THE AMERICAS

THE AMERICAS

The countries of the Americas range from the continent-spanning advanced economies of Canada and the United States to the island microstates of the Caribbean. The region is one of the world's most economically diverse. Poor nations of Central America, for example, share culture and history but little else with potential South American economic powerhouses like Brazil or Argentina. Ideological differences are strong as well: The tragic legacy of Cuba's Fidel Castro includes a few states in the region still experimenting with discredited Communist/socialist economic theories that for the most part have lost sway in other regions.

The overall population of the Americas is 965 million, second only to Asia. Among the five regions, the Americas has the second highest population-weighted average per capita income. Across the region, economies have expanded at an average rate of 2.4 percent over the past five years. Regional average rates of unemployment and inflation have been over 8 percent.

The lack—and in some cases erosion—of economic freedom in the Americas reflects reversals of free-market policies in some countries and a failure in others to commit fully to the pursuit of economic reform. Despite some progress in moving away from the authoritarian cronyism that has held back development in Latin America, the stark common reality across the region is that the foundations of a well-functioning free market 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 government-driven market distortions.

THE AMERICAS: QUICK FACTS

TOTAL POPULATION: 965.4 million

POPULATION WEIGHTED AVERAGES

GDP PER CAPITA (PPP):	$28,484
GROWTH:	1.0%
5 YEAR GROWTH:	2.4%
INFLATION:	8.3%
UNEMPLOYMENT:	5.9%
PUBLIC DEBT:	71.0%

SOURCE: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index.

heritage.org

Chart 1 shows the distribution of countries in the Americas in terms of economic freedom. The region does not have any economically "free" countries. Three of the 32 countries in the Americas region (Canada, Chile, and the United States) are rated "mostly free." Most countries in the region fall in the category of "moderately free" and "mostly unfree." Six countries (Haiti, Ecuador, Suriname, Bolivia, Cuba, and Venezuela) are rated "repressed."

An examination of the various components of economic freedom evaluated in the *Index* reveals that the countries of the Americas as a whole perform better than the world average in only four of the 12 categories. Scores for tax burden and government spending indicate broad regional acceptance of the principle of limited government, and levels of market openness are consistent with world standards. On the other hand, as shown in Table 1, the rule of law and regulatory efficiency are major problem areas, reflecting long-standing weakness in the protection of property rights, ineffectiveness in the judiciary, and lack of government integrity.

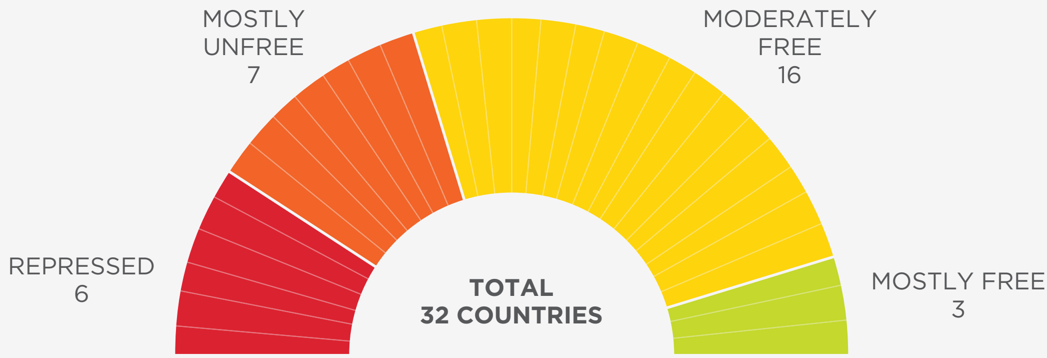
Chart 2, which highlights the vivid positive correlation between high levels of economic freedom and high GDP per capita, reveals a large freedom gap within the Americas. The failed populist policies implemented by such

AMERICAS

SOURCE: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index.

heritage.org

THE AMERICAS: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index.

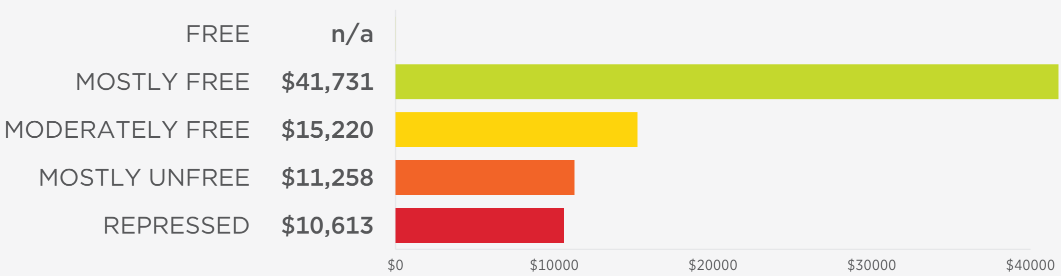
Chart 1 heritage.org

leaders of repressive economies as Venezuela's Nicolás Maduro and Bolivia's Evo Morales continue to threaten regional development and stability, trapping millions in poverty while their neighbors in freer countries leap ahead.

As shown in Chart 3, it is also notable that countries with greater degrees of economic freedom tend to achieve the higher levels of social progress that their citizens demand.

For the Americas as a whole, there has been little change in economic freedom over the past year. Sixteen countries in the region posted gains in economic freedom, and 16 recorded declines. Such a starkly divided trend is indicative of a region that is still searching for its true economic identity. It is noteworthy that after a prolonged period of populist domination, the pendulum has swung back to the center-right in a number of the region's

THE AMERICAS: GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



SOURCES: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index, and International Monetary Fund, World Economic Outlook Database, April 2016, https://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx (accessed December 13, 2016).

Chart 2 heritage.org

THE AMERICAS: COMPONENTS OF ECONOMIC FREEDOM

LOWER THAN WORLD AVERAGE — HIGHER THAN WORLD AVERAGE

		AVERAGES: Region	AVERAGES: World
OVERALL		60.0	60.9
RULE OF LAW	Property Rights	48.5	53.0
	Judicial Effectiveness	40.3	45.0
	Government Integrity	39.8	43.0
GOVERNMENT SIZE	Tax Burden	77.3	77.1
	Government Spending	68.5	63.4
	Fiscal Health	65.4	68.0
REGULATORY EFFICIENCY	Business Freedom	64.1	64.6
	Labor Freedom	57.5	59.2
	Monetary Freedom	74.5	76.4
MARKET OPENNESS	Trade Freedom	75.1	75.9
	Investment Freedom	60.5	57.2
	Financial Freedom	48.4	48.2

SOURCE: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index.

Table 1 heritage.org

countries, including Argentina, Brazil, Chile, and Peru, but the region remains ideologically in flux overall.

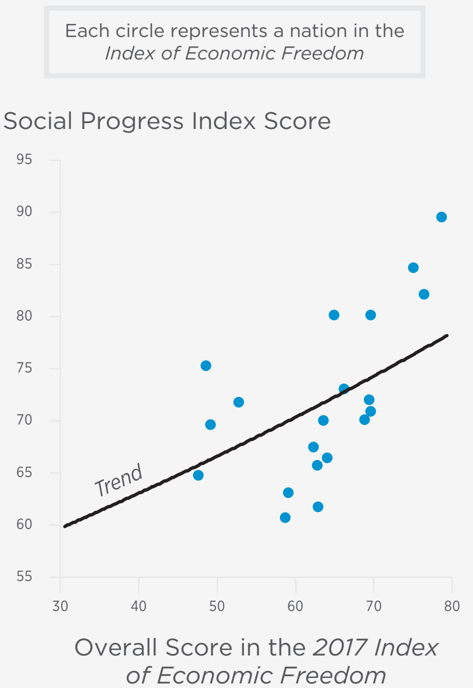
NOTABLE COUNTRIES

- Argentina has implemented a number of significant changes in its economic policies since December 2015. President Mauricio Macri's administration has swiftly adopted critical reforms such as modernization of the import regime, measures against inflation, and reform of the national statistics system. The 2016 settlement with creditors has allowed Argentina to access international capital markets for the first time in 15 years.

- The Brazilian economy has been in deep recession. Coupled with a political crisis, the sharp contraction of economic growth, exacerbated by falling commodity prices, has helped to undermine the confidence of consumers and investors. Brazil's fiscal condition has been severely damaged by a combination of high inflation, political paralysis, and widening budget deficits that have increased the burden of public debt.

- Cuba's bloated government sector continues to account for much of that country's economic activity, although the government has eased the rules on private employment in an effort to improve efficiency. In the absence of significant future oil subsidies from nearly bankrupt Venezuela,

THE AMERICAS: ECONOMIC FREEDOM AND SOCIAL PROGRESS



SOURCES: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), http://www.heritage.org/index, and Social Progress Imperative, "2016 Social Progress Index," http://www.socialprogressimperative.org/global-index/ (accessed December 13, 2016).

Chart 3 heritage.org

Cuba's dysfunctional economy is even more dependent on external assistance such as remittances from Cuban émigrés.

- Peru was one of the year's most positive stories, thanks to a move toward market-based democracy through the election of President Pedro Pablo Kuczynski, a conservative 77-year-old former World Bank economist and investment banker who defeated right-wing populist Keiko Fujimori, daughter of autocratic former President Alberto Fujimori.

- The United States continued its string of discouraging trends in the 2017 *Index*, registering its lowest economic freedom score ever and now not even one of the world's 15 freest economies. The substantial expansion in the size and scope of the U.S. government, increased regulatory and tax burdens in many sectors, and the loss of trust and confidence that has accompanied a growing perception of cronyism have severely undermined America's global competitiveness.

ECONOMIC FREEDOM IN THE AMERICAS

World Rank	Regional Rank	Country	Overall Score	Change from 2016	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
7	1	Canada	78.5	0.5	88.3	80.8	81.6	77.4	52.3	80.3	81.9	73.1	77.8	88.4	80	80
10	2	Chile	76.5	-1.2	68.2	63.7	70.5	77.6	82.2	96.1	72.3	64.3	82.2	86.4	85	70
17	3	United States	75.1	-0.3	81.3	75.1	78.1	65.3	55.9	53.3	84.4	91.0	80.1	87.1	80	70
37	4	Colombia	69.7	-1.1	63.8	25.2	39.6	80.1	74.2	89.8	77.1	77.9	77.0	81.6	80	70
38	5	Uruguay	69.7	0.9	70.2	66.8	70.3	77.5	69.4	77.2	74.8	62.9	71.3	80.6	85	30
41	6	Jamaica	69.5	2.0	58.0	61.5	38.2	81.0	77.5	79.9	78.9	73.7	79.5	75.3	80	50
43	7	Peru	68.9	1.5	58.3	28.2	38.8	80.3	85.1	98.4	69.4	62.8	83.3	87.1	75	60
54	8	Panama	66.3	1.5	61.1	21.5	40.9	85.2	83.1	84.9	74.4	43.0	78.4	77.8	75	70
59	9	Saint Vincent and the Grenadines	65.2	-3.6	37.3	68.8	47.6	72.8	71.7	66.7	80.3	74.5	82.9	65.2	75	40
63	10	Costa Rica	65.0	-2.4	51.6	55.6	55.4	79.4	88.5	42.4	68.1	53.9	80.8	84.7	70	50
62	11	Saint Lucia	65.0	-5.0	65.5	68.8	39.6	76.4	71.6	53.8	77.2	68.7	82.3	71.6	65	40
66	12	El Salvador	64.1	-1.0	45.3	35.4	31.7	79.0	85.9	74.7	57.3	54.5	79.2	86.5	80	60
67	13	Dominica	63.7	-3.3	43.8	67.7	40.9	73.2	67.5	72.6	72.1	59.0	89.5	72.6	75	30
70	14	Mexico	63.6	-1.6	58.1	38.7	30.0	74.9	76.7	66.8	70.7	57.9	78.8	80.0	70	60
74	15	Guatemala	63.0	1.2	45.0	27.8	27.5	79.2	94.8	93.5	58.7	48.2	79.4	87.0	65	50
76	16	Dominican Republic	62.9	1.9	56.1	25.3	30.9	84.6	90.2	90.1	52.8	56.2	76.7	77.0	75	40
80	17	Paraguay	62.4	0.9	38.2	23.3	32.6	96.2	83.0	95.1	62.4	28.5	78.3	76.6	75	60
87	18	Trinidad and Tobago	61.2	-1.7	54.7	48.7	36.8	81.4	57.7	51.8	67.7	71.4	75.9	78.6	60	50
90	19	Bahamas	61.1	-9.8	45.3	48.7	38.2	97.1	83.8	42.3	68.5	71.5	77.0	50.6	50	60
98	20	Nicaragua	59.2	0.6	31.1	15.9	27.4	77.2	80.8	96.1	59.0	55.6	71.2	81.0	65	50
100	21	Honduras	58.8	1.1	45.0	38.2	32.2	83.3	74.7	64.1	56.9	31.2	77.3	78.4	65	60
101	22	Belize	58.6	1.2	43.5	48.7	35.0	81.3	68.6	60.5	62.7	53.6	79.6	70.1	50	50
106	23	Guyana	58.5	3.1	37.7	34.1	33.9	68.0	72.8	80.9	63.2	70.9	79.8	70.7	60	30
130	24	Barbados	54.5	-13.8	55.5	33.0	34.3	74.0	39.0	0.0	69.6	67.7	83.7	62.2	75	60
140	25	Brazil	52.9	-3.6	55.0	49.7	33.4	70.1	53.1	22.8	61.3	52.3	67.0	69.4	50	50
156	26	Argentina	50.4	6.6	32.4	39.6	38.2	62.6	54.6	56.4	57.3	46.1	50.9	66.7	50	50
159	27	Haiti	49.6	-1.7	12.6	25.1	19.1	80.3	81.0	51.8	49.4	62.1	73.8	70.6	40	30
160	28	Ecuador	49.3	0.7	38.7	22.3	33.9	79.1	46.1	56.4	55.4	47.3	67.7	69.7	35	40
167	29	Suriname	48.0	-5.8	45.1	15.4	31.7	70.1	69.6	16.2	48.6	76.1	75.1	68.4	30	30
168	30	Bolivia	47.7	0.3	25.7	15.4	32.6	86.1	49.1	81.4	58.9	35.8	66.4	76.0	5	40
178	31	Cuba	33.9	4.1	32.4	10.0	41.8	51.3	0.0	81.2	20.0	20.0	66.0	64.5	10	10
179	32	Venezuela	27.0	-6.7	6.8	10.3	11.6	72.5	51.5	15.2	39.7	28.5	16.8	60.7	0	10

ARGENTINA

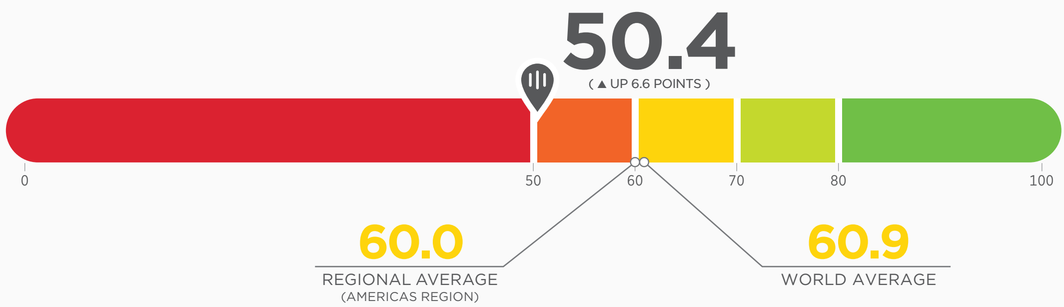
WORLD RANK: **156** | REGIONAL RANK: **26**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

The government of Argentina has implemented several significant economic policy changes since December 2015, including such critical reforms as modernization of the import regime, reduction of inflation, and reform of the national statistics system. The 2016 settlement with creditors has allowed Argentina to access international capital markets for the first time in 15 years.

Substantial policy adjustments have sent a strong signal that the new government is committed to reform, ending the former government's period of heavy government interventionism. The economy has been placed on a sounder footing, but much remains to be done in terms of further institutional and structural reform to restore Argentina to its former levels of economic freedom.

ECONOMIC FREEDOM SCORE

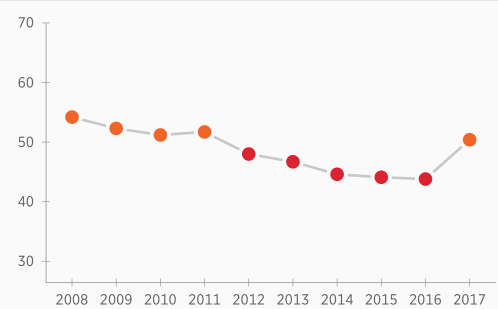


NOTABLE SUCCESSES: Trade Freedom

CONCERNS: Financial Freedom, Rule of Law, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013: +3.7

FREEDOM TREND



QUICK FACTS

POPULATION:
42.4 million

GDP (PPP):
$972.0 billion
1.2% growth in 2015
5-year compound annual growth 2.7%
$22,554 per capita

UNEMPLOYMENT:
6.8%

INFLATION (CPI):
26.5%

FDI INFLOW:
$11.7 billion

PUBLIC DEBT:
56.5% of GDP

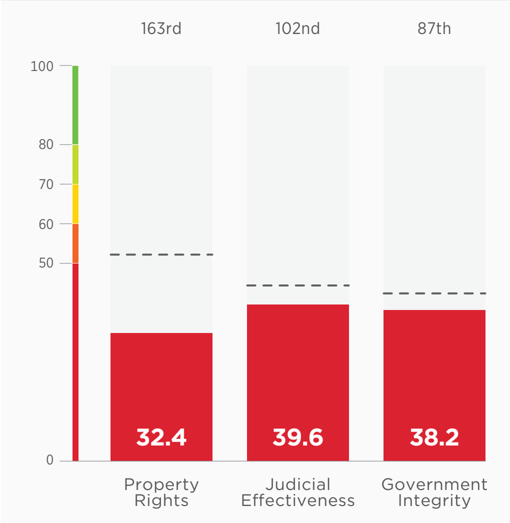
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Argentina, once one of the world's wealthiest nations, is South America's second-largest country. It has vast agricultural and mineral resources and a highly educated population, but its long history of political and economic instability is the biggest challenge confronting center-right President Mauricio Macri. Upon taking office in December 2015, Macri immediately floated the peso exchange rate, reentered global capital markets, reduced costly electricity and other energy subsidies, and scaled back belligerent claims to the Falkland Islands. Macri's more moderate policy agenda has repositioned an Argentina that had drifted far outside the mainstream of the international community into a country that is increasingly attractive to foreign investors.

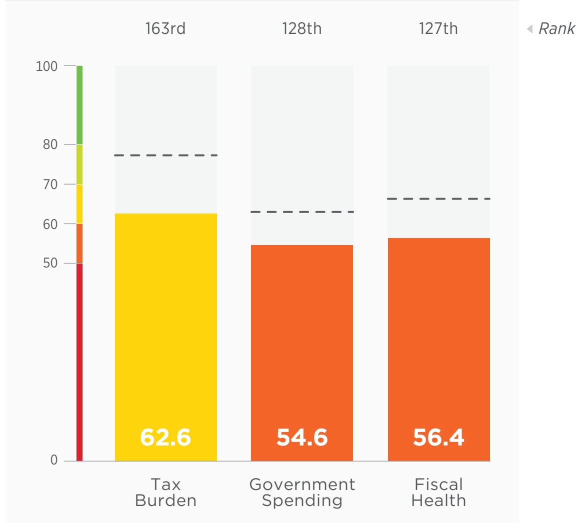
KEY: WORLD AVERAGE

12 ECONOMIC FREEDOMS | ARGENTINA

RULE OF LAW



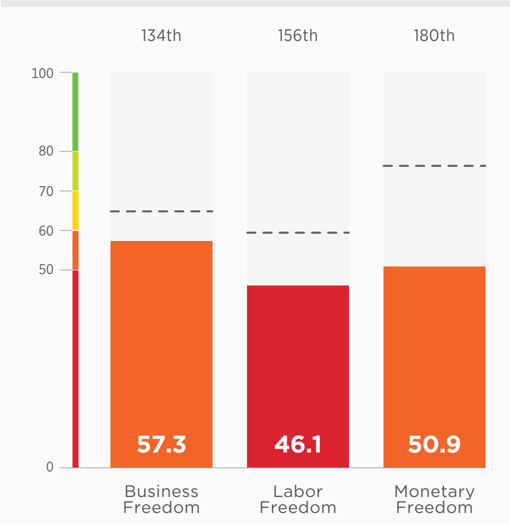
GOVERNMENT SIZE



Secured interests in property are recognized and enforced. The government adheres to most treaties and international agreements on intellectual property, although deficiencies persist within the patent and regulatory data protection regimes. Given the president's minority position in Congress, the pace of reforms to reduce bureaucracy and corruption and enhance the effectiveness and independence of the judiciary will be slow.

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 equals 35.9 percent of total domestic income. Government spending has amounted to 38.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 56.5 percent of GDP.

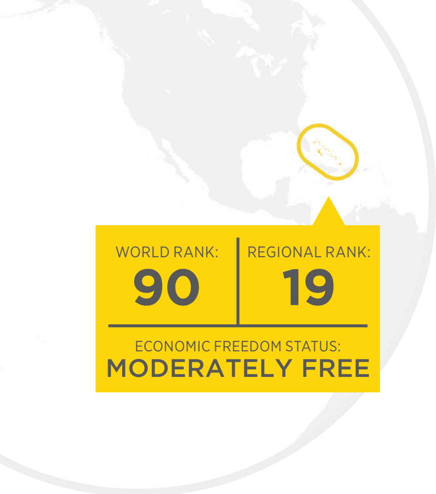
REGULATORY EFFICIENCY



OPEN MARKETS

The Macri administration has pursued a range of measures to improve the efficiency of business regulation. In May 2016, the president vetoed a labor law that would have kept firms from dismissing workers, arguing that it would depress the employment outlook by deterring investment. The new government has reduced subsidies on electricity and raised prices on gas, water, and public transportation in an effort to cut the budget deficit.

Trade is moderately important to Argentina's economy; the value of exports and imports taken together equals 29 percent of GDP. The average applied tariff rate is 6.6 percent. Nontariff barriers interfere with trade, but barriers to foreign exchange have been relaxed. The small financial sector accounts for less than 3 percent of GDP. The presence of foreign banks has increased, and total assets have risen to approximately 30 percent.



WORLD RANK: **90**

REGIONAL RANK: **19**

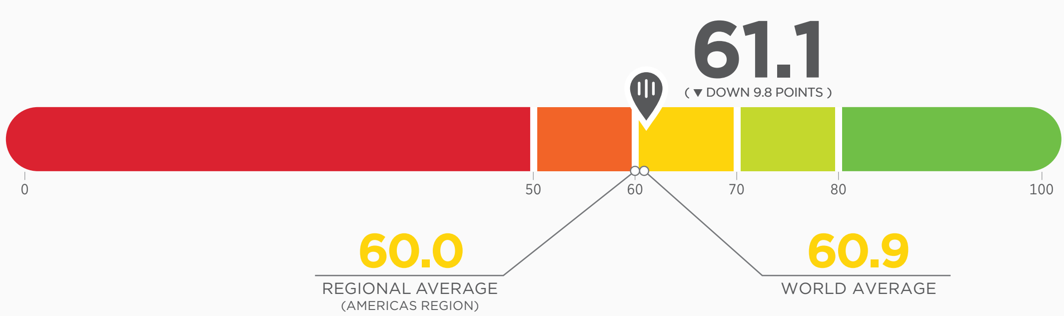
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

THE BAHAMAS

There is little momentum for economic reform in the Bahamas, which appears gradually to be losing competitiveness vis-à-vis other nations that are moving more rapidly to expand economic opportunity. The emergence of a more dynamic and sustainable private sector is held back by the weak rule of law, lingering protectionism, and bureaucracy that undermines the investment environment.

Nevertheless, the overall regulatory system is conducive to entrepreneurial activity, and there are no individual or corporate income taxes. Relatively sound management of fiscal policy contributes to macroeconomic stability, and investment management and financial services play a vital role in sustaining overall economic strength.

ECONOMIC FREEDOM SCORE

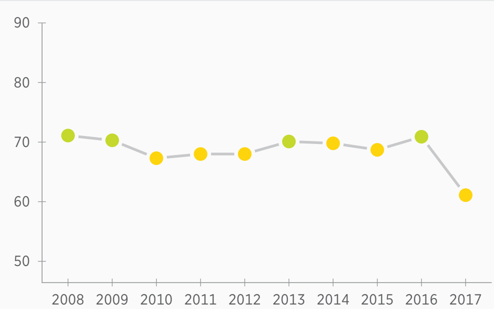


NOTABLE SUCCESSES:
Tax Policy, Government Spending, and Monetary Stability

CONCERNS:
Rule of Law, Open Markets, and Fiscal Health

OVERALL SCORE CHANGE SINCE 2013:
–9.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$9.2 billion
0.5% growth in 2015
5-year compound annual growth 0.9%
$25,167 per capita

UNEMPLOYMENT:
14.4%

INFLATION (CPI):
1.9%

FDI INFLOW:
$384.9 million

PUBLIC DEBT:
65.7% of GDP

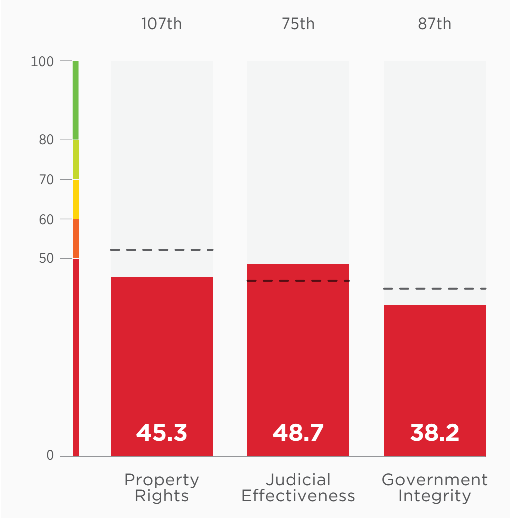
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Prime Minister Perry Christie of the long-dominant center-left Progressive Liberal Party, in office since 2012, says he will seek another five-year term in the May 2017 elections. Although tourism accounts for more than 60 percent of GDP, a record-high murder rate in 2015 heightened concerns that violent crime will have a negative impact. The Bahamas will soon set a record for the longest-running accession to the World Trade Organization, having initiated the still-incomplete process in 2001. Politicians and the private sector remain at loggerheads about how to replace the tariff revenues that would be lost. The Bahamas is a major transshipment point both for smuggling illegal drugs into the United States and Europe and for smuggling illegal migrants into the U.S.

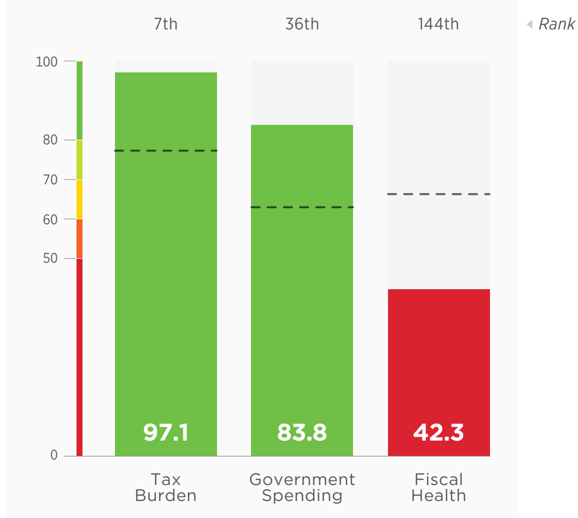
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | THE BAHAMAS

RULE OF LAW



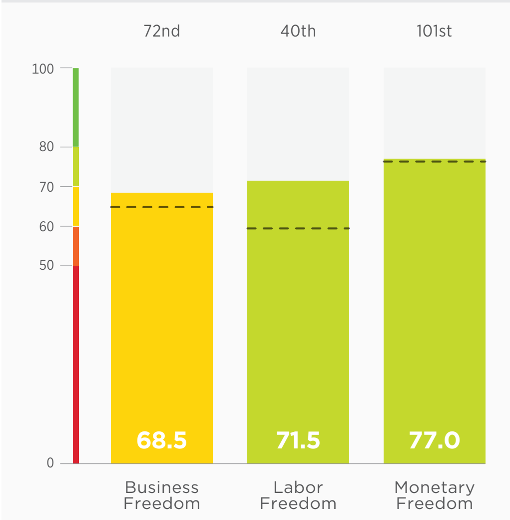
GOVERNMENT SIZE



Property registration is difficult and time-consuming, but the introduction of new rules of civil procedure has made enforcement of contracts easier. Although the independent legal system is based on British common law, the inefficiency of the judicial process causes trials to be delayed. Retaliatory crimes against both witnesses and alleged perpetrators have increased. Money laundering and corruption are problems at all levels of government.

The government imposes national insurance, property, and stamp taxes but no income, corporate income, capital gains, value-added, or wealth taxes. The overall tax burden equals 16.9 percent of total domestic income. Government spending has amounted to 23.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.5 percent of GDP. Public debt is equivalent to 65.7 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

There is no minimum capital requirement for starting a company, but it takes almost a month on average to launch a business. No major reforms have been implemented in recent years. The labor market is relatively flexible, but the existing labor codes are not enforced effectively. Subsidies to the state-owned Bahamas Electricity Corporation and the Water and Sewerage Corporation continue to be a drag on government finances.

Trade is important to the Bahamas' economy; the value of exports and imports taken together equals 93 percent of GDP. Government finances are heavily reliant on tariffs, and the average applied tariff rate is 19.7 percent. Financial services are competitive, and domestic and offshore activities contribute around 15 percent of GDP. The diversified banking sector remains stable, although the number of nonperforming loans has increased.

BARBADOS

WORLD RANK: **130**

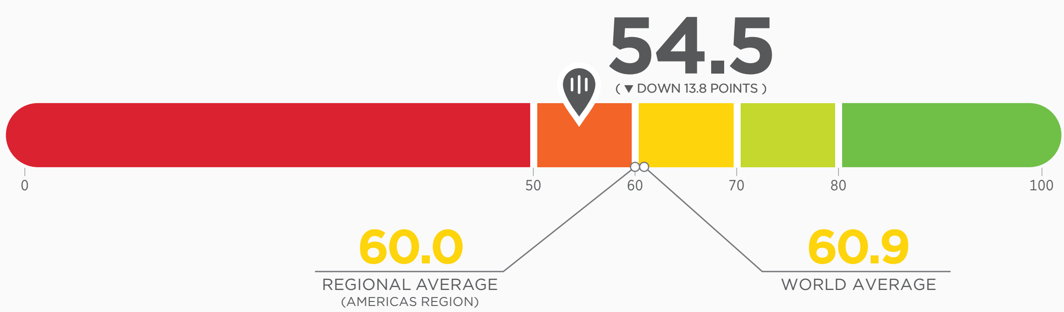
REGIONAL RANK: **24**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

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. However, increased government spending has expanded the state's influence within the economy, and a large fiscal deficit has made government debt larger than the size of the economy.

Government economic policies are focused on attracting international companies. Regulatory efficiency facilitates private-sector growth. Transparency levels the playing field for domestic and foreign businesses despite certain restrictions on foreign investment. However, policies intended to buttress open trade and productivity growth are undercut by bureaucracy, discouraging investment expansion.

