

Chapter 6

Global and Regional Developments

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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*:

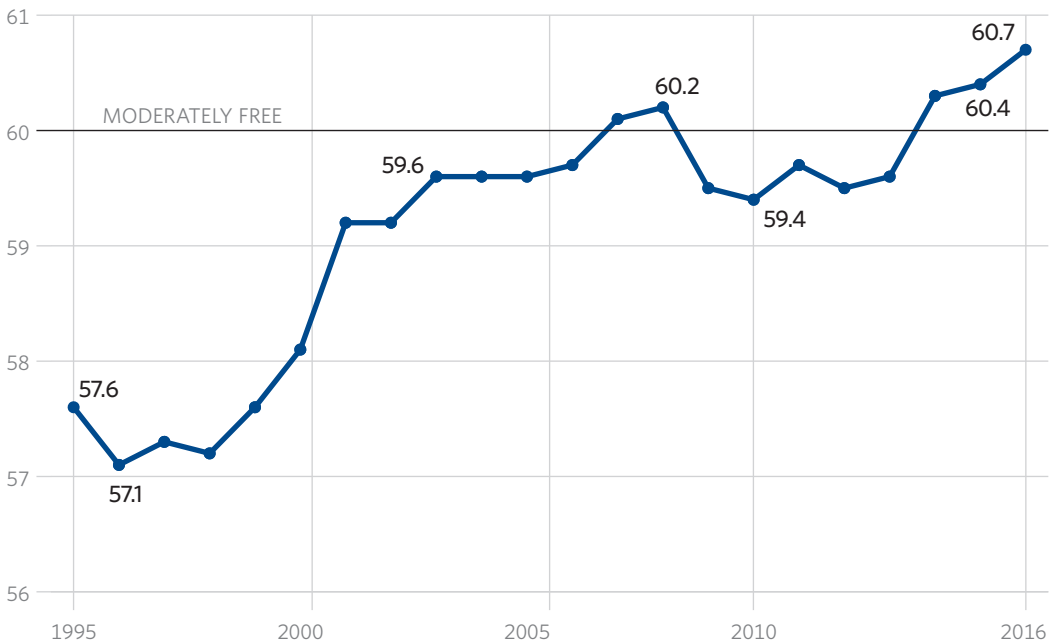
- Economic freedom improved worldwide for the fourth year in a row, with the average score up by three-tenths of a point from the previous year.
- The global average economic freedom score of 60.7 is the highest ever recorded in the 22-year history of the *Index*.
- The world average is now more than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

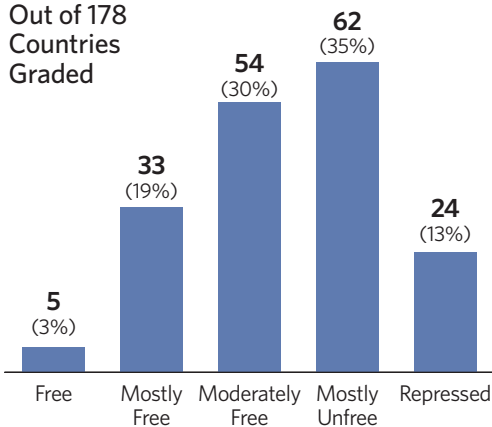


Source: Terry Miller and Anthony B. Kim, 2016 *Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

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*:

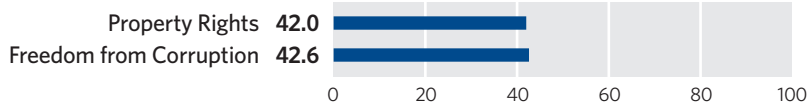
- Five (Hong Kong, Singapore, New Zealand, Switzerland, and Australia) earned the designation of “free” with scores above 80.
- Another 33 countries, with scores between 70 and 80, are considered “mostly free.” The 38 countries in these two groups, which were joined this year by Botswana, the Bahamas, 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

