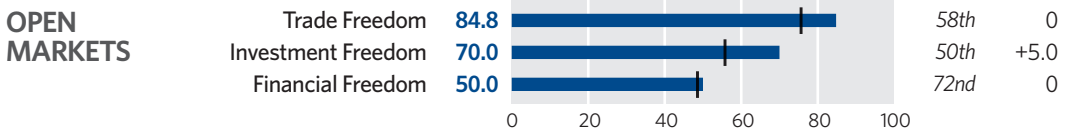
Corruption is a serious problem in Montenegro. Graft and misconduct are widespread in such key areas as health care and public procurement. Organized criminal groups have significant influence in both the public sector and the private sector, and Russian money laundering is significant. Politicization of the judiciary is a long-standing problem. Foreigners may own real property.



The personal income and corporate tax rates are a flat 9 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 26 percent of total domestic income. Government spending amounts to 44.8 percent of total domestic output. The budget balance has been negative, and public debt has risen to over 50 percent of GDP. Failing state-owned enterprises have put pressure on fiscal accounts.



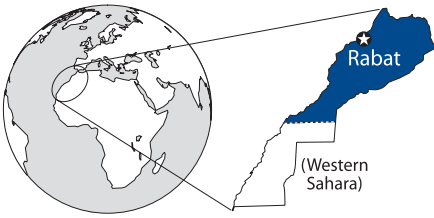
Procedures for setting up a business have been streamlined, and the number of licensing requirements has been reduced. Labor regulations lack flexibility, discouraging more dynamic job creation. The sale of the bankrupt state-supported, Communist-era KAP aluminum company was completed in 2014, eliminating one cause of massive government subsidies that distorted the economy in prior years.



Montenegro's average tariff rate is 2.6 percent. Many state-owned enterprises have been privatized. There is no general screening of foreign investment, but a weak judicial system discourages investors. The financial sector has gradually become more competitive and diversified, but non-performing loans remain a problem. A law on restructuring of NPLs has been adopted, but its effectiveness remains to be seen.

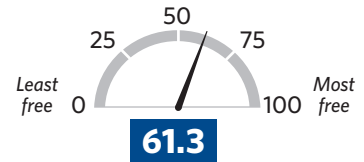
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+2.5	Business Freedom	+7.9	Trade Freedom	+4.6
Freedom from Corruption	+9.0	Government Spending	-5.5	Labor Freedom	+14.8	Investment Freedom	+30.0
				Monetary Freedom	+3.7	Financial Freedom	0



MOROCCO

Economic Freedom Score



World Rank: **85**

Regional Rank: **9**

Morocco continues to make notable progress in integrating its economy into the global marketplace. Procedures for conducting a business have become more streamlined, and foreign investment is generally welcome in many sectors. The country's competitive banking sector continues to expand its regional presence. Subsidies on gasoline and industrial fuel have been removed since 2014.

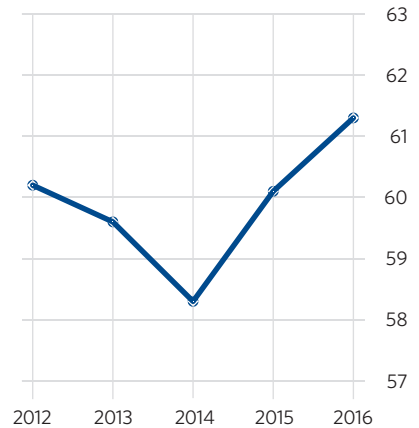
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.3 (up 1.2 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **85th**
- Regional Ranking: **9th in the Middle East/North Africa Region**
- Notable Successes: **Open Markets, Business Freedom, and Monetary Freedom**
- Concerns: **Corruption and Labor Freedom**
- Overall Score Change Since 2012: **+1.1**

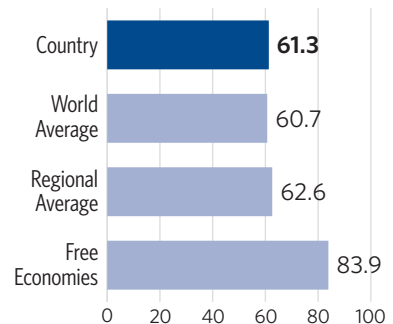
Critical challenges confronting the kingdom include the lack of transparency, lingering corruption, and a very difficult regional environment. The judicial system remains susceptible to political influence, undermining ongoing anti-corruption efforts.

BACKGROUND: Morocco, a constitutional monarchy with an elected parliament, has been a key U.S. ally in the struggle against Islamist terrorism. Constitutional amendments proposed by a commission authorized by King Mohammed VI and approved by referendum in 2011 were designed to increase the power and independence of the prime minister and provide greater civil liberties. Although the king retains significant power as chief executive, the current coalition government, led by the moderate Islamist Justice and Development Party, has taken bold steps to pursue macroeconomic stability and structural reforms. In addition to a large tourism industry and a growing manufacturing sector, a nascent aeronautics industry is attracting new foreign direct investment.

Freedom Trend



Country Comparisons



Quick Facts

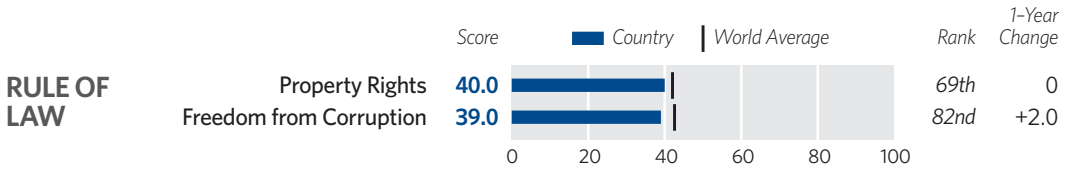
- Population:** 33.2 million
- GDP (PPP):** \$252.4 billion
- 2.9% growth in 2014
- 5-year compound annual growth 3.7%
- \$7,606 per capita
- Unemployment:** 10.2%
- Inflation (CPI):** 0.4%
- FDI Inflow:** \$3.6 billion
- Public Debt:** 63.9% of GDP

How Do We Measure Economic Freedom?

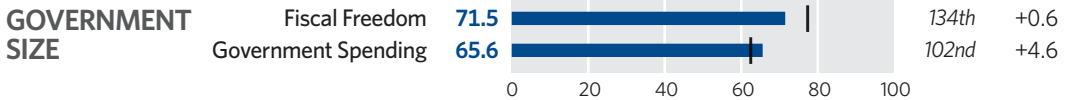
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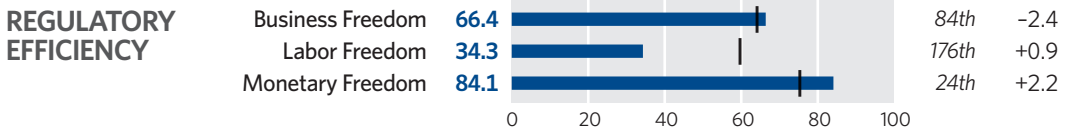
THE TEN ECONOMIC FREEDOMS



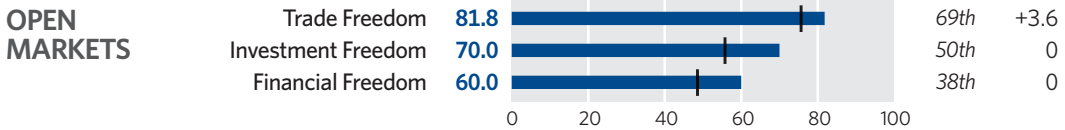
Despite the government’s rhetoric about combating it, corruption remains widespread both in public life and in the business world. The power of elected officials to shape policy is sharply constrained because the king and his advisers control most of the levers of power. The courts are inadequate and cannot be relied upon to rule quickly or fairly. Rates of land titling and land rights registration are low.



The top individual income tax rate is 38 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a gift tax. The overall tax burden equals 22.4 percent of GDP. Government spending is equivalent to 33.9 percent of total domestic output. The budget has been in deficit, and public debt now equals over 60 percent of GDP.



Procedures for setting up private enterprises have been further streamlined. Launching a business takes six procedures and 12 days, and no minimum capital is required. Labor market rigidity continues to discourage dynamic job growth. The government fully eliminated subsidies for all liquid petroleum products in 2015 but maintained subsidies for sugar, wheat, and cooking gas.

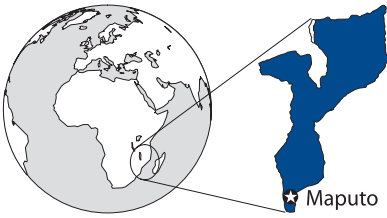


Morocco’s average tariff rate is 4.1 percent. With the exception of agricultural land, most sectors of the economy are open to foreign investment. Several state-owned enterprises distort the economy. The financial market, dominated by a competitive and growing banking sector, is fairly well developed in comparison to other economies in the region, and banking intermediation is gradually increasing.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+14.0	Business Freedom	-3.6	Trade Freedom	+32.0
Freedom from Corruption	-11.0	Government Spending	-7.2	Labor Freedom	-7.8	Investment Freedom	0
				Monetary Freedom	+9.1	Financial Freedom	+10.0

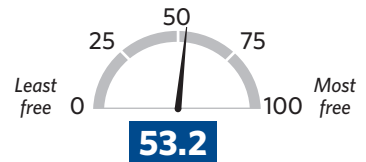
MOZAMBIQUE



World Rank: **139**

Regional Rank: **31**

Economic Freedom Score



Mozambique's annual growth has averaged 7 percent over the past five years, driven by large-scale foreign-investment projects and relative macroeconomic stability. However, economic expansion has not translated into poverty reduction. Despite some progress, institutional shortcomings hold back development of the private sector and inhibit productivity growth.

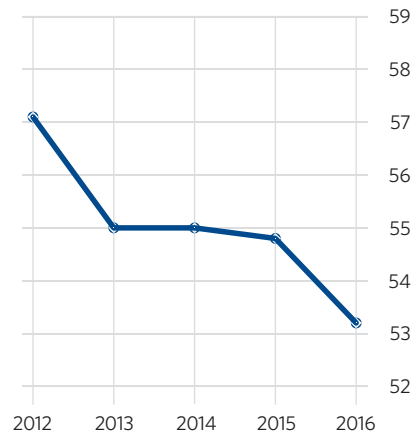
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.2 (down 1.6 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **139th**
- Regional Ranking: **31st in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Corruption, Property Rights, and Labor Freedom**
- Overall Score Change Since 2012: **-3.9**

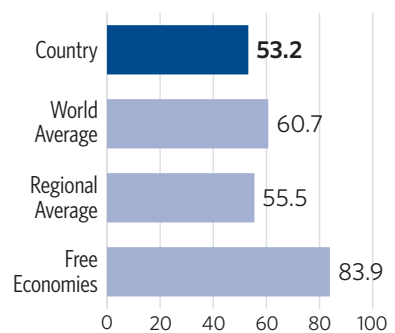
Structural problems including poor management of public finance and underdeveloped legal frameworks have undermined private-sector growth, keeping many people and enterprises in the informal sector. Investment policies and regulatory efficiency are undercut by government interference in the economy and pervasive corruption.

BACKGROUND: The FRELIMO party, headed by President Filipe Nyusi, has been in power since independence from Portugal in 1975. Following independence, there was a 16-year civil war between FRELIMO and the rebel RENAMO movement that ended with the Rome Peace Accords in 1992. In October 2013, after several clashes with FRELIMO, which has won the presidency and the majority in parliament in all national elections since 1994, RENAMO announced that it was pulling out of the peace accord. Both parties agreed to a new peace deal in September 2014 just before the October national elections, in which Filipe Nyusi was elected president. Despite political instability, Mozambique has emerged as one of the world's fastest-growing economies and is expected to become a significant exporter of coal and gas.

Freedom Trend



Country Comparisons



Quick Facts

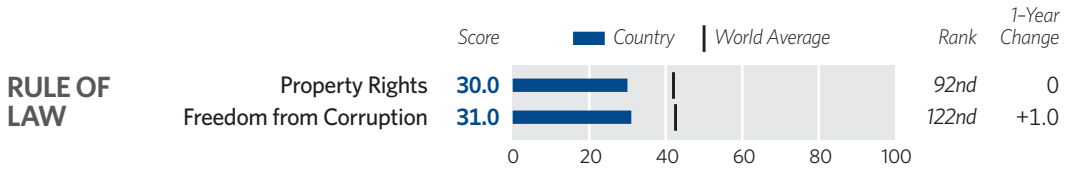
- Population:** 26.5 million
- GDP (PPP):** \$31.1 billion
- 7.4% growth in 2014
- 5-year compound annual growth 7.3%
- \$1,174 per capita
- Unemployment:** 22.6%
- Inflation (CPI):** 2.3%
- FDI Inflow:** \$4.9 billion
- Public Debt:** 55.4% of GDP

How Do We Measure Economic Freedom?

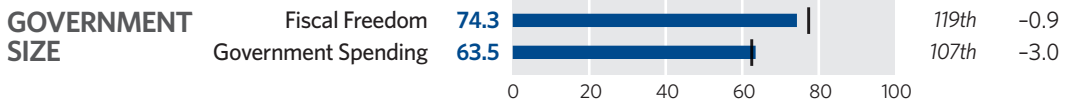
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

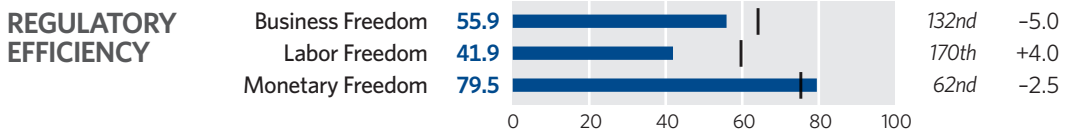
THE TEN ECONOMIC FREEDOMS



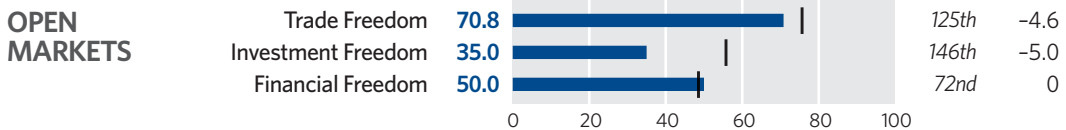
Corruption, including bribery, raises the costs and risks of doing business and has a corrosive effect on the broader business climate in Mozambique. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. Although the government recognizes private property rights, they are not strongly respected, and law enforcement is inefficient and uneven. Judicial independence is limited.



The top individual income and corporate tax rates are 32 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 22.9 percent of total domestic income. Expansion of the revenue base remains crucial. Government spending has increased to 34.9 percent of total domestic output, and budget deficits continue. Public debt has reached a level equal to over 50 percent of GDP.



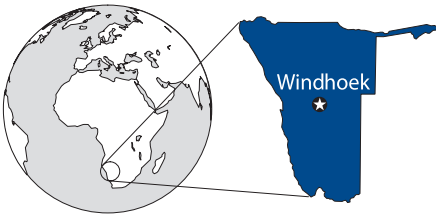
The regulatory framework has undergone a series of reforms. Launching a business takes less than 30 days. Completing licensing requirements, however, takes more than 100 days. A recently passed labor law intended to make the labor market more flexible also increased overtime restrictions. Although the state has divested ownership of dozens of small businesses, it maintains interests in large enterprises such as the country's largest bank.



Mozambique has a 7.1 percent average tariff rate. Land is owned by the government. New foreign investment is screened by the government, and investment in such sectors as mining and oil is subject to controls. The underdeveloped financial sector remains hindered by state regulations. Most citizens still lack adequate access to financial services.

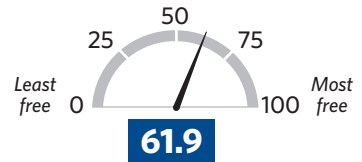
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+13.9	Business Freedom	+0.9	Trade Freedom	-4.2
Freedom from Corruption	+21.0	Government Spending	-11.3	Labor Freedom	+6.7	Investment Freedom	+5.0
				Monetary Freedom	+35.6	Financial Freedom	+20.0



NAMIBIA

Economic Freedom Score



World Rank: **81**

Regional Rank: **8**

Namibia's recent economic expansion, which has averaged more than 5 percent annually over the past five years, has been propelled by a relatively high level of political stability, prudent macroeconomic management, and foreign direct investment in the mining sector. Fiscal policy has been expansionary, but overall public spending has been below the fiscal cap of 40 percent of GDP.

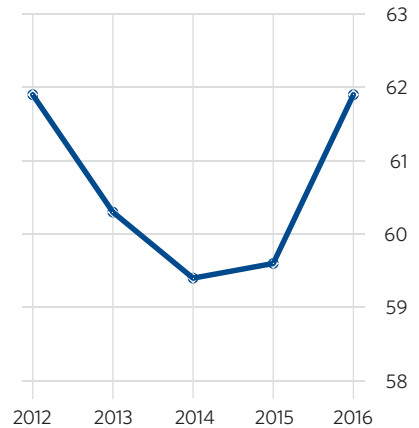
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.9 (up 2.3 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **81st**
- Regional Ranking: **8th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Financial Freedom**
- Overall Score Change Since 2012: **No Change**

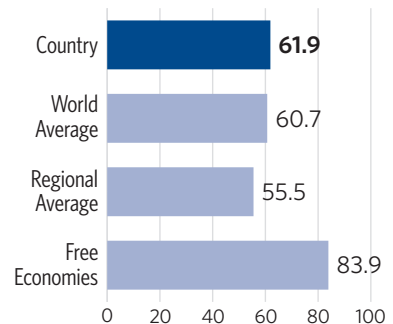
The absence of an independent and fair judiciary weakens the rule of law and undermines prospects for long-term sustainable economic development. Corruption is pervasive, and the efficiency of government services is poor. A lack of deeper commitment to enhanced regulatory efficiency holds back the emergence of a more vibrant private sector and impedes diversification of the economy.

BACKGROUND: Namibia has been politically stable since independence from South Africa in 1990. President Hage Geingob won a five-year term in 2014. The ruling SWAPO party has won every parliamentary election by large majorities since 1990. Namibia's economy is centered on agriculture and vulnerable to external shocks. It is also closely linked to South Africa's economy, and the Namibian dollar has been pegged to the South African rand since 1993. Since 2004, there has been official pressure on white and foreign landowners to sell their property to the government so that "historically disadvantaged" and landless Namibians can be resettled.

Freedom Trend



Country Comparisons



Quick Facts

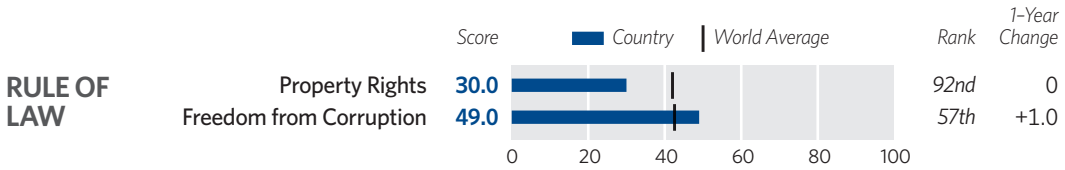
- Population:** 2.2 million
- GDP (PPP):** \$23.6 billion
- 5.3% growth in 2014
- 5-year compound annual growth 5.3%
- \$10,765 per capita
- Unemployment:** 18.6%
- Inflation (CPI):** 5.3%
- FDI Inflow:** \$413.7 million
- Public Debt:** 25.2% of GDP

How Do We Measure Economic Freedom?

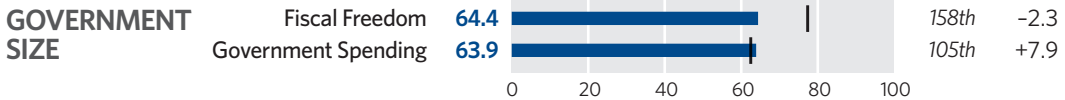
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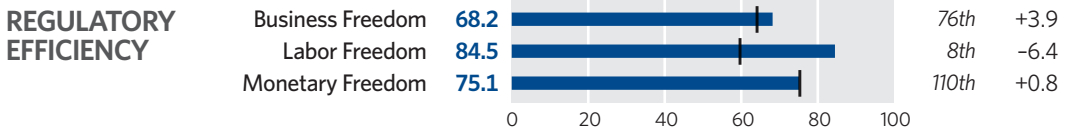
THE TEN ECONOMIC FREEDOMS



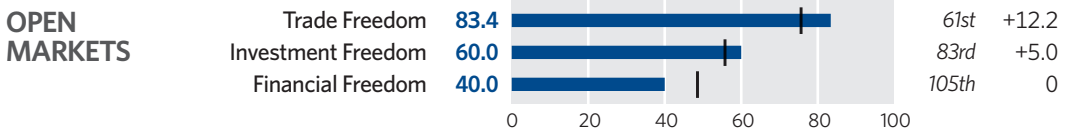
Although former President Hifiyepunye Pohamba made efforts to curb corruption, misconduct by government officials remains a problem, and investigations of major cases proceed slowly. SWAPO’s longtime political dominance has resulted in a conflation between party and state, further hampering anti-corruption efforts. The rule of law remains weak, and the judicial system suffers from a lack of resources and chronic delays.



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 32.1 percent of total domestic income. Government spending amounts to 34.7 percent of GDP. Although overall spending remains under control, rising public-sector wages could undermine fiscal sustainability. Public debt amounts to about 25 percent of GDP.



Despite some progress in recent years, the overall regulatory framework remains cumbersome. There is no minimum capital requirement, but the cost of completing licensing requirements remains higher than the level of average annual income. The labor market lacks dynamism. In late 2014, the government announced a large multi-year program to provide housing subsidies for low-income citizens, putting upward pressure on housing prices.

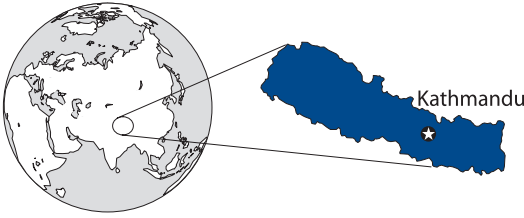


Namibia, a member of the Southern African Customs Union, has a low 0.8 percent average tariff rate. Non-tariff barriers affect dairy, wheat, and other agricultural products. The government screens new foreign investment. Although foreign investment is formally encouraged, the necessary regulatory infrastructure for spurring dynamic growth in new investment is not in place. The financial sector remains underdeveloped.

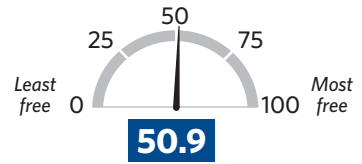
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	-3.3	Business Freedom	+13.2	Trade Freedom	+47.2
Freedom from Corruption	-1.0	Government Spending	+3.4	Labor Freedom	-2.1	Investment Freedom	-10.0
				Monetary Freedom	+0.2	Financial Freedom	-30.0

NEPAL



Economic Freedom Score



World Rank: **151** Regional Rank: **34**

Nepal's agriculture-dominated economy lacks the entrepreneurial dynamism needed for broad-based growth. A statist approach holds development far below the country's potential. Government interference continues to hurt regulatory efficiency, and there has been little effort to modernize the trade and investment regimes.

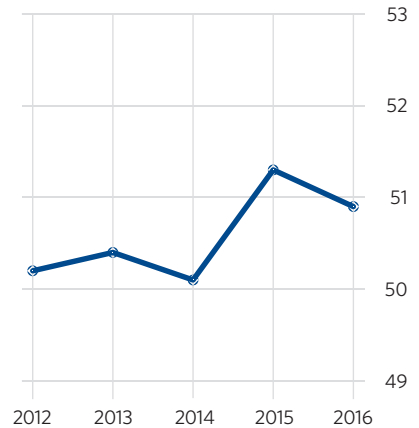
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **50.9 (down 0.4 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **151st**
- Regional Ranking: **34th in the Asia-Pacific Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Open Markets, and Labor Freedom**
- Overall Score Change Since 2012: **+0.7**

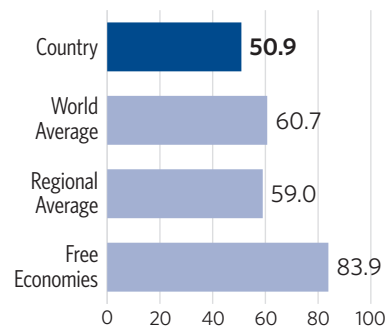
Political instability still undermines the fragile rule of law. Property rights are poorly protected by the inefficient judicial system, which is subject to substantial political influence. Systemic corruption and a non-transparent legal framework continue to obstruct much-needed expansion of private investment and production.

BACKGROUND: Nearly 10 years after the end of a Maoist insurgency and abolition of the monarchy, Nepal finally passed a new Constitution on September 20, 2015, establishing the country as a federal republic and redrawing political boundaries. Ethnic Madhesis, who live in the southern plains of Nepal and have close links to India, have objected to the Constitution and taken to the streets in protest, leading to sporadic street clashes that have killed nearly 40 since August. Trade between Nepal and India has dropped dramatically since the adoption of the Constitution, causing a fuel crisis in Nepal and forcing it to look to China as an alternative supplier. A poor, landlocked country bordering the Himalayan Mountains, Nepal attracts little foreign direct investment. A devastating earthquake on April 25, 2015, killed more than 8,500 and injured 18,000. The international community has pledged nearly \$423 million in assistance, but the government estimates that it will cost around \$7 billion to rebuild.

Freedom Trend



Country Comparisons



Quick Facts

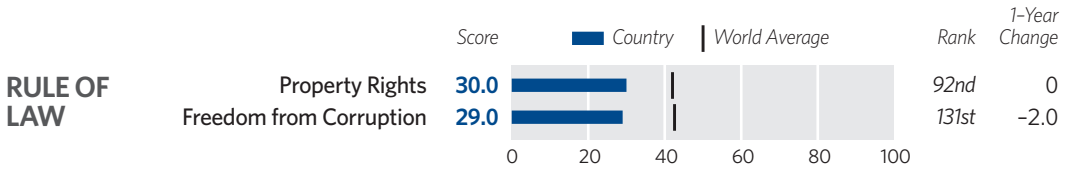
- Population:** 28.1 million
- GDP (PPP):** \$66.8 billion
- 5.5% growth in 2014
- 5-year compound annual growth 4.5%
- \$2,376 per capita
- Unemployment:** 2.7%
- Inflation (CPI):** 9.0%
- FDI Inflow:** \$29.6 million
- Public Debt:** 26.3% of GDP

How Do We Measure Economic Freedom?

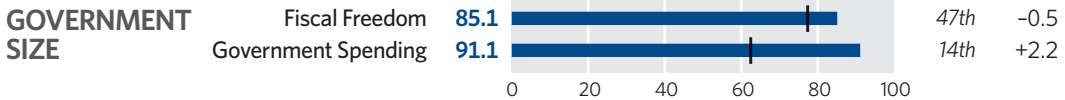
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Data compiled as of September 2015.

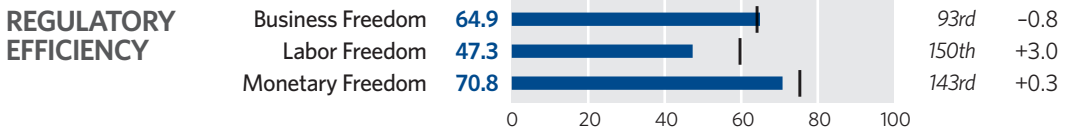
THE TEN ECONOMIC FREEDOMS



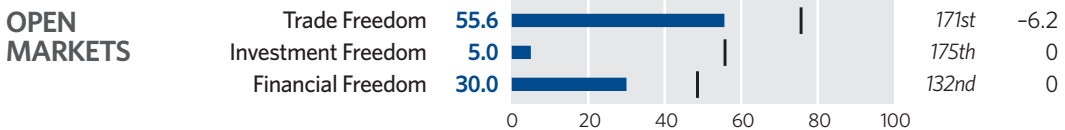
Although corruption remains endemic in Nepali politics and government, a spirit of national unity after two 2015 earthquakes moved the deeply divided political parties to make encouraging progress in drafting a new constitution that could improve the rule of law. Graft has been particularly prevalent in the judiciary and the police force, which reportedly is extensively involved in organized crime. Property rights are not protected effectively.



The top individual income and corporate tax rates are 25 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 15.3 percent of total domestic income. Government spending amounts to 17.2 percent of GDP. The budget balance has been in deficit, with public debt around 25 percent of GDP. Spending on subsidies, particularly to state-owned enterprises like the Nepal Oil Company, continues.



Despite some progress in modernizing the regulatory framework, time-consuming and costly requirements continue to reduce overall regulatory efficiency. Completing licensing requirements takes more than 100 days. The labor market remains inefficient, and chronic unemployment and underemployment continue. Subsidies expanded significantly in the aftermath of the devastating April 2015 earthquake.

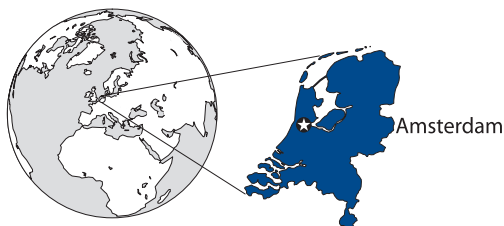


Nepal's average tariff rate is 14.7 percent. The government relies extensively on tariffs for revenue. Some goods may be subject to export taxes, and beef imports are restricted. The government screens new foreign investment. Several state-owned enterprises distort the economy. The financial sector remains fragmented, and government ownership and influence in the allocation of credit remain substantial.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-1.3	Business Freedom	+9.9	Trade Freedom	+2.4
Freedom from Corruption	+19.0	Government Spending	-0.2	Labor Freedom	-0.2	Investment Freedom	-25.0
				Monetary Freedom	+3.8	Financial Freedom	0

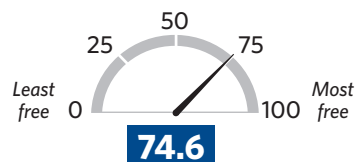
NETHERLANDS



World Rank: **16**

Regional Rank: **7**

Economic Freedom Score



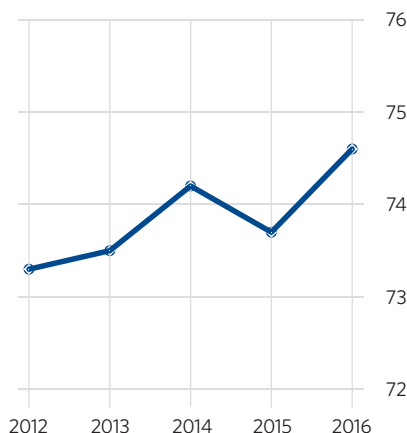
The Netherlands maintains a flexible and competitive economy that benefits from openness to global trade and investment and from an efficient regulatory environment that encourages robust entrepreneurial activity. Monetary stability is well maintained, and the judicial system, independent and free of corruption, provides strong protection for property rights.

ECONOMIC FREEDOM SNAPSHOT

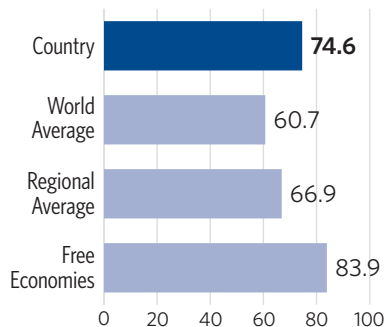
- 2016 Economic Freedom Score: **74.6 (up 0.9 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **16th**
- Regional Ranking: **7th in Europe**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Management of Public Finance**
- Overall Score Change Since 2012: **+1.3**

Fiscal policy remains a concern. Government spending remains high, pushing public debt to over 65 percent of GDP. Spending on subsidies, unemployment support, and other social transfers has kept the budget balance negative. The government has announced plans to reform the burdensome and complex tax regime.

Freedom Trend



Country Comparisons



Quick Facts

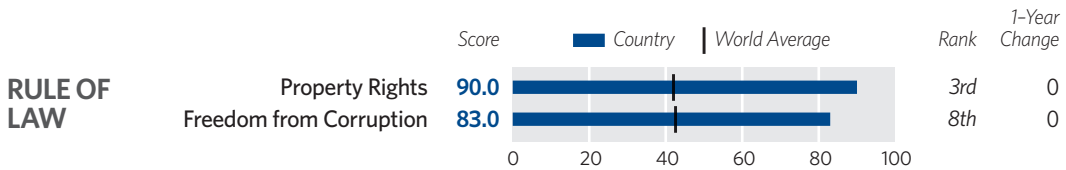
- Population:** 16.9 million
- GDP (PPP):** \$798.6 billion
- 0.9% growth in 2014
- 5-year compound annual growth 0.3%
- \$47,355 per capita
- Unemployment:** 6.9%
- Inflation (CPI):** 0.3%
- FDI Inflow:** \$30.3 billion
- Public Debt:** 68.3% of GDP

How Do We Measure Economic Freedom?

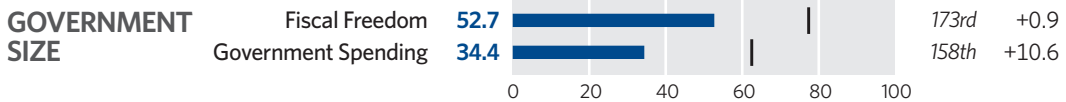
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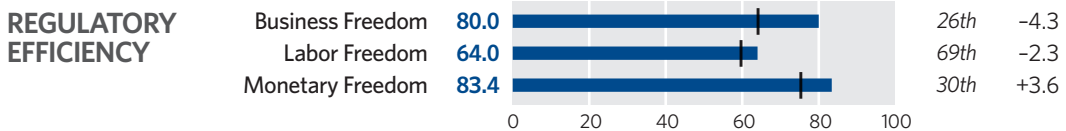
THE TEN ECONOMIC FREEDOMS



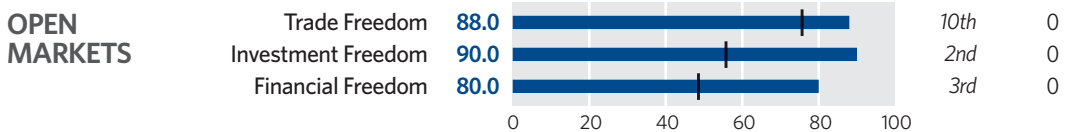
Political corruption presents few problems. Effective anti-corruption measures and minimal societal tolerance for graft ensure government integrity. The Netherlands is a signatory to all major international anti-corruption conventions. The legal framework ensures strong protection of private property rights and enforcement of contracts. Independent of political interference, the judiciary is respected and provides fair adjudication of disputes.



The top personal income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and environmental taxes. The overall tax burden equals 37.4 percent of total domestic income. Government spending amounts to 46.8 percent of GDP. The budget has been in deficit, and public debt exceeds 65 percent of GDP. The pension system has been reformed to address spiraling costs.



The overall regulatory framework is transparent and competitive. Launching a business is subject to minimum capital requirements, but establishing a company takes only five days. Labor regulations are relatively rigid, and the non-salary cost of employing a worker is high. Monetary stability has been well maintained, but the government subsidizes mortgages and heavily controls, subsidizes, and regulates the prices of wind energy.

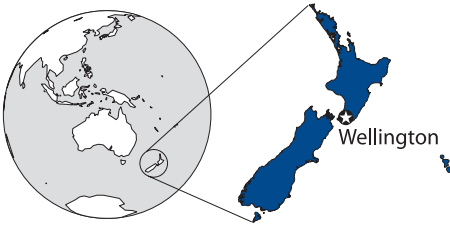


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. There is no general screening of foreign investment, but investment in a few sectors is restricted. The well-developed financial sector has been competitive, although the banking sector is under strain and has become more oriented toward the domestic market.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+18.9	Business Freedom	-5.0	Trade Freedom	+10.2
Freedom from Corruption	-7.0	Government Spending	+27.8	Labor Freedom	+2.5	Investment Freedom	+20.0
				Monetary Freedom	-1.0	Financial Freedom	-10.0

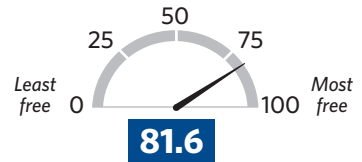
NEW ZEALAND



World Rank: **3**

Regional Rank: **3**

Economic Freedom Score



New Zealand's modern and competitive economy benefits from a strong commitment to open-market policies that facilitate vibrant flows of trade and investment. Transparent and efficient regulations are applied evenly in most cases, encouraging dynamic entrepreneurial activity in the private sector. Financial markets, although relatively small, provide adequate access to financial resources.

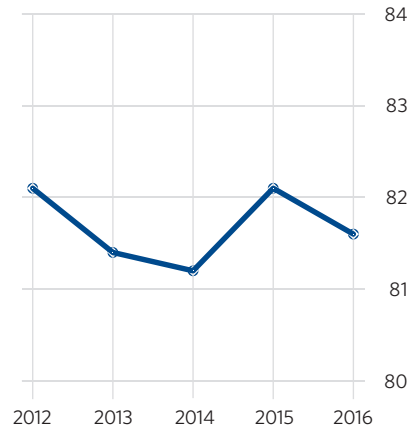
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **81.6 (down 0.5 point)**
- Economic Freedom Status: **Free**
- Global Ranking: **3rd**
- Regional Ranking: **3rd in the Asia-Pacific Region**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Control of Government Spending**
- Overall Score Change Since 2012: **-0.5**

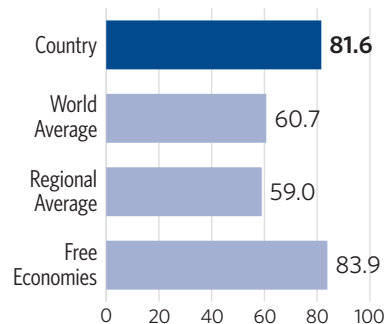
The strength of New Zealand's economic and social institutions is enhanced by robust protection of property rights and an independent judiciary that enforces anti-corruption measures. While many large advanced economies have been struggling with growing debt burdens caused by years of heavy government spending, New Zealand has kept its gross public debt under control.

BACKGROUND: New Zealand is a parliamentary democracy and one of the Asia-Pacific region's most prosperous countries. After 10 years of Labor Party-dominated governments, the center-right National Party, led by Prime Minister John Key, returned to power in November 2008. Key was reelected in 2011 and in 2014. Far-reaching deregulation and privatization in the 1980s and 1990s largely liberated the economy. Agriculture is important, but so are a flourishing manufacturing sector, thriving tourism, and a strong geothermal energy resource base. Following a sizable contraction during the global economic recession, the economy has been expanding since 2010.

Freedom Trend



Country Comparisons



Quick Facts

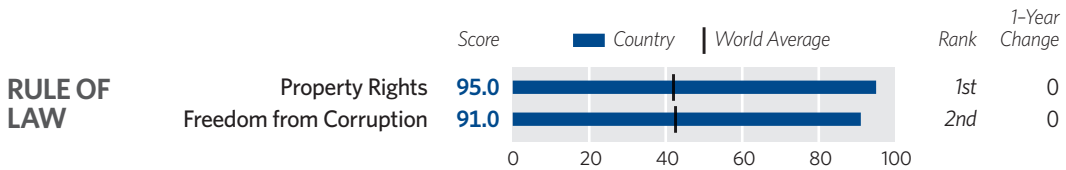
- Population:** 4.5 million
- GDP (PPP):** \$158.9 billion
- 3.2% growth in 2014
- 5-year compound annual growth 2.2%
- \$35,152 per capita
- Unemployment:** 5.6%
- Inflation (CPI):** 1.2%
- FDI Inflow:** \$3.4 billion
- Public Debt:** 34.0% of GDP

How Do We Measure Economic Freedom?

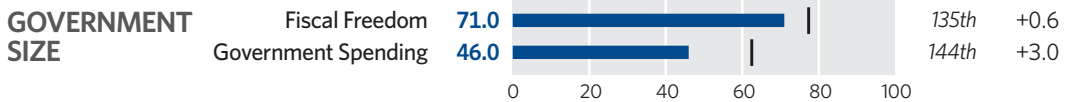
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

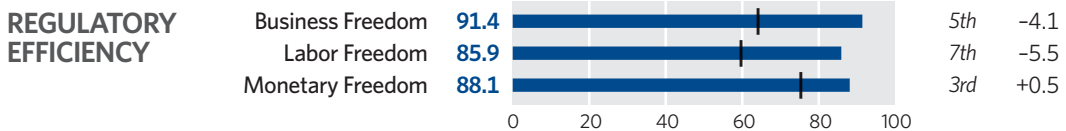
THE TEN ECONOMIC FREEDOMS



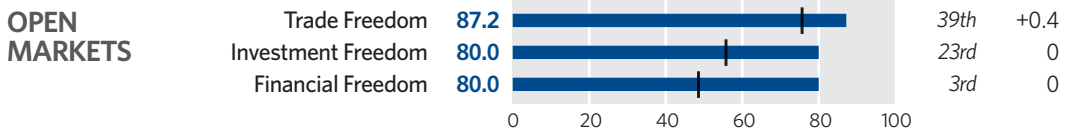
New Zealand ranked second out of 175 countries surveyed in Transparency International’s 2014 Corruption Perceptions Index. The country is renowned for its efforts to penalize bribery and ensure a transparent, competitive, and corruption-free government procurement system. The judicial system is independent and functions well. Private property rights are strongly protected, and contracts are notably secure.



The top income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include a goods and services tax and environmental taxes. The overall tax burden equals 32.1 percent of total domestic income. Government spending amounts to 42.4 percent of GDP. The deficit has been reduced to below 2 percent of total domestic output, and public debt equals 34 percent of GDP.



Start-up companies enjoy great flexibility under licensing and other regulatory frameworks. With no minimum capital required, it takes only one day to start a business. Flexible labor regulations facilitate a dynamic labor market, increasing overall productivity. New Zealand has the lowest subsidies among OECD countries. It removed all farm subsidies more than three decades ago, spurring development of a vibrant and diversified agriculture sector.



New Zealand’s average tariff rate is 1.4 percent, and non-tariff barriers are low. The government owns shares of companies operating in sectors that include rail transportation, energy, air transportation, and postal services. The financial system has remained stable, and prudent regulations allowed banks to withstand the global financial turmoil with little disruption.

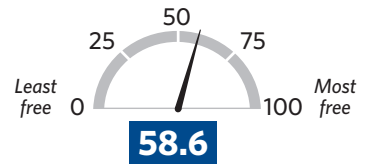
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+5.9	Business Freedom	+6.4	Trade Freedom	+8.6
Freedom from Corruption	+1.0	Government Spending	-2.6	Labor Freedom	-5.2	Investment Freedom	+10.0
				Monetary Freedom	+2.1	Financial Freedom	-10.0



NICARAGUA

Economic Freedom Score



World Rank: **109**

Regional Rank: **18**

Anti-free market policies and populism have driven what amounts to a permanent campaign to justify the large state presence in Nicaragua's economy. The inefficient regulatory framework impedes expansion and diversification of the productive base. A state-directed average 10 percent increase in the minimum wage for most sectors in 2015 typifies the type of government interference that is politically popular but does nothing to improve productivity.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **58.6 (up 1.0 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **109th**
- Regional Ranking: **18th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Rule of Law, Regulatory Efficiency, and Financial Freedom**
- Overall Score Change Since 2012: **+0.7**

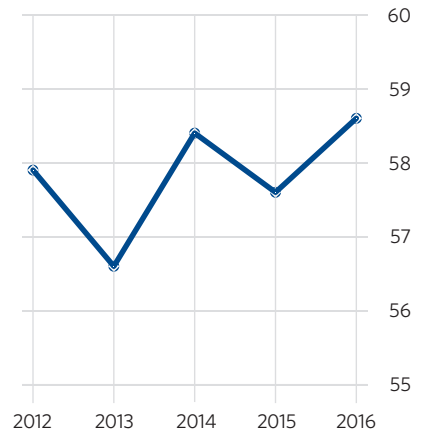
The lack of domestic access to long-term financing precludes dynamic entrepreneurial growth, and the investment regime lacks transparency. Poor protection of property rights and widespread corruption discourage private-sector growth. The rule of law is weak, and local courts are subject to substantial political interference.

BACKGROUND: Constitutional changes approved in 2014 allow Sandinista President Daniel Ortega to stay in power indefinitely. The Central America–Dominican Republic–United States Free Trade Agreement has helped the economy, which grew 4.7 percent in 2014. Agricultural goods and textile production account for 50 percent of exports. Nicaragua is the second-poorest nation in the Americas. The government has granted a company headed by Chinese billionaire Wang Jing a concession to construct a canal connecting the Caribbean Sea and the Pacific Ocean. A major hiatus in supply or a disorderly collapse of Venezuela's economy and the subsequent end of subsidized oil shipments through PetroCaribe could provoke an energy crisis.

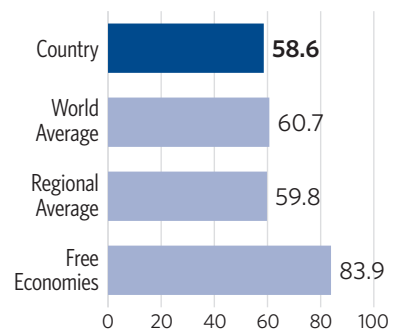
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

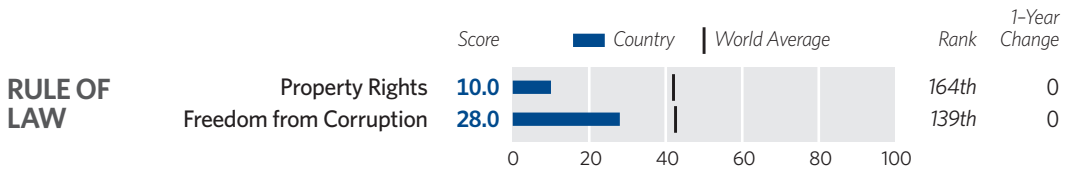


Quick Facts

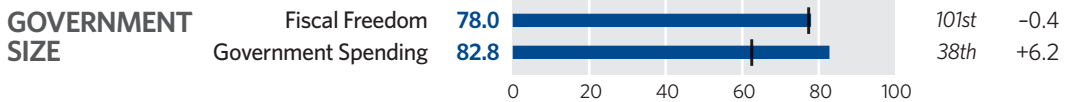
- Population:** 6.2 million
- GDP (PPP):** \$29.5 billion
- 4.5% growth in 2014
- 5-year compound annual growth 4.7%
- \$4,736 per capita
- Unemployment:** 5.3%
- Inflation (CPI):** 6.0%
- FDI Inflow:** \$840.0 million
- Public Debt:** 32.2% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

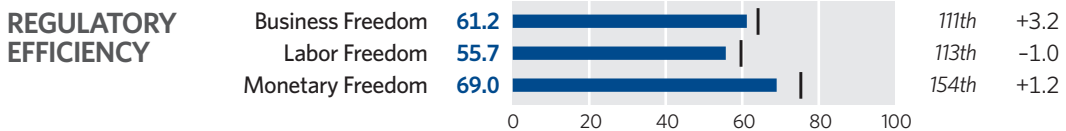
THE TEN ECONOMIC FREEDOMS



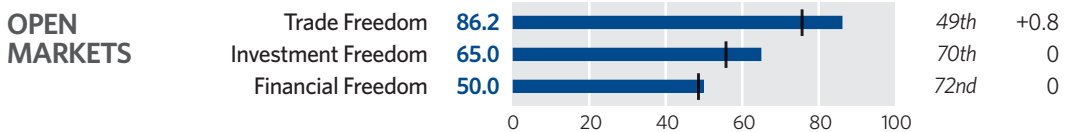
Daniel Ortega’s authoritarian, open-ended rule is the greatest threat to the rule of law in Nicaragua. Public-sector corruption, including bribery of public officials, remains a major challenge. The judicial system suffers from corruption and long delays; the politicized Supreme Court is controlled by Sandinista judges. Private property rights (especially those of foreign investors) are not protected effectively, and contracts are not always secure.



The top individual income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 20 percent of GDP. Government spending amounts to 24 percent of GDP. Public debt equals about 32 percent of GDP. The growth of public spending has outstripped revenue expansion and is likely to continue in 2016.



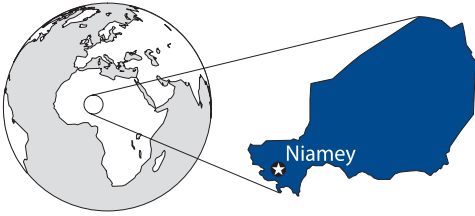
Red tape and inconsistent enforcement of commercial regulations undermine entrepreneurial activity. Because of an inefficient and inflexible labor market, many Nicaraguans are underemployed. Preferential PetroCaribe financing for oil imports (equal to more than 10 percent of government revenue) permits state subsidies for fuel and electricity.



Nicaragua’s average tariff rate is 1.9 percent. Imports of used cars are restricted. State-owned enterprises operating in several sectors distort the economy. The legal and regulatory systems discourage private foreign investment. The financial sector remains vulnerable to state interference. The high cost of long-term financing continues to hinder more dynamic private-sector growth.

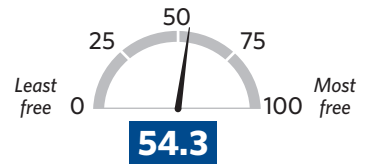
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	-0.3	Business Freedom	+6.2	Trade Freedom	+31.8
Freedom from Corruption	+18.0	Government Spending	+7.7	Labor Freedom	-17.2	Investment Freedom	+15.0
				Monetary Freedom	+69.0	Financial Freedom	+20.0



NIGER

Economic Freedom Score



World Rank: **129**

Regional Rank: **26**

Niger's natural resources, including uranium and oil, have spurred five years of notable growth. However, like many other resource-endowed countries in the region, it continues to lack the economic diversity and dynamism that are critical to stable long-term development.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **54.3 (down 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **129th**
- Regional Ranking: **26th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom**
- Concerns: **Property Rights, Corruption, Open Markets, and Business Freedom**
- Overall Score Change Since 2012: **No Change**

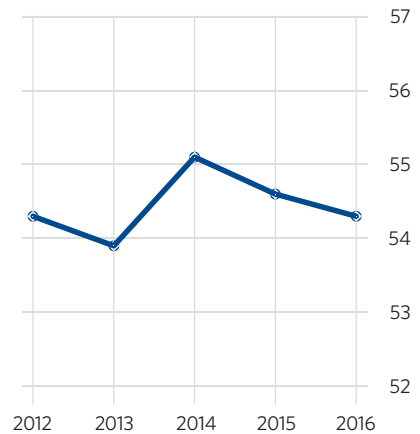
The economy remains highly vulnerable to external shocks, and the inefficient regulatory environment continues to constrain commercial operations and investment growth. Niger's economic policies and institutions do not provide an adequate base on which to build a broad-based private sector. The rule of law is poorly enforced, and systemic corruption exacerbates legal uncertainty.

BACKGROUND: President Mamadou Tandja was overthrown in a military coup in February 2010. In March 2011, opposition leader Mahamadou Issoufou won presidential elections that were deemed free and fair, and his Nigerien Party for Democracy and Socialism won a plurality in the National Assembly. In 2015, Niger joined a multinational coalition fighting the ISIS-aligned Boko Haram terrorists inside Nigeria. It also faces a restive Tuareg population in the North and spillover violence from conflicts in Libya and Mali. Niger has one of the world's fastest population growth rates. Poor infrastructure and frequent weather disasters contribute to economic hardship. Other than uranium and oil, substantial mineral resources, including gold, have yet to be exploited. According to the U.N. High Commissioner for Refugees, Niger hosts nearly 80,000 refugees, primarily from Mali and Nigeria.

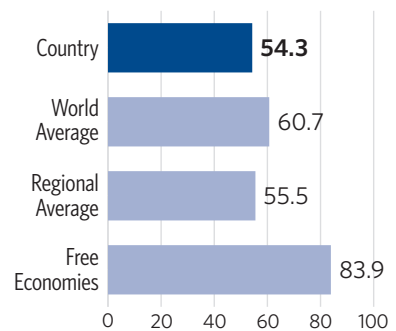
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

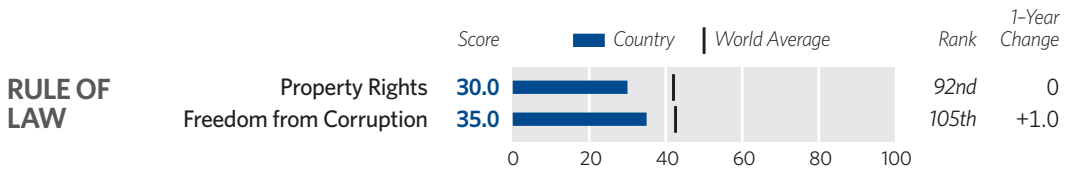


Quick Facts

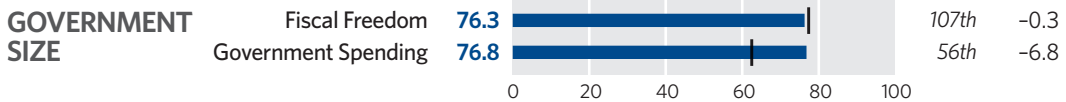
- Population:** 17.1 million
- GDP (PPP):** \$17.9 billion
- 6.9% growth in 2014
- 5-year compound annual growth 6.8%
- \$1,048 per capita
- Unemployment:** 5.1%
- Inflation (CPI):** -0.9%
- FDI Inflow:** \$769.0 million
- Public Debt:** 36.4% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

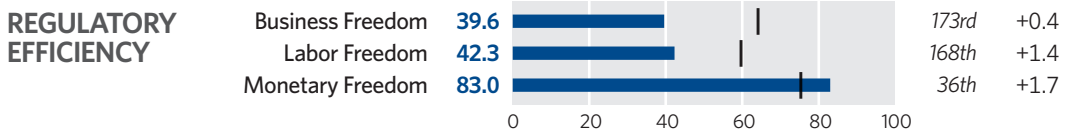
THE TEN ECONOMIC FREEDOMS



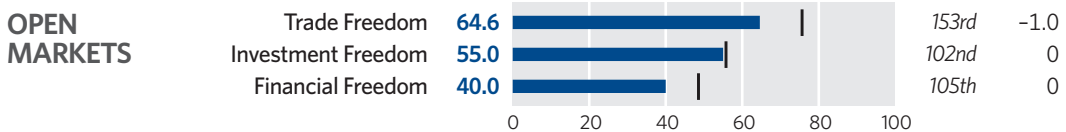
Corruption remains a serious problem in Niger, and observers have raised fresh concerns regarding uranium-mining contracts. In October 2014, former President Mamadou Tandja was charged with corruption as an investigation into the disappearance of nearly \$800 million of public money when he left office continued. The rule of law remains hampered by an ineffective judicial framework, and a weak court system is vulnerable to political pressure.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a tax on interest and a capital gains tax. The overall tax burden equals 15.8 percent of total domestic income. Government spending amounts to 27.8 percent of GDP. The budget balance remains negative, and public debt equals about 36 percent of total annual domestic output.



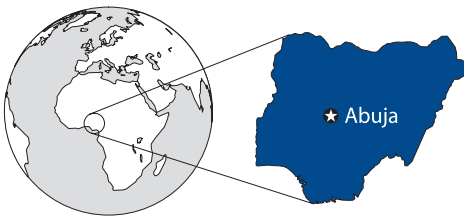
The inadequate regulatory framework hampers private-sector development. Onerous and inconsistent regulations impose substantial costs on business operations. The labor market is poorly developed, and much of the labor force works in the informal sector. The government provides some citizens with food aid and fixes domestic retail fuel prices, which have not changed since early 2013.



Niger's average tariff rate is 10.2 percent. Importation of goods is time-consuming and costly. Domestic and foreign investors are generally treated equally under the law. State-owned enterprises operate in the energy and telecommunications sectors. Despite some progress toward modernizing the financial sector, financing options for starting private businesses are limited. Overall bank credit to the private sector remains low.

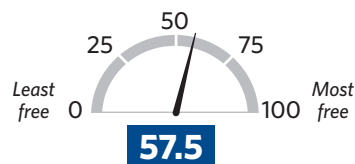
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+30.2	Business Freedom	-15.4	Trade Freedom	-0.4
Freedom from Corruption	+25.0	Government Spending	-15.2	Labor Freedom	-1.9	Investment Freedom	+25.0
				Monetary Freedom	+28.5	Financial Freedom	+10.0



NIGERIA

Economic Freedom Score



World Rank: **116**

Regional Rank: **20**

Nigeria has pursued economic reforms to enhance management of public finance and make business regulations more efficient. However, the oil sector continues to dominate the economy, and the structural changes needed for broad-based development have not been forthcoming. Progress on privatization has been limited.

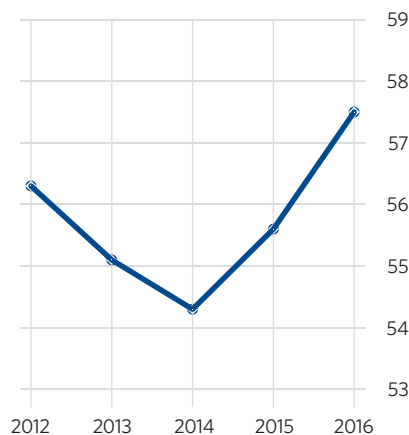
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.5 (up 1.9 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **116th**
- Regional Ranking: **20th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.2**

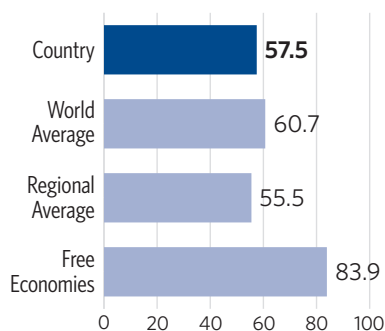
Recent economic growth has not translated into real gains for most Nigerians. Job creation has been impeded by bureaucratic rigidity and corruption in the economy, causing increased frustration among underemployed youth. With the judicial system susceptible to political interference, the rule of law is weak.

BACKGROUND: In May 2015, in Nigeria's first peaceful transfer of power among parties, former military ruler Muhammadu Buhari defeated incumbent President Goodluck Jonathan at the polls. Critical challenges include an Islamist insurgency and budgetary shortfalls due to plunging oil prices. Before the May election, Nigeria, Chad, Niger, and Cameroon pushed the terrorist group Boko Haram out of its major strongholds. However, Boko Haram attacks have continued, primarily in northeast Nigeria, and further instability in the oil-rich Niger Delta region is likely. Nigeria, Africa's most populous nation and leading oil producer, has Sub-Saharan Africa's second-largest natural gas reserves. Despite efforts to diversify, the economy remains heavily dependent on oil. In 2014, Nigeria surpassed South Africa as Africa's largest economy, but an estimated 61 percent of Nigerians live in extreme poverty.

Freedom Trend



Country Comparisons



Quick Facts

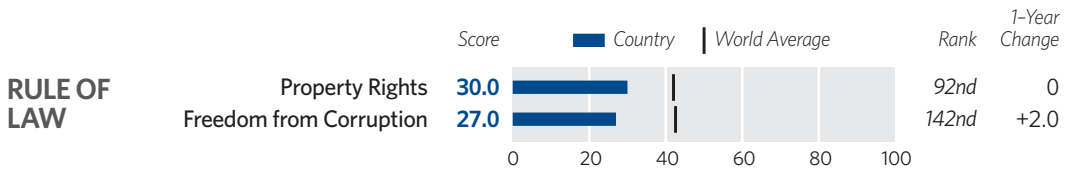
Population: 173.9 million
GDP (PPP): \$1.0 trillion
 6.3% growth in 2014
 5-year compound annual growth 6.2%
 \$6,031 per capita
Unemployment: 7.5%
Inflation (CPI): 8.1%
FDI Inflow: \$4.7 billion
Public Debt: 10.5% of GDP

How Do We Measure Economic Freedom?

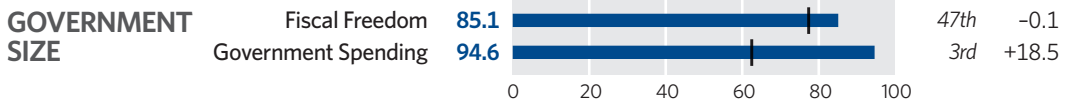
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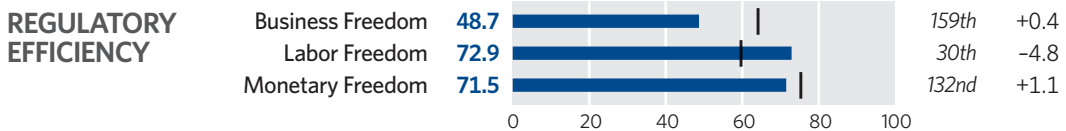
THE TEN ECONOMIC FREEDOMS



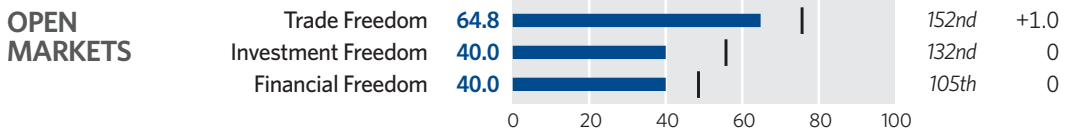
In 2015, the government said that it would conduct a forensic audit of state-owned Nigerian National Petroleum Corporation after allegations that \$20 billion in oil revenue had gone missing in recent years. Corruption remains pervasive, and efforts to reduce graft have been inadequate. The judiciary has some independence but is hobbled by political interference, corruption, and inadequate funding. Protection of property rights is weak.



The top individual income tax rate is 24 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 3.1 percent of total domestic income. Government spending amounts to 13.4 percent of total domestic output. The budget is in a slight surplus, and public debt remains below 20 percent of GDP.