ECONOMIC FREEDOM SCORE

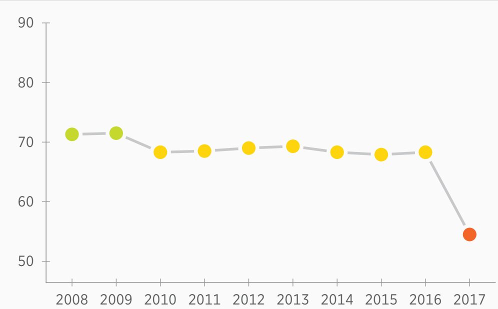


NOTABLE SUCCESSES: Monetary Stability, Tax Policy, and Business Freedom

CONCERNS: Fiscal Health, Government Spending, and Rule of Law

OVERALL SCORE CHANGE SINCE 2013: –14.8

FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$4.6 billion
0.5% growth in 2015
5-year compound annual growth 0.3%
$16,575 per capita

UNEMPLOYMENT:
12.3%

INFLATION (CPI):
0.5%

FDI INFLOW:
$254.4 million

PUBLIC DEBT:
103.0% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

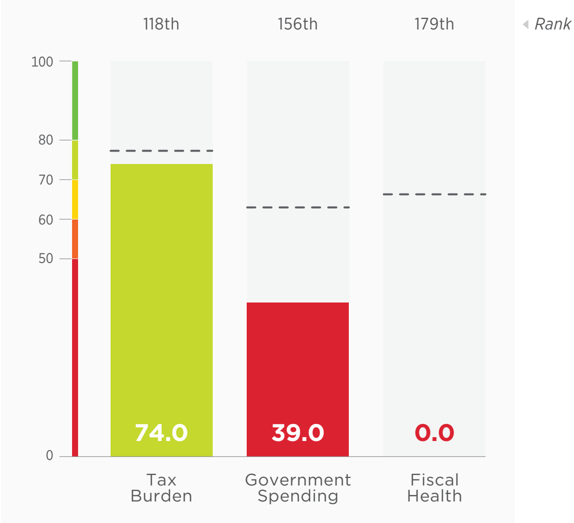
BACKGROUND: Barbados was uninhabited when first settled by the British in 1627. African slaves worked the sugar plantations until 1834 when slavery was abolished. Independent from the United Kingdom since 1966, Barbados is a stable parliamentary constitutional monarchy. Prime Minister Freundel Stuart of the center-left Democratic Labour Party won a five-year term in 2013. Stuart wanted Barbados to become a republic in 2016, the 50th anniversary of its independence from the U.K., but the public views that politically complicated process as a low priority as the country continues its struggle to recover from years of economic stagnation. Tourism receipts have improved, but serious challenges to medium-term economic growth remain.

KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | BARBADOS

RULE OF LAW

GOVERNMENT SIZE

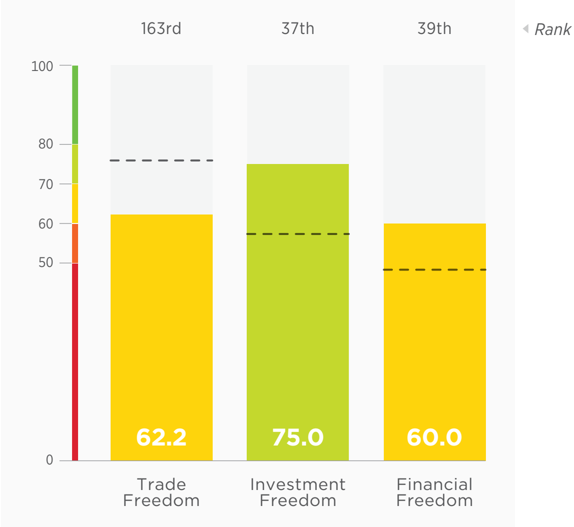


Property registration in Barbados is very time-consuming. The court system is based on British common law and is generally unbiased and efficient. The protection of property rights is strong, and the rule of law is respected. Corruption is not a major problem in Barbados, but violence related to transshipment drug trafficking from Venezuela is a serious problem.

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 equals 27.4 percent of total domestic income. Government spending has amounted to 45.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 9.1 percent of GDP. Public debt is equivalent to 103.0 percent of GDP.

REGULATORY EFFICIENCY

OPEN MARKETS



Transparent policies and straightforward laws generally facilitate regulatory efficiency. The overall process for obtaining licenses and starting a business is not burdensome. The labor market remains relatively flexible, and employers are not legally obligated to recognize unions. To meet a 2017 deadline set by the World Trade Organization, the government took steps in 2016 to phase out subsidies to manufacturing firms.

Trade is important to Barbados's economy; the value of exports and imports taken together equals 81 percent of GDP. Government finances are heavily reliant on tariffs, and the average applied tariff rate is 13.9 percent. The investment climate has improved, but much investment activity is subject to government approval. The banking sector provides a wide range of services for investors, although securities markets are relatively illiquid.

BELIZE

WORLD RANK: **101**

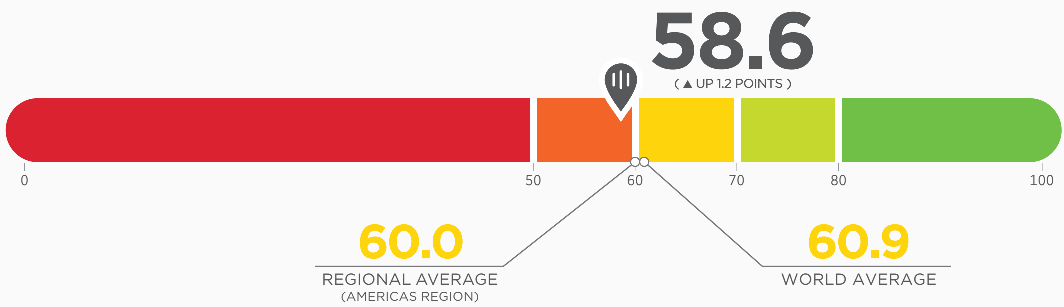
REGIONAL RANK: **22**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Belize has an uneven record in economic reform, and more dynamic growth is constrained by lingering policy weaknesses in many parts of the economy. Entrepreneurial activity remains limited, and recovery from the recent economic slowdown has been narrowly based. Burdensome tariff and nontariff barriers, together with the high cost of domestic financing, hinder private-sector development and economic diversification.

Overall economic freedom in Belize remains limited by other institutional weaknesses. The regulatory infrastructure is inefficient and raises the cost of conducting entrepreneurial activity. The judicial system remains vulnerable to political interference, and corruption is common. The Caribbean Financial Action Task Force has tightened anti–money laundering and antiterrorism financing controls in Belize, particularly in light of the recent Panama Papers leaks.

ECONOMIC FREEDOM SCORE

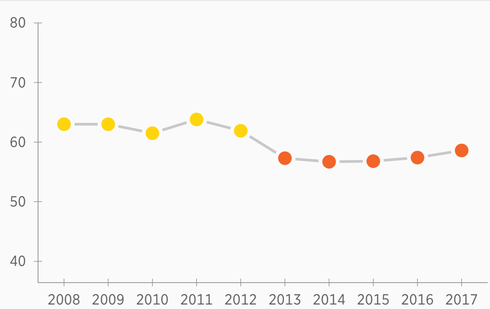


NOTABLE SUCCESSES: Tax Policy, Monetary Stability, and Trade Freedom

CONCERNS: Rule of Law, Investment Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013: +1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$3.0 billion
1.5% growth in 2015
5-year compound annual growth 2.5%
$8,373 per capita

UNEMPLOYMENT:
11.8%

INFLATION (CPI):
−0.6%

FDI INFLOW:
$64.6 million

PUBLIC DEBT:
76.3% of GDP

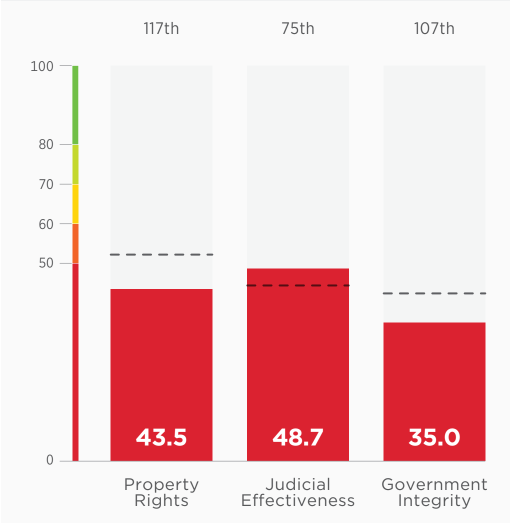
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Belize is a parliamentary democracy. Prime Minister Dean Barrow of the center-right United Democratic Party was elected in 2015 to his third and constitutionally final consecutive five-year term. The economy relies primarily on tourism, followed by exports of marine products, citrus, sugar, and bananas. Although tourism receipts are up, economic growth slowed considerably after agriculture and fisheries contracted sharply in 2015, with shrimp farms affected by bacterial infection and banana production affected by severe drought. Multimillion-dollar compensation to the former owners of Belize Telemedia, nationalized by the government in 2009, will add to budgetary pressures.

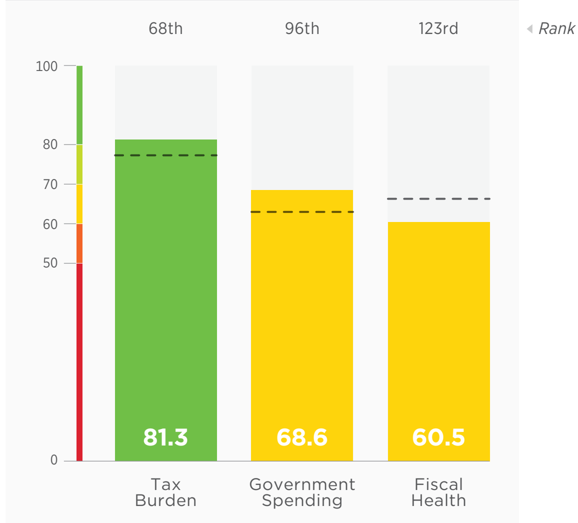
KEY: — — WORLD AVERAGE

12 ECONOMIC FREEDOMS | BELIZE

RULE OF LAW



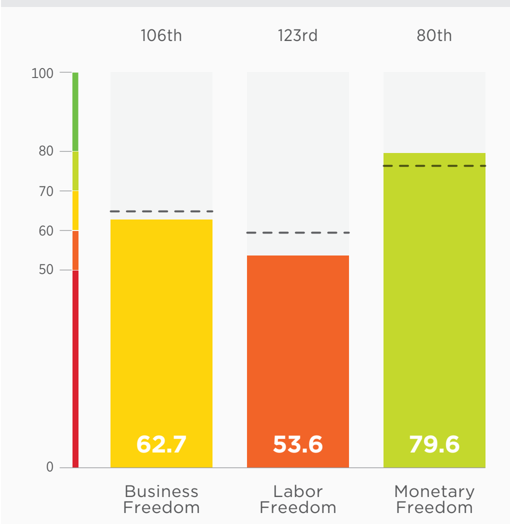
GOVERNMENT SIZE



Unreliable land title certificates have led to numerous property disputes involving foreign investors and landowners. The judiciary, although independent, is often influenced by the executive. 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 access to enough data to include Belize in its annual *Corruption Perceptions Index*.

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 24.8 percent of total domestic income. Government spending has amounted to 32.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 76.3 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

Entrepreneurial activity often faces such challenges as poor enforcement of the commercial code and lack of transparency. The nonsalary cost of employing a worker is relatively low, and terminating labor contracts is not cumbersome. However, a formal labor market has not been fully developed. The government maintains price controls on various products such as rice, sugar, and flour and subsidizes the cost of electricity.

Trade is extremely important to Belize's economy; the value of exports and imports taken together equals 126 percent of GDP. The average applied tariff rate is 10.0 percent. Bureaucratic barriers may discourage foreign investment. The financial system is small but growing, and obtaining credit is relatively straightforward. The government influences the allocation of credit through the quasi-government banks.

WORLD RANK: **168**

REGIONAL RANK: **30**

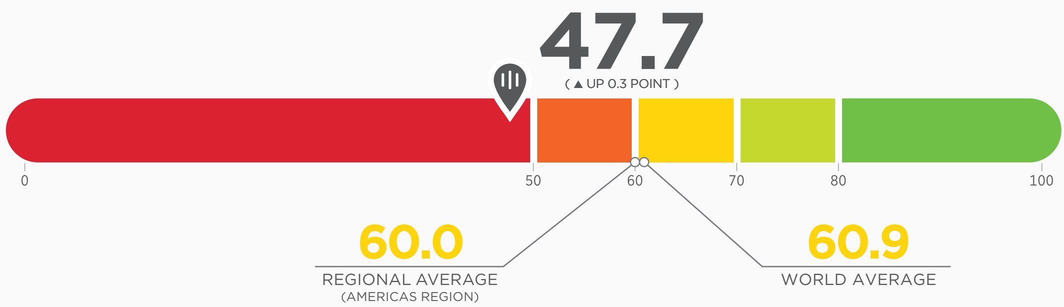
ECONOMIC FREEDOM STATUS: **REPRESSED**

BOLIVIA

Bolivia's overall economic development remains severely hampered by structural and institutional problems. Heavily dependent on the hydrocarbon sector, the economy suffers from a lack of dynamism. Poor economic infrastructure and a weak regulatory framework impede diversification of the productive base.

The state's presence in economic activity is gradually increasing through nationalization, and judicial independence is becoming more vulnerable to political interference. The rule of law is weak in many areas, with government integrity undermined by pervasive corruption. The lack of access to market financing precludes entrepreneurial growth, and the investment regime lacks transparency.

ECONOMIC FREEDOM SCORE

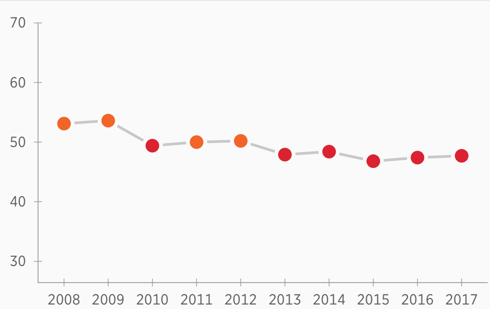


NOTABLE SUCCESSES:
Tax Policy, Fiscal Policy, and Trade Freedom

CONCERNS:
Investment Freedom, Rule of Law, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
–0.2

FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
$74.4 billion
4.8% growth in 2015
5-year compound annual growth 5.5%
$6,465 per capita

UNEMPLOYMENT:
3.6%

INFLATION (CPI):
4.1%

FDI INFLOW:
$503.4 million

PUBLIC DEBT:
39.7% of GDP

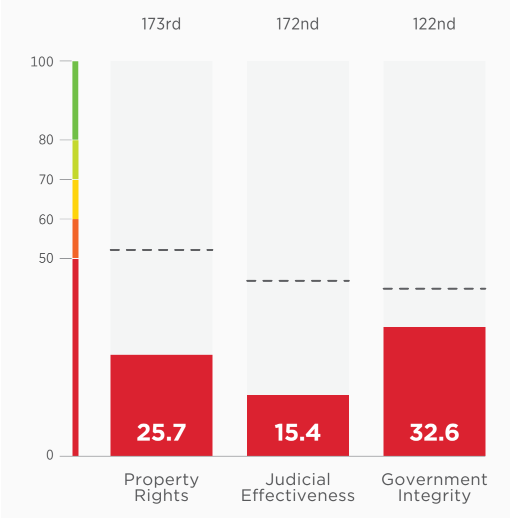
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Landlocked, resource-rich Bolivia is one of the world's largest producers of coca leaf and a major transit zone for Peruvian cocaine. President Evo Morales began his third consecutive term in 2015. In 2016, voters rejected his plan to run for a fourth term in 2019, but his ruling Movement Toward Socialism (MAS) party is trying to promote another referendum on that question. In a bid to drum up support, Morales has increased nationalistic rhetoric (particularly over Bolivia's border dispute with Chile) and has sought to silence critical voices in the media and nongovernment organizations. His government also has threatened some opposition politicians. Bolivia maintains strong alliances with Cuba, Venezuela, and Iran. Nearly four out of 10 Bolivians live below the poverty line.

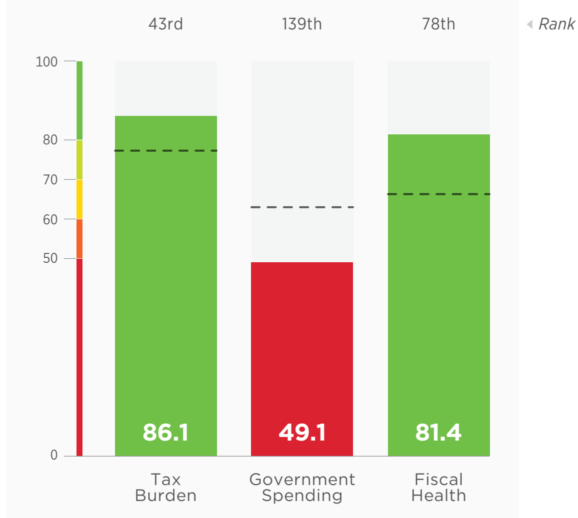
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | BOLIVIA

RULE OF LAW



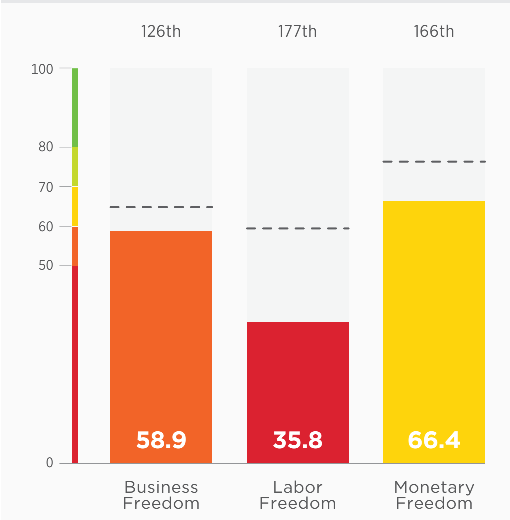
GOVERNMENT SIZE



An unreliable dispute resolution process and the lack of adequate land title verification create risk and uncertainty in real property acquisition. Although Bolivia's highest courts have occasionally asserted some independence from the executive, the ruling MAS party tightly controls all institutions. Moreover, the judicial system remains highly discredited as a result of ongoing scandals, corruption, and influence-peddling.

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 24.4 percent of total domestic income. Government spending has amounted to 41.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 39.7 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

The entrepreneurial environment is burdened by red tape, corruption, and inconsistent enforcement of commercial regulations. Employment regulations are rigid and not conducive to productivity growth. There are government-established minimum wages for the public and private sectors. The cost of state gasoline, diesel, kerosene, natural gas, liquefied petroleum gas, jet fuel, and fuel oil subsidies is nearly 8 percent of GDP.

Trade is important to Bolivia's economy; the value of exports and imports taken together equals 85 percent of GDP. The average applied tariff rate is 4.5 percent. The government prioritizes domestic investment over foreign investment. The financial sector is vulnerable to state interference and poorly developed. Credit to the private sector has expanded very slowly. Political unrest hinders the development of a modern capital market.

BRAZIL

WORLD RANK: **140**

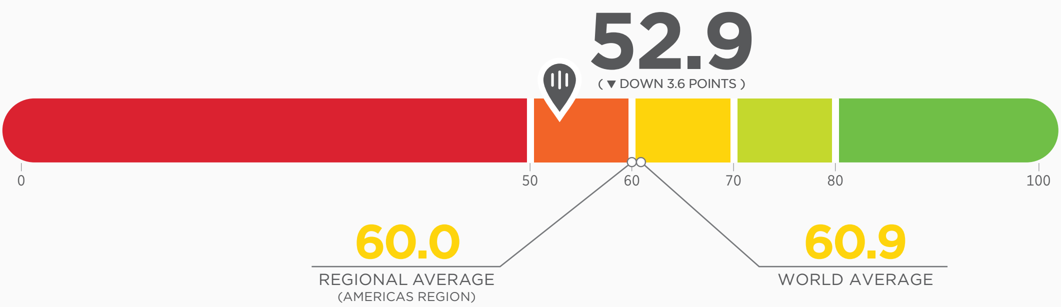
REGIONAL RANK: **25**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

A political crisis that, along with declines in commodity prices, contributed to a sharp contraction of the economy has undermined consumer and investor confidence. Brazil's fiscal condition has been severely compromised by a combination of high inflation, political paralysis, and widening budget deficits that have elevated the burden of public debt.

The state's interference in the economy has been heavy. The efficiency and overall quality of government services remain poor despite high government spending. Implementation of any reform program has proven difficult. Barriers to entrepreneurial activity include burdensome taxes, inefficient regulation, poor access to long-term financing, and a rigid labor market. The judicial system remains vulnerable to corruption.

ECONOMIC FREEDOM SCORE

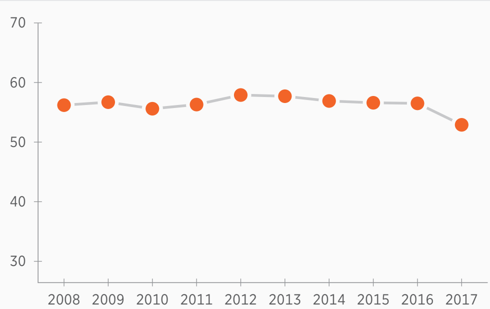


NOTABLE SUCCESSES:
Trade Freedom

CONCERNS:
Fiscal Health, Government Integrity, and Judicial Effectiveness

OVERALL SCORE CHANGE SINCE 2013:
–4.8

FREEDOM TREND



QUICK FACTS

POPULATION:
204.5 million

GDP (PPP):
$3.2 trillion
–3.8% growth in 2015
5-year compound annual growth 1.0%
$15,615 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
9.0%

FDI INFLOW:
$64.6 billion

PUBLIC DEBT:
73.7% of GDP

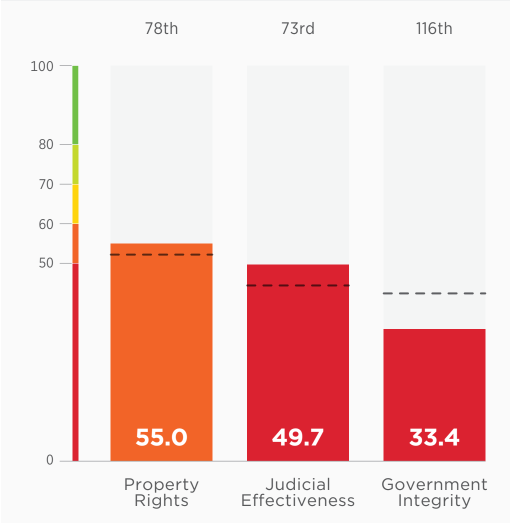
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Brazil, the world's fifth-largest country, is dominated by the Amazon River basin and the world's largest rain forest. The population of more than 200 million is heavily concentrated on the coast, where a dozen major metropolitan areas with populations of a million or more offer direct access to the Atlantic Ocean. The current democratic constitution dates from 1988. Workers' Party President Dilma Rousseff, who sought to further the leftist and populist policy agenda begun by her predecessor, Luiz Inacio "Lula" da Silva, was impeached and removed from office in 2016. New President Michel Temer faces continuing corruption scandals and ongoing political turmoil.

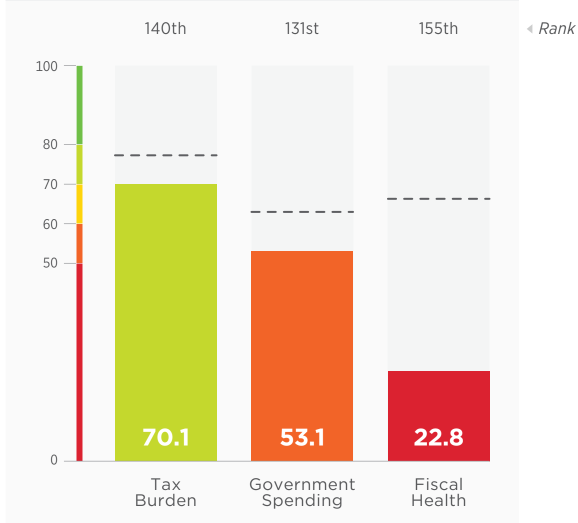
KEY: — — WORLD AVERAGE

12 ECONOMIC FREEDOMS | BRAZIL

RULE OF LAW



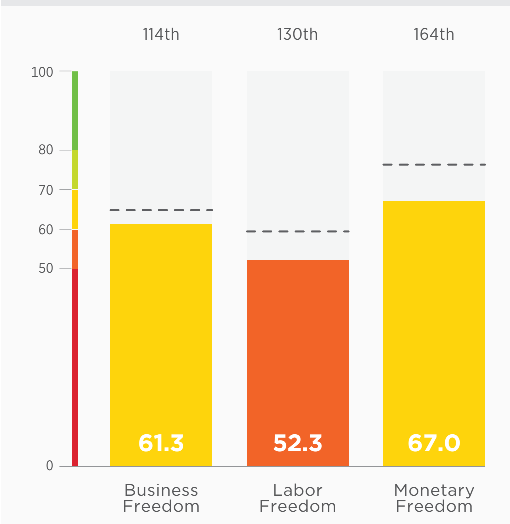
GOVERNMENT SIZE



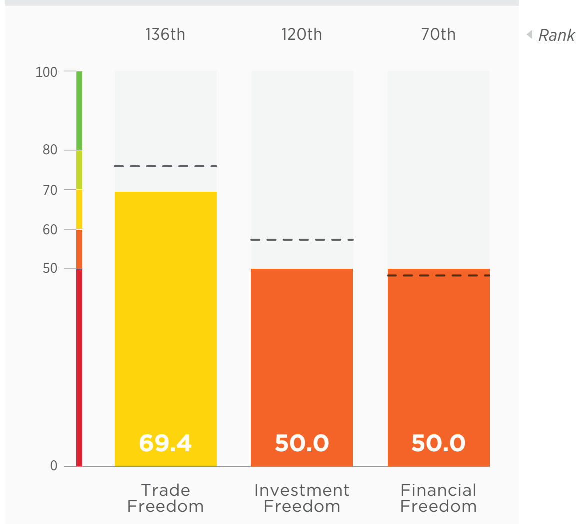
The judiciary, though largely independent, is overburdened, inefficient, and often subject to intimidation and other external influences, especially in rural areas. Corruption scandals have undermined trust in both public and private institutions and contributed to Brazil's decline in the World Economic Forum's 2016 *Global Competitiveness Index*. Many members of the ruling PMDB party, for example, are deeply involved in the Petrobras scandal.

The personal income tax rate is 27.5 percent. The standard corporate rate is 15 percent, but other taxes, including a financial transactions tax, bring the effective rate to 34 percent. The overall tax burden equals 32.8 percent of domestic income. Government spending has amounted to 39.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 73.7 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Organizing new businesses remains cumbersome and bureaucratic. It is costly and time-consuming to launch or expand a business. Rigid and outmoded labor regulations undermine employment growth, and the nonsalary cost of employing a worker is burdensome. The new government has pursued more orthodox policies than its predecessor and plans to cap increases in budget spending and eliminate automatic indexation of entitlements.

Trade is moderately important to Brazil's economy; the value of exports and imports taken together equals 27 percent of GDP. The average applied tariff rate is 7.8 percent. Trade and investment face bureaucratic and regulatory hurdles. The financial sector is diversified and competitive, but the government's involvement remains considerable, and public banks now account for over 50 percent of total loans to the private sector.

WORLD RANK: **7**

REGIONAL RANK: **1**

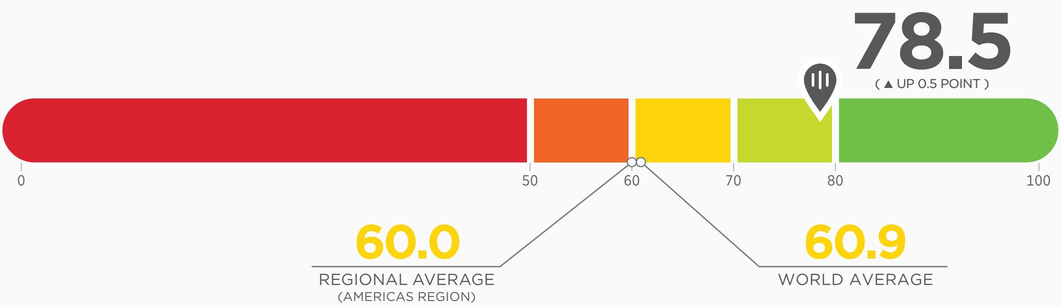
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

CANADA

Canada's economic competitiveness has been sustained by the solid institutional foundations of an open-market system. The independent judiciary provides strong protection of property rights and upholds the rule of law. The economy is open to global commerce and supported by a high degree of regulatory efficiency.

Management of public finance has been comparatively prudent, but the size and scope of government have been expanding over the past year. The government's policy focus has tilted toward income redistribution through adjustments in taxation and increased spending. The top individual income tax rate has been raised to 33 percent, and the planned reduction of the tax rate for small businesses has been canceled.

ECONOMIC FREEDOM SCORE

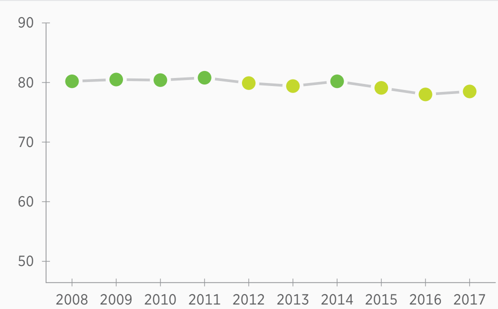


NOTABLE SUCCESSES:
Rule of Law, Open Markets, and Regulatory Efficiency

CONCERNS:
Government Spending

OVERALL SCORE CHANGE SINCE 2013:
–0.9

FREEDOM TREND



QUICK FACTS

POPULATION:
35.9 million

GDP (PPP):
$1.6 trillion
1.2% growth in 2015
5-year compound annual growth 2.2%
$45,553 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
1.1%

FDI INFLOW:
$48.6 billion

PUBLIC DEBT:
91.5% of GDP

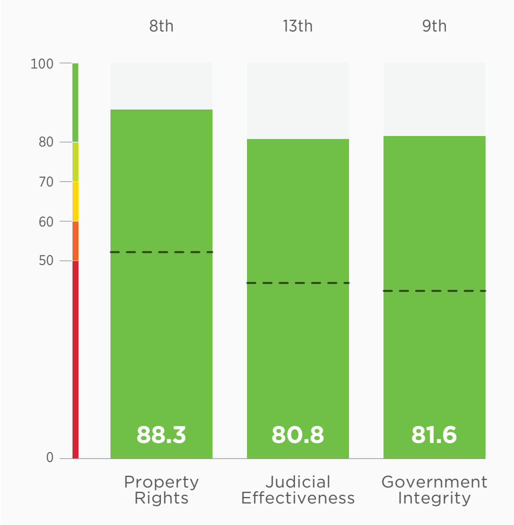
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Liberal Party candidate Justin Trudeau was elected prime minister in October 2015 after promising to revive Canada's economy. After a decade of Conservative rule, Trudeau has reshaped Canadian politics. In March 2016, the prime minister announced a $46 billion stimulus plan targeted at improving public transportation, water systems, and housing. The government has also accepted 25,000 Syrian refugees into the country and has taken the lead in increasing aid to Syria. Canada's 13 provinces and territories have significant autonomy from the federal government. Canada produces commodities like automobiles, forest products, manufactured goods, minerals, and oil. Its leading export market is the United States.

