



ASIA-PACIFIC

ASIA-PACIFIC

The Asia-Pacific region spans the world's largest surface area, stretching from Japan and New Zealand in the East to Azerbaijan in the West. With 4.1 billion inhabitants, this region contains over half of the world's population, with much of this population concentrated in just two countries: China and India.

Despite the challenging global economic environment, the region has achieved an average annual economic growth rate of close to 6.5 percent over the past five years, driven largely by China, India, and other trade-oriented economies. The region also has one of the lowest average unemployment rates (4.3 percent) and the lowest average inflation rate (3.3 percent).

More notably, what makes the Asia-Pacific region unique from other regions is the extraordinary disparity in its countries' levels of economic freedom. The contrast between North Korea and South Korea, for example, provides a vivid demonstration of the benefits of economic freedom.

Chart 1 shows the distribution within the *Index* of Asia-Pacific countries in terms of economic freedom. Four of the world's five truly

“free” economies (Hong Kong, Singapore, Australia, and New Zealand) are in this region. Another four of the region's 43 countries (Taiwan, South Korea, Malaysia, and Macau) are rated “mostly free.” The majority of the other countries remain “mostly unfree.” Four countries, including Turkmenistan, Timor-Leste and Afghanistan, have economies that are rated “repressed.” North Korea, which continues to reject any form of free-market activity, remains the least free economy in both the region and the world.

Although its overall economic freedom score is below the world average of 60.9 in the 2017 *Index*, the Asia-Pacific region continues to score higher than world averages in five of the 12 economic freedom categories related to government size and regulatory efficiency: tax burden, government spending, fiscal health, business freedom, and labor freedom. (See Table 1.) Typically lower government expenditures result in a regional government spending score that is over five points better than the world average. The region's labor freedom score also beats the world average by about five points, although many small Pacific island economies still lack fully developed formal labor markets. In other critical areas of economic freedom such as protection of property rights, judicial effectiveness, government integrity, investment freedom, and financial freedom, the Asia-Pacific region as a whole lags behind world averages.

As shown in Chart 2, the eight freest Asia-Pacific countries far outpace other countries in the region in per capita income. It is the less free countries in the region, however—notably China and India, both “mostly unfree” and ranked only 111th and 143rd, respectively, in the world—that have the highest growth rates. One of the most interesting findings of the *Index* is that economic growth is more highly correlated with improvements in economic freedom than with its absolute level. It