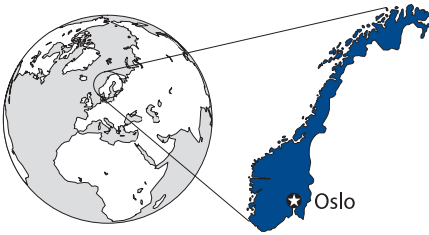
The minimum capital requirement for starting a business has been eliminated, but licensing costs are still over four times the average annual income. The public and energy sectors employ much of the formal labor force, and an increase in the minimum wage has reduced hiring flexibility. The IMF reported in 2015 that in response to lower global oil prices, the government cut fuel subsidies by 1 percent of GDP.



Nigeria's average tariff rate is 10.1 percent. Meat and poultry imports are restricted. Foreign investors face regulatory and judicial barriers. The government's import substitution policy interferes with trade and investment flows. Financial-sector reform is ongoing, but the state continues to influence the allocation of credit. Measures to improve access to finance for local small and medium-sized companies have been introduced.

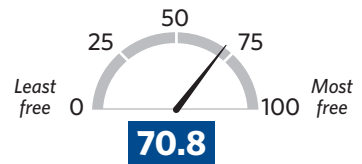
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+9.7	Business Freedom	-6.3	Trade Freedom	+19.8
Freedom from Corruption	-23.0	Government Spending	+94.6	Labor Freedom	-0.3	Investment Freedom	-10.0
				Monetary Freedom	+21.3	Financial Freedom	-10.0



NORWAY

Economic Freedom Score



World Rank: **32**

Regional Rank: **16**

The Norwegian economy's strong competitiveness is built on openness and transparency with policies that support dynamic trade and investment. The quality of the legal and regulatory framework is among the world's highest, institutionalizing the effective rule of law. The planned tax reform bill focuses on lowering the corporate income tax rate from 27 percent to 22 percent by 2018.

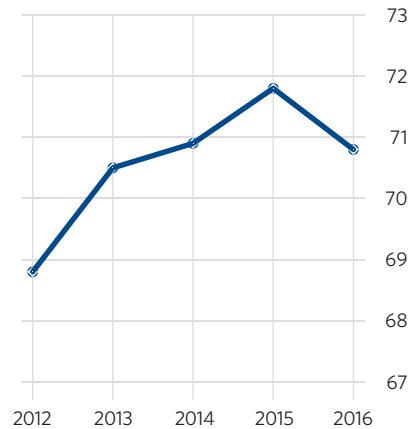
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.8 (down 1.0 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **32nd**
- Regional Ranking: **16th in Europe**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Control of Government Spending and Labor Freedom**
- Overall Score Change Since 2012: **+2**

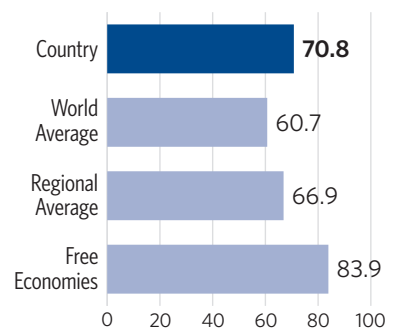
The government has focused on containing expensive welfare programs, with the accumulation of assets from hydrocarbon production in the National Wealth Fund providing a cushion for fiscal stimulus. The budget deficit is narrowing, and public debt remains under control. However, state ownership in key industries is still substantial.

BACKGROUND: Norway has been a member of NATO since 1949. Voters have twice rejected membership in the European Union, but Norway is a party to a European Free Trade Association agreement. Prime Minister Erna Solberg of the Conservative Party was elected in September 2013 and leads a center-right coalition minority government. Norway is one of the world's most prosperous countries. Fisheries, metal, and oil are the most important commodities. Norway saves a large portion of its petroleum-sector revenues, including dividends from the partially state-owned Statoil and taxes from oil and gas companies operating in Norway, in its Government Pension Fund–Global, valued at \$900 billion.

Freedom Trend



Country Comparisons



Quick Facts

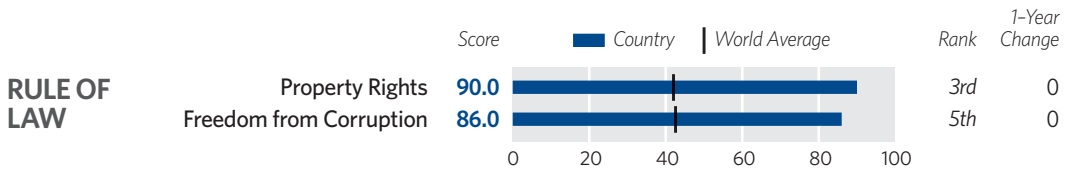
- Population:** 5.2 million
- GDP (PPP):** \$345.2 billion
- 2.2% growth in 2014
- 5-year compound annual growth 1.5%
- \$66,937 per capita
- Unemployment:** 3.4%
- Inflation (CPI):** 2.0%
- FDI Inflow:** \$8.7 billion
- Public Debt:** 30.1% of GDP

How Do We Measure Economic Freedom?

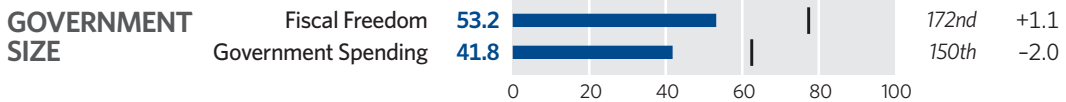
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2014 data unless otherwise noted.
Data compiled as of September 2015.

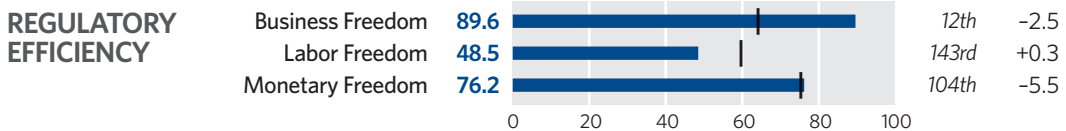
THE TEN ECONOMIC FREEDOMS



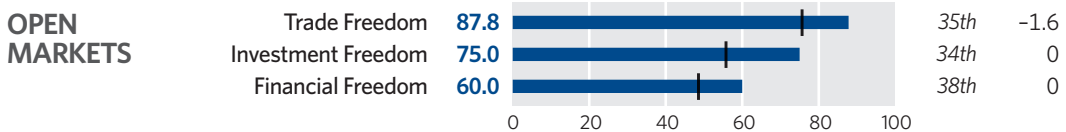
Norway is one of the world’s least corrupt countries, ranked fifth out of 175 countries in Transparency International’s 2014 Corruption Perceptions Index. Well-established anti-corruption measures reinforce a cultural emphasis on government integrity. The judiciary is independent, and the court system operates fairly at the local and national levels. Private property rights are securely protected, and commercial contracts are reliably enforced.



The top personal income tax rate is 47.8 percent, and the corporate tax rate is 27 percent. Other taxes include a value-added tax, a tax on net wealth, and environmental taxes. The overall tax burden equals 40.8 percent of GDP. Government spending amounts to 44 percent of total domestic output. Public debt remains around 30 percent of GDP. Large oil revenues have preserved budget surpluses.



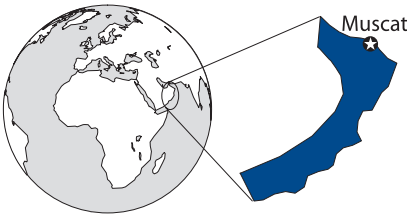
The entrepreneurial framework is transparent and efficient. The labor market lacks flexibility, but the non-salary cost of employment is not high in comparison to other countries in the region. Monetary stability has been well maintained. The nearly 10 percent depreciation of the krone in 2015 due to lower oil prices increased the competitiveness of non-commodity exports and led the government to consider cuts in subsidies for agricultural products.



Norway has a low 1.1 percent average tariff rate. The agricultural sector is heavily subsidized and protected from international competition. State-owned enterprises distort the country’s economy. The financial sector is market-driven, although the state retains ownership of the largest financial institution.

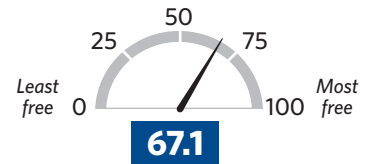
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-5.7	Business Freedom	+19.6	Trade Freedom	+18.8
Freedom from Corruption	-4.0	Government Spending	+32.9	Labor Freedom	-0.8	Investment Freedom	+5.0
				Monetary Freedom	-5.5	Financial Freedom	+10.0



OMAN

Economic Freedom Score



World Rank: **52**

Regional Rank: **6**

Oman's small, open economy is driven mainly by energy. Tax rates are competitively low, and foreign investment is generally welcome. Recognizing the need for a more broad-based and vibrant private sector, Oman has undertaken regulatory reforms and modernization of its economy.

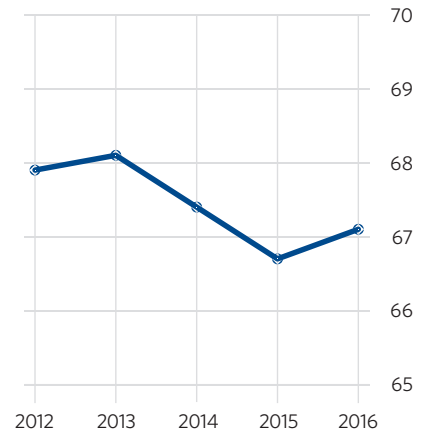
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.1 (up 0.4 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **52nd**
- Regional Ranking: **6th in the Middle East/North Africa Region**
- Notable Successes: **Fiscal Freedom and Trade Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.8**

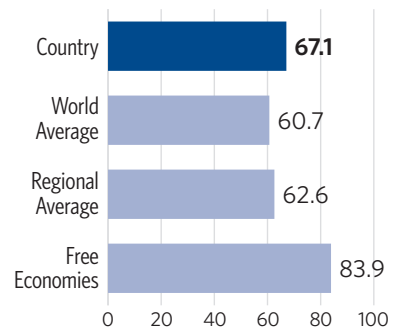
Oman's transition to a more flexible economy has been uneven. Excessive state involvement in the private sector constrains economic dynamism. Overreliance on the state-owned oil sector leaves the economy vulnerable to external shocks. The rule of law has been relatively well maintained, but the judiciary remains vulnerable to political interference.

BACKGROUND: In early 2011, in response to widespread regional turmoil, Sultan Qabus bin Said changed cabinet ministers and promised political and economic reforms. A Consultative Council elected in October 2011 expanded regulatory and legislative powers. As part of the government's efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in December 2012. Oman is a relatively small oil exporter. The government is trying to expand exports of liquefied natural gas; develop gas-based industries; and encourage foreign investment in petrochemicals, electric power, and telecommunications. It is also trying to replace foreign workers with local staff to reduce chronically high unemployment. Oman joined the World Trade Organization in 2000 and signed a free trade agreement with the United States in 2006.

Freedom Trend



Country Comparisons



Quick Facts

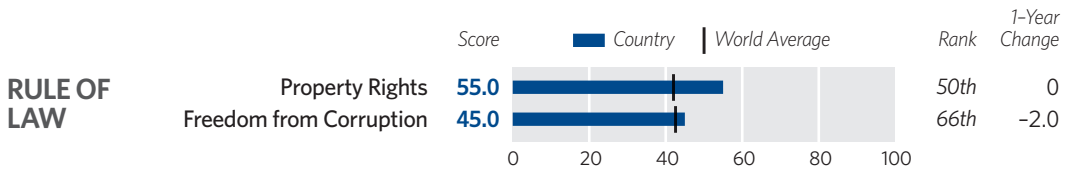
- Population:** 4.1 million
- GDP (PPP):** \$162.4 billion
- 2.9% growth in 2014
- 5-year compound annual growth 4.5%
- \$39,681 per capita
- Unemployment:** 7.2%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$1.2 billion
- Public Debt:** 5.1% of GDP

How Do We Measure Economic Freedom?

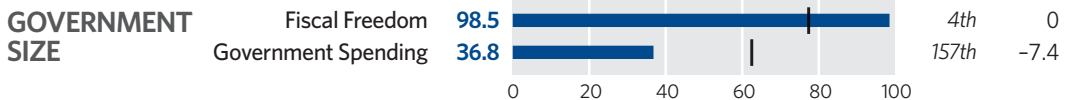
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

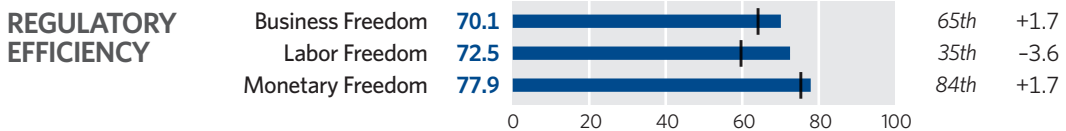
THE TEN ECONOMIC FREEDOMS



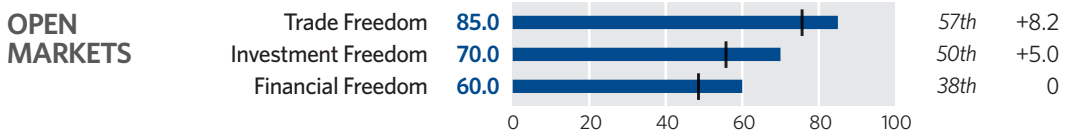
Several high-profile corruption cases involving government officials and executives from Oman’s oil industry have been prosecuted in recent years. Many influential figures in government still apparently have private business interests that could create potential conflicts of interest. The judiciary is not independent and remains subordinate to the sultan and the Ministry of Justice. Property rights are well protected.



There is no individual income tax, and the top corporate tax rate is 12 percent. There is no consumption tax or value-added tax. The overall tax burden equals less than 3 percent of GDP. Government spending amounts to 45.9 percent of total domestic output in this oil-based economy. A fast-growing population puts pressure on public spending, but public debt remains below 10 percent of GDP.



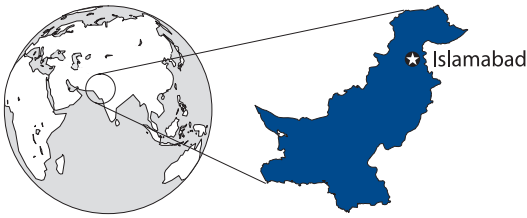
Oman’s regulatory environment is evolving. Starting a business takes an average of eight days, but the required minimum capital equals over twice the average annual income. Labor laws enforce “Omanization,” a policy that requires private-sector firms to meet quotas for hiring native Omani workers. The IMF has warned that absent cuts in state subsidies on petroleum products and electricity, fiscal deficits would climb above 15 percent of GDP.



Oman’s average tariff rate is 2.5 percent. The government screens foreign investment, and ownership levels in many sectors of the economy are capped. State-owned enterprises operate in the energy and telecommunications sectors. The banking sector continues to evolve, with commercial banks performing well. Most credit is offered at market rates, but the government uses subsidized loans to promote investment.

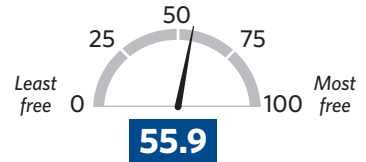
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+23.5	Business Freedom	-14.9	Trade Freedom	+12.0
Freedom from Corruption	-25.0	Government Spending	-15.9	Labor Freedom	-1.3	Investment Freedom	+20.0
				Monetary Freedom	-7.8	Financial Freedom	-10.0



PAKISTAN

Economic Freedom Score



World Rank: **126** Regional Rank: **26**

Despite some progress in moving forward much-needed reforms, Pakistan still lags behind other countries in the region in enhancing competitiveness. Lingering social and political instability further undercuts sustainable advancement in installing a stable macroeconomic environment and the institutional capacity to realize the country's relatively untapped potential for growth.

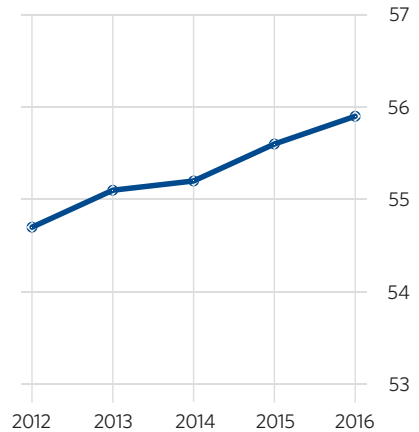
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **55.9 (up 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **126th**
- Regional Ranking: **26th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.2**

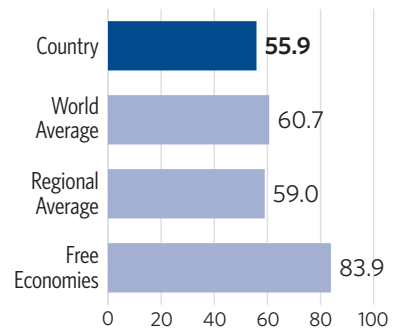
The overall regulatory environment continues to be negatively affected by convoluted administrative bureaucracy, as reforms in this area have fallen short. Property rights are undermined by a weak and ineffective judiciary that is susceptible to political interference. Endemic corruption remains a serious drag on long-term economic development.

BACKGROUND: Prime Minister Nawaz Sharif, elected in 2013, governs an unstable democracy laboring under constant threat from Islamic extremists. Demonstrations in August and September 2014 led by Tehreek-e-Insaf party chief Imran Khan and religious leader Tahir ul-Qadri increased civil-military tensions. A December 2014 terrorist attack on a military school in Peshawar prompted Sharif to introduce a 20-point anti-terrorist National Action Plan. In early 2015, deteriorating Indo-Pakistani relations led to increased incidents along the border and sharp rhetoric between Pakistani and Indian officials. Pakistan's release of terrorist mastermind Zakiur Rehman Lakvi from jail in April 2015 further strained Indo-Pakistani relations. Pakistan has privatized some state-run industries, but the economy is still heavily regulated, and poor security discourages foreign investment.

Freedom Trend



Country Comparisons



Quick Facts

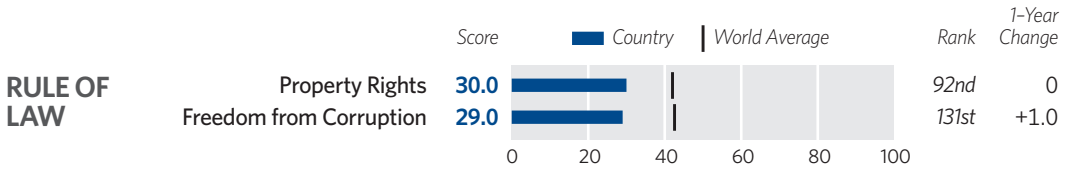
- Population:** 186.3 million
- GDP (PPP):** \$882.3 billion
- 4.1% growth in 2014
- 5-year compound annual growth 3.6%
- \$4,736 per capita
- Unemployment:** 5.2%
- Inflation (CPI):** 8.6%
- FDI Inflow:** \$1.7 billion
- Public Debt:** 64.2% of GDP

How Do We Measure Economic Freedom?

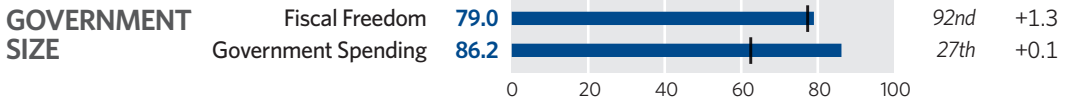
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2014 data unless otherwise noted.
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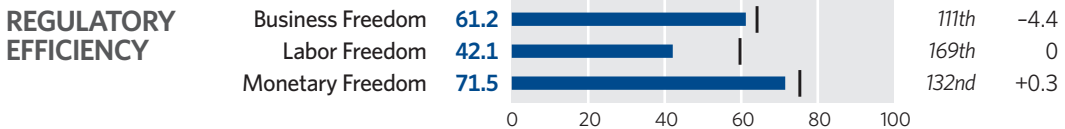
THE TEN ECONOMIC FREEDOMS



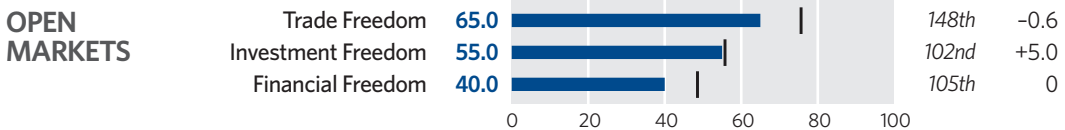
Pakistan is a repressed economy with regard to the rule of law and suffers from widespread corruption, lack of transparency, and little (if any) protection for property rights. Political and military interference in the inefficient judicial system is also prevalent. The National Accountability Bureau has made little progress in tackling official graft, largely because of inadequate political will and institutional capacity.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 33 percent. The overall tax burden equals 10.5 percent of total domestic income. Government spending amounts to 21.4 percent of GDP. The deficit equals over 4 percent of total domestic product, and public debt equals 64.2 percent of GDP. To ease pressure on finances, the government has taken steps to privatize state-owned enterprises.



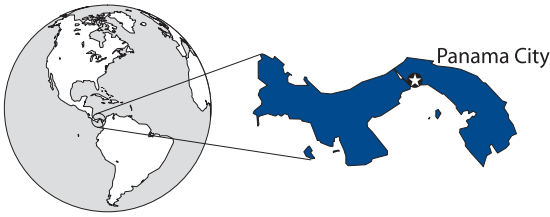
Progress in improving the entrepreneurial environment has been only modest. The cost of completing licensing requirements is still over twice the average annual income. A large portion of the workforce is underemployed in the informal sector. In May 2015, the IMF and the government agreed that Pakistan should move gradually to full cost recovery in the power sector, increase electricity rates, and privatize power distribution.



Pakistan's average tariff rate is 10 percent. Some imports of agricultural products are restricted. State-owned enterprises are active in the air transport, railway, and steel industries. Investment levels in some sectors of the economy are capped. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference. Capital markets are underdeveloped.

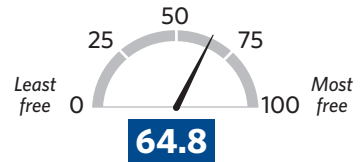
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+19.9	Business Freedom	+6.2	Trade Freedom	+32.6
Freedom from Corruption	+19.0	Government Spending	+4.1	Labor Freedom	-17.5	Investment Freedom	-15.0
				Monetary Freedom	+1.6	Financial Freedom	-30.0



PANAMA

Economic Freedom Score



World Rank: **66**

Regional Rank: **13**

The overall competitiveness of Panama's economy is sustained by openness to global commerce. Pro-growth reforms, including simplification of business start-ups and reduction of the corporate tax rate, have contributed to five years of notable economic expansion. The service-oriented economy continues to be an international business and banking hub.

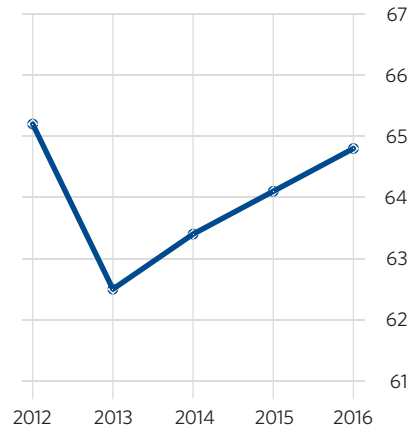
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **64.8 (up 0.7 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **66th**
- Regional Ranking: **13th in the South and Central America/Caribbean Region**
- Notable Successes: **Open Markets and Business Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-0.4**

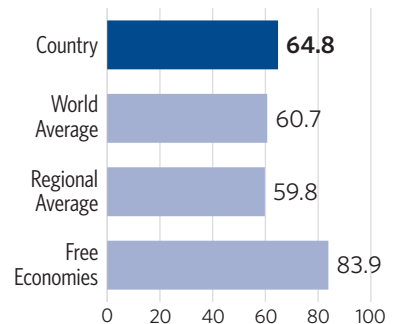
Despite some progress, the rule of law in Panama is still restrained by institutional weaknesses. Anti-corruption laws seem to have had little impact, and the judicial system remains vulnerable to political interference.

BACKGROUND: President Juan Carlos Varela took office in 2014. Surveys show that poor water supplies for segments of the population, electricity shortages, and dismal conditions in public schools are top public concerns. Panama's strong, dollar-based economy rests primarily on a services sector that accounts for more than three-quarters of GDP. About one-fourth of the population lives in poverty. Since the opening of the Panama Canal in 1914, Panama has been a strategic commercial and security hub in the Americas, with transportation, services, and banking the main engines of economic growth. By 2016, a third set of locks will enable the canal to handle post-Panamax ships, essentially doubling its capacity. The government is seeking repayment of \$1 billion owed by Venezuela to Panamanian companies operating in Panama's large import/re-export zone and to the national carrier, Copa Airlines.

Freedom Trend



Country Comparisons



Quick Facts

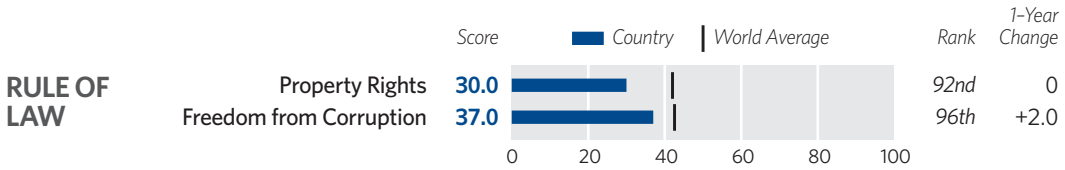
- Population:** 3.9 million
- GDP (PPP):** \$76.4 billion
- 6.2% growth in 2014
- 5-year compound annual growth 8.7%
- \$19,455 per capita
- Unemployment:** 4.3%
- Inflation (CPI):** 2.6%
- FDI Inflow:** \$4.7 billion
- Public Debt:** 45.6% of GDP

How Do We Measure Economic Freedom?

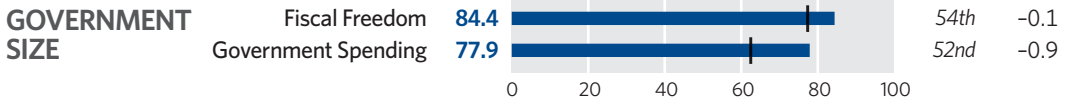
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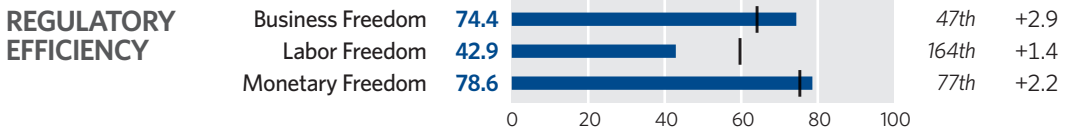
THE TEN ECONOMIC FREEDOMS



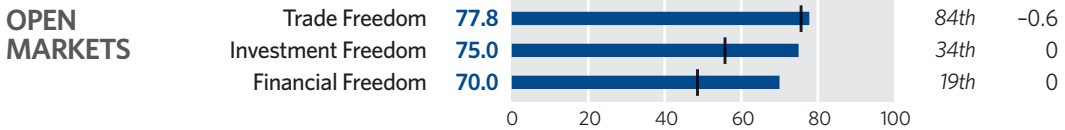
Juan Carlos Varela’s efforts to recover millions that vanished during his predecessor’s administration led to early high approval levels, but now Panamanians wonder whether the anti-corruption drive was just a political vendetta. Nothing else has been done to strengthen checks and balances or improve transparency. The judicial system remains overburdened, inefficient, politicized, and prone to corruption. Protection of property rights is weak.



The top personal income and corporate tax rates are 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 17.7 percent of total domestic income. Government spending amounts to 27.2 percent of GDP. The budget deficit, particularly in the non-financial public sector, has widened. Public debt is at a level equal to almost half of GDP.



Earlier reforms have enhanced the regulatory framework, but the pace of reform has slowed. Licensing requirements remain time-consuming and costly. The labor market lacks flexibility, and the non-salary cost of hiring a worker is relatively high. In 2015, the IMF praised the government for reducing subsidies by increasing rates charged by the state-owned electricity company but criticized its failure to eliminate state-imposed food price controls.

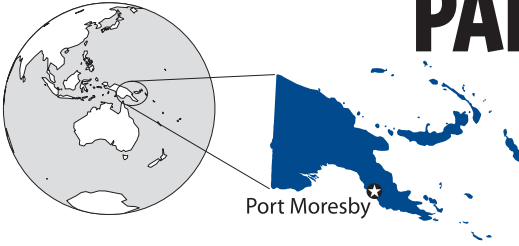


Panama’s average tariff rate is 6.1 percent. Customs procedures have been modernized in recent years. There is no general screening of foreign investment. Foreign and domestic investors are generally treated equally under the law. The financial sector, vibrant and generally well regulated, provides a wide range of services. Banking continues to expand, albeit slowly.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+6.9	Business Freedom	+4.4	Trade Freedom	+13.4
Freedom from Corruption	-13.0	Government Spending	-6.1	Labor Freedom	-2.3	Investment Freedom	+5.0
				Monetary Freedom	-10.1	Financial Freedom	-20.0

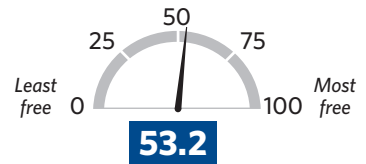
PAPUA NEW GUINEA



World Rank: **140**

Regional Rank: **30**

Economic Freedom Score



Papua New Guinea's modest formal sector is based on exports of natural resources, and its large informal sector relies on subsistence farming and other small-scale economic activity. Economic growth driven by mining operations has not improved living conditions for most ordinary Papua New Guineans. In an attempt to manage mineral revenue more effectively, the parliament approved legislation to establish a new sovereign wealth fund in 2015.

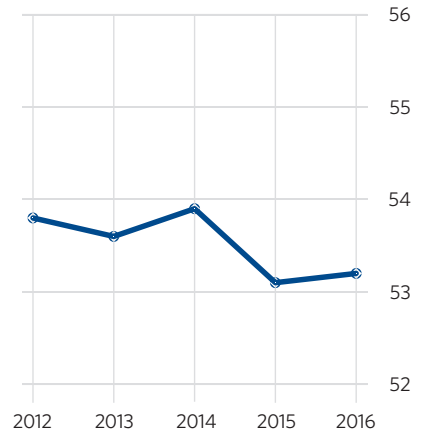
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.2 (up 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **140th**
- Regional Ranking: **30th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **-0.6**

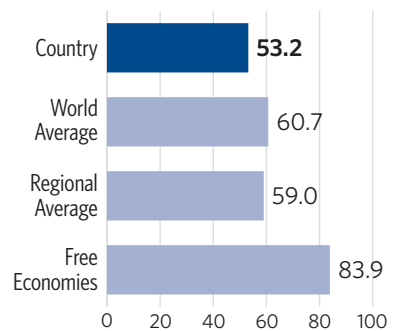
Papua New Guinea's prospects for long-term economic development are constrained by an inefficient legal system and lingering corruption that undercut the rule of law. Private-sector development is also held back by regulatory deficiencies and the lack of institutionalized open-market policies.

BACKGROUND: Papua New Guinea is a parliamentary democracy whose nearly 7.5 million people speak over 840 different languages. A year-long constitutional crisis subsided in August 2012 with the reelection of Prime Minister Peter O'Neill, whose People's National Congress Party won the most seats in parliament. Sir Michael Somare, O'Neill's chief rival, agreed to form a joint government. In 2014, O'Neill was embroiled in a legal battle over alleged misuse of government funds. Gold and copper mining, oil, and natural gas dominate the formal economy, but the vast majority of Papua New Guineans depend on subsistence hunting or agriculture and the informal economy. Australia provides about US\$480 million a year in assistance.

Freedom Trend



Country Comparisons



Quick Facts

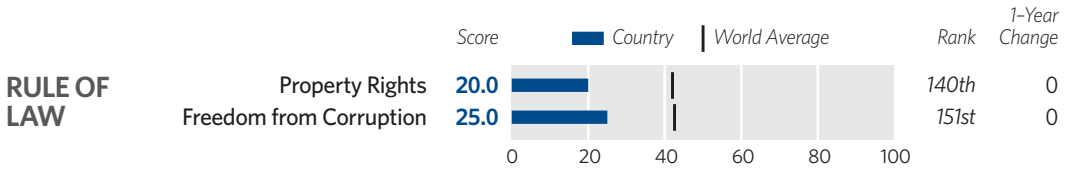
- Population:** 7.5 million
- GDP (PPP):** \$18.1 billion
- 5.8% growth in 2014
- 5-year compound annual growth 7.6%
- \$2,399 per capita
- Unemployment:** 2.5%
- Inflation (CPI):** 5.3%
- FDI Inflow:** -\$30.4 million
- Public Debt:** 35.6% of GDP

How Do We Measure Economic Freedom?

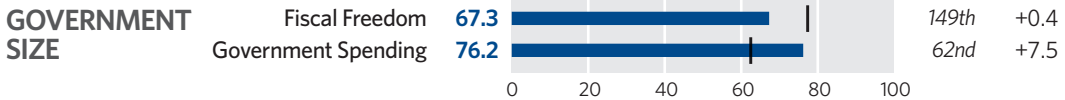
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Data compiled as of September 2015.

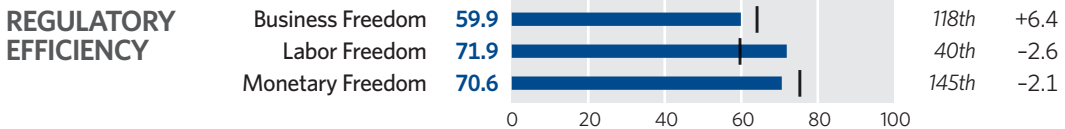
THE TEN ECONOMIC FREEDOMS



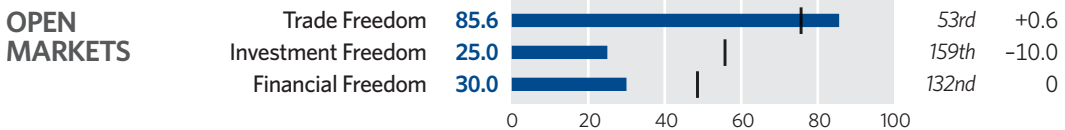
Pervasive corruption fueled by large-scale foreign investment windfalls in mining and petroleum is the biggest hindrance to development. Prime Minister Peter O’Neill pledged to fight it but then disbanded his own anti-corruption task force after it made allegations of wrongdoing by him and other lawmakers involving \$28 million in government fees paid to a private law firm. The judicial framework is underresourced and underdeveloped.



The top individual income tax rate is 42 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an excise tax. The overall tax burden equals 24.7 percent of total domestic income. Government spending has reached a level equivalent to 28.2 percent of GDP. Budget deficits have been widening, and public debt equals about 36 percent of annual economic output.



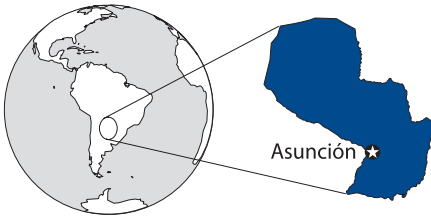
Private enterprises face numerous and time-consuming bureaucratic hurdles. Despite some reform efforts, progress toward the structural changes needed to promote entrepreneurial activity has been limited. The formal labor market is not fully developed, and informal labor activity is substantial. The government heavily subsidizes state-owned enterprises providing substandard service in such areas as power, water, banking, and telecommunications.



Papua New Guinea’s average tariff rate is 2.2 percent. Foreign investment is screened by the government. State-owned enterprises operate in several sectors of the economy, including energy and telecommunications. The availability of financial services is inconsistent throughout the economy, and much of the population remains underserved by the formal banking sector.

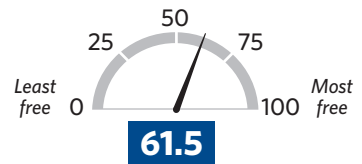
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	-14.2	Business Freedom	-10.1	Trade Freedom	+39.8
Freedom from Corruption	-25.0	Government Spending	+6.9	Labor Freedom	-9.2	Investment Freedom	-25.0
				Monetary Freedom	-10.6	Financial Freedom	0



PARAGUAY

Economic Freedom Score



World Rank: **83**

Regional Rank: **16**

Paraguay has a small but relatively open economy and vast natural resources. Driven by agricultural production and foreign trade, the economy has expanded at an average annual rate of 7 percent over the past five years. However, the emergence of a more vibrant private sector remains constrained by institutional weaknesses, and progress on reforming the public sector has been uneven.

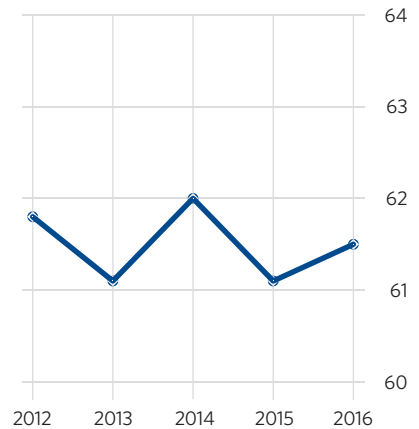
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.5 (up 0.4 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **83rd**
- Regional Ranking: **16th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-0.3**

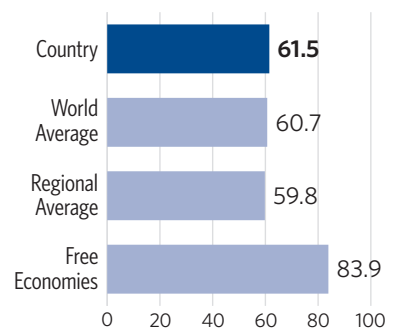
Paraguay's trade freedom is relatively high, driven mainly by relatively low tariff barriers, but dynamic gains are undercut by the absence of progress in other policy areas, particularly finance and investment. The judicial system lacks efficiency and political independence. Corruption is perceived as widespread.

BACKGROUND: President Horacio Cartes of the traditionally dominant Colorado Party was elected in 2013. He succeeded Federico Franco, the former vice president who stepped into the presidency when Fernando Lugo was impeached in 2012. Cartes has made progress on his ambitious agenda, which includes public-sector reform and increased investment in infrastructure. Annual economic growth is forecast to remain steady in the 4 percent to 5 percent range, but the economy depends heavily on agriculture and is vulnerable to weather and commodity price trends. Attempts to reduce smuggling and scrutinize suspected terrorist groups in the tri-border area with Brazil and Argentina are not considered to have been successful.

Freedom Trend



Country Comparisons



Quick Facts

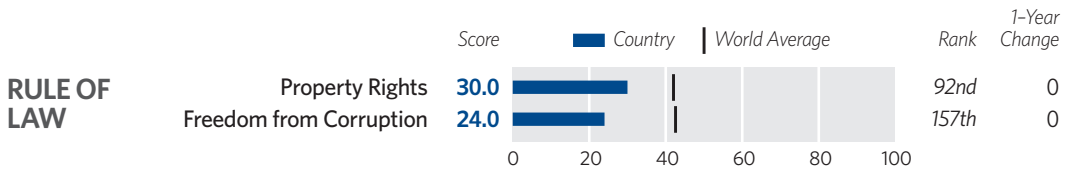
- Population:** 6.9 million
- GDP (PPP):** \$58.3 billion
- 4.4% growth in 2014
- 5-year compound annual growth 7.0%
- \$8,449 per capita
- Unemployment:** 4.5%
- Inflation (CPI):** 5.0%
- FDI Inflow:** \$236.3 million
- Public Debt:** 21.4% of GDP

How Do We Measure Economic Freedom?

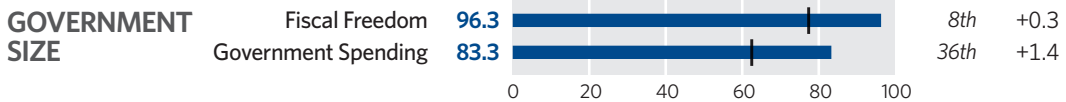
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2014 data unless otherwise noted.
Data compiled as of September 2015.

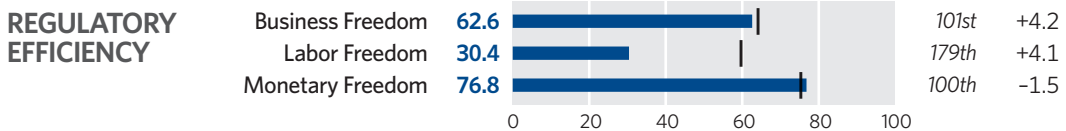
THE TEN ECONOMIC FREEDOMS



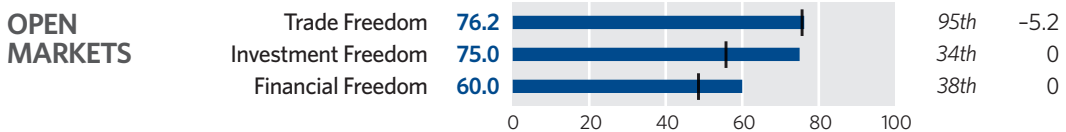
Corruption is widespread at all levels of Paraguay’s government, judiciary, and police, particularly in the eastern part of the country, Ciudad del Este. Corruption cases languish for years in the court system without resolution, and offenses often go unpunished due to political influence on the judiciary. A lack of consistent property surveys and registries often makes it difficult to acquire secure title documents for land.



The personal income tax rate is 10 percent, and the top corporate tax rate is 10 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 13.1 percent of total domestic income. Government spending amounts to 23.6 percent of total domestic output. The government budget has run small deficits in recent years, and public debt remains below 25 percent of GDP.



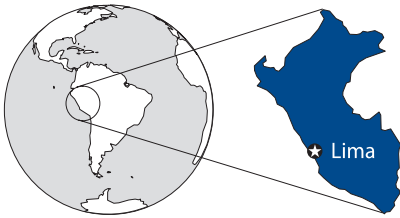
There is no minimum capital requirement for starting a business, but the process still takes more than 30 days. The cost of completing licensing requirements remains burdensome. The labor market lacks flexibility, hurting much-needed formal-sector job growth. The government subsidizes nine major state-owned entities performing a wide range of activities, from public utilities to transport infrastructure and commercial activities.



Paraguay’s average tariff rate is 4.4 percent. Several categories of imports require licenses. State-owned enterprises are active in such sectors as electricity and telecommunications. Domestic and foreign investors are generally treated equally under the law. However, the investment regime lacks efficiency, mainly due to government bureaucracy. The level of financial intermediation has been improving gradually.

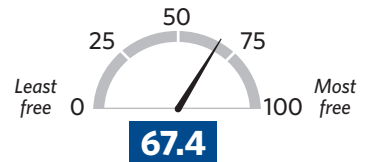
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+6.2	Business Freedom	-7.4	Trade Freedom	+17.8
Freedom from Corruption	+14.0	Government Spending	-8.2	Labor Freedom	+2.3	Investment Freedom	-15.0
				Monetary Freedom	+13.7	Financial Freedom	-10.0



PERU

Economic Freedom Score



World Rank: **49**

Regional Rank: **9**

Peru's economic competitiveness has been sustained by regulatory reforms and open-market policies. Macroeconomic and monetary management is relatively prudent, with a structural fiscal rule keeping the level of public debt among the lowest in the region.

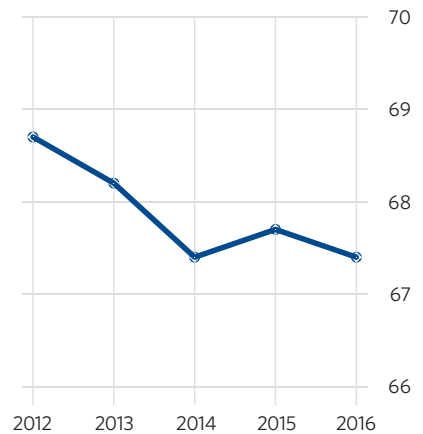
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **67.4 (down 0.3 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **49th**
- Regional Ranking: **9th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-1.3**

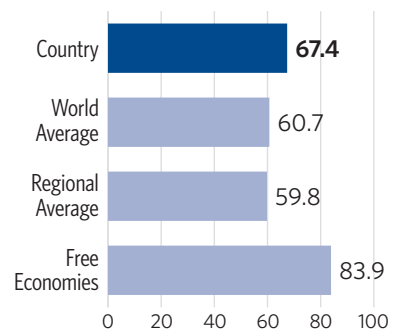
Institutional weaknesses continue. A lack of progress in addressing key structural deficiencies such as a complex tax regime and a rigid labor market undercuts productivity growth. Property rights are not well protected, and the judicial system is not efficient. Social conflicts surrounding large-scale mining projects threaten long-term economic development.

BACKGROUND: President Ollanta Humala of the leftist Peruvian Nationalist Party will finish his five-year term in 2016. He has disappointed extremists on the left by governing moderately, and his administration has been plagued by allegations of corruption. Peru has benefitted from significant foreign investment in mining and manufacturing since liberal economic reform began in the 1990s. Humala did not reverse those reforms but also has not deepened liberalization. Less than 30 percent of Peruvians live below the poverty line, down from about 60 percent a decade ago, and economic growth has been well above the regional average. The U.S.–Peru Free Trade Agreement has vastly increased bilateral trade since it was signed in 2007. Peru has entered into numerous other free trade agreements and is a founding member of the Pacific Alliance.

Freedom Trend



Country Comparisons



Quick Facts

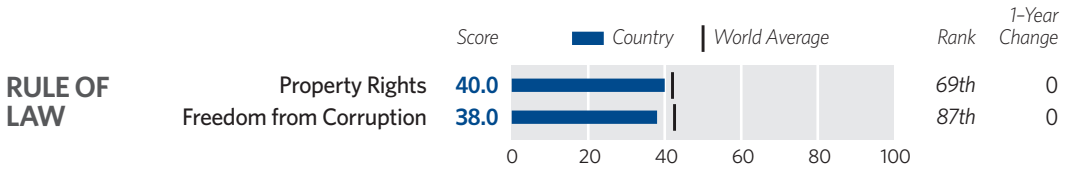
- Population:** 31.4 million
- GDP (PPP):** \$371.3 billion
- 2.4% growth in 2014
- 5-year compound annual growth 5.8%
- \$11,817 per capita
- Unemployment:** 4.2%
- Inflation (CPI):** 3.2%
- FDI Inflow:** \$7.6 billion
- Public Debt:** 20.7% of GDP

How Do We Measure Economic Freedom?

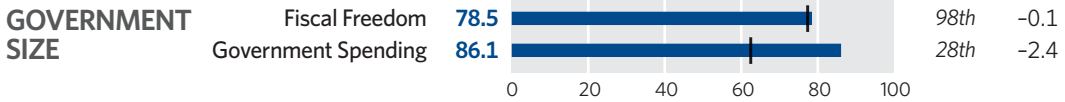
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

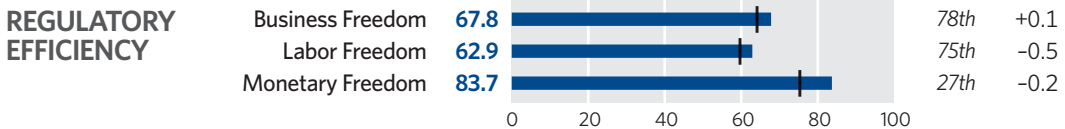
THE TEN ECONOMIC FREEDOMS



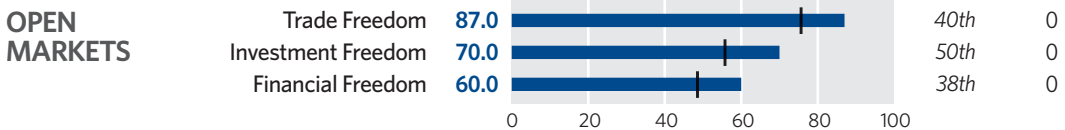
Corruption is a serious problem in the national government, security forces, judiciary, customs agencies, ports, and local governments, where the influence of drug traffickers has grown. One high-profile case involves charges of political espionage and money laundering against a businessman and former adviser to President Ollanta Humala and the First Lady. The dysfunctional judiciary is widely distrusted and prone to corruption scandals.



The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a financial transactions tax. The overall tax burden equals 18.6 percent of total domestic income. Government spending has risen to 21.5 percent of GDP. The government budget has registered a small surplus, and public debt equals about 20 percent of total domestic output. Strong mining receipts have helped the fiscal balance.



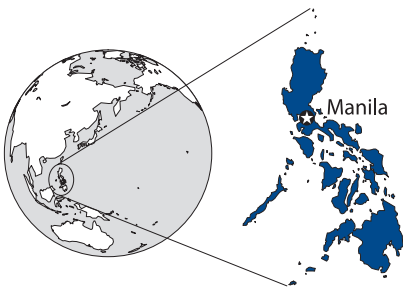
Recent reforms dismantled some barriers to running private enterprises. With no minimum capital required, it now takes less than seven procedures to start a business. Labor regulations are evolving. The state controls domestic food and fuel prices and partially subsidizes electricity, but in late 2014, it ruled out cutting taxes or introducing subsidies to encourage investment and cushion export sectors from the ongoing downturn in commodity prices.



Peru's average tariff rate is 1.5 percent. Peruvians are not allowed to import used clothing or cars. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises operate in the banking and energy sectors. The financial sector has undergone gradual transformation. Credit to the private sector has increased steadily, and foreign ownership in the financial sector is growing.

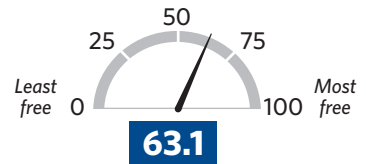
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	-2.6	Business Freedom	+12.8	Trade Freedom	+36.0
Freedom from Corruption	+28.0	Government Spending	-3.4	Labor Freedom	+17.0	Investment Freedom	0
				Monetary Freedom	+47.8	Financial Freedom	-10.0



PHILIPPINES

Economic Freedom Score



World Rank: **70**

Regional Rank: **14**

The Philippine economy has been growing steadily at an average annual rate above 6 percent for the past five years. The government has pursued legislative reforms to enhance the entrepreneurial environment and develop a more vibrant private sector to generate broader-based job growth. Despite some progress, poor infrastructure remains a serious impediment to economic growth.

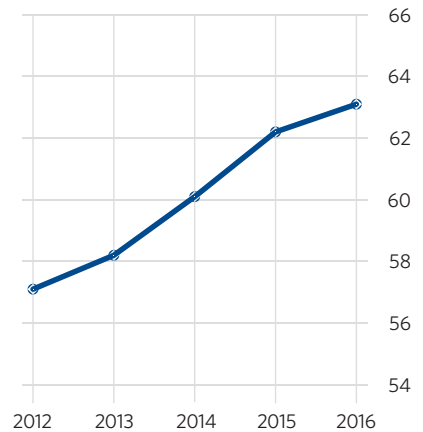
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.1 (up 0.9 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **70th**
- Regional Ranking: **14th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom and Management of Public Finance**
- Concerns: **Rule of Law and Labor Freedom**
- Overall Score Change Since 2012: **+6**

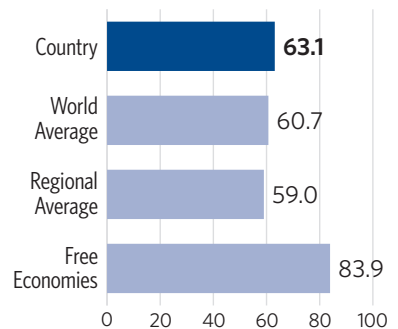
Overcoming lingering institutional challenges will require a deeper commitment to reform. Although the perceived level of corruption has declined, more effective anti-corruption measures need to be institutionalized. The judiciary remains susceptible to political interference and does not provide dependable enforcement of the law.

BACKGROUND: The Philippines' diverse population, speaking more than 80 languages and dialects, is spread over 7,000 islands in the Western Pacific. Democracy was restored in 1986 after two decades of autocratic rule. President Benigno Aquino III took office in 2010 with a mandate to root out corruption. The Philippines' next presidential and general elections are scheduled to be held in May 2016. While agriculture is still a significant part of the economy, industrial production in areas like electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to nearly 10 percent of GDP. The Philippines was ravaged in late 2013 by Typhoon Haiyan, but its economy recovered rapidly.

Freedom Trend



Country Comparisons



Quick Facts

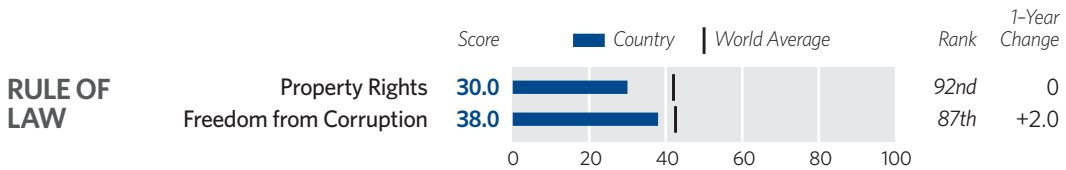
- Population:** 99.4 million
- GDP (PPP):** \$692.2 billion
- 6.1% growth in 2014
- 5-year compound annual growth 6.3%
- \$6,962 per capita
- Unemployment:** 7.1%
- Inflation (CPI):** 4.2%
- FDI Inflow:** \$6.2 billion
- Public Debt:** 37.2% of GDP

How Do We Measure Economic Freedom?

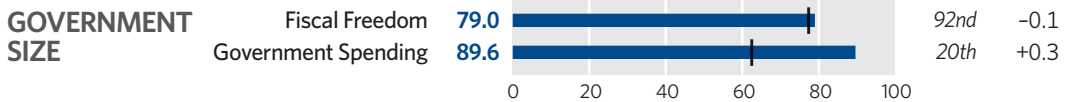
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

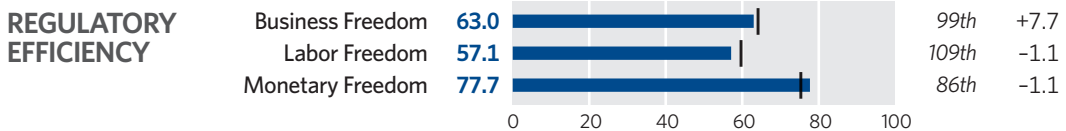
THE TEN ECONOMIC FREEDOMS



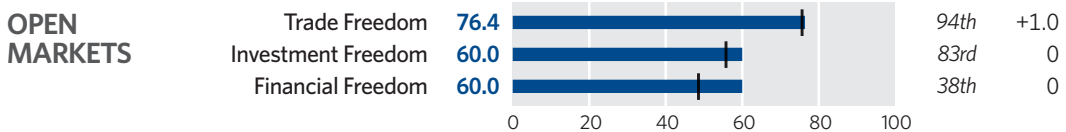
Corruption and cronyism are rife in business and government. A few dozen leading families hold a disproportionate share of land, corporate wealth, and political power. A culture of impunity, stemming in part from case backlogs in the judicial system, hampers the fight against corruption. The rule of law is generally weak as courts are hampered by inefficiency, low pay, intimidation, and corruption.



The top individual income tax rate is 32 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 13.3 percent of total domestic income. Government spending amounts to 18.6 percent of GDP. Public debt has been below 40 percent of GDP. Efforts to narrow the budget gap have kept budget deficits under control.



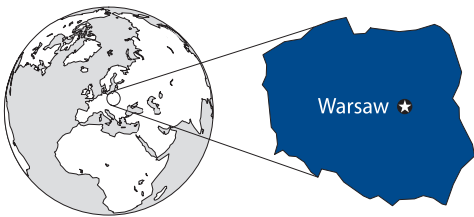
The time involved in dealing with licensing requirements has been notably reduced, and the cost of completing them has been cut. The labor market remains structurally rigid, although existing regulations are not particularly burdensome. Government subsidies to state-owned or state-controlled corporations jumped by 200 percent in the first quarter of 2015, with the National Electrification Administration receiving much of this support.



The Philippines' average tariff rate is 4.3 percent. Quotas restrict imports of several agricultural products. State-owned enterprises operate in several sectors of the economy. The financial sector, which is gradually modernizing, remains relatively stable and sound. Restrictions on foreign ownership of banks have been lifted since 2014, allowing overseas banks to acquire 100 percent equity in existing banks.

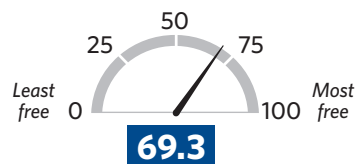
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+5.8	Business Freedom	+8.0	Trade Freedom	+34.4
Freedom from Corruption	+28.0	Government Spending	+1.2	Labor Freedom	+3.7	Investment Freedom	+10.0
				Monetary Freedom	+1.0	Financial Freedom	+10.0



POLAND

Economic Freedom Score



World Rank: **39**

Regional Rank: **18**

Poland's transition to a free-market economy has been facilitated by structural reforms and an increasingly vibrant private sector. Openness to global commerce and trade, competitive taxation, and an efficient regulatory system have encouraged more dynamic and broadly based economic expansion. A new bankruptcy and insolvency code will take effect in 2016.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **69.3** (up 0.7 point)
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **39th**
- Regional Ranking: **18th in Europe**
- Notable Successes: **Open Markets and Monetary Freedom**
- Concerns: **Management of Government Spending and Labor Freedom**
- Overall Score Change Since 2012: **+5.1**

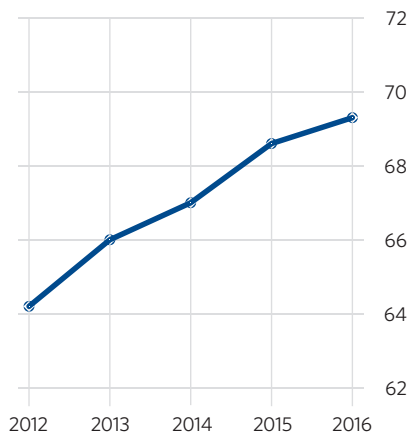
The rule of law in Poland remains relatively well respected. The perceived level of corruption has declined, and the judiciary, increasingly independent of politics, is capable of protecting property rights effectively.

BACKGROUND: Poland joined NATO in 1999 and the European Union in 2004. The center-right Civic Platform Party was ousted following parliamentary elections in October 2015. The conservative Eurosceptic Law and Justice Party headed by Prime Minister Beata Szydło won a parliamentary majority. With a flexible exchange rate, a legally independent central bank with an IMF credit line, access to international markets, and healthy economic policies, Poland was the only European country to experience economic growth during the 2009 credit crisis. Increasingly concerned about Russia's activities in the region, Poland has agreed to host the next NATO summit in 2016. Low rates of investment in agriculture have made Poland uncompetitive in food production, but the automotive, pharmaceutical, aviation, steel, and machinery sectors have made it one of the EU's strongest economic performers. The private sector now accounts for two-thirds of GDP.

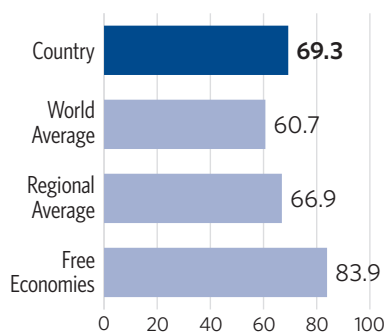
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

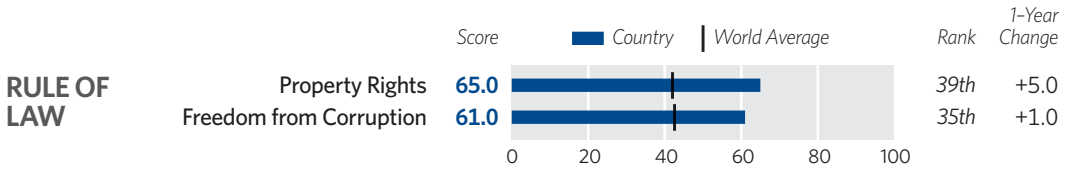


Quick Facts

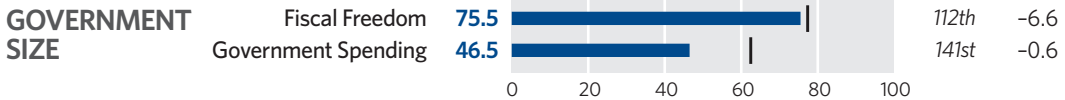
- Population:** 38.0 million
- GDP (PPP):** \$954.5 billion
- 3.3% growth in 2014
- 5-year compound annual growth 3.0%
- \$25,105 per capita
- Unemployment:** 9.2%
- Inflation (CPI):** 0.0%
- FDI Inflow:** \$13.9 billion
- Public Debt:** 48.8% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

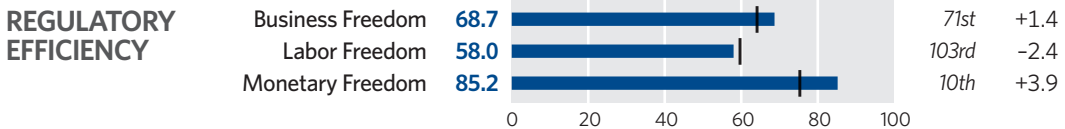
THE TEN ECONOMIC FREEDOMS



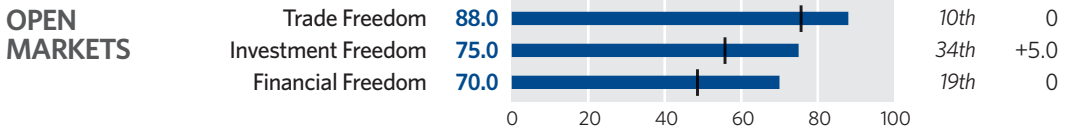
Allegations of corruption occur most frequently in government contracting and the issuance of regulations or permits that benefit a particular company. Incidents of corrupt behavior by customs and border guard officials, tax authorities, and local government officials show a decreasing trend and, if proven, are usually punished. The legal system protects rights to acquire and dispose of property. The judiciary is independent but slow.