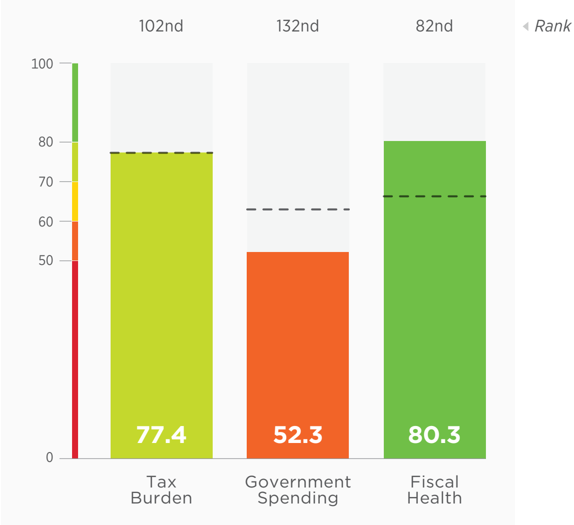
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | CANADA

RULE OF LAW



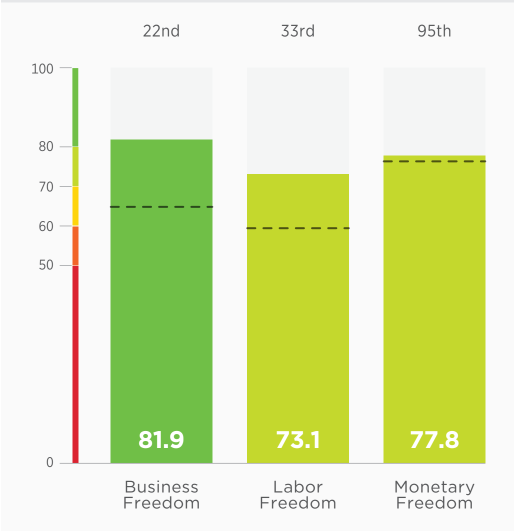
GOVERNMENT SIZE



Although 89 percent of Canada's land area is owned by the state, the property rights to the 11 percent that is privately owned are well protected. Intellectual property rights meet world standards. Enforcement of contracts is secure, and expropriation is highly unusual. Canada has a reputation for clean government. Its judicial system has an impeccable record of independence and transparency, and cases of corruption are prosecuted vigorously.

The top federal personal income tax rate has been raised to 33 percent. The top corporate tax rate is 15 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 30.8 percent of total domestic income. Government spending has amounted to 39.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 91.5 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

The transparent regulatory framework facilitates commercial activity, allowing the processes of business formation and operation to be efficient and dynamic. Relatively flexible labor regulations enhance employment growth. In 2016, Canadian aerospace company Bombardier and the provincial Quebec government agreed to a $1 billion rescue package, but the federal government has not yet approved an additional $1 billion bailout.

Trade is important to Canada's economy; the value of exports and imports taken together equals 65 percent of GDP. The average applied tariff rate is 0.8 percent. Foreign investment in sectors including aviation and telecommunications is capped by the government. The banking sector remains sound and stable. A wide range of nonbank financial companies operates in a prudent business environment, and securities markets are well developed.

WORLD RANK: **10** | REGIONAL RANK: **2**

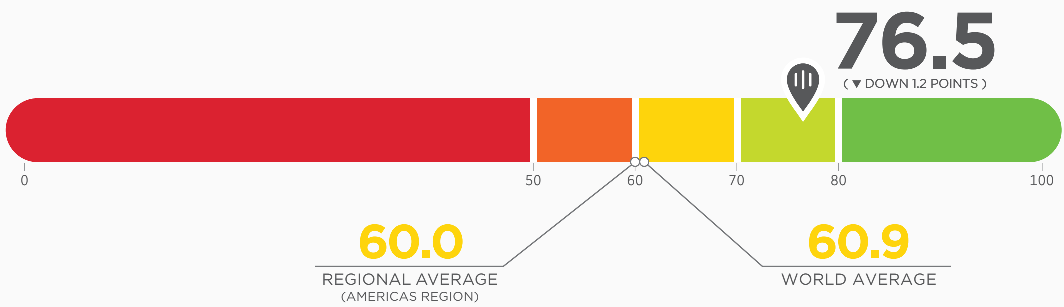
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

CHILE

Chile's openness to global trade and investment provides a solid basis for economic dynamism. A transparent regulatory environment buttressed by well-secured property rights provides commercial security for the resilient private sector. The independent judicial system continues to sustain the rule of law.

However, several recent policy shifts have put Chile's economic freedom on a downward trend. The size and scope of government have expanded, substantially undercutting adherence to the principle of limited government. 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 SCORE

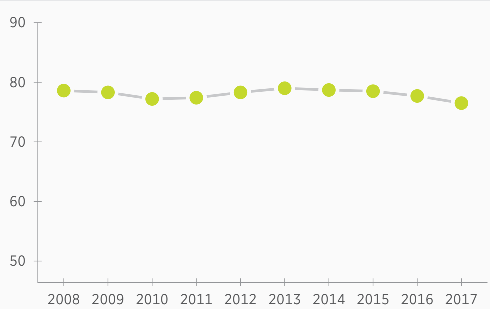


NOTABLE SUCCESSES: Trade Freedom and Investment Freedom

CONCERNS: Judicial Effectiveness, Labor Freedom, and Property Rights

OVERALL SCORE CHANGE SINCE 2013: –2.5

FREEDOM TREND



QUICK FACTS

POPULATION:
18.0 million

GDP (PPP):
$422.4 billion
2.1% growth in 2015
5-year compound annual growth 3.9%
$23,460 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
4.3%

FDI INFLOW:
$20.2 billion

PUBLIC DEBT: 17.1% of GDP

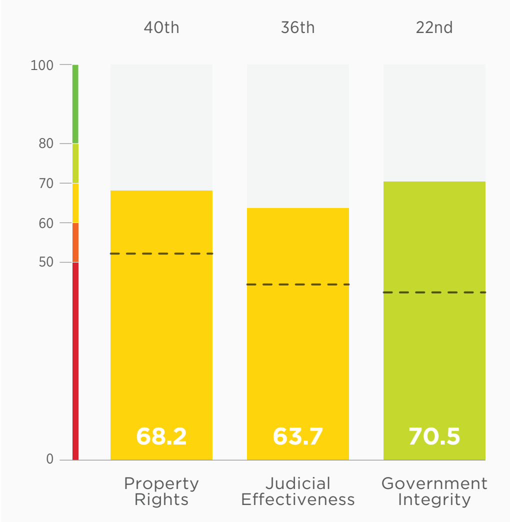
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Socialist President Michelle Bachelet, who began her second nonconsecutive four-year term in 2014, has strayed from the policies of her first term, which largely supported Chile's successful free-market institutions. She has pushed through major and sometimes flawed tax, labor, education, and other constitutional reforms, and the public perception that she turned a blind eye to her son's alleged wrongdoing in an ongoing corruption case has undermined her reputation for trustworthiness and moral probity. Nonetheless, Chile retains the region's best investment profile and benefits from its membership in the Pacific Alliance and a vast network of free-trade agreements. Chile is the world's leading producer of copper.

KEY: — — WORLD AVERAGE

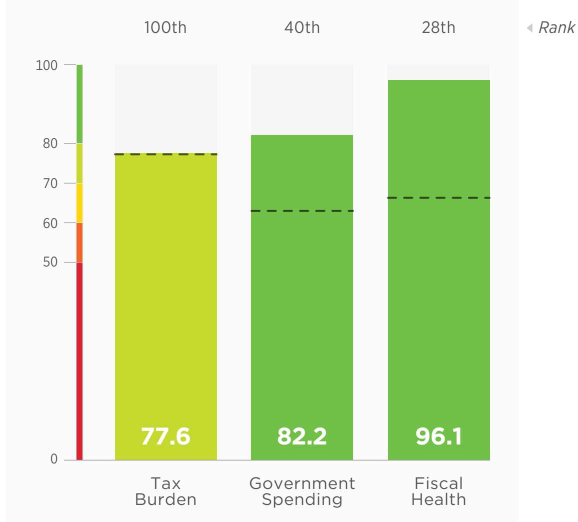
12 ECONOMIC FREEDOMS | CHILE

RULE OF LAW



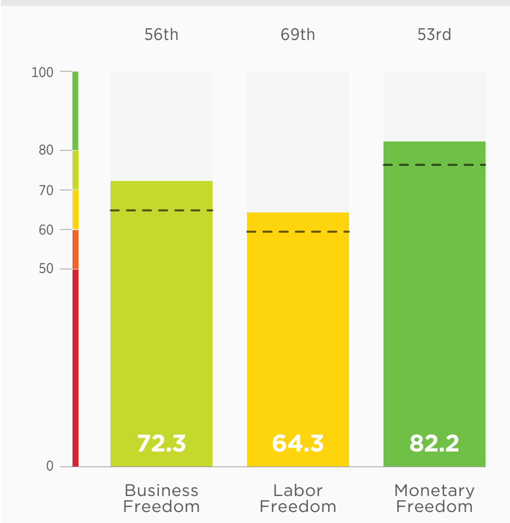
Property rights and contracts are strongly respected, and expropriation is rare. The judiciary is independent, and the courts are generally competent and free from political interference. Although Chile remains one of South America's least corrupt countries, several scandals (including one involving the president's son) continue to shake public confidence. Corruption was the top political concern of more than one-third of Chileans in 2016.

GOVERNMENT SIZE



The top individual income tax rate has been cut to 35 percent, but the top corporate tax rate has increased to 25 percent. Other taxes include a value-added tax. The overall tax burden equals 19.8 percent of total domestic income. Government spending has amounted to 24.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 17.1 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory framework facilitates entrepreneurial activity and productivity growth. However, barriers to market entry remain, and bankruptcy procedures are cumbersome and costly. Increases in the minimum wage have exceeded overall productivity growth in recent years. Rapid expansion of the privately owned power generation sector without government subsidies has included the development of renewable energy sources.

OPEN MARKETS

Trade is important to Chile's economy; the value of exports and imports taken together equals 60 percent of GDP. The average applied tariff rate is 1.8 percent. The investment climate is generally open, but numerous state-owned enterprises distort the economy. The financial system remains one of the region's most stable and developed, and foreign and domestic banks compete on an equal footing.

WORLD RANK: **37**

REGIONAL RANK: **4**

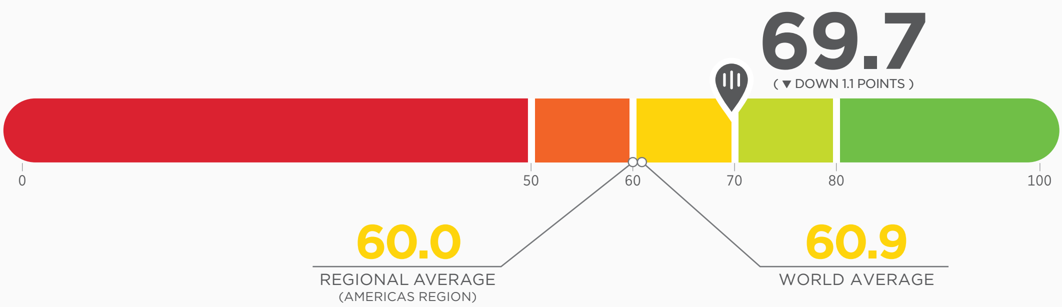
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

COLOMBIA

Colombia has maintained strong economic fundamentals, including macroeconomic stability and openness to global trade and finance. The relatively sound economic policy framework has contributed to economic expansion averaging over 4.5 percent annually over the past five years. Recent reforms have focused on regulatory improvements and fostering a stronger private sector. A founding member of the Pacific Alliance, Colombia has free trade agreements with the U.S. and many other nations.

More sustained growth in economic freedom will require deeper institutional reforms that include better protection of property rights and strengthening of the judicial system. Corruption remains a problem in many sectors of the economy.

ECONOMIC FREEDOM SCORE

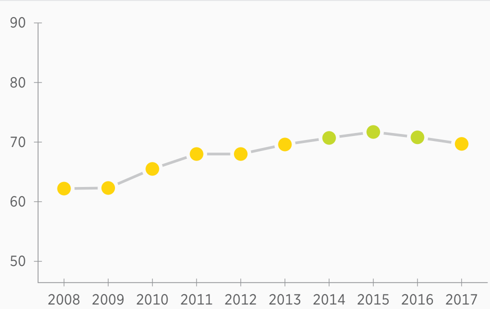


NOTABLE SUCCESSES:
Trade Freedom, Fiscal Policy, and Investment Freedom

CONCERNS:
Judicial Effectiveness and Government Integrity

OVERALL SCORE CHANGE SINCE 2013:
+0.1

FREEDOM TREND



QUICK FACTS

POPULATION:
48.2 million

GDP (PPP):
$667.4 billion
3.1% growth in 2015
5-year compound annual growth 4.6%
$13,847 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
5.0%

FDI INFLOW:
$12.1 billion

PUBLIC DEBT:
49.4% of GDP

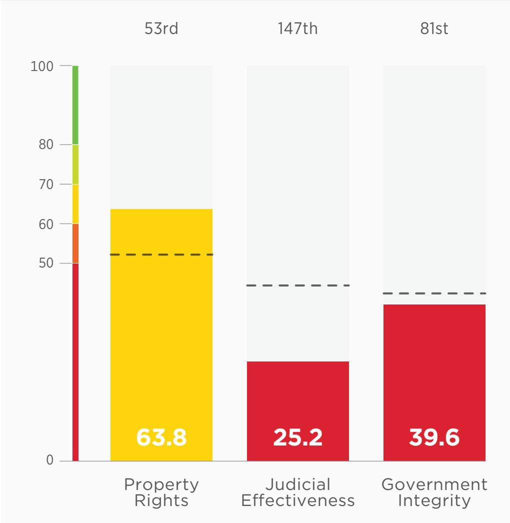
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: A large, geographically and ethnically diverse country in the northwestern corner of South America, Colombia is Latin America's oldest democracy. A costly five-decade guerilla insurgency, principally led by the leftist, narco-funded Revolutionary Armed Forces of Colombia (FARC), caused hundreds of thousands of casualties. President Juan Manuel Santos, reelected in 2014, made peace with the FARC his top priority and signed a cease-fire in June 2016. In an October 2016 referendum, however, skeptical voters narrowly rejected the controversial final peace treaty that would have mainstreamed demobilized FARC members, given them impunity for past crimes, and allowed them to run for political office.

KEY: – – WORLD AVERAGE

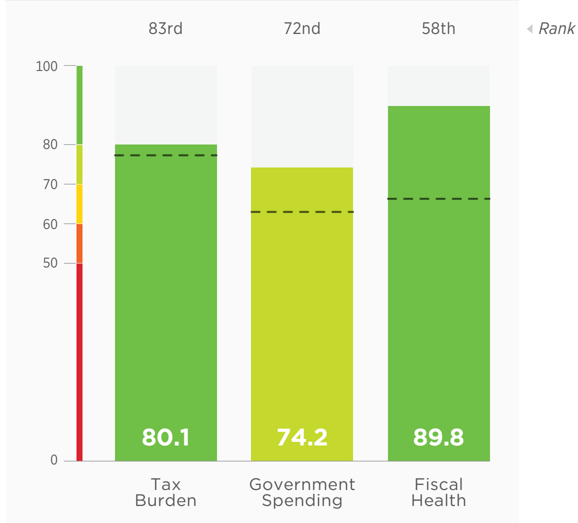
12 ECONOMIC FREEDOMS | COLOMBIA

RULE OF LAW



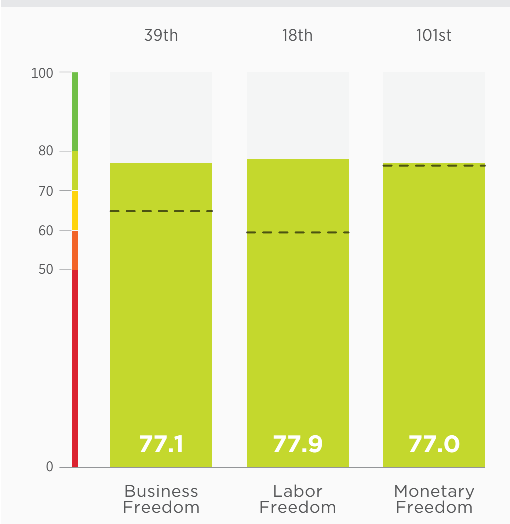
Property rights are recognized and generally enforced. The justice system is compromised by corruption and extortion, although the Constitutional Court and the Supreme Court have shown independence from the executive in recent years. Drug trafficking and the violence and corruption that it engenders continue to erode institutions. Colombia was ranked 126th for corruption and 134th for security in the World Economic Forum's 2016 *Global Competitiveness Index*.

GOVERNMENT SIZE



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 16.7 percent of total domestic income. Government spending has amounted to 29.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 49.4 percent of GDP.

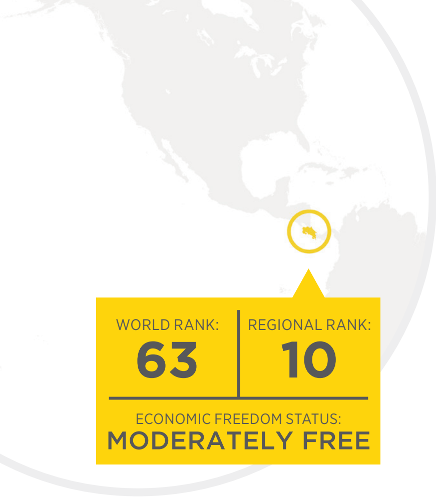
REGULATORY EFFICIENCY



Simplified procedures for establishing and running a business have improved the efficiency of the overall business environment. The regulatory framework is generally conducive to private business activity and job growth, but reforms are needed to lower nonwage costs. A May 2016 IMF report reflects that Colombia has made progress in bringing its subsidies in line with "OECD best practices" except for increased spending on housing subsidies.

OPEN MARKETS

Trade is moderately important to Colombia's economy; the value of exports and imports taken together equals 39 percent of GDP. The average applied tariff rate is 4.2 percent. Foreign and domestic investors are generally treated equally, but investment in some sectors of the economy is restricted. Domestic banks continue to dominate the banking sector, although the presence of foreign banks has increased.



WORLD RANK: **63**

REGIONAL RANK: **10**

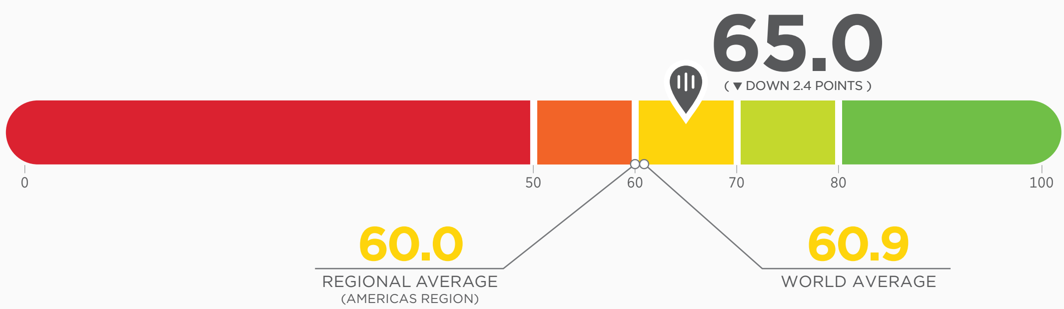
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

COSTA RICA

Costa Rica's economic fundamentals, including macroeconomic stability and openness to global trade and finance, remain relatively strong. The economy has expanded by an average of approximately 3.5 percent annually over the past five years. Recent reforms have focused on regulatory improvements and fostering a stronger private sector.

However, deeper institutional reforms are needed. Excessive government bureaucracy continues to discourage dynamic entrepreneurial activity, and the pace of privatization and fiscal reform has slowed. Widening budget deficits have put public debt on an upward trend. The judicial system, while transparent and not corrupt, remains inefficient.

ECONOMIC FREEDOM SCORE

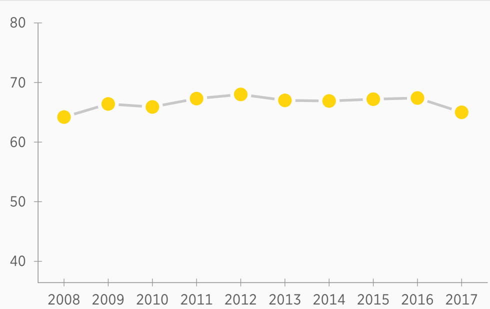


NOTABLE SUCCESSES:
Trade Freedom and Investment Freedom

CONCERNS:
Rule of Law, Fiscal Health, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
–2.0

FREEDOM TREND



QUICK FACTS

POPULATION:
4.8 million

GDP (PPP):
$74.9 billion
3.7% growth in 2015
5-year compound annual growth 3.6%
$15,482 per capita

UNEMPLOYMENT:
8.6%

INFLATION (CPI):
0.8%

FDI INFLOW:
$2.8 billion

PUBLIC DEBT:
42.4% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The most prosperous of the five countries in the Central American Common Market, Costa Rica has a long history of democratic stability and enjoys one of Latin America's highest levels of foreign direct investment per capita. Luis Guillermo Solís of the center-left Partido Acción Ciudadana began his four-year term as president in 2014. A fractious legislature complicates policymaking because the PAC holds the fewest seats of any ruling party in Costa Rican history. Costa Rica has a long-standing border dispute with Nicaragua that is related to the San Juan River. Traditional agricultural exports of bananas, coffee, and sugar are still the backbone of the country's commodity-driven export economy, and high-value-added goods and services have further bolstered exports.

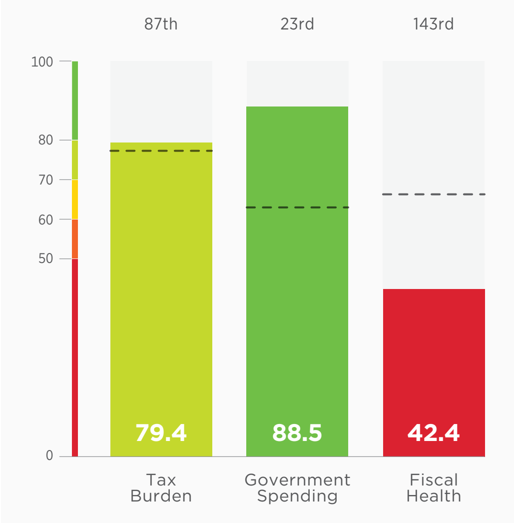
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | COSTA RICA

RULE OF LAW

Property rights are secure, and contracts are generally upheld, although they are sometimes difficult to enforce. The judicial branch is independent, but its processes are often slow. Despite ongoing efforts to combat drug trafficking, the country's fiscal challenges threaten to undermine the security and justice sectors. A complex bureaucracy slows the pace of capacity-building, and corruption remains a nagging issue.

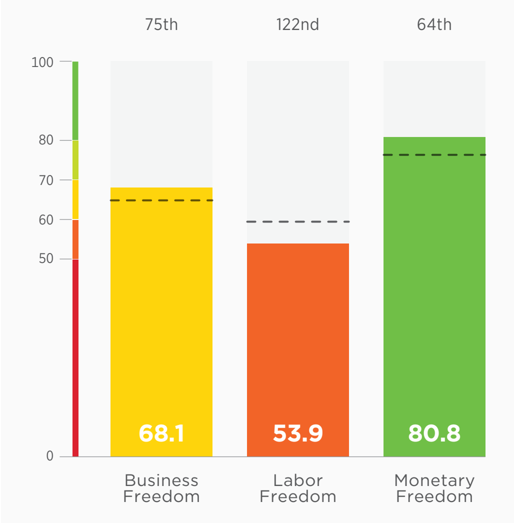
GOVERNMENT SIZE



Rank

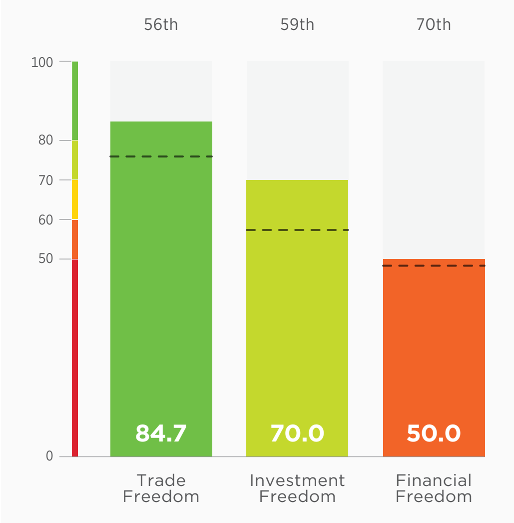
The top personal income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include a general sales tax and a real property tax. The overall tax burden equals 23.1 percent of total domestic income. Government spending has amounted to 19.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.8 percent of GDP. Public debt is equivalent to 42.4 percent of GDP.

REGULATORY EFFICIENCY



The overall business framework does not adequately support entrepreneurial activity. Licensing requirements have been reduced, but procedures for launching a business remain cumbersome. The nonsalary cost of employing a worker remains high. To fulfill its 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.

OPEN MARKETS



Rank

Trade is important to Costa Rica's economy; the value of exports and imports taken together equals 72 percent of GDP. The average applied tariff rate is 2.7 percent. The government restricts investment in some sectors of the economy. The growing financial sector functions relatively well. Banking remains dominated by state-owned institutions, but they have given up a considerable portion of the market to private-sector banks.

WORLD RANK: 178 | REGIONAL RANK: 31

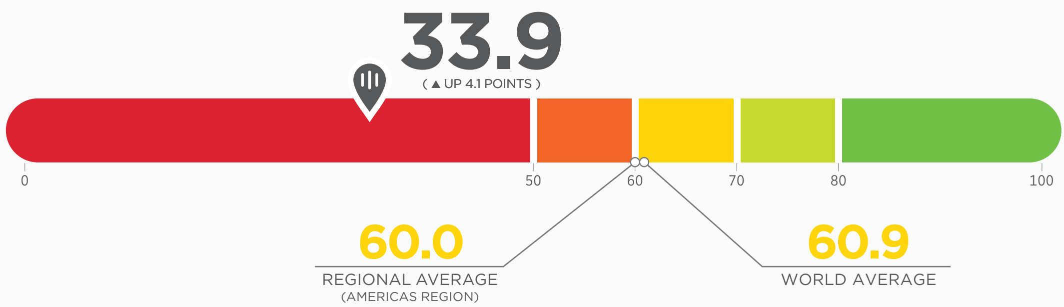
ECONOMIC FREEDOM STATUS: **REPRESSED**

CUBA

State control of Cuba's economy is both pervasive and inefficient, hampering any meaningful development of a job-creating private sector. As the largest source of employment, the bloated government sector soaks up much of the labor force. After decades without effective economic reform, the government has eased the rules on private employment in an effort to reshape the economy and improve efficiency.

Cuba's potential entrepreneurs have long been shackled by tight government control and institutional shortcomings. No courts are free of political interference, and private property is strictly regulated. Excessive bureaucracy and lack of regulatory transparency continue to limit trade and investment.

ECONOMIC FREEDOM SCORE

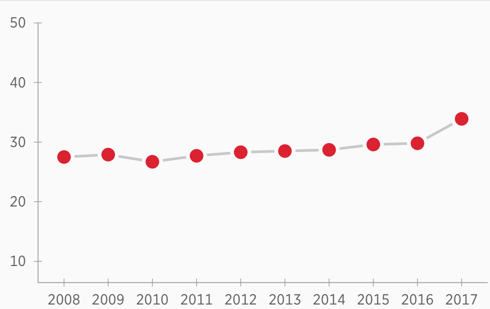


NOTABLE SUCCESSES:
None

CONCERNS:
Rule of Law, Labor Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+5.4

FREEDOM TREND



QUICK FACTS

POPULATION:
11.2 million

GDP (PPP):
$141.5 billion
4.3% growth in 2015
5-year compound annual growth 2.8%
$12,580 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
4.6%

FDI INFLOW:
n/a

PUBLIC DEBT:
35.0% of GDP

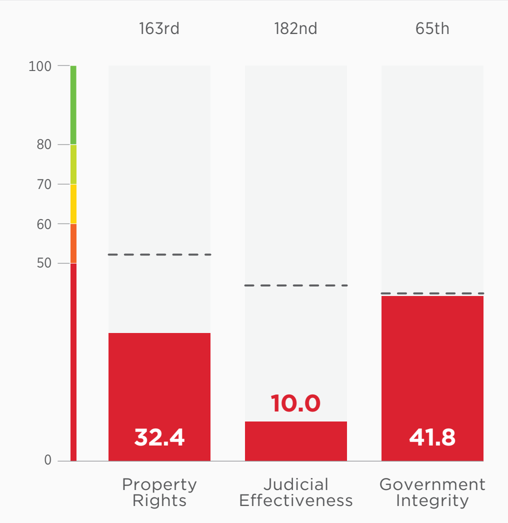
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Although Fidel Castro died in November 2016, his 85-year-old younger brother Raúl continues to lead both the government and the Cuban Communist Party. Raúl's only son, Colonel Alejandro Castro Espín, and former son-in-law, General Luis Alberto Rodríguez López-Callejas, are being groomed to perpetuate the family's political and economic control of the island. Ironically, violent repression of civil society and religious persecution actually increased in the run-up to President Barack Obama's March 2016 visit that showcased weakened U.S. economic sanctions and looser travel restrictions on Americans visiting Cuba. In the absence of significant future oil subsidies from nearly bankrupt Venezuela, Cuba's dysfunctional economy is even more dependent on external assistance such as remittances from Cuban émigrés.

KEY: – – WORLD AVERAGE

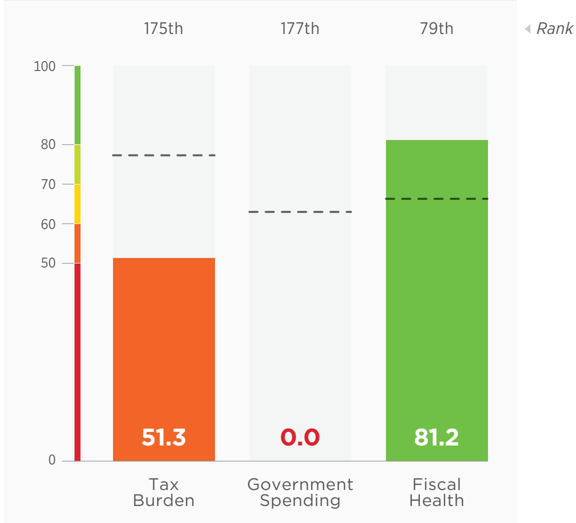
12 ECONOMIC FREEDOMS | CUBA

RULE OF LAW



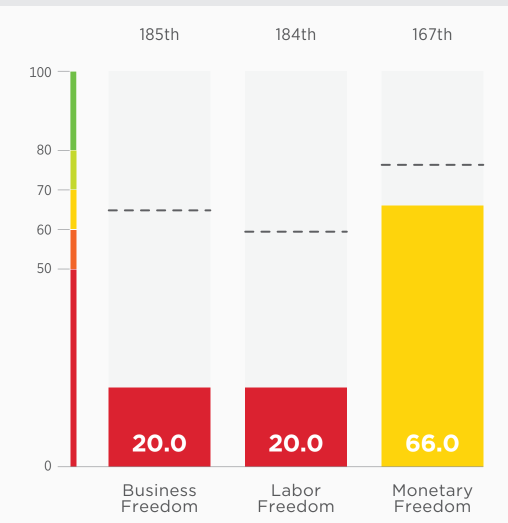
Most means of production are owned by the state. Seizures of property by police without legal justification are common. The nominally independent but heavily politicized judiciary is directly subordinate to the National Assembly and the Communist Party, which may remove or appoint judges at any time. Corruption is a serious problem, with widespread illegality permeating both the limited private enterprises and the vast state-controlled economy.

GOVERNMENT SIZE



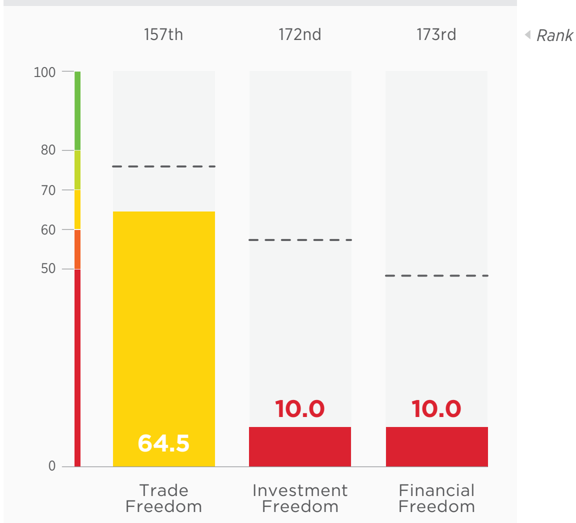
The top individual income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include a tax on property transfers and a sales tax. The overall tax burden equals 38.3 percent of total domestic income. Government spending has amounted to 63.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 35.0 percent of GDP.