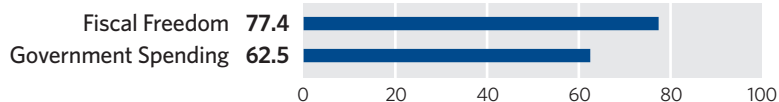
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-0.2	Fiscal Freedom	0	Business Freedom	0	Trade Freedom	+0.2
Freedom from Corruption	+0.7	Government Spending	+0.8	Labor Freedom	-1.6	Investment Freedom	+1.0
				Monetary Freedom	+0.3	Financial Freedom	0

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



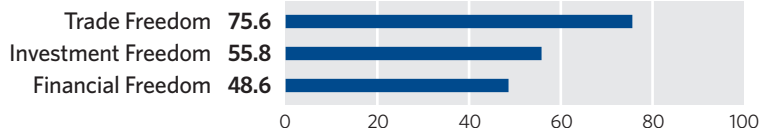
The average top individual income tax rate for all countries in the world is about 28.5 percent, and the average top corporate tax rate is 24.4 percent. The average overall tax burden as a percentage of gross domestic product (GDP) corresponds to around 23.5 percent. The average level of government spending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

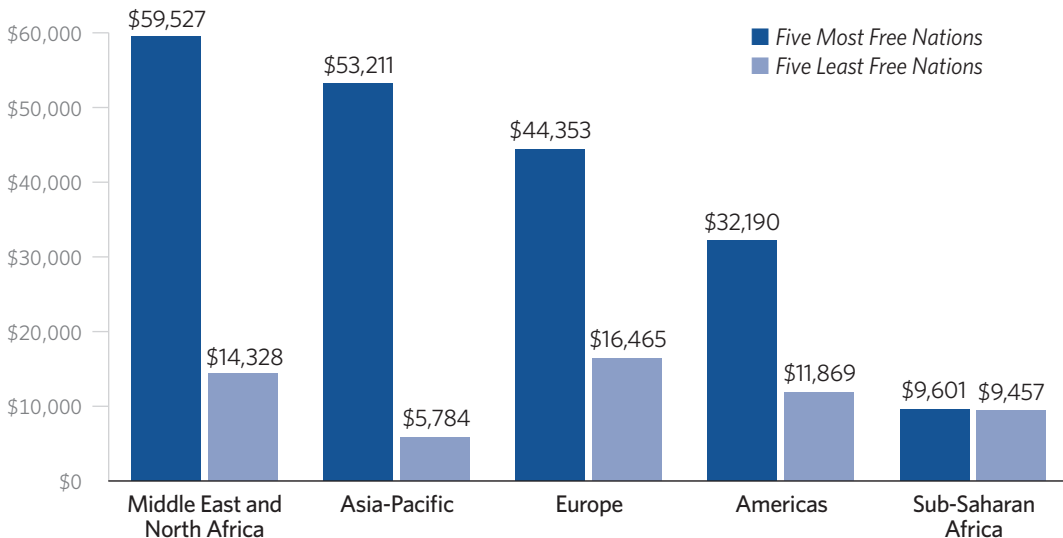
60–70), and 62 are “mostly unfree” (scores of 50–60). Twenty-four countries have “repressed” economies with scores below 50.

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.