The top income tax rate is 32 percent, and the corporate tax rate is a flat 19 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 32.7 percent of total domestic income. Government spending accounts for 42.2 percent of GDP, and the budget continues to have a small deficit. Public debt amounts to less than 50 percent of GDP.



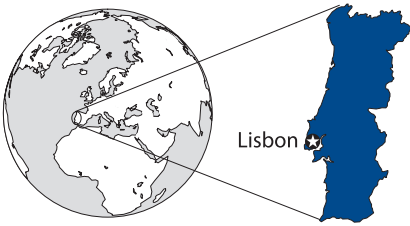
The entrepreneurial framework is conducive to launching and running businesses, and the bankruptcy process is now streamlined. Labor regulations are more stringent than those of other countries in the region. In 2015, due to losses from Russia’s food import ban, the government asked the EU to loosen rules on state subsidies for inefficient coal mines and to reinstate export subsidies to Polish pork and milk producers.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Some state-owned enterprises remain in operation. Foreign and domestic investors are generally treated equally. The growing banking sector has become more competitive, and capital markets are expanding.

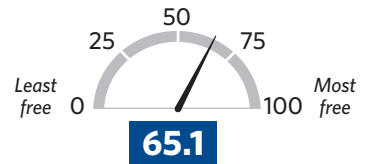
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+15.0	Fiscal Freedom	+24.5	Business Freedom	-1.3	Trade Freedom	+31.0
Freedom from Corruption	+11.0	Government Spending	+36.9	Labor Freedom	-2.0	Investment Freedom	+5.0
				Monetary Freedom	+36.5	Financial Freedom	+20.0



PORTUGAL

Economic Freedom Score



World Rank: **64**

Regional Rank: **30**

Portugal's economy has benefited from recent structural reforms. Ongoing efforts have focused on reducing the inefficient and oversized government sector, better managing public finance, and reforming loss-making state-owned enterprises. A return to sovereign-bond markets has enabled Portugal to begin repaying its IMF loan ahead of schedule.

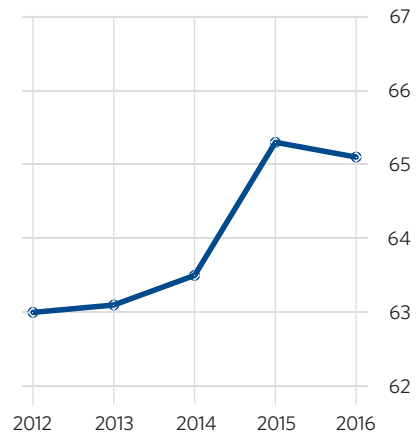
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.1 (down 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **64th**
- Regional Ranking: **30th in Europe**
- Notable Successes: **Trade Freedom and Business Freedom**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **+2.1**

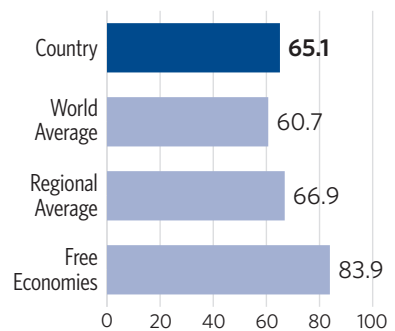
Portugal's economic recovery remains highly vulnerable to challenges related to ensuring fiscal stability and restoring financial-sector competitiveness. Despite relatively sound economic institutions and transparent regulatory and judicial systems, the indebted public sector is still a drag on overall economic dynamism.

BACKGROUND: Portugal joined the European Union in 1986 and the eurozone in 2002. A center-right coalition formed a minority government following elections in October 2015. Two weeks later, a left-wing coalition opposed to proposed austerity measures forced the government to resign. In May 2011, Portugal accepted a €78 billion European Union–International Monetary Fund bailout plan that included demands for structural reforms to reduce public debt and increase incentives for private investment. Adherence to strict budgetary discipline has allowed Portugal to move beyond the worst of its economic crisis. The economy is based primarily on services and industrial production. Tax rates are at record highs, and younger Portuguese are moving abroad for work. Overall unemployment is well above pre-crisis levels.

Freedom Trend



Country Comparisons



Quick Facts

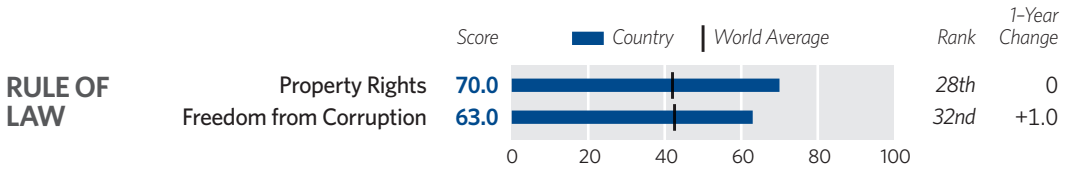
Population: 10.4 million
GDP (PPP): \$280.4 billion
 0.9% growth in 2014
 5-year compound annual growth -0.9%
 \$26,975 per capita
Unemployment: 14.2%
Inflation (CPI): -0.2%
FDI Inflow: \$8.8 billion
Public Debt: 130.2% of GDP

How Do We Measure Economic Freedom?

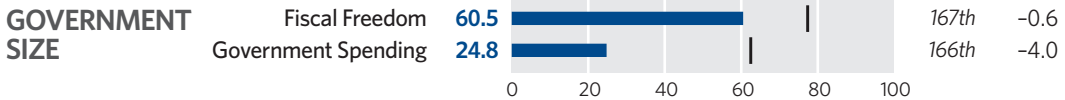
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 Data compiled as of September 2015.

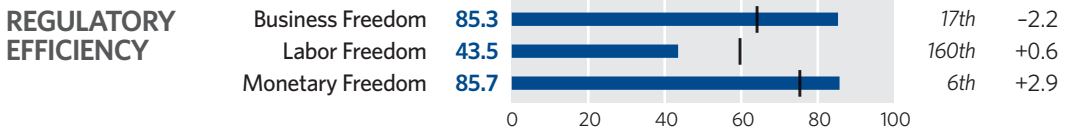
THE TEN ECONOMIC FREEDOMS



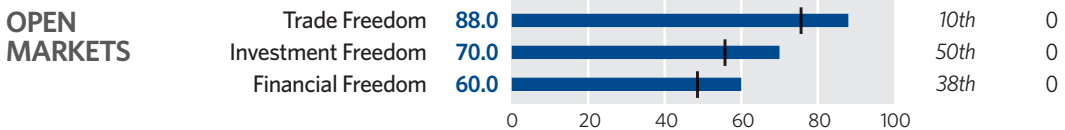
A 2014 European Commission report urged Portugal to establish an anti-corruption strategy to address shortcomings in prosecuting high-level corruption cases, the lack of preventive measures for corruption in party funding and public procurement, and conflicts of interest among local-level politicians. Property rights are well protected, but registration costs are slightly higher than the OECD average at 7.3 percent of a property’s value.



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 33.4 percent of total domestic income. Government spending amounts to 50.1 percent of GDP, and public debt still exceeds the size of the economy. Reducing the deficit and debt levels, both public and private, remains a critical task.



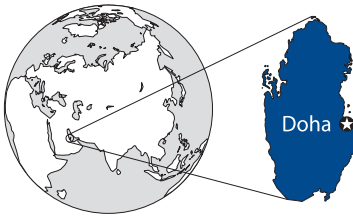
Starting a company takes less than a week, and no minimum capital is required, but completing licensing requirements remains burdensome. A number of revisions in Portugal’s labor regulations, which had been among the most inflexible in the European Union, have been implemented. Although some state-owned enterprises have been privatized, the remaining SOEs are inefficiently run and require ongoing subsidization.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises operate in several sectors of the economy. Foreign and domestic investors are allowed equal access to investment opportunities, but the uncertain economic climate is a deterrent. Despite some progress, the financial sector remains under considerable strain.

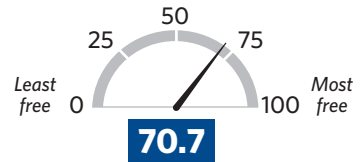
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	+15.3	Trade Freedom	+10.2
Freedom from Corruption	-7.0	Government Spending	-11.2	Labor Freedom	+2.3	Investment Freedom	+20.0
				Monetary Freedom	+8.0	Financial Freedom	+10.0



QATAR

Economic Freedom Score



World Rank: **34**

Regional Rank: **3**

Qatar has undertaken a number of structural reforms intended to enhance the entrepreneurial and investment regimes and help transition away from dependence on the hydrocarbon sector. The country's openness to global commerce, reinforced by its aspiration to be a leading financial and business hub, has facilitated private-sector growth outside of the oil and gas industries.

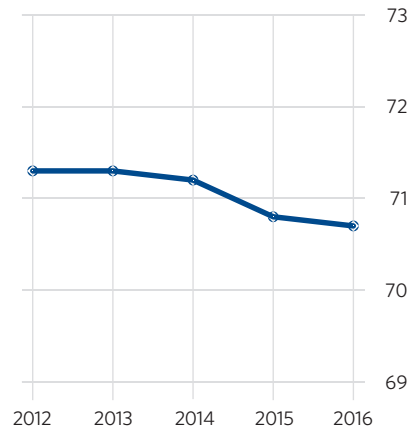
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70.7 (down 0.1 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **34th**
- Regional Ranking: **3rd in the Middle East/North Africa Region**
- Notable Successes: **Open Markets and Fiscal Freedom**
- Concerns: **Labor Freedom**
- Overall Score Change Since 2012: **-0.6**

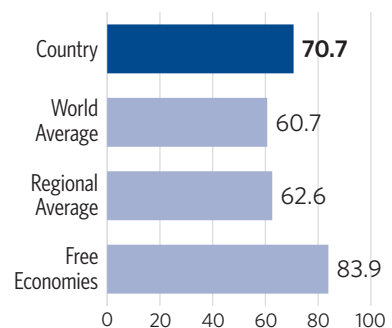
By and large, Qatar's high standard of living has been enjoyed and shared by almost all Qataris. The small Gulf state has been largely unaffected by social unrest and civil conflicts that have fragmented some other countries in the region and benefits from a relatively high level of political stability and respect for the rule of law.

BACKGROUND: The Al-Thani family has ruled Qatar since independence from Great Britain in 1971. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has emphasized such domestic issues as enhancing infrastructure, health care, and education. Qatar has largely avoided problems generated elsewhere by the Arab Spring uprisings, but it has come under fire for its support of radical Islamist groups. The government permits extensive foreign investment in energy enterprises. Oil and gas account for about 85 percent of export revenues and over 50 percent of GDP. Qatar's proven oil reserves exceed 25 billion barrels, and its natural gas reserves are the world's third largest.

Freedom Trend



Country Comparisons



Quick Facts

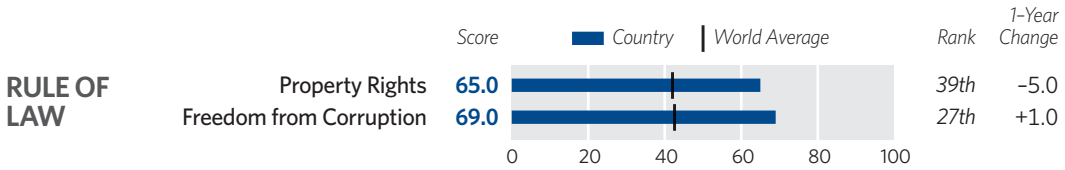
- Population:** 2.2 million
- GDP (PPP):** \$320.5 billion
- 6.1% growth in 2014
- 5-year compound annual growth 9.7%
- \$143,427 per capita
- Unemployment:** 0.3%
- Inflation (CPI):** 3.0%
- FDI Inflow:** \$1.0 billion
- Public Debt:** 31.5% of GDP

How Do We Measure Economic Freedom?

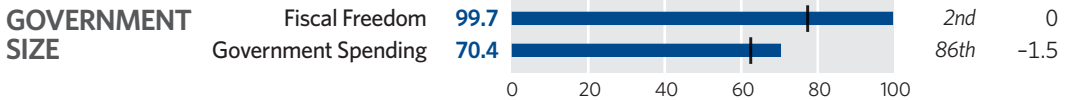
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

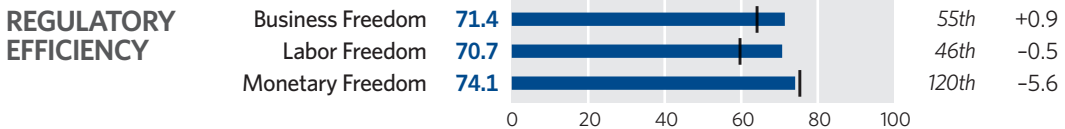
THE TEN ECONOMIC FREEDOMS



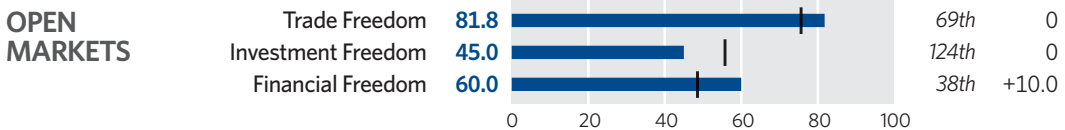
Critics have complained about a lack of transparency and the influence of personal connections in government procurement. Qatar has faced ongoing allegations of corrupt practices in securing the winning bid to host the 2022 World Cup. Migrant workers are denied property rights. Despite constitutional guarantees, the judiciary is not independent. The majority of judges are foreign nationals who are appointed and removed by the emir.



There is no income tax or domestic corporate tax. Foreign corporations operating in Qatar are subject to a flat 10 percent corporate tax rate. Aside from customs duties, there are no other major taxes. The tax burden equals 5.2 percent of GDP, and government spending amounts to 31.4 percent of GDP. Public debt hovers at a level around 30 percent of annual economic output.



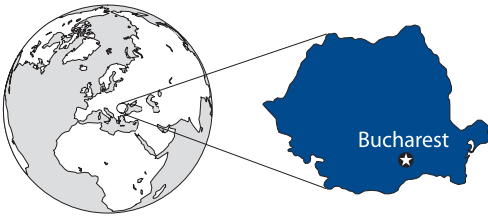
The business environment is generally conducive to the operation of new companies. The labor force consists primarily of expatriate workers. The government does not mandate a minimum wage. Qatar has one of the world’s highest levels of per capita subsidies. Commercial airlines in the U.S. and Europe have accused the state of abusing “Open Skies” agreements by giving billions in subsidies to state-owned Qatar Airways.



Qatar’s average tariff rate is 4.1 percent. Goods with domestic content are favored in government purchases. Foreign investment levels are often capped. State-owned enterprises distort the economy. The financial sector, in which the state continues to retain ownership, has undergone modernization. The stable banking sector remains competitive, and investment laws have been amended to attract greater foreign investment in banking.

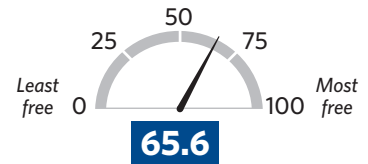
Long-Term Score Change (since 1999)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+15.0	Fiscal Freedom	+12.2	Business Freedom	+16.4	Trade Freedom	+6.8
Freedom from Corruption	-21.0	Government Spending	+22.6	Labor Freedom	+10.7	Investment Freedom	-5.0
				Monetary Freedom	+1.4	Financial Freedom	+30.0



ROMANIA

Economic Freedom Score



World Rank: **61** Regional Rank: **29**

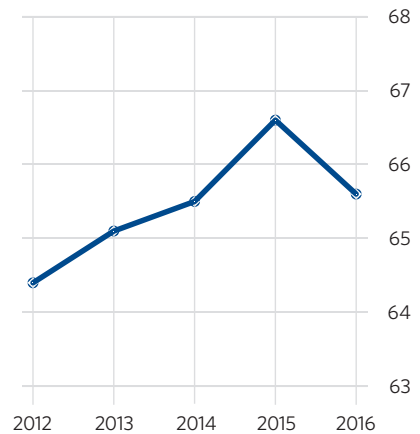
Recovering from the severe shock of the recent global financial crisis, Romania continues to place a high priority on restoring fiscal sustainability and improving competitiveness by easing and rationalizing the regulatory burden. Modest economic growth has resumed, and the government has made progress in reducing the public debt and budget deficit. The pace of privatization and restructuring of state-owned enterprises has slowed, yielding mixed results.

ECONOMIC FREEDOM SNAPSHOT

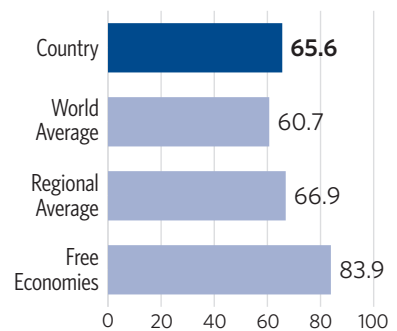
- 2016 Economic Freedom Score: **65.6 (down 1 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **61st**
- Regional Ranking: **29th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law and Labor Freedom**
- Overall Score Change Since 2012: **+1.2**

Lingering institutional shortcomings make it difficult to enhance respect for the rule of law. High levels of corruption exacerbated by a relatively inefficient judicial system weaken the prospects for dynamic long-term development.

Freedom Trend



Country Comparisons



Quick Facts

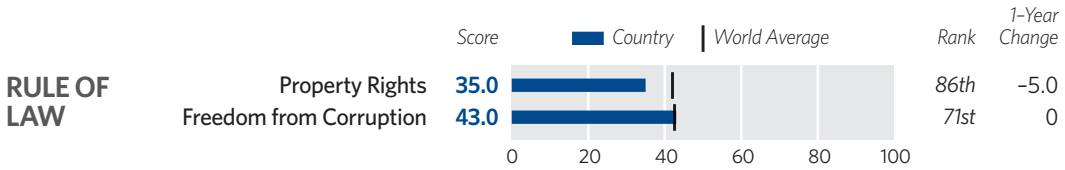
- Population:** 19.9 million
- GDP (PPP):** \$392.8 billion
- 2.9% growth in 2014
- 5-year compound annual growth 1.4%
- \$19,712 per capita
- Unemployment:** 7.0%
- Inflation (CPI):** 1.1%
- FDI Inflow:** \$3.2 billion
- Public Debt:** 40.4% of GDP

How Do We Measure Economic Freedom?

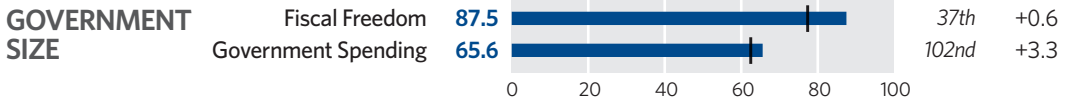
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

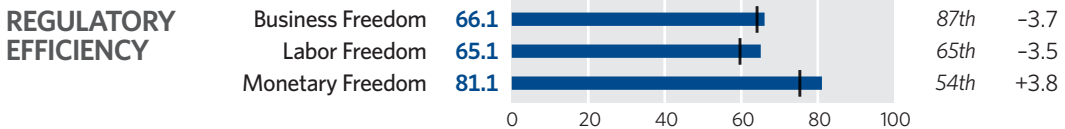
THE TEN ECONOMIC FREEDOMS



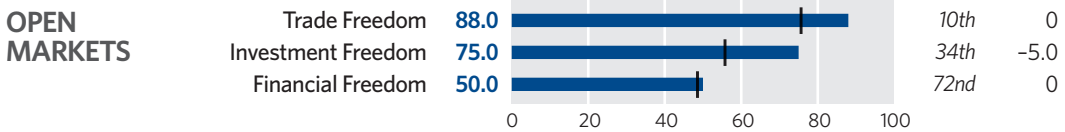
In 2015, Prime Minister Victor Ponta was charged with fraud, tax evasion, and money laundering dating back to his days as a lawyer before he was elected in 2012. He refused to step down during the trial. Romania has struggled to meet the European Union’s anti-corruption requirements amid resistance from much of the political class. The courts are underresourced and subject to chronic corruption and political influence.



Both the personal income and corporate tax rates are a flat 16 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 27.2 percent of total domestic income. Government spending amounts to 33.8 percent of total domestic output. The deficit has been narrowing, and public debt is about 40 percent of GDP. Rising spending pressures have made fiscal policy a political battleground.



The processes for business formation and operation have been streamlined, but efficient bankruptcy procedures and rules have not been fully implemented. Labor regulations remain rigid, although several amendments to improve the flexibility of the labor code have been adopted. The IMF reported in 2015 that Romania’s poor infrastructure is due partly to the dominance of inefficient and subsidized state-owned enterprises.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises distort the economy. The evolving financial sector is open to competition, and foreign-owned banks dominate the banking sector. The number of non-performing loans has been reduced considerably since their peak in 2013.

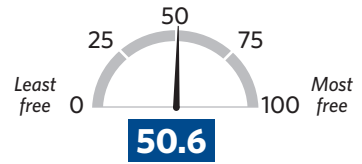
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+48.1	Business Freedom	+11.1	Trade Freedom	+9.0
Freedom from Corruption	+33.0	Government Spending	+13.4	Labor Freedom	+9.6	Investment Freedom	+5.0
				Monetary Freedom	+81.1	Financial Freedom	0



RUSSIA

Economic Freedom Score



World Rank: **153**

Regional Rank: **42**

Russia's prospects for long-term, diversified, sustainable economic growth remain bleak. There is no efficiently functioning legal framework, and government continues to interfere in the private sector through myriad state-owned enterprises. Corruption pervades the economy and continues to erode trust in the government.

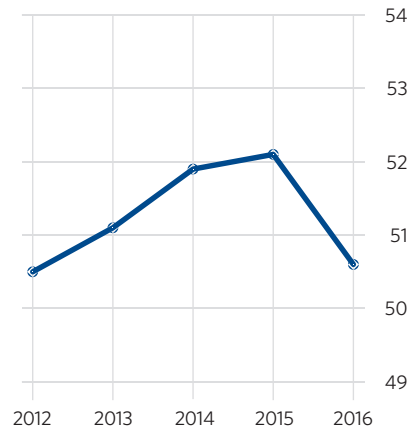
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **50.6 (down 1.5 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **153rd**
- Regional Ranking: **42nd in Europe**
- Notable Successes: **Fiscal Freedom**
- Concerns: **Rule of Law, Labor Freedom, and Investment Freedom**
- Overall Score Change Since 2012: **+0.1**

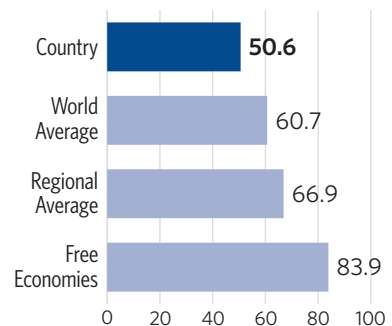
Progress with market-oriented reforms has been uneven and often reversed at the urging of those with an interest in maintaining the status quo. Increasing inflationary pressure poses a major risk to overall macroeconomic stability. Large state-owned institutions have increased their domination of the financial sector at the expense of private domestic and foreign banks.

BACKGROUND: Vladimir Putin was reelected president in March 2012 on the heels of hotly disputed December 2011 Duma elections. Russia illegally annexed Ukraine's Autonomous Republic of Crimea early in 2014. Moscow's support of Russian separatists in Ukraine has led to capital outflows and targeted sanctions by the United States and the European Union. Russia's economy is heavily dependent on oil and gas exports. The low price of oil, the financial burden of annexing Crimea, and the desire to rearm the Russian military have strained public finances. The economy is in recession, contracting in 2015. Russia became a member of the World Trade Organization in August 2012, but its bid to join the Organisation for Economic Co-operation and Development has been postponed as a result of its recent actions in Ukraine.

Freedom Trend



Country Comparisons



Quick Facts

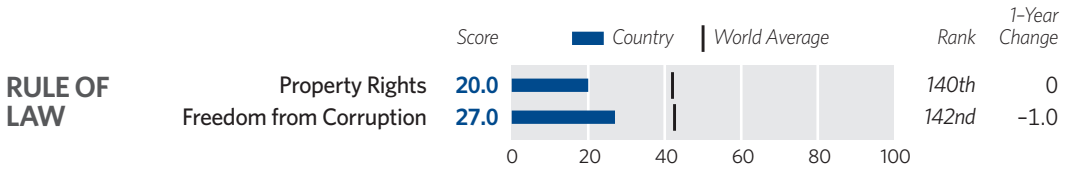
- Population:** 143.7 million
- GDP (PPP):** \$3.6 trillion
- 0.6% growth in 2014
- 5-year compound annual growth 2.8%
- \$24,805 per capita
- Unemployment:** 5.1%
- Inflation (CPI):** 7.8%
- FDI Inflow:** \$21.0 billion
- Public Debt:** 17.9% of GDP

How Do We Measure Economic Freedom?

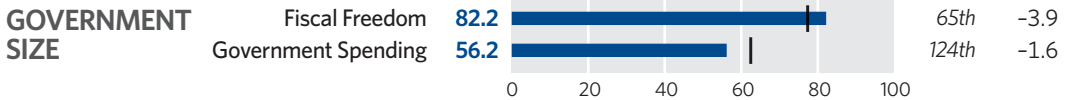
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

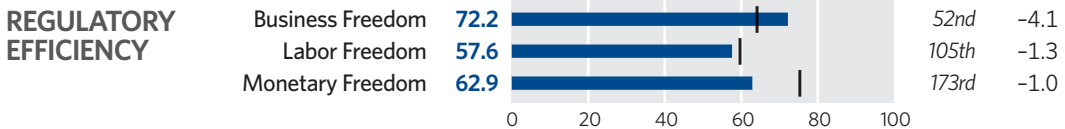
THE TEN ECONOMIC FREEDOMS



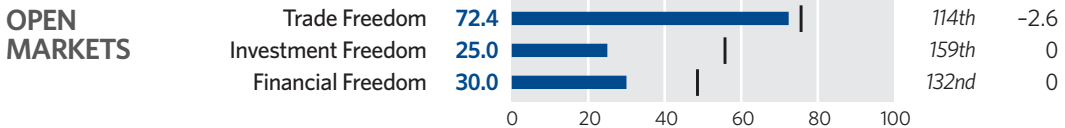
Corruption is pervasive. Small elites control the bulk of the nation’s assets, and state institutions have been corroded. The main purpose of frequent anti-corruption campaigns is to ensure elite loyalty and hamper political opponents. The rule of law is not maintained uniformly across the country, and the judiciary is vulnerable to political pressure and inconsistent in applying the law. Protection of private property rights is weak.



The personal income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 34.8 percent of total domestic income. Government spending amounts to 38.2 percent of GDP. Public debt remains under 20 percent of annual domestic output. A budgetary rule that had been implemented in 2013 to control budget deficits was abandoned in 2015.



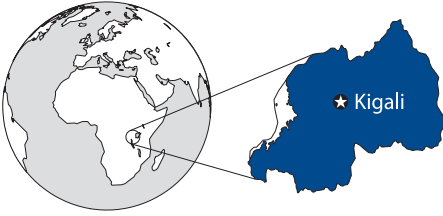
Regulations remain burdensome. Bureaucratic obstacles and inconsistent enforcement of regulations make entrepreneurial decision-making very uncertain. The outmoded labor code continues to limit employment growth. The government uses extensive subsidies and numerous state-owned companies to influence domestic prices. The IMF reported in 2015 that in absolute terms, Russia is the world’s third-largest energy subsidizer.



Russia’s average tariff rate is 6.3 percent. The government’s import substitution policy, intended to replace imports with domestically produced goods, interferes with trade and investment. State-owned enterprises significantly distort Russia’s economy. State-owned financial institutions have further solidified their position by taking market share from domestic private banks and increasing their control of lending.

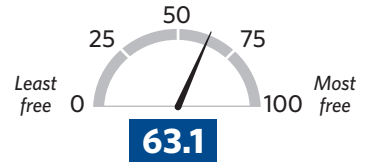
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+6.7	Business Freedom	-12.8	Trade Freedom	+20.4
Freedom from Corruption	+17.0	Government Spending	-10.9	Labor Freedom	-4.2	Investment Freedom	-45.0
				Monetary Freedom	+62.9	Financial Freedom	-20.0



RWANDA

Economic Freedom Score



World Rank: **71**

Regional Rank: **4**

Despite the difficult global economic environment, Rwanda's economy has expanded at an average annual rate of more than 6 percent during the past five years. Foreign direct investment also has risen, albeit from a low base. Notable regulatory reforms have enhanced the business environment's efficiency.

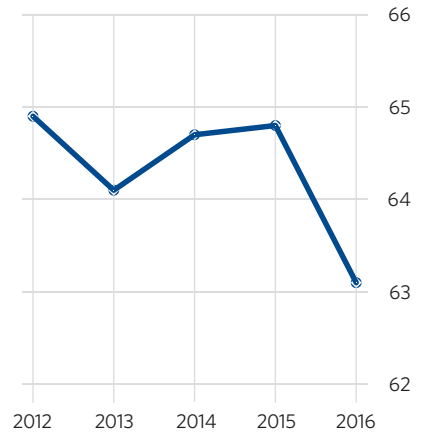
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.1 (down 1.7 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **71st**
- Regional Ranking: **4th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Regulatory Efficiency**
- Concerns: **Corruption, Property Rights, and Financial Freedom**
- Overall Score Change Since 2012: **-1.8**

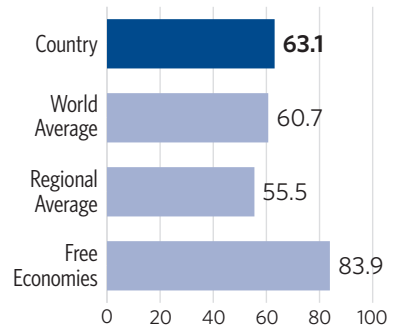
Rwanda still faces significant challenges. The institutional foundations of the rule of law are fragile. While the overall security situation has become more stable, the absence of a well-functioning legal system and the lack of transparency keep the judiciary susceptible to political interference, holding back anti-corruption efforts.

BACKGROUND: Paul Kagame's Tutsi-led Rwandan Patriotic Front (RPF) seized power in July 1994 in the wake of the state-sponsored genocide that killed an estimated 800,000 people, mostly Tutsis. Kagame has been president since 2000. He was reelected in August 2010 amid allegations of fraud, intimidation, and violence. His RPF won a resounding victory in the September 2013 parliamentary elections, and in 2015, the parliament began to debate whether the constitution should be amended to allow Kagame to stand for a third term. There have been some structural reforms, and Rwanda is trying to become a more service-oriented economy. Despite strong growth based on tourism and exports of coffee and tea, poverty remains considerable, and over 80 percent of Rwandans depend on subsistence agriculture supplemented by cash crops.

Freedom Trend



Country Comparisons



Quick Facts

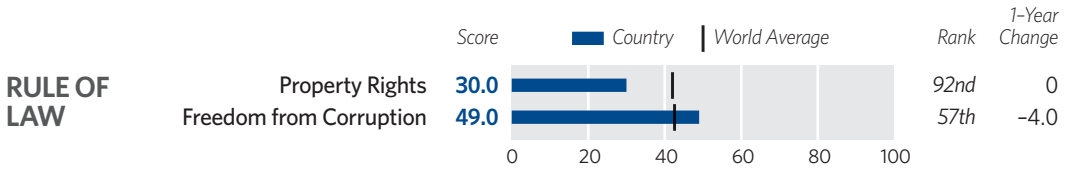
Population: 11.1 million
GDP (PPP): \$18.8 billion
 7.0% growth in 2014
 5-year compound annual growth 6.8%
 \$1,698 per capita
Unemployment: 0.6%
Inflation (CPI): 1.8%
FDI Inflow: \$267.7 million
Public Debt: 28.0% of GDP

How Do We Measure Economic Freedom?

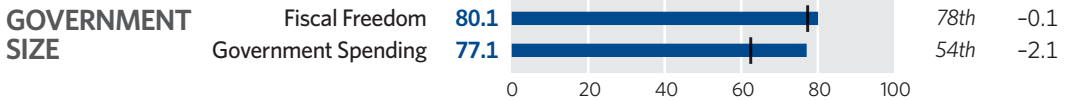
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2014 data unless otherwise noted.
 Data compiled as of September 2015.

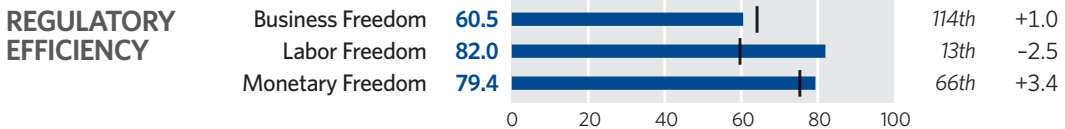
THE TEN ECONOMIC FREEDOMS



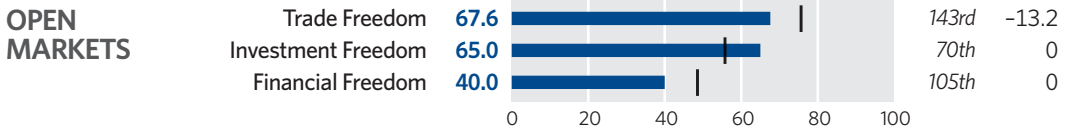
Measures to foster a better business environment and improve government transparency and accountability have had a limited impact on corruption, and graft remains a problem. Recent improvements in the judicial system include better training and revisions of the legal code, but the judiciary has yet to secure full independence from the executive. A nationwide land registration program is being implemented.



The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a property transfer tax. The overall tax burden equals 13.9 percent of total domestic income. Government spending amounts to 27.6 percent of GDP, and the budget balance has been in deficit. Public debt is equivalent to less than 30 percent of total domestic output.



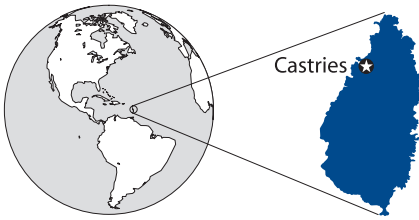
The pace of regulatory reform has slowed. Licensing requirements still cost almost three times the level of average annual income. An increase in the minimum wage has exceeded labor productivity growth, undercutting hiring flexibility. Rwanda has a public sector-led, aid-dependent economy. The government subsidizes agriculture, maintains price controls, and subsidizes power for the 20 percent of the population with access to electricity.



Rwanda's average tariff rate is 8.7 percent. Land is owned by the government, but foreign investors may lease land. Domestic companies may receive a preference in bidding for government contracts. The investment regime is still evolving and is not conducive to dynamic expansion of investment in new production. The cost of financing remains relatively high, and access to banking services continues to be limited.

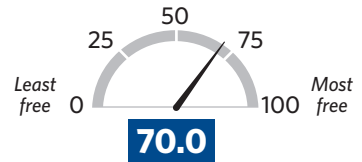
Long-Term Score Change (since 1997)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	+12.2	Business Freedom	+20.5	Trade Freedom	+33.6
Freedom from Corruption	+39.0	Government Spending	-15.1	Labor Freedom	+24.0	Investment Freedom	+35.0
				Monetary Freedom	+28.6	Financial Freedom	+30.0



SAINT LUCIA

Economic Freedom Score



World Rank: **38**

Regional Rank: **4**

Saint Lucia's relatively efficient legal system secures private property and sustains macroeconomic stability. The business environment is generally efficient and transparent, and the regulatory framework has become streamlined. Tourism is the primary driver of the economy and the main draw for foreign investment.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **70 (down 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **38th**
- Regional Ranking: **4th in the South and Central America/Caribbean Region**
- Notable Successes: **Monetary Freedom and Business Freedom**
- Concerns: **Management of Public Finance and Financial Freedom**
- Overall Score Change Since 2012: **-1.3**

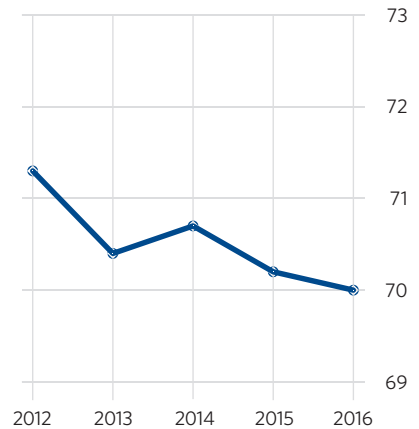
The small financial sector has not been severely affected by the recent global financial turmoil, but tourism has suffered. Improved access to financing remains critical to generating more broad-based private-sector development. Expansionary government spending has increased public debt to over 80 percent of GDP.

BACKGROUND: Prime Minister Kenny D. Anthony and his Saint Lucia Labour Party have been in office since 2011. Saint Lucia is a member of the Community of Latin American and Caribbean States (CELAC) and the Caribbean Community (CARICOM) and home to the Organization of Eastern Caribbean States. The economy depends primarily on tourism (65 percent of GDP), banana production, and light manufacturing. An educated workforce and reliable infrastructure and port facilities support foreign investment in tourism, petroleum storage, and transshipment. Lower world oil prices may help to reverse the effects of the 2008 financial crisis on tourism. Fluctuations in banana prices and reduced European Union banana trade preferences have spurred greater economic diversification in cocoa, mangos, and avocados. Rising violent crime has hurt the economy and threatens the tourism industry.

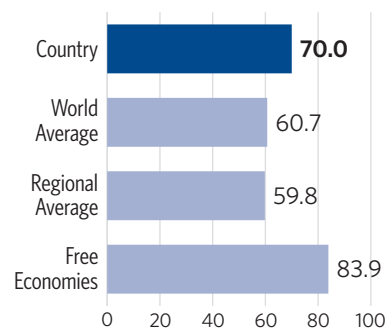
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

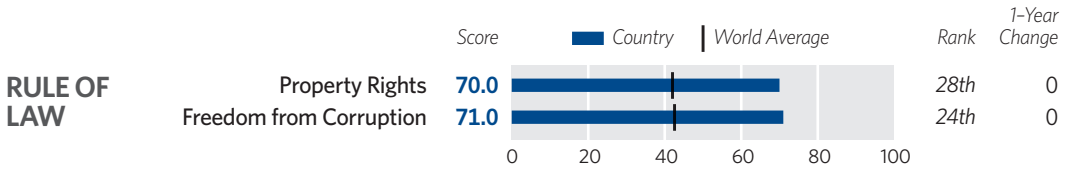


Quick Facts

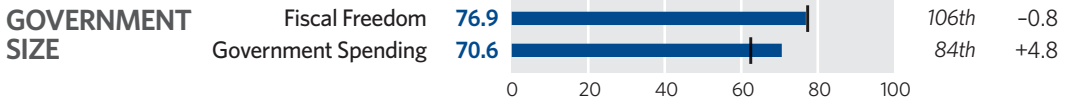
- Population:** 0.2 million
- GDP (PPP):** \$2.0 billion
- 1.1% growth in 2014
- 5-year compound annual growth 0.0%
- \$11,594 per capita
- Unemployment:** n/a
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$75.2 million
- Public Debt:** 83.9% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

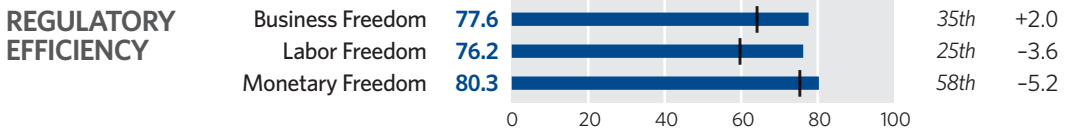
THE TEN ECONOMIC FREEDOMS



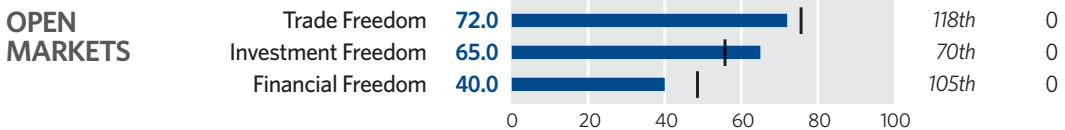
Saint Lucia has one of the lowest levels of corruption in the West Indies. Access to information is legally guaranteed, and government officials must disclose their financial assets annually to the Integrity Commission. However, while the law provides criminal penalties for official corruption, enforcement is not always effective. The independent judicial system’s highest court is the Eastern Caribbean Supreme Court.



The top personal income and corporate tax rates are 30 percent. Other taxes include a consumption tax and a property transfer tax. The overall tax burden equals 22.6 percent of total domestic income. Government spending has come down to 31.3 percent of GDP, and the deficit remains over 5 percent of GDP. Public debt is over 80 percent of total domestic output. Fiscal health fluctuates with changes in commodity prices.



The formation and operation of businesses are not burdened by excessive government interference, and enforcement of commercial regulations is relatively effective and consistent. Agriculture and tourism employ much of the labor force. In 2015, despite the global drop in oil prices, the government announced that it would continue to subsidize liquid petroleum gas but would not lower gasoline and diesel excise taxes.

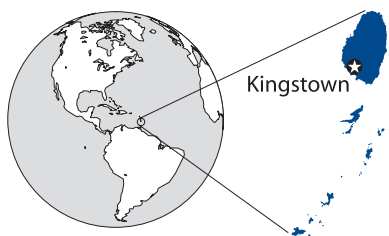


Saint Lucia’s average tariff rate is 9 percent. Saint Lucia is a member of the World Trade Organization, the Organization of Eastern Caribbean States, and the Caribbean Community and Common Market. Foreign investment must be approved by the government. Bureaucracy and administrative inefficiency deter investment. Much of the population does not use the formal banking sector, and access to financing is limited.

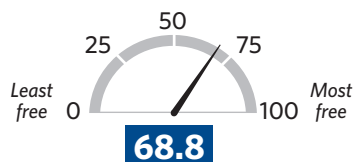
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+2.9	Business Freedom	-10.1	Trade Freedom	0
Freedom from Corruption	+3.0	Government Spending	+2.1	Labor Freedom	-6.6	Investment Freedom	+25.0
				Monetary Freedom	-4.8	Financial Freedom	0

SAINT VINCENT AND THE GRENADINES



Economic Freedom Score



World Rank: **40**

Regional Rank: **5**

Saint Vincent and the Grenadines continues to perform comparatively well in rule of law and regulatory efficiency. Benefitting from a relatively well-developed legal and commercial infrastructure, tourism has attracted considerable foreign investment over the past decade.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.8** (up 0.8 point)
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **40th**
- Regional Ranking: **5th in the South and Central America/Caribbean Region**
- Notable Successes: **Rule of Law and Regulatory Efficiency**
- Concerns: **Management of Public Finance and Open Markets**
- Overall Score Change Since 2012: **+2.3**

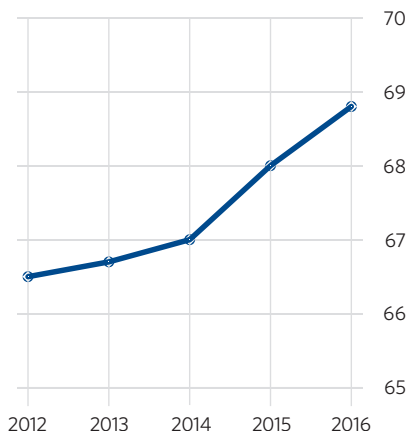
Open-market policies are not firmly institutionalized. Tariff and non-tariff barriers undercut engagement in global commerce, and the investment regime lacks efficiency. The lack of long-term financing mechanisms continues to undermine economic development beyond tourism and agriculture. Despite some progress, management of public finance remains poor, and public debt remains over 70 percent of GDP.

BACKGROUND: Saint Vincent and the Grenadines is a parliamentary democracy. Prime Minister Ralph Gonsalves of the Unity Labour Party has been in office since 2001 and won a new mandate in elections held in December 2015. The country is a member of the Caribbean Community (CARICOM); the Venezuela-led Bolivarian Alliance for the Peoples of Our America (ALBA); and the Organization of Eastern Caribbean States. Exports benefit from the Caribbean Basin Initiative, which provides duty-free access to the U.S. market. Agriculture and tourism employ a significant portion of the workforce, but formal-sector unemployment is high. Public debt is now more than two-thirds of GDP, and tourism and construction have not recovered fully from the 2008 financial crisis.

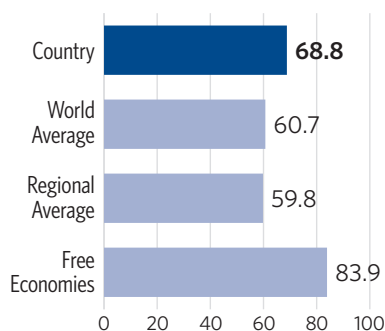
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

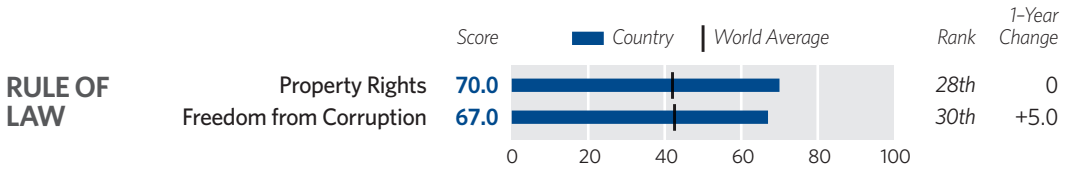


Quick Facts

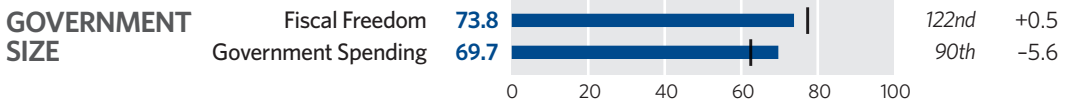
- Population:** 0.1 million
- GDP (PPP):** \$1.2 billion
- 1.1% growth in 2014
- 5-year compound annual growth 0.5%
- \$10,778 per capita
- Unemployment:** n/a
- Inflation (CPI):** 0.2%
- FDI Inflow:** \$138.6 million
- Public Debt:** 75.1% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

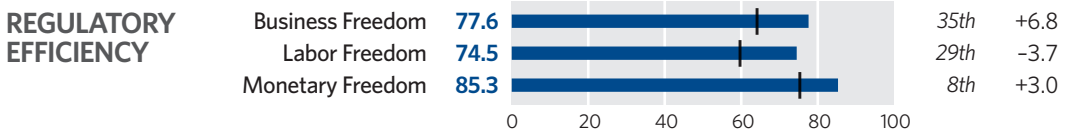
THE TEN ECONOMIC FREEDOMS



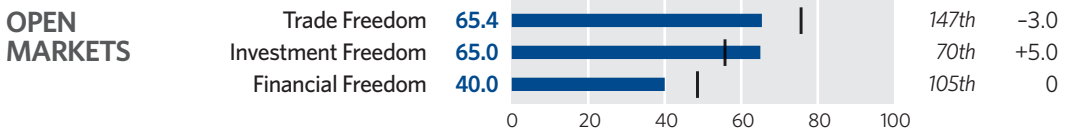
The rule of law remains strong, and corruption is not pervasive. There have been some allegations of money laundering through Saint Vincent banks and drug-related corruption within the government and police, but the government has taken action to prosecute such crimes. Saint Vincent and the Grenadines’ relatively independent and efficient judicial system is based on British common law.



The top personal income and corporate tax rates are 32.5 percent. Other taxes include a property tax and a value-added tax. The overall tax burden equals 21.7 percent of total domestic income. Government spending amounts to 31.8 percent of GDP. With the budget running a deficit, public debt has climbed to over 70 percent of GDP. State finances have been constrained by lower-than-expected tax revenues.



Launching a business is not time-consuming, although licensing requirements remain burdensome. Modern bankruptcy procedures are not in place. Labor regulations are relatively flexible, but their application is uneven. According to the IMF, transfers and subsidies have increased in recent years due to the establishment of new state-owned enterprises created out of what had been entities within central government departments.

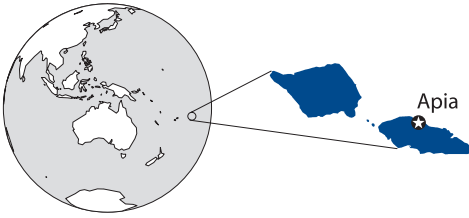


Saint Vincent and the Grenadines’ average tariff rate is 12.3 percent. The country is a member of the World Trade Organization, the Organization of Eastern Caribbean States, and the Caribbean Community and Common Market. The developing financial system is dominated by banks. Credit access by the private sector has been expanding slowly, but a rise in the number of non-performing loans deters new lending.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+9.1	Business Freedom	-0.6	Trade Freedom	-8.2
Freedom from Corruption	+6.0	Government Spending	+8.8	Labor Freedom	-4.0	Investment Freedom	+25.0
				Monetary Freedom	+9.7	Financial Freedom	0

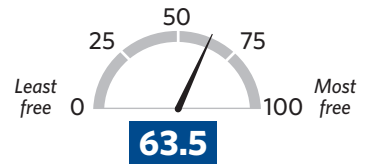
SAMOA



World Rank: **69**

Regional Rank: **13**

Economic Freedom Score



Samoa's recent structural reform agenda has focused on enhancing agriculture and tourism and lowering the cost of conducting business, particularly the very high cost of electricity. However, the lack of commitment to opening markets continues to hinder diversification of the economy, which has become more dependent on foreign aid and remittances. Progress in reforming state-owned enterprises has stalled.

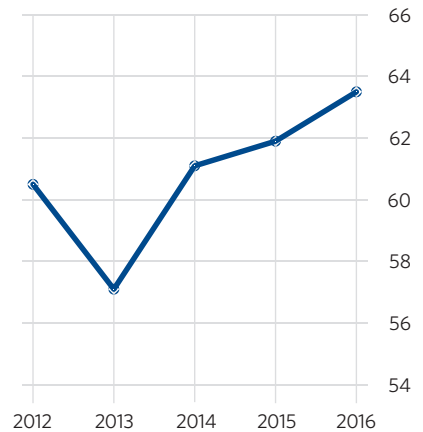
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.5 (up 1.6 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **69th**
- Regional Ranking: **13th in the Asia-Pacific Region**
- Notable Successes: **Monetary Freedom**
- Concerns: **Corruption, Financial Freedom, and Investment Freedom**
- Overall Score Change Since 2012: **+3**

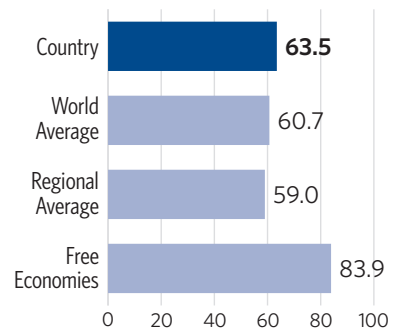
Institutional impediments to the creation of a dynamic private sector prevent viable long-term economic development of the island economy. Despite some progress, poor public services and the absence of an efficient judiciary continue to undercut trust and confidence in the government.

BACKGROUND: Samoa is a small South Pacific archipelago with a population of less than 200,000. Independent since 1962, it is now a multi-party democracy dominated politically by the Human Rights Protection Party (HRPP). A few politicians were found guilty of bribery during the 2011 parliamentary elections, but the HRPP remains in power. Samoa is preparing for general elections in 2016. The economy is based on fishing, agriculture, and tourism. Remittances from Samoans working abroad account for about 20 percent of national income. A sizable tsunami in 2009 killed over 200 people and significantly damaged infrastructure and property. To facilitate better trade with Australia and New Zealand, Samoa officially moved west of the International Date Line in 2011.

Freedom Trend



Country Comparisons



Quick Facts

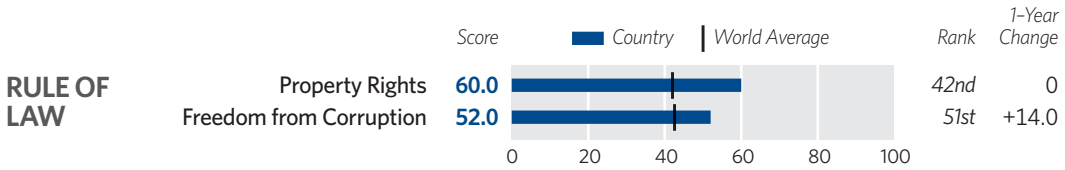
- Population:** 0.2 million
- GDP (PPP):** \$1.0 billion
- 1.9% growth in 2014
- 5-year compound annual growth 1.2%
- \$5,180 per capita
- Unemployment:** n/a
- Inflation (CPI):** -1.2%
- FDI Inflow:** \$22.9 million
- Public Debt:** 55.0% of GDP

How Do We Measure Economic Freedom?

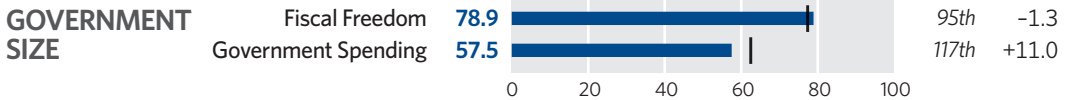
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2014 data unless otherwise noted.
Data compiled as of September 2015.

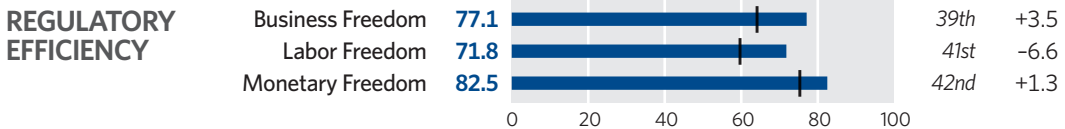
THE TEN ECONOMIC FREEDOMS



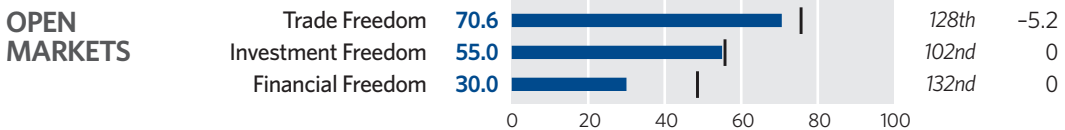
Although several high-profile cases of official corruption and abuse have been a source of public discontent in recent years, in January 2015, the prime minister rejected a call by the opposition party for the government to set up an Anti-Corruption Tribunal. The judiciary is independent, but a modern and well-functioning legal framework for land ownership and enforcement of property rights is not in place.



The top individual income and corporate tax rates are 27 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 25.6 percent of total domestic income. Government spending now equals about 37.6 percent of GDP. The budget deficit has been declining to around 5 percent of GDP, but public debt continues to equal over 50 percent of total domestic output.



The regulatory framework generally supports entrepreneurial activity, but application of the commercial codes is not always straightforward. A well-functioning modern labor market is not fully developed, and informal labor activity remains substantial. The 2015 IMF report on Samoa urged the government to proceed with privatization of the inefficient and highly subsidized electricity-generation company and other state-owned enterprises.



Samoa's average tariff rate was 9.7 percent as of 2013. Investors may lease but not own land. Foreign investment is restricted in bus and taxi transportation, some retail services, and commercial fishing. Non-transparent regulations continue to deter dynamic growth in long-term capital flows. Scarce access to financial services continues to keep much of the population outside of the formal banking sector.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	+14.4	Business Freedom	+7.1	Trade Freedom	+70.6
Freedom from Corruption	-18.0	Government Spending	+55.3	Labor Freedom	-8.4	Investment Freedom	+5.0
				Monetary Freedom	+10.5	Financial Freedom	-20.0

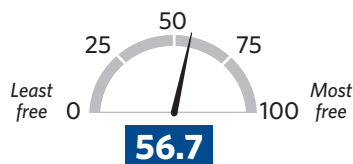
SÃO TOMÉ AND PRÍNCIPE



World Rank: **120**

Regional Rank: **22**

Economic Freedom Score



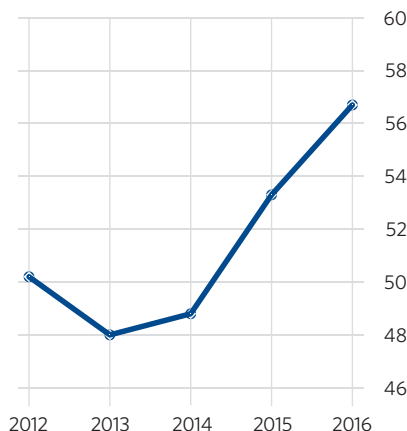
São Tomé and Príncipe's economic growth has been driven by cocoa production and a nascent tourism sector. Strong cocoa exports, increased foreign direct investment, and donor-financed infrastructure projects have propelled expansion of the small island economy in recent years. However, the pace of poverty reduction has been slow.

ECONOMIC FREEDOM SNAPSHOT

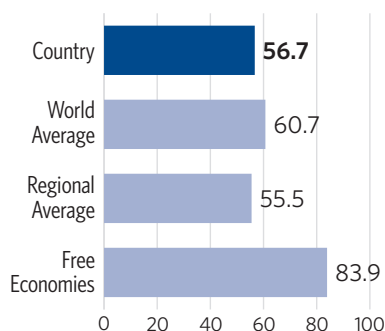
- 2016 Economic Freedom Score: **56.7** (up 3.4 points)
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **120th**
- Regional Ranking: **22nd in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Investment Freedom**
- Overall Score Change Since 2012: **+6.5**

Structural reforms to boost government efficiency and strengthen public financial management have been undertaken, but institutionalized weaknesses continue to strain São Tomé and Príncipe's economic development. A burdensome and inefficient bureaucracy hampers entrepreneurial dynamism. Pervasive corruption increases the cost of forming or operating businesses, and the judicial system is not strong enough to defend property rights effectively.

Freedom Trend



Country Comparisons



Quick Facts

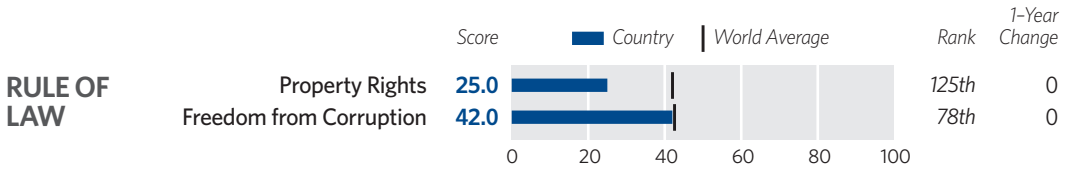
- Population:** 0.2 million
- GDP (PPP):** \$0.6 billion
- 4.5% growth in 2014
- 5-year compound annual growth 4.4%
- \$3,153 per capita
- Unemployment:** n/a
- Inflation (CPI):** 7.0%
- FDI Inflow:** \$19.9 million
- Public Debt:** 68.2% of GDP

How Do We Measure Economic Freedom?

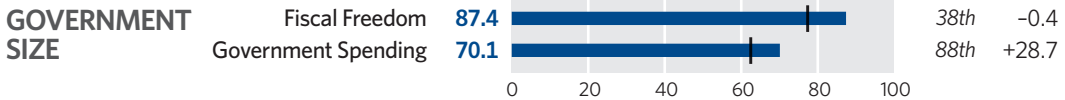
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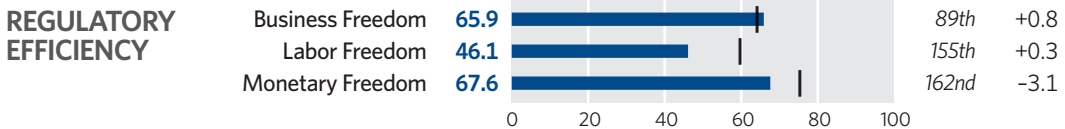
THE TEN ECONOMIC FREEDOMS



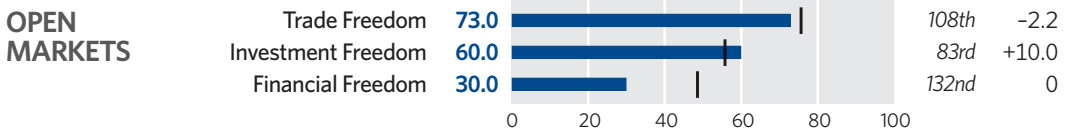
The government has undertaken numerous reforms in recent years, but a 2015 report by the country’s Auditor Court revealed persistent financial irregularities across the public sector. Widespread impunity for corrupt officials has weakened the fight against graft and mismanagement of public funds. The judiciary is independent but weak and susceptible to political influence. Property rights are not protected effectively.



The top personal income tax rate is 20 percent, and the corporate tax rate is a flat 25 percent. Other taxes include a sales tax and a dividend tax. The overall tax burden equals 15.2 percent of total domestic income. Government spending amounts to 31.6 percent of total domestic output. The budget has been in deficit, and public debt equals about 70 percent of annual domestic output.



The time needed to start a company has been reduced to seven days, but licensing requirements remain costly. Informal labor activity remains significant. Although world oil prices have fluctuated widely, the government has not changed retail fuel prices since 2010; the implicit subsidy arising from the difference between retail fuel prices and actual supply costs during that time is estimated to equal 13 percent of GDP.