REGULATORY EFFICIENCY



Only limited private economic activity is permitted. Inconsistent and nontransparent application of regulations impedes entrepreneurship. State control of the formal labor market has led to the creation of a large informal economy. Prices are tightly controlled to contain inflation, but in 2016, the government backpedaled from plans to eliminate its dual currency system, which has long been a source of economic distortions.

OPEN MARKETS



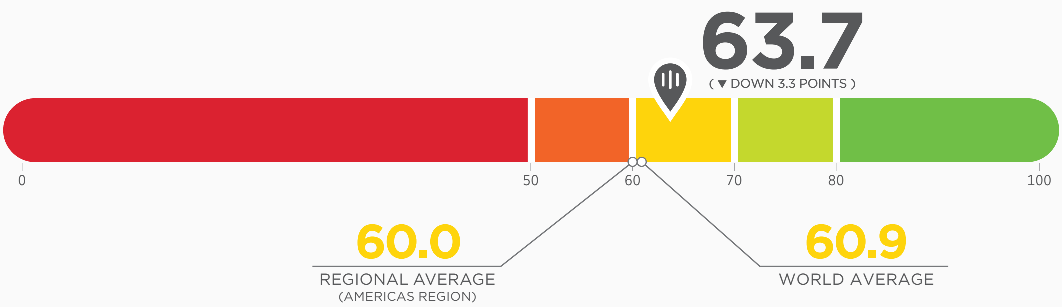
Trade is only moderately important to Cuba's economy; the value of exports and imports taken together equals 26.4 percent of GDP. The average applied tariff rate is 7.7 percent. State-owned enterprises significantly distort the economy. Access to credit for private-sector activity is severely impeded by the shallow financial market. Despite a decade of incremental changes, the state remains firmly in control.

DOMINICA

A process of gradual reform, including simplification of the business start-up process, has helped to improve Dominica's overall investment framework. The independent legal system generally adjudicates business disputes effectively and encourages a relatively low level of corruption, sustaining judicial effectiveness and government integrity.

However, policies to open markets further have not been advanced, and the lack of access to long-term financing prevents more dynamic economic expansion. Despite some cuts, public spending remains relatively high, a fiscal burden that is exacerbated by budget shortfalls and a rising level of public debt. The efficiency of government services has been poor, undermining overall productivity.

ECONOMIC FREEDOM SCORE

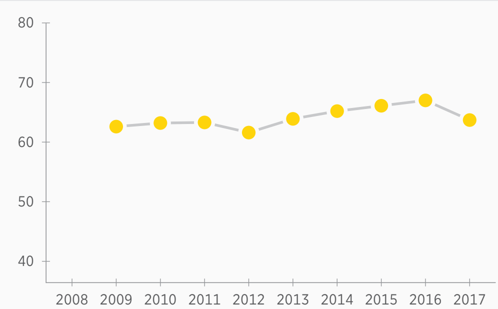


NOTABLE SUCCESSES:
Monetary Stability and Investment Freedom

CONCERNS:
Rule of Law, Financial Freedom, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
–0.2

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.8 billion
–4.3% growth in 2015
5-year compound annual growth –0.2%
$10,788 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
–0.8%

FDI INFLOW:
$36.0 million

PUBLIC DEBT:
82.4% of GDP

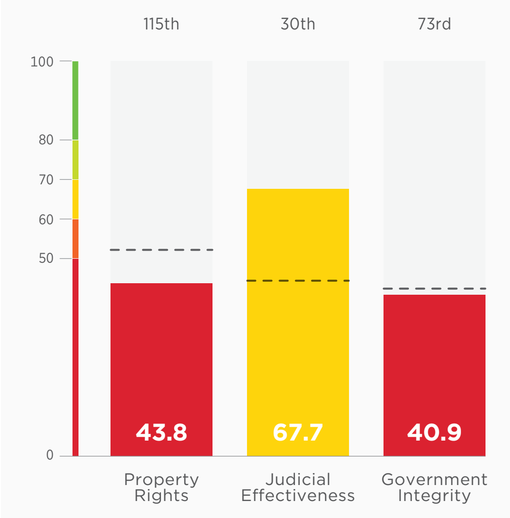
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Dominica has a unicameral parliamentary government with a president and prime minister. Prime Minister Roosevelt Skerrit of the Dominica Labour Party took office in 2004 and was reelected in 2009 and again in 2014. In 2008, Dominica made an ill-advised decision to join the Bolivarian Alliance for the Peoples of Our America (ALBA), a restrictive trade and political organization led by authoritarian socialist Venezuela that aims to undermine free-market democratic institutions and regional trade integration. Deteriorating economic conditions in Venezuela, however, have greatly reduced ALBA's material benefit and influence. In an effort to diversify the economy, the government of Dominica encourages investments in nontraditional agricultural exports such as coffee, exotic fruits, and cut flowers.

KEY: – – WORLD AVERAGE

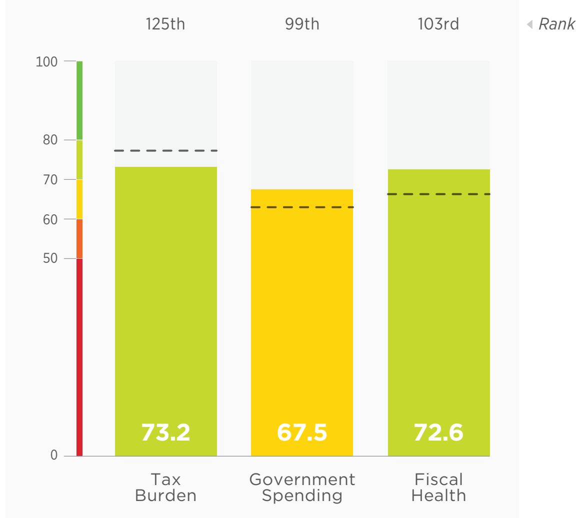
12 ECONOMIC FREEDOMS | DOMINICA

RULE OF LAW



Private property rights are generally respected, although pirated copyrighted material is sold openly. Dominica has an independent but short-staffed judiciary. Public trials are considered fair. Despite the fact that anticorruption statutes are not always implemented effectively, corruption is not a major problem. Nonbank financial institutions are monitored to combat money laundering and the financing of terrorism.

GOVERNMENT SIZE

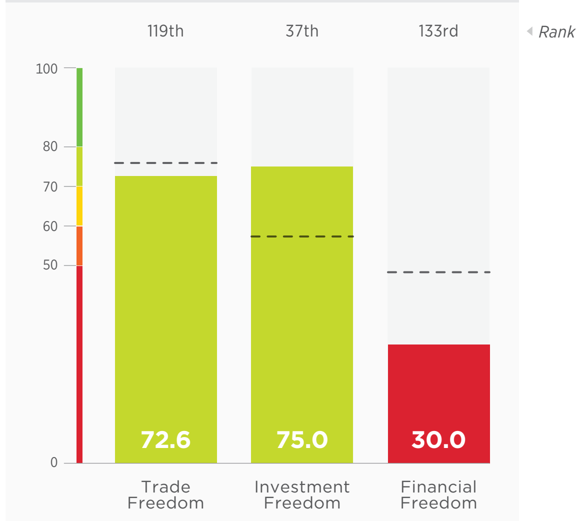


The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 23.6 percent of total domestic income. Government spending has amounted to 32.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 82.4 percent of GDP.

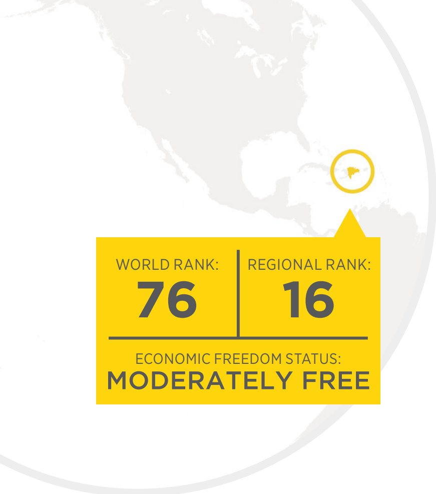
REGULATORY EFFICIENCY

Dominica has made progress in eliminating regulatory bottlenecks and reducing the overall cost of conducting business. The nonsalary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. An ongoing and comprehensive government restructuring of the economy to meet IMF requirements, including elimination of price controls, has been underway for more than a decade.

OPEN MARKETS



Trade is important to Dominica's economy; the value of exports and imports taken together equals 81 percent of GDP. The average applied tariff rate is 8.7 percent. Foreign investment may be screened by the government. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit and undercut prospects for faster economic development.



WORLD RANK: **76**

REGIONAL RANK: **16**

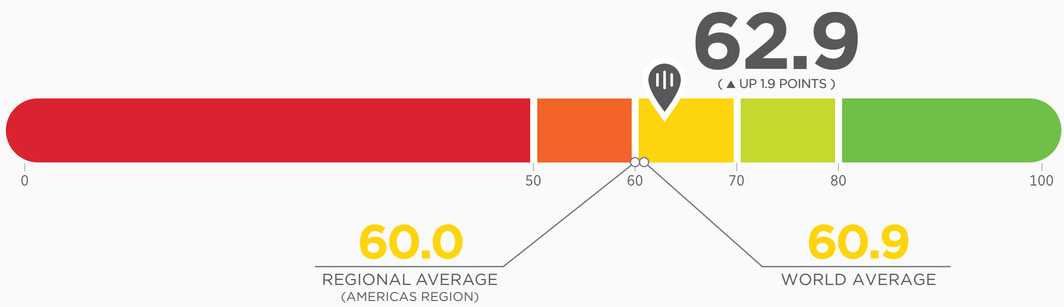
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

DOMINICAN REPUBLIC

Wide-ranging reforms have led to some progress in regulatory efficiency, enhancing the Dominican Republic's entrepreneurial environment. Gradual economic diversification has strengthened resilience to external shocks. A relatively high degree of openness to global trade has aided the ongoing transition to a modern and competitive economic system, and modest tax rates have encouraged competitiveness.

The Dominican Republic's record on institutional reform has been uneven, and more vibrant economic growth is constrained by structural weaknesses that continue to undercut some of the four pillars of economic freedom. The rule of law is not strongly sustained by the judicial system, particularly because of growing corruption that undermines government integrity and judicial effectiveness.

ECONOMIC FREEDOM SCORE

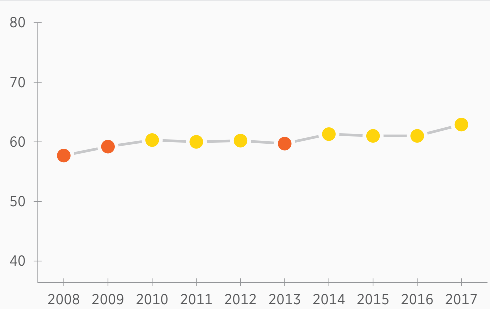


NOTABLE SUCCESSES:
Trade Freedom and Investment Freedom

CONCERNS:
Property Rights, Judicial Effectiveness, and Government Integrity

OVERALL SCORE CHANGE SINCE 2013:
+3.2

FREEDOM TREND



QUICK FACTS

POPULATION:
10.8 million

GDP (PPP):
$149.7 billion
7.0% growth in 2015
5-year compound annual growth 4.9%
$14,984 per capita

UNEMPLOYMENT:
14.4%

INFLATION (CPI):
0.8%

FDI INFLOW:
$2.2 billion

PUBLIC DEBT:
34.3% of GDP

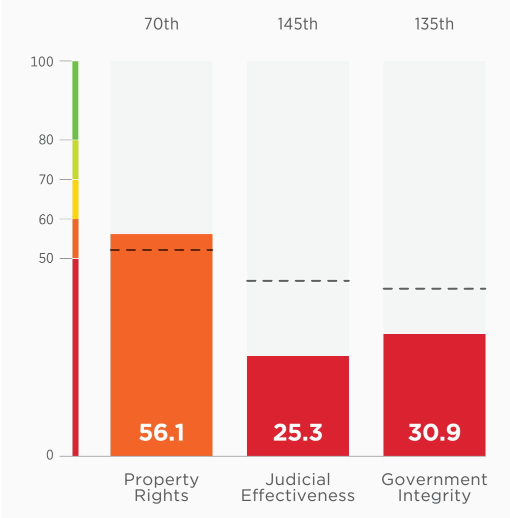
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Dominican Republic has long been viewed primarily as an exporter of sugar, coffee, and tobacco. After its two principal parties entered into an agreement to cooperate and support common candidates, President Danilo Medina of the center-right Dominican Liberation Party took office for a second four-year term in August 2016, and his party retained majority control of Congress. Journalists face intimidation and violence when investigating such issues as drug trafficking and corruption. In recent years, growth driven by mining activity and such service-based sectors as tourism and finance has made the economy one of the most vibrant in the Caribbean.

KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | DOMINICAN REPUBLIC

RULE OF LAW

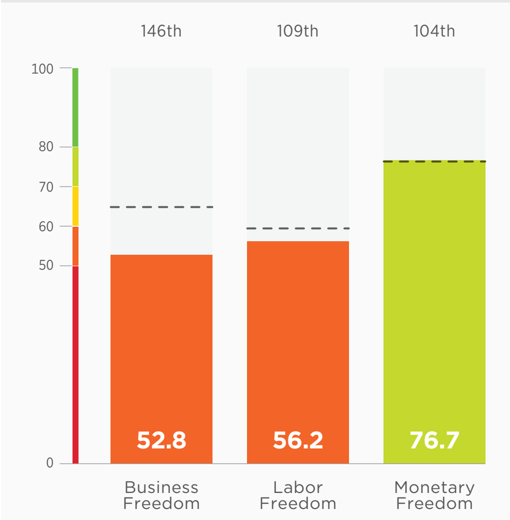


Private property rights are respected, although enforcement of intellectual property rights is poor. Despite the increasing independence of the judiciary, instances of political influence in decision-making are still evident. Corruption is a serious systemic problem at all levels of the government, the judiciary, the security forces, and the private sector. Institutionalized graft is linked to significant levels of narco-trafficking.

GOVERNMENT SIZE

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 13.8 percent of total domestic income. Government spending has amounted to 18.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 34.3 percent of GDP.

REGULATORY EFFICIENCY



The cost of completing licensing requirements has been reduced, and the process for launching a business has been streamlined. The nonsalary cost of employing a worker is moderate, but restrictions on work hours are rigid. The Medina government still funds electricity subsidies that are estimated at approximately 2 percent of GDP and has yet to push forward with energy-sector reforms.

OPEN MARKETS

Trade is important to the Dominican Republic's economy; the value of exports and imports taken together equals 54 percent of GDP. The average applied tariff rate is 6.5 percent. In general, the government does not discriminate against or screen foreign investment. The small financial sector has been consolidated, but confidence in banking has been unsteady. Capital markets are underdeveloped, and long-term financing is hard to obtain.

WORLD RANK: **160**

REGIONAL RANK: **28**

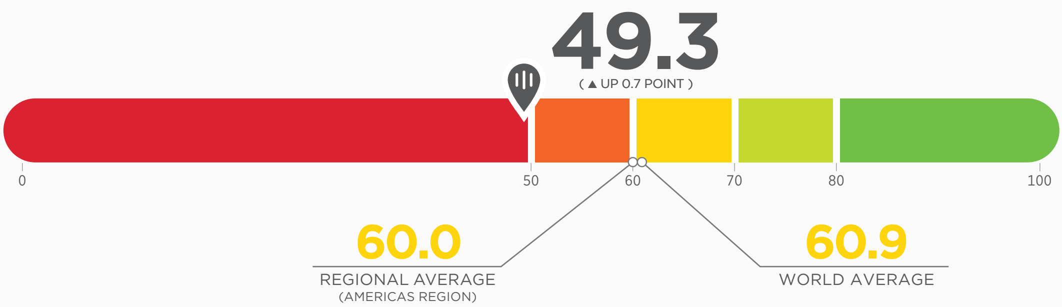
ECONOMIC FREEDOM STATUS: **REPRESSED**

ECUADOR

Ecuador's government continues to expand its reach into economic sectors beyond the petroleum industry. Pervasive corruption undermines the rule of law and weakens property rights. The private sector is struggling to operate and compete with the growing public sector in what has become a restrictive entrepreneurial environment.

Private investment has shrunk as costly regulations and uncertainty have made planning for expansion more difficult. The trade regime has become more restrictive, reducing competition and eroding productivity. Ecuador's underdeveloped and state-controlled financial sector limits access to credit and adds costs for entrepreneurs. The overall investment climate has become uncertain as the government's economic policies continue to evolve rapidly in a repressive political environment.

ECONOMIC FREEDOM SCORE

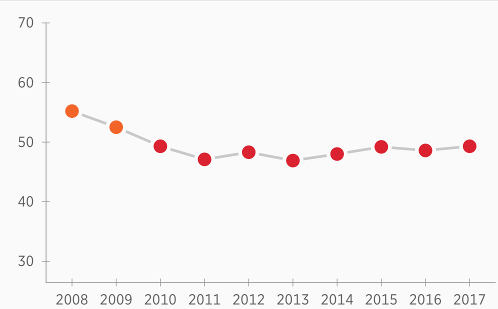


NOTABLE SUCCESSES:
Monetary Stability

CONCERNS:
Rule of Law, Investment Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+2.4

FREEDOM TREND



QUICK FACTS

POPULATION:
16.3 million

GDP (PPP):
$183.4 billion
0.0% growth in 2015
5-year compound annual growth 4.4%
$11,264 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
4.0%

FDI INFLOW:
$1.1 billion

PUBLIC DEBT:
34.5% of GDP

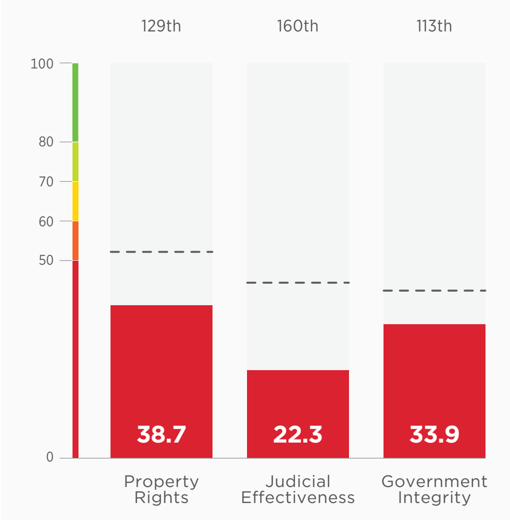
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: President Rafael Correa, reelected to an unprecedented third term in 2013, is laying the groundwork to run again in 2017 and appears to hope to remain president indefinitely. The world's largest banana exporter, Ecuador belongs to the socialist, Venezuela-led Alliance for the Peoples of Our America (ALBA). The judiciary is not independent, and the Inter-American Human Rights Commission has criticized Correa's government for restricting freedom of the press. Ecuador continues to be a major narco-trafficking transit country. Its dollarized economy depends substantially on its petroleum resources, which have accounted for more than half of export earnings and approximately one-quarter of public-sector revenues in recent years.

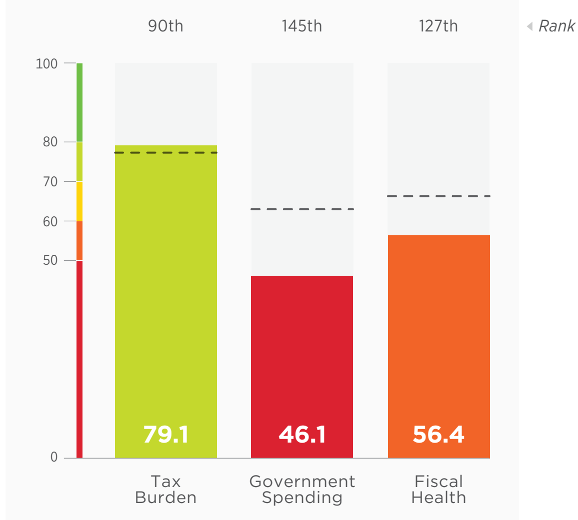
KEY: — — WORLD AVERAGE

12 ECONOMIC FREEDOMS | ECUADOR

RULE OF LAW



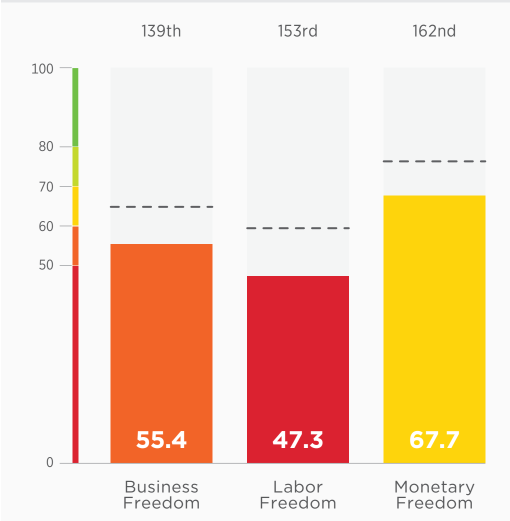
GOVERNMENT SIZE



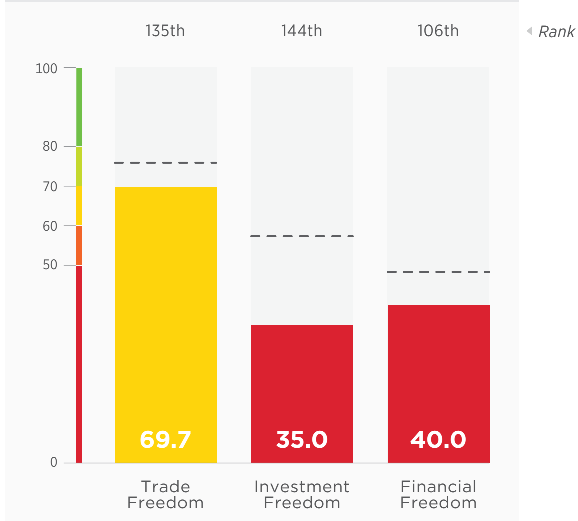
Protection of property rights is weak, and violation of intellectual property rights has been decriminalized altogether. A weak judiciary and lack of investigative capacity contribute to an environment of impunity. Some judges accept bribes for favorable decisions and faster resolution of legal cases. Persistent corruption is fueled in part by cronyism and government persecution of media investigative reporters.

The top personal income tax rate is 35 percent, and the corporate tax rate is 22 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 19.6 percent of total domestic income. Government spending has amounted to 42.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 34.5 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The regulatory complexity resulting from inconsistent application of existing commercial laws increases the cost of conducting business. Cumbersome labor regulations inhibit dynamic expansion of employment opportunities and foster the informal labor market. Although dollarization generates a modicum of monetary stability, the government continues to impose price controls and fund subsidies.

Trade is moderately important to Ecuador's economy; the value of exports and imports taken together equals 45 percent of GDP. The average applied tariff rate is 5.2 percent. Nontariff barriers interfere with trade, and state-owned enterprises distort the economy. The financial sector remains poorly developed. The number of nonperforming loans has been rising, and state interference in banking has expanded.

EL SALVADOR

WORLD RANK: **66**

REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

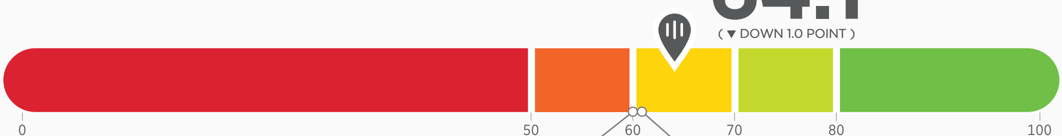
El Salvador's economy, once considered to be among the region's most promising, has been suffering from a gradual decline in economic freedom. Institutional weaknesses continue to slow development, and judicial independence and the rule of law have eroded in recent years. Government interference in the private sector has increased, with populist spending measures and price controls further distorting markets.

Open-market policies that support El Salvador's engagement with the world through trade and investment are still largely in place, but overall competitiveness is increasingly constrained by chronic fiscal deficits and regulatory inefficiency. A growing perception of corruption has undermined popular trust in government.

ECONOMIC FREEDOM SCORE

64.1

(▼ DOWN 1.0 POINT)



60.0 REGIONAL AVERAGE (AMERICAS REGION)

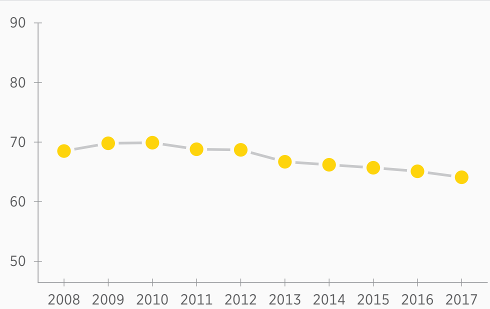
60.9 WORLD AVERAGE

NOTABLE SUCCESSES: Trade Freedom and Monetary Stability

CONCERNS: Property Rights, Judicial Effectiveness, and Government Integrity

OVERALL SCORE CHANGE SINCE 2013: –2.6

FREEDOM TREND



QUICK FACTS

POPULATION:
6.4 million

GDP (PPP):
$52.9 billion
2.4% growth in 2015
5-year compound annual growth 2.1%
$8,303 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
–0.7%

FDI INFLOW:
$428.7 million

PUBLIC DEBT:
58.9% of GDP

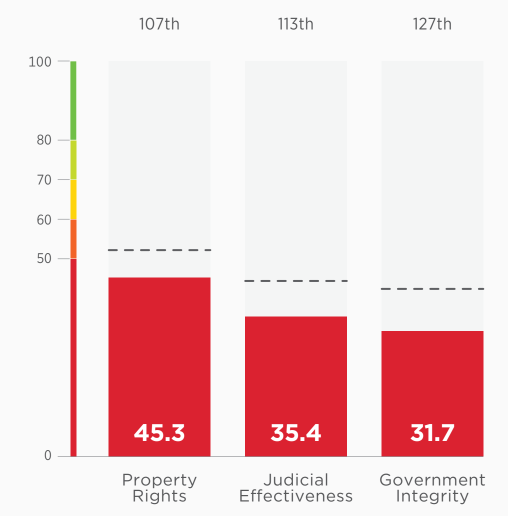
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Since 2009, governments of the leftist Farabundo Martí National Liberation Front have increased the state's role in the economy and strengthened their alliance with the socialist, Venezuela-led Alliance for the Peoples of Our America (ALBA). The term of the current president, Salvador Sánchez Cerén, will end in 2019. He has pursued relatively moderate policies but has lost popularity as a result of anemic economic growth, weak government effectiveness, a surge in violence and drug trafficking, and rising gang-related homicides. The economy relies on exports of coffee, sugar, textiles and apparel, gold, ethanol, chemicals, and the assembly of intermediate goods. Remittances account for nearly one-fifth of GDP.

KEY: – – WORLD AVERAGE

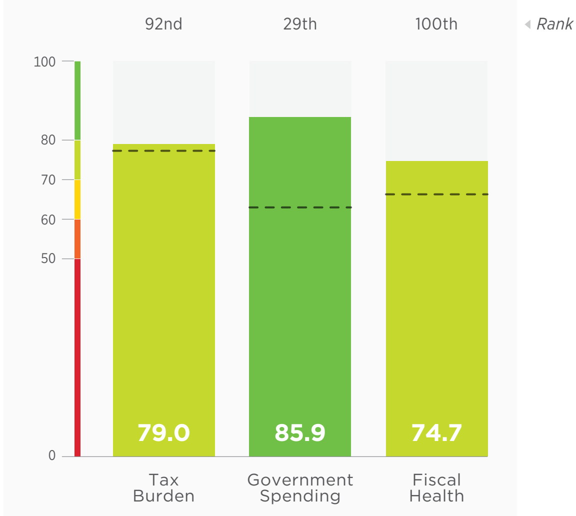
12 ECONOMIC FREEDOMS | EL SALVADOR

RULE OF LAW



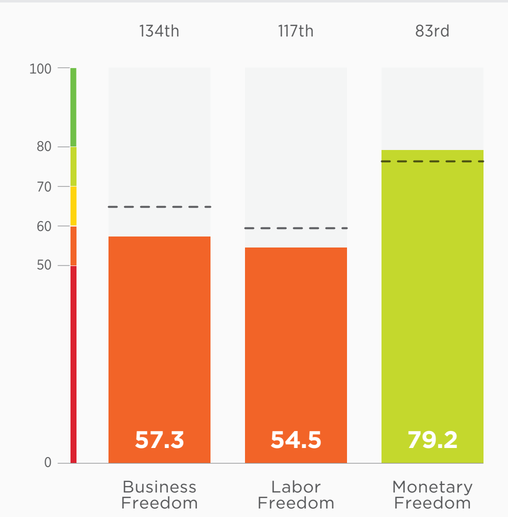
Property rights are not strongly respected, and enforcement efforts to protect them are uneven. No single natural or legal person can own more than 245 hectares (605 acres) of land. Substantial corruption in the judicial system contributes to a high level of impunity, undermining the rule of law and the public's respect for the judiciary. Narcotics-related corruption within El Salvador's political system remains a serious problem.

GOVERNMENT SIZE



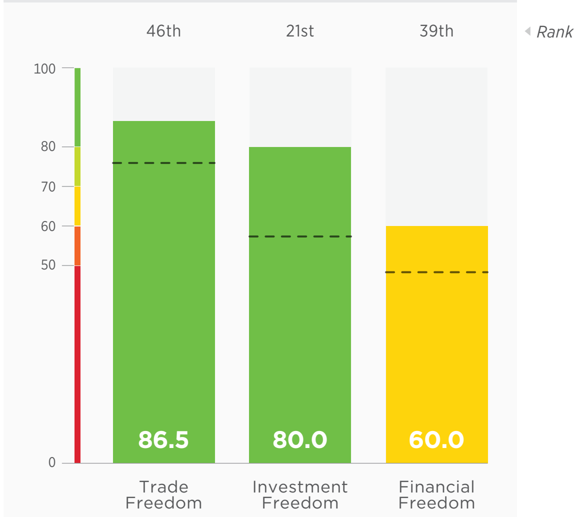
The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 17.3 percent of total domestic income. Government spending has amounted to 21.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.4 percent of GDP. Public debt is equivalent to 58.9 percent of GDP.

REGULATORY EFFICIENCY



Despite some progress, regulations are enforced inconsistently. The inefficient labor market lacks flexibility, and imbalances persist in the demand for and supply of skilled workers. The government imposes price controls on a range of goods and services. In its report on El Salvador's fiscal deficit in 2016, the IMF noted the government's failure to reform poorly targeted subsidies, especially for electricity, liquefied petroleum gas, and transportation.

OPEN MARKETS



Trade is important to El Salvador's economy; the value of exports and imports taken together equals 68 percent of GDP. The average applied tariff rate is 1.8 percent. In general, foreign and domestic investors are treated equally, and there is no screening of foreign investment. Banking is highly concentrated, with four private banks accounting for over 70 percent of total assets.

GUATEMALA

WORLD RANK: **74**

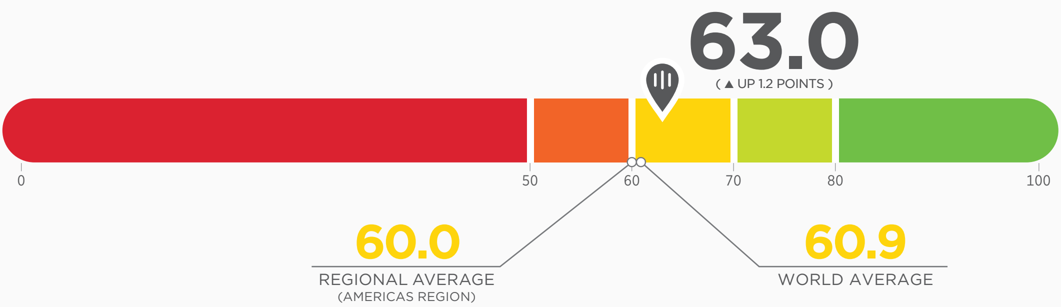
REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Policy failures and structural inadequacies continue to hinder broad-based economic growth in Guatemala. The government's fiscal deficits remain contained, but efforts to improve management of public finance and government effectiveness have had little impact, and the inefficient public sector continues to undermine private-sector development. More than half of the population lives below the national poverty line, and almost 40 percent of the indigenous population lives in extreme poverty.