ASIA-PACIFIC: QUICK FACTS

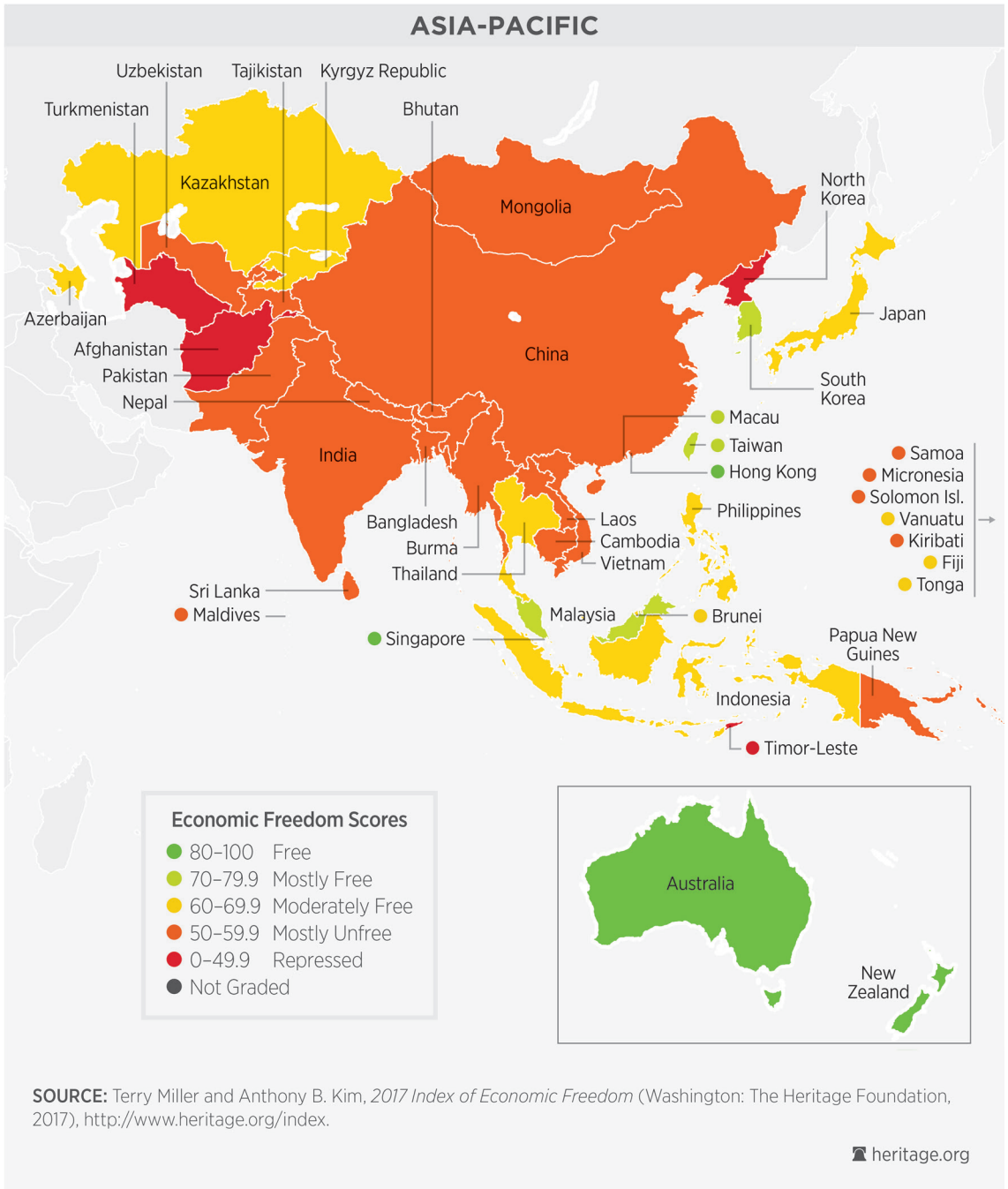
TOTAL POPULATION: 4.1 billion

POPULATION WEIGHTED AVERAGES

GDP PER CAPITA (PPP):	\$11,494
GROWTH:	6.1%
5 YEAR GROWTH:	6.4%
INFLATION:	3.3%
UNEMPLOYMENT:	4.3%
PUBLIC DEBT:	56.2%

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

 heritage.org

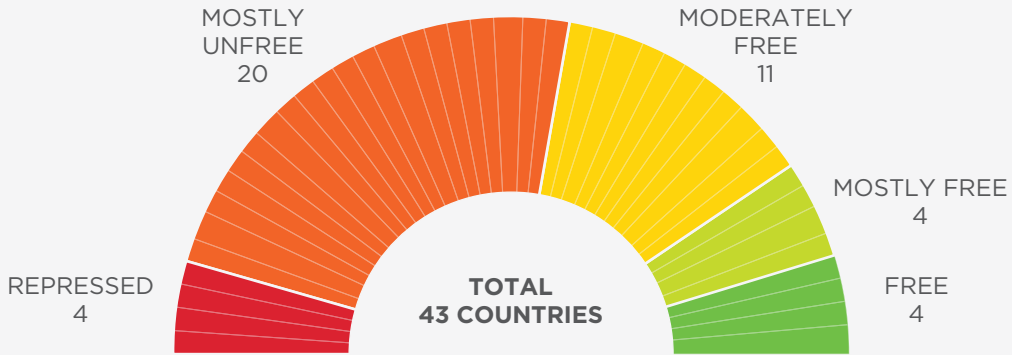


is interesting to note in this context that economic freedom scores in both China and India have improved by over five points over the life of the *Index*. Nevertheless, the foundations of economic freedom continue to be fragile in both countries, with reforms often stymied by those who have a political interest in

maintaining the status quo. There is therefore room for considerable further progress.

As depicted in Chart 3, it is clear that greater economic freedom is also strongly correlated with overall well-being, which takes into account such factors as health, education, security, and personal freedom.

ASIA-PACIFIC: 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>.

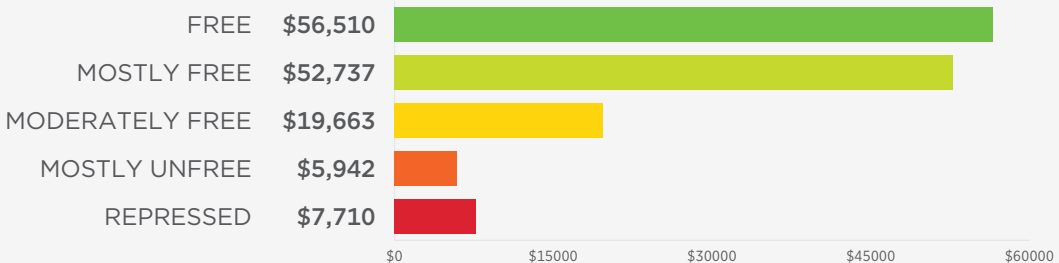
Chart 1 heritage.org

In the 2017 *Index*, the scores of 32 countries in the Asia-Pacific region have improved, and those of 11 have declined.