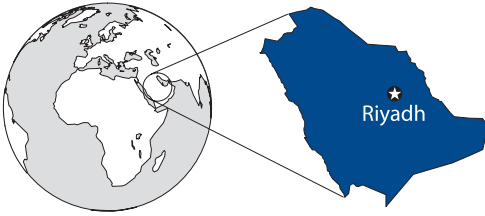


The average tariff rate for São Tomé and Príncipe, a member of the Economic Community of Central African States, was 8.5 percent as of 2012. Imports of pork are not allowed. Domestic and foreign investors are generally treated equally under the law. The underdeveloped financial sector does not provide much access to banking services for a large portion of the population.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+12.4	Business Freedom	+20.8	Trade Freedom	+13.0
Freedom from Corruption	+15.0	Government Spending	+48.1	Labor Freedom	-1.9	Investment Freedom	+20.0
				Monetary Freedom	+6.2	Financial Freedom	0

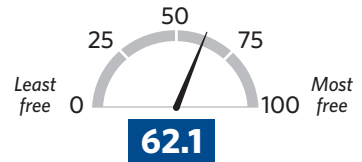
SAUDI ARABIA



World Rank: **78**

Regional Rank: **8**

Economic Freedom Score



Despite the regional economic and security environments, the Saudi economy has expanded at an average annual rate of about 5 percent over the past five years. Modest reforms have focused on diversifying the economy and enhancing private-sector employment growth.

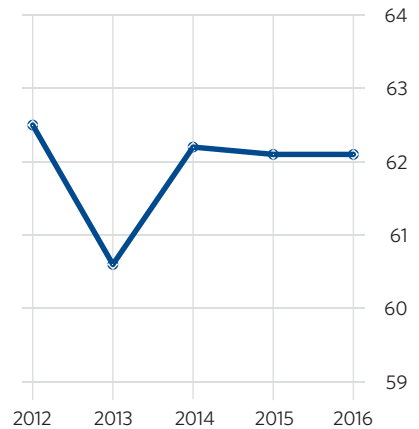
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.1 (no change)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **78th**
- Regional Ranking: **8th in the Middle East/North Africa Region**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Property Rights, Corruption, and Regulatory Efficiency**
- Overall Score Change Since 2012: **-0.4**

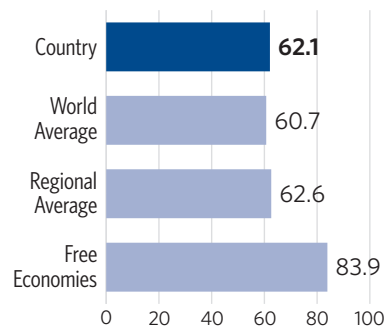
Saudi Arabia lags behind other emerging economies in regulatory efficiency and market openness, and the overall entrepreneurial environment is not particularly competitive. Bureaucracy and lack of transparency continue to undermine potential gains from freer flows of trade and investment. The legal system remains susceptible to political influence. Despite strong fiscal fundamentals, the maintenance of sound public finance is under increasing strain.

BACKGROUND: Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud, who became king following the death of his half-brother, King Abdullah, in January 2015. It is the world's largest oil exporter and dominates the Organization of Petroleum Exporting Countries. Oil revenues account for about 90 percent of export earnings and about 80 percent of government revenues. Saudi Arabia joined the World Trade Organization in 2005 as part of an effort to promote foreign investment and economic diversification. Pro-reform Arab Spring demonstrations in 2011 drew few crowds outside of eastern Saudi Arabia, where the Shia minority population is concentrated. The kingdom faces a rising threat from ISIS and internal Sunni-Shia tensions.

Freedom Trend



Country Comparisons



Quick Facts

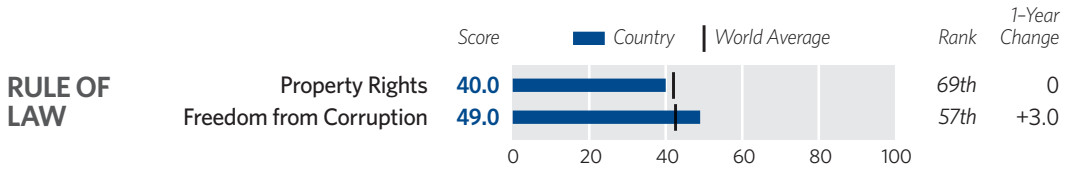
- Population:** 30.8 million
- GDP (PPP):** \$1.6 trillion
- 3.6% growth in 2014
- 5-year compound annual growth 5.3%
- \$52,183 per capita
- Unemployment:** 5.6%
- Inflation (CPI):** 2.7%
- FDI Inflow:** \$8.0 billion
- Public Debt:** 1.6% of GDP

How Do We Measure Economic Freedom?

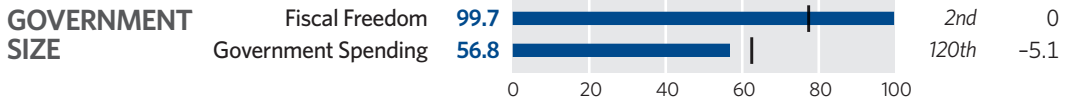
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Data compiled as of September 2015.

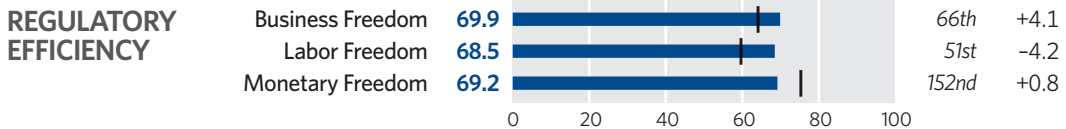
THE TEN ECONOMIC FREEDOMS



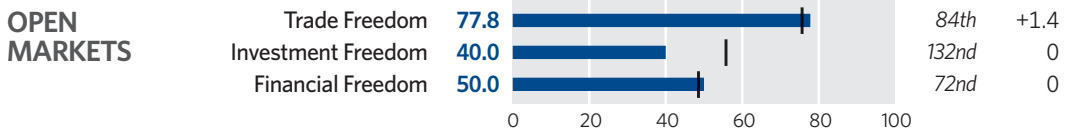
Although the Saudi state remains notably opaque in its budgets and financial practices, the public is generally aware of the corrupt schemes through which the kingdom’s oil wealth becomes a source of private privilege for the royal family and its clients. The slow and non-transparent judiciary is not independent and must coordinate its decisions with the executive branch. Laws protecting private property are subject to Islamic practices.



Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law rather than traditional income or corporate taxes. Over-all tax revenue equals less than 5 percent of GDP. Government spending amounts to nearly 38 percent of total domestic output. Budget deficits have been widening, but public debt has been kept at less than 5 percent of GDP.



Despite some improvement, Saudi Arabia still lags behind other emerging countries in easing constraints on business formation. An employment quota system enforces Saudiisation policies. There is no mandated minimum wage. Balanced budgeting of state-funded subsidies would require oil prices of \$105 per barrel, and the government has sought to cover revenue shortfalls in the bond market.



Saudi Arabia’s average tariff rate is 3.6 percent. Imports of pork, used clothing, and used cars that are more than five years old are not permitted. Foreign investment in many economic sectors is either prohibited or capped. There are minimum capital requirements for foreign investors. The financial sector has undergone gradual transformation, and some restrictions on foreign investment in financial services have been eased.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-50.0	Fiscal Freedom	+0.3	Business Freedom	-15.1	Trade Freedom	+18.8
Freedom from Corruption	-21.0	Government Spending	+10.5	Labor Freedom	-16.7	Investment Freedom	+10.0
				Monetary Freedom	-15.7	Financial Freedom	0

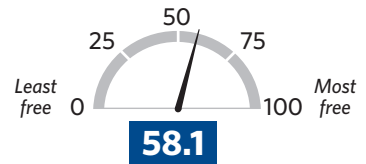
SENEGAL



World Rank: **111**

Regional Rank: **18**

Economic Freedom Score



Senegal's economy has expanded at an average rate of about 3.5 percent over the past five years, but the volatility of economic growth has undermined progress on economic and social development and poverty reduction. The weakness of the overall regulatory and legal framework hinders the emergence of a more vibrant private sector.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **58.1 (up 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **111th**
- Regional Ranking: **18th in Sub-Saharan Africa**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **+2.7**

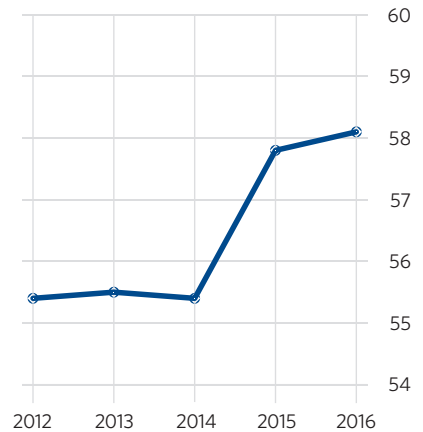
Entrepreneurs continue to be bogged down by regulatory challenges and institutional shortcomings. The inefficient judicial system lacks independence and is vulnerable to corruption. Despite major public-sector reforms, the state presence in the economy is still considerable.

BACKGROUND: President Macky Sall was elected in March 2012, defeating two-term incumbent Abdoulaye Wade, whose third-term bid sparked street protests. In September 2012, lawmakers voted to abolish the Senate and vice presidency to save money for disaster management. Sall appointed Mohammed Dionne prime minister in 2014. After more than 30 years of conflict between the government and southern separatists, the leader of the rebel Movement of Democratic Forces of Casamance declared a unilateral cease-fire in April 2014. Implementation of Sall's Emerging Senegal Plan has proceeded slowly. About 75 percent of the workforce is engaged in agriculture or fishing. High unemployment is a major factor in high rates of emigration to Europe. Senegal remains heavily dependent on foreign aid but has recently had several successful Eurobond issues. Offshore oil fields discovered in 2014 are being developed.

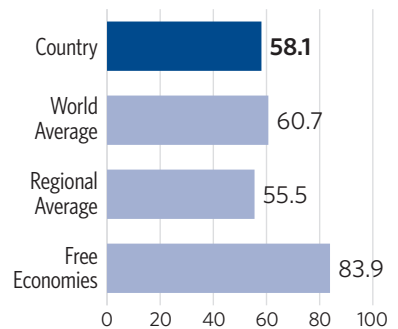
How Do We Measure Economic Freedom?

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Freedom Trend



Country Comparisons

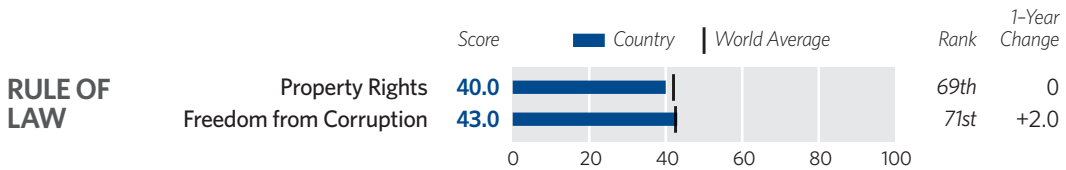


Quick Facts

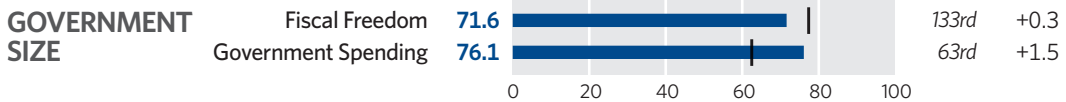
- Population:** 14.5 million
- GDP (PPP):** \$33.6 billion
- 4.5% growth in 2014
- 5-year compound annual growth 3.4%
- \$2,311 per capita
- Unemployment:** 10.0%
- Inflation (CPI):** -0.5%
- FDI Inflow:** \$342.7 million
- Public Debt:** 50.7% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

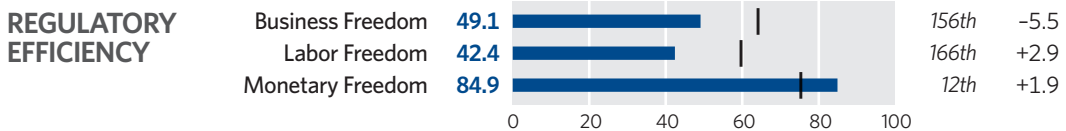
THE TEN ECONOMIC FREEDOMS



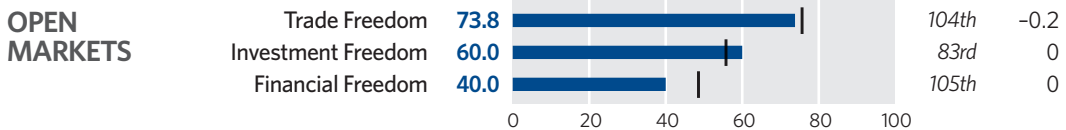
Despite initial international praise for President Macky Sall’s anti-corruption crackdown, the selection of cases is not always viewed as objective. More even-handed implementation of reforms, audits of government projects and institutions, and pursuit of individuals for corruption and abuse of office are needed. The judiciary is independent but underresourced and subject to external influences. Property titling procedures are uneven across the country.



The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an insurance tax. The overall tax burden equals 18.4 percent of GDP. Government spending amounts to 28.2 percent of total domestic output. The budget is in deficit, and public debt equals about 50 percent of GDP. Road and electrical infrastructure projects have caused borrowing to increase.



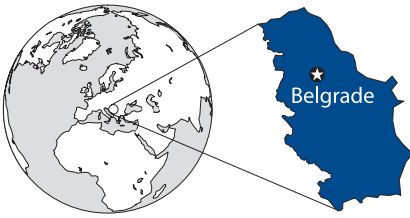
The process for establishing a business is more streamlined but still costly. The large agricultural sector employs about 70 percent of the working population, and a formal urban labor market has been slow to emerge. The government says it seeks to minimize the impact of any supply-side shocks by maintaining subsidies and price caps on essential goods, but deficits have grown as a result.



Senegal’s average tariff rate is 8.1 percent. There are no limits on foreign ownership in most sectors of the economy. New foreign investment may be screened by the government. Domestic and foreign investors are otherwise generally treated equally under the law. Outmoded regulation, high credit costs, and scarce access to financing continue to constrain the small private sector.

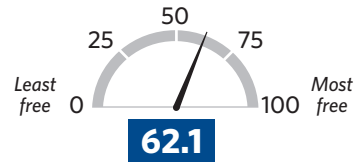
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+10.9	Business Freedom	-5.9	Trade Freedom	+28.8
Freedom from Corruption	-7.0	Government Spending	-10.9	Labor Freedom	-1.3	Investment Freedom	+10.0
				Monetary Freedom	+29.1	Financial Freedom	-10.0



SERBIA

Economic Freedom Score



World Rank: **77**

Regional Rank: **33**

Serbia has undertaken notable institutional and policy reforms. A competitively low flat corporate tax rate and relative openness to global trade have eased its ongoing transition to a market economy. New bankruptcy and labor laws intended to improve regulatory efficiency have been implemented.

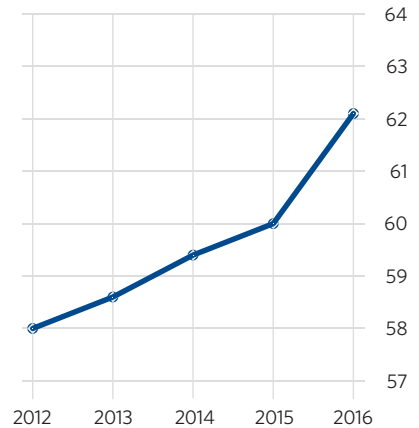
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.1 (up 2.1 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **77th**
- Regional Ranking: **33rd in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Rule of Law and Management of Public Finance**
- Overall Score Change Since 2012: **+4.1**

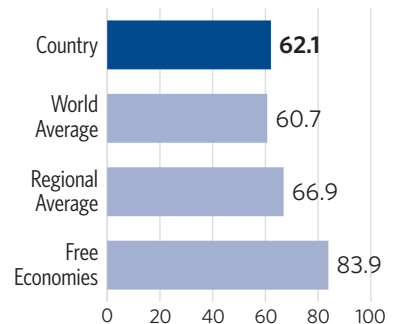
Inefficient government spending continues to undercut private-sector dynamism. Loss-making state-owned enterprises, particularly in transportation and energy, have been the main recipients of budget support in past years. Greater efforts are needed to tackle bureaucracy, reduce corruption, and strengthen a judicial system that is vulnerable to political interference.

BACKGROUND: Serbia signed a Stability and Association Agreement with the European Union in 2008 and applied for membership in 2009. An agreement between Serbia and Kosovo normalized relations in April 2013. The center-right Progressive Party won the early parliamentary elections in March 2014, making Aleksandar Vucic prime minister. Balkan floods severely affected Serbian infrastructure in 2014 and led to an economic contraction. The economy is expected to grow very modestly in 2015. Vucic continues to reform the budget and move toward an increasingly privatized economy. Serbia's efforts to balance its EU aspirations with its historical ties to Russia are proving to be increasingly difficult. The Serbian economy has attracted significant investment in manufacturing and services as it has integrated into the international economic system, but high unemployment is a significant problem.

Freedom Trend



Country Comparisons



Quick Facts

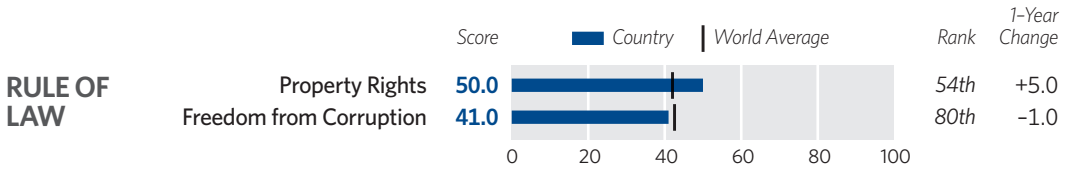
Population: 7.2 million
GDP (PPP): \$95.5 billion
 -1.8% growth in 2014
 5-year compound annual growth 0.3%
 \$13,329 per capita
Unemployment: 22.2%
Inflation (CPI): 2.1%
FDI Inflow: \$2.0 billion
Public Debt: 72.4% of GDP

How Do We Measure Economic Freedom?

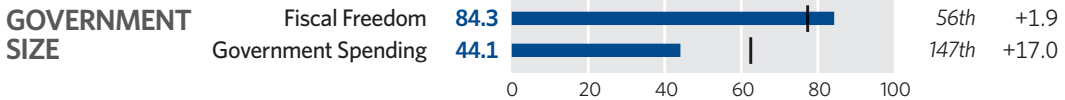
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

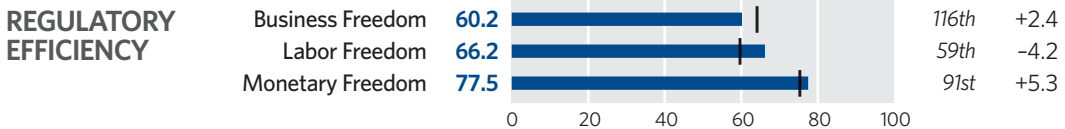
THE TEN ECONOMIC FREEDOMS



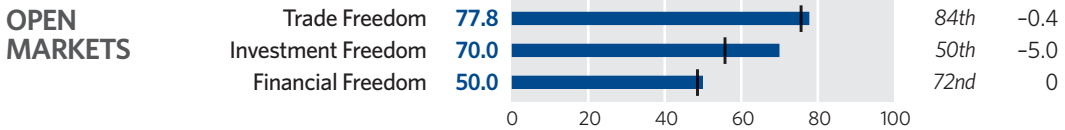
Corruption remains a serious concern, and implementation of anti-corruption legislation is relatively weak. The government has made some progress in increasing competency, transparency, and accountability in public procurement and public administration. The government’s 2013–2018 judicial reform strategy aims to strengthen the High Judicial and State Prosecutorial Councils. Enforcement of property rights can be extremely slow.



The top personal income tax rate is 15 percent, and the corporate tax rate is a flat 15 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 33.4 percent of total domestic income. Government spending amounts to 43.2 percent of GDP. The budget continues to run a deficit, and public debt now equals over 70 percent of annual output.



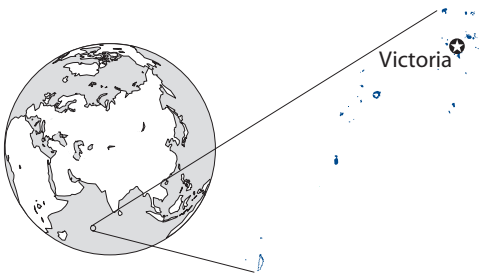
The business start-up process does not require minimum capital and takes only six procedures. Obtaining licenses costs over 10 times the average level of annual income. An efficiently functioning modern labor market has not fully developed, and the informal sector remains significant. The government has reduced subsidies and has launched a reform of inefficient and loss-making state-owned enterprises to curb the need for state aid.



Serbia’s average tariff rate is 6.1 percent. State-owned enterprises are active in several sectors of the economy. Domestic and foreign investors are generally treated equally under the law. The government may not expropriate property without providing compensation. Reforms involving privatization and consolidation have revived the once-defunct banking sector. Non-performing loans continue to be numerous, accounting for over 20 percent of total loans.

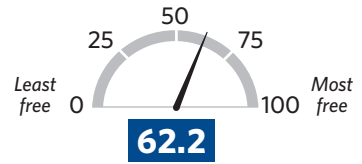
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	-1.6	Business Freedom	+4.2	Trade Freedom	-0.2
Freedom from Corruption	+7.0	Government Spending	-2.2	Labor Freedom	-3.8	Investment Freedom	+30.0
				Monetary Freedom	+11.7	Financial Freedom	0



SEYCHELLES

Economic Freedom Score



World Rank: **76**

Regional Rank: **6**

Seychelles, a remote, small island economy, has made a notable turnaround in restoring fiscal sustainability and laying some groundwork for more dynamic engagement in global commerce. In April 2015, two decades after first applying, the country finally became a member of the World Trade Organization. WTO accession underscores Seychelles' progress in economic and political reform, particularly since the 2008 debt crisis.

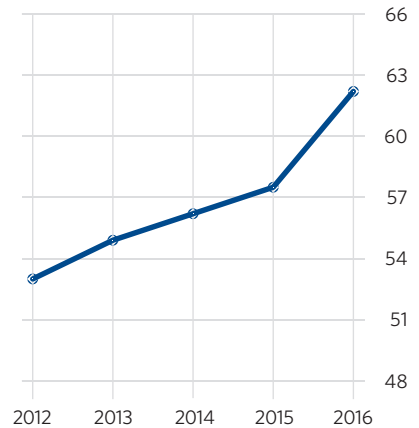
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.2 (up 4.7 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **76th**
- Regional Ranking: **6th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law, Investment Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+9.2**

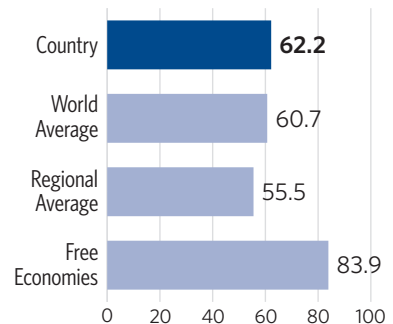
Despite progress, institutional weaknesses stemming from an inefficient legal framework and pervasive corruption continue to undercut the prospects for stable long-term economic development, hampering the emergence of dynamic private-sector activity other than in tourism.

BACKGROUND: The Seychelles People's Progressive Front, now known as the People's Party, has ruled Seychelles since 1977 when France-Albert René seized power in a bloodless coup. In 2004, René ceded power to Vice President James Michel. Michel was elected to a five-year term in 2006 and again in 2011. Seychelles enjoys a relatively stable economic environment as a high-middle-income country with lucrative fishing and tourism industries. Piracy has declined significantly as a threat off the coast. In early 2013, tropical cyclone Felleng destroyed hundreds of homes.

Freedom Trend



Country Comparisons



Quick Facts

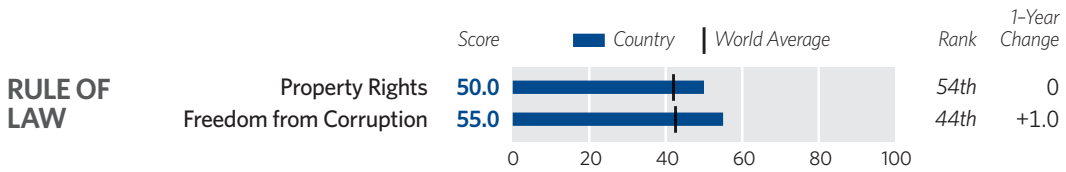
Population: 0.1 million
GDP (PPP): \$2.4 billion
 2.9% growth in 2014
 5-year compound annual growth 5.9%
 \$25,607 per capita
Unemployment: n/a
Inflation (CPI): 1.4%
FDI Inflow: \$228.7 million
Public Debt: 64.6% of GDP

How Do We Measure Economic Freedom?

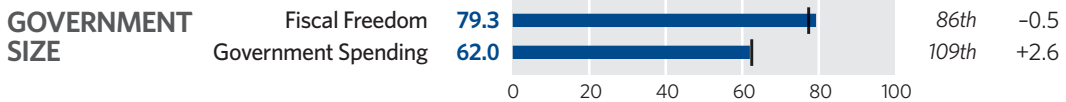
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

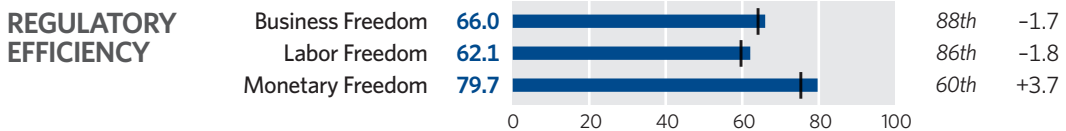
THE TEN ECONOMIC FREEDOMS



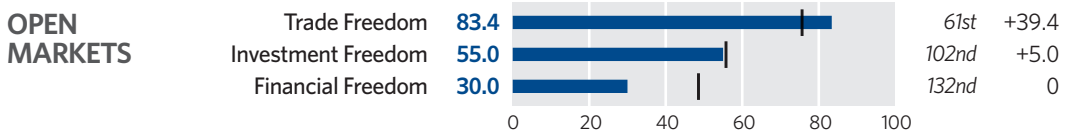
Concerns about government corruption have focused on a lack of transparency in the privatization and allocation of government-owned land as well as dysfunction in government finances, illegal procedures, and embezzlement. In August 2014, Seychelles was accepted as a candidate country by the Extractive Industries Transparency Initiative. Judges generally decide cases fairly but face pressure in high-level economic and political cases.



The personal income tax rate is a flat 15 percent, and the top corporate tax rate is 33 percent. Other taxes include an interest tax, a vehicle tax, and a newly introduced value-added tax. The overall tax burden equals 27.5 percent of GDP. Government spending amounts to 35.6 percent of GDP. The budget is in slight surplus, and public debt equals about 65 percent of total domestic output.



Launching a business takes 10 procedures, and no minimum capital is required. The cost of completing licensing requirements has been reduced to about 25 percent of the level of average annual income. The inefficient public sector accounts for around 40 percent of total employment. Businesses complain that they are held back by the high cost of electricity, which results in part from cross-subsidies.

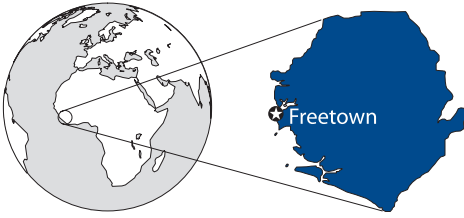


Seychelles' average tariff rate was 3.3 percent as of 2013. State-owned enterprises operate in several sectors of the economy. Foreign investors may lease but not own land, and investment in some industries is restricted. The financial sector remains rudimentary. A large part of the population lacks access to formal banking services, and limited capacity for lending to the private sector inhibits growth.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+5.5	Business Freedom	+0.5	Trade Freedom	+55.0
Freedom from Corruption	+10.0	Government Spending	+62.0	Labor Freedom	+5.0	Investment Freedom	+5.0
				Monetary Freedom	+1.6	Financial Freedom	0

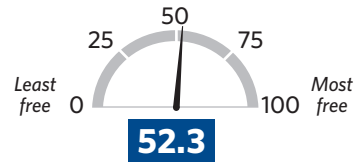
SIERRA LEONE



World Rank: **142**

Regional Rank: **33**

Economic Freedom Score



Sierra Leone's economic and political institutions remain fragile and provide little support for long-term economic development. Recent reforms have been targeted at openness to international trade and stronger enforcement of contracts. The country continues to face the daunting challenge of enhancing integrity in the management of its natural resources.

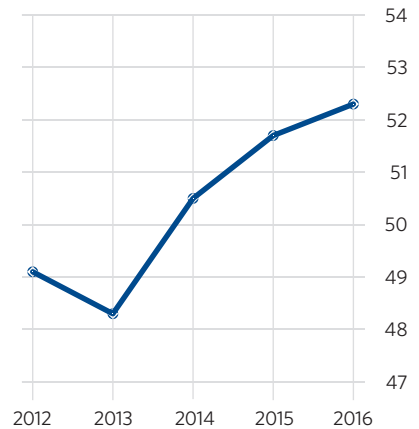
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **52.3 (up 0.6 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **142nd**
- Regional Ranking: **33rd in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom**
- Concerns: **Rule of Law, Regulatory Efficiency, and Management of Public Finance**
- Overall Score Change Since 2012: **+3.2**

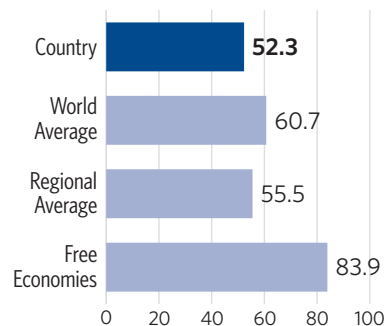
Mismanagement of public spending remains a serious problem and ultimately hurts implementation of needed structural and institutional reforms. Protection of property rights is weak, and the judicial system lacks both independence and transparency. Legal proceedings are vulnerable to political interference and commonly subject to pervasive corruption.

BACKGROUND: Opposition candidate Ernest Bai Koroma, elected president in 2007 in Sierra Leone's first peaceful transition of power since independence from Britain in 1961, was reelected in 2012. Despite some institutional progress since the end of the country's decade-long civil war in 2002, living standards remain very low. Sierra Leone ranks 183rd out of 187 countries on the U.N.'s 2014 Human Development Index, and basic infrastructure is lacking throughout the country. Mining is the primary industry, and mineral exports generate most foreign exchange. Gem-quality diamonds account for nearly half of exports and for high rates of economic growth. In 2014, West Africa's Ebola epidemic spread to Sierra Leone, killing nearly 4,000 people as of September 2015 and badly damaging the economy.

Freedom Trend



Country Comparisons



Quick Facts

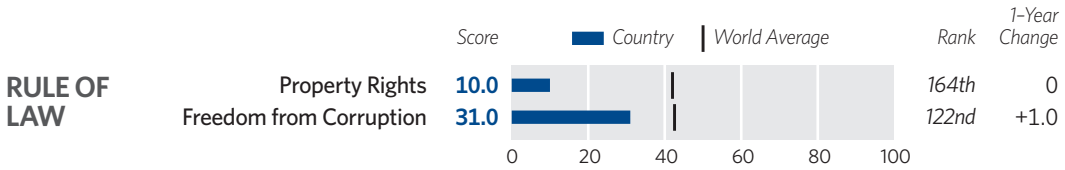
- Population:** 6.2 million
- GDP (PPP):** \$12.6 billion
- 6.0% growth in 2014
- 5-year compound annual growth 10.5%
- \$2,027 per capita
- Unemployment:** 3.3%
- Inflation (CPI):** 8.3%
- FDI Inflow:** \$439.9 million
- Public Debt:** 38.8% of GDP

How Do We Measure Economic Freedom?

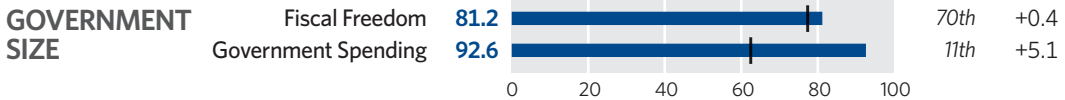
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

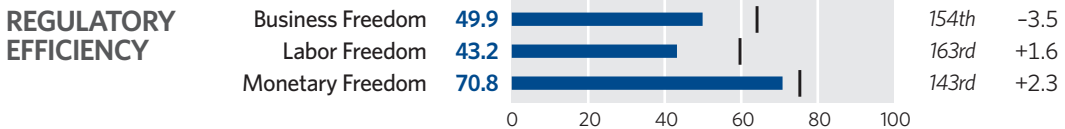
THE TEN ECONOMIC FREEDOMS



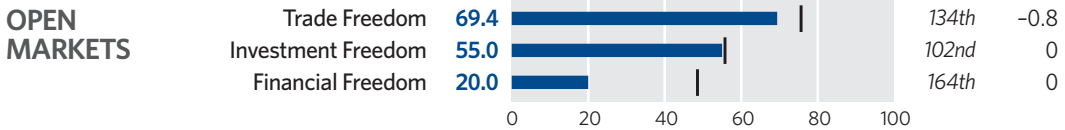
Corruption remains pervasive, and steps taken in 2015 by President Koroma to consolidate his power are not likely to improve the rule of law. The government’s anti-corruption commission has been criticized repeatedly for its poor prosecutorial record, especially in trials involving the president’s friends, family, and political allies. There is no land titling system, and judicial corruption is significant. Traditional tribal justice prevails in rural areas.



The top individual income and corporate tax rates are 30 percent. Other taxes include a goods and services tax and an interest tax. The overall tax burden equals 8.8 percent of total domestic income. Government spending amounts to 15.7 percent of GDP, and the budget balance continues to be negative. Public debt equals about 40 percent of annual domestic output.



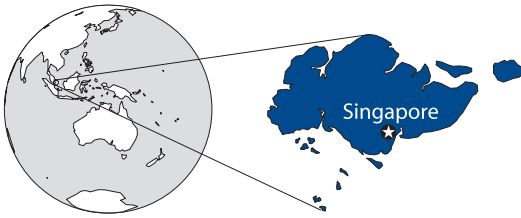
Launching a company takes less than 30 days, but completing licensing requirements is time-consuming. An increase in the minimum wage has exceeded labor productivity growth in the formal sector. The IMF has urged the government to take advantage of lower oil prices and cut subsidies, particularly since so many public funds had to be redirected to respond to the Ebola outbreak.



Sierra Leone’s average tariff rate is 10.3 percent. Foreign investors may not own land, but government policies otherwise do not generally discriminate against foreign investment. The government does not screen foreign investment, but long-term investment remains discouraged by the inadequate rule of law. The state controls the majority of bank assets, and much of the population operates outside of the formal banking sector.

Long-Term Score Change (since 1995)

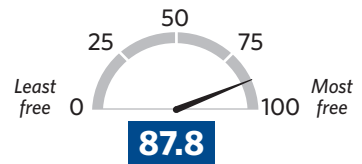
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+29.5	Business Freedom	-20.1	Trade Freedom	+24.4
Freedom from Corruption	+21.0	Government Spending	+1.1	Labor Freedom	+10.7	Investment Freedom	+5.0
				Monetary Freedom	+20.9	Financial Freedom	-10.0



SINGAPORE

World Rank: **2** Regional Rank: **2**

Economic Freedom Score



Economic growth has slowed in Singapore, but the city's openness to global trade and investment continues to provide a solid basis for economic dynamism. A transparent regulatory environment, buttressed by well-secured property rights, provides commercial security for the innovative and resilient private sector.

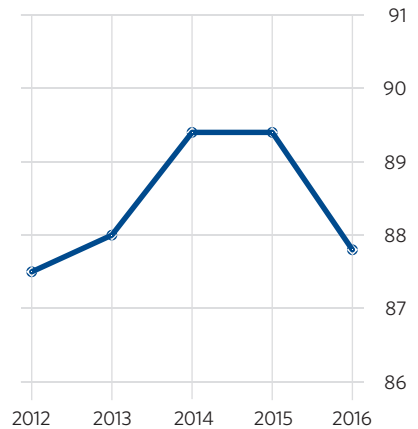
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **87.8 (down by 1.6 points)**
- Economic Freedom Status: **Free**
- Global Ranking: **2nd**
- Regional Ranking: **2nd in the Asia-Pacific Region**
- Notable Successes: **Rule of Law, Regulatory Efficiency, and Trade Freedom**
- Concerns: **Monetary Freedom and Fiscal Freedom**
- Overall Score Change since 2012: **+0.3**

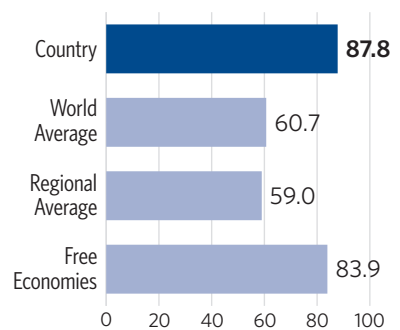
A strong intolerance for corruption is institutionalized in the efficient judicial framework. However, key sectors remain bogged down by state ownership or intrusive management. A government statutory entity, the Central Provident Fund, administers public housing, health care, and various other programs, and public debt is equivalent to almost a full year's GDP.

BACKGROUND: Lee Kuan Yew, modern Singapore's founder and longtime leader, passed away in 2014. Singapore is a nominally democratic state that has been ruled by the People's Action Party (PAP) since independence in 1965. In the September 2015 election, the PAP won 83 of the 89 parliamentary seats and 69.9 percent of the vote. Certain civil liberties, such as freedom of assembly and freedom of speech, remain restricted, but the PAP has embraced economic liberalization and international trade. Singapore is one of the world's most prosperous nations. Its economy is dominated by services, but the country is also a major manufacturer of electronics and chemicals.

Freedom Trend



Country Comparisons



Quick Facts

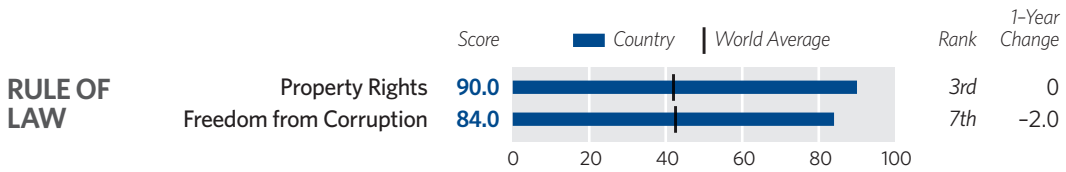
- Population:** 5.5 million
- GDP (PPP):** \$452.7 billion
- 2.9% growth in 2014
- 5-year compound annual growth 6.4%
- \$82,762 per capita
- Unemployment:** 3.0%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$67.5 billion
- Public Debt:** 98.8% of GDP

How Do We Measure Economic Freedom?

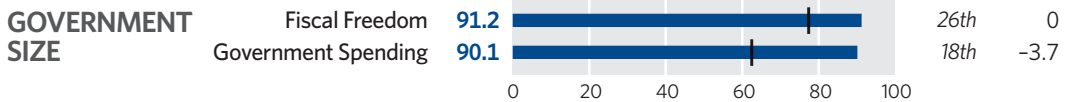
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2014 data unless otherwise noted.
Data compiled as of September 2015.

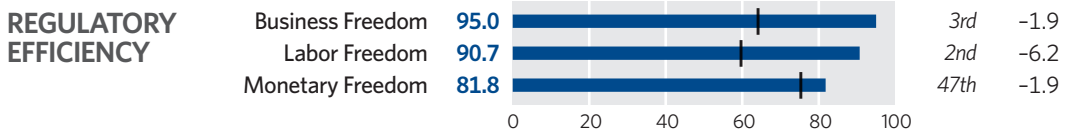
THE TEN ECONOMIC FREEDOMS



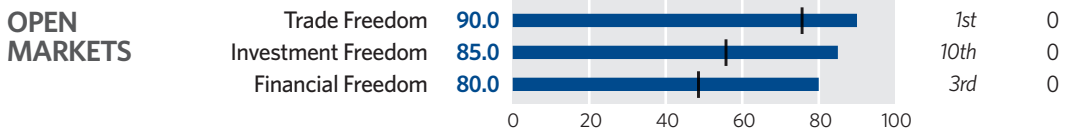
Singapore is one of the world’s least corrupt countries. Legislators are allowed to and often do serve on the boards of private companies, including as chairpersons, creating potential conflicts of interest. Contracts are secure, there is no expropriation, and commercial courts function well. Singapore has one of Asia’s best intellectual property rights regimes.



The top income tax rate was 20 percent as of 2015 but will rise to 22 percent on income earned starting in 2016. The top corporate tax rate is 17 percent. The overall tax burden equals about 13.8 percent of domestic income. Government spending amounts to 18.2 percent of GDP. Government debt is near 100 percent of GDP, a level manageable due to state-linked enterprises’ contribution to the budget.



The regulatory environment remains one of the world’s most efficient. With no minimum capital required, launching a business takes only three days. There is no statutory minimum wage, but wage adjustments are guided by the National Wage Council. Inflation is under control despite the challenging external environment. The government influences prices through state-linked enterprises and can impose price controls as it deems necessary.



Singapore’s average tariff rate is 0 percent. Imports of chewing gum and “objectionable” publications are restricted, and some service industries face barriers. Government-owned Temasek Holdings has significant investments in government-linked corporations. The government has steadily been opening the domestic market to foreign banks. Over 95 percent of banks operating in Singapore are now foreign owned.

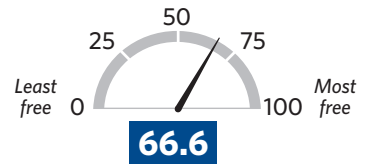
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+10.4	Business Freedom	-5.0	Trade Freedom	+7.0
Freedom from Corruption	-6.0	Government Spending	+2.0	Labor Freedom	-7.5	Investment Freedom	-5.0
				Monetary Freedom	-3.4	Financial Freedom	+10.0

SLOVAKIA



Economic Freedom Score



World Rank: **56**

Regional Rank: **25**

A prudent regulatory framework for the financial sector combined with competitive tax rates has fueled Slovakia's transition into a flexible and vibrant market-based economy with considerable resilience. Openness to foreign trade and investment has positioned the country as one of the most attractive destinations for foreign direct investment in Europe. Well-established property rights and monetary stability also have contributed to Slovakia's economic vigor.

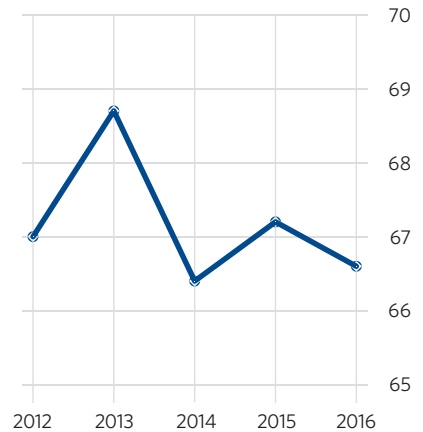
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **66.6 (down 0.6 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **56th**
- Regional Ranking: **25th in Europe**
- Notable Successes: **Open Markets and Monetary Freedom**
- Concerns: **Corruption, Management of Public Finance, and Labor Freedom**
- Overall Score Change Since 2012: **-0.4**

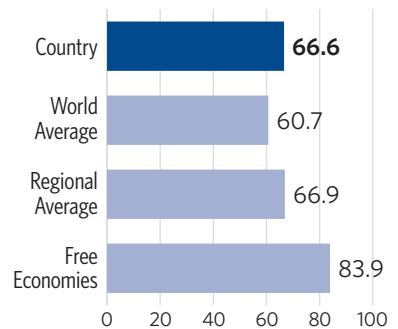
Regaining fiscal discipline in light of recent deficits poses a significant challenge. The judicial system remains susceptible to political influence, and the perceived level of corruption continues to be high.

BACKGROUND: After Slovakia gained independence in 1993, market reforms made it one of Europe's rising economic stars, but progress has slowed. The country entered the European Union in 2004 and has been part of the eurozone since 2009. Andrej Kiska was elected president in 2014 and reappointed Prime Minister Robert Fico, who had been serving since 2012. Slovakia hopes to be part of the proposed Eastring pipeline, which will transit across Slovakia, Hungary, and Romania, linking central Europe with southwestern Europe. There are divisions within the government about the role of NATO and the EU with regard to Russia and the appropriate response to the crisis in Ukraine.

Freedom Trend



Country Comparisons



Quick Facts

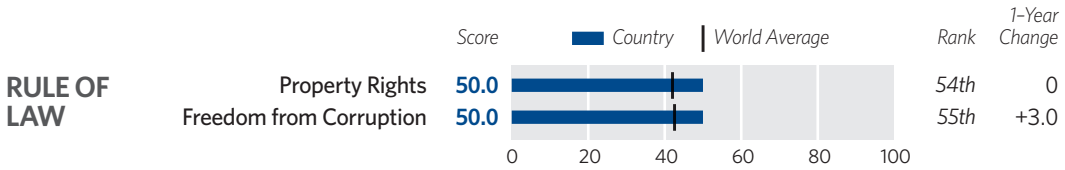
Population: 5.4 million
GDP (PPP): \$152.6 billion
 2.4% growth in 2014
 5-year compound annual growth 2.6%
 \$28,175 per capita
Unemployment: 13.3%
Inflation (CPI): -0.1%
FDI Inflow: \$478.7 million
Public Debt: 54.0% of GDP

How Do We Measure Economic Freedom?

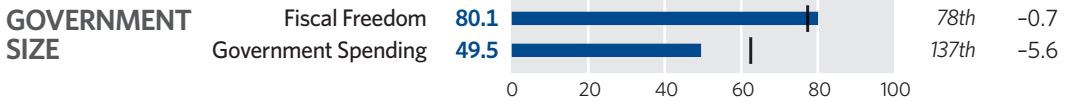
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 Data compiled as of September 2015.

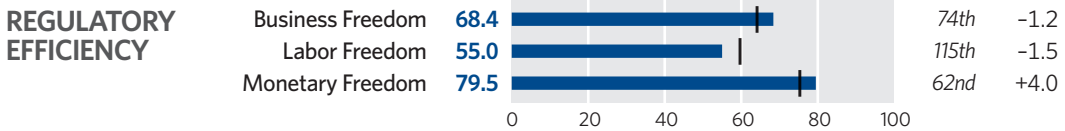
THE TEN ECONOMIC FREEDOMS



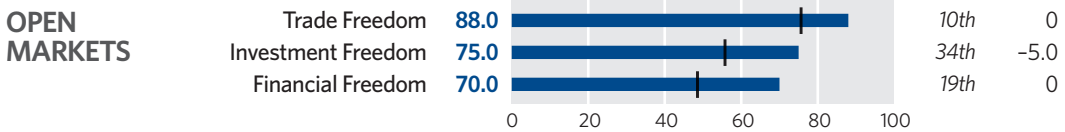
Corruption is significant, notably in public procurement and the health care sector. Many state-owned companies do not publish even basic information. The constitution provides for an independent judiciary, but despite some reforms, the court system continues to suffer from corruption, intimidation of judges, and a significant backlog of cases. Secured interests in property and contractual rights are recognized and enforced.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 29.6 percent of total domestic income. Government spending has risen and amounts to 41 percent of GDP, and the budget balance remains in deficit. Public debt equals about 55 percent of total domestic output.



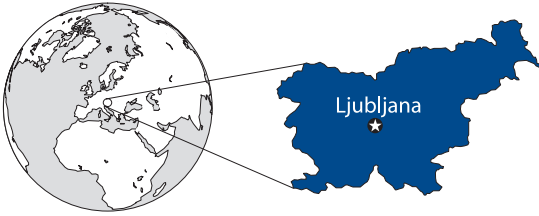
The overall regulatory framework has been reformed to facilitate entrepreneurial activity, but the pace of reform has slowed in comparison to other emerging economies. The labor market lacks flexibility, resulting in an unemployment rate of over 10 percent. Fuel prices at the pump fell by 11 percent in 2014, but household gas prices are set by a regulator and did not drop as quickly as they should have.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises operate in the energy and insurance sectors. Foreign and domestic investors receive equal treatment, and full foreign ownership is permitted in most sectors. The financial system has undergone significant liberalization, and banking remains relatively sound.

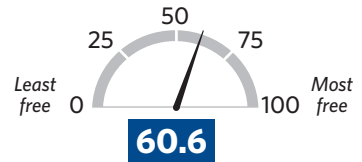
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+22.4	Business Freedom	-16.6	Trade Freedom	+13.0
Freedom from Corruption	0	Government Spending	+27.2	Labor Freedom	-20.7	Investment Freedom	+5.0
				Monetary Freedom	+16.2	Financial Freedom	+20.0



SLOVENIA

Economic Freedom Score



World Rank: **90**

Regional Rank: **37**

Slovenia's economy benefits from relatively high levels of regulatory efficiency and transparency. Business regulations have become more straightforward, and recent reductions in the corporate tax rate have increased the country's competitiveness. Progress in privatizing inefficient state-owned companies has been made since 2013, albeit with some delays.

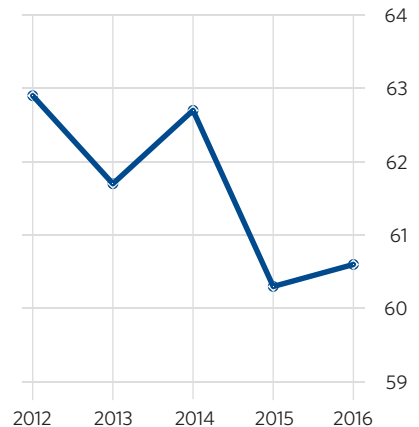
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **60.6 (up 0.3 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **90th**
- Regional Ranking: **37th in Europe**
- Notable Successes: **Rule of Law, Trade Freedom, and Monetary Freedom**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-2.3**

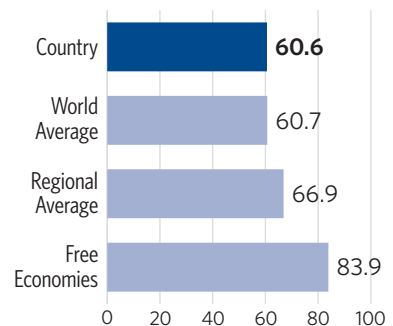
Further growth in economic freedom in Slovenia will require strengthened management of public finance and development of a more dynamic financial sector. Containing entitlements is a key priority for fiscal consolidation, especially with the upward trajectory of age-related spending. Labor market reforms also have been delayed, hampering employment and productivity growth.

BACKGROUND: Slovenian Democratic Party Prime Minister Janez Janša, whose government collapsed in February 2013, was convicted of corruption in June 2013 and began serving a two-year prison sentence in June 2014. In April 2015, his conviction was unanimously overturned by the Constitutional Court. In July 2014, Miro Cerar's new SMC party won a plurality of seats in parliament. Instability has slowed privatizations and efforts to reduce the public sector, and the government still controls about half of the economy. Slovenia joined the European Union and NATO in 2004, adopted the euro in 2007, and joined the Organisation for Economic Cooperation and Development in 2010. The country has excellent infrastructure and an educated workforce.

Freedom Trend



Country Comparisons



Quick Facts

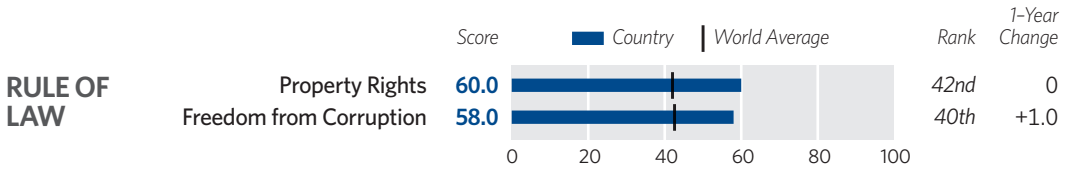
- Population:** 2.1 million
- GDP (PPP):** \$61.1 billion
- 2.6% growth in 2014
- 5-year compound annual growth 0.2%
- \$29,658 per capita
- Unemployment:** 9.5%
- Inflation (CPI):** 0.2%
- FDI Inflow:** \$1.6 billion
- Public Debt:** 82.9% of GDP

How Do We Measure Economic Freedom?

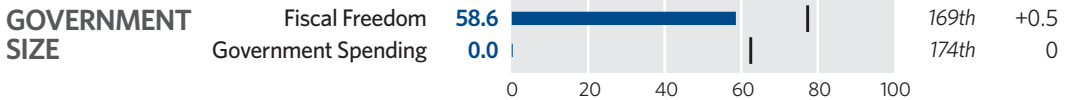
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

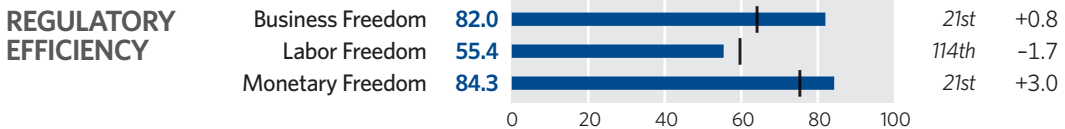
THE TEN ECONOMIC FREEDOMS



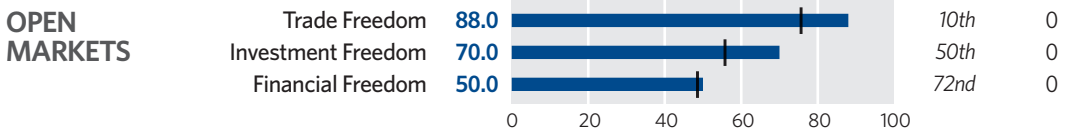
Corruption is less prevalent in Slovenia than in many of its neighbors and usually takes the form of conflicts of interest involving contracts between government officials and private businesses. Only 5,000 of Slovenia’s 80,000 public servants are subject to financial disclosure laws. The judicial system is sound and transparent but comparatively inefficient and under-resourced. Enforcement of private property rights protections is slow.



The top individual income tax rate is 50 percent, and the top corporate tax rate is 17 percent. Other taxes include a value-added tax and a property transfer tax. The overall tax burden equals 36.8 percent of total domestic income. Government spending has risen to 59.9 percent of GDP. The budget deficit remains over 5 percent of GDP, and public debt now equals over 80 percent of annual economic production.



With no minimum capital required, launching a business takes only six days, but it still takes more than two months to complete the necessary licensing requirements. Rigid labor regulations continue to hamper dynamic employment growth. To rationalize public spending, a select group of state-run companies was privatized, but the sale of the largest of them, Telekom Slovenije, ran into delays in 2015.

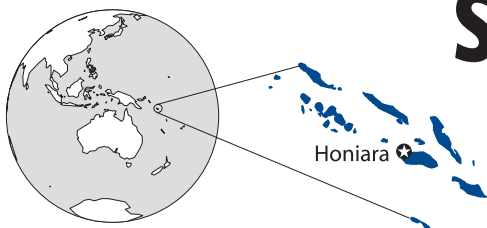


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises distort the economy. Most economic sectors are open to foreign investment, but the overall investment regime lacks efficiency. Despite some progress, privatization of state-owned financial institutions has been uneven, and banking has been under strain.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+30.0	Fiscal Freedom	-10.7	Business Freedom	+12.0	Trade Freedom	+29.0
Freedom from Corruption	+28.0	Government Spending	-34.6	Labor Freedom	+15.1	Investment Freedom	+40.0
				Monetary Freedom	+23.8	Financial Freedom	-20.0

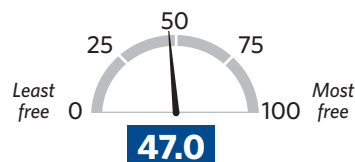
SOLOMON ISLANDS



World Rank: **161**

Regional Rank: **37**

Economic Freedom Score



The economy of the Solomon Islands continues to be heavily dependent on forestry and suffers from a lack of dynamism. Poor infrastructure and an underdeveloped regulatory environment impede expansion and diversification of the productive base. The financial system remains rudimentary and lacks the capacity to provide sufficient credit for entrepreneurial activity.

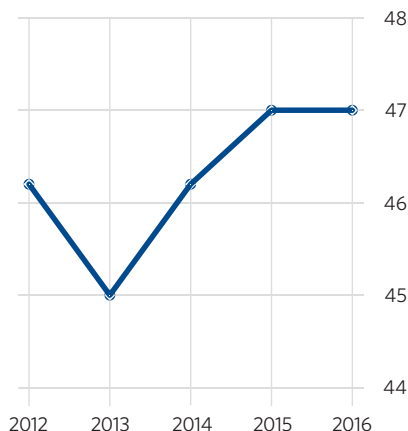
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **47 (no change)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **161st**
- Regional Ranking: **37th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law, Investment Freedom, and Management of Public Finance**
- Overall Score Change Since 2012: **+0.8**

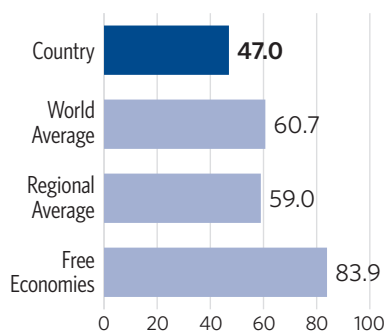
The rule of law is not effectively enforced across the country, and weak property rights and a lack of transparency in the legal system are a weighty drag on private-sector development. Despite reform efforts, systemic corruption increases the cost of business and deters much-needed long-term investment.

BACKGROUND: The Solomon Islands is a parliamentary democracy and one of Asia's poorest nations. Danny Philip's election as prime minister in 2010 seemingly stabilized a chaotic political environment, but allegations of corruption forced Philip to resign in 2011. Prime Minister Manasseh Sogavare has been in office since 2014. In recent years, Australia has had to intervene several times to defuse ethnic conflict. Australia, the European Union, Japan, New Zealand, and Taiwan provide significant financial aid. Most of the population lives in rural communities, and three-fourths of the workforce is engaged in subsistence farming and fishing. Economic growth depends largely on logging and timber exports.

Freedom Trend



Country Comparisons



Quick Facts

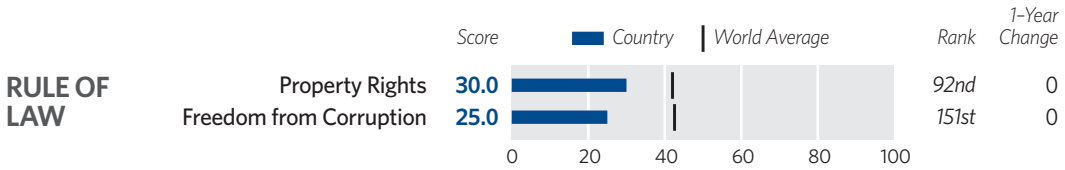
- Population:** 0.6 million
- GDP (PPP):** \$1.1 billion
- 1.5% growth in 2014
- 5-year compound annual growth 5.8%
- \$1,895 per capita
- Unemployment:** 3.9%
- Inflation (CPI):** 5.1%
- FDI Inflow:** \$23.7 million
- Public Debt:** 13.4% of GDP

How Do We Measure Economic Freedom?

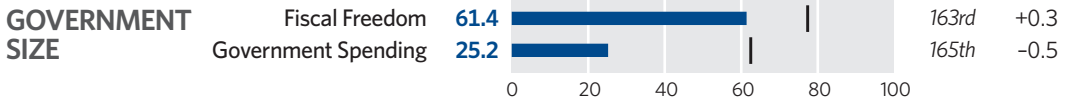
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

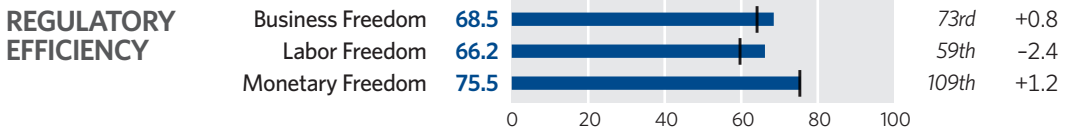
THE TEN ECONOMIC FREEDOMS



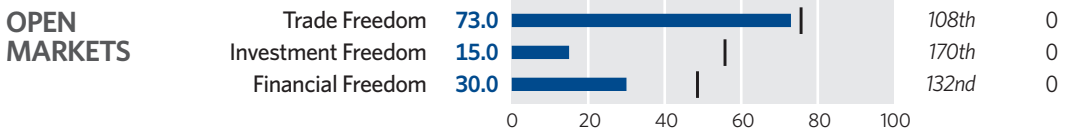
Public offices are widely viewed as opportunities for personal enrichment. Many public officials have faced charges of official abuse and corruption, and even former prime ministers have been convicted. Threats against judges and prosecutors have weakened the judicial system’s independence and rigor. Judges and prosecutors also have been implicated in corruption scandals. Land ownership is reserved for Solomon Islanders.



The top personal income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include a property tax and a sales tax. The overall tax burden equals 36.9 percent of total domestic income. Government spending has risen and now equals 49.9 percent of GDP. Budget surpluses have kept public debt below 15 percent of total domestic output.



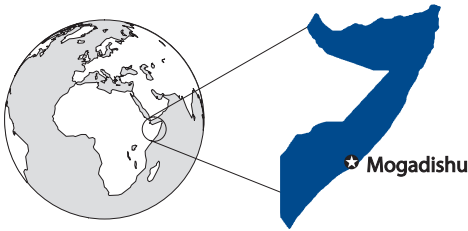
Implementation of a simplified registration process has marginally improved the business environment. The regulatory process continues to be undermined by uneven enforcement of existing laws. The labor market is underdeveloped, and informal labor activity remains substantial. About one-third of total public spending subsidizes infrastructure development projects, many of them funded by international donors.



The Solomon Islands’ average tariff rate is 8.5 percent. State-owned enterprises operate in the electricity and broadcasting sectors. Foreign investment in some sectors of the economy is restricted. Inadequate infrastructure and political uncertainty also discourage investment. Banking dominates the underdeveloped financial sector, and access to credit, particularly long-term credit, remains very limited.