Long-standing constraints on Guatemala's economic freedom include widespread government corruption and fragile protection of property rights under the weak rule of law. Lack of access to long-term financing is a significant impediment to business development and job growth.

ECONOMIC FREEDOM SCORE

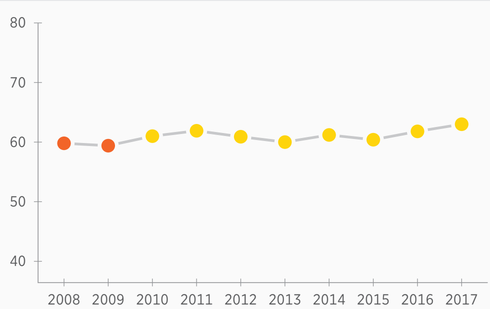


NOTABLE SUCCESSES: Trade Freedom and Monetary Stability

CONCERNS: Rule of Law, Labor Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013: +3.0

FREEDOM TREND



QUICK FACTS

POPULATION:
16.3 million

GDP (PPP):
$125.9 billion
4.0% growth in 2015
5-year compound annual growth 3.8%
$7,738 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
2.4%

FDI INFLOW:
$1.2 billion

PUBLIC DEBT:
24.3% of GDP

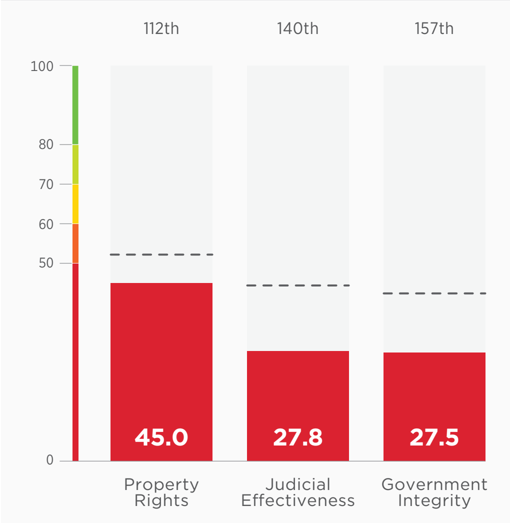
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Guatemala won its independence from Spain in 1821. A long guerrilla war that left more than 200,000 dead and led to the out-migration of about a million Guatemalans ended with a peace agreement in 1996. Since then, Guatemala has pursued important reforms and macroeconomic stabilization and has attracted foreign investment. Instability spiked anew when the rightist Patriotic Party government collapsed in November 2015. The new president, political neophyte Jimmy Morales, began his five-year term in early 2016 but has made little progress on promised improvements in health care, education, and security. Guatemala remains a major drug trafficking transit country. Gang violence continues to impede economic development.

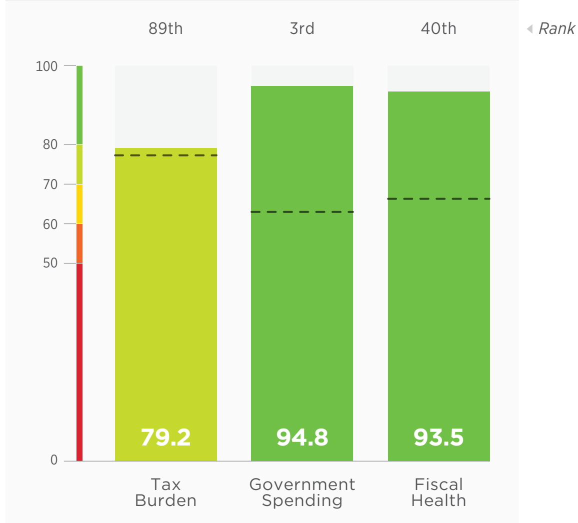
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | GUATEMALA

RULE OF LAW



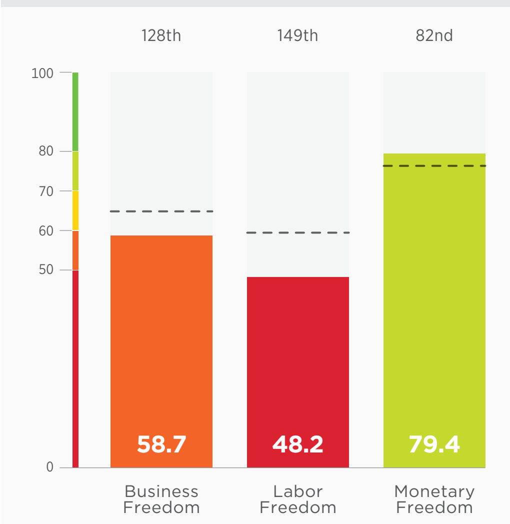
GOVERNMENT SIZE



Although the government has stepped up efforts to enforce property rights, it can be difficult to obtain and enforce eviction notices when rightful ownership is in dispute. The judiciary is hobbled by corruption, inefficiency, insufficient capacity, and the intimidation of judges and prosecutors. Widespread corruption and mismanagement remain problems, especially in the customs and tax agencies.

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 12.5 percent of total domestic income. Government spending has amounted to 13.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 24.3 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

Bureaucratic hurdles, including lengthy processes for launching a business and obtaining necessary permits, remain common. Outmoded labor regulations are rigid. A large portion of the workforce is employed in the informal sector. The state maintains few price controls but subsidizes public transport in Guatemala City, diesel fuel for trucks and buses, and electricity for low-income families.

Trade is important to Guatemala's economy; the value of exports and imports taken together equals 51 percent of GDP. The average applied tariff rate is 1.5 percent. Foreign and domestic investors are generally treated equally under the law, but the judicial and regulatory systems may discourage investment. The small financial system is dominated by bank-centered financial conglomerates. The foreign bank presence is small.

WORLD RANK: **106**

REGIONAL RANK: **23**

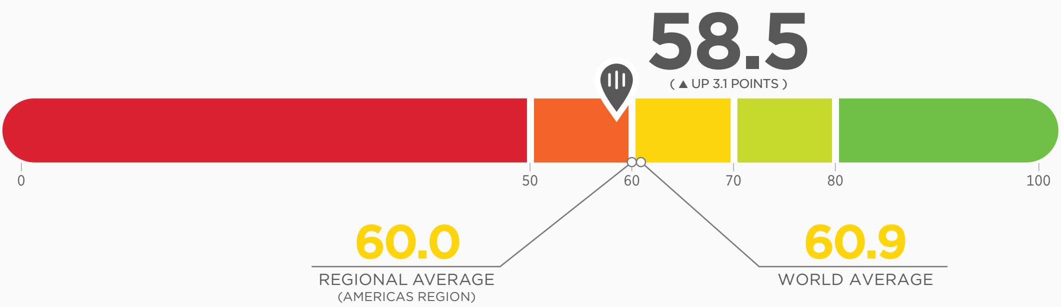
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GUYANA

Broad-based economic growth in Guyana is held back by structural weaknesses in the economy. Long-standing constraints on economic freedom include widespread corruption in government, fragile protection of property rights, and weak rule of law. Inefficient bureaucracy and significant restrictions on foreign investment continue to undermine the entrepreneurial environment.

Guyana's oversized government is an impediment to private-sector development and the achievement of sustained economic growth. Actions to improve the transparency and quality of its management of public finances have yielded mixed results. The average tariff rate has gradually decreased, but nontariff barriers continue to limit trade freedom.

ECONOMIC FREEDOM SCORE

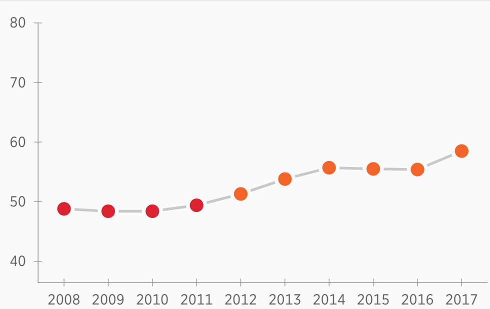


NOTABLE SUCCESSES:
Monetary Stability and Trade Freedom

CONCERNS:
Rule of Law, Investment Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+4.7

FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$5.8 billion
3.0% growth in 2015
5-year compound annual growth 4.5%
$7,509 per capita

UNEMPLOYMENT:
11.2%

INFLATION (CPI):
−0.3%

FDI INFLOW:
$121.7 million

PUBLIC DEBT:
48.8% of GDP

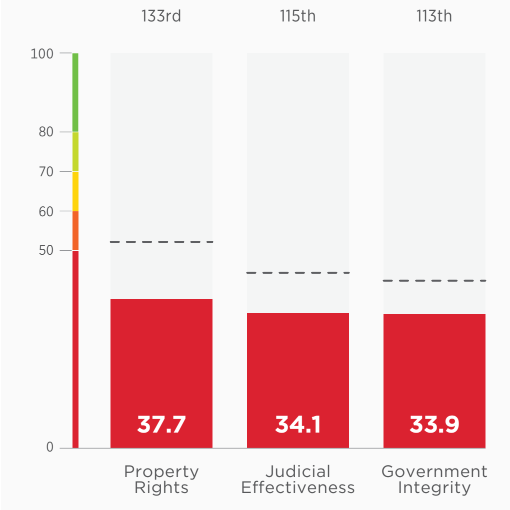
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Originally a Dutch colony, Guyana had become a British possession by 1815. The abolition of slavery led to settlement of urban areas by former slaves and the importation of indentured servants from India to work the sugar plantations. The resulting ethno-cultural divide has persisted and has led to political turbulence. Since gaining independence in 1966, Guyana has been ruled mostly by socialist-oriented governments. A multiracial coalition government led by President David Granger was elected in 2015. Political tensions between the coalition government and the formerly ruling Indo-Guyanese PPC/Civic parties eased slightly following successful local elections in March 2016. Exports of sugar, gold, bauxite, shrimp, timber, and rice represent nearly 60 percent of formal GDP.

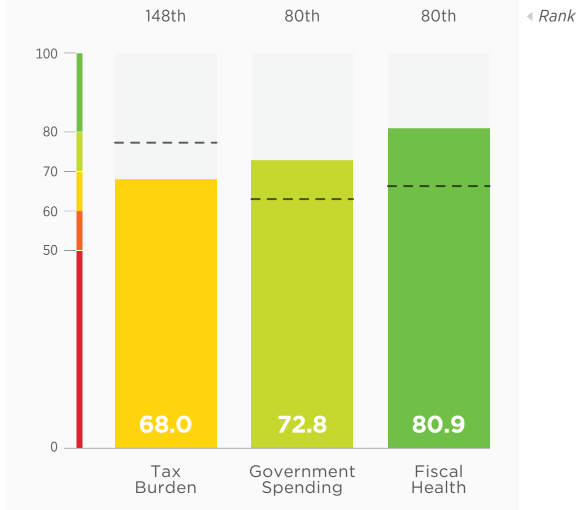
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | GUYANA

RULE OF LAW



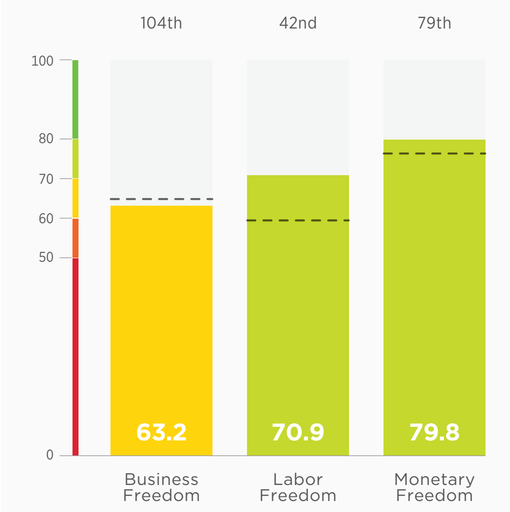
GOVERNMENT SIZE



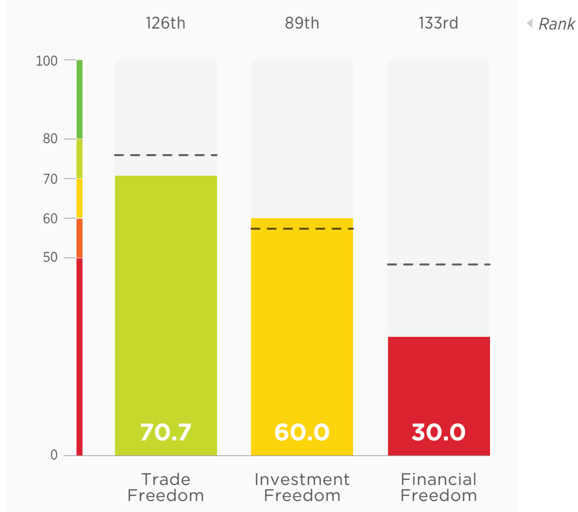
Guyana's property rights system is overly bureaucratic and complex, with regulations that are overlapping and competing, overloaded, and nontransparent. The judicial system is generally perceived as slow and ineffective in enforcing contracts or resolving disputes. There is a widespread public perception of corruption involving officials at all levels, including the police and the judiciary.

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 22.1 percent of total domestic income. Government spending has amounted to 30.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 48.8 percent of GDP.

REGULATORY EFFICIENCY

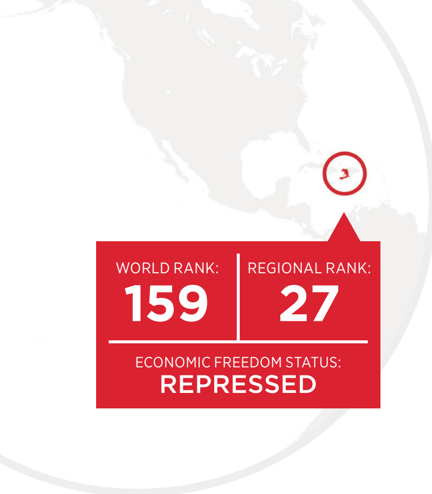


OPEN MARKETS



Enforcement of existing regulations is not always consistent, and a lack of regulatory certainty often increases the cost of doing business. Labor regulations are relatively flexible, but the size of the public sector has prevented the emergence of an efficient labor market. Government-subsidized rice used to be sold to Venezuela for rates that were higher than market rates, but by 2016, Venezuela could no longer afford to buy it.

Trade is extremely important to Guyana's economy; the value of exports and imports taken together equals 121 percent of GDP. The average applied tariff rate is 7.1 percent. In general, foreign and domestic investors are treated equally under the law. The underdeveloped financial sector continues to suffer from a poor institutional framework. Scarce access to financing remains a barrier to more dynamic entrepreneurial activity.



WORLD RANK: **159** | REGIONAL RANK: **27**

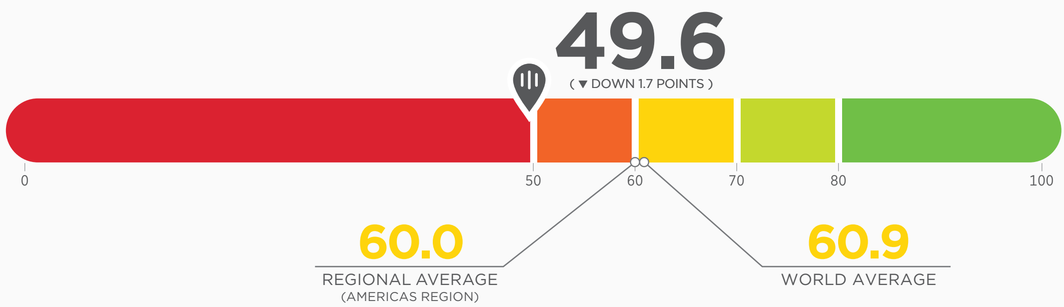
ECONOMIC FREEDOM STATUS: **REPRESSED**

HAITI

Haiti, the Western Hemisphere's poorest and most deforested country, is plagued by corruption, gang violence, drug trafficking, organized crime, and a general lack of economic opportunity. Poor economic management and crippling natural disasters have taken a terrible human and economic toll. A devastating earthquake destroyed much of the basic economic infrastructure in 2010, and more recent hurricane damage has compounded the problem. The international community has assisted in recovery and rebuilding efforts.

Haiti's institutional capacity for economic policymaking has been complicated by the absence of a stable government since February 2016. The effectiveness of public finance has been severely undermined by political volatility that further weakens an already weak rule of law.

ECONOMIC FREEDOM SCORE

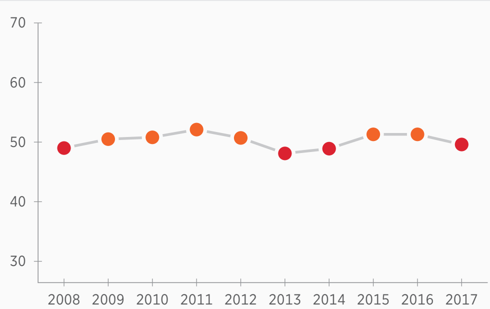


NOTABLE SUCCESSES:
Trade Freedom

CONCERNS:
Rule of Law, Investment Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+1.5

FREEDOM TREND



QUICK FACTS

POPULATION:
10.6 million

GDP (PPP):
$18.7 billion
1.0% growth in 2015
5-year compound annual growth 3.3%
$1,750 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
7.5%

FDI INFLOW:
$104.2 million

PUBLIC DEBT:
30.4% of GDP

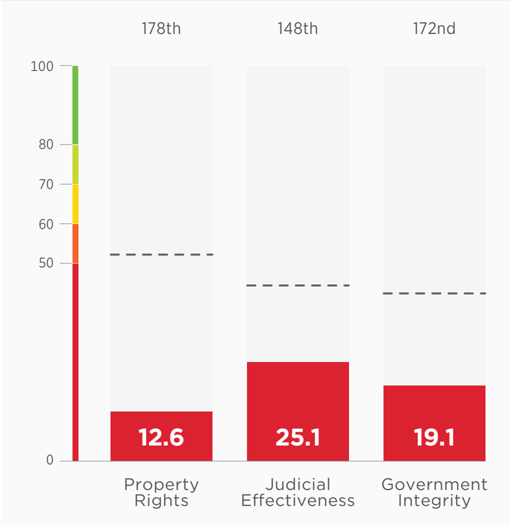
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Haiti was politically paralyzed after Michel Martelly's five-year term as president expired in February 2016 with no elected successor in place. Martelly's tenure was marked by political stalemate and fragmentation, delayed elections, and accelerating deterioration of already dysfunctional democratic institutions. After a series of interim presidents, Jovenel Moïse, a businessman, political newcomer, and Martelly protégé, was finally elected president in November 2016. Commercial and diplomatic relations with the neighboring Dominican Republic have been gridlocked since Santo Domingo began to deport tens of thousands of undocumented Dominican-born people of Haitian descent.

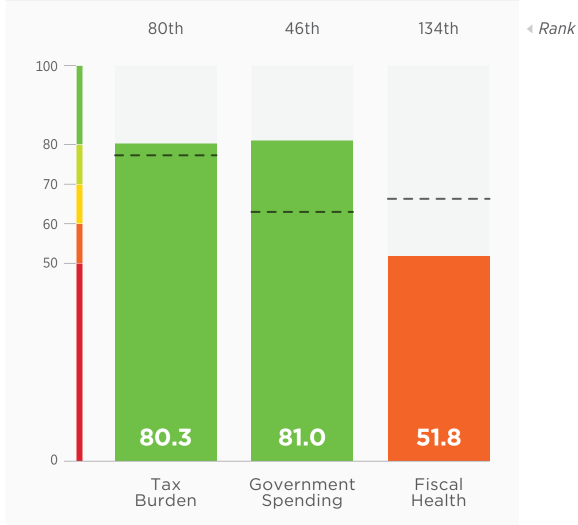
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | HAITI

RULE OF LAW



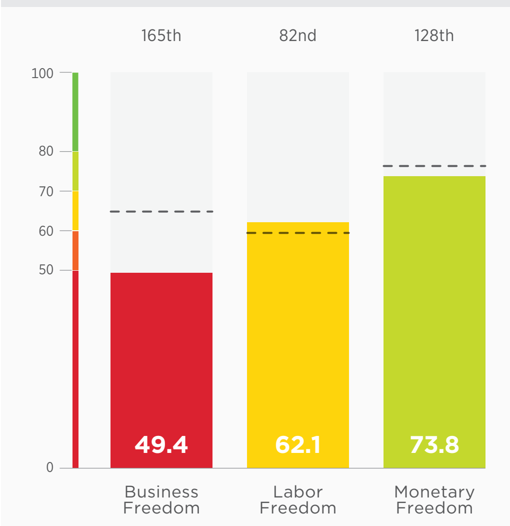
GOVERNMENT SIZE



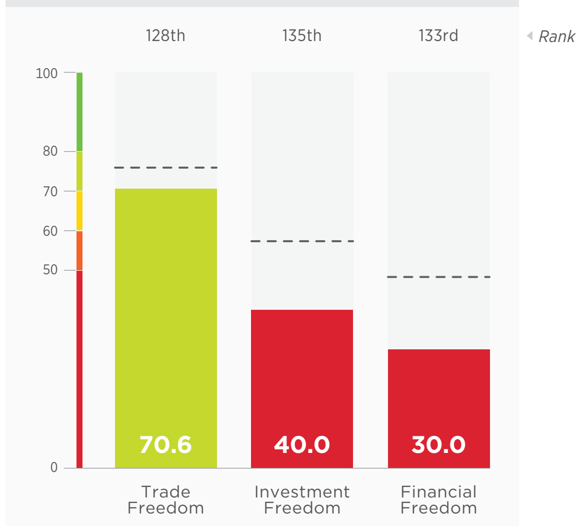
Real property interests are negatively affected by the absence of a comprehensive civil registry, and the authenticity of titles is difficult to confirm. The judicial system performs poorly because of antiquated penal and criminal procedure codes, opaque court proceedings, lack of judicial oversight, and widespread judicial corruption. There has never been a successful conviction on drug trafficking or corruption-related charges in Haitian courts.

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 equals 13.2 percent of total domestic income. Government spending has amounted to 25.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 30.4 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Political instability has hurt the business environment. A large portion of the workforce has been dependent on the informal sector. In May 2016, despite criticism that the donation could damage Haitian agriculture, the U.S. government planned to ship a million pounds of peanuts to Haiti that were produced in excess of market demand because of U.S. farm subsidies. Overall, foreign and domestic subsidies have harmed Haiti's economy.

Trade is important to Haiti's economy; the value of exports and imports taken together equals 70 percent of GDP. The average applied tariff rate is 7.2 percent. Bureaucratic barriers may discourage foreign investment. Haiti's already strained financial infrastructure has become even more fragile. Many economic transactions are conducted outside of the formal banking sector, and scarce access to financing severely hinders entrepreneurial activity.

WORLD RANK: **100**

REGIONAL RANK: **21**

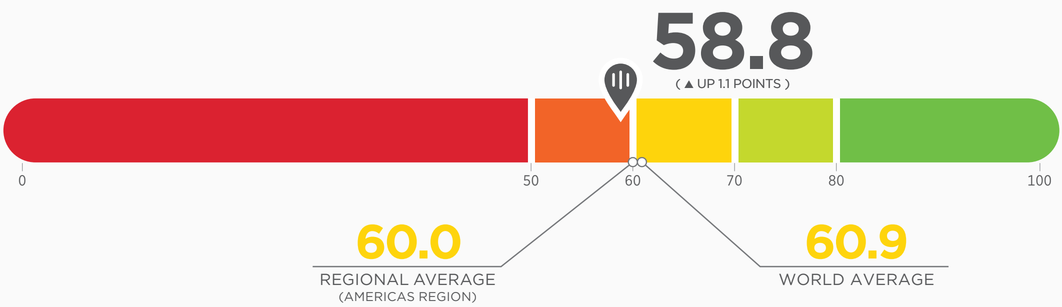
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

HONDURAS

Broader implementation of deeper institutional reforms remains critical to spurring dynamic economic growth throughout the Honduran economy. Despite the implementation of policies that aim to sustain market openness and facilitate engagement in global commerce, the overall entrepreneurial environment continues to be hurt by weak protection of property rights and political instability.

Management of public expenditures has improved in recent years. In April 2016, Congress approved a fiscal responsibility law intended to institutionalize the ongoing fiscal consolidation. Systemic corruption continues to erode the rule of law and trust in the government. Reducing severe crime and violence remains a priority.

ECONOMIC FREEDOM SCORE

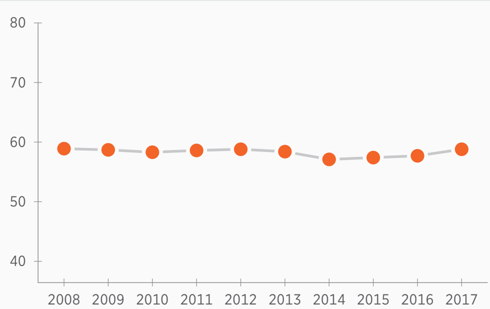


NOTABLE SUCCESSES: Trade Freedom and Monetary Stability

CONCERNS: Rule of Law, Business Freedom, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013: +0.4

FREEDOM TREND



QUICK FACTS

POPULATION:
8.4 million

GDP (PPP):
$41.1 billion
3.6% growth in 2015
5-year compound annual growth 3.5%
$4,869 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
3.2%

FDI INFLOW:
$1.2 billion

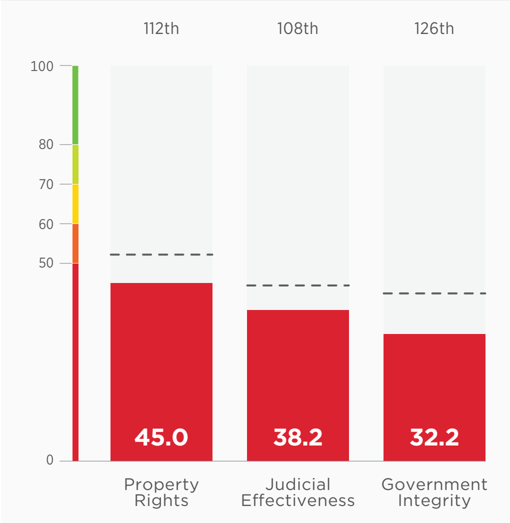
PUBLIC DEBT:
47.4% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Honduras, the second-poorest country in Central America, has one of the highest homicide rates in the world as street gangs and transnational organized criminal networks prey on communities, often in collusion with authorities. In 2015, the country's Supreme Court struck down a controversial term limit and cleared the way for President Juan Orlando Hernández to seek a second term in 2017. Hernández has promoted foreign investment and has encouraged leaders of El Salvador and Guatemala to join him in making Central America more competitive. Continuing high levels of violence, extensive narco-related money laundering, and reports of government corruption reaching the highest levels have undermined the country's international image.

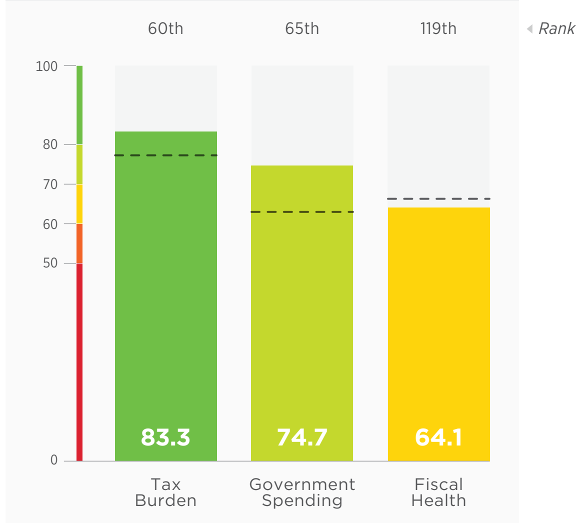
12 ECONOMIC FREEDOMS | HONDURAS

RULE OF LAW



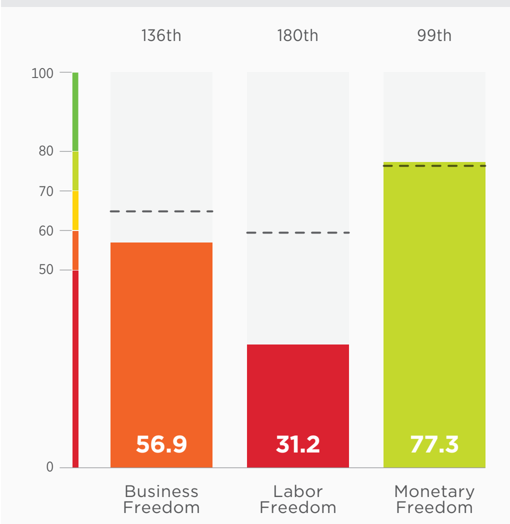
Approximately 80 percent of the privately held land in Honduras is either untitled or improperly titled. Resolution of title disputes in court often takes years, partly because of the judicial system's weakness. Rampant corruption and weak state institutions make it virtually impossible to combat threats posed by violent transnational gangs and organized criminal groups. Honduras has one of the world's highest murder rates.

GOVERNMENT SIZE



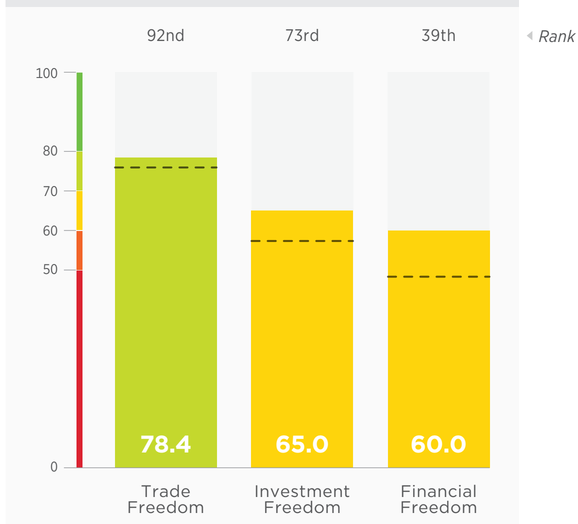
The top individual income and corporate tax rates are 25 percent (27.5 percent for corporations with an added social contribution tax). The overall tax burden equals 20.6 percent of total domestic income. Government spending has amounted to 29.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 47.4 percent of GDP.

REGULATORY EFFICIENCY



The inefficient regulatory environment does not encourage dynamic entrepreneurship, and the cost of forming a business is burdensome. Labor regulations are outmoded, and a large proportion of the labor force is dependent on the informal sector. The government is continuing to overhaul the struggling state-owned ENEE electricity utility but maintains price controls for basic food items along with water, telecommunications, and port services.

OPEN MARKETS



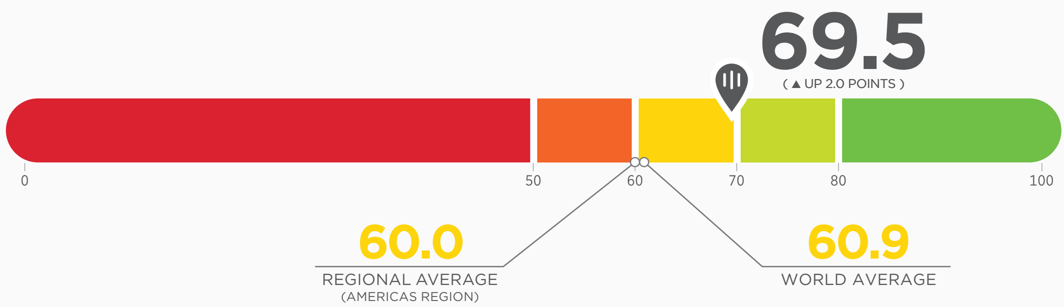
Trade is extremely important to Honduras's economy; the value of exports and imports taken together equals 109 percent of GDP. The average applied tariff rate is 5.8 percent. In general, the government does not screen or discriminate against foreign investment. The financial sector has regained stability following the liquidation of Banco Continental in late 2015. Capital markets are not fully developed.

JAMAICA

Jamaica's economy depends heavily on tourism and other service sectors. The government has struggled with balancing the budget but has reduced its crippling debt to around 120 percent of GDP. Some structural reforms and cuts in fuel and electricity subsidies in the most recent budget show the government's intent to improve its financial health.