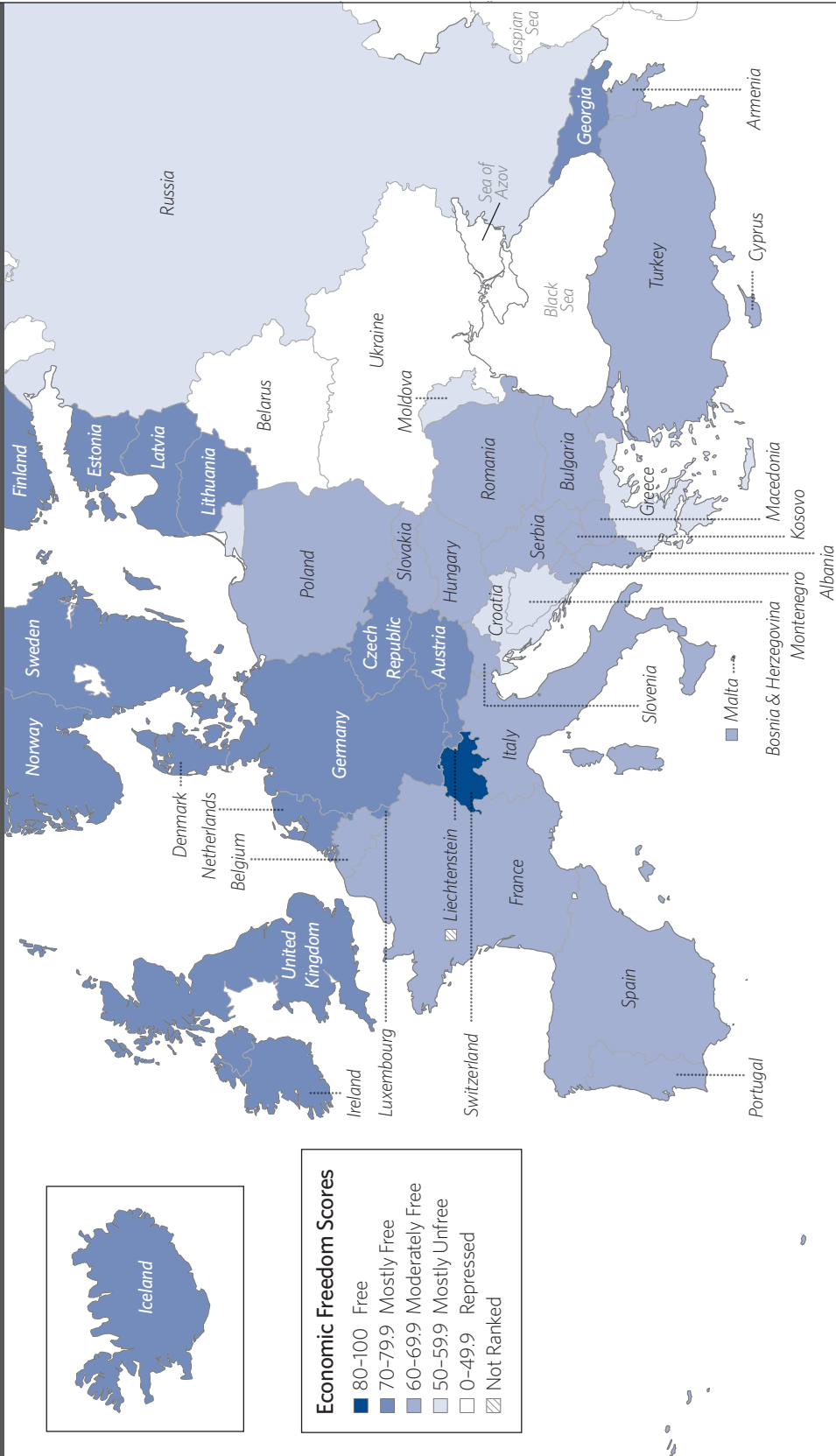
NORTH AMERICA

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

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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

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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