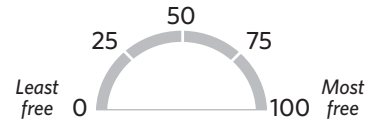
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-7.5	Business Freedom	+1.3	Trade Freedom	+6.6
Freedom from Corruption	-3.0	Government Spending	+25.2	Labor Freedom	-10.1	Investment Freedom	-5.0
				Monetary Freedom	+2.0	Financial Freedom	0



SOMALIA

Economic Freedom Score



This economy is not graded

World Rank: Not Ranked

Regional Rank: Not Ranked

Mired in political instability and famine, Somalia remains a failed state. Institutions and policies necessary for meaningful economic progress are largely absent, and much of the population lives in severe poverty. Agriculture is the most important sector, with livestock normally accounting for about 40 percent of total domestic output and more than half of Somalia's limited export earnings.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in Sub-Saharan Africa**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

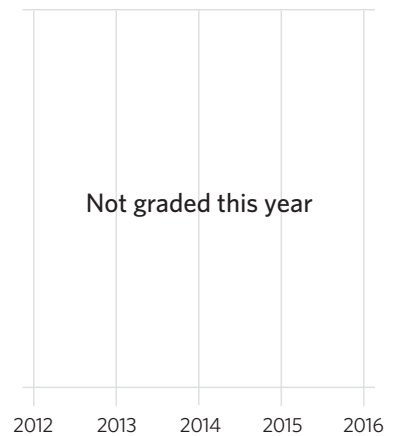
Lack of revenue collection and poor management of public finance continue to constrain economic development, leaving Somalia almost totally dependent on foreign assistance. The lack of physical security in most parts of the country perpetuates weak institutional capacity and remains a serious obstacle to economic reconstruction.

BACKGROUND: Since the collapse of longtime dictator Siad Barre's regime in 1991, various peacekeeping forces have protected a succession of weak and short-lived governments. The current AMISOM multinational force was inaugurated in 2007. A provisional constitution was passed in August 2012, and Hassan Sheikh Mohamud was elected president in September. Pirate hijackings have nearly ceased, and the Islamist terrorist group al-Shabaab has been pushed from major strongholds, though it remains a potent threat. In September 2014, al-Shabaab leader Ahmed Abdi Godane was killed in a U.S. airstrike; he was replaced by Ahmad Umar. GDP and living standards are among the world's lowest, and the population depends on foreign aid and remittances. Economic growth is slowly expanding beyond Mogadishu, which has been recovering since al-Shabaab retreated to rural areas beginning in 2011.

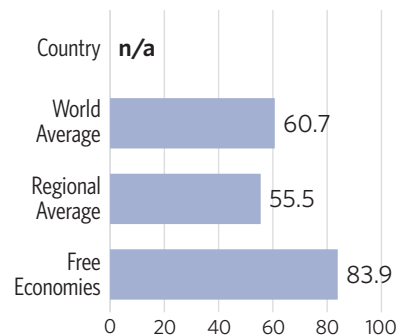
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

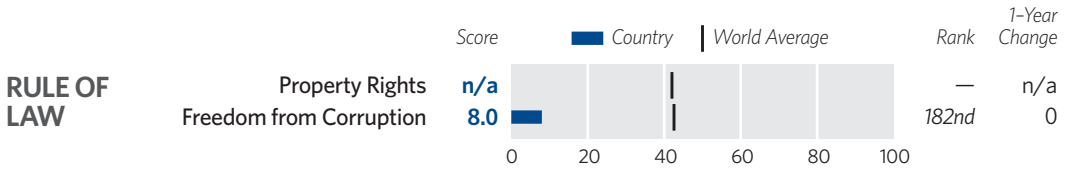


Quick Facts

- Population:** 10.5 million
- GDP (PPP):** n/a
- 3.7% growth in 2014
- 5-year compound annual growth n/a
- \$600 per capita (2010)
- Unemployment:** n/a
- Inflation (CPI):** n/a
- FDI Inflow:** n/a
- Public Debt:** n/a

2014 data unless otherwise noted.
Data compiled as of September 2015.

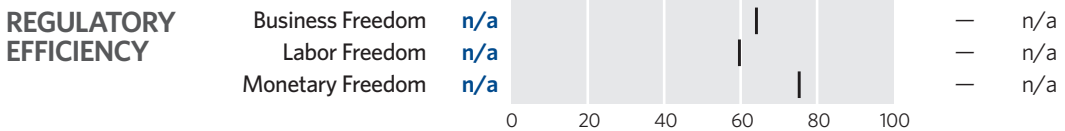
THE TEN ECONOMIC FREEDOMS



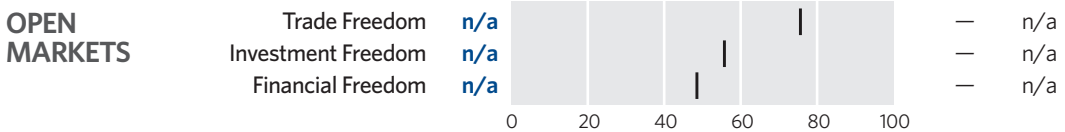
Corruption is rampant in Somalia, tied with North Korea for last place among the 175 countries surveyed in Transparency International’s 2014 Corruption Perceptions Index. In 2013, the U.N. reported that 80 percent of withdrawals by government officials from the Somali central bank were for private purposes. The provisional constitution outlines a judicial framework, but none of its institutions have been established.



There is no effective national government that can provide basic services. Other than the collection of very limited duties and taxes, little formal fiscal policy is in place. A new income tax law has been submitted to parliament for approval, but the lack of productive economic activity severely constrains the government’s ability to generate revenues.



An outmoded regulatory environment and inadequate infrastructure deter the formation and operation of businesses. The labor market is dominated by informal hiring practices. In 2015, the IMF held the first Article IV consultation with Somalia in 25 years. Despite almost nonexistent national governance, the informal agricultural, construction, and telecommunications sectors have registered positive growth without subsidies.

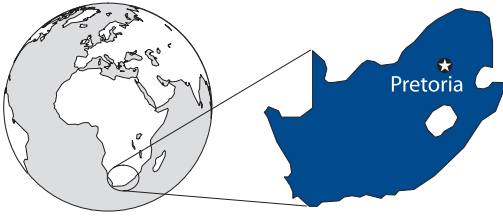


Much of the population remains outside of the formal trade and banking sectors, and private investment remains extremely limited. Somali diaspora remittances continue to be an important source of foreign exchange and economic support for the majority of Somalis. These financial inflows assist households in confronting poverty and financing basic needs.

Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a

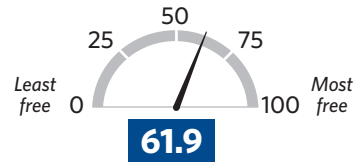
SOUTH AFRICA



World Rank: **80**

Regional Rank: **7**

Economic Freedom Score



South Africa's transition to a more open economic system has been facilitated by relatively competitive trade and investment regimes, but structural reforms to diversify the economic base have been only marginally successful. Social instability is exacerbated by violent strikes and a lack of employment opportunity.

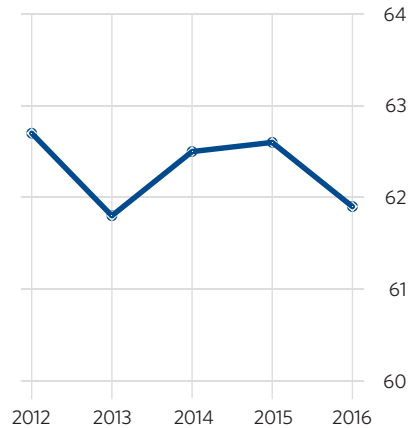
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.9 (down 0.7 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **80th**
- Regional Ranking: **7th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law and Management of Public Finance**
- Overall Score Change Since 2012: **-0.8**

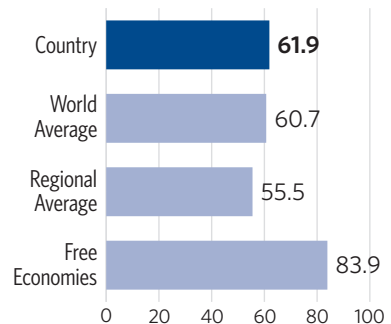
The lack of transparency constrains regulatory efficiency. Policies to sustain dynamic investment are not firmly institutionalized and occasionally are even derailed. Budget management needs to be more effective. The judicial system's susceptibility to corruption undermines the rule of law and prospects for stable long-term development.

BACKGROUND: Jacob Zuma of the African National Congress was elected president by the National Assembly in 2009 and reelected by an ANC-dominated parliament for another five years in May 2014. The ANC has dominated politics since the end of apartheid in 1994. South Africa is Africa's second-largest economy and one of the world's largest producers and exporters of gold and platinum, although strikes in 2014 brought platinum mining to a halt. Mining, services, manufacturing, and agriculture rival similar sectors in the developed world. Yet many South Africans are poor. Rates of formal-sector unemployment and crime are high, and the quality of public education is low. Access to infrastructure and basic services is lacking. In 2012, the government completed a National Development Plan that aspires to end poverty and reduce inequality by 2030.

Freedom Trend



Country Comparisons



Quick Facts

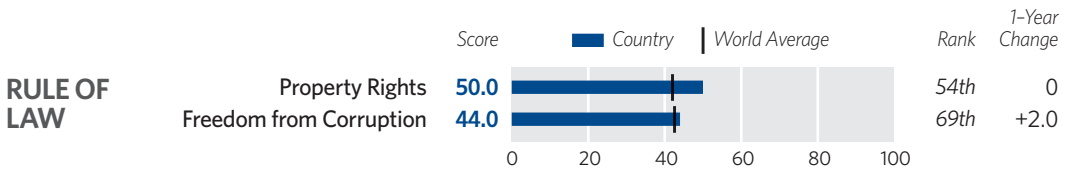
- Population:** 54.0 million
- GDP (PPP):** \$704.5 billion
- 1.5% growth in 2014
- 5-year compound annual growth 2.4%
- \$13,046 per capita
- Unemployment:** 25.1%
- Inflation (CPI):** 6.1%
- FDI Inflow:** \$5.7 billion
- Public Debt:** 45.9% of GDP

How Do We Measure Economic Freedom?

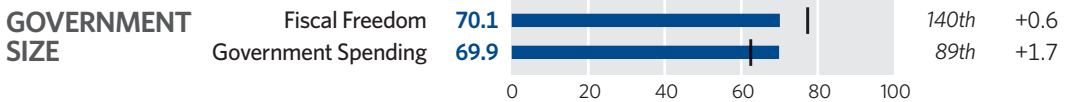
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2014 data unless otherwise noted.
Data compiled as of September 2015.

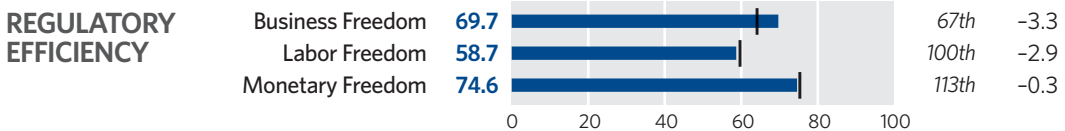
THE TEN ECONOMIC FREEDOMS



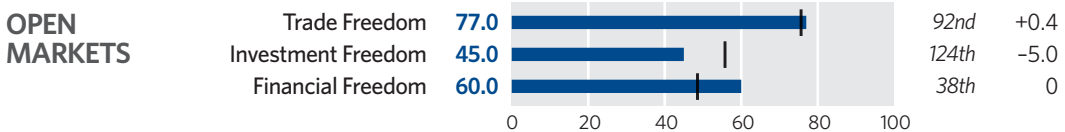
Allegations of corruption among civil servants persist at all levels despite an excellent anti-corruption regulatory framework. The process for tendering public contracts is often politically driven and opaque. Responding to criticism of courts by government ministers in 2015, the chief justice and other key judges staunchly defended judicial independence. Property rights are relatively well protected, and contracts are generally secure.



The top personal income tax rate is 40 percent but will be 41 percent for 2016. The top corporate tax rate is 28 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 24.7 percent of total domestic income. Government spending amounts to 31.7 percent of GDP, and the budget is in deficit. Public debt equals about 46 percent of annual domestic output.



Establishing a business involves five procedures, and no minimum capital is required, but obtaining necessary licenses still takes over two months. Labor regulations are not applied effectively, and the labor market lacks flexibility. Although the government has eliminated most price controls, it has implemented capital controls and housing subsidies in an attempt to gain more control of the domestic economy.



South Africa's average tariff rate is 4 percent. Imports of some agricultural products face additional barriers. State-owned enterprises operate in several sectors of the economy. Non-transparent laws continue to hinder private investment, and foreign investment faces additional restrictions that impede efficiency. The financial system has gradually been evolving, and the resilient banking sector remains relatively sound.

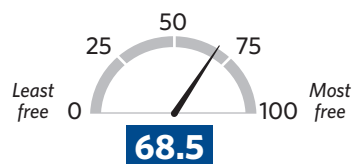
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+9.0	Business Freedom	-15.3	Trade Freedom	+34.0
Freedom from Corruption	-6.0	Government Spending	+6.6	Labor Freedom	0	Investment Freedom	-25.0
				Monetary Freedom	+0.8	Financial Freedom	+10.0



SPAIN

Economic Freedom Score



World Rank: **43**

Regional Rank: **20**

Fallout from the global financial and eurozone crises has hurt the Spanish economy, but a number of structural adjustments have enhanced prospects for recovery. Comprehensive reforms have been made in corporate taxation, reducing the top rate to 28 percent from 30 percent. The rate will be further reduced to 25 percent from January 2016. A new labor law intended to enhance flexibility in areas such as compensation and working hours has been implemented.

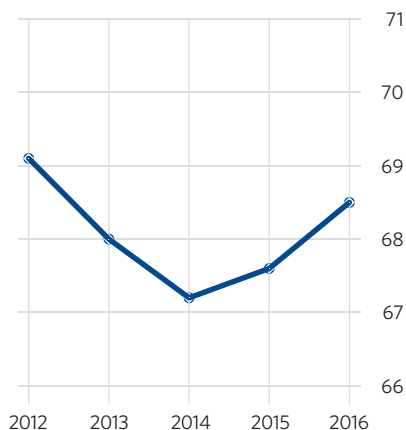
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.5 (up 0.9 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **43rd**
- Regional Ranking: **20th in Europe**
- Notable Successes: **Open Markets and Monetary Freedom**
- Concerns: **Management of Public Finance and Labor Freedom**
- Overall Score Change Since 2012: **-0.6**

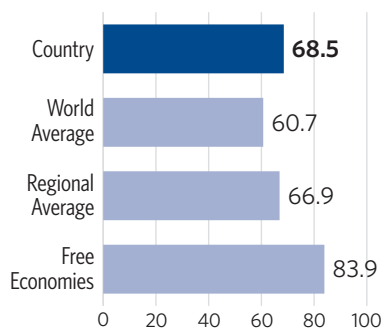
Despite some progress, large fiscal deficits and high levels of public debt necessitate a greater commitment to sound public financial management and a return to a sustainable level of government spending. Corruption continues to undercut respect for the rule of law.

BACKGROUND: Mariano Rajoy's conservative Popular Party won the November 2011 election and introduced the largest budget deficit-reduction plan in Spain's history along with crucial structural and labor reforms. In 2012, the European Union bailed out Spain's banking sector with a €41 billion loan. However, Rajoy's government has dismissed recent warnings that more government austerity measures are needed and has demurred at pension reform. The Spanish economy is growing at a steady rate. Spain's very high unemployment rate has declined only slightly, and youth unemployment hovers at around 55 percent.

Freedom Trend



Country Comparisons



Quick Facts

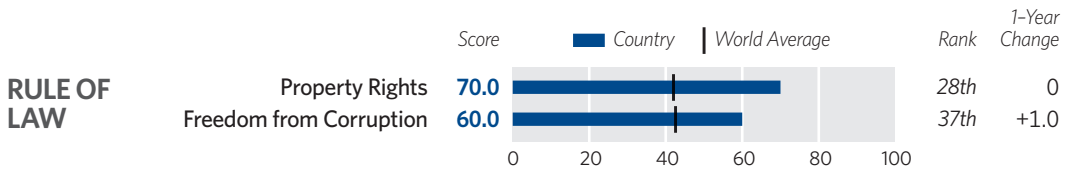
- Population:** 46.5 million
- GDP (PPP):** \$1.6 trillion
- 1.4% growth in 2014
- 5-year compound annual growth -0.5%
- \$33,711 per capita
- Unemployment:** 24.7%
- Inflation (CPI):** -0.2%
- FDI Inflow:** \$22.9 billion
- Public Debt:** 97.7% of GDP

How Do We Measure Economic Freedom?

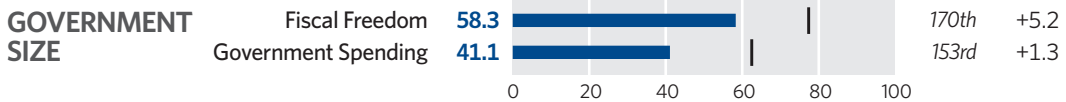
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

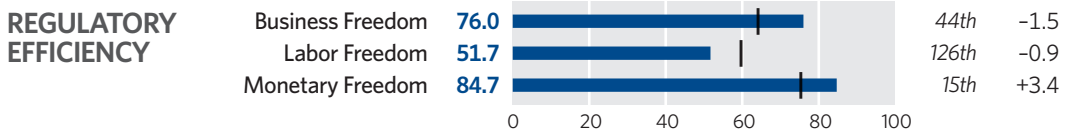
THE TEN ECONOMIC FREEDOMS



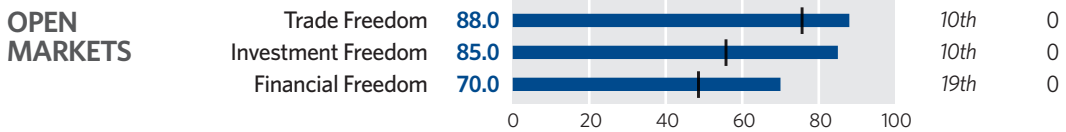
Political parties are popularly viewed as the institutions most affected by corruption in Spain, with campaign financing being a particular point of contention. Although the courts have a solid record of investigating and prosecuting corruption cases, the high workload means that they are often overburdened, and cases proceed very slowly. Spanish law protects property rights, but enforcement of contracts is slow.



The top individual income tax rate is 47 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 32.6 percent of total domestic income. Government spending amounts to 44.3 percent of GDP. The budget deficit is over 5 percent of GDP, and public debt is at a level near 100 percent of GDP.



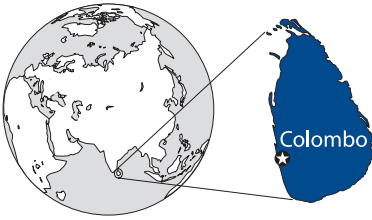
Procedures for setting up a business have been streamlined, and licensing requirements have been reduced. Bankruptcy proceedings are fairly straightforward. Labor regulations remain inflexible. Although the government has rolled back renewable energy subsidies aggressively in recent years, it maintains the world's most generous fuel subsidy program for high-seas fishing fleets.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. Spain generally treats foreign and domestic investors equally under the law, and nearly all sectors are open to foreign investment. With the banking sector under continuing strain, the stability of the financial system remains fragile.

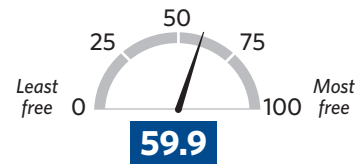
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+13.1	Business Freedom	+6.0	Trade Freedom	+10.2
Freedom from Corruption	+10.0	Government Spending	+4.3	Labor Freedom	+2.9	Investment Freedom	+15.0
				Monetary Freedom	+8.9	Financial Freedom	0



SRI LANKA

Economic Freedom Score



World Rank: **93**

Regional Rank: **17**

Sri Lanka has advanced structural reforms that include privatization and the overhaul of its tax, tariff, and foreign investment regimes. Economic expansion, driven by a services sector that accounts for over 60 percent of GDP, has been robust over the past five years. Reducing fiscal deficits and revitalizing efforts to enhance the efficiency of business and labor regulations are pressing needs.

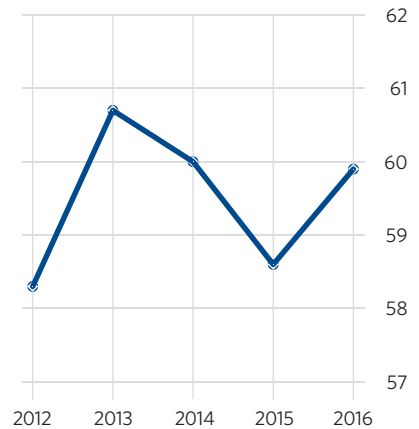
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.9 (up 1.3 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **93rd**
- Regional Ranking: **17th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Rule of Law and Control of Government Spending**
- Overall Score Change Since 2012: **+1.6**

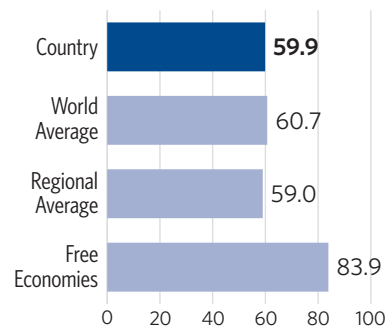
Substantial institutional shortcomings, particularly in the regulatory bureaucracy and the judiciary, still hold back long-term economic development. Despite some progress, the rule of law remains weak.

BACKGROUND: President Mahinda Rajapakse was voted out of office in January 2015. Prime Minister Maithripala Sirisena, who ran against him on pledges to restore parliamentary democracy and rein in corruption, formed a coalition government with the opposition United National Party and reinstated presidential term limits. Parliamentary elections in August 2015 brought UNP leader Ranil Wickremesinghe to power as the new prime minister. Sirisena and Wickremesinghe have pledged to work together for ethnic reconciliation and in September 2015 co-sponsored a U.N. Human Rights Council resolution acknowledging that war crimes were committed by both the government and the Liberation Tigers of Tamil Eelam during the civil war that ended in 2009. Agriculture, apparel, and tourism are the main economic sectors. Sri Lanka depends heavily on foreign assistance and remittances from workers abroad, primarily in the Middle East.

Freedom Trend



Country Comparisons



Quick Facts

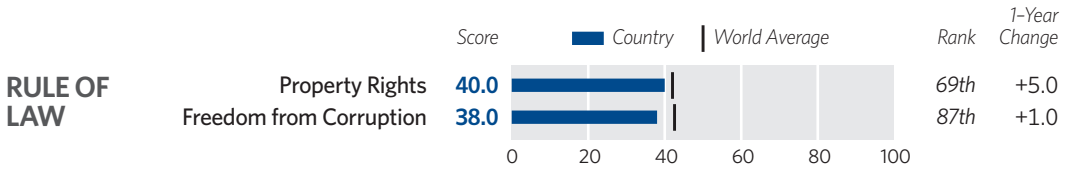
- Population:** 21.0 million
- GDP (PPP):** \$217.4 billion
- 7.4% growth in 2014
- 5-year compound annual growth 7.5%
- \$10,372 per capita
- Unemployment:** 4.6%
- Inflation (CPI):** 3.3%
- FDI Inflow:** \$944.2 million
- Public Debt:** 75.9% of GDP

How Do We Measure Economic Freedom?

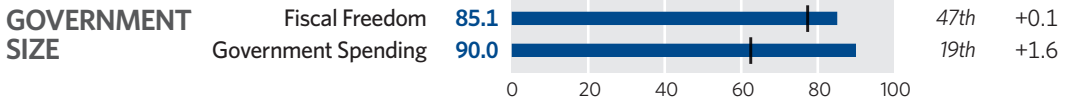
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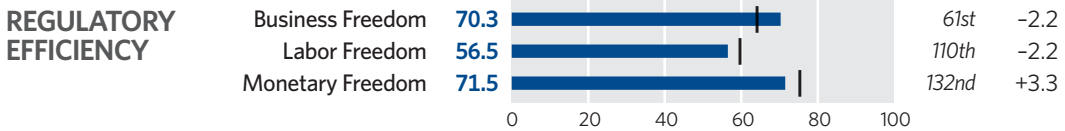
THE TEN ECONOMIC FREEDOMS



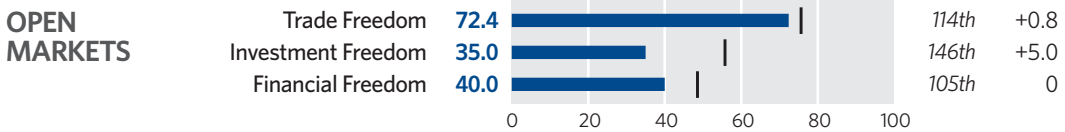
Corruption remains significant, and the current legal and administrative framework is inadequate to stop it. In April 2015, the prime minister alleged corruption running into billions of dollars at the state-owned airline under the government of former President Mahinda Rajapaksa. Secured interests in property are generally recognized, but many investors claim that protection can be flimsy. Concerns about politicization of the judiciary are growing.



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. Indirect taxes are the main source of revenue. The overall tax burden equals 11.6 percent of total domestic income. Government spending amounts to 18.3 percent of GDP. The budget deficit is over 5 percent of GDP, and public debt equals about 75 percent of total domestic output.



With no minimum capital required, launching a business takes five procedures, but obtaining necessary licenses is costly and takes more than 200 days. Inefficiency in the labor market causes an imbalance between labor supply and demand. The government maintains an extensive system of price controls and subsidies that distort most sectors of the economy. Agricultural export subsidies, in particular, have been increased.

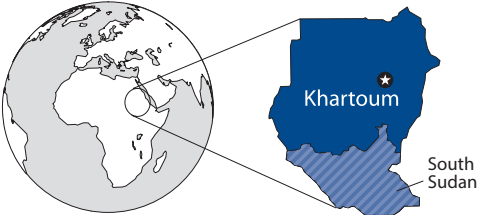


Sri Lanka's average tariff rate is 6.3 percent. The government's import substitution policy interferes with trade and investment. Agricultural imports face significant trade barriers. Foreign investment in some sectors of the economy is restricted. Non-performing loans in the banking system remain a problem, and the state continues to influence the allocation of credit.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+20.8	Business Freedom	+0.3	Trade Freedom	+18.2
Freedom from Corruption	+8.0	Government Spending	+11.7	Labor Freedom	-11.1	Investment Freedom	-15.0
				Monetary Freedom	-6.9	Financial Freedom	-30.0

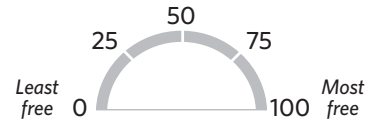
SUDAN



World Rank: Not Ranked

Regional Rank: Not Ranked

Economic Freedom Score



This economy is not graded

Political instability and prolonged lawlessness have undermined the capacity of Sudan's fragile economy to attract long-term investment and promote economic development. Although the small private sector has expanded slightly, the large informal economy remains the most important source of production and employment.

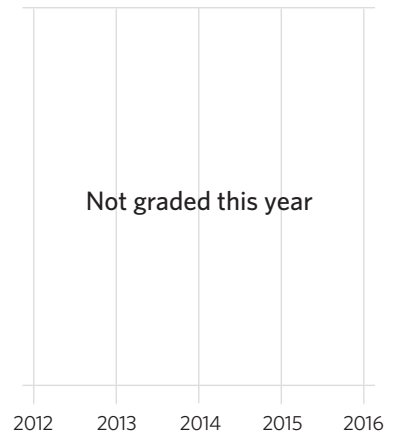
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in Sub-Saharan Africa**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

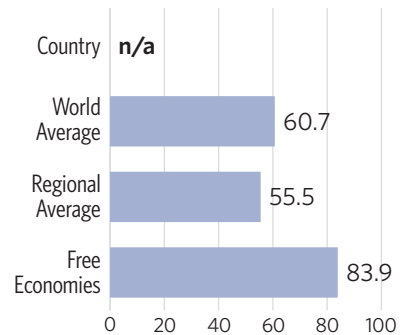
Despite some progress, security and political uncertainty remain formidable challenges. The rule of law continues to be fragile and uneven. The inability to deliver even basic services on a reliable basis, often exacerbated by systemic corruption, has severely eroded confidence in the government.

BACKGROUND: Omar Hassan al-Bashir, president since 1989 when he came to power in a military coup, faces two international arrest warrants based on charges of war crimes, crimes against humanity, and genocide in the conflict in Darfur that began in 2003, leaving over 2 million people displaced and over 200,000 killed. In October 2013, more than 30 members of al-Bashir's National Congress Party formed a new opposition party. Cross-border violence, political instability, poor infrastructure, weak property rights, and corruption hinder development. Export growth (other than oil) is largely stagnant, and agriculture employs 80 percent of the workforce. Following the secession of South Sudan in 2011, Sudan lost two-thirds of its oil revenue to the South. Subject to multiple comprehensive sanctions regimes, Sudan has begun austerity measures to reduce government spending. A June 2015 U.N. report of an upsurge of violence in Darfur has raised concerns.

Freedom Trend



Country Comparisons



Quick Facts

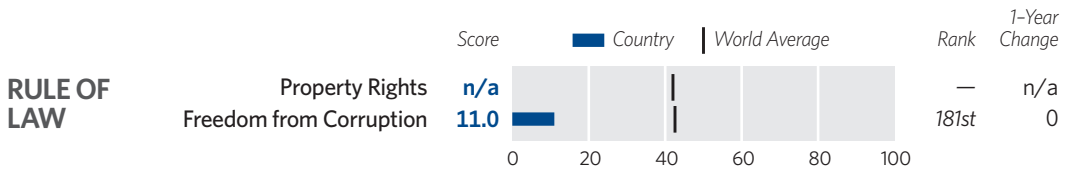
Population: 37.3 million
GDP (PPP): \$159.1 billion
 3.4% growth in 2014
 5-year compound annual growth 1.1%
 \$4,267 per capita
Unemployment: 14.8%
Inflation (CPI): 36.9%
FDI Inflow: \$1.3 billion
Public Debt: 74.2% of GDP

How Do We Measure Economic Freedom?

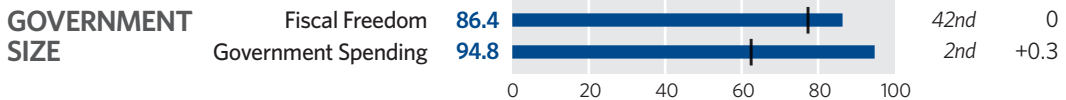
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2014 data unless otherwise noted.
 Data compiled as of September 2015.

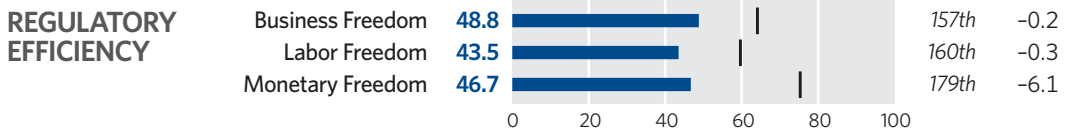
THE TEN ECONOMIC FREEDOMS



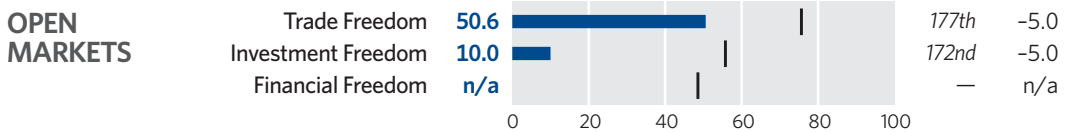
Sudan, one of the world’s most corrupt countries, was ranked 173rd among the 175 countries surveyed in Transparency International’s 2014 Corruption Perceptions Index. Political power and economic resources are concentrated in Khartoum while outlying states are neglected and impoverished. There is little respect for private property, the judiciary is not independent, and the legal framework is severely hampered by years of political conflict.



The top personal income tax rate is 10 percent. The top corporate tax rate is 35 percent. Overall tax revenue equals 6.1 percent of GDP. Government spending is below 20 percent of total domestic output, but public debt exceeds 70 percent of GDP. Sudan remains highly dependent on oil, and violence on the border with South Sudan and failure to negotiate an oil revenue-sharing agreement hurt the fiscal climate.



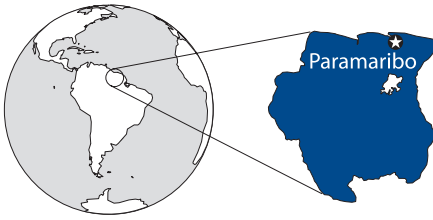
Inconsistent enforcement of regulations and other institutional shortcomings impede business activity and undermine economic development. The labor market remains underdeveloped, and much of the labor force is employed in the informal sector. Despite greatly reduced oil earnings, subsidies on fuel and some basic foodstuffs are still in place.



Importation of goods is expensive and time-consuming. The government screens new foreign investment and restricts investment in some sectors of the economy. Political instability, coupled with an outmoded regulatory environment and inadequate infrastructure, significantly deters private investment. A large portion of the population remains outside of the formal banking sector, and access to credit remains limited.

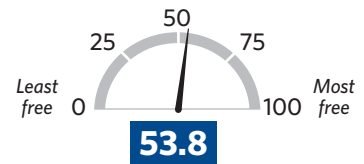
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



SURINAME

Economic Freedom Score



World Rank: **134**

Regional Rank: **23**

Suriname's economic dynamism remains hampered by serious institutional deficiencies that include poor governance and an inefficient, oversized public sector. Underdeveloped legal and physical infrastructure, exacerbated by political instability, continues to undermine long-term investment and the emergence of a vibrant private sector.

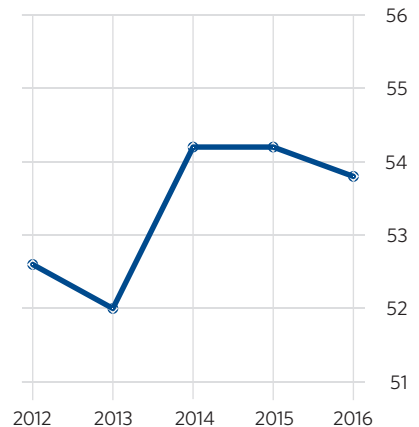
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.8** (down 0.4 point)
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **134th**
- Regional Ranking: **23rd in the South and Central America/Caribbean Region**
- Notable Successes: **Monetary Freedom and Trade Freedom**
- Concerns: **Rule of Law, Business Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+1.2**

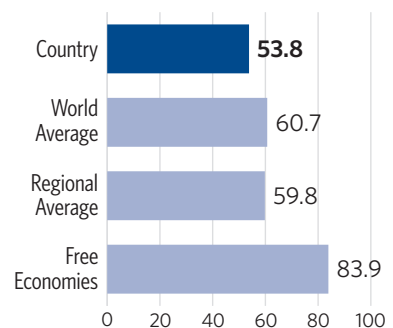
Policies needed to sustain open markets are not firmly institutionalized, and protection of property rights is ineffective. Pervasive corruption continues to undermine the judicial system and the rule of law, making it harder to lay a solid foundation for lasting economic development.

BACKGROUND: In 2015, former dictator and convicted narco-trafficker Desire “Dési” Bouterse of the National Democratic Party was reelected president for another five-year term. Bouterse first took power in 1980 when he led the “Sergeants Coup” that overthrew the civilian government and installed a military regime that ruled until 1987. In 2012, the legislature gave him amnesty for the 1982 murders of 15 prominent young men who had criticized the military dictatorship. In 2014, Bouterse’s son Dino pleaded guilty in New York to charges of drug trafficking and providing material support to a terrorist organization; in March 2015, he was sentenced to 16 years in prison. Suriname remains one of South America’s poorest and least-developed countries. The economy is dominated by exports of natural resources, especially alumina, oil, and gold, which are subject to boom-and-bust price fluctuations.

Freedom Trend



Country Comparisons



Quick Facts

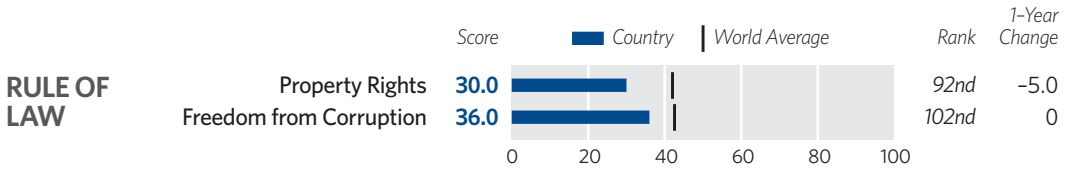
- Population:** 0.6 million
- GDP (PPP):** \$9.2 billion
- 2.9% growth in 2014
- 5-year compound annual growth 4.3%
- \$16,623 per capita
- Unemployment:** 5.6%
- Inflation (CPI):** 3.4%
- FDI Inflow:** \$4.2 million
- Public Debt:** 34.1% of GDP

How Do We Measure Economic Freedom?

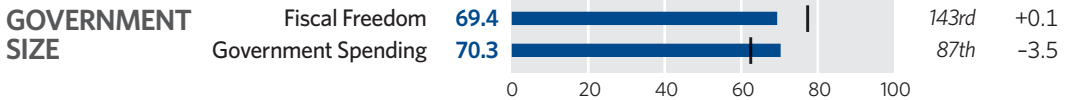
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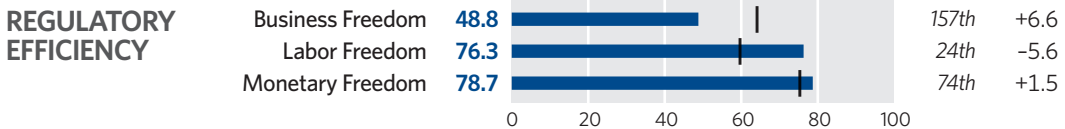
THE TEN ECONOMIC FREEDOMS



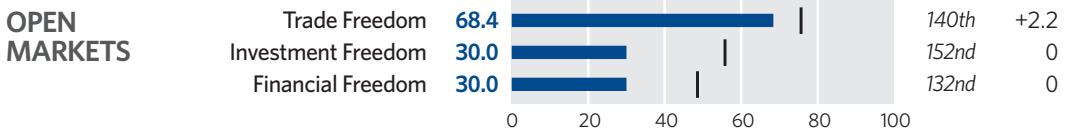
Pervasive corruption has fueled increases in crime, drug trafficking, and human trafficking. It infects government procurement, license issuance, land policy, and taxation. Organized criminal gangs and narco-trafficking networks continue to hamper governance and undermine the judicial system. The judiciary is susceptible to political influence. Property rights are not well protected.



The top personal income tax rate is 38 percent, and the top corporate tax rate is 36 percent. Other taxes include a property tax, a tax on dividends, and an excise tax. The overall tax burden equals 17.9 percent of total domestic income. Government spending amounts to 31.5 percent of GDP. Budget deficits have been increasing, and public debt now equals about 35 percent of total domestic output.



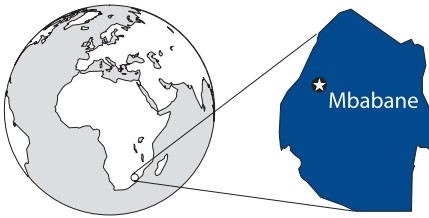
Despite small improvements, the regulatory framework remains unfavorable to private-sector development. Licensing requirements are burdensome, and launching a business still takes more than 100 days. The formal labor market is not fully developed, and the public sector remains a major source of employment. The state influences prices through regulations and state-owned enterprises. Electricity and water subsidies exceed 2 percent of GDP.



Suriname's average tariff rate is 10.8 percent. Some agricultural products face high tariffs. The government screens new foreign investment. Private investment remains weak, partly because of heavy government interference in the economy. The onerous and non-transparent investment regime deters much-needed long-term foreign investment. The financial sector is underdeveloped, and credit decisions are subject to state influence.

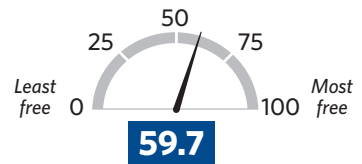
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+19.9	Business Freedom	-21.2	Trade Freedom	+43.4
Freedom from Corruption	+26.0	Government Spending	+24.5	Labor Freedom	-9.5	Investment Freedom	-20.0
				Monetary Freedom	+78.7	Financial Freedom	0



SWAZILAND

Economic Freedom Score



World Rank: **94**

Regional Rank: **11**

Swaziland's economy is mired in stagnation, destabilized by poor governance, ongoing social unrest, and a lack of progress in structural reforms. Undermining macroeconomic stability and much-needed economic development, the mismanagement of public finance has aggravated the country's fiscal crisis over the past five years. The inefficient regulatory framework continues to curb the emergence of a dynamic private sector.

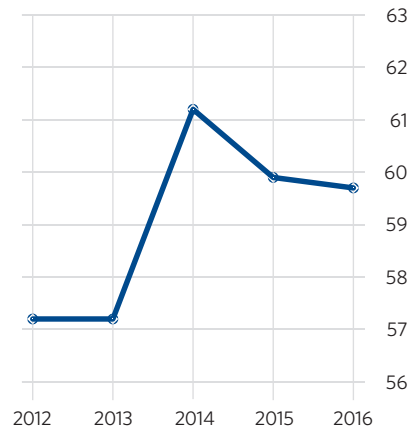
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.7 (down 0.2 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **94th**
- Regional Ranking: **11th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law, Management of Public Finance, and Financial Freedom**
- Overall Score Change Since 2012: **+2.5**

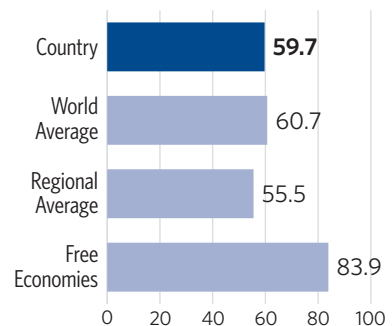
Rule of law in Swaziland continues to be fragile, and the judiciary remains vulnerable to political influence. Systemic weaknesses continue to undermine the protection of property rights and enforcement of anti-corruption measures.

BACKGROUND: King Mswati III rules Africa's last absolute monarchy. Political parties are banned, and rights groups accuse the government of imprisoning journalists and pro-democracy activists. Parliamentary candidates are hand-picked by chiefs who are loyal to the king, and international observers declared the most recent elections, held in September 2013, not credible. In June 2014, as a result of crackdowns on peaceful demonstrations and a lack of protection of workers' rights, the U.S. disqualified Swaziland from receiving the market-access benefits available under the African Growth and Opportunity Act. Swaziland's currency is pegged to the South African rand, and South Africa is its largest trading partner. Private-sector producers of soft-drink concentrate, textiles, and cane sugar are among the leading exporters.

Freedom Trend



Country Comparisons



Quick Facts

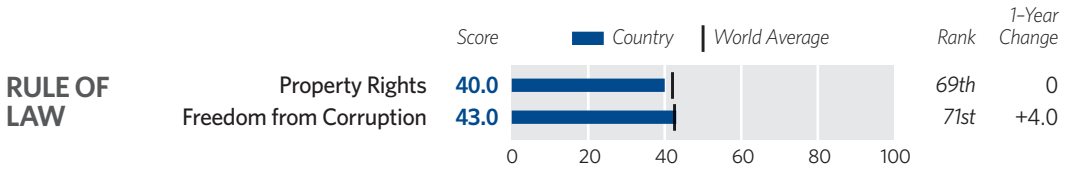
Population: 1.1 million
GDP (PPP): \$8.6 billion
 1.7% growth in 2014
 5-year compound annual growth 1.5%
 \$7,797 per capita
Unemployment: 22.3%
Inflation (CPI): 5.8%
FDI Inflow: \$12.7 million
Public Debt: 16.2% of GDP

How Do We Measure Economic Freedom?

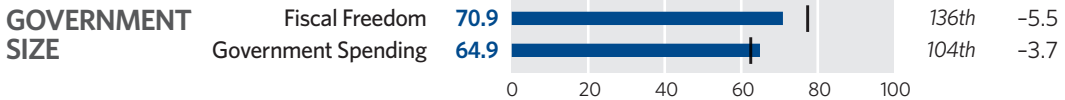
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 Data compiled as of September 2015.

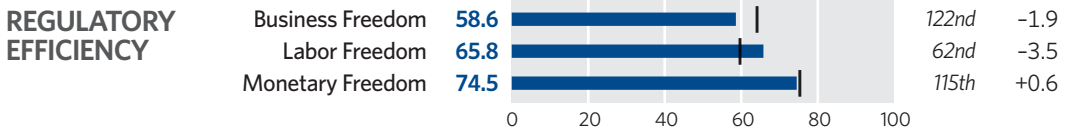
THE TEN ECONOMIC FREEDOMS



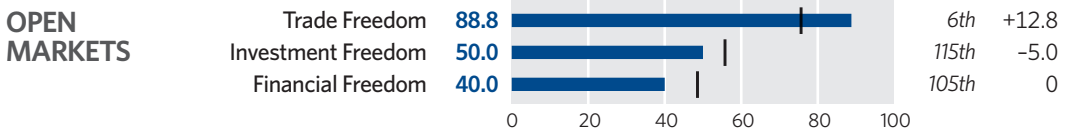
Corruption is a major problem, especially in public contracting, government appointments, and school admissions. The dual judicial system includes courts based on Roman–Dutch law and traditional courts using customary law. Although the judiciary is independent, the king has ultimate judicial power, and the royal family and government often refuse to respect rulings with which they disagree. Sixty percent of land lacks clear titles.



The top individual income tax rate is 33 percent, and the top corporate tax rate is 27.5 percent. Other taxes include a fuel tax and a sales tax. The total tax burden equals 32.6 percent of GDP. Government spending amounts to 34.2 percent of GDP. Public debt is equivalent to about 16 percent of total domestic output. The civil service wage bill continues to crowd out other spending and needed investment.



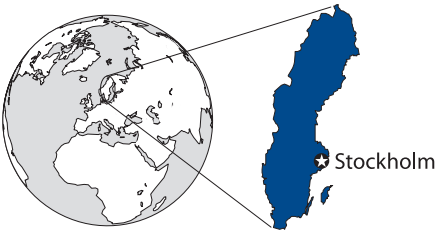
The regulatory framework remains burdensome, with many requirements that increase the overall cost of entrepreneurial activity. A formal labor market has not been fully developed, and informal labor activity remains substantial. Inflation in Swaziland has edged up slightly due to electricity tariffs and public transport fares as well as the weaker rand and higher inflation in South Africa.



Swaziland’s average tariff rate is 0.6 percent. The government screens new foreign investment. State-owned enterprises operate in the energy and mining sectors. Although foreign investment is officially welcome, deficiencies in the investment regime such as heavy bureaucracy inhibit growth in long-term investment. The financial sector remains underdeveloped, and most of the population still lacks access to formal credit.

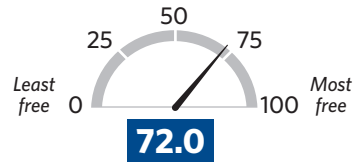
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+7.4	Business Freedom	-11.4	Trade Freedom	+30.8
Freedom from Corruption	-7.0	Government Spending	-4.4	Labor Freedom	-3.4	Investment Freedom	-20.0
				Monetary Freedom	+5.2	Financial Freedom	-10.0



SWEDEN

Economic Freedom Score



World Rank: **26**

Regional Rank: **14**

Sweden's economic competitiveness has been sustained by solid institutional foundations for an open-market system. The judiciary, independent and free of corruption, provides strong protection of property rights and upholds the rule of law. The economy is open to global trade and investment, and high levels of regulatory transparency and efficiency encourage vibrant entrepreneurial activity.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **72.0 (down 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **26th**
- Regional Ranking: **14th in Europe**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Control of Government Spending and Labor Freedom**
- Overall Score Change Since 2012: **+0.3**

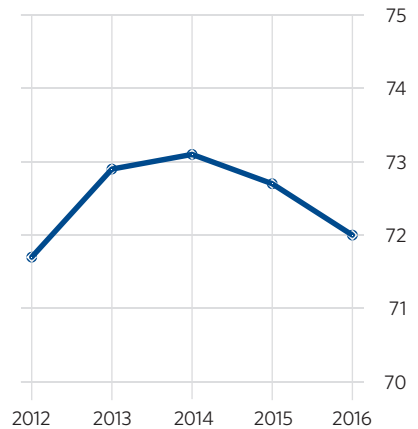
The Swedish economy continues to be characterized by a high level of public spending on social programs. The country's relatively stringent employment-protection legislation, which has tended to discourage job mobility and dynamic employment growth, needs to be fundamentally revised.

BACKGROUND: Sweden joined the European Union in 1995 but rejected adoption of the euro in 2003. The public opposes membership in the eurozone. A general election was held in September 2014. After difficult negotiations, a new center-left coalition government consisting of the Social Democratic Party and the Green Party took office. Banks are well capitalized, and Sweden has weathered the financial crisis relatively well. Sweden's economy is export-oriented. Principal exports include automobiles, telecommunications products, construction equipment, and other investment goods. Due to a number of security incidents in the region that are connected to Russia, the debate about Sweden's possible NATO membership has resurfaced, but it remains unlikely that Sweden will join the alliance in the near future.

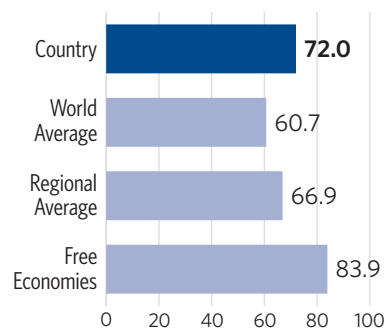
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

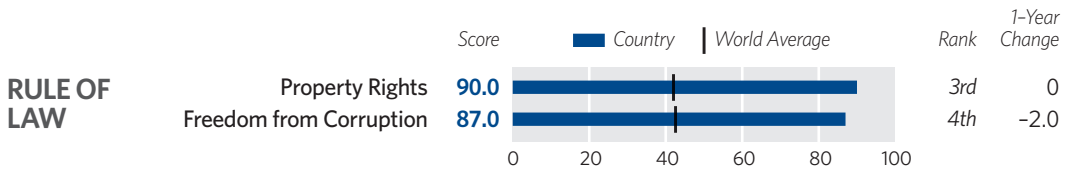


Quick Facts

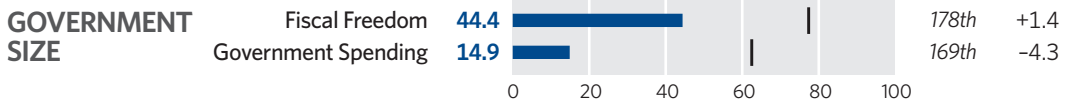
- Population:** 9.7 million
- GDP (PPP):** \$448.2 billion
- 2.1% growth in 2014
- 5-year compound annual growth 2.4%
- \$45,986 per capita
- Unemployment:** 8.0%
- Inflation (CPI):** -0.2%
- FDI Inflow:** \$10.0 billion
- Public Debt:** 41.5% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

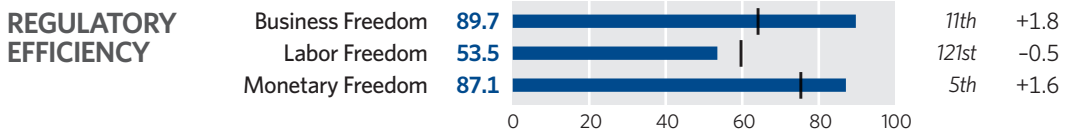
THE TEN ECONOMIC FREEDOMS



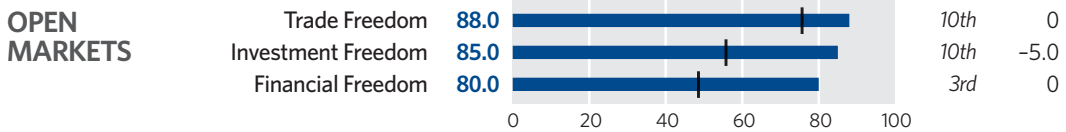
Corruption is generally low in Sweden, which ranked fourth out of 175 countries in Transparency International’s 2014 Corruption Perceptions Index. Effective anti-corruption measures discourage bribery of public officials and uphold government integrity. The rule of law is well maintained. The judicial system operates independently and impartially, and laws are applied consistently. Property rights and contract enforcement are very secure.



The top personal income tax rate is 57 percent, and the top corporate tax rate is 22 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 42.8 percent of total domestic income. Government spending amounts to 53.2 percent of GDP. The budget has been in deficit. Public debt has been kept under control and equals about one-third of total domestic output.



The regulatory environment is highly efficient. The minimum capital requirement for limited-liability companies has been cut in half, making it even easier to establish a company. Labor regulations are among Europe’s most rigid. The central bank’s decision in 2014 to lower its main policy rate to zero reflected concern about the persistence of disinflationary pressure but was accompanied by government rejections of proposed cuts in mortgage subsidies.

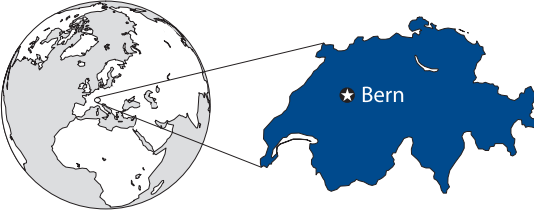


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises distort the economy. The financial sector, which has regained much of its stability over the past five years, continues to offer a wide range of financing options. Banking regulations are sensible, and lending practices have been prudent.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	+0.4	Business Freedom	+19.7	Trade Freedom	+11.0
Freedom from Corruption	-3.0	Government Spending	+14.9	Labor Freedom	-11.7	Investment Freedom	+15.0
				Monetary Freedom	+5.6	Financial Freedom	+30.0

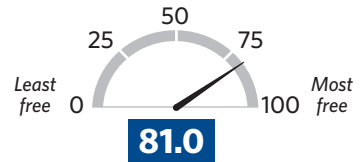
SWITZERLAND



World Rank: **4**

Regional Rank: **1**

Economic Freedom Score



The Swiss economy benefits from high levels of flexibility and institutional strengths that include strong protection of property rights and minimum tolerance for corruption. An independent and corruption-free judiciary enforces contracts effectively. Openness to global trade and investment has enabled Switzerland to become one of the world's most competitive and innovative economies.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **81.0 (up 0.5 point)**
- Economic Freedom Status: **Free**
- Global Ranking: **4th**
- Regional Ranking: **1st in Europe**
- Notable Successes: **Rule of Law, Open Markets, and Regulatory Efficiency**
- Concerns: **Control of Government Spending**
- Overall Score Change Since 2012: **-0.1**

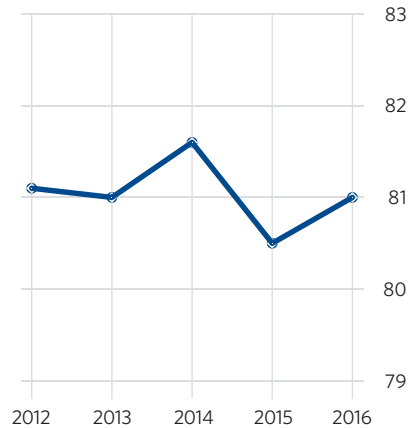
With an efficient regulatory framework firmly institutionalized, Switzerland's economic resilience is supported by a vibrant entrepreneurial sector. Monetary stability, an efficient labor market, and various financing options in the competitive financial sector aid commercial operations.

BACKGROUND: Switzerland's federal system of government disperses power widely, and executive authority is exercised by the seven-member Federal Council. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. It did not join the United Nations until 2002, and two referenda on membership in the European Union have failed by wide margins. Membership in the European Economic Area was rejected by referendum in 1992. One of the world's richest and most investment-friendly countries, Switzerland has a well-developed financial services industry. After years of criticism by the EU and the U.S., Switzerland now publishes a list of foreign account holders. This has changed its reputation for banking secrecy, dating back to the 1930s. In addition to banking, the economy relies heavily on precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

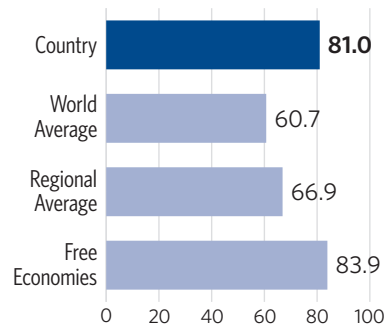
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

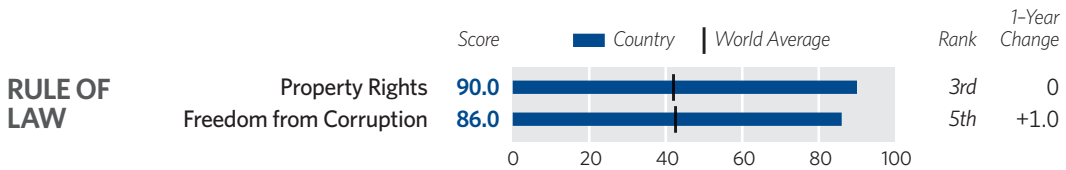


Quick Facts

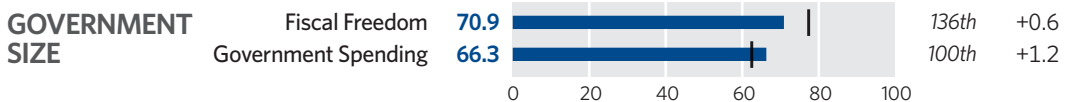
- Population:** 8.1 million
- GDP (PPP):** \$472.8 billion
- 2.0% growth in 2014
- 5-year compound annual growth 2.0%
- \$58,087 per capita
- Unemployment:** 4.5%
- Inflation (CPI):** 0.0%
- FDI Inflow:** \$21.9 billion
- Public Debt:** 46.1% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

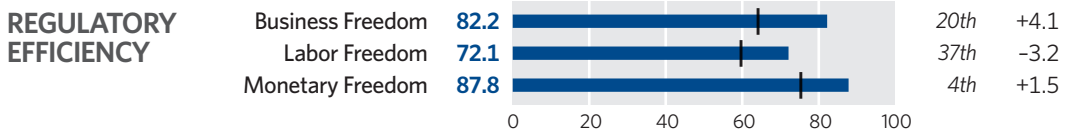
THE TEN ECONOMIC FREEDOMS



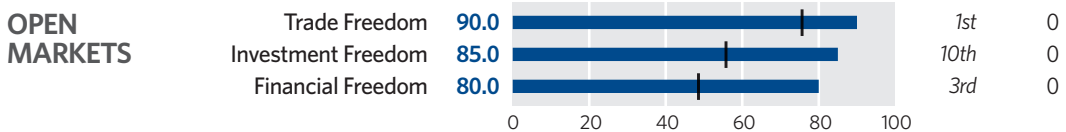
The government is considered virtually free from corruption, and Switzerland was ranked fifth out of 175 countries in Transparency International’s 2014 Corruption Perceptions Index. Protection of property rights is strongly enforced, and an independent and fair judicial system is institutionalized throughout the economy. Commercial and bankruptcy laws are applied consistently and efficiently. Intellectual property rights are respected and enforced.



Taxation is more burdensome at the cantonal levels than at the federal level. The top federal income tax rate is 11.5 percent, and the combined tax rate is as high as 40 percent. The federal corporate tax rate is 8.5 percent, but the joint rate can be as high as 24 percent. The overall tax burden equals 27.1 percent of GDP. Government spending amounts to 33.5 percent of GDP.



The competitive regulatory framework strongly supports commercial activity, allowing efficient and dynamic business formation and operation. Labor regulations are relatively flexible, and provisions concerning work hours have been eased. The central bank’s surprise January 2015 decision to discontinue its exchange-rate ceiling with the euro sent shock waves through global currency markets and prompted a rapid appreciation of the Swiss franc.

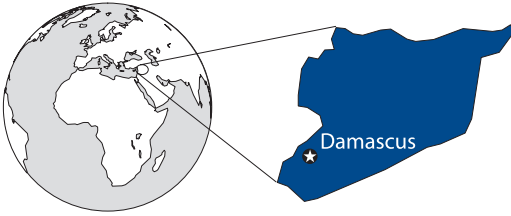


Switzerland has a 0 percent average tariff rate and is a member of the European Free Trade Association. Many agricultural imports are subject to non-tariff barriers. Domestic and foreign investors are generally treated equally under the law. The modern and highly developed financial sector provides a wide range of financing instruments. Despite the challenging external environment, banks remain well capitalized and sound.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	-7.1	Business Freedom	+12.2	Trade Freedom	+12.0
Freedom from Corruption	-4.0	Government Spending	+12.9	Labor Freedom	-5.1	Investment Freedom	-5.0
				Monetary Freedom	-3.8	Financial Freedom	+10.0

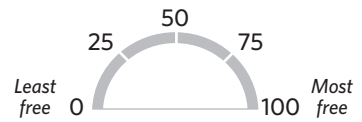
SYRIA



World Rank: Not Ranked

Regional Rank: Not Ranked

Economic Freedom Score



This economy is not graded

Syría has been devastated by war, with the escalating cost of government compounded by a collapse in oil and tax revenue. Bashar al-Assad's regime continues to focus on maintaining a high level of spending on the military and public-sector wages. Pursuit of economic development in government-controlled areas has been stymied by the ongoing civil war.