Despite some reforms to make paying taxes easier for businesses, the government has increased stamp duty, property tax, property transfer tax, and education tax rates. Bureaucracy hinders the ability of investors and entrepreneurs to do business. Government corruption and crime also remain serious problems, undercutting the confidence and competitiveness of both businesses and individuals.

ECONOMIC FREEDOM SCORE

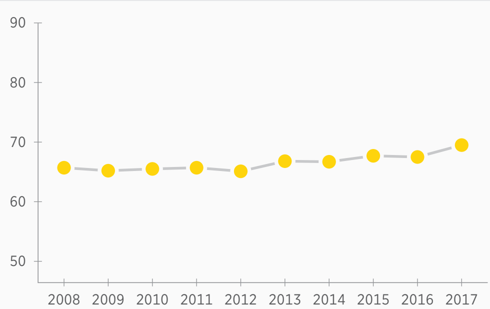


NOTABLE SUCCESSES:
Trade Freedom and Monetary Stability

CONCERNS:
Rule of Law and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+2.7

FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
$24.6 billion
1.1% growth in 2015
5-year compound annual growth 0.5%
$8,759 per capita

UNEMPLOYMENT:
13.7%

INFLATION (CPI):
4.7%

FDI INFLOW:
$794.5 million

PUBLIC DEBT:
124.3% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Jamaica gained full independence from the United Kingdom in 1962. Deteriorating economic conditions during the 1970s led to recurrent violence as rival gangs affiliated with the major political parties evolved into powerful and still active organized crime networks that are involved in international drug smuggling and money laundering. Prime Minister Andrew Holness's center-left Jamaica Labour Party narrowly won election in February 2016. Once a major sugar producer, Jamaica is now a net sugar importer, and services account for more than 70 percent of GDP. Most foreign exchange comes from remittances, tourism, and bauxite. Agricultural production rebounded in 2016, primarily due to more favorable weather conditions.

KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | JAMAICA

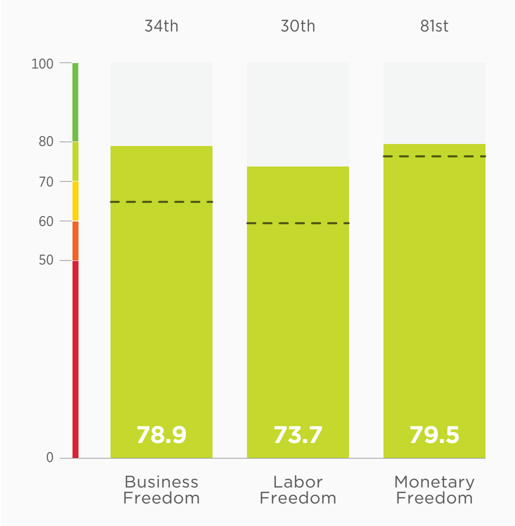
RULE OF LAW

The government has increased the percentage of land with clear title, but much remains to be done; squatters make up nearly 20 percent of the population. The inefficient legal system weakens the security of property rights and the rule of law. Long-standing ties between elected representatives and organized criminals allow some gangs to operate with impunity, contributing to high levels of corruption and crime.

GOVERNMENT SIZE

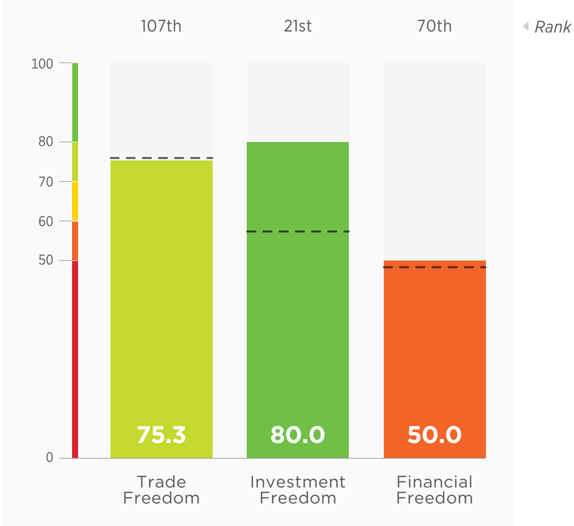
Jamaica's top individual and corporate income tax rates are 25 percent. Other taxes include a property transfer tax and a general consumption tax. The overall tax burden equals 25.5 percent of total domestic income. Government spending has amounted to 27.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 124.3 percent of GDP.

REGULATORY EFFICIENCY

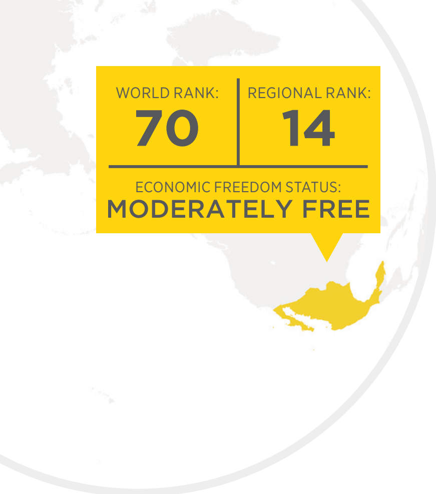


The overall process for obtaining licenses and starting a business has been streamlined, and enforcement of the commercial code is relatively strong. The nonsalary cost of employing a worker is moderate, but dismissing an employee is costly. Regulations on work hours are flexible. In May 2016, the new government presented its first budget, which included significant cuts in subsidies for fuels and electricity.

OPEN MARKETS



Trade is important to Jamaica's economy; the value of exports and imports taken together equals 77 percent of GDP. The average applied tariff rate is 7.3 percent. Jamaica is relatively open to foreign investment, but state-owned enterprises distort the economy. Restoring stability in the financial sector has enabled Jamaica to regain access to the international financial market, but high financing costs continue to hamper private-sector growth.

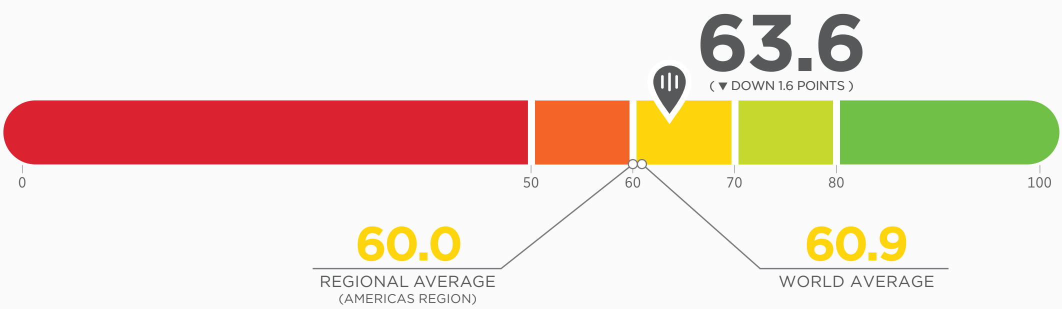


MEXICO

Prudent fiscal and monetary policies have enhanced Mexico's macroeconomic performance. The pace of change has accelerated in recent years as previously unthinkable structural reforms have been adopted in parts of the economy that include the energy and telecommunications sectors. The regulation of commercial operations has become more streamlined, and business formation is relatively easy.

However, lingering constraints on achieving even more dynamic economic expansion are numerous, including the lack of competition in the domestic market, labor market rigidity, institutional shortcomings within the judicial system, and limited progress in curbing high levels of crime. Corruption is a continuing problem.

ECONOMIC FREEDOM SCORE

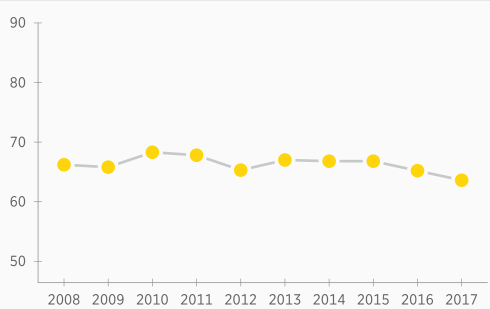


NOTABLE SUCCESSES:
Trade Freedom, Monetary Stability, and Investment Freedom

CONCERNS:
Rule of Law, Labor Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
–3.4

FREEDOM TREND



QUICK FACTS

POPULATION:
121.1 million

GDP (PPP):
$2.2 trillion
2.5% growth in 2015
5-year compound annual growth 2.8%
$17,534 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
2.7%

FDI INFLOW:
$30.3 billion

PUBLIC DEBT:
54.0% of GDP

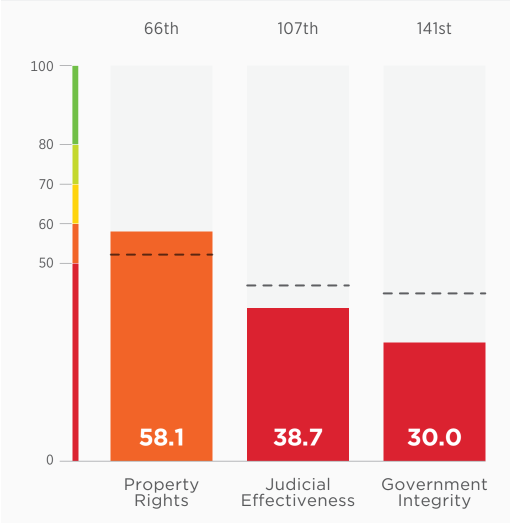
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Mexico has the largest Spanish-speaking population of any country in the world. Following the 1910 Mexican Revolution, the center-left Institutional Revolutionary Party (PRI) governed the country unchallenged for decades until its defeat by the center-right National Action Party in 2000. The PRI regained the presidency in 2012 with the election of current President Enrique Peña Nieto, whose single six-year term of office runs through 2018. After pushing through most of his ambitious structural reform agenda in 2013–2014, Peña Nieto has focused on implementation and on boosting sluggish growth. Rising drug-related crime has resulted in homicides, and widespread corruption has increased public dissatisfaction about the effectiveness of anticorruption efforts by weak government institutions.

KEY: – – WORLD AVERAGE

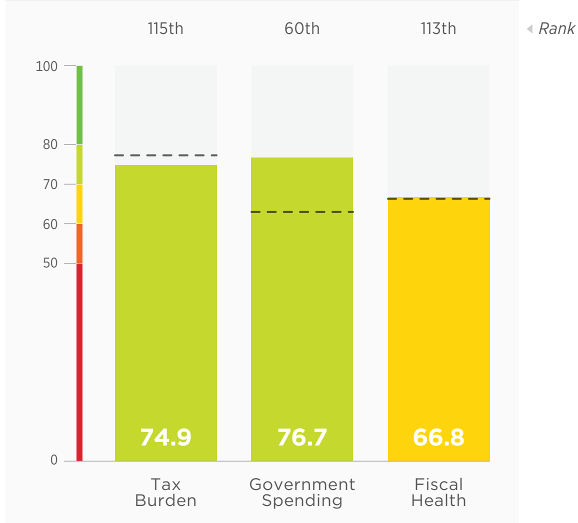
12 ECONOMIC FREEDOMS | MEXICO

RULE OF LAW



In 2016, Freedom House reported that property rights in Mexico are protected by a modern legal framework but that the weakness of the judicial system, frequent solicitation of bribes by bureaucrats and officials, widespread impunity, and the high incidence of extortion harm security of property for many individuals and businesses. Corruption, deeply embedded culturally, is pervasive and fed by billions of narco-dollars. Drug-related crime has risen.

GOVERNMENT SIZE



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 19.7 percent of total domestic income. Government spending has amounted to 27.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 54.0 percent of GDP.

REGULATORY EFFICIENCY

There is no minimum capital requirement for launching a business, but completion of necessary licensing requirements remains costly. Rigid labor laws continue to give incentives for small companies to operate outside the formal sector, making the hiring and dismissing of employees costly. Mexico maintained no formal price controls as of mid-2016, although the government does set price recommendations for pharmaceuticals.

OPEN MARKETS

Trade is important to Mexico's economy; the value of exports and imports taken together equals 73 percent of GDP. The average applied tariff rate is 5.0 percent. Mexico participates in numerous free-trade agreements. The state-owned oil company has begun to accept foreign investment. The financial sector is competitive and open. The banking system remains relatively well capitalized, and foreign participation has grown.

WORLD RANK: 98

REGIONAL RANK: 20

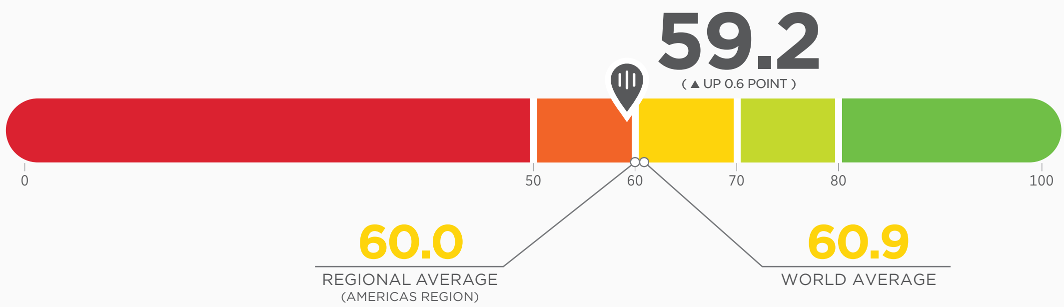
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

NICARAGUA

Nicaragua's efforts to improve macroeconomic stability and enhance economic growth have been modest. Relatively well-controlled government spending has strengthened the management of public finance, but inefficiency and uncertainty in such other key policy areas as the regulatory and investment frameworks have impeded dynamic growth.

Overall, Nicaragua's structural reform effort has been sluggish, and privatization has stalled. Significant state interference in the economy through state-owned enterprises or inconsistent regulatory administration introduces uncertainty into the market. Institutional weaknesses persist in protection of property rights and combating corruption. The inefficient judicial system enforces contracts inconsistently and is subject to political interference.

ECONOMIC FREEDOM SCORE

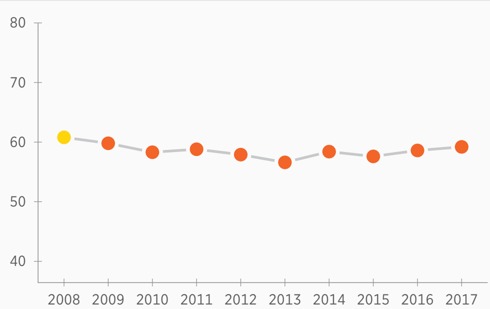


NOTABLE SUCCESSES:
Trade Freedom

CONCERNS:
Rule of Law, Regulatory Efficiency, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+2.6

FREEDOM TREND



QUICK FACTS

POPULATION:
6.3 million

GDP (PPP):
$31.1 billion
4.5% growth in 2015
5-year compound annual growth 5.0%
$4,997 per capita

UNEMPLOYMENT:
6.0%

INFLATION (CPI):
4.0%

FDI INFLOW:
$835.0 million

PUBLIC DEBT:
31.2% of GDP

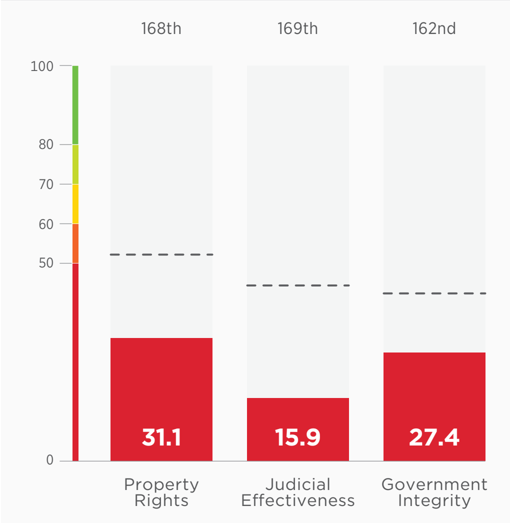
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: In the late 1970s, the Sandinista National Liberation Front, led by Daniel Ortega, overthrew the authoritarian Somoza political dynasty. Ortega became de facto ruler of a provisional FSLN-led government before free and fair elections in 1990, 1996, and 2001. Ortega lost all of these elections but was finally elected to a five-year presidential term with 38 percent of the vote in 2006. Since then, he has been reelected twice and has engineered constitutional changes that may permit him to retain power indefinitely. Despite his revolutionary rhetoric, Ortega has governed fairly pragmatically, accepting billions in subsidized oil shipments from Venezuela while embracing the U.S.–Central America–Dominican Republic Free Trade Agreement.

KEY: – – WORLD AVERAGE

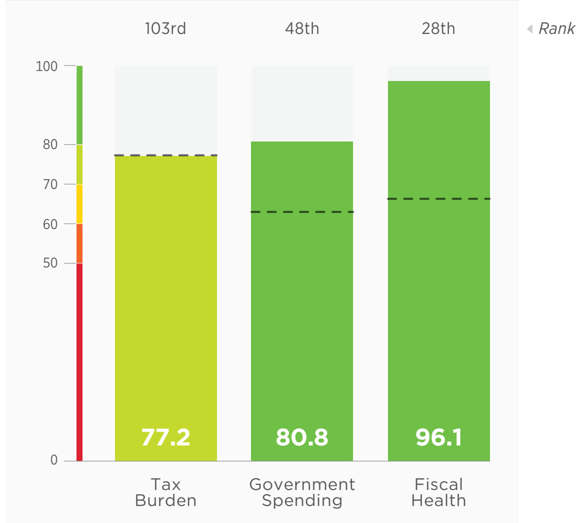
12 ECONOMIC FREEDOMS | NICARAGUA

RULE OF LAW



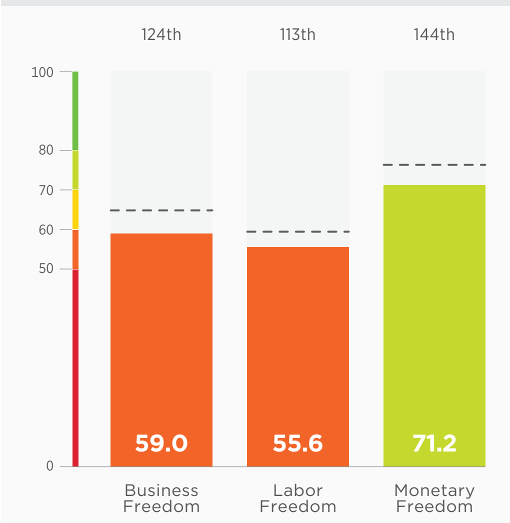
Private property rights are not protected effectively, especially for foreign investors, and contracts are not always secure. The judicial system suffers from corruption and long delays, and the politicized Supreme Court is controlled by Sandinista judges. Bribery of public officials remains a major challenge. The authoritarian and open-ended rule by President Daniel Ortega and his family is the greatest threat to the rule of law.

GOVERNMENT SIZE



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 21.9 percent of total domestic income. Government spending has amounted to 25.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 31.2 percent of GDP.

REGULATORY EFFICIENCY



The regulatory system lacks both transparency and clarity. The lack of employment opportunities has caused chronic underemployment. The state regulates and heavily subsidizes the energy and water sectors. The Ortega government was able to consolidate power partly because of the inflows of hundreds of millions of dollars of Venezuelan PetroCaribe oil subsidies.

OPEN MARKETS

Trade is important to Nicaragua's economy; the value of exports and imports taken together equals 93 percent of GDP. The average applied tariff rate is 2.0 percent. The judicial and regulatory systems impede foreign investment, and state-owned enterprises distort the economy. Inadequate levels of financing reflect the low level of financial intermediation in the economy and continue to undermine private-sector growth.

WORLD RANK: **54**

REGIONAL RANK: **8**

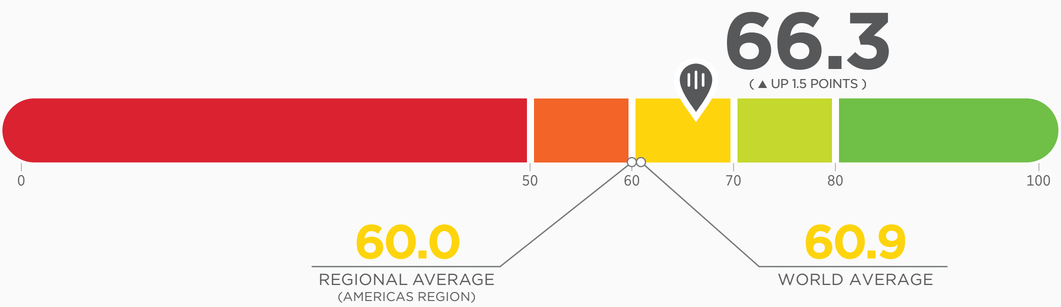
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

PANAMA

Panama has been working to expand trade by exploring entry into the Pacific Alliance and negotiating a trade agreement with South Korea. Reforms such as simplification of business start-ups and reduction of the corporate tax rate have contributed to economic growth.

Following the April 2016 Panama Papers scandal, the government reaffirmed its commitment to implementing anti–money laundering reforms. Despite this, persistent corruption continues to undermine the rule of law. Although economic growth has been strong in recent years, its benefits have not been felt by the entire population. More than 25 percent of Panamanians in rural areas live in extreme poverty.

ECONOMIC FREEDOM SCORE

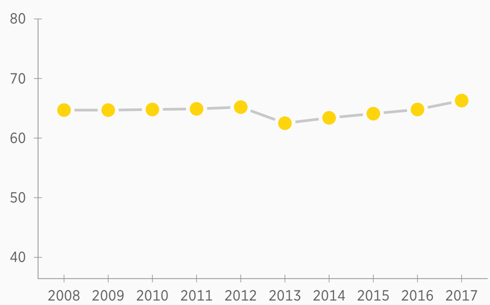


NOTABLE SUCCESSES:
Open Markets and Business Freedom

CONCERNS:
Judicial Effectiveness, Government Integrity, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
+3.8

FREEDOM TREND



QUICK FACTS

POPULATION:
4.0 million

GDP (PPP):
$87.2 billion
5.8% growth in 2015
5-year compound annual growth 7.9%
$21,765 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
0.1%

FDI INFLOW:
$5.0 billion

PUBLIC DEBT:
38.8% of GDP

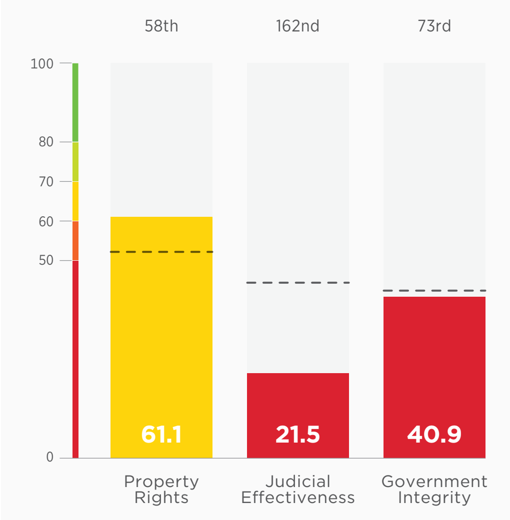
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Panama's isthmian canal in Central America connecting the Caribbean and the Pacific Ocean has been a vital conduit for global commerce since it opened in 1914. In 2016, an ambitious expansion project was completed that more than doubles the canal's capacity. President Juan Carlos Varela began his single five-year term in 2014. His popularity has waned, however, in the wake of negative fallout from publication of the Panama Papers, sanctions by the U.S. government in May 2016 related to an extensive drug money-laundering network based in Panama, and a deadly outbreak of swine flu in June 2016. Panama's U.S. dollar-based economy rests primarily on a well-developed services sector.

KEY: – – WORLD AVERAGE

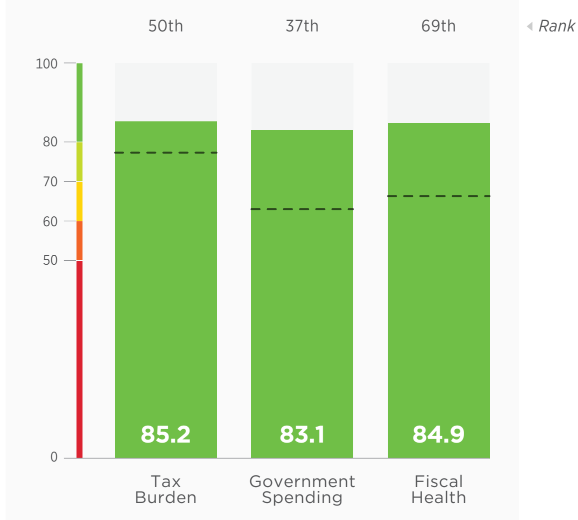
12 ECONOMIC FREEDOMS | PANAMA

RULE OF LAW



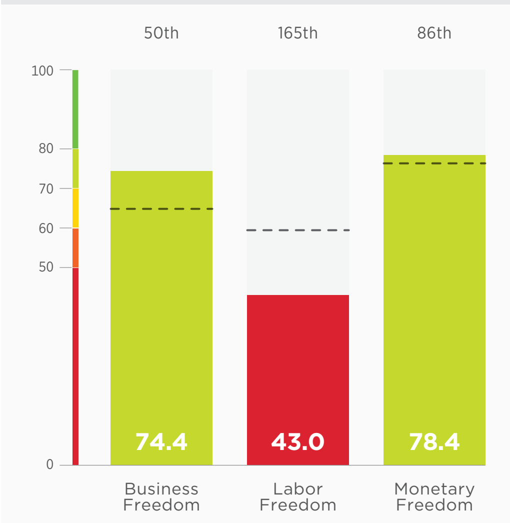
Panama's weak capacity to resolve contractual and property disputes is illustrated by its low rating for judicial independence (119th out of 140 countries) in the World Economic Forum's 2015–2016 *Global Competitiveness Report*. Corruption is widespread, especially in the security services, customs, and justice system. The Panama Papers scandal tarnished the current president politically, and his predecessor is being investigated for corruption.

GOVERNMENT SIZE



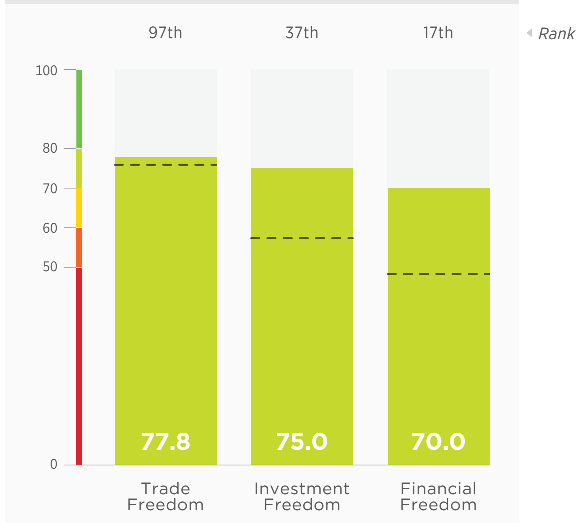
The top personal income and corporate tax rates are 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 15.2 percent of total domestic income. Government spending has amounted to 23.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 38.8 percent of GDP.

REGULATORY EFFICIENCY



The overall freedom to form and operate a business is relatively well protected within an efficient regulatory environment. The labor market lacks flexibility, and the nonsalary cost of hiring a worker is relatively high. About 75 percent of subsidies to the energy sector are untargeted, and electricity subsidies have been increasing. The IMF urged Panama to end price controls on food and fuel; instead, the government extended them twice.

OPEN MARKETS



Trade is extremely important to Panama's economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 6.1 percent. In general, the government does not screen or discriminate against foreign investment. The financial sector, vibrant and generally well regulated, provides a wide range of services. Banking continues to expand, albeit slowly.

WORLD RANK: **80** | REGIONAL RANK: **17**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PARAGUAY

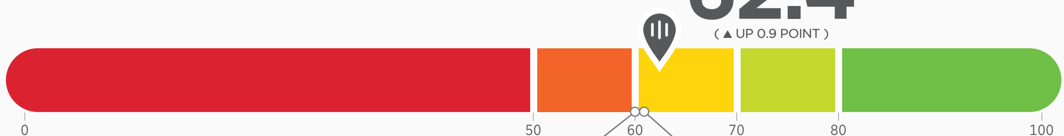
The agriculture, retail, and construction sectors continue to be driving forces for economic growth in Paraguay. One of the region's lowest tax burdens enhances competitiveness. However, the informal economy remains large, and private-sector growth is hindered by institutional weaknesses that undermine the rule of law. Foreign investment is not subject to screening, and foreign entities are permitted to own property.

Despite some improvement, a persistent lack of transparency at all levels of government hurts investor confidence and slows the emergence of a broader-based private sector. State-owned enterprises are present in several sectors of the economy, and most operate as monopolies.

ECONOMIC FREEDOM SCORE

62.4

(▲ UP 0.9 POINT)



60.0
REGIONAL AVERAGE
(AMERICAS REGION)

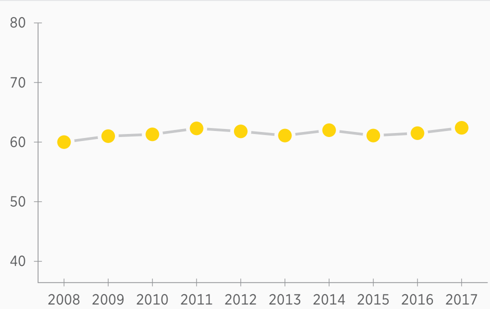
60.9
WORLD AVERAGE

NOTABLE SUCCESSES:
Trade Freedom and Monetary Stability

CONCERNS:
Rule of Law and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
+1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
$61.0 billion
3.0% growth in 2015
5-year compound annual growth 5.0%
$8,708 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
2.9%

FDI INFLOW:
$282.7 million

PUBLIC DEBT:
23.8% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Paraguay is a major producer of hydroelectricity, and the Itaipú dam on the Paraná River is the world's largest generator of renewable energy. President Horacio Cartes of the historically dominant Colorado Party was elected to a five-year term in 2013. He has made progress in public-sector reform and has increased investment in infrastructure, but conservative factions within his party are expected to oppose his plans for further structural reforms and are likely to challenge any attempt to reelect him in 2018. Economic growth depends heavily on exports of electricity and soybeans. Attempts to reduce smuggling and counter suspected terrorist groups in the triborder area with Brazil and Argentina have not been successful.

KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | PARAGUAY

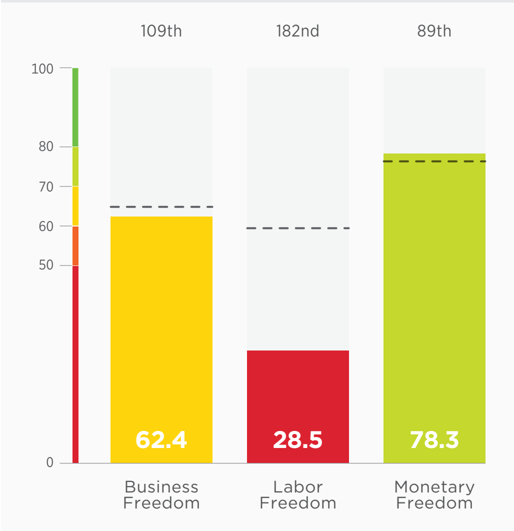
RULE OF LAW

A lack of consistent property surveys and registries often makes it difficult to acquire title documents for land. Cases languish for years in the court system without resolution, and offenses often go unpunished due to political influence in the judiciary. Corruption is widespread. Officials at all levels of government, the judiciary, and the police frequently engage in corrupt practices with impunity, particularly in the Ciudad del Este area.