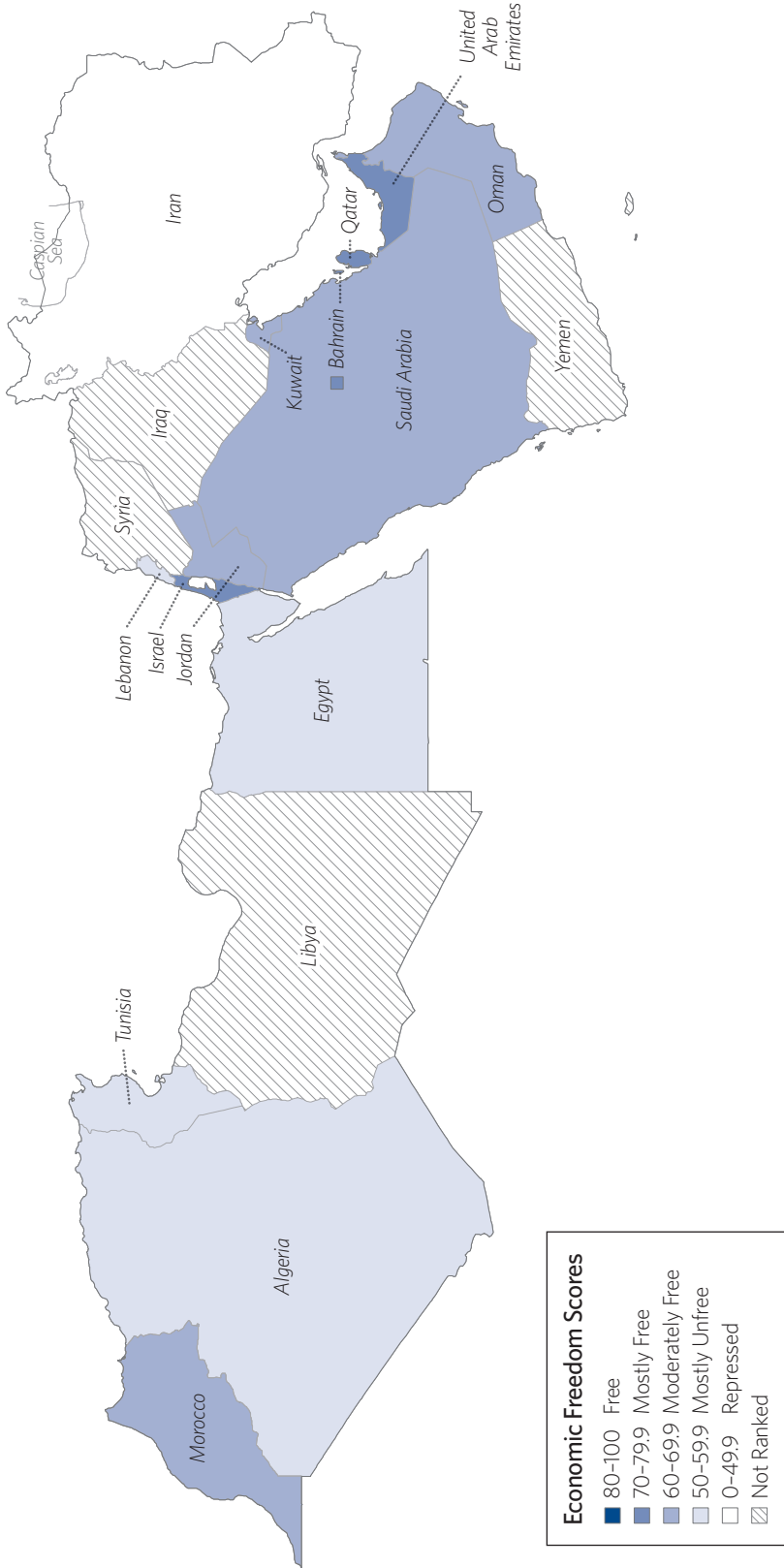
The Middle East/North Africa region continues to be a critical global hot spot with economic, political, and security vulnerabilities. Structural and institutional problems abound throughout the region, and private-sector growth continues to lag far behind levels needed to provide adequate jobs for growing 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 5  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