NOTABLE COUNTRIES

- Burma's economy has undergone significant changes. Economic sanctions have been eased or lifted, and the government has launched reforms to modernize the economic system. A new banking and finance law that lays the foundations for more efficient licensing of financial institutions has been ratified. In 2016, the lower house of parliament also approved a new investment law.
- China, with its low deficits and moderate level of public debt, benefited significantly this year in the rankings from

ASIA-PACIFIC: 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

ASIA-PACIFIC: COMPONENTS OF ECONOMIC FREEDOM

LOWER THAN WORLD AVERAGE ● | HIGHER THAN WORLD AVERAGE ●

		AVERAGES			
		Region	World		
OVERALL		60.3	60.9		●
RULE OF LAW	Property Rights	52.8	53.0	●	
	Judicial Effectiveness	41.8	45.0	●	
	Government Integrity	42.1	43.0	●	
GOVERNMENT SIZE	Tax Burden	80.3	77.1		●
	Government Spending	68.9	63.4		●
	Fiscal Health	72.6	68.0		●
REGULATORY EFFICIENCY	Business Freedom	66.2	64.6		●
	Labor Freedom	64.0	59.2		●
	Monetary Freedom	74.4	76.4		●
MARKET OPENNESS	Trade Freedom	74.7	75.9		●
	Investment Freedom	44.2	57.2	●	
	Financial Freedom	41.8	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

the incorporation of those two factors in the *Index* methodology. Regrettably, there seems to be little momentum for significant economic reform, and the government, confronting a period of economic slowdown, has increased expansionary fiscal and monetary interventions. Deep-seated structural problems, including a state-controlled financial sector and regulatory inefficiency, remain unaddressed.

- Economic freedom continues to decline in Japan, and the economy remains stagnant. Scores in the economic freedom categories related to the size of government are far below average, but much of the government's political capital has been expended

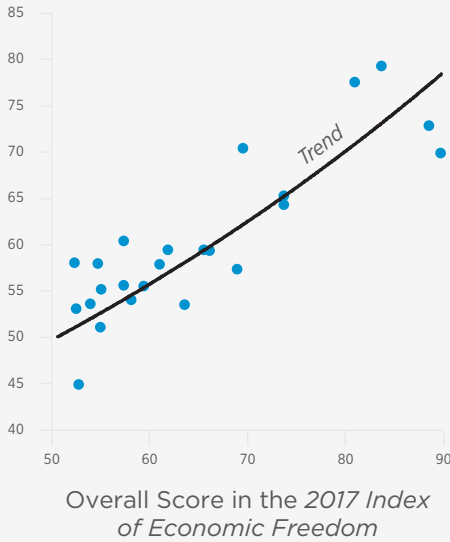
in efforts related to the country's defense and security posture rather than economic reform, which would challenge well-established special interests and traditions.

- Despite the difficult global economic environment, the Philippines has achieved notable economic expansion, driven by the economy's strong export performance and inflows of remittances that have bolstered private consumption. The government has pursued a series of legislative reforms to enhance the overall entrepreneurial environment and develop a stronger private sector, but the country still lags in business freedom, labor freedom, and the rule of law.

ASIA-PACIFIC: ECONOMIC FREEDOM AND OVERALL WELL-BEING

Each circle represents a nation in the
Index of Economic Freedom

Prosperity Index Score



SOURCES: Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), <http://www.heritage.org/index>, and Legatum Institute Foundation, "The Legatum Prosperity Index 2016," 2016, <http://www.prosperity.com/rankings> (accessed December 13, 2016).

Chart 3  heritage.org

- Capitalizing on its gradual integration into the global trade and investment system, Vietnam is transforming into a more market-oriented economy. Reforms have included partial privatization of state-owned enterprises, liberalization of the trade regime, and increasing recognition of private property rights. The economy has registered annual growth rates averaging about 6 percent over the past five years.