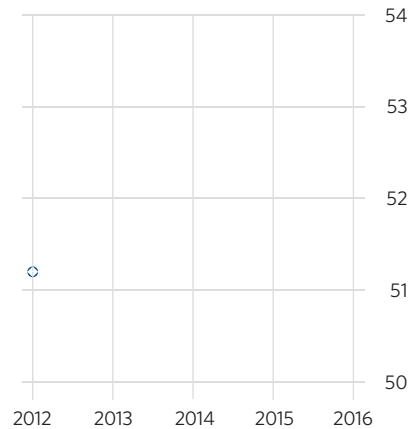
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Middle East/North Africa Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

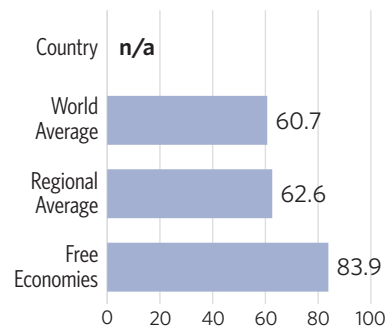
The state has long dominated many areas of economic activity, and the repressive economic environment has marginalized the private sector and prevented sustainable development. State interference has seriously undermined monetary freedom.

BACKGROUND: The Assad family has ruled Syria since Hafez al-Assad's military coup in 1970. Bashar al-Assad, who succeeded his father in 2000, has failed to deliver on promises to open the socialist economy and ease political repression. Arab Spring protests in 2011 were met with brutal crackdowns. By 2012, the uprising against Assad had become a sectarian civil war with the predominantly Sunni rebels pitted against the Alawite-dominated regime. By mid-2014, Islamist extremists, including the terrorist Islamic State of Iraq and Syria (ISIS) and al-Qaeda's franchise, Jabhat al-Nusra, gained dominance within the factionalized rebel movement. Assad's regime is heavily supported by Iran, Russia, and Hezbollah. The conflict has triggered a severe economic recession, and more than 4 million Syrians have fled the country. Syria's economy is also hobbled by a large state bureaucracy, falling oil production, rising budget deficits, and inflation.

Freedom Trend



Country Comparisons



Quick Facts

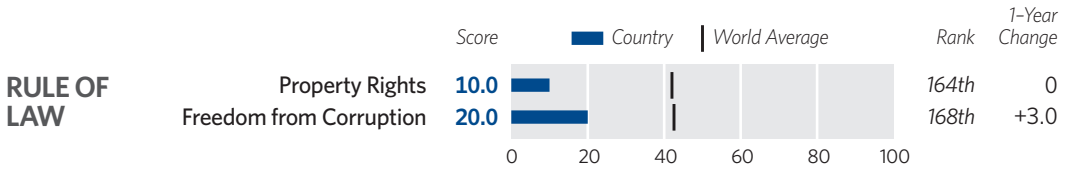
- Population:** 18.1 million
- GDP (PPP):** \$73.0 billion
- 0.4% growth in 2014
- 5-year compound annual growth n/a
- \$4,020 per capita
- Unemployment:** n/a
- Inflation (CPI):** 29.2%
- FDI Inflow:** n/a
- Public Debt:** n/a

How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

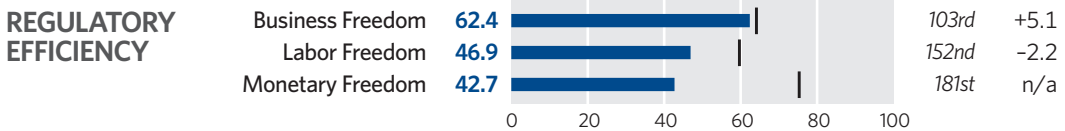
THE TEN ECONOMIC FREEDOMS



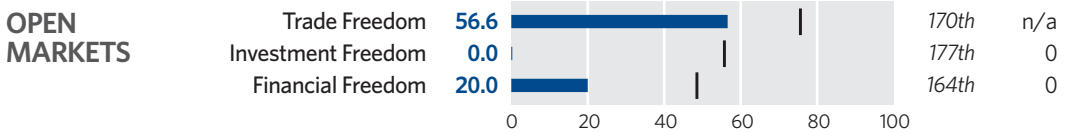
Even before the armed conflict and ongoing geopolitical chaos, Syria’s government institutions lacked public accountability and were plagued by corruption. Members of the ruling family and their inner circle are said to own and control a major portion of the Syrian economy. Corruption is also present in rebel-held areas, albeit on a smaller scale. The judiciary is neither transparent nor independent.



Ongoing civil conflict has rendered fiscal policy and tax administration, if any, opaque. The overall budgetary situation remains dire in the near absence of a consistent flow of oil and tax revenues. In 2015, despite severe budget shortfalls, the Assad government issued a decree providing for a boost to monthly salaries and pensions for all public-sector employees, exacerbating the already dismal fiscal situation.



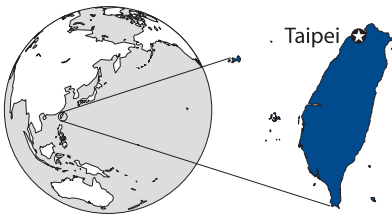
Before the ongoing civil unrest, the business environment, lacking transparency and efficiency, had improved only marginally. It remains repressive, burdened by heavy state intervention, and continues to retard entrepreneurial activity and prolong economic stagnation. The labor market suffers from state interference and control. Dramatically increasing political instability has significantly increased the risk of hyperinflation.



Syria has a 14.2 percent average tariff rate. State-owned enterprises are active in the transportation, energy, and telecommunications sectors. The ongoing civil war deters international trade and investment. Political uncertainty and repression have severely weakened the financial system. The central bank has imposed restrictions on the sale of foreign currency by banks to individuals.

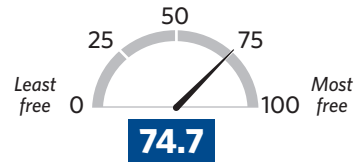
Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



TAIWAN

Economic Freedom Score



World Rank: **14**

Regional Rank: **5**

Small and medium-size enterprises have been the backbone of Taiwan's economic dynamism. The commercial code is well developed, and open-market policies continue to facilitate the free flow of goods and capital. A sound legal framework provides strong protection of property rights and upholds the rule of law.

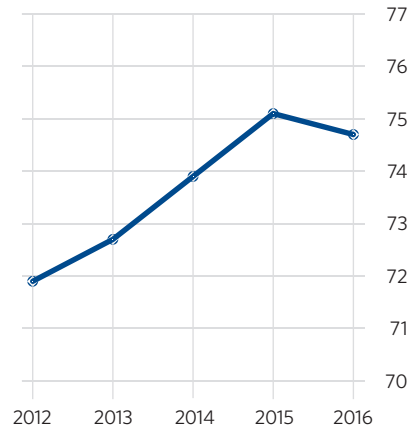
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **74.7 (down 0.4 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **14th**
- Regional Ranking: **5th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom, Business Freedom, and Property Rights**
- Concerns: **Labor Freedom and Management of Public Finance**
- Overall Score Change Since 2012: **+2.8**

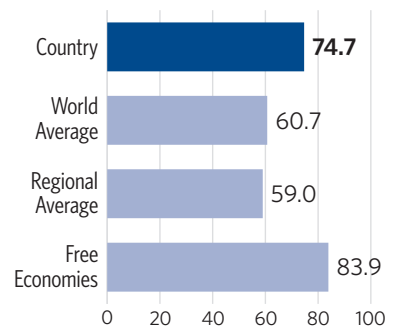
Challenges remain in ensuring Taiwan's long-term economic dynamism, and further efforts to enhance competitiveness are vital to sustain growth in its export-oriented economy. Debates about the proper scope of government in welfare policies continue, and upward pressures on public spending keep the budget in deficit. The rigidity of the labor market and lingering corruption continue to hold back overall economic freedom.

BACKGROUND: Taiwan is a dynamic multi-party democracy, and its economy is one of the richest in Asia. President Ma Ying-jeou has relaxed cross-Strait barriers with the People's Republic of China and negotiated a multi-stage formal economic agreement with Beijing, but these closer relations could be challenged after the 2016 presidential election. Taiwan is excluded from membership in the United Nations, other international organizations, and a variety of free trade arrangements as part of Beijing's efforts to pressure it into unification. Although internal opposition to engaging with China is considerable because of fears that sovereignty will be lost, recent economic arrangements now bind the island closer to the PRC.

Freedom Trend



Country Comparisons



Quick Facts

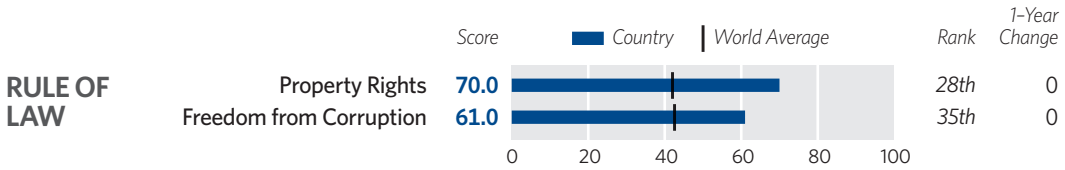
- Population:** 23.4 million
- GDP (PPP):** \$1.1 trillion
- 3.7% growth in 2014
- 5-year compound annual growth 4.5%
- \$45,854 per capita
- Unemployment:** 4.0%
- Inflation (CPI):** 1.2%
- FDI Inflow:** \$2.8 billion
- Public Debt:** 37.6% of GDP

How Do We Measure Economic Freedom?

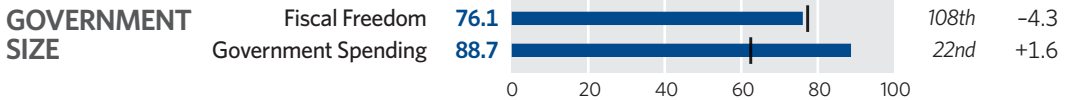
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

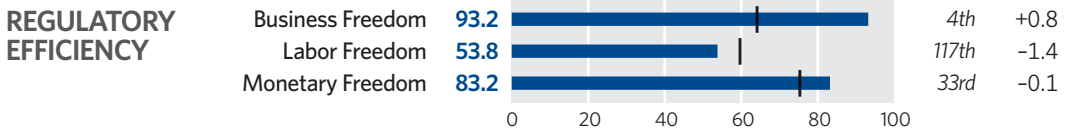
THE TEN ECONOMIC FREEDOMS



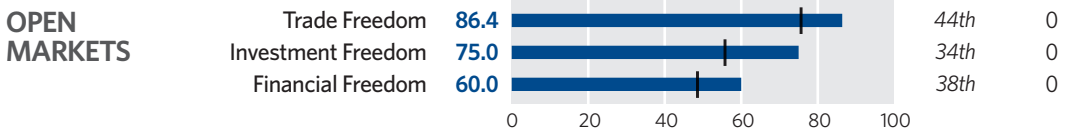
Although corruption is much less pervasive now, politics and big business remain closely intertwined. For example, a large Taiwanese food company accused of selling tainted cooking oil allegedly avoided strict safety inspections due to its close connections with politicians. The judiciary is independent, and the court system is free of political interference. Property rights are generally protected, and the judiciary enforces contracts well.



The top personal income tax rate has been increased to 45 percent, and the top corporate tax rate is 17 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 8.7 percent of total domestic income. Government spending amounts to 19.4 percent of GDP. The budget has been in deficit, but public debt has been kept to below 40 percent of total domestic product.



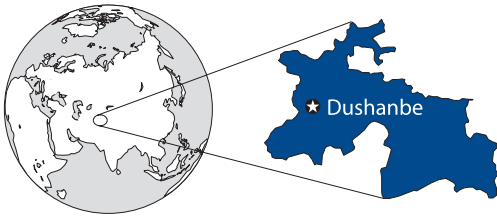
With no minimum capital required, it takes only three procedures to start a company. Simplification of business registration procedures has continued in recent years. Bankruptcy proceedings are fairly easy and straightforward. The labor market lacks flexibility. Prices are largely determined by the market, but the government does influence some prices and controls prices for electricity and pharmaceutical products.



Taiwan's average tariff rate is 1.8 percent. Many agricultural imports face additional barriers. Foreign investment levels in some sectors of the economy, including telecommunications and airlines, are capped. The financial sector offers a wide range of products and services but remains fragmented and susceptible to state interference. Renminbi-denominated financial services have been growing steadily since 2013.

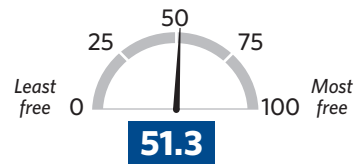
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+2.0	Business Freedom	+8.2	Trade Freedom	+11.2
Freedom from Corruption	-29.0	Government Spending	+18.8	Labor Freedom	+7.7	Investment Freedom	+25.0
				Monetary Freedom	-0.2	Financial Freedom	+10.0



TAJIKISTAN

Economic Freedom Score



World Rank: **149**

Regional Rank: **33**

The rule of law is extremely weak in Tajikistan, and corruption and bribery are widespread. State interference limits investment and development in the private sector. State-owned enterprises dominate many sectors of the economy, stifling entrepreneurialism.

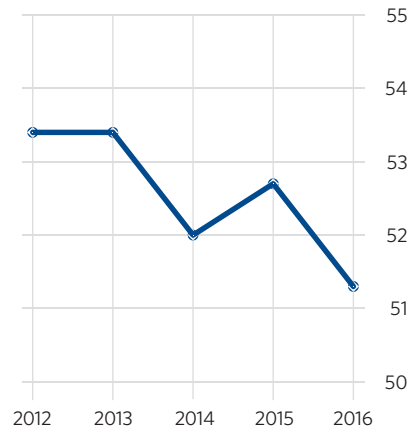
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **51.3 (down 1.4 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **149th**
- Regional Ranking: **33rd in the Asia-Pacific Region**
- Notable Successes: **Management of Public Spending and Fiscal Freedom**
- Concerns: **Investment Freedom, Financial Freedom, and Rule of Law**
- Overall Score Change Since 2012: **-2.1**

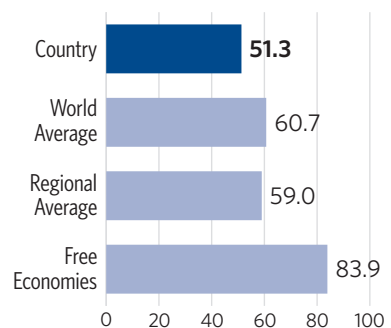
The modest momentum toward greater economic freedom that followed independence from the Soviet Union has dissipated. Relatively prudent fiscal policies are the only bright spot for an economy that still lacks the most basic foundations of a free-market system.

BACKGROUND: President Emomali Rahmon has been in power since 1994. His ruling party won parliamentary elections in March 2015 that were criticized by international monitors. For the first time since 1991, the Communists and the Islamic Renaissance Party failed to clear the 5 percent threshold needed to win seats. Corruption, Islamic terrorism, and narco-trafficking are endemic. Most Tajiks work in the underground economy. Relations with neighboring Uzbekistan are strained, and the Russian military patrols the border with Afghanistan. Abuse of human rights is widespread. Tajikistan relies heavily on revenues from aluminum and cotton exports. It is estimated that the illegal drug trade and remittances from migrant workers, primarily in Russia, account for over 45 percent of GDP. Like other Central Asian republics, Tajikistan has been negatively affected by the economic slowdown in Russia. Tajikistan joined the World Trade Organization in 2013.

Freedom Trend



Country Comparisons



Quick Facts

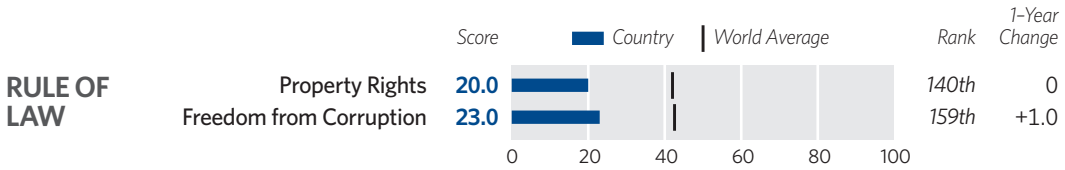
- Population:** 8.3 million
- GDP (PPP):** \$22.3 billion
- 6.7% growth in 2014
- 5-year compound annual growth 7.1%
- \$2,688 per capita
- Unemployment:** 10.9%
- Inflation (CPI):** 6.1%
- FDI Inflow:** \$262.7 million
- Public Debt:** 28.2% of GDP

How Do We Measure Economic Freedom?

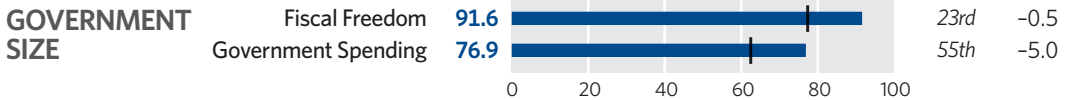
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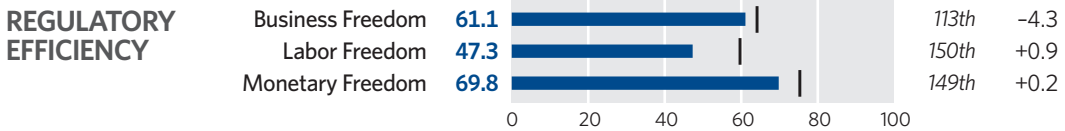
THE TEN ECONOMIC FREEDOMS



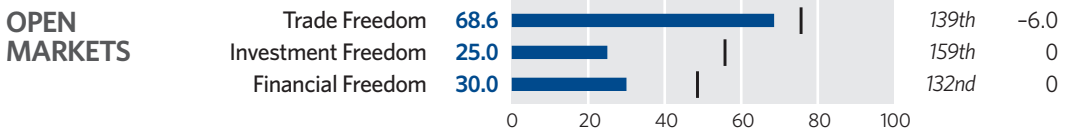
Corruption is pervasive. Patronage networks and regional affiliations are central to political life. At least two of President Emomali Rahmon’s children hold senior government posts, and various family members reportedly maintain extensive business interests in the country. The judiciary lacks independence. Many judges are poorly trained and inexperienced, and bribery is reportedly widespread. Under Tajik law, all land belongs to the state.



The top individual income tax rate is 13 percent. The statutory corporate tax rate is 15 percent, but transport and banking services are taxed at 25 percent. Other taxes include a value-added tax. The overall tax burden equals 21 percent of total domestic income. Government spending amounts to 27.7 percent of total domestic output. Deficits have been falling, and public debt equals about 30 percent of GDP.



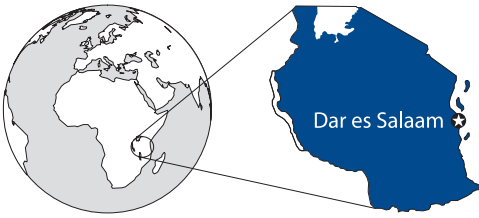
With no minimum capital required, launching a business takes less than a week, but completing licensing requirements takes more than 30 days. The labor market remains underdeveloped. The state influences prices through regulation and large subsidies to numerous state-owned and state-trading enterprises; nearly half of social protection subsidy recipients are “non-poor.”



Tajikistan’s average tariff rate is 5.7 percent. Importation of goods is expensive and time-consuming. State-owned enterprises operate in several sectors of the economy. Foreign investors may not own land. All private investment is screened and requires government approval. Financial-sector assets have grown, but continued state interference seriously handicaps capital acquisition for private-sector development.

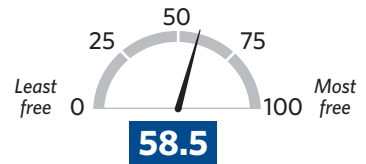
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+34.1	Business Freedom	+6.1	Trade Freedom	+0.2
Freedom from Corruption	+13.0	Government Spending	-12.4	Labor Freedom	-13.0	Investment Freedom	-5.0
				Monetary Freedom	+69.8	Financial Freedom	0



TANZANIA

Economic Freedom Score



World Rank: **110**

Regional Rank: **17**

Tanzania's economy has grown substantially in recent years, but much of the population still remains below the extreme poverty line. The services sector has developed somewhat, but tourism remains underdeveloped due to a lack of proper infrastructure.

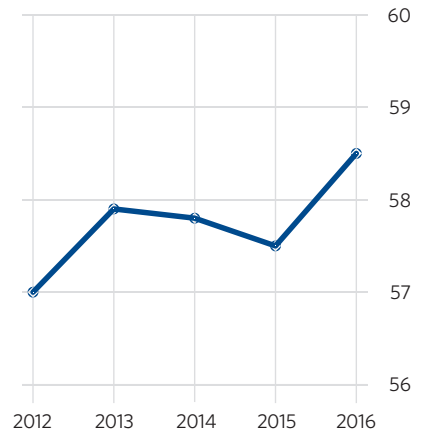
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **58.5 (up 1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **110th**
- Regional Ranking: **17th in Sub-Saharan Africa**
- Notable Successes: **Fiscal Freedom and Investment Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **+1.5**

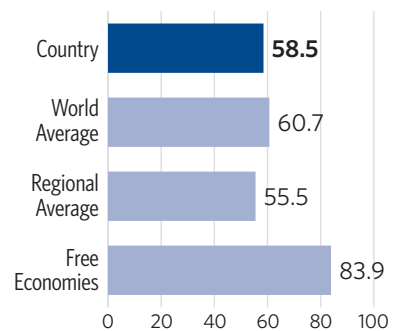
Government corruption hinders foreign investment in Tanzania. In March 2015, the parliament passed a law instituting tougher regulations for businesses that are looking to hire foreign workers, showing preference for hiring locals. The 2014 Value Added Tax Act also took effect in 2015, reducing the number of VAT exemptions.

BACKGROUND: John Magufuli of the Chama Cha Mapinduzi party was elected president in October 2015, succeeding Jakaya Kikwete, also of the Chama Cha Mapinduzi party. Their party and its earlier iterations have been in power since independence in 1961. Adoption of a limited number of market-based policies has stimulated growth, but property rights remain uncertain, and corruption is endemic. Tanzania has a high HIV/AIDS rate and poor infrastructure. In 2012, the Millennium Challenge Corporation selected Tanzania for a second compact. It successfully completed its first compact, the world's largest, in September 2013. A 50-year border dispute with Malawi resurfaced in 2012 when Malawi gave a British firm exploration rights for oil in Lake Malawi. In 2014, Tanzania began the naturalization process for approximately 200,000 Burundian refugees. Tanzania is a transit point for human and drug trafficking.

Freedom Trend



Country Comparisons



Quick Facts

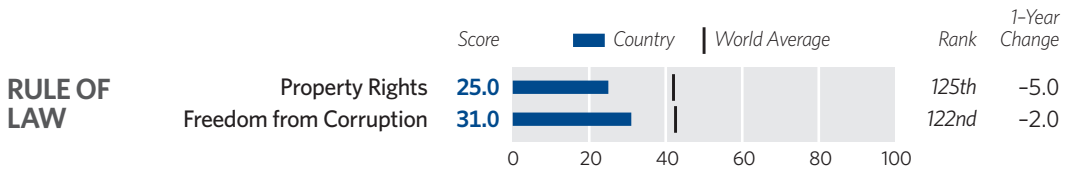
Population: 47.7 million
GDP (PPP): \$127.1 billion
 7.2% growth in 2014
 5-year compound annual growth 6.8%
 \$2,667 per capita
Unemployment: 3.1%
Inflation (CPI): 6.1%
FDI Inflow: \$2.1 billion
Public Debt: 33.2% of GDP

How Do We Measure Economic Freedom?

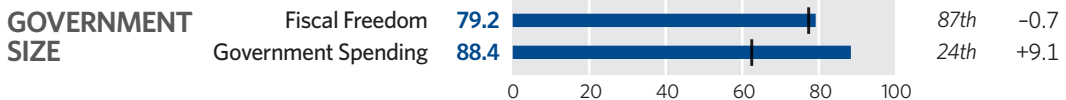
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

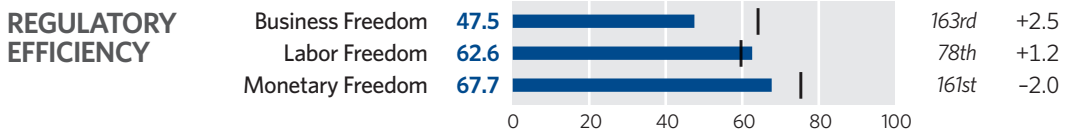
THE TEN ECONOMIC FREEDOMS



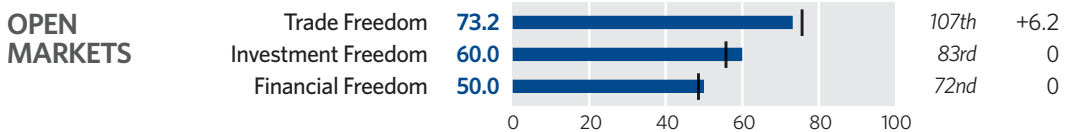
Corruption remains pervasive in all aspects of political and commercial life, especially in the energy and natural resources sectors. Almost \$500 million in foreign aid was withheld in late 2014 after the fraudulent withdrawal of \$122 million from the central bank. The under-resourced and corrupt judiciary remains politically influenced. Complex land laws have been accompanied by a high incidence of land disputes.



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 16.8 percent of total domestic income. Government spending has declined to 19.7 percent of GDP. The budget deficit has declined to below 5 percent of GDP, and public debt has reached a level equal to 33 percent of total domestic output.



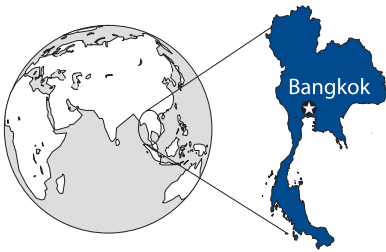
Despite some progress, business formation and operation remain difficult. Requirements for launching a business are not time-consuming, but the licensing process costs over five times the average annual income. Labor regulations are not efficient enough to support a vibrant labor market. Subsidies to the telecommunications sector increased in 2015, and the government repeatedly interfered in the state-owned electricity firm’s pricing decisions.



Tanzania’s average tariff rate is 8.4 percent. All land is owned by the government. The government may not expropriate property without providing compensation. State-owned enterprises operate in the energy and telecommunications sectors. The small financial sector has been evolving. Credit is allocated largely at market rates, and various commercial credit instruments are available to the private sector.

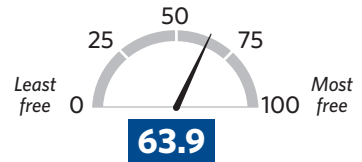
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	+1.4	Business Freedom	-7.5	Trade Freedom	+19.4
Freedom from Corruption	+1.0	Government Spending	-2.2	Labor Freedom	+14.7	Investment Freedom	+10.0
				Monetary Freedom	+9.2	Financial Freedom	0



THAILAND

Economic Freedom Score



World Rank: **67**

Regional Rank: **11**

Thailand's economy is still struggling to regain its growth momentum more than a year after the military seized power. Ongoing political uncertainty undermines the investment climate and keeps the country's economic dynamism below potential levels. Capital controls have been eased, but authoritarianism coupled with populist economic policies continues to deter flows of investment.

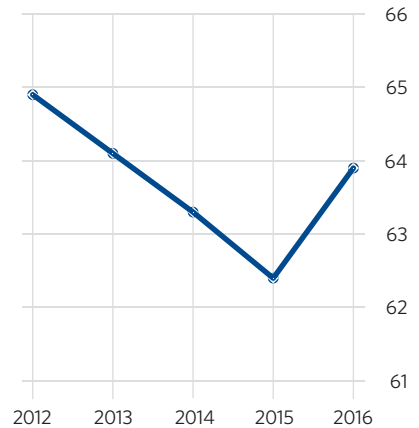
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **63.9 (up 1.5 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **67th**
- Regional Ranking: **11th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Property Rights, Corruption, and Labor Freedom**
- Overall Score Change Since 2012: **-1**

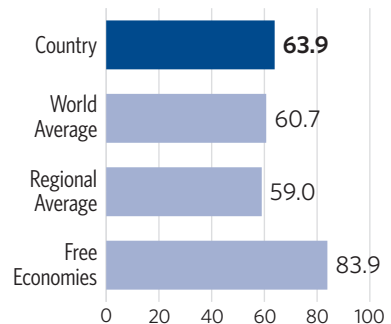
The judicial system remains vulnerable to political interference under the military-controlled government, and property rights are not strongly protected. Systemic corruption further undercuts the rule of law and hampers stable long-term economic development.

BACKGROUND: Thailand has had 19 military coups since becoming a constitutional monarchy in 1932. The period since the ouster and exile of Thaksin Shinawatra in 2006 has been particularly turbulent. Civilian government returned in 2007, and Pheu Thai, the legacy party of the Thaksin government, won an outright majority in the 2011 parliamentary elections. Thaksin's sister, Yingluck Shinawatra, became prime minister and later, in spring 2014, was ousted from power in a military coup led by Army General Prayuth Chan-Ocha. New elections, initially expected to be held in October 2015, have been postponed until 2016. Since the 2014 coup, freedom of speech and freedom of association have been severely restricted, and leading politicians have been placed under house arrest. The persistent political instability has negatively affected the economy.

Freedom Trend



Country Comparisons



Quick Facts

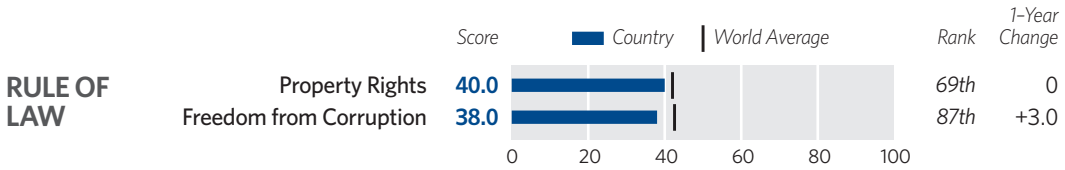
- Population:** 68.7 million
- GDP (PPP):** \$985.5 billion
- 0.7% growth in 2014
- 5-year compound annual growth 3.6%
- \$14,354 per capita
- Unemployment:** 0.9%
- Inflation (CPI):** 1.9%
- FDI Inflow:** \$12.6 billion
- Public Debt:** 47.2% of GDP

How Do We Measure Economic Freedom?

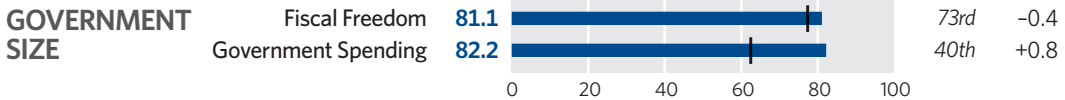
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

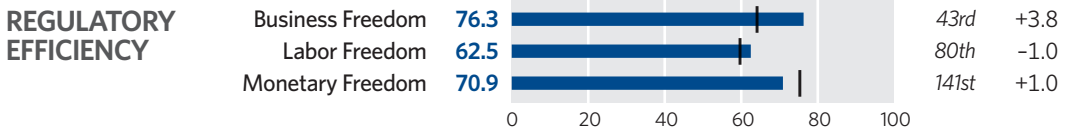
THE TEN ECONOMIC FREEDOMS



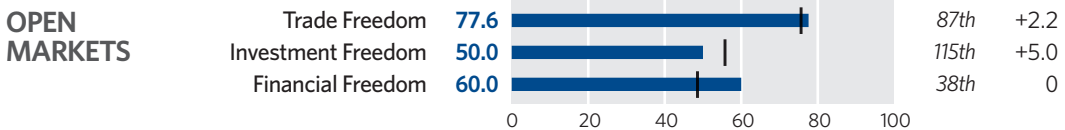
Corruption is widespread at all levels of Thai society. A cultural proclivity to view bribery as a normal part of doing business and to equate cash payments with finders’ or consultants’ fees, coupled with the low salaries of civil servants, reportedly encourages officials to accept illegal inducements. The independent judiciary had been generally effective in enforcing property and contractual rights but has been criticized for political bias.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 16.2 percent of total domestic income. Government spending amounts to 24.3 percent of gross domestic output. The budget balance remains in deficit, and public debt is at a level close to 50 percent of GDP.



With no minimum capital requirement, starting a business requires only four procedures, but licensing requirements remain time-consuming. Labor regulations are relatively flexible, but informal labor activity remains substantial. The military government indicted former Prime Minister Yingluck Shinawatra in 2015 on criminal charges for her role in a controversial and populist rice subsidy scheme that cost the country billions.

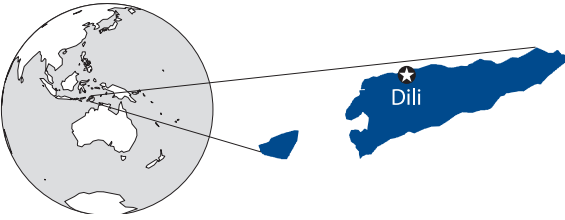


Thailand’s average tariff rate is 6.2 percent. Many agricultural imports face barriers. Foreign investment in some sectors of the economy is restricted or capped, but there is no general screening of foreign investment. Although foreign direct investment is officially welcome, the government prohibits majority foreign ownership in many sectors. The financial system remains relatively resilient and sound despite ongoing political uncertainty.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-50.0	Fiscal Freedom	+6.5	Business Freedom	+6.3	Trade Freedom	+11.2
Freedom from Corruption	-32.0	Government Spending	-10.6	Labor Freedom	-14.3	Investment Freedom	0
				Monetary Freedom	-6.8	Financial Freedom	+10.0

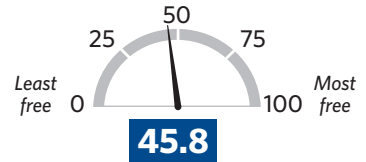
TIMOR-LESTE



World Rank: **167**

Regional Rank: **40**

Economic Freedom Score



Since becoming an independent nation, Timor-Leste has made efforts to boost economic growth and foreign investment. The oil sector accounts for most economic activity, and dependence on this sector calls the sustainability of the economy into question. Policies that promote economic freedom are needed at all levels to aid in development.

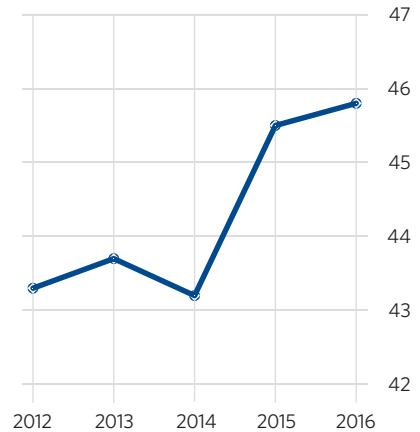
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **45.8 (up 0.3 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **167th**
- Regional Ranking: **40th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law, Investment Freedom, and Financial Freedom**
- Overall Score Change Since 2012: **+2.5**

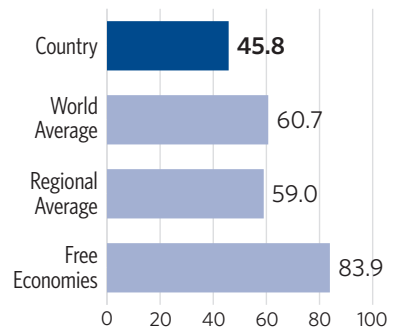
Timor-Leste has a long history of corruption and governmental unfair practices, and these problems persist today. Business regulations hinder entrepreneurial activity, and much non-agriculture employment is in the public sector.

BACKGROUND: The Democratic Republic of Timor-Leste became independent in 2002, and successive governments have struggled to pacify the country. Revolutionary leader Xanana Gusmao, its first president, who had been prime minister since 2007, stepped down in February 2015 and appointed opposition leader Rui Araujo as his successor. Timor-Leste remains one of East Asia's poorest countries. Economic liberalization has mostly stalled, and the economy depends heavily on foreign aid. The economy is primarily agricultural, infrastructure is poor, and corruption is pervasive. Oil and gas profits account for more than 95 percent of government revenue. The government deposits all oil income in a Petroleum Fund that is not counted as part of GDP but is reflected in government revenue figures. In 2011, with Indonesia's support, Timor-Leste applied for membership in the Association of Southeast Asian Nations.

Freedom Trend



Country Comparisons



Quick Facts

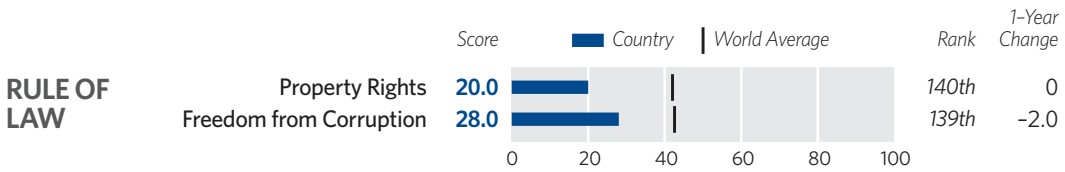
- Population:** 1.2 million
- GDP (PPP):** \$6.1 billion
- 6.6% growth in 2014
- 5-year compound annual growth 8.8%
- \$4,928 per capita
- Unemployment:** 4.7%
- Inflation (CPI):** 2.5%
- FDI Inflow:** \$33.9 million
- Public Debt:** 0.0% of GDP

How Do We Measure Economic Freedom?

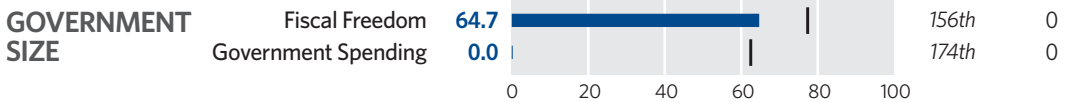
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Data compiled as of September 2015.

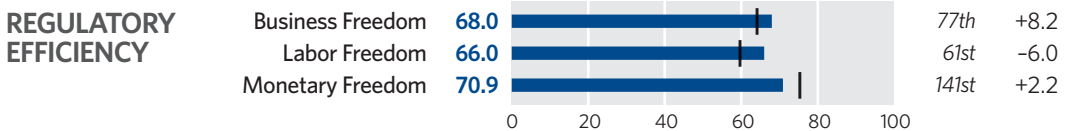
THE TEN ECONOMIC FREEDOMS



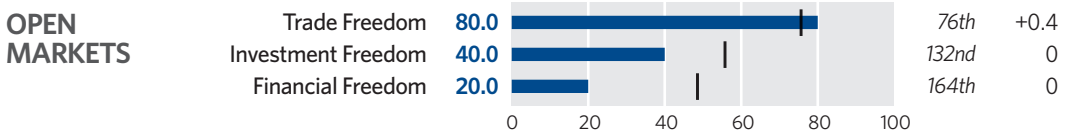
Corruption and nepotism continue to plague Timor-Leste. In one high-profile case, President Taur Matan Ruak granted an official pardon in August 2014 to former Justice Minister Lucia Lobato, who had been found guilty of corruption related to government procurement. Rule of law is weak. Land reform remains an unresolved and contentious issue with rival property claims from the Portuguese, Indonesian, and post-independence eras.



The top personal income and corporate tax rates are 10 percent. Most government revenue comes from offshore petroleum projects in the Timor Sea. Government spending under the strategic development plan, which aims to bring the economy to upper-middle-income status by 2030, has increased expenditures to over 100 percent of total domestic output. The budget balance has a considerable surplus due to offshore oil drilling.



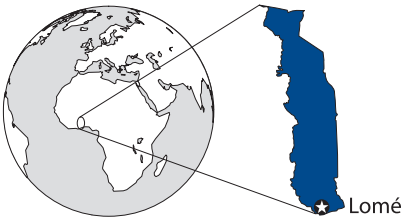
Despite considerable reductions, the minimum capital requirement for establishing a business remains equal to more than the average annual income. The public sector accounts for about half of non-agricultural employment, and the formal labor market remains underdeveloped. In 2015, the government rejected calls for it to scale back its large subsidy programs for food, power, and fuel.



The simple average tariff rate for Timor-Leste was 2.5 percent as of 2013. Domestic and foreign investors are generally treated equally under the law. The government may not expropriate property without providing compensation. Foreign investors may not own land. The small financial sector is underdeveloped, and less than 2 percent of the population has access to financial services.

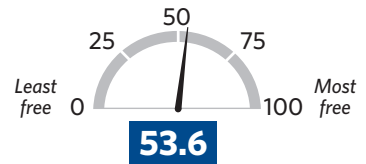
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	+21.0	Trade Freedom	+7.0
Freedom from Corruption	+2.0	Government Spending	-84.0	Labor Freedom	0	Investment Freedom	+10.0
				Monetary Freedom	-3.2	Financial Freedom	0



TOGO

Economic Freedom Score



World Rank: **135**

Regional Rank: **29**

Increased investment in infrastructure has encouraged economic growth in Togo. In 2014, the federal government reduced the fees businesses pay to register with the tax authority and implemented an electronic customs system to simplify the importing and exporting process.

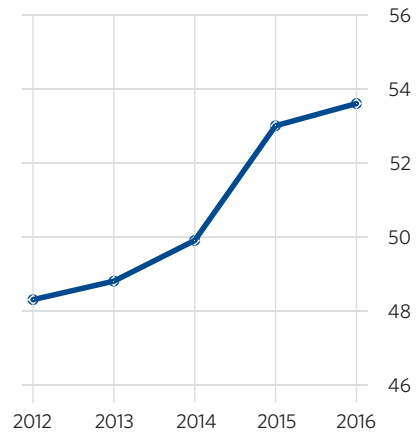
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **53.6 (up 0.6 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **135th**
- Regional Ranking: **29th in Sub-Saharan Africa**
- Notable Successes: **Management of Public Spending and Monetary Freedom**
- Concerns: **Rule of Law and Open Markets**
- Overall Score Change Since 2012: **+5.3**

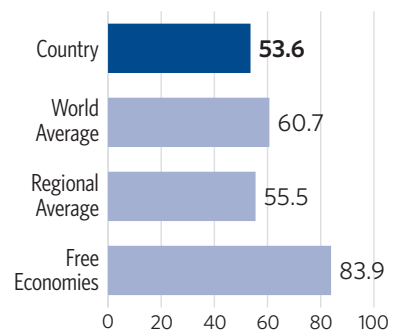
Enforcement of contracts and protection of property is still weak due to Togo's inefficient and corrupt judicial system. Fiscal reforms are needed to ensure prudent, sustainable, and efficient public spending.

BACKGROUND: Togo's military appointed Faure Gnassingbé to the presidency in 2005 following the death of his father, who had ruled for nearly 40 years. Under pressure from the Economic Community of West African States and the African Union, he stepped down two months later. Gnassingbé won the subsequent presidential election, sparking deadly clashes between protesters and the security services, and in 2012 replaced the ruling Rally of the Togolese People party with the Union for the Republic party, which still dominates the political landscape. In April 2015, Gnassingbé secured a third five-year term. Togo is one of the world's largest producers of phosphate. Cocoa, coffee, and cotton account for approximately 40 percent of export earnings. New limestone mines began operating in 2015. With one of West Africa's few natural deep-water ports, Togo's secure territorial waters have become a relatively safe zone for international shippers amid the regional surge in maritime piracy.

Freedom Trend



Country Comparisons



Quick Facts

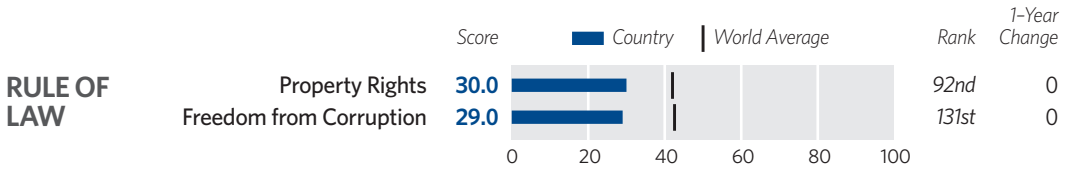
- Population:** 7.0 million
- GDP (PPP):** \$10.1 billion
- 5.2% growth in 2014
- 5-year compound annual growth 5.1%
- \$1,450 per capita
- Unemployment:** 6.9%
- Inflation (CPI):** 0.1%
- FDI Inflow:** \$292.1 million
- Public Debt:** 54.7% of GDP

How Do We Measure Economic Freedom?

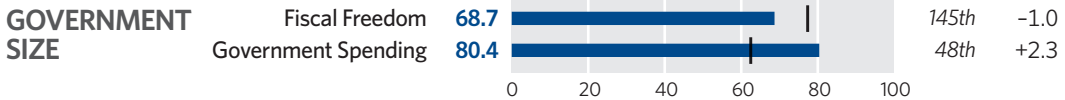
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Data compiled as of September 2015.

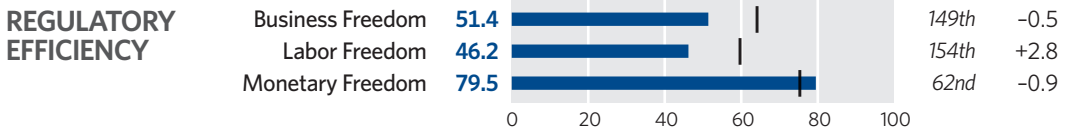
THE TEN ECONOMIC FREEDOMS



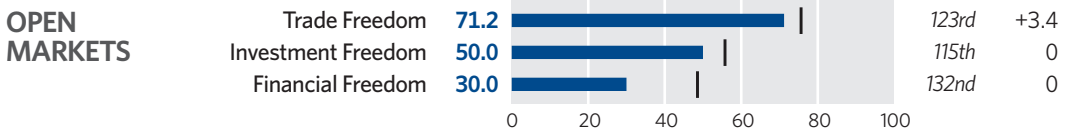
In November 2014, the government introduced new anti-corruption legislation, but graft and corruption remain serious problems. The judicial system lacks resources and is heavily influenced by the presidency. Contracts are difficult to enforce. Protection of real property is frequently contentious, as inheritance laws are a poorly defined mixture of civil code and traditional laws. Inheritances are frequently challenged.



The top individual income tax rate is 45 percent, and the top corporate tax rate is 27 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 19.5 percent of total domestic income. Government spending amounts to 25.5 percent of gross domestic output. The budget deficit is about 5 percent of GDP, and public debt now equals over 50 percent of annual domestic product.



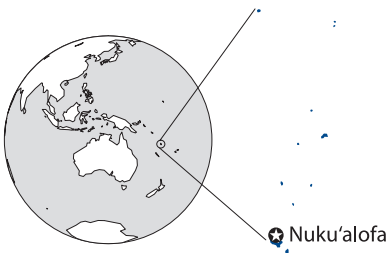
Regulatory reforms to enhance the entrepreneurial environment have been undertaken, but the overall business framework remains burdensome. The labor market is underdeveloped, and informal labor activity remains substantial. The government used its IMF 2013–2017 poverty reduction strategy paper as justification for increased social spending and subsidies for transport and energy infrastructure.



Togo's average tariff rate is 9.4 percent. Togo is a member of the West African Economic and Monetary Union. State-owned enterprises operate in several sectors of the economy. Foreign and domestic investors are generally treated equally under the law. Capital transactions are subject to some controls or government approval. The underdeveloped banking system lacks liquidity.

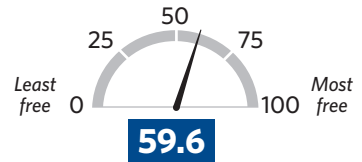
Long-Term Score Change (since 1999)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-8.7	Business Freedom	+11.4	Trade Freedom	+8.2
Freedom from Corruption	+19.0	Government Spending	-6.2	Labor Freedom	-0.7	Investment Freedom	+20.0
				Monetary Freedom	+12.6	Financial Freedom	0



TONGA

Economic Freedom Score



World Rank: **95**

Regional Rank: **18**

The small island of Tonga has a very narrowly based economy that depends primarily on agricultural exports. However, the nation also has a relatively open trading environment that makes it well developed compared to many of its South Pacific island neighbors. The government relies heavily on foreign aid to balance the books.

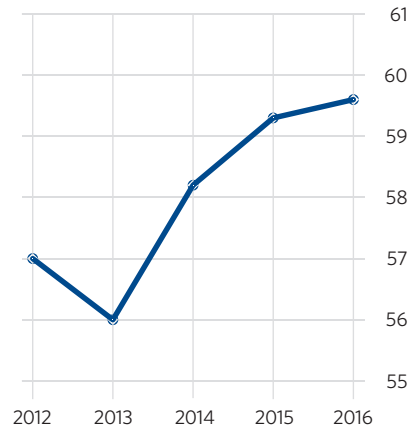
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.6 (up 0.3 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **95th**
- Regional Ranking: **18th in the Asia-Pacific Region**
- Notable Successes: **Business Freedom and Labor Freedom**
- Concerns: **Investment Freedom and Financial Freedom**
- Overall Score Change Since 2012: **+2.6**

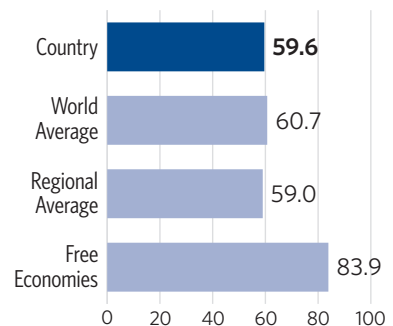
Although Tonga's judicial system is based on British common law and relatively independent, it also is inefficient and frequently subject to delays. Foreign investment is highly regulated by the government and is even prohibited in some sectors.

BACKGROUND: The island Kingdom of Tonga, the South Pacific's last Polynesian monarchy, has been independent since 1970. The royal family, hereditary nobles, and a few other landholders control politics. Tonga held its first elections in November 2010 under its newly formed constitutional monarchy. The Democratic Party of the Friendly Islands won a plurality in parliament, and Lord Siale'ataonga Tu'iavakano became Tonga's first elected prime minister. In 2014 elections, the Democratic Party of the Friendly Islands maintained power but elected a new prime minister, 'Akilisi Pohiva. Tonga boasts a 99 percent literacy rate, but more than half of the population lives abroad, mostly in New Zealand. Agriculture is the principal productive sector of the economy, and remittances from abroad are a significant source of income.

Freedom Trend



Country Comparisons



Quick Facts

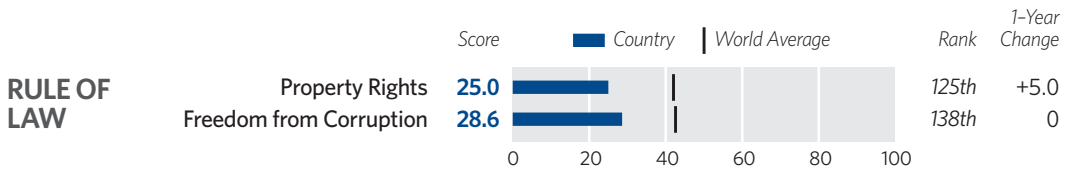
Population: 0.1 million
GDP (PPP): \$0.5 billion
 2.3% growth in 2014
 5-year compound annual growth 1.1%
 \$4,883 per capita
Unemployment: n/a
Inflation (CPI): 1.3%
FDI Inflow: \$56.0 million
Public Debt: 42.9% of GDP

How Do We Measure Economic Freedom?

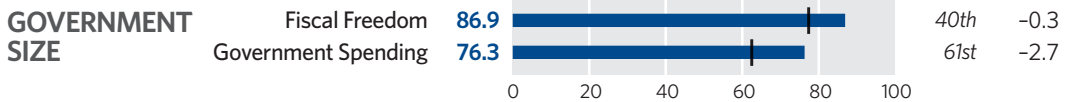
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

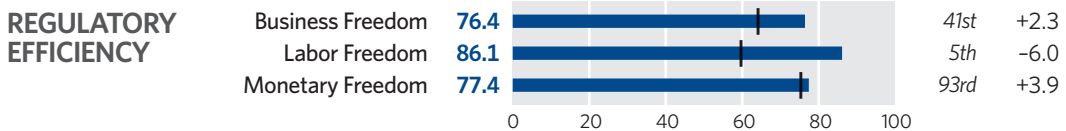
THE TEN ECONOMIC FREEDOMS



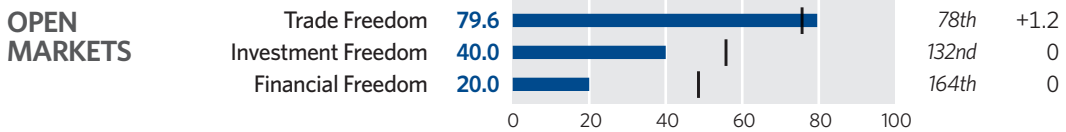
Public support for democratic reforms and dissatisfaction with widespread corruption among the Tongan nobility and their top associates spurred a strong voter turnout in November 2014 elections, but the opposition pro-democracy party failed to win a majority. The judicial system is generally independent, although a shortage of judges has led to long case backlogs. Property rights are uncertain, and their enforcement is weak.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 17 percent of total domestic income. Government spending amounts to 28.1 percent of GDP, and budget deficits have been declining in recent years. Public debt amounts to around 43 percent of total domestic output.



Regulatory codes are relatively sound, but implementation of regulations remains ineffective. There is no minimum capital requirement for establishing a business, but the process can be time-consuming. Informal labor activity remains substantial. The foreign aid-dependent government influences prices through subsidies for electricity and to loss-making state-owned enterprises but is under pressure from international donors to reduce them.

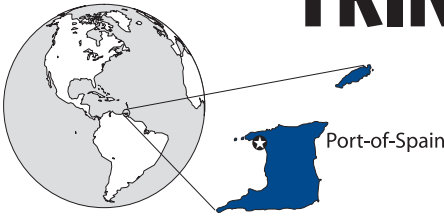


Tonga's average tariff rate is 5.2 percent. Land can be leased but not owned. Foreign investment in some sectors of the economy is restricted. State-owned enterprises include six government-owned airports and Tonga Power Limited. The poorly developed legal system continues to impede the emergence of a modern financial sector. There are no capital markets. Much of the population operates financially outside of the formal banking system.

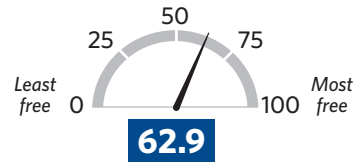
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+4.4	Business Freedom	-2.6	Trade Freedom	+23.6
Freedom from Corruption	+11.6	Government Spending	+18.3	Labor Freedom	-13.3	Investment Freedom	0
				Monetary Freedom	+8.5	Financial Freedom	0

TRINIDAD AND TOBAGO



Economic Freedom Score



World Rank: **73**

Regional Rank: **14**

Trinidad and Tobago's economy relies heavily on oil, which accounts for over half of exports. The country is the world's largest exporter of ammonia and methanol. Decreases in global oil prices emphasize the need for economic diversification.

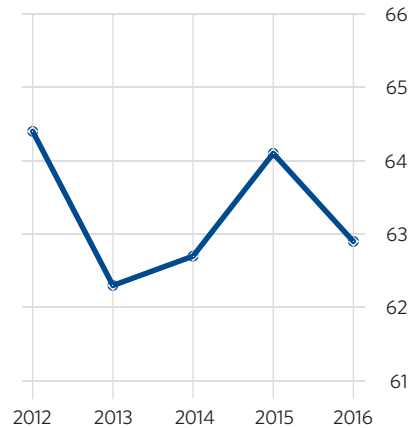
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.9 (down 1.2 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **73rd**
- Regional Ranking: **14th in the South and Central America/Caribbean Region**
- Notable Successes: **Trade Freedom and Labor Freedom**
- Concerns: **Rule of Law and Financial Freedom**
- Overall Score Change Since 2012: **-1.5**

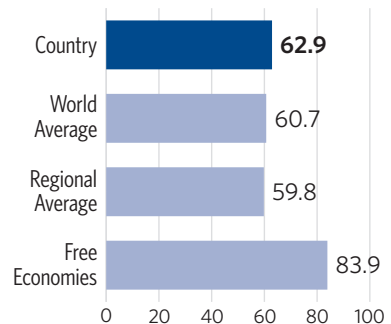
Corruption is prevalent in the police force, and the judicial system is subject to frequent delays. Drug-related violence continues. There are many state-owned enterprises, and uncertainty regarding the equal treatment of foreign investors is growing.

BACKGROUND: Keith Rowley of the People's National Movement became prime minister in September 2015 after defeating Kamla Persad-Bissessar. Persad-Bissessar and her People's Partnership coalition government were hit by repeated reports of incompetence, favoritism, and malpractice. 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. Oil production has declined over the past decade as the country has focused on natural gas, but the government is providing fiscal incentives for investments in onshore and deep-water acreage to boost oil reserves. A Heritage and Stabilization Fund established in 2007 as a countercyclical backstop has helped the government to sustain several years of fiscal deficits and survive a recent drop in oil and gas export prices. Financial services and construction have been among the strongest non-energy subsectors. Tourism has the potential for significant growth.

Freedom Trend



Country Comparisons



Quick Facts

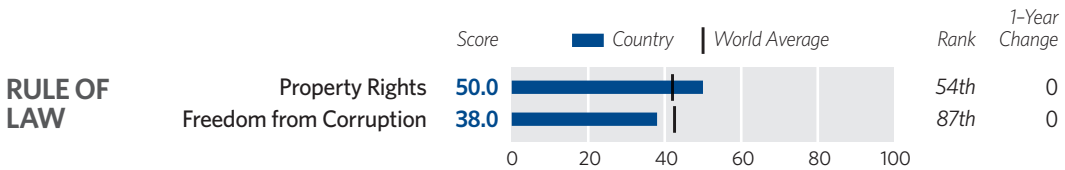
- Population:** 1.4 million
- GDP (PPP):** \$43.4 billion
- 1.1% growth in 2014
- 5-year compound annual growth 0.8%
- \$32,139 per capita
- Unemployment:** 4.0%
- Inflation (CPI):** 7.0%
- FDI Inflow:** \$2.4 billion
- Public Debt:** 37.6% of GDP

How Do We Measure Economic Freedom?

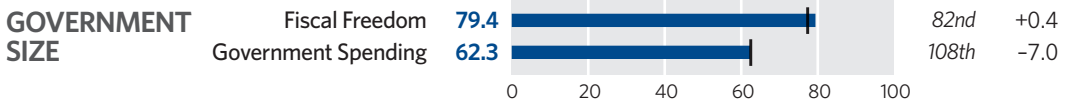
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2014 data unless otherwise noted.
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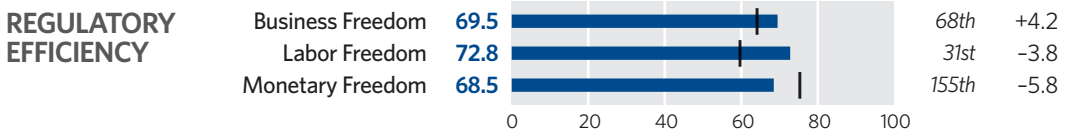
THE TEN ECONOMIC FREEDOMS



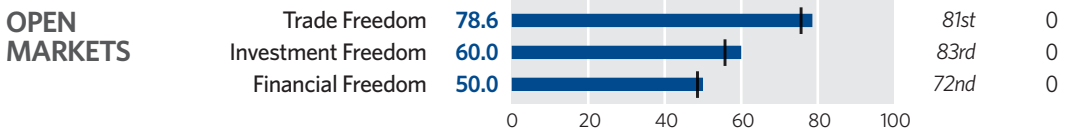
Corruption, much of it drug-related, undermines the business environment and rule of law in Trinidad and Tobago. Narcotics-related corruption in the police force is endemic. The judicial branch is independent but subject to some political pressure and corruption. Rising rates of crime and very high levels of violent crime have produced long delays in the court system. Property rights are well protected.



The top personal income tax rate and the standard corporate tax rate are 25 percent. Other taxes include a value-added tax and a property tax. The total tax burden equals 28.4 percent of total domestic income. Government spending has risen to 35.5 percent of GDP. The budget deficit has been fluctuating around 3 percent of GDP, and public debt equals about 38 percent of total domestic output.



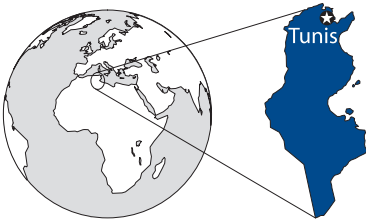
Despite some progress, the regulatory system lacks transparency and clarity, and regulations are enforced inconsistently. A relatively flexible labor market facilitates the matching of supply and demand for the highly educated labor force. Despite years of fiscal deficits and a recent drop in oil and gas export prices, the IMF has reported that energy subsidies in the government's expansionary budget rose by 1.6 percentage points of GDP.



Trinidad and Tobago's average tariff rate is 5.7 percent. Auto parts and jewelry imports are subject to high tariffs. Foreign investment in private business is not subject to limitations, but the overall investment regime is not stable enough to drive dynamic growth in long-term investments. The financial sector has been under strain following the collapse of a large financial group and the subsequent bailout.

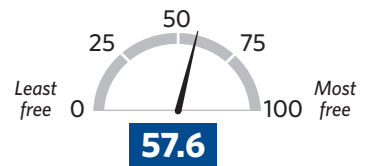
Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+14.9	Business Freedom	-0.5	Trade Freedom	+43.6
Freedom from Corruption	-12.0	Government Spending	-15.2	Labor Freedom	-6.2	Investment Freedom	-30.0
				Monetary Freedom	-7.4	Financial Freedom	-20.0



TUNISIA

Economic Freedom Score



World Rank: **114**

Regional Rank: **11**

Despite elevated political, social, and security tensions, Tunisia's economy has preserved macroeconomic stability. Various reform measures, including reducing subsidies, reforming the public sector, and enhancing regulatory efficiency, have been undertaken, but follow-through has been uneven. Parliament has approved recapitalization of the three largest state-owned banks in a first step toward long-awaited banking-sector reform.