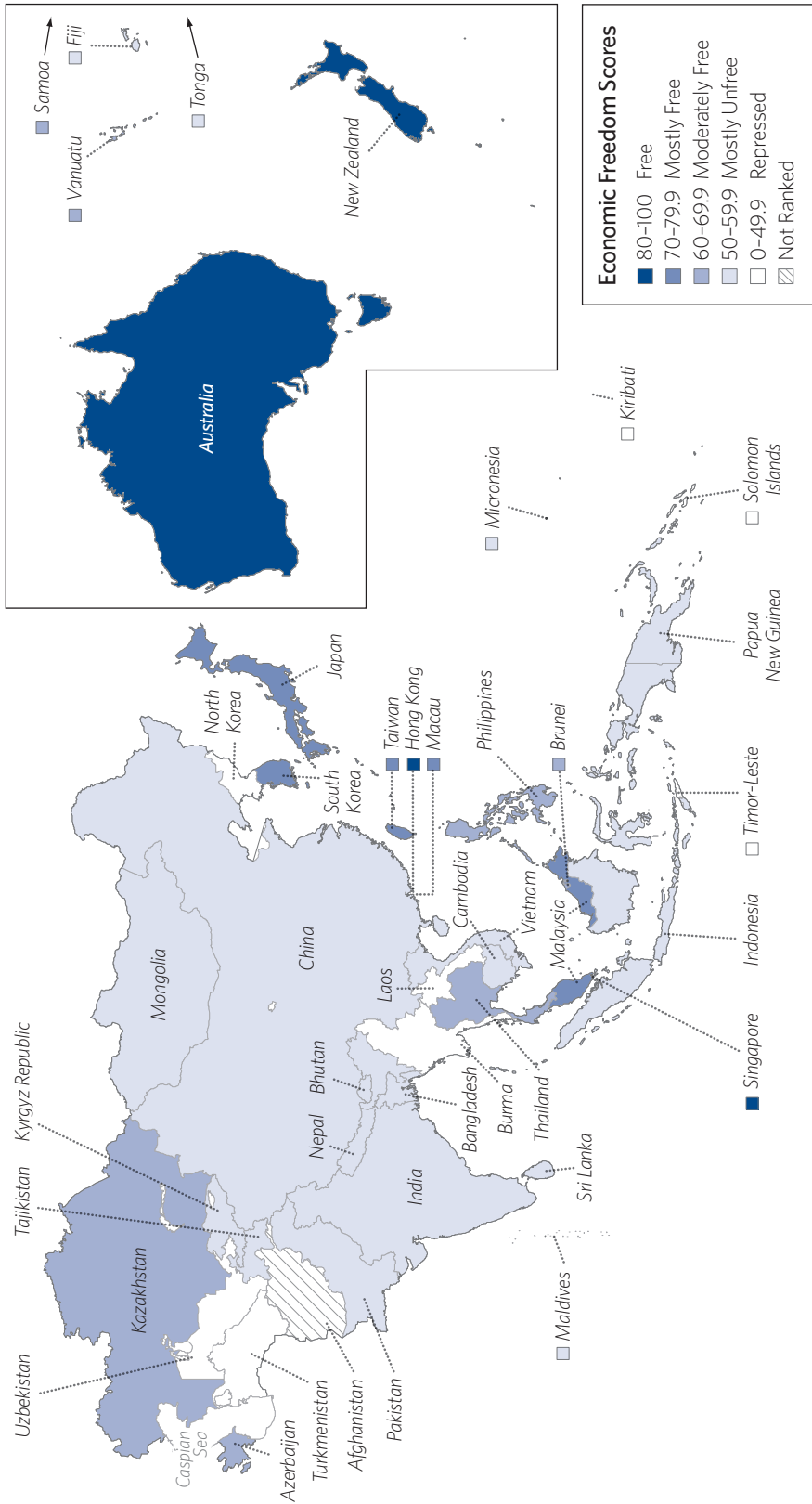
Economic freedom has advanced in the Asia-Pacific region for three years in a row. The cumulative score gain since 2013 is 1.6 points. In the 2016 *Index*, the scores of 22 countries in the region have improved, while those of 19 have worsened.