GOVERNMENT SIZE

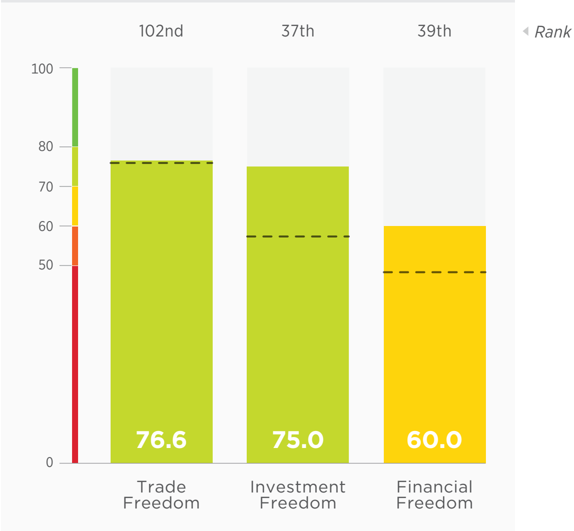
The top personal income and corporate tax rates are 10 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 13.5 percent of total domestic income. Government spending has amounted to 23.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 23.8 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory framework remains less than fully conducive to more dynamic entrepreneurial investment and production. Labor regulations are outmoded and restrictive. The government subsidizes major state-owned entities performing a wide range of activities, from public utilities to commercial activities, that include fuel importation and distribution, telecommunications, and the production of alcoholic beverages and cement.

OPEN MARKETS



Trade is important to Paraguay's economy; the value of exports and imports taken together equals 82 percent of GDP. The average applied tariff rate is 4.2 percent. In general, foreign and domestic investors are treated equally under the law. State-owned enterprises distort the economy. Financial intermediation has gradually been improving as credit to the private sector has grown and the number of nonperforming loans has declined.

WORLD RANK: **43**

REGIONAL RANK: **7**

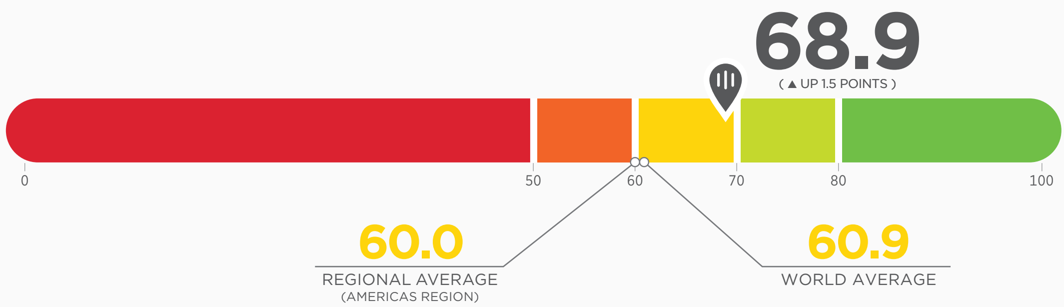
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PERU

Structural reforms in recent years have sustained Peru's economic competitiveness. During the 2015–2016 fiscal year, the government reduced the corporate tax rate from 30 percent to 28 percent as part of a planned gradual decrease over the next few years.

Peru's economy is relatively open and welcomes most foreign investment, but regulatory delays and a lack of predictability in regulations are problematic for foreign investors. Government corruption is a serious problem, and drug trafficking has grown, limiting foreign investor confidence in the economy. State-owned enterprises remain very active in the economy, especially in the petroleum sector.

ECONOMIC FREEDOM SCORE

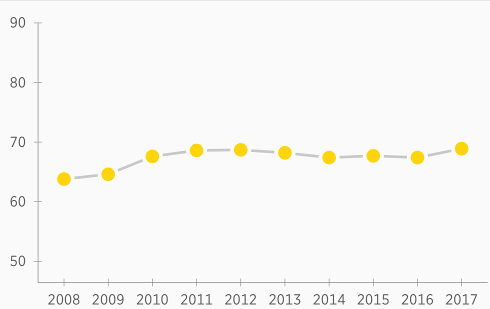


NOTABLE SUCCESSES: Government Size, Trade Freedom, and Monetary Freedom

CONCERNS: Rule of Law, Labor Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013: +0.7

FREEDOM TREND



QUICK FACTS

POPULATION:
31.9 million

GDP (PPP):
$389.1 billion
3.3% growth in 2015
5-year compound annual growth 4.8%
$12,195 per capita

UNEMPLOYMENT:
3.5%

INFLATION (CPI):
3.5%

FDI INFLOW:
$6.9 billion

PUBLIC DEBT:
23.1% of GDP

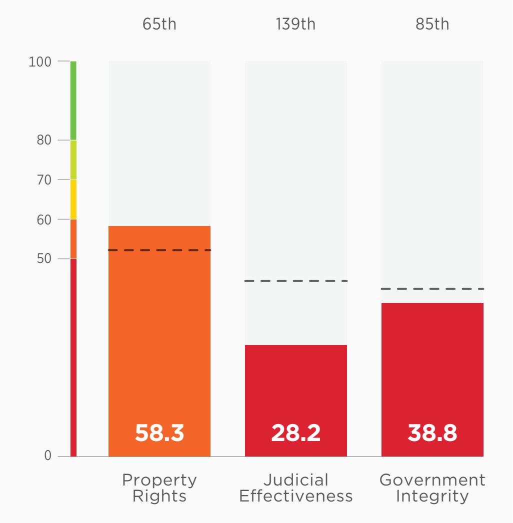
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Pedro Pablo Kuczynski, a center-right 78-year-old former World Bank economist and investment banker better known by his initials, "PPK," narrowly defeated a populist campaign by former President Alberto Fujimori's daughter in the presidential election of June 2016. Outgoing President Ollanta Humala of the leftist Peruvian Nationalist Party governed moderately during his five-year term, but he did not deepen liberalization and was undermined by allegations of corruption. Nevertheless, poverty rates have been reduced, and Peru has benefited from significant foreign investment in mining and manufacturing. Peru has entered into numerous trade agreements with the U.S. and other countries and is a founding member of the Pacific Alliance.

KEY: – – WORLD AVERAGE

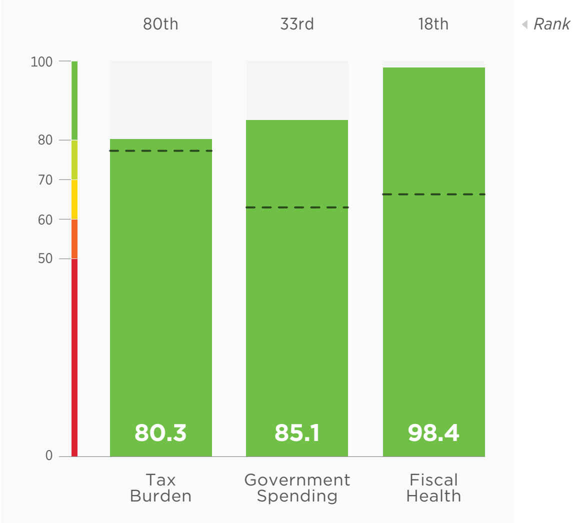
12 ECONOMIC FREEDOMS | PERU

RULE OF LAW



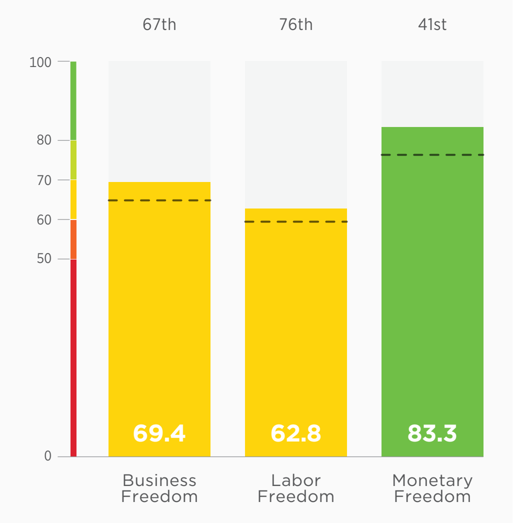
Although Peruvian law recognizes secured interests in both movable and immovable property, the judicial system (with the exception of the commercial courts) has a large backlog and is extremely slow to hear cases and issue decisions. Corruption is a serious problem in the government, the security forces, the judiciary, customs agencies, and the ports, as well as in local governments, where the influence of drug traffickers has grown.

GOVERNMENT SIZE



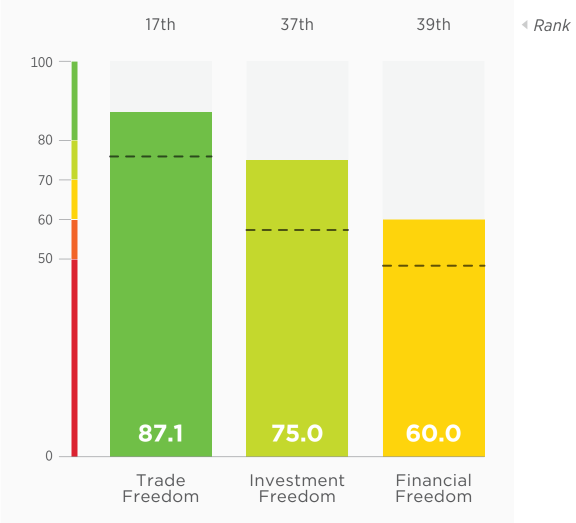
The top personal income tax rate is 30 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax and a financial transactions tax. The overall tax burden equals 16.8 percent of total domestic income. Government spending has amounted to 22.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 23.1 percent of GDP.

REGULATORY EFFICIENCY



Recent reforms have dismantled some barriers to launching private enterprises, but the formation and operation of private businesses can still be costly. Labor regulations continue to evolve, with more flexibility gradually being introduced. Most price controls had been eliminated as of mid-2016 except for the regulation of rates set by private companies in telecommunications, energy and mining, public transport, and sanitation services.

OPEN MARKETS



Trade is moderately important to Peru's economy; the value of exports and imports taken together equals 45 percent of GDP. The average applied tariff rate is 1.4 percent. Investment in most sectors of the economy is not screened, but state-owned enterprises distort the economy. The banking sector has been transformed through consolidation. Foreign ownership is substantial, and credit to the private sector has increased steadily.

SAINT LUCIA

WORLD RANK: 62

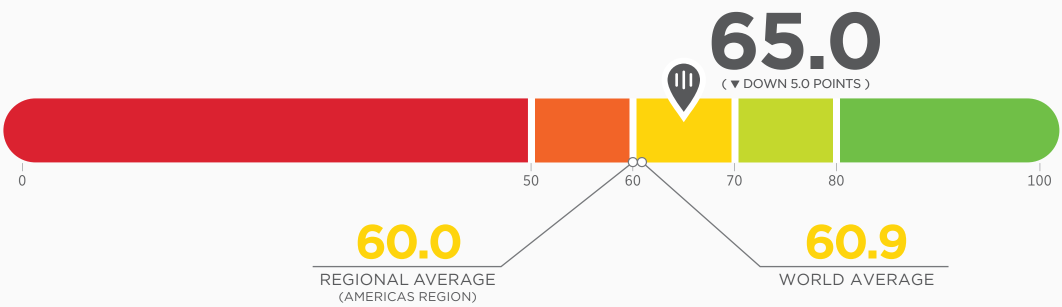
REGIONAL RANK: 11

ECONOMIC FREEDOM STATUS: MODERATELY FREE

Saint Lucia's economy has benefited from a well-developed legal and commercial infrastructure and a tradition of entrepreneurial dynamism in the private sector. The business environment is generally efficient and transparent, and the regulatory framework has become more streamlined. An educated workforce and improved roads, communications, and port facilities have attracted foreign investment in tourism and transshipment.

Open-market policies, however, are not firmly institutionalized. Trade freedom is limited by tariff and nontariff barriers, and the investment regime lacks efficiency. Greater access to financing opportunities remains critical to private-sector development. In recent years, expansionary government spending has driven up public debt to around 65 percent of GDP.

ECONOMIC FREEDOM SCORE

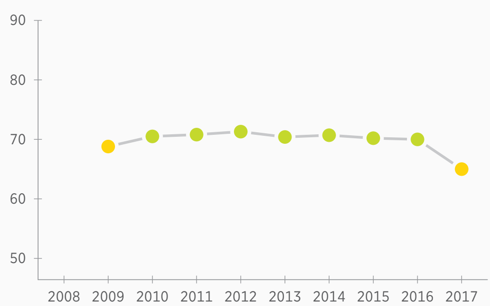


NOTABLE SUCCESSES:
Monetary Stability

CONCERNS:
Government Integrity, Financial Freedom, and Fiscal Health

OVERALL SCORE CHANGE SINCE 2013:
–5.4

FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$2.0 billion
1.6% growth in 2015
5-year compound annual growth 0.4%
$11,739 per capita

UNEMPLOYMENT:
20.1%

INFLATION (CPI):
–0.7%

FDI INFLOW:
$95.0 million

PUBLIC DEBT:
83.0% of GDP

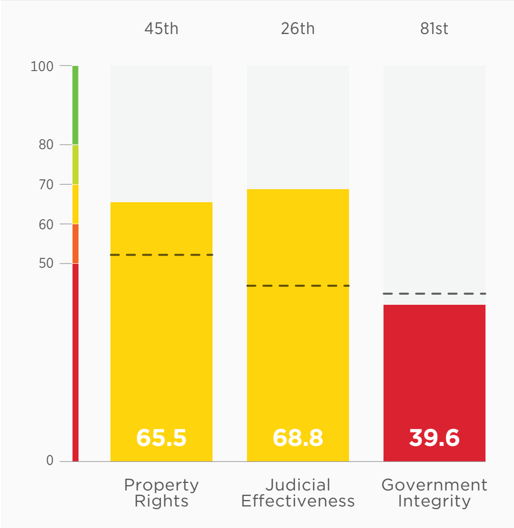
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Saint Lucia, an island nation in the Lesser Antilles well known for its two distinctive "Piton" mountains, is a two-party democracy with a bicameral parliament. Prime Minister Allen Chastanet of the United Workers Party, a former tourism minister, took office in June 2016. Saint Lucia is a member of the Caribbean Community and Common Market and hosts the headquarters of the Organization of Eastern Caribbean States. The economy depends primarily on tourism and banana production, along with some light manufacturing. Faced with the uncertain future of the banana industry, the government has encouraged farmers to diversify into such crops as cocoa, mangos, and avocados.

KEY: – – WORLD AVERAGE

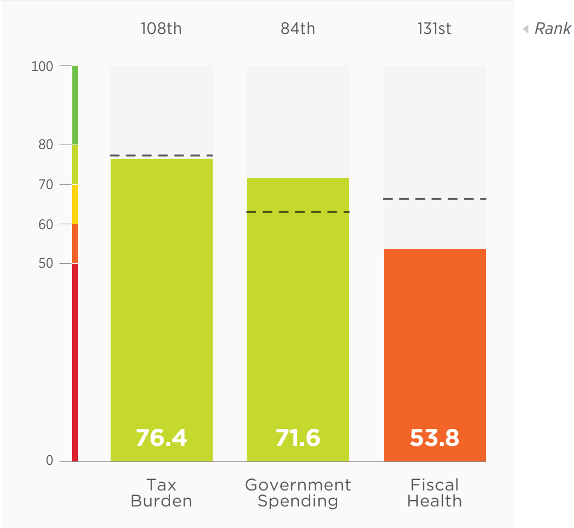
12 ECONOMIC FREEDOMS | SAINT LUCIA

RULE OF LAW



Saint Lucia has a wide legislative framework to protect property rights, although enforcement of intellectual property rights is generally weak. The independent judicial system's highest court is the Eastern Caribbean Supreme Court; lower courts are understaffed and slow. Saint Lucia has one of the lowest levels of corruption in the West Indies, but enforcement of anticorruption statutes is not always effective.

GOVERNMENT SIZE

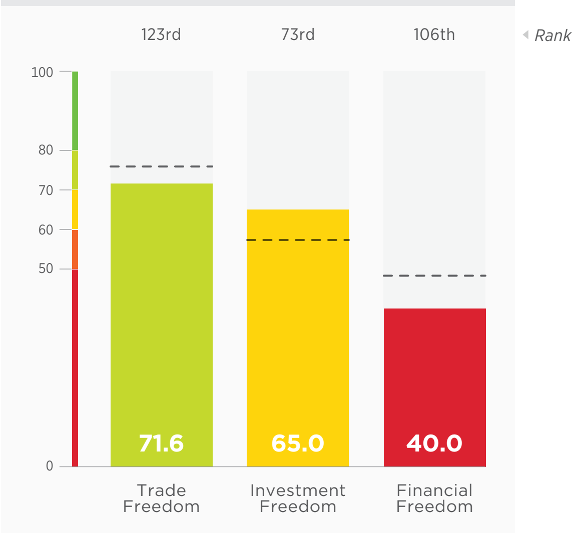


The top personal income and corporate tax rates are 30 percent. Other taxes include a consumption tax and a property transfer tax. The overall tax burden equals 23.7 percent of total domestic income. Government spending has amounted to 30.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 83.0 percent of GDP.

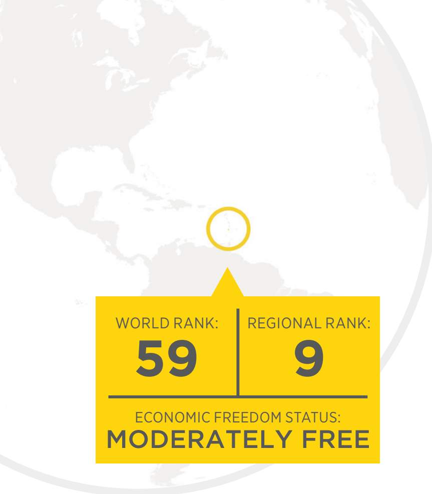
REGULATORY EFFICIENCY

The regulatory environment for businesses facilitates entrepreneurial activity that fosters development of the private sector. Labor regulations are flexible, but an efficient labor market has not been fully developed. Application of existing labor codes is uneven, although the nonsalary cost of employing a worker is low. In 2016, the IMF recommended that the government eliminate nontargeted liquefied petroleum gas and food subsidies.

OPEN MARKETS



Trade is important to Saint Lucia's economy; the value of exports and imports taken together equals 95 percent of GDP. The average applied tariff rate is 9.2 percent. Some agricultural imports face additional barriers. Foreign investment is screened by the government. There is a small offshore financial sector, and the banking sector is dominated by commercial banking. Saint Lucia is a member of the Eastern Caribbean Currency Union.

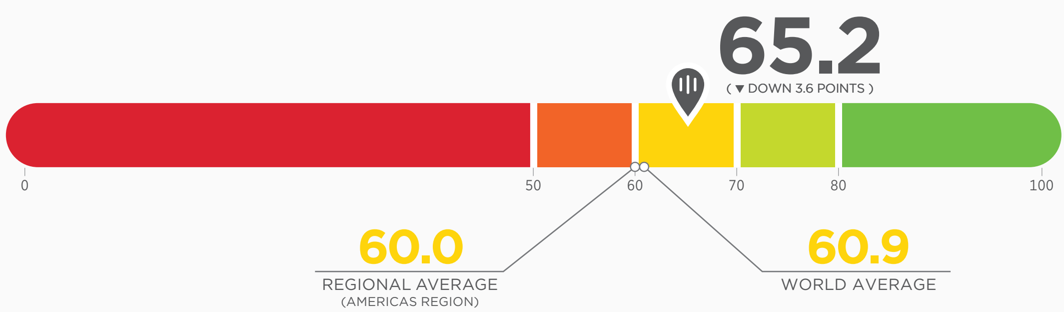


SAINT VINCENT AND THE GRENADINES

Saint Vincent and the Grenadines performs relatively well in some fundamental aspects of economic freedom: flexible regulations, an efficient legal system that secures private property, and macroeconomic stability. Tourism is the primary driver of the economy and the main draw for foreign investment.

More vibrant entrepreneurial activity remains stifled by limited access to financing in an underdeveloped financial environment and by inefficient open-market policies that impede trade and international investment. Fiscal policy is constrained by rising public debt and an uncompetitive tax regime. The challenging global economic environment makes external borrowing for long-term projects like the construction of a new airport more challenging.

ECONOMIC FREEDOM SCORE

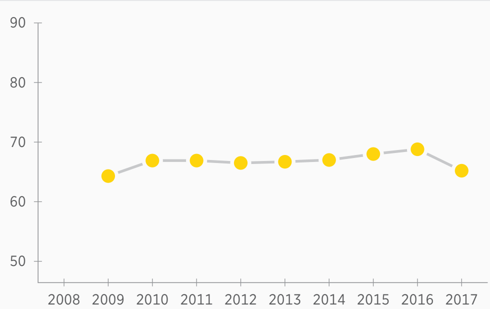


NOTABLE SUCCESSES:
Business Freedom, Labor Freedom, and Monetary Stability

CONCERNS:
Property Rights, Government Integrity, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
–1.5

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$1.2 billion
1.6% growth in 2015
5-year compound annual growth 1.0%
$10,956 per capita

UNEMPLOYMENT:
20.0%

INFLATION (CPI):
–1.7%

FDI INFLOW:
$120.7 million

PUBLIC DEBT:
73.6% of GDP

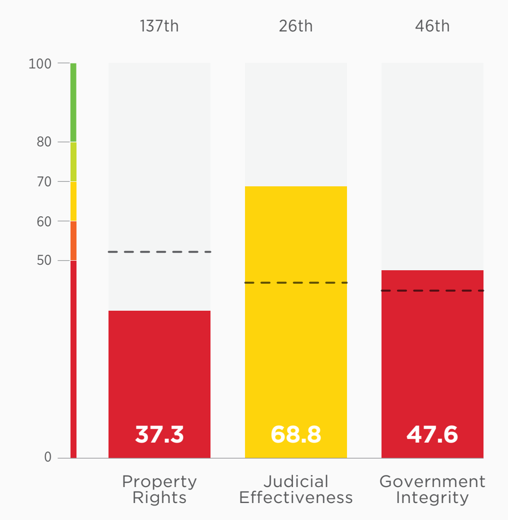
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Saint Vincent and the Grenadines became an independent parliamentary democracy in 1979. Prime Minister Ralph Gonsalves, in office since 2001, was reelected to a fourth term when his center-left Unity Labour Party won the most recent election in December 2015. The country is a member of the Caribbean Community, the Venezuela-led Bolivarian Alliance for the Peoples of Our America, 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. The economy is vulnerable to global price fluctuations and natural disasters.

KEY: — — WORLD AVERAGE

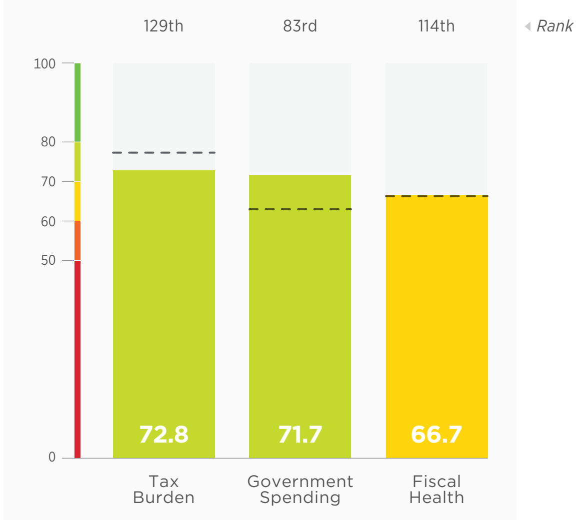
12 ECONOMIC FREEDOMS | SAINT VINCENT AND THE GRENADINES

RULE OF LAW



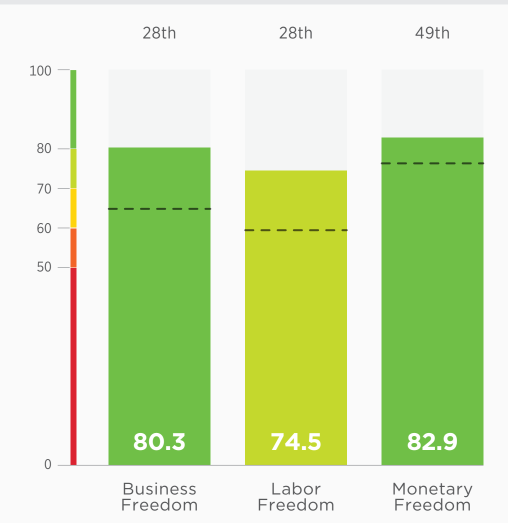
Saint Vincent and the Grenadines' relatively independent and efficient judicial system, based on English common law, protects property rights and enforces contracts. Enforcement of intellectual property rights statutes, however, has been viewed as generally weak. In comparison with some of its neighbors, the rule of law remains strong and corruption is not pervasive, although drug-related money laundering has been a problem.

GOVERNMENT SIZE



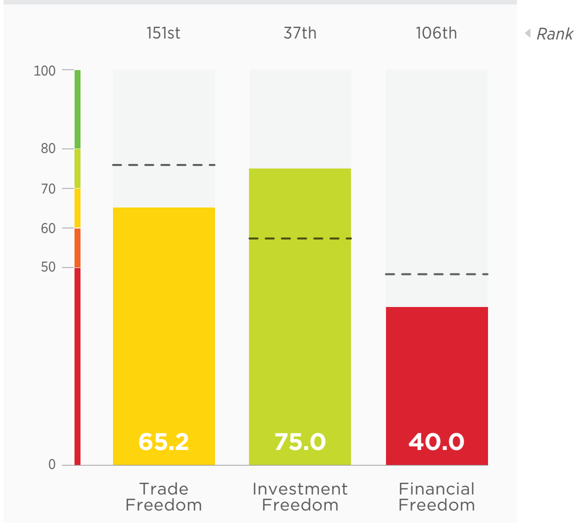
The top personal income and corporate tax rates are 32.5 percent. Other taxes include a property tax and a value-added tax. The overall tax burden equals 23.9 percent of total domestic income. Government spending has amounted to 30.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.7 percent of GDP. Public debt is equivalent to 73.6 percent of GDP.

REGULATORY EFFICIENCY



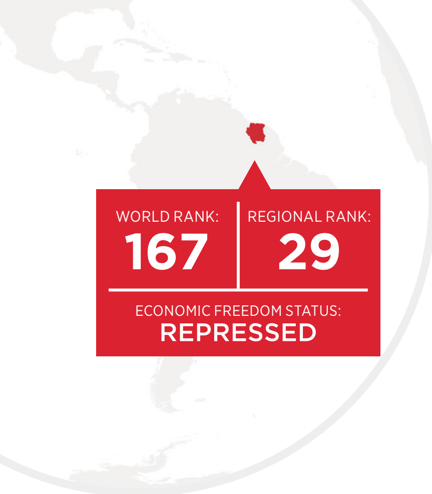
Operation of a private enterprise is not burdened by excessive government interference, and enforcement of commercial regulations is relatively effective. Much of the labor force is employed in the agricultural and tourism sectors. The nonsalary cost of employing a worker is moderate. In 2015, the IMF estimated that limiting subsidies and transfers to state-owned enterprises during the 2015–2019 period would save more than 3 percent of GDP.

OPEN MARKETS



Trade is important to Saint Vincent and the Grenadines' economy; the value of exports and imports taken together equals 78 percent of GDP. The average applied tariff rate is 12.4 percent. In general, foreign and domestic investors are treated equally under the law, but foreign investment is screened by the government. Businesses lack adequate access to a wide variety of financing instruments, and the capital market is underdeveloped.

SURINAME



WORLD RANK: **167**

REGIONAL RANK: **29**

ECONOMIC FREEDOM STATUS: **REPRESSED**

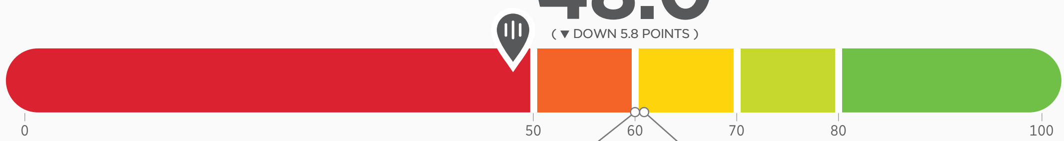
The entrepreneurial environment in Suriname remains constrained by a burdensome and inefficient regulatory framework. Despite recent progress in achieving some macroeconomic stability and market reforms, there has been little overall development of a more dynamic private sector.

Privatization has been slow and uneven. Direct state involvement in the economy through ownership or control remains considerable. Poor policy choices and the uncertainty generated by weak management of fiscal and monetary policy have increased the risks for entrepreneurs. Pervasive corruption continues to undermine the judicial system and the rule of law.

ECONOMIC FREEDOM SCORE

48.0

(▼ DOWN 5.8 POINTS)



60.0 REGIONAL AVERAGE (AMERICAS REGION)

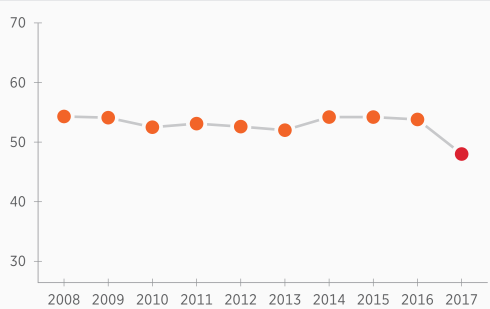
60.9 WORLD AVERAGE

NOTABLE SUCCESSES: Monetary Stability

CONCERNS: Rule of Law, Fiscal Health, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013: –4.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$9.1 billion
0.1% growth in 2015
5-year compound annual growth 2.6%
$16,292 per capita

UNEMPLOYMENT:
7.8%

INFLATION (CPI):
6.9%

FDI INFLOW:
$276.4 million

PUBLIC DEBT:
43.3% of GDP

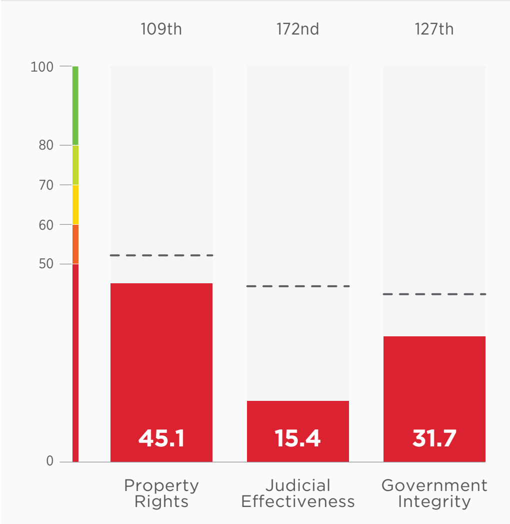
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Former dictator and convicted narco-trafficker Desire "Dési" Bouterse of the National Democratic Party began a second consecutive five-year term as president in 2015. 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. Also in 2015, Bouterse's son, Dino, began serving a 16-year prison sentence after pleading guilty in New York to charges of drug trafficking and providing material support to a terrorist organization. Legislative amnesty for the president's role in the1982 murders of 15 politically prominent young men who had criticized the military dictatorship was invalidated in 2016, increasing the possibility of political turmoil. The economy is dominated by the exploitation of natural resources.