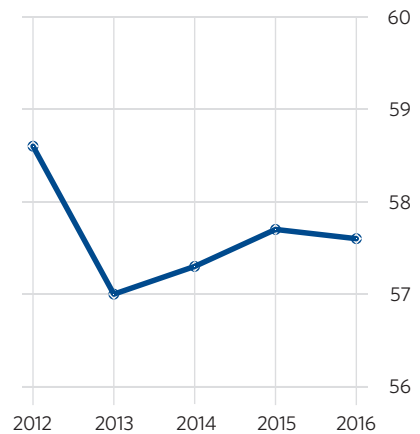
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **57.6 (down 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **114th**
- Regional Ranking: **11th in the Middle East/North Africa Region**
- Notable Successes: **Monetary Freedom**
- Concerns: **Rule of Law, Financial Freedom, and Investment Freedom**
- Overall Score Change Since 2012: **-1**

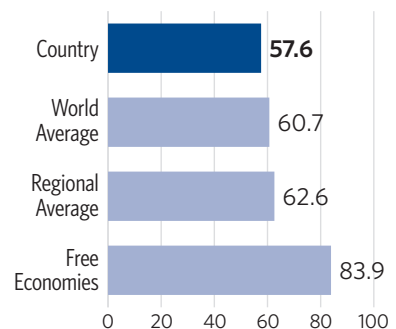
Institutional impediments to more dynamic and broad-based economic expansion remain deeply entrenched. While the privileges enjoyed by the politically connected have decreased substantially since the revolution, the perceived level of corruption remains high, undercutting trust and confidence in political institutions.

BACKGROUND: Tunisia, birthplace of the Arab Spring, ousted President Zine al-Abidine Ben Ali in January 2011. Shortly thereafter, the formerly banned Islamist Ennahda Party won the largest number of seats in the National Constituent Assembly. The Ennahda government stepped aside in 2014 following ratification of a new constitution in January and was succeeded by an interim technocratic government led by Interim Prime Minister Mehdi Jomaa. During the second half of 2014, Tunisia held its first full parliamentary and presidential elections under the new constitution. Beji Caid Essebsi, former prime minister and leader of the Nidaa Tounes party that he founded in 2012, was elected president in December. Despite notable progress in democratization, social unrest has continued. Unemployment is high, particularly among young people, and the economy remains fragile.

Freedom Trend



Country Comparisons



Quick Facts

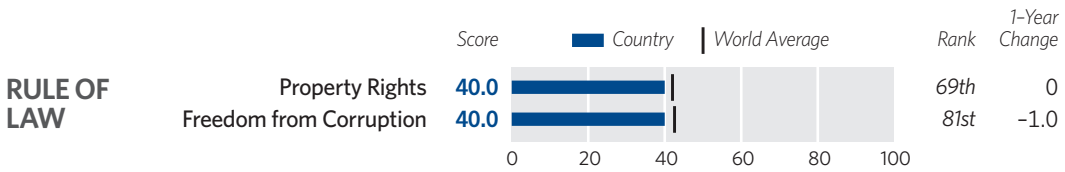
- Population:** 11.0 million
- GDP (PPP):** \$124.3 billion
- 2.3% growth in 2014
- 5-year compound annual growth 1.8%
- \$11,300 per capita
- Unemployment:** 13.3%
- Inflation (CPI):** 4.9%
- FDI Inflow:** \$1.1 billion
- Public Debt:** 47.5% of GDP

How Do We Measure Economic Freedom?

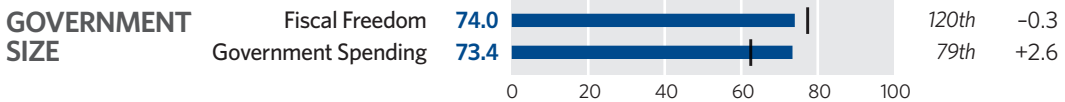
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

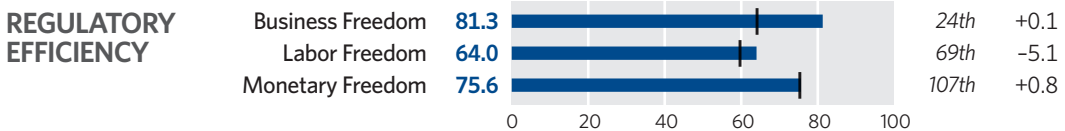
THE TEN ECONOMIC FREEDOMS



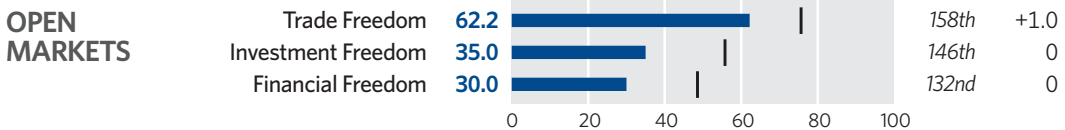
Tunisia continues its difficult transition to stable democracy and establishment of the rule of law. A strong legal framework and systematic practices to curb corruption have yet to take shape. In fact, a majority of citizens say that corruption has increased in the past three years as the breakdown of authority has encouraged graft at lower levels of government and in law enforcement. Property rights are not protected effectively.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a property transfer tax. The overall tax burden equals 21.7 percent of total domestic income. Government spending has decreased to 29.8 percent of GDP. However, the budget balance continues to be negative, and public debt amounts to over 45 percent of GDP.



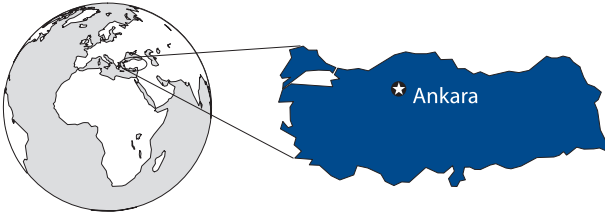
The regulatory framework still lacks transparency and efficiency despite marginal improvements. The rigid labor market has fostered stagnation and failed to facilitate much-needed job creation. The 2015 budget aimed to reduce the deficit to 5 percent of GDP, partly by cutting food and fuel subsidies; the government partially achieved that goal through lower global oil prices.



Tunisia's average tariff rate is a very high 13.9 percent. Some agricultural imports face additional barriers. State-owned enterprises distort the economy. Foreign investment in some sectors is subject to government screening. The weak financial sector is fragmented and dominated by the state. Access to credit remains limited, and capital markets are underdeveloped. The government plans to sell its minority stakes in eight banks.

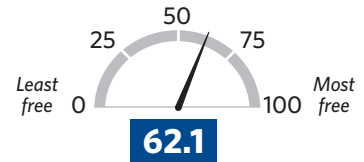
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+4.3	Business Freedom	-3.7	Trade Freedom	+16.8
Freedom from Corruption	-10.0	Government Spending	+4.3	Labor Freedom	+1.3	Investment Freedom	-35.0
				Monetary Freedom	-5.5	Financial Freedom	-20.0



TURKEY

Economic Freedom Score



World Rank: **79**

Regional Rank: **34**

Turkey's economy has undergone a period of volatility compounded by flawed domestic politics and challenging external environments. Although economic growth has moderated, several reforms, including privatization of state assets and streamlining of business regulations, have progressed. The soundness of public finance has been maintained relatively well.

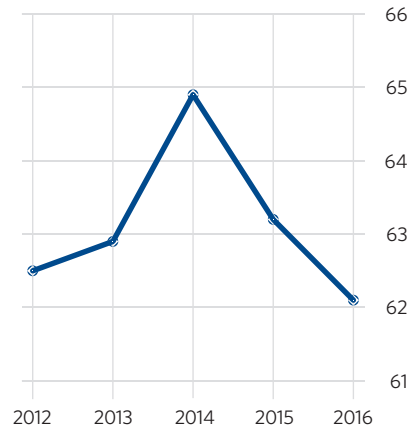
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **62.1 (down 1.1 points)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **79th**
- Regional Ranking: **34th in Europe**
- Notable Successes: **Open Markets**
- Concerns: **Rule of Law, Business Freedom, and Labor Freedom**
- Overall Score Change Since 2012: **-0.4**

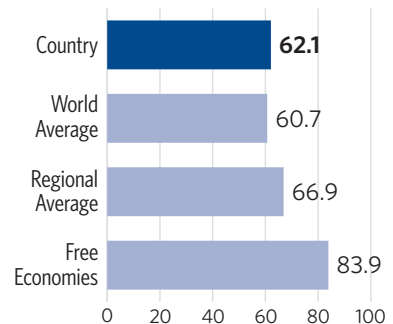
Institutional weaknesses continue to hold back economic freedom and prevent more dynamic private-sector growth. The rule of law is still undermined by corruption and an inefficient judicial system that is subject to political interference.

BACKGROUND: Turkey is a constitutionally secular republic, but President Recep Tayyip Erdogan's Justice and Development Party is pushing an Islamist agenda and eroding Turkey's Euro-Atlantic connections. June 2015 elections resulted in a hung parliament, but snap elections in November 2015 gave Erdogan's party a slim majority. Large-scale anti-government protests have occurred with regularity during the past two years, especially against corruption and presidential power grabs. Economic modernization is progressing despite clashes between the government and the media over press freedom and the slow pace of judicial reform. Turkey has been a member of NATO since 1952. The European Union granted the country candidate status in 1999, but there is strong opposition from France, Germany, and Austria. Turkey's dispute with Cyprus also has delayed negotiations. The economy has been growing steadily during the past decade and weathered the 2008 global financial crisis relatively well.

Freedom Trend



Country Comparisons



Quick Facts

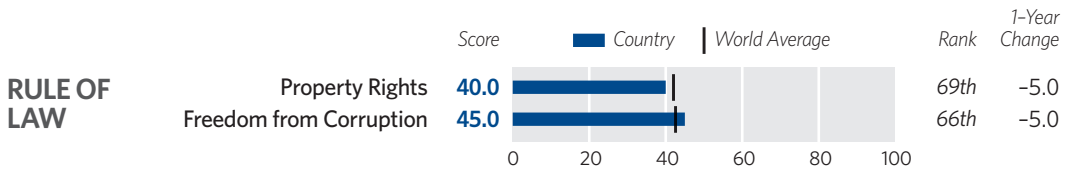
- Population:** 76.9 million
- GDP (PPP):** \$1.5 trillion
- 2.9% growth in 2014
- 5-year compound annual growth 5.4%
- \$19,610 per capita
- Unemployment:** 9.2%
- Inflation (CPI):** 8.9%
- FDI Inflow:** \$12.1 billion
- Public Debt:** 33.5% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

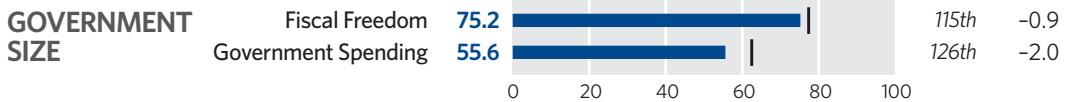
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

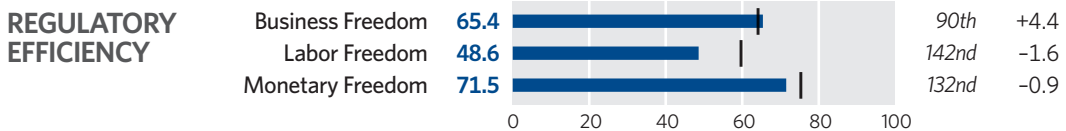
THE TEN ECONOMIC FREEDOMS



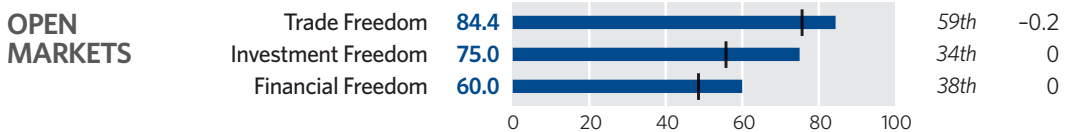
Corruption, cronyism, and nepotism in government and in daily life are growing concerns in Turkey. The Erdogan government’s ongoing crackdown on its opponents has included pronounced political interference in anti-corruption mechanisms and judicial processes. The judicial system is still perceived as susceptible to political influence and somewhat biased against outsiders. Property rights are generally enforced, but the courts are slow.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and an environment tax. The overall tax burden equals 29.3 percent of total domestic income. Government spending has slightly increased to a level equal to 38.5 percent of GDP. The budget deficit has been declining, and public debt amounts to about 34 percent of annual domestic output.



The process for setting up private enterprises has become less time-consuming, but ineffective enforcement of regulations hinders entrepreneurship. Despite reform efforts, the labor market lacks dynamism due to lingering rigidities. The appreciating U.S. dollar in 2015 created a roughly 8 percent increase in the cost of natural gas, and the government announced that the state-owned gas distributing company would subsidize the difference.

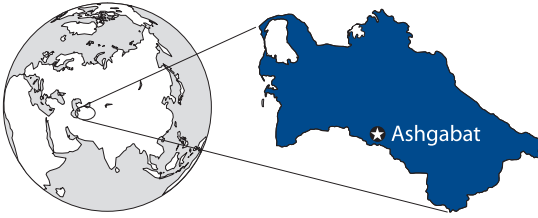


Turkey’s average tariff rate is 2.8 percent. There is no general screening of foreign investment, and most sectors of the economy are open to investment. The government may not expropriate property without providing compensation. All investors face excessive bureaucracy and frequent changes in the legal and regulatory environment. Financial-system reforms have enhanced transparency and competitiveness.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-30.0	Fiscal Freedom	+30.7	Business Freedom	-19.6	Trade Freedom	+9.6
Freedom from Corruption	+35.0	Government Spending	-7.7	Labor Freedom	+7.9	Investment Freedom	+5.0
				Monetary Freedom	+33.3	Financial Freedom	-10.0

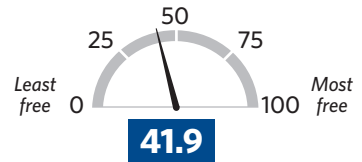
TURKMENISTAN



World Rank: **174**

Regional Rank: **41**

Economic Freedom Score



Economic freedom remains severely repressed in Turkmenistan. The country's rankings in the categories that measure respect for the rule of law are among the worst in the world. Corruption is pervasive, and property rights are ignored.

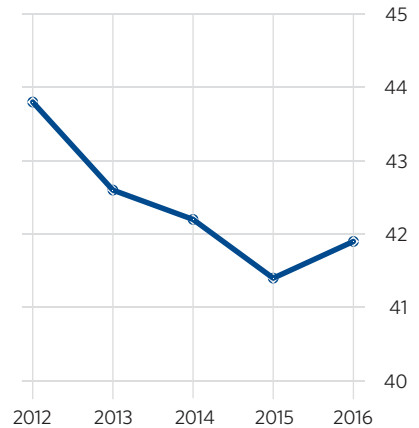
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **41.9 (up 0.5 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **174th**
- Regional Ranking: **41st in the Asia-Pacific Region**
- Notable Successes: **Open Markets and Fiscal Freedom**
- Concerns: **Investment Freedom and Financial Freedom**
- Overall Score Change Since 2012: **-1.9**

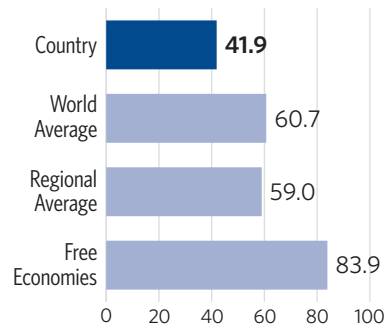
Freedom is nearly nonexistent in the investment sector, as the six state-owned banks hold over two-thirds of all assets and control the allocation of credit. The public sector dominates labor markets, and the non-transparent and erratically enforced regulatory system virtually precludes private-sector entrepreneurial activity, except activity that is small in scale and conducted informally.

BACKGROUND: In 2012, President Gurbanguly Berdimukammedov was reelected to a second five-year term with 97 percent of the vote in elections that international observers regarded as flawed. The presidency tightly controls the judiciary, the legislature, the economy, social services, and the mass media. Berdimukammedov's policies are somewhat more open to the world than those of his predecessor, President-for-Life Saparmurad Niyazov, but the government still tends toward isolationism. Turkmenistan has intensive agriculture in irrigated oases, sizable oil resources, and the world's sixth-largest natural gas reserves. Berdimukammedov has encouraged some foreign investment in the energy sector, especially from Russia, China, and Iran. Like those of other Central Asian republics, Turkmenistan's economy has been negatively affected by the economic slowdown in Russia.

Freedom Trend



Country Comparisons



Quick Facts

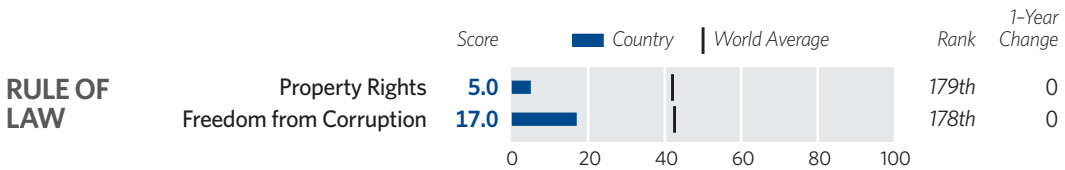
- Population:** 5.8 million
- GDP (PPP):** \$82.1 billion
- 10.3% growth in 2014
- 5-year compound annual growth 11.1%
- \$14,165 per capita
- Unemployment:** 10.5%
- Inflation (CPI):** 6.0%
- FDI Inflow:** \$3.2 billion
- Public Debt:** 16.8% of GDP

How Do We Measure Economic Freedom?

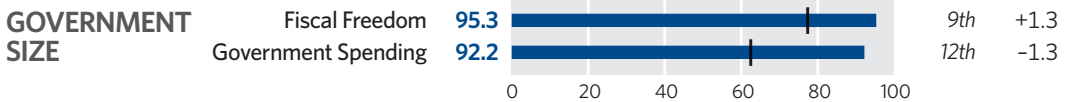
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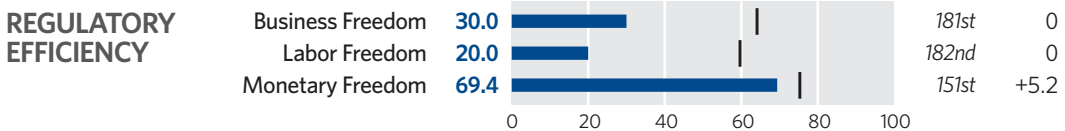
THE TEN ECONOMIC FREEDOMS



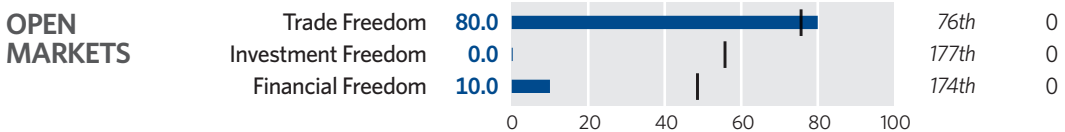
Corruption is widespread, with public officials reportedly forced to bribe their way into their positions. The judicial system is subservient to the president, who appoints and removes judges without legislative review. The legal system does not enforce contracts and property rights effectively. Judges are poorly trained and open to bribery. All land is owned by the government, and other ownership rights are limited.



The personal income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include a value-added tax and a property tax. The tax burden equals 17.4 percent of total domestic income. Government spending equals 18.1 percent of total domestic output. Budget surpluses have been recorded, and public debt remains below 20 percent of GDP. Revenue from gas exports to China has sustained government spending.



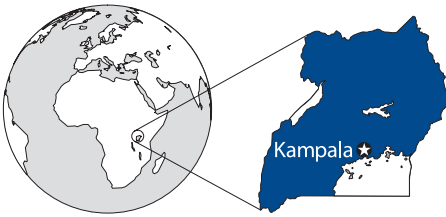
The regulatory system is highly arbitrary, and enforcement is inconsistent. The public sector provides most jobs, and the informal sector remains an important source of employment. Turkmenistan was the only country in the world to provide its citizens with gas, electricity, and water free of charge, but high budget deficits and lower global oil and gas prices forced the government to cut those subsidies substantially in 2014.



Turkmenistan's average tariff rate is technically 0 percent, but non-tariff barriers restrict imports. It is illegal to import cars that are more than five years old. Bureaucratic barriers interfere with foreign trade and investment. Foreign exchange accounts require government approval, as do all payments and transfers. The underdeveloped financial system remains heavily state-controlled, with 90 percent of all loans directed to state-owned enterprises.

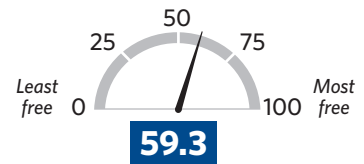
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	+39.1	Business Freedom	-25.0	Trade Freedom	+40.0
Freedom from Corruption	+7.0	Government Spending	+8.1	Labor Freedom	-10.0	Investment Freedom	-30.0
				Monetary Freedom	+69.4	Financial Freedom	0



UGANDA

Economic Freedom Score



World Rank: **102**

Regional Rank: **13**

In the late 1980s, Uganda became one of the first countries in Sub-Saharan Africa to begin liberalizing its economy and introducing pro-market reforms. This effort has stagnated in recent years, however, and despite more than a decade of relatively strong economic growth, the number of impoverished Ugandans has changed little as the population has doubled since 1990.

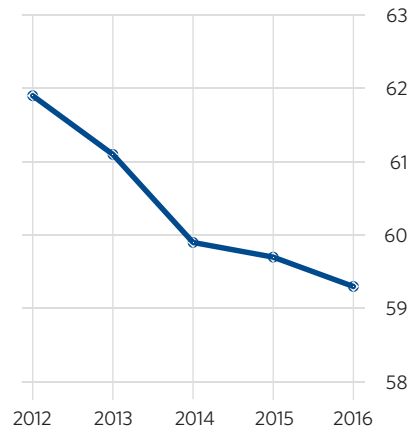
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **59.3 (down 0.4 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **102nd**
- Regional Ranking: **13th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Business Freedom and Rule of Law**
- Overall Score Change Since 2012: **-2.6**

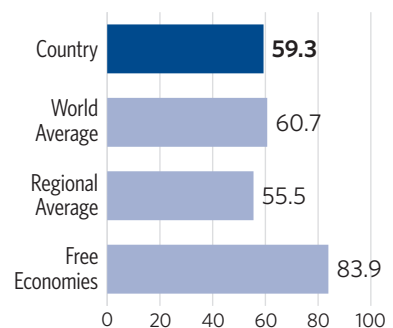
Corruption persists even though laws and institutions are in place to combat it. Enforcement of Uganda's intellectual property laws to prevent piracy and distribution of counterfeit products is limited. Much of the population works in the informal sector due to a rigid labor market.

BACKGROUND: President Yoweri Museveni and his National Resistance Movement have ruled Uganda since 1986 when Museveni, at the head of a rebel force, toppled President Tito Okello, who had seized power in a 1985 military coup. Frustration with Museveni's long rule has grown, and elections scheduled for 2016 will provide an important test for democracy. 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. Uganda continues to play an important regional role in peacekeeping operations in Somalia and in the fight against terrorism, but the U.S. and others have criticized its intervention to prop up the president of South Sudan against rebel forces.

Freedom Trend



Country Comparisons



Quick Facts

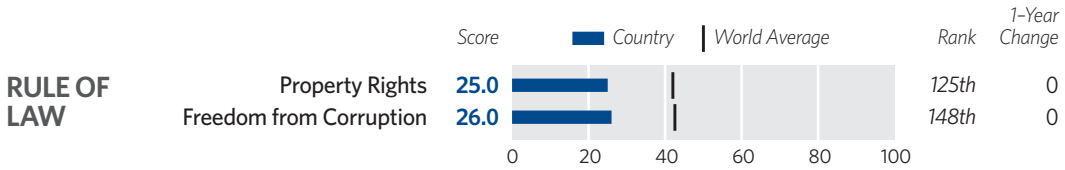
- Population:** 38.0 million
- GDP (PPP):** \$76.9 billion
- 4.9% growth in 2014
- 5-year compound annual growth 5.2%
- \$2,023 per capita
- Unemployment:** 3.8%
- Inflation (CPI):** 4.7%
- FDI Inflow:** \$1.1 billion
- Public Debt:** 30.4% of GDP

How Do We Measure Economic Freedom?

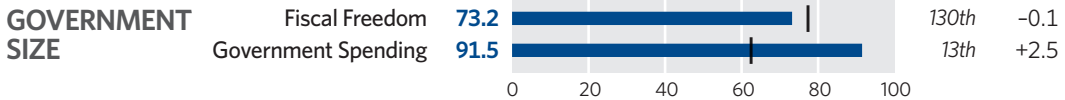
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

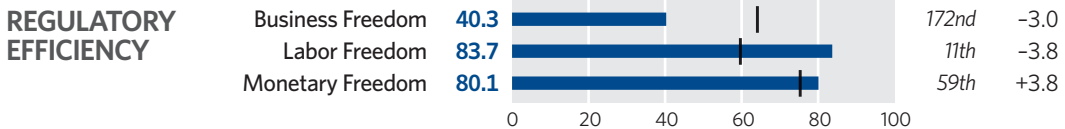
THE TEN ECONOMIC FREEDOMS



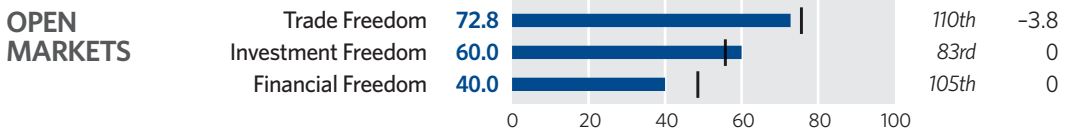
Although Uganda has a variety of laws and institutions tasked with combating corruption, enforcement is very ineffective. The country’s fiscal deficit is due in part to weak control of public spending. Despite recent high-profile scandals and anti-corruption campaigns, no top government official has been imprisoned for corruption. The rule of law is weak. Up to 90 percent of all landowners lack registered title to their property.



The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 13.4 percent of total domestic income. Government spending has decreased to a level equivalent to 16.8 percent of GDP. Budget deficits have been expanding, and public debt is around 30 percent of total annual output.



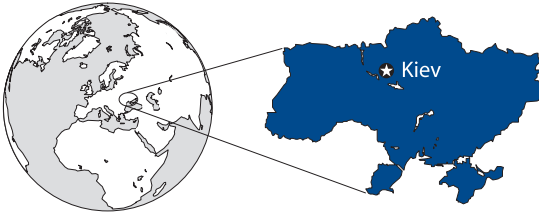
There is no minimum capital requirement, but establishing a business still takes more than 30 days. Completing licensing requirements costs over eight times the average annual income. A functioning labor market is not fully developed. The Uganda shilling’s depreciation against the dollar in 2014–2015, coupled with increased public debt and expanded spending in advance of the 2016 elections, is likely to drive up inflation.



Uganda’s average tariff rate is 8.6 percent. Foreign investors may lease but not own land. The government may not expropriate property without providing compensation. Regulatory barriers may discourage investment. Access to financial services has expanded gradually across the country, but the development of a modern financial sector has largely stalled in the absence of needed structural reforms.

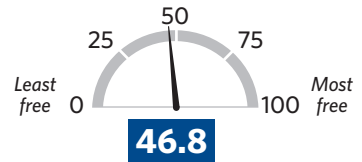
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-25.0	Fiscal Freedom	-8.3	Business Freedom	-29.7	Trade Freedom	+15.0
Freedom from Corruption	-4.0	Government Spending	+1.9	Labor Freedom	-4.2	Investment Freedom	-10.0
				Monetary Freedom	+13.0	Financial Freedom	-10.0



UKRAINE

Economic Freedom Score



World Rank: **162**

Regional Rank: **44**

For the seventh year in a row, Ukraine has registered Europe's lowest levels of economic freedom. Respect for the rule of law has not been established, and the lack of investment freedom has hurt productivity, including in the important agricultural sector. Ukraine was once recognized as the breadbasket of Europe, but the agricultural sector's lack of modernization has made that a distant memory.

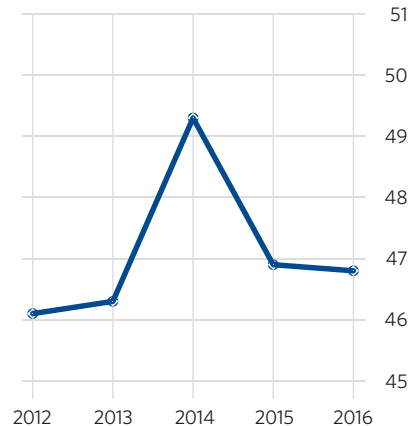
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **46.8 (down 0.1 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **162nd**
- Regional Ranking: **44th in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Investment Freedom, Financial Freedom, and Rule of Law**
- Overall Score Change Since 2012: **+0.7**

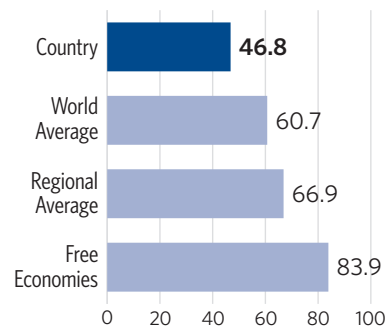
The Ukrainian labor market suffers from outdated, rigid, and inconsistent regulations, and the workforce has declined due to emigration and aging of the population. The prevalence of state-owned enterprises hinders private-sector development.

BACKGROUND: Ukraine gained independence after the Soviet Union collapsed in 1991. Pro-Euro-Atlantic members of parliament ousted President Victor Yanukovich in February 2014, and Petro Poroshenko was elected to replace him in May. Parliamentary elections in October led to a pro-European government under Prime Minister Arseniy Yatsenyuk of the center-right People's Front. Russia has illegally annexed the Autonomous Republic of Crimea, and pro-Russian separatists are trying to destabilize the eastern part of the country. Ukraine has received \$30 billion in aid from the IMF, the World Bank, the EU, and other bilateral donors. Its Association Agreement with the EU includes Deep and Comprehensive Free Trade Area (DCFTA) accords. Dependence on steel exports and natural gas imports makes the economy vulnerable to global financial turmoil and Russian pressure.

Freedom Trend



Country Comparisons



Quick Facts

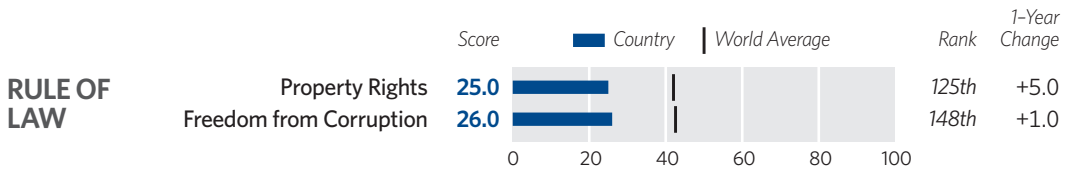
- Population:** 42.8 million
- GDP (PPP):** \$370.8 billion
- 6.8% growth in 2014
- 5-year compound annual growth -0.2%
- \$8,668 per capita
- Unemployment:** 7.7%
- Inflation (CPI):** 12.1%
- FDI Inflow:** \$410.0 million
- Public Debt:** 71.2% of GDP

How Do We Measure Economic Freedom?

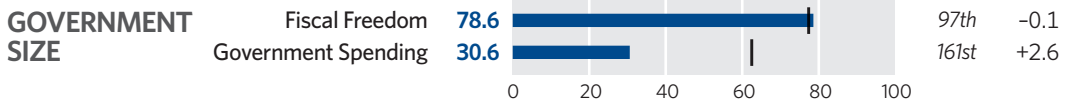
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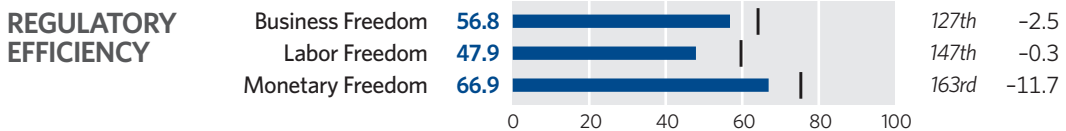
THE TEN ECONOMIC FREEDOMS



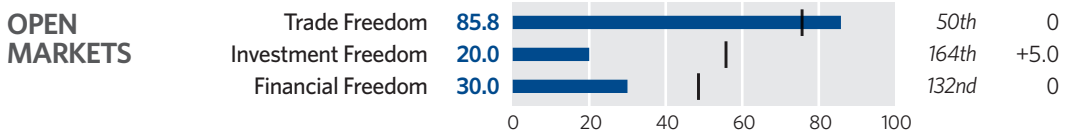
Ukraine has made some progress in fighting corruption, but considerable problems persist. The removal of Victor Yanukovych ended the extensive graft by the president, his family, and his closest associates. However, the old oligarchies continue to benefit financially from their close association with top politicians. Even in areas controlled by the national government, the judiciary remains weak, and contracts may not be well enforced.



Ukraine's top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 37.6 percent of total domestic income. Government spending amounts to 48.1 percent of GDP. The budget deficit has averaged about 5 percent of GDP over the past three years. Public debt exceeds 70 percent of GDP.



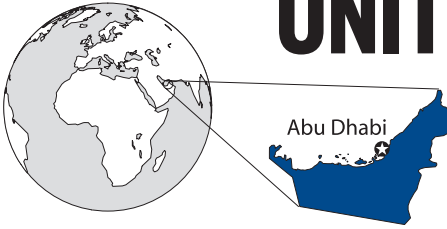
Political instability continues to compound regulatory uncertainty in commercial transactions. The labor code is outmoded and lacks flexibility. The government influences prices through state-owned enterprises. The IMF reports that 740 state-owned enterprises registered losses amounting to about 1 percent of GDP in 2014 and that, as a group, SOEs have accumulated substantial liabilities amounting to more than 12 percent of GDP.



Ukraine's average tariff rate is 2.1 percent. Government procurement procedures favor local companies. Foreign investors may not purchase agricultural land, and the investment framework remains underdeveloped with other sectoral restrictions. The Russia-Ukraine conflict continues to interfere with trade and investment flows. The large number of non-performing loans continues to be a drag on the banking system.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+16.8	Business Freedom	+1.8	Trade Freedom	+30.8
Freedom from Corruption	+16.0	Government Spending	-16.5	Labor Freedom	-7.9	Investment Freedom	-30.0
				Monetary Freedom	+66.9	Financial Freedom	-20.0

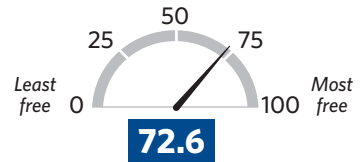


UNITED ARAB EMIRATES

World Rank: **25**

Regional Rank: **2**

Economic Freedom Score



The United Arab Emirates is competitive in many areas of economic freedom. Barriers to trade are quite low, and regulations support open-market policies. With a favorable business climate and political stability, the UAE has created a dynamic entrepreneurial environment for international investors. The financial sector's overall soundness has improved substantially since the Dubai debt crisis of 2009.

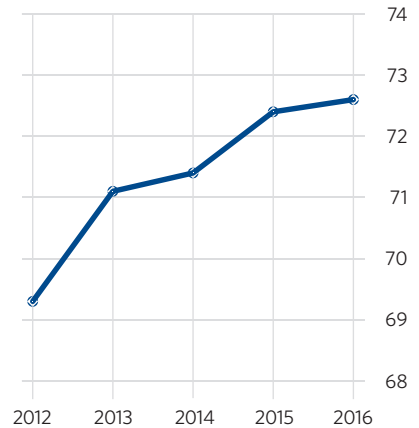
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **72.6 (up 0.2 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **25th**
- Regional Ranking: **2nd in the Middle East/North Africa Region**
- Notable Successes: **Open Markets and Regulatory Efficiency**
- Concerns: **Property Rights and Corruption**
- Overall Score Change Since 2012: **+3.3**

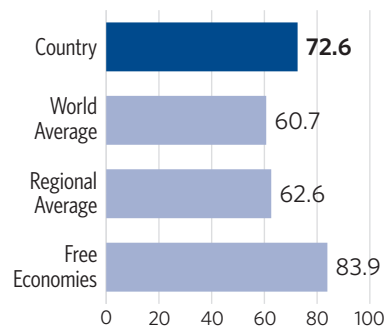
Despite regional political and security instability, the rule of law has been relatively well maintained. The perceived level of corruption has declined, but the judicial system remains inefficient and susceptible to political influence.

BACKGROUND: The United Arab Emirates is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. The Federal Supreme Council (the seven rulers of the individual emirates) 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 November 2004. In 2011, the government responded to protests for greater political plurality with a multi-year infrastructure investment in the poorer northern emirates and by expanding the number of people allowed to vote in September 2011 elections for the Federal National Council. Since 2012, the UAE has clamped down on social media activism. Home to many multinational firms that operate in the region, the UAE has a modern communications and transportation infrastructure.

Freedom Trend



Country Comparisons



Quick Facts

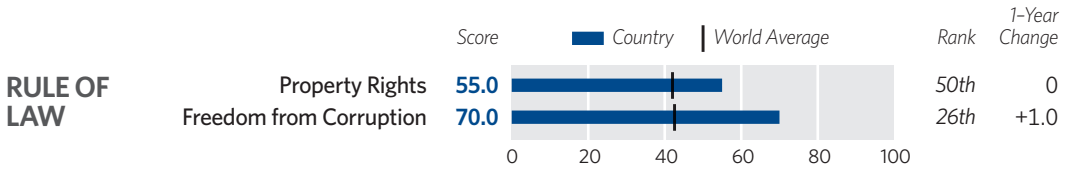
- Population:** 9.3 million
- GDP (PPP):** \$599.8 billion
- 3.6% growth in 2014
- 5-year compound annual growth 4.0%
- \$64,479 per capita
- Unemployment:** 3.6%
- Inflation (CPI):** 2.3%
- FDI Inflow:** \$10.1 billion
- Public Debt:** 12.1% of GDP

How Do We Measure Economic Freedom?

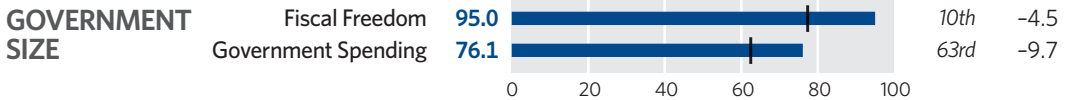
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Data compiled as of September 2015.

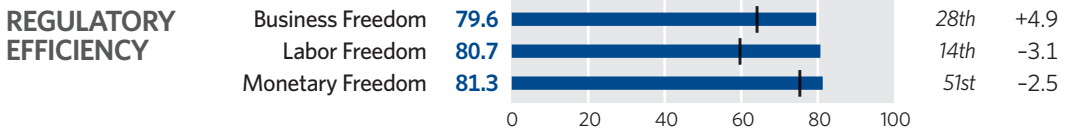
THE TEN ECONOMIC FREEDOMS



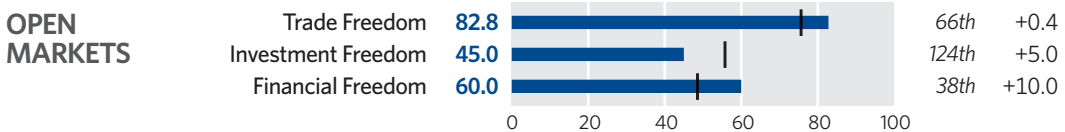
Although the UAE is considered one of the Middle East’s least corrupt countries, most decisions of any significance are made by the various emirates’ ruling families. The judiciary is not independent, and court rulings are subject to review by the political leadership, but the rule of law is generally well maintained. Each emirate is allowed to decide on how ownership of land may be transferred within its borders.



The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist for certain activities in some emirates. There is no general sales tax, and the overall tax burden equals 22.4 percent of total domestic income. Government spending amounts to 28.2 percent of total domestic output. Large oil revenues have kept the government budget in surplus and public debt below 15 percent of GDP.



Business regulatory efficiency has improved. There is no minimum capital requirement for establishing a business, and licensing requirements have been streamlined. Labor regulations are relatively flexible, and the non-salary cost of employing a worker is moderate. The UAE cut energy subsidies in 2015, but commercial airlines in the U.S. and Europe have charged that there are “obvious and massive” state subsidies to Emirates and Etihad airlines.

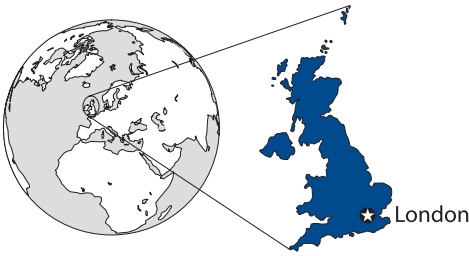


The UAE’s average tariff rate is 3.6 percent. Foreign ownership levels are generally capped at 49 percent. State-owned enterprises include Emirates Airlines and Emirates National Oil Company. In many cases, at least 51 percent of a business must be owned by a UAE national. The modern financial sector provides a full range of services. Capital markets are open and vibrant and are becoming more competitive.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-35.0	Fiscal Freedom	-4.9	Business Freedom	-5.4	Trade Freedom	+5.8
Freedom from Corruption	-20.0	Government Spending	+29.0	Labor Freedom	+6.4	Investment Freedom	+15.0
				Monetary Freedom	+6.1	Financial Freedom	+10.0

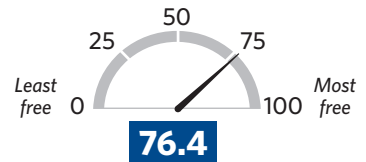
UNITED KINGDOM



World Rank: **10**

Regional Rank: **4**

Economic Freedom Score



Economic freedom has been on an upward path in the United Kingdom over the past five years. Defying the eurozone crisis and regional uncertainty, the economy has demonstrated relatively high resilience. Disciplined fiscal adjustments have helped to restore economic dynamism, steadily reducing the budget deficit. The corporate tax has been cut from 28 percent to 20 percent.

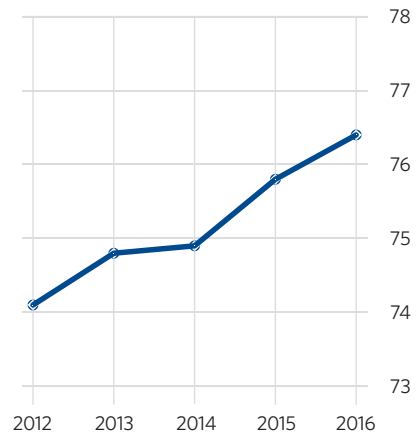
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **76.4 (up 0.6 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **10th**
- Regional Ranking: **4th in Europe**
- Notable Successes: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Concerns: **Management of Government Spending**
- Overall Score Change Since 2012: **+2.3**

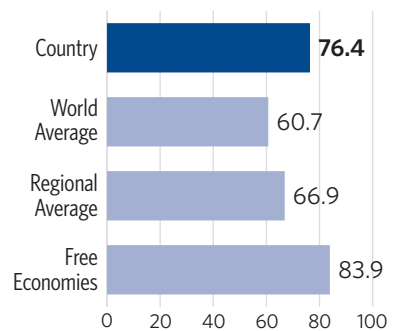
With an effectively institutionalized legal system that enforces the rule of law and guarantees security of contracts, the U.K. is able to benefit fully from open-market policies and a relatively efficient regulatory environment. The labor market is well developed and vibrant.

BACKGROUND: Following the market reforms instituted by Prime Minister Margaret Thatcher in the 1980s, Britain experienced steady economic growth throughout the 1990s, but government spending grew significantly under successive Labour governments in the 2000s. In 2010, Prime Minister David Cameron's Conservative–Liberal Democrat coalition government made shrinking state spending the core of its economic policy. In May 2015, the Conservatives won an outright majority. Since 2010, the U.K. has experienced the strongest growth in the G20 thanks to the performance of its three main economic sectors: services, manufacturing, and construction. Unemployment is at a six-year low, and retail sales are robust. Euro-skepticism is on the rise in the U.K., and the new Conservative government has pledged a referendum in 2017 on EU membership.

Freedom Trend



Country Comparisons



Quick Facts

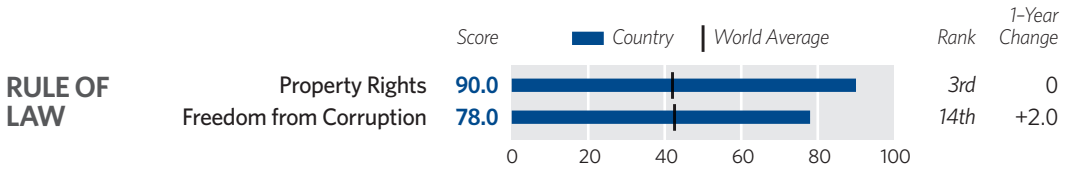
- Population:** 64.5 million
- GDP (PPP):** \$2.5 trillion
- 2.6% growth in 2014
- 5-year compound annual growth 1.7%
- \$39,511 per capita
- Unemployment:** 6.3%
- Inflation (CPI):** 1.5%
- FDI Inflow:** \$72.2 billion
- Public Debt:** 89.5% of GDP

How Do We Measure Economic Freedom?

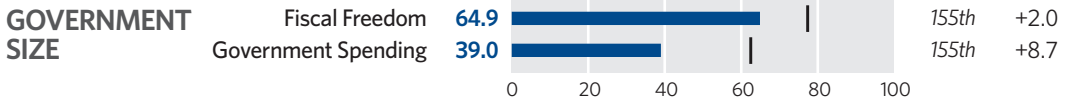
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Data compiled as of September 2015.

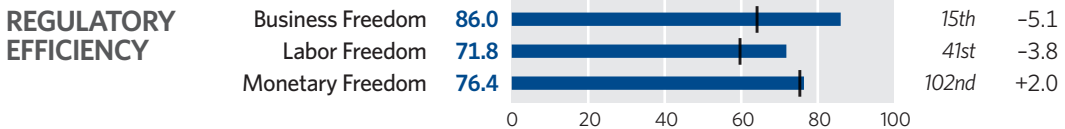
THE TEN ECONOMIC FREEDOMS



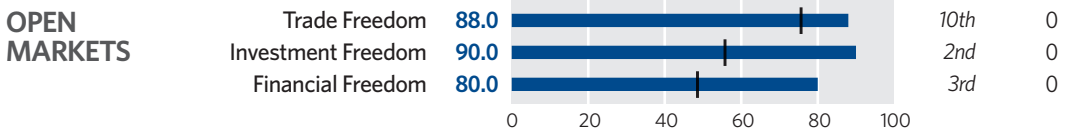
Corruption is not a major problem, although a few high-profile scandals have damaged political reputations in both major parties. The 2011 Bribery Act is considered one of the world’s most sweeping anti-bribery laws. The rule of law is well established within an independent legal framework. Private property rights and contracts are very secure, and the court system is efficient. Protection of intellectual property rights is effective.



The top personal income tax rate is 50 percent, and the top corporate tax rate has been reduced to 20 percent. Other taxes include a value-added tax and an environment tax. The overall tax burden equals 32.9 percent of total domestic income. Fiscal discipline has improved since 2010, and with deficits narrowing, government spending is now about 45 percent of GDP. Public debt equals about 90 percent of GDP.



The efficient and transparent regulatory framework encourages entrepreneurship. With no minimum capital required, it takes less than a week to establish a business. The labor market is relatively flexible. The non-salary cost of employing a worker is moderate, and severance payments are not overly burdensome. The government is ending subsidies to onshore wind farms earlier than originally anticipated.

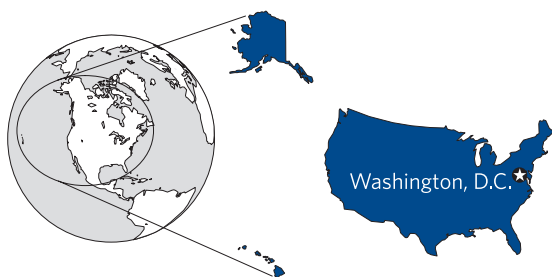


EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The United Kingdom generally treats foreign and domestic investors equally under the law. The overall stability of the financial system has been restored. The banking sector is highly competitive and offers a wide range of financial services.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.6	Business Freedom	-14.0	Trade Freedom	+10.2
Freedom from Corruption	-12.0	Government Spending	+1.7	Labor Freedom	-7.2	Investment Freedom	+20.0
				Monetary Freedom	-8.6	Financial Freedom	-10.0

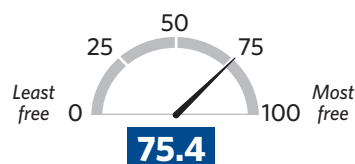
UNITED STATES



World Rank: **11**

Regional Rank: **2**

Economic Freedom Score



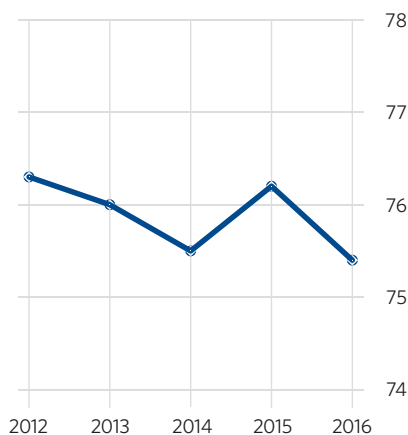
Americans continue to lose economic freedom. Following declines in seven of the past eight years, the United States this year has equaled its worst score ever in the *Index of Economic Freedom*. Ratings for labor freedom, business freedom, and fiscal freedom have flagged notably, and the regulatory burden is increasingly costly.

ECONOMIC FREEDOM SNAPSHOT

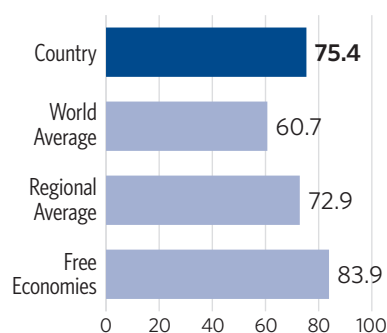
- 2016 Economic Freedom Score: **75.4 (down 0.8 points)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **11th**
- Regional Ranking: **2nd in North America**
- Notable Successes: **Open Markets**
- Concerns: **Management of Public Finance and Rule of Law**
- Overall Score Change Since 2012: **-0.9**

The United States remains mired in the ranks of the “mostly free,” the second-tier economic freedom status into which it dropped in 2010. America’s historically vibrant entrepreneurial growth is significantly hampered by intrusive, expensive, and often ineffective government policies in areas ranging from health care to energy to education. Government favoritism toward entrenched interests has hurt innovation and contributed to a lackluster recovery and stagnant income growth.

Freedom Trend



Country Comparisons



Quick Facts

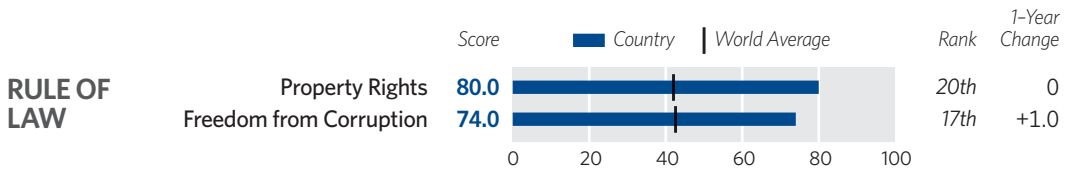
Population: 319.0 million
GDP (PPP): \$17.4 trillion
 2.4% growth in 2014
 5-year compound annual growth 2.2%
 \$54,597 per capita
Unemployment: 6.2%
Inflation (CPI): 1.6%
FDI Inflow: \$92.4 billion
Public Debt: 104.8% of GDP

How Do We Measure Economic Freedom?

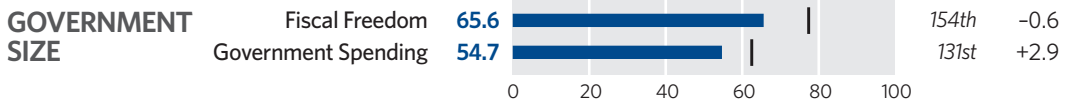
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

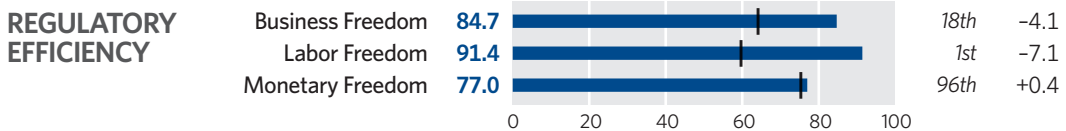
THE TEN ECONOMIC FREEDOMS



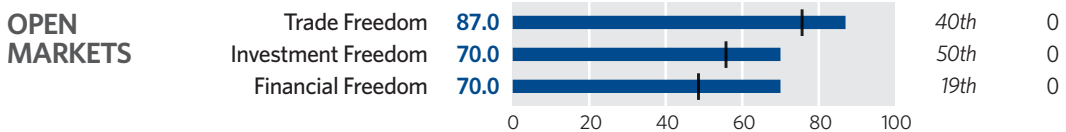
The American people’s trust in their government is the lowest it has been in the past 10 years, according to three Gallup polls released in 2015, with 75 percent of respondents saying they believe corruption is widespread in the government and in government regulation of business. Although property rights are guaranteed and the judiciary functions independently and predictably, protection of those rights in practice has been uneven.



The top individual income tax rate is 39.6 percent, and in the absence of comprehensive tax reform, the top corporate tax rate remains among the world’s highest at 35 percent. The overall tax burden equals 25.4 percent of total domestic income. Total government spending amounts to about 39 percent of GDP. Frontloading spending increases, the Bipartisan Budget Act of 2015 has not reduced the size or scope of government.



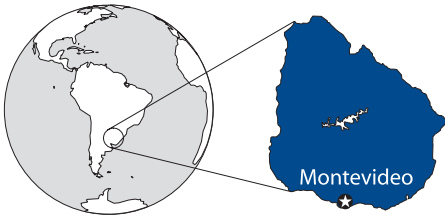
The regulatory burden continues to increase. Over 180 new major federal regulations have been imposed on business operations since early 2009 with estimated annual costs of nearly \$80 billion. Labor regulations are not rigid, but other government policies, such as excessive occupational licensing, restrict growth in employment opportunities. Damaging monetary policies, tangled webs of corporate welfare, and various subsidies have bred economic distortions.



The average tariff rate in the United States is 1.5 percent. High tariffs increase the price of clothing, sugar imports are restricted, foreign investment in some sectors is capped, and use of domestically built ships is mandated for most domestic maritime transportation. Although detailed regulations have been emerging only gradually, the financial reforms adopted in 2010 have increased both costs and uncertainty.

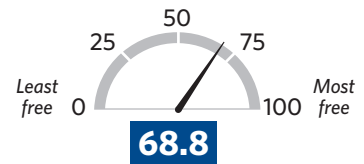
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+0.8	Business Freedom	-0.3	Trade Freedom	+8.6
Freedom from Corruption	-16.0	Government Spending	-3.1	Labor Freedom	-4.0	Investment Freedom	0
				Monetary Freedom	-6.8	Financial Freedom	0



URUGUAY

Economic Freedom Score



World Rank: **41** Regional Rank: **6**

Uruguay's history of economic openness stands out in the South and Central America/Caribbean Region, and the country is considered one of the least corrupt in Latin America. Reforms to enhance regulatory efficiency have made it a more attractive destination for international investment.

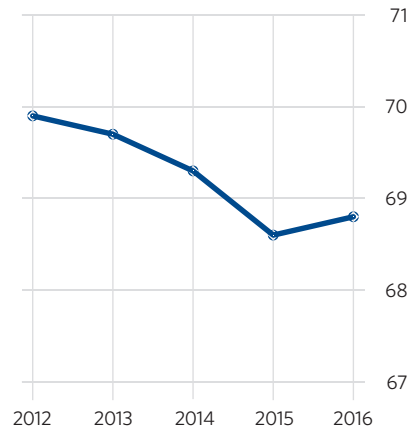
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **68.8 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **41st**
- Regional Ranking: **6th in the South and Central America/Caribbean Region**
- Notable Successes: **Business Freedom, Investment Freedom, and Trade Freedom**
- Concerns: **Financial Freedom and Monetary Freedom**
- Overall Score Change Since 2012: **-1.1**

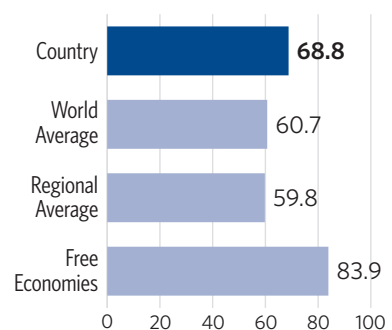
Uruguay has struggled to reign in government spending but has made strides in efforts to streamline efficiency in the financial sector and promote greater use of financial institutions and services by the general public. The value-added tax rate has been cut by 2 percent.

BACKGROUND: President Tabaré Vázquez from the ruling center-left coalition took office in March 2015, pledging to maintain his predecessor's mix of pro-market policies and a strong social safety net while seeking economic diversification. State involvement in the economy is substantial, and deregulation is needed in telecommunications, energy, and public utilities. Uruguay began a process to legalize marijuana in 2013, but drug trafficking remains a problem in urban areas. Uruguay is a founding member of MERCOSUR and signed a Trade and Investment Framework Agreement with the United States in 2007. The economy is still based largely on exports of commodities such as milk, beef, rice, and wool. Despite excellent banking services, an information-sharing agreement with unstable Argentina has reduced confidence in Uruguay as a safe haven for assets.

Freedom Trend



Country Comparisons



Quick Facts

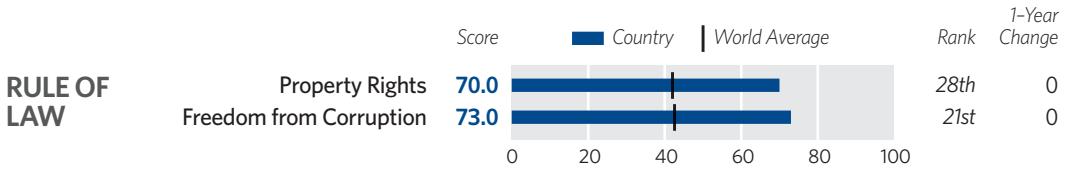
- Population:** 3.4 million
- GDP (PPP):** \$70.0 billion
- 3.3% growth in 2014
- 5-year compound annual growth 5.4%
- \$20,556 per capita
- Unemployment:** 7.0%
- Inflation (CPI):** 8.9%
- FDI Inflow:** \$2.8 billion
- Public Debt:** 62.8% of GDP

How Do We Measure Economic Freedom?

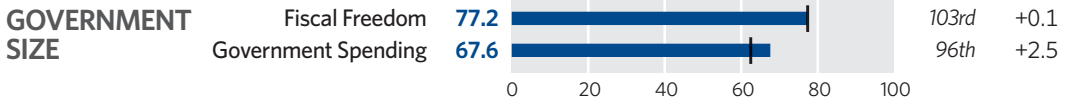
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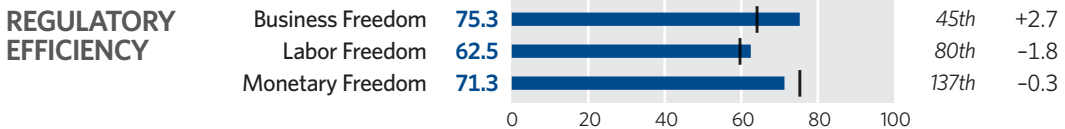
THE TEN ECONOMIC FREEDOMS



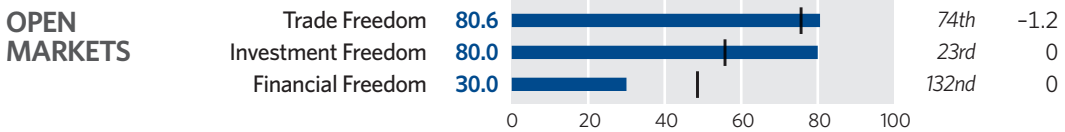
Uruguay was tied with Chile as the least corrupt country in Latin America in the 2014 edition of Transparency International’s Corruption Perceptions Index. The country’s Transparency Law criminalizes a broad range of potential abuses of power by officeholders. The judiciary is relatively independent, but the court system remains severely backlogged. Private property is generally secure, expropriation is unlikely, and contracts are enforced.



The top individual income tax rate is 30 percent. The top corporate tax rate is 25 percent. Other taxes include a value-added tax and a capital gains tax. The tax burden equals 27.4 percent of total domestic income. Government spending equals about 32.9 percent of GDP. Budget deficits continue, and public debt exceeds 60 percent of total domestic output. The latest budget includes increased spending on social programs and infrastructure.



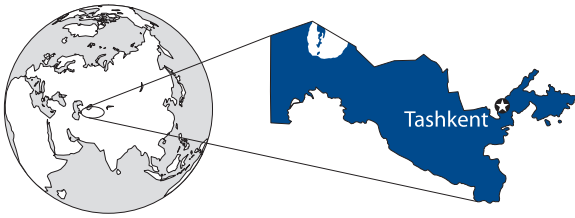
Recent reforms have considerably enhanced regulatory efficiency. It now takes about seven days to start a business. The cost of completing licensing requirements also has been reduced. The non-salary cost of employing a worker is low, but restrictions on work hours are not flexible. The new center-left government is committed to fiscal consolidation, but state spending remains high.



Uruguay’s average tariff rate is 4.7 percent. It is illegal to import used cars. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises operate in the energy and telecommunications sectors. The financial sector continues to evolve, but capital markets are underdeveloped and concentrated in government debt. The state continues to influence the allocation of credit.