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

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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.

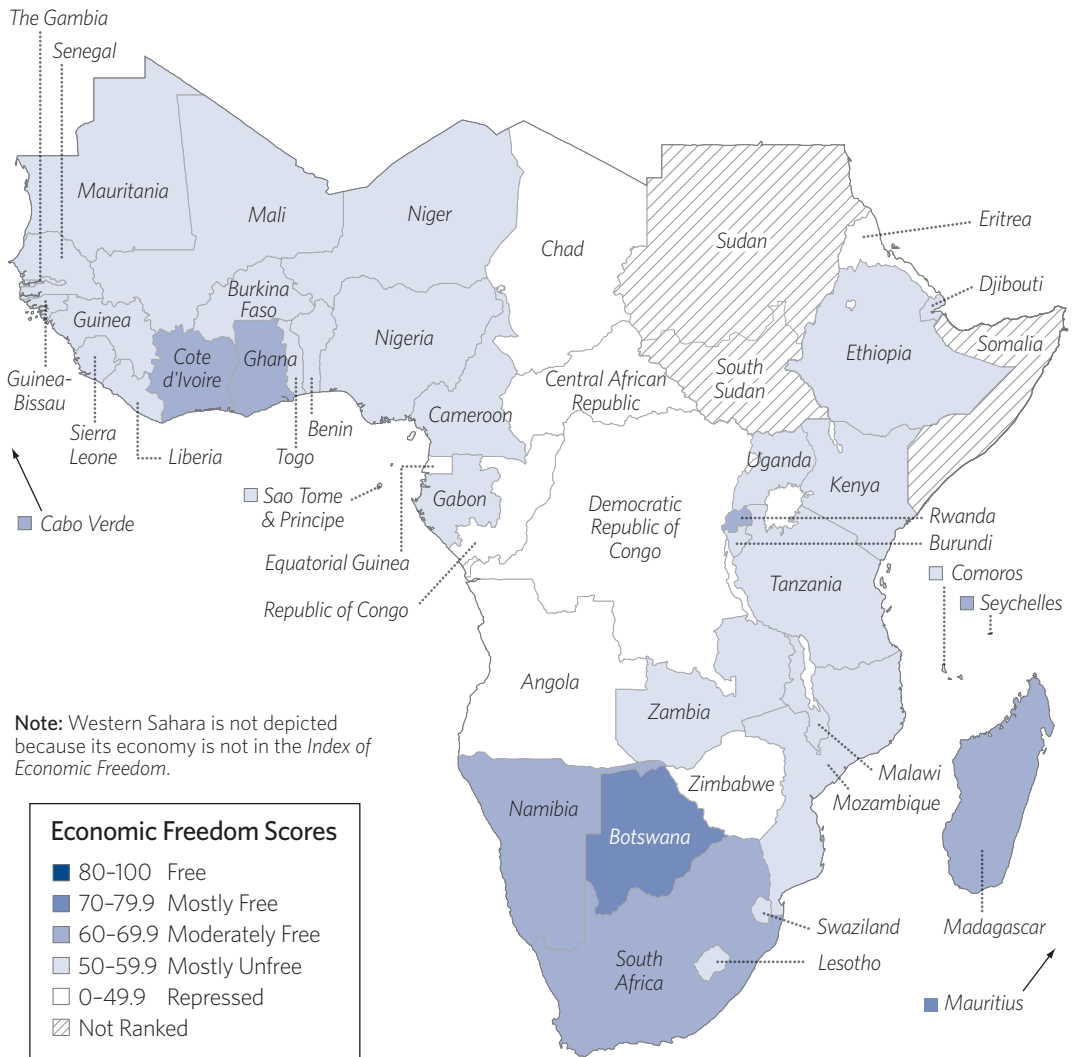
SUB-SAHARAN AFRICA

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	271	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