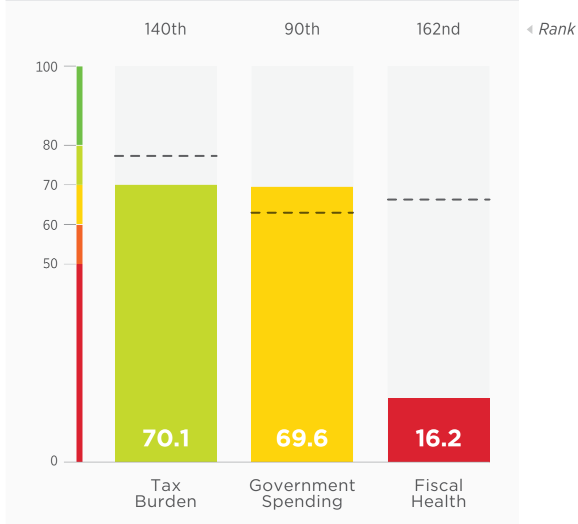
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | SURINAME

RULE OF LAW



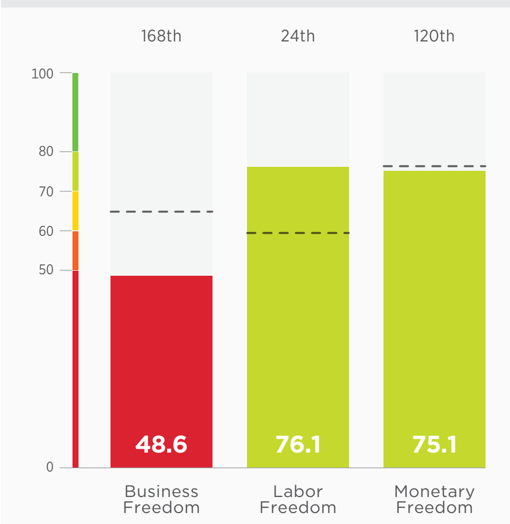
GOVERNMENT SIZE



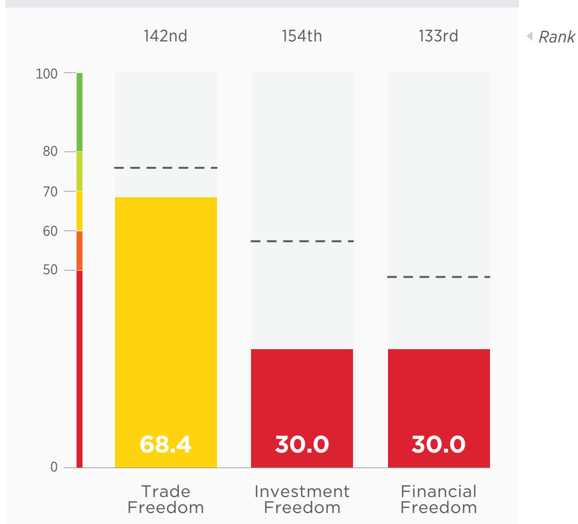
Property rights are not well protected. Organized criminal gangs have fueled increases in crime, narco-trafficking, and human trafficking, hampering governance and undermining the judicial system. Corruption is most pervasive in government procurement, issuance of licenses, land policy, and taxation. The trial of Suriname's president for the 1982 deaths of political opponents was cleared to resume in 2016 after a military court invalidated an amnesty law.

The top personal income tax rate is 38 percent, and the top corporate tax rate is 36 percent. Other taxes include a property tax and an excise tax. The overall tax burden equals 15.7 percent of total domestic income. Government spending has amounted to 31.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.1 percent of GDP. Public debt is equivalent to 43.3 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Licensing requirements are quite burdensome, and procedures for launching a business are time-consuming. Enforcement of the labor code is not effective in practice, and the formal labor market is not fully developed. Under an IMF program, the government has undertaken measures to reduce electricity tariff subsidies. The program calls for the complete elimination of these subsidies along with an increase in fuel taxes.

Trade is important to Suriname's economy; the value of exports and imports taken together equals 91 percent of GDP. The average applied tariff rate is 10.8 percent. Foreign investment is screened by the government, and land and natural resources are owned by the state. The financial system remains underdeveloped and vulnerable to government influence. Financial regulations are antiquated, and supervision is poor.

TRINIDAD AND TOBAGO

WORLD RANK: **87**

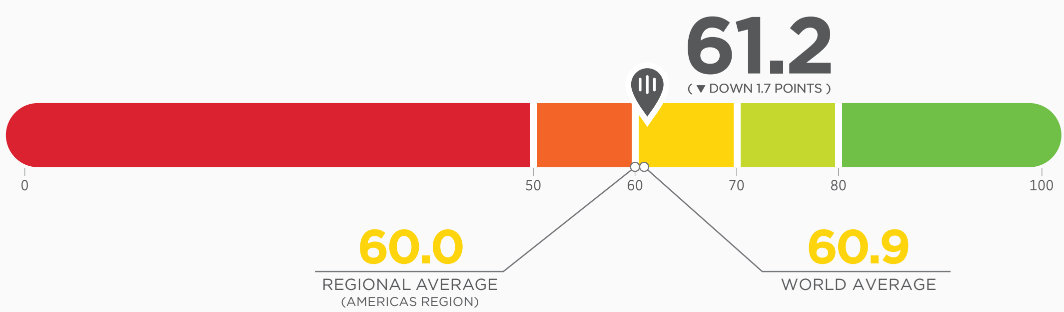
REGIONAL RANK: **18**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Trinidad and Tobago's record in advancing economic freedom and enhancing its entrepreneurial climate has been mixed in recent years. Overdependence on oil and gas continues to hold back private-sector development, although there has been some progress in diversification of the economic base, as in the financial sector. Non-oil productivity and job growth have been hurt by an inefficient and nontransparent investment regulatory framework.

The judiciary is relatively independent, and Trinidad and Tobago benefits from a tradition of institutional stability. Nevertheless, lingering corruption and ineffective protection of private property rights undermine prospects for more dynamic long-term economic development.

ECONOMIC FREEDOM SCORE

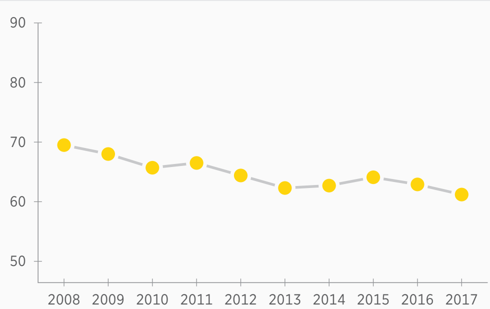


NOTABLE SUCCESSES:
Trade Freedom and Labor Freedom

CONCERNS:
Rule of Law and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
–1.1

FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 million

GDP (PPP):
$44.3 billion
–1.8% growth in 2015
5-year compound annual growth 0.1%
$32,636 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
4.7%

FDI INFLOW:
$1.6 billion

PUBLIC DEBT:
51.1% of GDP

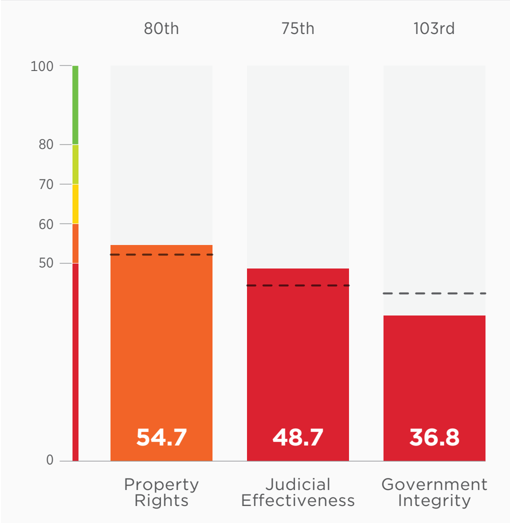
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: 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. Prime Minister Dr. Keith Rowley of the center-left People's National Movement, a geologist by training, took office in September 2015 and was immediately confronted by economic policy challenges stemming from low energy prices and declining natural gas reserves that caused the economy to begin contracting in 2015. Oil production has declined over the past decade as the country has focused on natural gas. In 2016, Trinidad and Tobago's government bond rating was downgraded because of concern that the government lacks an effective fiscal consolidation strategy.

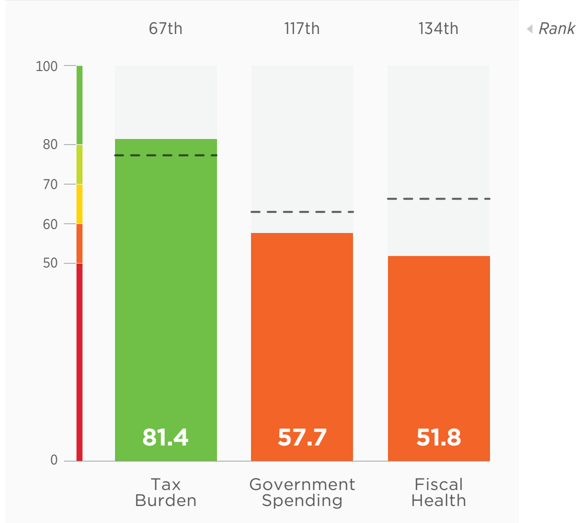
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | TRINIDAD AND TOBAGO

RULE OF LAW



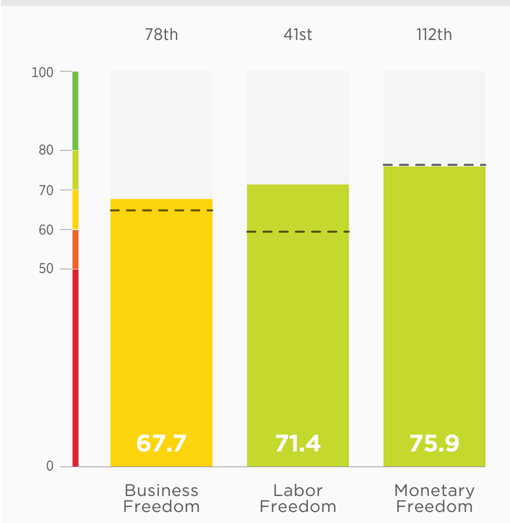
GOVERNMENT SIZE



Property rights are well protected. The judiciary is independent but somewhat subject to political pressures. Rising crime rates and very high levels of violent crime, much of it drug-related, have led to delays in the judicial system. The quality of the bureaucracy remains relatively poor, and narcotics-related graft is endemic in the police force. A long history of corruption and mismanagement under successive governments stretches back to colonial times.

Both 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 overall tax burden equals 24.7 percent of total domestic income. Government spending has amounted to 37.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.2 percent of GDP. Public debt is equivalent to 51.1 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

The regulatory system lacks transparency and clarity, and regulations are enforced inconsistently, injecting uncertainty into entrepreneurial decision-making and holding back lasting economic development. The relatively flexible labor market facilitates the matching of jobs with available workers. Fuel subsidies have dropped as a result of lower global oil prices, and the government has announced its intention to phase them out completely.

Trade is important to Trinidad and Tobago's economy; the value of exports and imports taken together equals 60 percent of GDP. The average applied tariff rate is 5.7 percent. The regulatory and judicial systems sometimes impede trade, and numerous state-owned enterprises distort the economy. The financial sector is relatively well developed, with capital markets centered on the stock exchange, and state interference in the sector is not substantial.

WORLD RANK: **17** | REGIONAL RANK: **3**

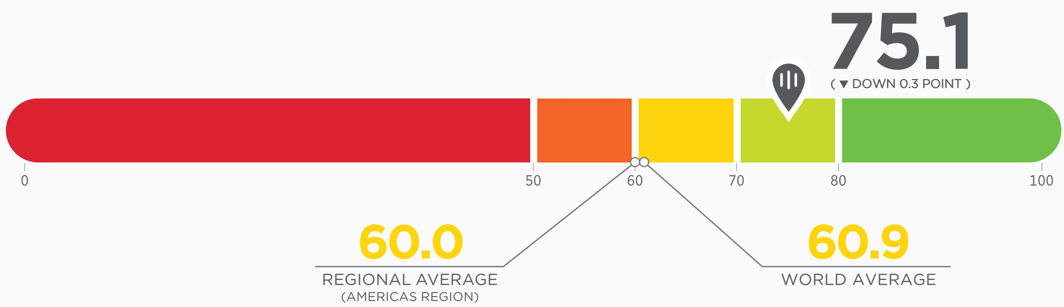
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

UNITED STATES

Large budget deficits and a high level of public debt, both now reflected in the *Index* methodology, have contributed to the continuing decline in America's economic freedom. Having registered its lowest economic freedom score ever, the United States is no longer among the world's 15 freest economies.

The anemic economic recovery since the great recession has been characterized by a lack of labor market dynamism and depressed levels of investment. The substantial expansion of government's size and scope, increased regulatory and tax burdens, and the loss of confidence that has accompanied a growing perception of cronyism, elite privilege, and corruption have severely undermined America's global competitiveness.

ECONOMIC FREEDOM SCORE

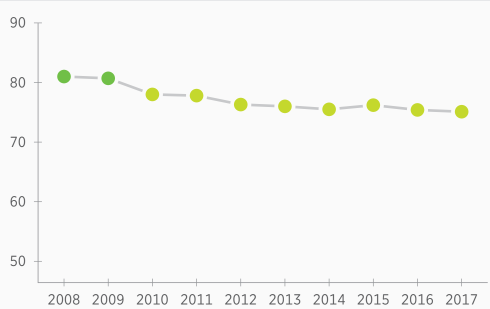


NOTABLE SUCCESSES:
Open Markets

CONCERNS:
Fiscal Health, Government Spending, and Tax Burden

OVERALL SCORE CHANGE SINCE 2013:
–0.9

FREEDOM TREND



QUICK FACTS

POPULATION:
321.2 million

GDP (PPP):
$17.9 trillion
2.4% growth in 2015
5-year compound annual growth 2.0%
$55,806 per capita

UNEMPLOYMENT:
5.3%

INFLATION (CPI):
0.1%

FDI INFLOW:
$379.9 billion

PUBLIC DEBT:
105.8% of GDP

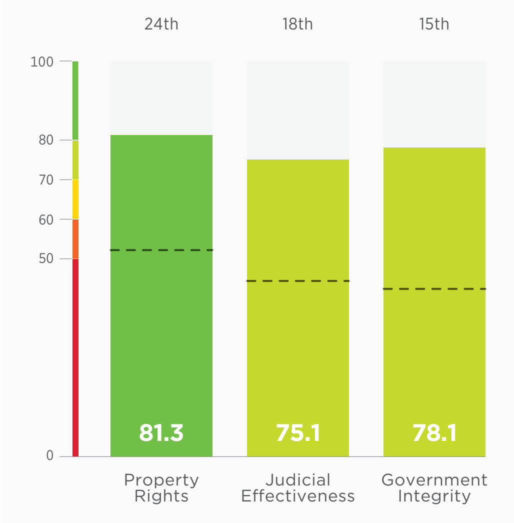
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The United States, with the world's largest and most diversified economy, is still suffering through a protracted period of slow growth that has held down job creation and labor market participation. The population remains sharply divided over appropriate remedies. Donald Trump, elected President in November 2016, has promised a sharp break with the regulatory, tax, and trade policies of his predecessor, including dismantling such major legislation as the Affordable Care Act and the Dodd–Frank financial regulatory bill. Because of its size and inherent strength, the U.S. economy has shown considerable resilience. Services account for about 80 percent of GDP, but manufacturing output and productivity are at historic highs.

KEY: – – WORLD AVERAGE

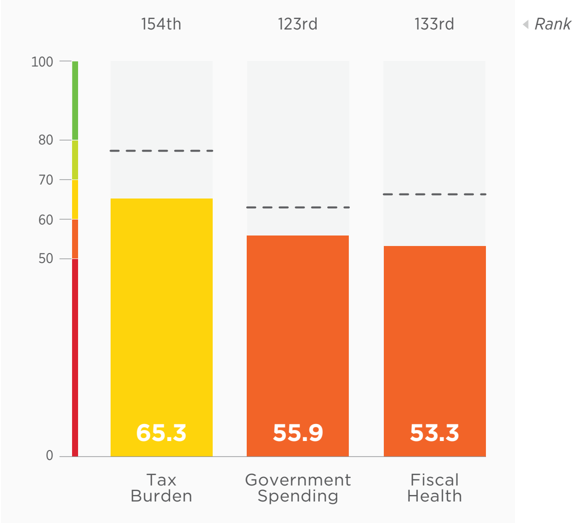
12 ECONOMIC FREEDOMS | UNITED STATES

RULE OF LAW



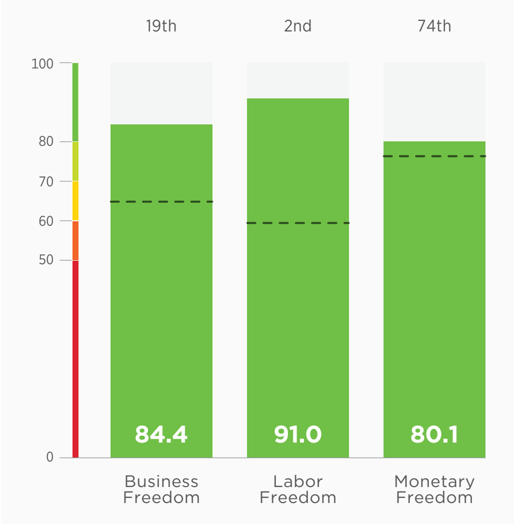
Although property rights are guaranteed and the judiciary functions independently and predictably, protection of property rights has been uneven. For example, rising civil asset forfeitures by law enforcement agencies and a vast expansion of occupational licensing have directly encroached on U.S. citizens' property rights. The Pew Research Center reported in late 2015 that just 19 percent of Americans trust the government always or most of the time.

GOVERNMENT SIZE



The top individual income tax rate is 39.6 percent, and the top corporate tax rate remains among the world's highest at 35 percent. The overall tax burden equals 26.0 percent of total domestic income. Government spending at all levels has amounted to 38.3 percent of total output (GDP) over the past three years, and federal budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 105.8 percent of GDP.

REGULATORY EFFICIENCY



The number of federal regulations has increased substantially, raising total annual compliance costs to more than $100 billion in just seven years. Labor regulations are not rigid, but other government policies restrict dynamic job growth. Federal welfare programs, combined with federal subsidies for agriculture, health care, green energy, corporate welfare, and other special interests, contribute to large deficits.

OPEN MARKETS

Trade is moderately important to the United States economy; the value of exports and imports taken together equals 28 percent of GDP. The average applied tariff rate is 1.4 percent. Over one-third of all land is owned by government. The overall financial sector remains competitive, but the banking sector remains vulnerable to uncertainty and bureaucratic interference related to the 2,300-page Dodd–Frank legislation.

WORLD RANK: **38** | REGIONAL RANK: **5**

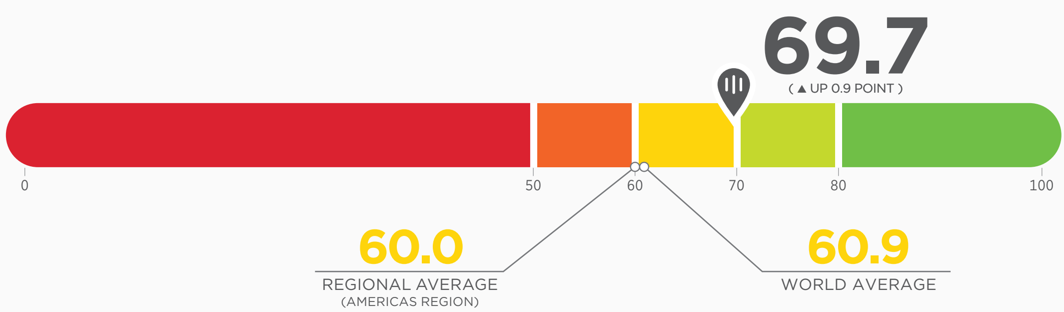
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

URUGUAY

Uruguay's economy stands out in the region because of its relative openness, supported by a strong commitment to maintaining the rule of law. Uruguay is considered the least corrupt country in Latin America. The majority of Uruguayans enjoy economic prosperity, and poverty has been dramatically reduced over the past decade.

Reforms in recent years to improve the regulatory environment have made Uruguay an attractive location for foreign investors, but the government recently made starting a business more expensive by increasing incorporation costs. Government spending continues to be a problem as budget deficits have remained around 3 percent of GDP in recent years, pushing up public debt.

ECONOMIC FREEDOM SCORE

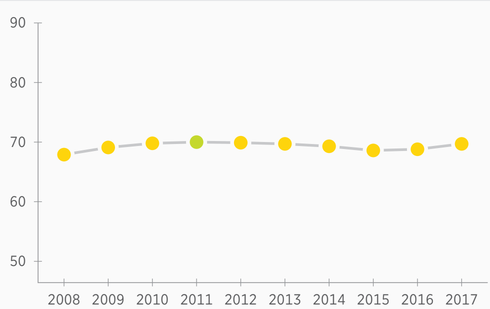


NOTABLE SUCCESSES: Investment Freedom, Trade Freedom, and Business Freedom

CONCERNS: Financial Freedom, Labor Freedom, and Judicial Effectiveness

OVERALL SCORE CHANGE SINCE 2013: 0.0

FREEDOM TREND



QUICK FACTS

POPULATION:
3.4 million

GDP (PPP):
$73.5 billion
1.5% growth in 2015
5-year compound annual growth 3.7%
$21,507 per capita

UNEMPLOYMENT:
7.3%

INFLATION (CPI):
8.7%

FDI INFLOW:
$1.6 billion

PUBLIC DEBT:
61.8% of GDP

2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Uruguay's political and labor conditions are among the freest in Latin America. Public outrage at the Tupamaros, a violent 1960s Marxist guerrilla movement, facilitated a military takeover of the government in 1973. Civilian rule was not restored until 1985. The 2004 election victory of the center-left Frente Amplio Coalition (FAC) party ended 170 years of political control by the center-right Colorado and Blanco parties. President Tabaré Vázquez of the FAC began his second (nonconsecutive) five-year term in 2015 but has faced a significantly tougher political landscape because of a regional economic slowdown that has forced spending cuts in programs that are popular with his political base.

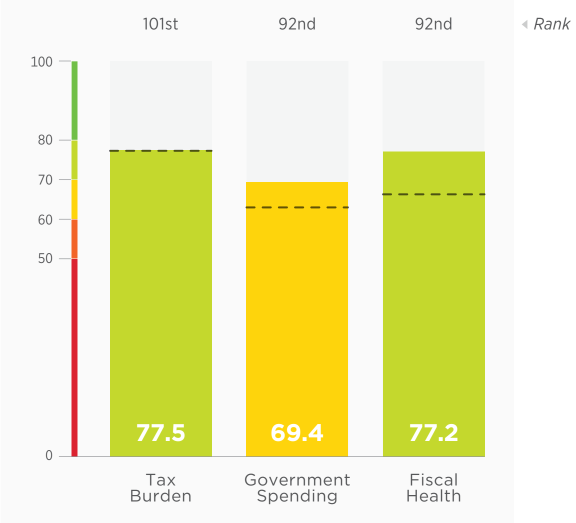
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | URUGUAY

RULE OF LAW

Private property is generally secure, expropriation is unlikely, and contracts are enforced. The judiciary is transparent and relatively independent, but the courts function slowly. Uruguay surpassed Chile as the least corrupt country in Latin America in Transparency International's 2015 *Corruption Perceptions Index*. A three-member Advisory Economic and Financial Board works to promote government transparency and implement anticorruption measures.

GOVERNMENT SIZE

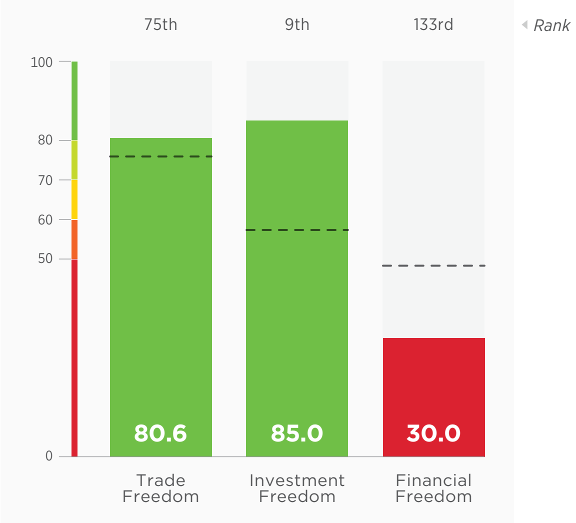


The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 26.9 percent of total domestic income. Government spending has amounted to 31.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 61.8 percent of GDP.

REGULATORY EFFICIENCY

Recent reforms have considerably enhanced regulatory efficiency and reduced the cost of completing licensing requirements. The nonsalary cost of employing a worker is relatively low. The government has eliminated most price controls, but it continues to fix prices for electricity, fuels, interdepartmental transport, medicines, natural gas, pasteurized milk, taxi fares, tolls, and water.

OPEN MARKETS



Trade is moderately important to Uruguay's economy; the value of exports and imports taken together equals 45 percent of GDP. The average applied tariff rate is 4.7 percent. The economy is relatively open to foreign investment, but state-owned enterprises distort the economy. Although the financial sector continues to evolve, capital markets are underdeveloped and concentrated in government debt. The state continues to influence the allocation of credit.

WORLD RANK: **179**

REGIONAL RANK: **32**

ECONOMIC FREEDOM STATUS: **REPRESSED**

VENEZUELA

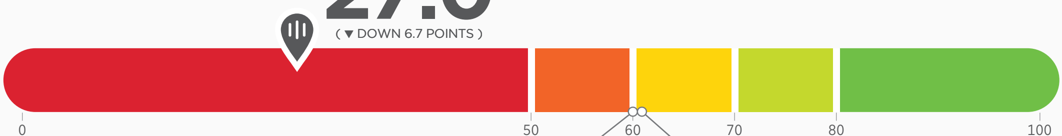
Worsening shortages of food, medicines, and other consumer goods, combined with triple-digit inflation that has eroded monetary stability, have drastically undermined Venezuela's already fragile economy. Years of interventionist and market-distorting policies, including nationalizations and restrictions on imports, have resulted in dire economic conditions. There is a substantial risk that civil unrest may spiral out of control.

Venezuela's economy has been stifled by blatant disregard for both the rule of law and the principle of limited government. The private sector has been severely marginalized by institutional impediments related to government encroachment into the marketplace. The judicial system has become more vulnerable to political interference, and corruption is prevalent.

ECONOMIC FREEDOM SCORE

27.0

(▼ DOWN 6.7 POINTS)



60.0
REGIONAL AVERAGE
(AMERICAS REGION)

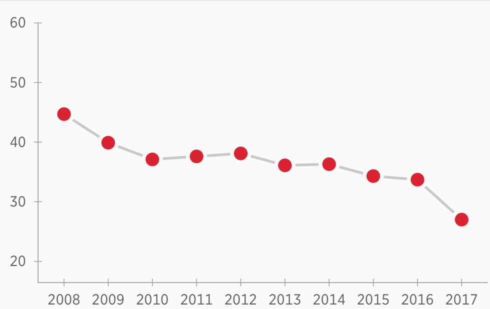
60.9
WORLD AVERAGE

NOTABLE SUCCESSES:
None

CONCERNS:
Rule of Law, Regulatory Efficiency, and Open Markets

OVERALL SCORE CHANGE SINCE 2013:
–9.1

FREEDOM TREND



QUICK FACTS

POPULATION:
30.9 million

GDP (PPP):
$515.7 billion
–5.7% growth in 2015
5-year compound annual growth 0.3%
$16,673 per capita

UNEMPLOYMENT:
8.0%

INFLATION (CPI):
121.7%

FDI INFLOW:
$1.6 billion

PUBLIC DEBT:
48.8% of GDP

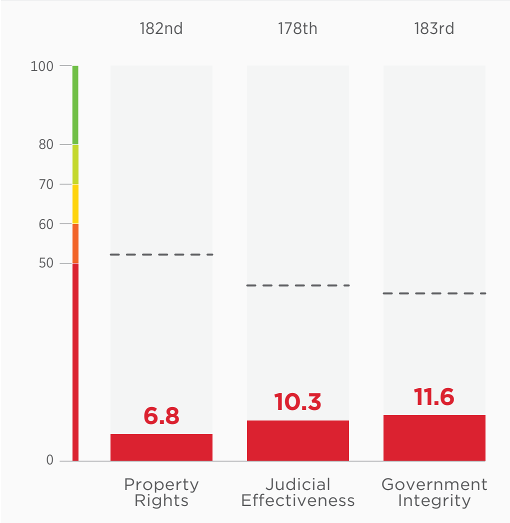
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: After decades under generally benevolent military rule, Venezuela's modern democratic era began in 1959. Under the late Hugo Chávez, president from 1999 to 2013, and his handpicked successor, current President Nicolás Maduro, the executive branch has exercised increasingly authoritarian control, and democratic institutions have deteriorated. Venezuelans enjoy few civil liberties and little economic freedom. Violent crime is rampant. A founding member of the Organization of Petroleum Exporting Countries (OPEC), Venezuela has the world's largest proven oil reserves and is highly dependent on oil revenues, which account for almost all exports and half of state revenues. Production has fallen due to government mismanagement of state-owned oil company PDVSA.

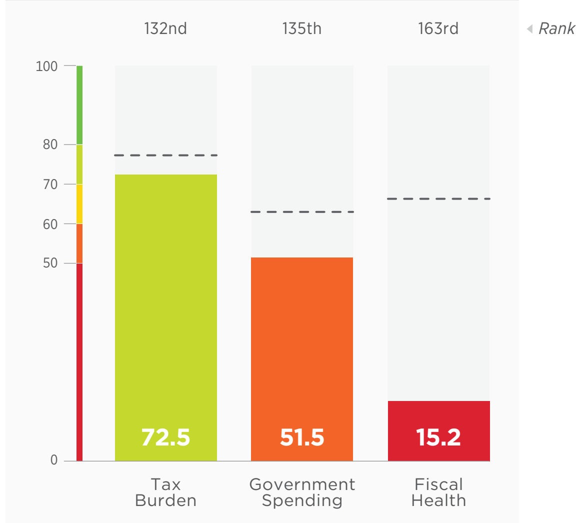
KEY: – – WORLD AVERAGE

12 ECONOMIC FREEDOMS | VENEZUELA

RULE OF LAW



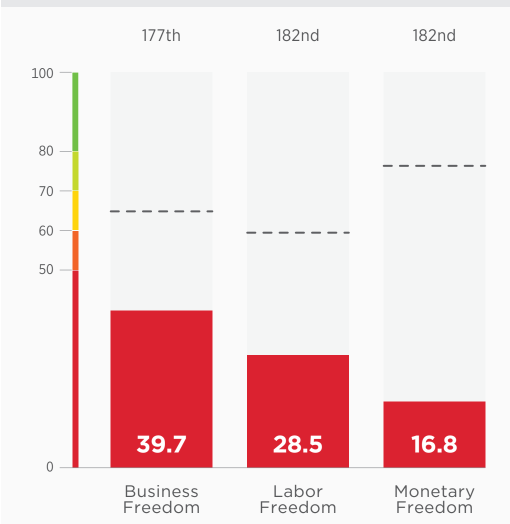
GOVERNMENT SIZE



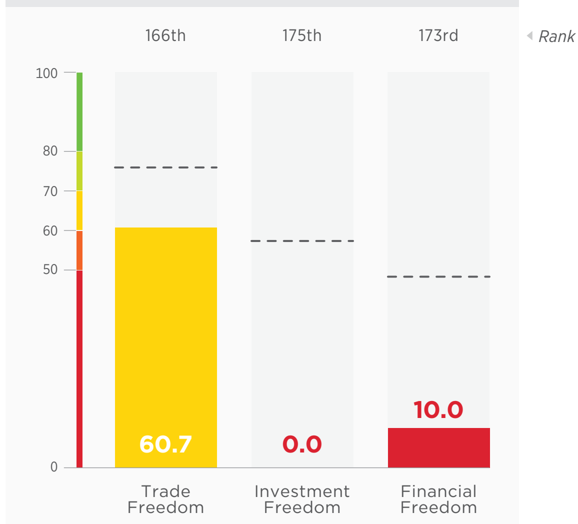
Expropriations, weak public-sector institutions, and lack of judicial independence undermine real property rights. The government's economic policies, particularly currency and price controls, have greatly increased opportunities for corruption, black-market activity, and collusion between public officials and organized crime networks. Spiraling rates of violent crime have encouraged the outmigration of skilled workers.

Both the top personal income tax rate and the top corporate tax rate are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 20.9 percent of total domestic income. Government spending has amounted to 40.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 16.1 percent of GDP. Public debt is equivalent to 48.8 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Bureaucratic interference has severely undercut regulatory efficiency and productivity growth. The labor market remains rigidly controlled and severely impedes dynamic employment creation. Although the central bank did not release any official inflation statistics in 2016, a Caracas think tank (CENDA) has estimated that annual inflation is more than 600 percent, driven by the severe scarcity of imported goods.

Trade is moderately important to Venezuela's economy; the value of exports and imports taken together equals 37 percent of GDP. The average applied tariff rate is 9.7 percent. Numerous government policies discourage foreign investment, and state-owned enterprises significantly distort the economy. The financial system remains hobbled by state interference and uncertainty about the direction of economic policies.