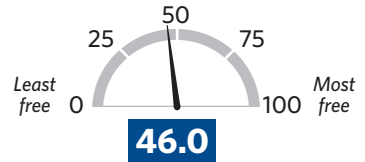
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+20.0	Fiscal Freedom	-7.4	Business Freedom	+5.3	Trade Freedom	+17.6
Freedom from Corruption	+23.0	Government Spending	-12.0	Labor Freedom	-13.4	Investment Freedom	+10.0
				Monetary Freedom	+26.1	Financial Freedom	-20.0



UZBEKISTAN

Economic Freedom Score



World Rank: **166**

Regional Rank: **39**

Uzbekistan aspires to be an industrialized, high-middle-income economy by 2050, and the economy benefits from a highly educated workforce, an abundance of natural resources, and a relatively well-developed infrastructure system. However, gains in economic freedom following the dissolution of the Soviet Union have not been institutionalized, and the momentum for reform has dissipated.

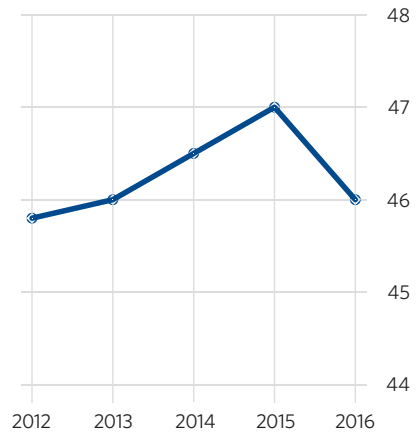
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **46.0 (down 1 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **166th**
- Regional Ranking: **39th in the Asia-Pacific Region**
- Notable Successes: **Business Freedom and Fiscal Freedom**
- Concerns: **Investment Freedom and Financial Freedom**
- Overall Score Change Since 2012: **+0.2**

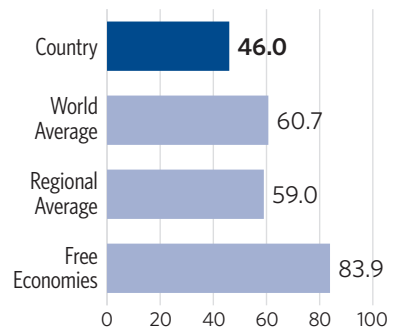
Uzbekistan's government has announced efforts to privatize hundreds of state-owned enterprises by 2017. However, corruption is rampant throughout the nation, and there is doubt that privatization processes will be open and transparent. Investment in many sectors is restricted, and foreign investors are not allowed to own land.

BACKGROUND: President Islam Karimov has been in power since the late 1980s and claimed to have won reelection in March 2015 with more than 90 percent of the vote. Karimov rose through the ranks of the Soviet-era State Planning Committee (Gosplan) and runs a command economy. Uzbekistan is dry and landlocked; 11 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 cotton exporter and sixth-largest producer, but unsound cultivation practices have degraded the land and depleted water supplies. The economy also relies on natural gas and gold exports.

Freedom Trend



Country Comparisons



Quick Facts

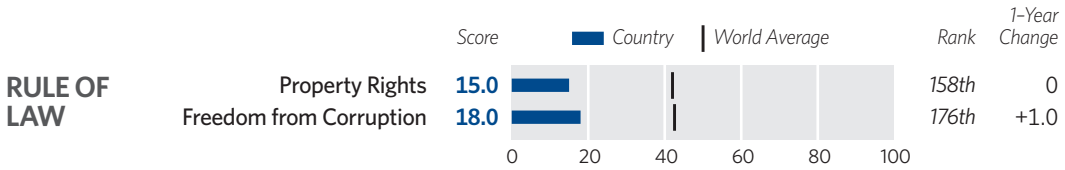
- Population:** 30.6 million
- GDP (PPP):** \$171.7 billion
- 8.1% growth in 2014
- 5-year compound annual growth 8.2%
- \$5,609 per capita
- Unemployment:** 10.6%
- Inflation (CPI):** 8.4%
- FDI Inflow:** \$751.4 million
- Public Debt:** 8.5% of GDP

How Do We Measure Economic Freedom?

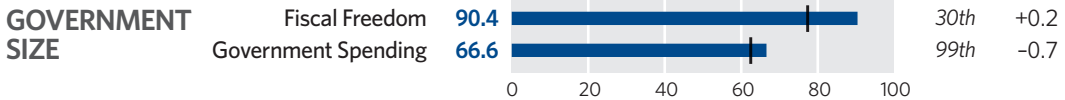
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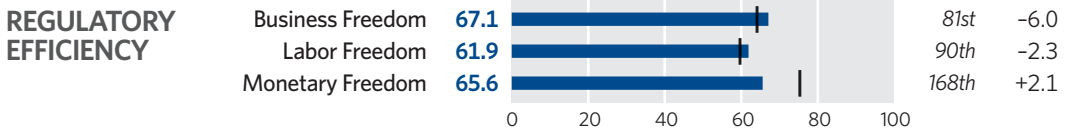
THE TEN ECONOMIC FREEDOMS



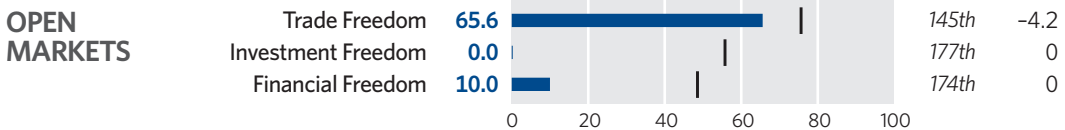
Corruption is pervasive. The judiciary is subservient to the president, who appoints all judges and can remove them at any time. Court procedures fall short of international standards, and expropriation by powerful figures able to act with impunity is possible. Property ownership is generally respected by local and central authorities but can be subverted by the government. There is no general system for registration of liens on chattel property.



The top personal income tax rate is 22 percent, and the top corporate tax rate is 9 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals about 19.9 percent of total domestic income. Government spending has reached a level equivalent to 33.4 percent of GDP. The budget is in surplus, and debt is under 10 percent of GDP.



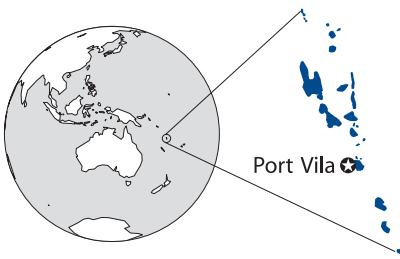
The regulatory system lacks transparency and clarity, and inconsistent enforcement of regulations injects considerable uncertainty into business decision-making. The labor market lacks flexibility, and employment in the informal sector is substantial. The government creates implicit subsidies by administering the prices of many basic staples, such as petroleum products and utilities, and by controlling interest rates.



Uzbekistan’s average tariff rate is 7.2 percent. Importation of goods is very costly and time-consuming. Foreign investors may not purchase land. State-owned enterprises operate in several sectors of the economy. The financial sector is subject to heavy state intervention. Along with the high costs of financing, the banking sector’s limited capacity for financial intermediation hurts the private sector.

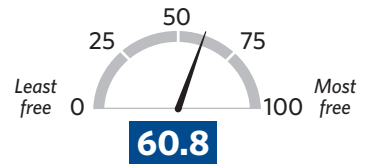
Long-Term Score Change (since 1998)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+33.0	Business Freedom	+27.1	Trade Freedom	+15.6
Freedom from Corruption	+8.0	Government Spending	+10.1	Labor Freedom	-5.2	Investment Freedom	-30.0
				Monetary Freedom	+65.6	Financial Freedom	0



VANUATU

Economic Freedom Score



World Rank: **89**

Regional Rank: **15**

Severe deficiencies in the rule of law are holding back development in Vanuatu. High levels of corruption contribute to the poor quality of public infrastructure, and the rudimentary banking system does not provide adequate access to financing for private-sector projects.

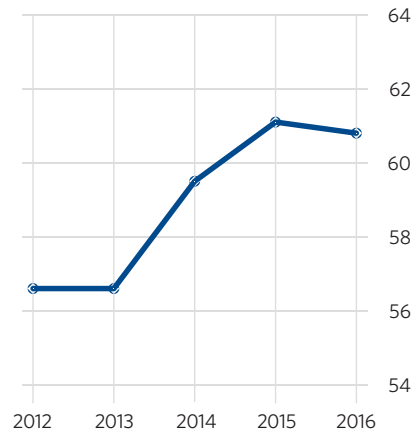
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **60.8 (down 0.3 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **89th**
- Regional Ranking: **15th in the Asia-Pacific Region**
- Notable Successes: **Management of Public Spending and Monetary Freedom**
- Concerns: **Business Freedom, Labor Freedom, and Rule of Law**
- Overall Score Change Since 2012: **+4.2**

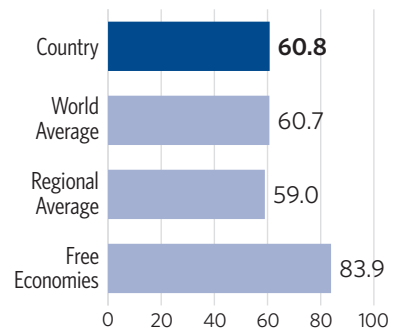
Despite modest past increases in economic freedom, Vanuatu's economy continues to be relatively isolated from most of the outside world. Flows of trade, investment, and aid from Australia provide a lifeline. Investment in many sectors is restricted, and foreign investors may not own land. Vanuatu excels in fiscal freedom due to its lack of individual and corporate income taxes.

BACKGROUND: The South Pacific island Republic of Vanuatu achieved independence in 1980 and is today a parliamentary democracy divided between its English-speaking and French-speaking citizens. In the 2012 elections, 18 parties won seats in the legislature, with the Vanua'aku Pati party winning a plurality with eight. In late May 2014, the parliament ousted Prime Minister Moana Carcasses through a vote of no confidence, bringing Joe Natuman to power as prime minister. The economy is heavily dependent on tourism, but over 80 percent of the population is involved in farming, which accounts for roughly 20 percent of GDP. In March 2015, Cyclone Pam destroyed thousands of homes and other buildings and killed more than a dozen people.

Freedom Trend



Country Comparisons



Quick Facts

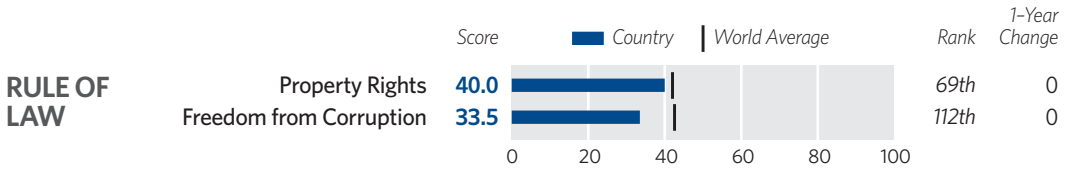
- Population:** 0.3 million
- GDP (PPP):** \$0.7 billion
- 2.9% growth in 2014
- 5-year compound annual growth 1.9%
- \$2,608 per capita
- Unemployment:** n/a
- Inflation (CPI):** 1.0%
- FDI Inflow:** -\$22.3 million
- Public Debt:** 18.5% of GDP

How Do We Measure Economic Freedom?

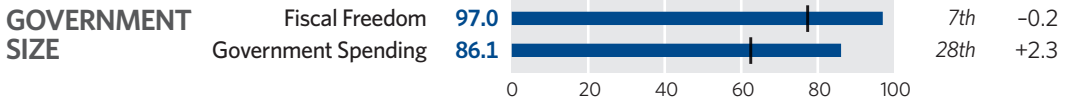
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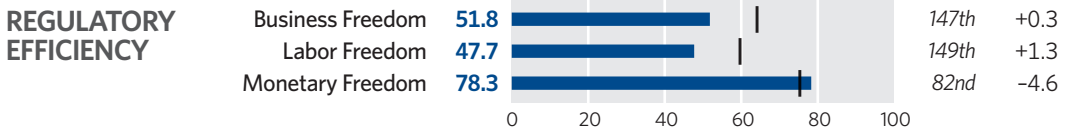
THE TEN ECONOMIC FREEDOMS



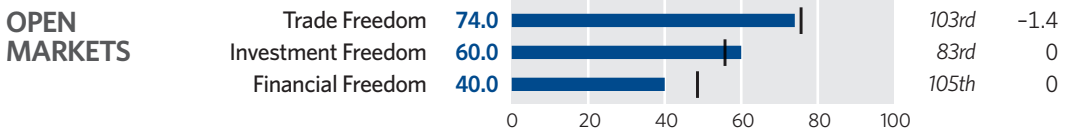
Abuse of office, mismanagement of funds, and corruption have stirred deep public grievance and led to poor conditions in public facilities such as prisons, hospitals, and schools. Cronyism, “islandism” and nepotism, costly and fabricated “deeds of release” lawsuits, and sales of diplomatic passports have undermined the political process. The largely independent judiciary lacks the resources to retain qualified personnel.



There is no individual or corporate income tax. Taxes include a value-added tax and import duties. The overall tax burden equals 17.2 percent of total domestic income. Government spending amounts to 21.5 percent of GDP. The government budget has been in deficit for several years, but public debt remains low. The cost of providing emergency assistance in the rebuilding of key infrastructure has put pressure on public finance.



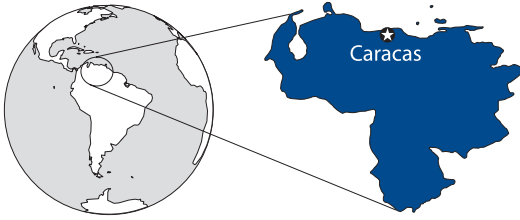
The regulatory framework remains complex and non-transparent. The business start-up process does not require minimum capital, but it does remain time-consuming. The formal labor market is not fully developed. Public-sector recovery costs after the devastation of Cyclone Pam in March 2015 are estimated to be about 20 percent of GDP, and fiscal deficits are expected to be over 10 percent of GDP in 2015 and 2016.



Vanuatu’s average tariff rate is 5.5 percent. Foreign investment in some sectors of the economy requires government approval, and investment levels may be limited. Foreign investors may not own land. Inadequate infrastructure and heavy state involvement deter long-term investment. The financial sector remains rudimentary. Access to credit and formal banking services remains low.

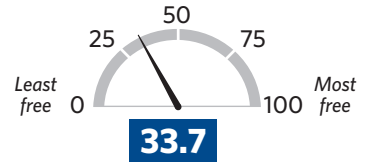
Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.7	Business Freedom	-17.2	Trade Freedom	+11.0
Freedom from Corruption	+2.5	Government Spending	+2.1	Labor Freedom	-4.9	Investment Freedom	+30.0
				Monetary Freedom	-0.4	Financial Freedom	0



VENEZUELA

Economic Freedom Score



World Rank: **176**

Regional Rank: **28**

Venezuela's economy is in decline. Unwise government spending and fiscal deficits have affected the daily lives of Venezuelans as a shortage of basic consumer goods has become more widespread. President Nicolás Maduro has issued decrees that erode the rights of foreign investors and increase the government's control of the economy. Many U.S. and multinational firms have shut down operations in Venezuela because of rigid labor regulations.

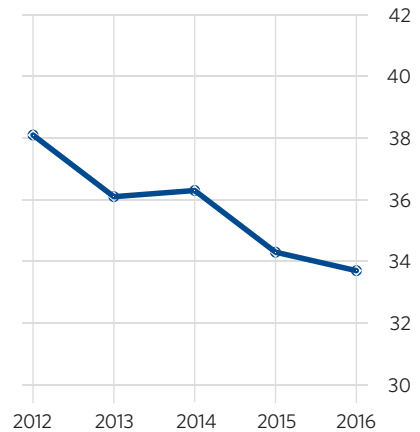
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **33.7 (down 0.6 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **176th**
- Regional Ranking: **28th in the South and Central America/Caribbean Region**
- Notable Successes: **None**
- Concerns: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Overall Score Change Since 2012: **-4.4**

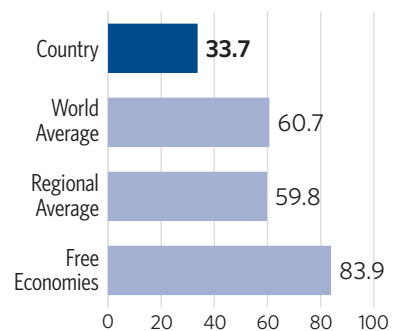
Oil represents nearly all of Venezuela's exports and contributes about half of its annual income. Lack of economic diversification leaves Venezuela extremely vulnerable to declining world oil prices. The Maduro administration has pushed government spending to the brink, resulting in higher inflation and public debt.

BACKGROUND: Venezuelans enjoy few civil liberties and little economic freedom, and crime rates are high. Nicolás Maduro, who became president in 2013 following the death of Hugo Chávez, faces renewed social unrest. He has tried to shift blame for shortages created by price controls, subsidies, rigid labor regulations, and other deeply flawed economic policies onto what remains of Venezuela's private sector. Access to U.S. dollars is highly restricted, and the business climate is hostile. In 2015, the government made the first withdrawals of Special Drawing Rights from the International Monetary Fund since 1997. Venezuela's international reserves continue to fall, and a debt default is not out of the question.

Freedom Trend



Country Comparisons



Quick Facts

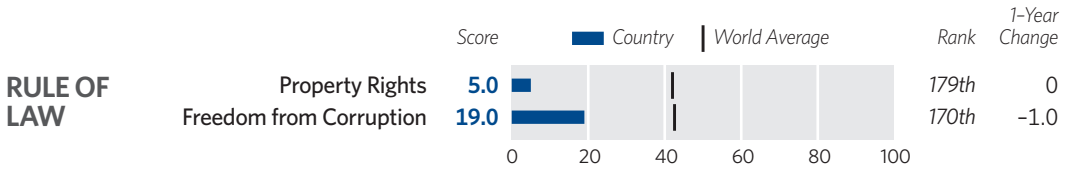
- Population:** 30.5 million
- GDP (PPP):** \$538.9 billion
- 4.0% growth in 2014
- 5-year compound annual growth 1.1%
- \$17,695 per capita
- Unemployment:** 8.6%
- Inflation (CPI):** 62.2%
- FDI Inflow:** \$320.0 million
- Public Debt:** 45.6% of GDP

How Do We Measure Economic Freedom?

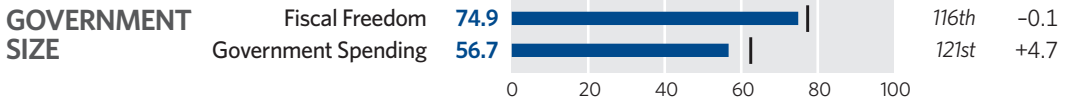
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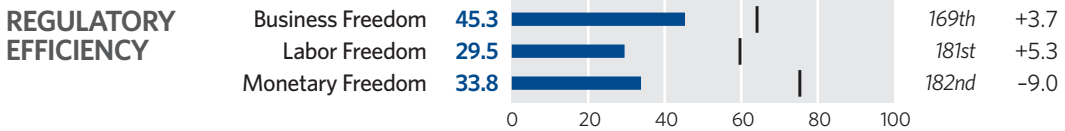
THE TEN ECONOMIC FREEDOMS



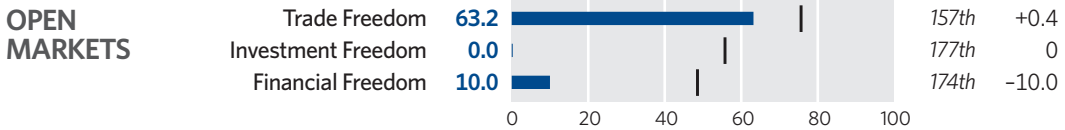
Corruption is pervasive. Smuggling has become extremely lucrative because of state subsidies and price controls; gasoline smuggling alone costs the government several billion dollars per year. Spiraling rates of violent crime prompt large numbers of skilled workers to emigrate, which will affect the economy’s long-term performance. Expropriations, weak public-sector institutions, and lack of judicial independence undermine property rights.



The top personal income and corporate tax rates are 34 percent. Other taxes include a value-added tax. The overall tax burden is estimated to equal 13.9 percent of total domestic income. Budget deficits have fluctuated depending on changes in the price of oil. Government spending amounts to 38 percent of GDP, and public debt is equivalent to about 45 percent of total domestic output.



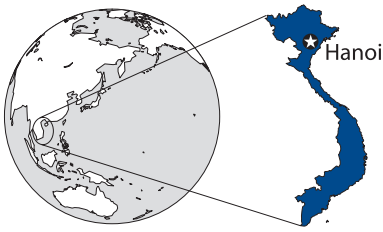
Regulatory encroachment on private businesses continues. There is little transparency in decision-making, and most contracts are awarded without competition. The labor market remains controlled by the state. Thanks to huge subsidies and enormous oil reserves, Venezuela has the cheapest fuel in the world; a fill-up costs only a few U.S. pennies at black-market exchange rates.



Venezuela’s average tariff rate is 8.4 percent. Imports of several agricultural products are restricted. State-owned enterprises distort the economy. A November 2014 presidential decree reduced the rights of foreign investors. Hostility to foreign investment and threats of expropriation persist. The financial sector is tightly controlled by the state, and credit is often allocated on the basis of political expediency.

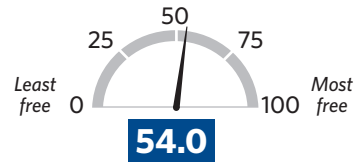
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-45.0	Fiscal Freedom	-5.1	Business Freedom	-39.7	Trade Freedom	-1.8
Freedom from Corruption	+9.0	Government Spending	-19.4	Labor Freedom	-2.8	Investment Freedom	-50.0
				Monetary Freedom	-18.2	Financial Freedom	-60.0



VIETNAM

Economic Freedom Score



World Rank: **131**

Regional Rank: **27**

Vietnam has gradually been transforming itself into a more open, more market-oriented economy and is beginning to enjoy the benefits of its steady but slow integration into the global commercial system. Reforms have included partial privatization of state-owned enterprises, liberalization of the trade and investment regimes, and modernization of the financial sector.

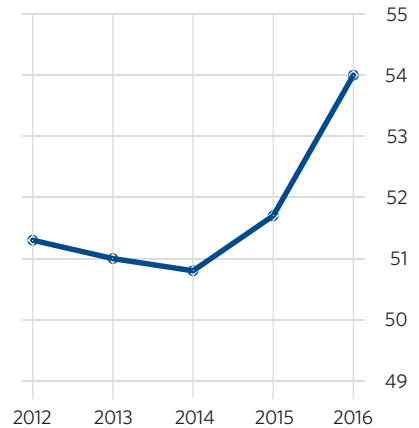
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **54.0 (up 2.3 points)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **131st**
- Regional Ranking: **27th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Rule of Law and Regulatory Efficiency**
- Overall Score Change Since 2012: **+2.7**

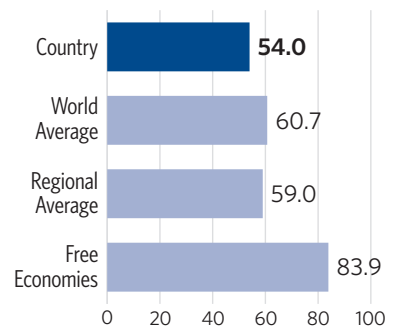
The rule of law remains an issue, a remnant of decades of Communism. The court system is inefficient, and the protection of intellectual property has been a major area of contention in international trade negotiations. The lack of democratic governance and accountability contributes to a permissive environment for corruption.

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by political repression and an absence of civil liberties. Economic liberalization began in 1986 with the *doi moi* reforms, and Vietnam joined the World Trade Organization in 2007. In 2012, Prime Minister Nguyen Tan Dung acknowledged mismanagement of the economy and affirmed his commitment to reforming the state sector, but the Vietnamese are still waiting for dynamic action. Vietnam's economy is driven primarily by tourism and exports. Persistent inflation and the absence of a transparent legal and regulatory system are disincentives to long-term investment. Vietnam is a party to the recently concluded Trans-Pacific Partnership, which, if implemented, will require further economic liberalization.

Freedom Trend



Country Comparisons



Quick Facts

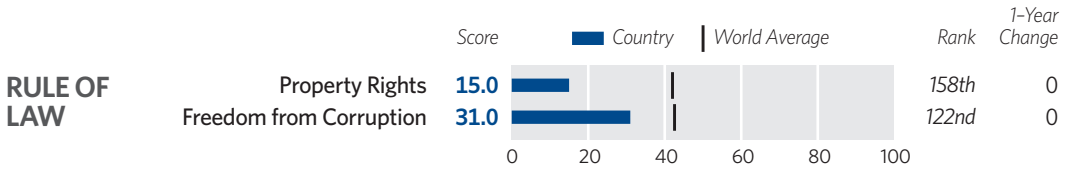
- Population:** 90.6 million
- GDP (PPP):** \$510.7 billion
- 6.0% growth in 2014
- 5-year compound annual growth 5.9%
- \$5,635 per capita
- Unemployment:** 2.3%
- Inflation (CPI):** 4.1%
- FDI Inflow:** \$9.2 billion
- Public Debt:** 58.7% of GDP

How Do We Measure Economic Freedom?

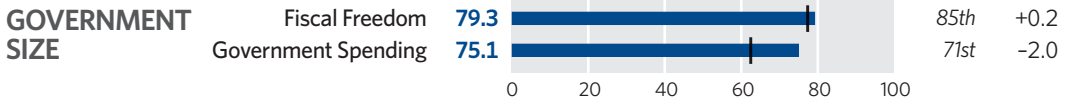
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

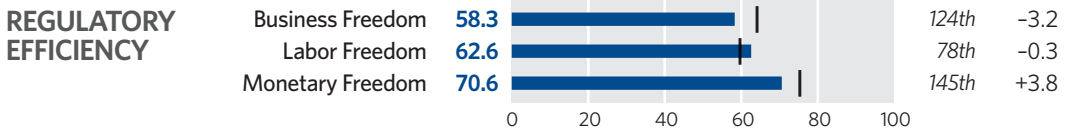
THE TEN ECONOMIC FREEDOMS



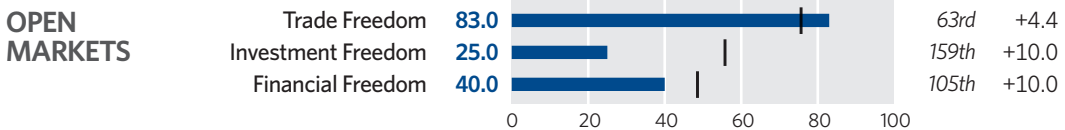
Corruption and graft blight all levels of Vietnam’s government and judiciary. Internal dissent and factionalism, bureaucratic rivalries, nepotism, vast corruption within the Communist Party, and a general lack of accountability ensure that many agencies are run as fiefdoms. Many state companies operate with little transparency. Private property rights are not strongly respected, and resolution of disputes can take years.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 18.9 percent of total domestic income. Government spending amounts to 28.8 percent of GDP. Deficits have been persistently high in recent years, and public debt now equals nearly 60 percent of total domestic product.



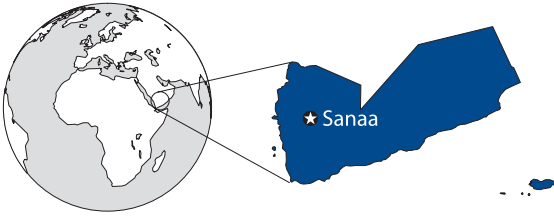
Despite ongoing reform efforts, the overall business regulatory framework lacks efficiency. Although no minimum capital is required, starting a business remains time-consuming. The labor market remains dominated by the public sector, but informal labor activity is considerable. The government has reduced pharmaceutical subsidies but maintains price controls and high subsidies for rice and other agricultural commodities.



Vietnam’s average tariff rate is 3.5 percent. Export taxes are imposed on several goods. The government screens foreign investment, and investment in some sectors of the economy is restricted. State-owned enterprises distort the economy. The financial sector continues to expand, and capital markets are evolving. Directed lending by state-owned commercial banks has been scaled back in recent years.

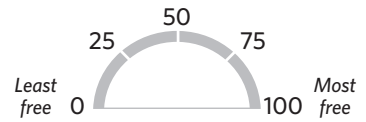
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+10.5	Business Freedom	+18.3	Trade Freedom	+38.4
Freedom from Corruption	+21.0	Government Spending	-12.0	Labor Freedom	-1.5	Investment Freedom	-5.0
				Monetary Freedom	+15.4	Financial Freedom	+10.0



YEMEN

Economic Freedom Score



This economy is not graded

World Rank: Not Ranked

Regional Rank: Not Ranked

Numerical grading of Yemen's overall economic freedom has been suspended in the 2016 *Index* because of a significant deterioration in the quality of publicly available economic statistics on the country. Yemen's intensifying civil war has devastated the economy, destroying infrastructure, displacing over a million people, and creating an acute humanitarian crisis.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Middle East/North Africa Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

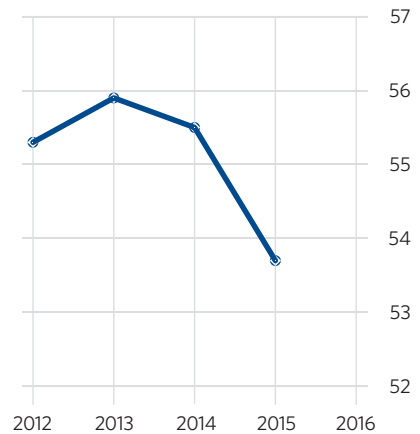
Before the current war, Yemen's economy had already been in a dire state. With structural economic reforms largely abandoned, years of mismanagement and corruption had compounded the depletion of natural resources and led to chronic underdevelopment. The conflict has aggravated this situation.

BACKGROUND: The civil war in Yemen, one of the Arab world's least developed countries, has brought tentative efforts at modernization and integration into the global economy to a halt. The conflict's most immediate cause is a breakdown in relations between interim President Abd Rabbuh Mansour Hadi and the Houthis, a Zaydi Shia rebel movement. In March 2015, Saudi Arabia launched an intensive bombing campaign in an attempt to restore Hadi to power. The Houthis have retained significant gains on the ground, and Hadi has fled to Saudi Arabia. Al-Qaeda in the Arabian Peninsula has exploited the conflict to seize parts of eastern Yemen and develop a working relationship with anti-Houthi tribal militias. Yemen's limited oil and gas production has been severely disrupted, and the prolonged conflict continues to take a heavy toll on the already fragile economy.

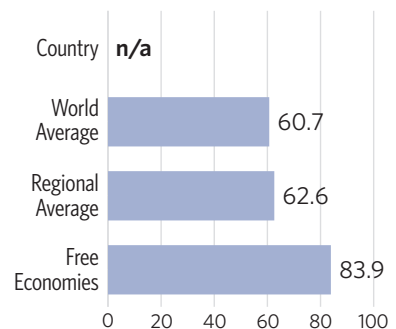
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

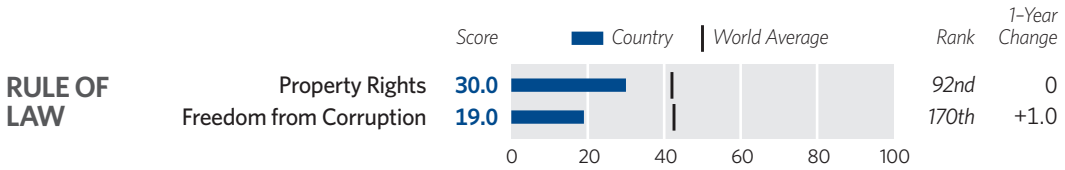


Quick Facts

- Population:** 27.5 million
- GDP (PPP):** \$103.6 billion
- 0.2% growth in 2014
- 5-year compound annual growth 0.4%
- \$3,774 per capita
- Unemployment:** 17.4%
- Inflation (CPI):** 8.2%
- FDI Inflow:** -\$577.6 million
- Public Debt:** 48.9% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

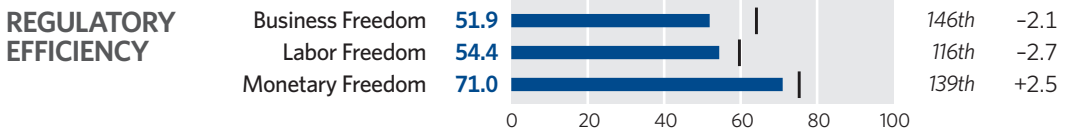
THE TEN ECONOMIC FREEDOMS



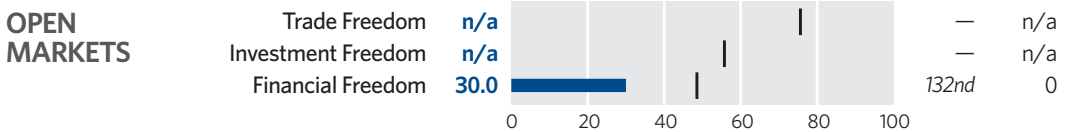
The network of corruption and patronage built up over 30 years under former President Ali Abdullah Saleh has remained entrenched in public institutions in the five years since he left office. Auditing and investigative bodies are not sufficiently independent of executive authorities. The nominally independent judiciary is susceptible to interference from the executive branch. Authorities have a poor record of enforcing judicial rulings.



Political turmoil and civil conflict have caused the economy to collapse. Oil and gas exports have been suspended, and the overall fiscal situation remains perilous, with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. Limited fiscal resources have been directed toward spending on the military and public-sector wages. Millions of Yemenis are now on the brink of famine.



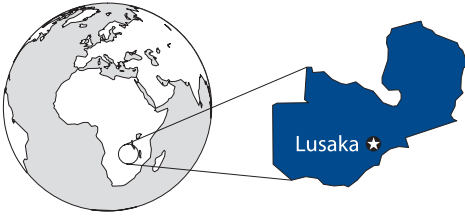
Given the level of ongoing political volatility, it is difficult to gauge the lasting effectiveness of earlier regulatory reforms aimed at broad-based economic expansion and dynamic job creation. Yemen slashed fuel subsidies in July 2014, increasing the price of gasoline by 60 percent and diesel by 90 percent, and could not have funded them easily in any case since the civil war has devastated the economy.



Domestic and foreign investors are treated equally under the law. State-owned enterprises distort the economy. A weak judicial system and political instability impede foreign trade and investment. In practice, the inefficient investment regime inhibits the dynamic growth of new investment. The economy is largely cash based, and the small financial system remains dominated by the state.

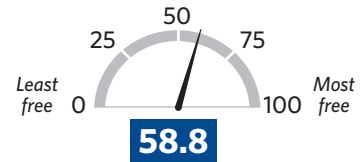
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a



ZAMBIA

Economic Freedom Score



World Rank: **106**

Regional Rank: **16**

Despite high levels of economic growth in the past decade, corrupt governing practices leave millions of Zambians in severe poverty. The judicial system is weak and falls short in unbiased enforcement of the law, undermining anti-corruption efforts. Corruption is also a major obstacle and deterrent to foreign investment.

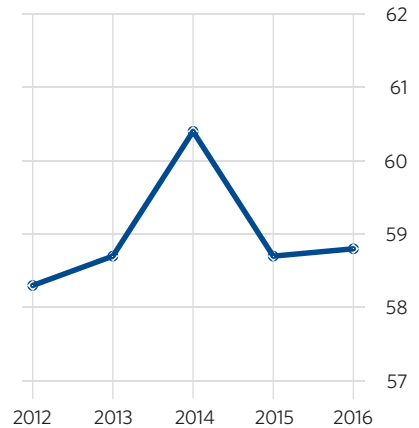
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **58.8 (up 0.1 point)**
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **106th**
- Regional Ranking: **16th in Sub-Saharan Africa**
- Notable Successes: **Trade Freedom and Management of Public Spending**
- Concerns: **Rule of Law and Labor Freedom**
- Overall Score Change Since 2012: **+0.5**

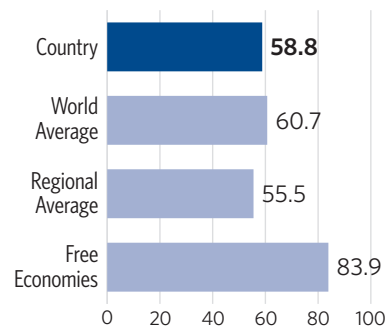
High commodity prices have driven a decade of strong economic growth, but the economy would benefit tremendously from diversification. Bloated government payrolls, shifting tax laws on the mining sector that scare away investors, and spiraling government debt exacerbate the economy's problems.

BACKGROUND: Zambia, a landlocked state and Africa's second-largest copper producer, is one of the most politically stable countries in southern Africa, successfully undergoing five peaceful transfers of presidential power since the end of one-party rule in 1991. Edgar Lungu of the Patriotic Front narrowly won a January 2015 presidential by-election that was held to replace Michael Sata, who died in office in October 2014. Zambia is revising its constitution, and contentious constitutional issues will be put to a referendum in conjunction with the 2016 presidential and legislative elections. A recent slump in copper prices has been damaging and made the kwacha one of the world's worst-performing currencies in 2014.

Freedom Trend



Country Comparisons



Quick Facts

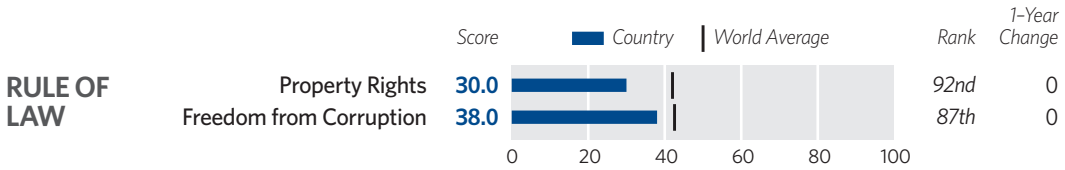
Population: 15.0 million
GDP (PPP): \$61.0 billion
 5.4% growth in 2014
 5-year compound annual growth 7.1%
 \$4,064 per capita
Unemployment: 13.3%
Inflation (CPI): 7.9%
FDI Inflow: \$2.5 billion
Public Debt: 31.1% of GDP

How Do We Measure Economic Freedom?

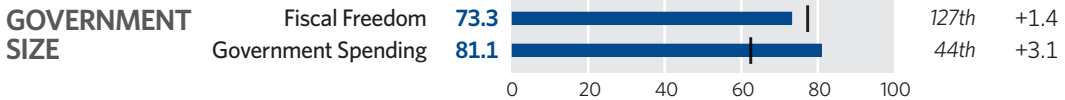
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
 Data compiled as of September 2015.

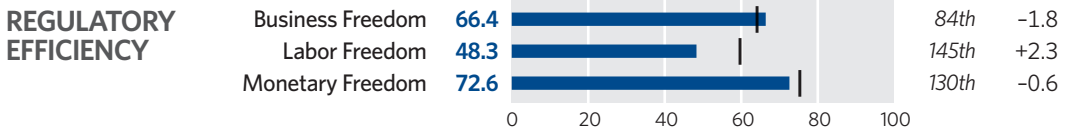
THE TEN ECONOMIC FREEDOMS



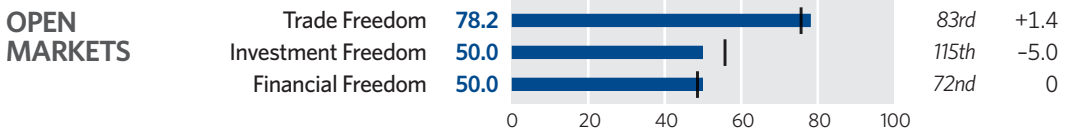
Corruption is widespread, and although the government has taken some steps to fight graft, the acquittal of former President Hastings Banda on charges of corruption in 2015 raised questions about its ability to prosecute powerful people successfully. The rule of law remains uneven across the country. The inefficient judicial system is underresourced and politically influenced. Protection of property rights and enforcement of contracts are weak.



The top personal income and corporate tax rates are 35 percent. Other taxes include a value-added tax and a property transfer tax. The overall tax burden equals 14.7 percent of total domestic income. Government spending is equivalent to 25.1 percent of GDP. Public debt amounts to about 31 percent of annual domestic output. The government has initiated large infrastructure projects.



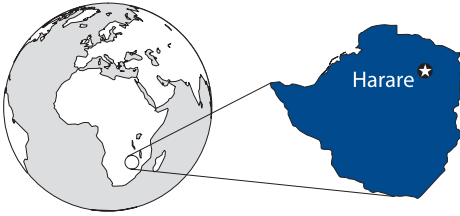
There is no minimum capital requirement for establishing a business, but requirements for commercial licenses are time-consuming. Firms tend to hire workers on an informal or short-term basis. Subsidies for maize and fuel have been maintained, but electricity subsidies were cut in 2015. That action particularly hurt foreign mining companies that use 50 percent of the power generated by the state-owned utility.



Zambia's average tariff rate is 3.4 percent. Agricultural trade is restricted. Importation of goods is expensive and time-consuming. Foreign investment is screened by the government. State-owned enterprises distort the economy. The financial system is dominated by banking. Zambia has a relatively advanced banking regime, and financial intermediation and credit to the private sector continue to expand.

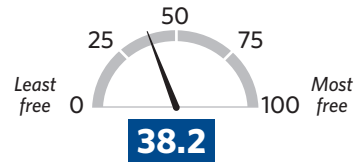
Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+0.9	Business Freedom	+11.4	Trade Freedom	+17.0
Freedom from Corruption	+8.0	Government Spending	+6.3	Labor Freedom	-4.3	Investment Freedom	-20.0
				Monetary Freedom	+60.4	Financial Freedom	-20.0



ZIMBABWE

Economic Freedom Score



World Rank: **175**

Regional Rank: **46**

Economic growth and the restoration of monetary stability have staved off complete collapse in Zimbabwe, but rampant corruption and government mismanagement have turned a once-diversified economy with well-developed infrastructure and an advanced financial sector into one of Africa's poorest and most repressed. The lack of property rights, reflected most vividly in a land redistribution program that gutted the agricultural sector, has suppressed entrepreneurial activity.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **38.2 (up 0.6 point)**
- Economic Freedom Status: **Repressed**
- Global Ranking: **175th**
- Regional Ranking: **46th in Sub-Saharan Africa**
- Notable Successes: **None**
- Concerns: **Rule of Law, Regulatory Efficiency, and Open Markets**
- Overall Score Change Since 2012: **+11.9**

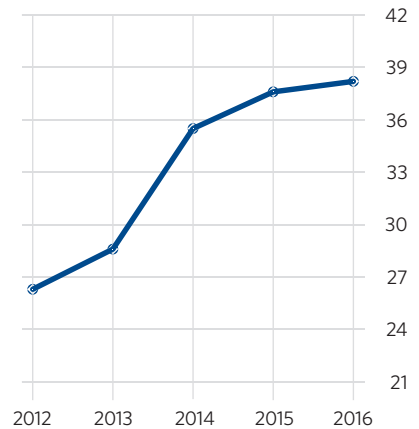
A rigid labor market and the many state-owned enterprises' lack of transparency create a hostile investment climate. These problems are compounded by the arbitrary implementation of taxes and regulations, which encourages graft and cronyism and leaves individuals and firms trying to operate in the private sector at the mercy of government bureaucrats and politicians.

BACKGROUND: Zimbabwe has suffered a downward spiral of increasingly erratic and often predatory governance since independence in 1980. In March 2013, voters approved a new constitution to roll back presidential power, but in July, President Robert Mugabe of the Zimbabwe African National Union–Patriotic Front was reelected to his seventh five-year term since the consolidation of his personal power in 1987. His party also won three-quarters of the seats in parliament in a mostly peaceful but hardly representative election. Zimbabwe's next presidential and legislative elections are due to be held in 2018. Zimbabwe relies on mining and agriculture, which are affected by uncontrollable factors like weather and global commodity prices.

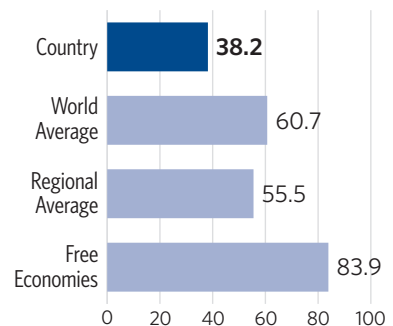
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

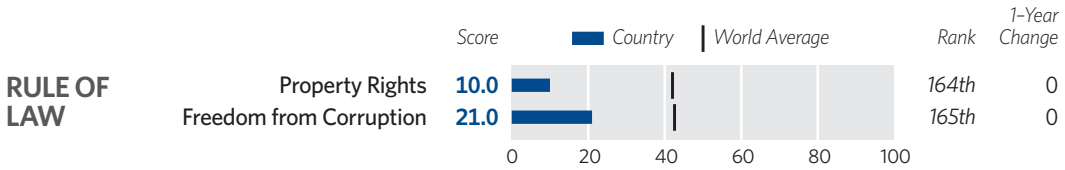


Quick Facts

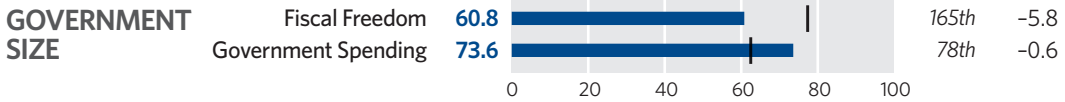
- Population:** 13.3 million
- GDP (PPP):** \$27.1 billion
- 3.2% growth in 2014
- 5-year compound annual growth 8.3%
- \$2,046 per capita
- Unemployment:** 5.4%
- Inflation (CPI):** -0.2%
- FDI Inflow:** \$544.8 million
- Public Debt:** 54.0% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

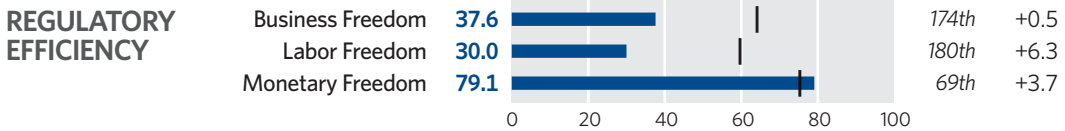
THE TEN ECONOMIC FREEDOMS



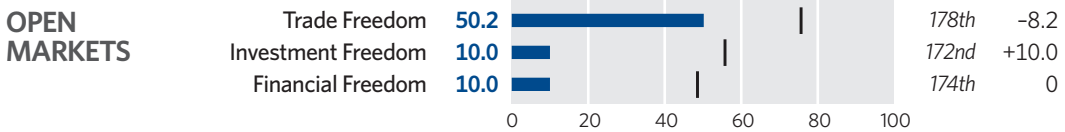
Corruption, including at the highest levels of government, has been endemic since 2000 and has led to a collapse in public-service delivery. The 2014 “Salarygate” scandal exposed top government officials receiving salaries of \$200,000 or more a month while their agencies had huge unpaid bills or deficits. The government has repeatedly violated property rights, and its chaotic and violent land reform program has badly damaged commercial farming.



The top personal income tax rate is 51.5 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 25.3 percent of total domestic income. Government spending amounts to 29.7 percent of GDP. The budget has been in chronic deficit, and public debt is equivalent to 54 percent of total annual output.



Starting a business takes over two months, and the cost of completing licensing requirements equals over 40 times the average annual income. The informal sector continues to be the main source of employment. In line with IMF advice, Zimbabwe’s finance minister tried to reduce the public-sector wage bill, which consumes 75 percent of GDP, by suspending annual bonuses for civil servants until 2017, but President Mugabe overruled him.



Zimbabwe’s average tariff rate is 14.9 percent. Importation of goods is expensive and time-consuming. Foreign investment levels in some sectors of the economy are capped by the government. State-owned enterprises distort the economy. Extensive state involvement in financial decisions and ongoing political instability have caused Zimbabwe’s financial sector to contract significantly in recent years.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-40.0	Fiscal Freedom	+10.7	Business Freedom	-17.4	Trade Freedom	-1.6
Freedom from Corruption	-9.0	Government Spending	+8.3	Labor Freedom	-12.8	Investment Freedom	-20.0
				Monetary Freedom	+24.4	Financial Freedom	-40.0

Appendix

Index of Economic Freedom Scores, 1995-2016

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
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	N/A
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	N/A	57.7	57.0	57.6	56.6	55.0	56.7	57.4	59.5
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	
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	
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	
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	
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	N/A	69.0	68.9	67.3
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	
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	
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	
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	
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	

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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
Cambodia	N/A	N/A	52.8	598	599	593	596	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
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
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
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
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
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
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
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
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	N/A	43.3	44.9	43.8	45.7	47.5	51.4	52.1
Congo, Dem. Rep. of	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	N/A	42.8	41.4	40.7	41.1	39.6	40.6	45.0
Congo, Rep. of	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
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
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
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
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
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
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
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
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
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	N/A	62.6	63.2	63.3	61.6	63.9	65.2	66.1
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
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
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
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
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

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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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

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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	
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	
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	
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	
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	
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	
North Korea	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	3.0	2.0	1.0	1.0	1.0	1.5	1.0	1.3	2.3	
South Korea	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	
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	N/A	61.4
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	
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	
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	
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	
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	
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	
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	
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	
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
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	
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	
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	
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	
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	
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	
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	
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	
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	56.3	55.8	55.8	56.4	55.5	56.4	56.5	
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	

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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
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
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	66.8	65.2
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
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
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
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
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
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
Namibia	N/A	N/A	61.6	66.1	66.7	64.8	65.1	67.3	62.4	61.4	60.7	63.5	61.4	62.4	62.4	62.2	62.7	61.9	60.3	59.4	59.6	61.9
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
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
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
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
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
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
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
Oman	70.2	65.4	64.5	64.9	64.1	67.7	64.0	64.6	66.9	66.5	66.5	63.7	65.8	67.3	67.0	67.7	69.8	67.9	68.1	67.4	66.7	67.1
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
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
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
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
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
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
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
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
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
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

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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
Rwanda	N/A	N/A	38.3	39.1	N/A	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
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
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
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
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
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
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
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
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
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
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
Slovak Republic	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
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
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
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
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
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
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
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
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
Swaziland	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
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
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

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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
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	74.7
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	53.4	52.0	52.7	51.3
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	57.5	58.5
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	63.2	63.9
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	45.8
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	53.0	53.6
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	59.3	59.6
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	62.9
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	57.6
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	62.1
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	41.9
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	59.7	59.3
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	46.8
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	72.4	72.6
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
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	75.4
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	68.6	68.8
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	46.0
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	60.8
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	33.7
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	54.0
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
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	58.8
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	38.2

Methodology

The *Index of Economic Freedom* focuses on four key aspects of the economic 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 10 specific components of economic freedom, each of which is graded on a scale from 0 to 100. Scores on these 10 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 10 components of economic freedom.

RULE OF LAW

Property Rights

The property rights component is a qualitative assessment of the extent to which a country's legal framework allows individuals to freely accumulate private property, secured by clear laws that are enforced effectively by the government. It measures 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 that private property will be expropriated by the state and analyzes the independence of the judiciary, the existence of corruption within the judiciary, and the ability of individuals and businesses to enforce contracts.

The more effective the legal protection of property, the higher a country's score will be. Similarly, the greater the chances of government expropriation of property or the less independent the judiciary, the lower a country's score will be.

Each country's property rights score is assessed according to the following criteria:

- **100**—Private property is guaranteed by the government. The court system enforces contracts efficiently and quickly. The justice system punishes those who confiscate private property unlawfully. There is no corruption or expropriation.
- **90**—Private property is guaranteed by the government. The court system enforces contracts efficiently. The justice system punishes those who confiscate private property unlawfully. Corruption is nearly nonexistent, and expropriation is highly unlikely.
- **80**—Private property is guaranteed by the government. The court system enforces contracts efficiently but with some delays. Corruption is minimal, and expropriation is highly unlikely.
- **70**—Private property is guaranteed by the government. The court system is subject to delays and lax in enforcing contracts. Corruption is possible but rare, and expropriation is unlikely.
- **60**—Enforcement of property rights is lax and subject to delays. Corruption is possible but rare, and the judiciary may be influenced by other branches of government. Expropriation is unlikely.
- **50**—The court system is inefficient and subject to delays. Corruption may be present, and the judiciary may be influenced by other branches of government. Expropriation is possible but rare.
- **40**—The court system is highly inefficient, and delays are so long that they deter resort to the courts. Corruption is present, and the judiciary is influenced by other branches of government. Expropriation is possible.
- **30**—Property ownership is weakly protected. The court system is highly inefficient. Corruption is extensive, and the judiciary is strongly influenced by other branches of government. Expropriation is possible.
- **20**—Private property is weakly protected. The court system is so inefficient and corrupt that outside settlement and arbitration is the norm. Property rights are difficult to enforce. Judicial corruption is extensive. Expropriation is common.
- **10**—Private property is rarely protected, and almost all property belongs to the state. The country is in such chaos (for example, because of ongoing war) that protection of property is almost impossible to enforce. The judiciary is so corrupt that property is not protected effectively. Expropriation is common.
- **0**—Private property is outlawed, and all property belongs to the state. People do not have the right to sue others and do not have access to the courts. Corruption is endemic.

An intermediate score such as 75 or 45 may be assigned to countries in which property rights fall between two adjacent categories.

Sources. Unless otherwise noted, the *Index* relies on the following sources for information on property rights, in order of priority: Economist Intelligence Unit, *ViewsWire*; Freedom House, *Freedom in the World*; U.S. Department of Commerce, *Country Commercial Guide*; U.S. Department of State, *Investment Climate Statements*; U.S. Department of State, *Country Reports on Human Rights Practices*; and various news and magazine articles.

Freedom from Corruption

Corruption erodes economic freedom by introducing insecurity and uncertainty into economic relations. It also reduces economic vitality by increasing costs and shifting resources into unproductive activities.

The score for this component is derived directly from Transparency International's Corruption Perceptions Index (CPI), which measures the level of perceived corruption in 175 countries.

For countries that are not covered in the CPI, the freedom from corruption score is determined by using the qualitative information from internationally recognized and reliable sources.¹ This procedure considers the extent to which corruption prevails in a country.

Sources. Unless otherwise noted, the *Index* relies on the following sources for information on informal market activities, in order of priority: Transparency International, *Corruption Perceptions Index*; U.S. Department of Commerce, *Country Commercial Guide*; U.S. Department of State, *Investment Climate Statements*; Economist Intelligence Unit, *Views Wire* and *Risk Briefing*; Freedom House, *Freedom in the World*; Office of the U.S. Trade Representative, *National Trade Estimate Report on Foreign Trade Barriers*; various news and magazine articles; and official government publications of each country.

GOVERNMENT SIZE

Fiscal Freedom

The fiscal freedom component is a composite measure of the burden of taxes that reflects both marginal tax rates 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.

Fiscal freedom 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:

$$\text{Fiscal Freedom}_{ij} = 100 - \alpha (\text{Factor}_{ij})^2$$

where Fiscal Freedom_{ij} represents the fiscal freedom 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 utilized because it means that no single high tax burden will make the other two sub-factors irrelevant.

As an example, in the 2016 *Index*, Mauritius has a flat rate of 15 percent for both individual and corporate tax rates, which yields a score of 93.3 for each of the two factors. Mauritius's overall tax burden as a portion of GDP is 18.6 percent, yielding a tax burden factor score of 89.6. When the three factors are averaged together, Mauritius's overall fiscal freedom score becomes 92.

Sources. Unless otherwise noted, 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. However, government spending becomes an unavoidable burden at some point as government grows in scope and size, resulting in both 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 non-linear, which means that government spending that is close to zero is lightly penalized, while levels of government spending that exceed 30 percent of GDP lead to much worse scores in a quadratic fashion (for example, doubling spending yields four times less freedom). Only extraordinarily large levels of government spending—for example, over 58 percent of GDP—receive a score of zero.

The equation used for computing a country’s government spending score is:

$$GE_i = 100 - \alpha (\text{Expenditures}_i)^2$$

where GE_i represents the government expenditure score in country i ; Expenditures_i represents the total amount of government spending at all levels as a portion of GDP (between 0 and 100); and α is a coefficient to control for variation among scores (set at 0.03). The minimum component score is zero.

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.

Sources. Unless otherwise noted, 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*.

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, 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:

$$\text{Factor Score}_i = 50 \text{ factor}_{\text{average}} / \text{factor}_i$$

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 18 procedures to get necessary licenses. Canada's 14 licensing procedures are a factor value that is better than the average, resulting in a ratio of 1.29. That ratio multiplied by 50 equals the final factor score of 64.5.

For the six 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. Unless otherwise noted, 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 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:

$$\text{Factor Score}_i = 50 \frac{\text{factor}_i}{\text{factor}_{\text{average}}}$$

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 for the country's overall labor freedom score.

For the six 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. Unless otherwise noted, 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 price stability with an assessment of price controls. Both inflation and price controls distort market activity. 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
- Price controls.

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:

$$\begin{aligned} \text{Weighted Avg. Inflation}_i &= \theta_1 \text{Inflation}_{it} + \theta_2 \text{Inflation}_{it-1} + \theta_3 \text{Inflation}_{it-2} \\ \text{Monetary Freedom}_i &= 100 - \alpha \sqrt{\text{Weighted Avg. Inflation}_i - \text{PC penalty}_i} \end{aligned}$$

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 freedom score of 80.0 and a 2 percent inflation rate into a score of 91.0.

Sources. Unless otherwise noted, 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*; U.S. Energy Information Administration (EIA), *Country Analysis Briefs*; various country reports and blogs by the World Bank; 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 non-tariff 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
- Non-tariff 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 zero percent, and the upper bound was set as 50 percent. An NTB penalty is then subtracted from the base score. The penalty of 5, 10, 15, or 20 points is assigned according to the following scale:

- **20**—NTBs are used extensively across many goods and services and/or act to impede a significant amount of international trade.
- **15**—NTBs are widespread across many goods and services and/or act to impede a majority of potential international trade.
- **10**—NTBs are used to protect certain goods and services and impede some international trade.
- **5**—NTBs are uncommon, protecting few goods and services, and/or have a very limited impact on international trade.
- **0**—NTBs are not used to limit international trade.

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 categories of NTBs considered in our penalty include:

- **Quantity restrictions**—import quotas; export limitations; voluntary export restraints; import–export embargoes and bans; countertrade, etc.
- **Price restrictions**—antidumping duties; countervailing duties; border tax adjustments; variable levies/tariff rate quotas.
- **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.

As an example, Bahrain received a trade freedom score of 82.6. By itself, Bahrain’s trade weighted average tariff of 3.7 percent would have yielded a score of 92.6, but the existence of NTBs in Bahrain reduced its score by 10 points.

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; and 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. Unless otherwise noted, the *Index* relies on the following sources to determine 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 effectively 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 non-transparent 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 occurs 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

Up to an additional 20 points may be deducted for security problems, a lack of basic investment infrastructure, or other government policies that indirectly burden the investment process and limit investment freedom.

Sources. Unless otherwise noted, 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 overall score on a scale of 0 to 100 is given to an economy's financial freedom through deductions from the ideal score of 100.

- **100—Negligible government interference.**
- **90—Minimal government interference.** Regulation of financial institutions is minimal but may extend beyond enforcing contractual obligations and preventing fraud.
- **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. Unless otherwise noted, 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 2014 through the first half of 2015. To the extent possible, the information considered for each variable was current as of June 30, 2015. 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, 2012, to December 31, 2014.

Equal Weight. In the *Index of Economic Freedom*, the 10 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 clear that the 10 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, 2015). Any new legislative changes or policy actions effective after that date have no positive or negative impact on scores or rankings.⁹

ENDNOTES

1. The following countries are not covered by the 2013 CPI: Belize, Brunei, Equatorial Guinea, Fiji, Kiribati, Liechtenstein, Macau, Maldives, Micronesia, Saint Lucia, Solomon Islands, Tonga, and Vanuatu. In 2012, Transparency International adopted a new CPI methodology and indicated that country scores computed with its revised methodology should not be considered directly comparable to scores for previous years. To accommodate the CPI revision, the 2014 *Index* adopted a transitional methodology to phase in the change. As detailed in the methodology chapter of the 2014 *Index of Economic Freedom*, the 2014 *Index* used an average of current and previous years' scores to lessen the abruptness of any score changes and maintain as much comparability as possible. That transitional adjustment has served its purpose and is no longer needed. Since its 2015 edition, the *Index* thus directly has reported the current CPI scores where they are available. Because of these changes, the reader is urged to exercise caution in comparing corruption scores over time.
2. Obtaining a license indicates necessary procedures, time, and cost in getting construction permits.
3. Infrastructure services such as roads, water, and power supplies are critical to the overall business climate of an economy. 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 endeavor 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 six countries that are not covered by the World Bank's *Doing Business* study are Burma, Cuba, North Korea, Libya, 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." "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 referred to 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 economic events cannot be factored into the scores. In the past editions, however, such occurrences have been uncommon. The impact of policy changes and more recently available macroeconomic statistics since the second half of 2015 have not affected the rankings for the 2016 *Index* but almost certainly will show up in scores for the next edition.

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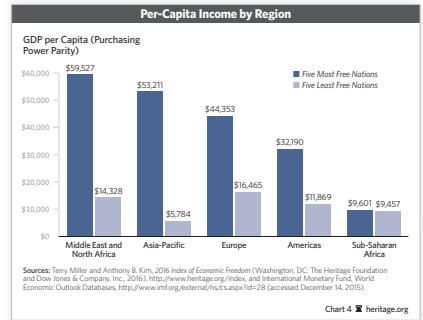
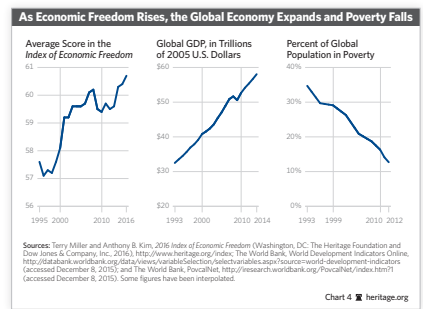
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