ECONOMIC FREEDOM IN ASIA-PACIFIC

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
1	1	Hong Kong	89.8	1.2	93.7	84.0	80.3	93.0	90.0	100	94.6	89.1	83.2	90.0	90	90
2	2	Singapore	88.6	0.8	97.1	91.5	87.9	90.5	90.1	80.7	95.1	90.8	84.3	90.0	85	80
3	3	New Zealand	83.7	2.1	96.1	88.5	89.9	70.8	46.5	97.8	91.8	86.2	90.1	87.4	80	80
5	4	Australia	81.0	0.7	81.7	92.9	74.8	63.2	59.0	84.6	89.3	84.1	86.4	86.2	80	90
11	5	Taiwan	76.5	1.8	86.5	67.7	70.5	75.3	89.5	83.7	93.4	55.0	85.2	86.2	65	60
23	6	South Korea	74.3	2.6	77.8	59.9	67.3	73.7	68.9	97.4	90.6	57.0	84.0	79.5	65	70
27	7	Malaysia	73.8	2.3	85.3	67.3	51.8	85.3	78.7	76.5	90.8	73.1	85.3	81.2	60	50
32	8	Macau	70.7	0.6	60.0	60.0	37.1	72.3	92.8	100	60.0	50.0	70.8	90.0	85	70
35	9	Brunei Darussalam	69.8	2.5	62.5	39.9	40.9	85.6	61.2	100	76.6	90.4	76.1	89.1	65	50
40	10	Japan	69.6	-3.5	89.4	73.8	86.1	68.5	52.3	9.5	82.3	77.5	83.0	82.6	70	60
42	11	Kazakhstan	69.0	5.4	56.1	56.5	38.0	93.3	85.7	98.9	74.5	82.5	73.9	78.5	40	50
52	12	Vanuatu	67.4	6.6	65.5	33.0	70.5	97.0	80.4	99.1	51.4	58.1	74.8	73.9	65	40
55	13	Thailand	66.2	2.3	51.3	41.7	40.7	81.0	85.3	96.3	69.9	62.8	72.9	82.8	50	60
58	14	Philippines	65.6	2.5	49.2	37.1	38.7	78.9	89.4	97.2	62.6	57.2	80.6	76.4	60	60
68	15	Azerbaijan	63.6	3.4	50.5	33.0	37.6	87.7	57.5	97.4	71.5	75.0	73.6	74.4	55	50
71	16	Fiji	63.4	4.6	67.7	41.9	32.7	80.7	72.5	84.1	61.3	70.5	75.5	68.8	55	50
73	17	Tonga	63.0	3.4	65.5	19.8	47.6	86.9	74.4	79.6	76.1	86.0	80.6	79.7	40	20
84	18	Indonesia	61.9	2.5	48.3	39.3	44.7	83.6	89.9	90.1	49.1	48.9	74.0	80.5	35	60
89	19	Kyrgyz Republic	61.1	1.5	50.9	17.2	30.3	93.7	55.2	78.9	73.7	79.8	68.5	75.3	60	50
94	20	Cambodia	59.5	1.6	42.4	22.1	12.8	90.2	88.1	95.7	29.6	62.0	81.0	80.3	60	50
107	21	Bhutan	58.4	-1.1	60.1	50.7	44.7	83.1	73.6	61.7	72.6	77.6	67.1	60.0	20	30
108	22	Samoa	58.4	-5.1	51.3	22.6	37.1	80.4	51.9	66.6	77.0	73.3	84.5	70.7	55	30
109	23	Tajikistan	58.2	6.9	45.5	45.6	32.7	90.9	74.1	95.8	65.6	49.2	69.8	73.9	25	30
111	24	China	57.4	5.4	48.3	60.7	41.6	70.0	73.0	92.5	53.9	63.4	71.8	73.6	20	20
112	25	Sri Lanka	57.4	-2.5	48.0	48.3	30.0	85.3	90.2	31.2	72.8	57.5	76.0	74.5	35	40
125	26	Nepal	55.1	4.2	37.3	32.0	26.7	84.9	89.5	98.4	64.6	47.6	72.2	68.1	10	30
126	27	Solomon Islands	55.0	8.0	39.3	41.9	33.9	62.8	34.4	99.8	68.5	70.5	81.0	83.0	15	30
128	28	Bangladesh	55.0	1.7	34.9	26.0	19.1	72.8	94.0	78.7	53.4	68.7	68.6	63.6	50	30
129	29	Mongolia	54.8	-4.6	51.3	28.4	36.8	87.1	57.6	0.0	67.2	76.6	72.3	74.9	45	60
132	30	Micronesia	54.1	2.3	30.0	30.0	40.7	90.7	0.0	98.6	57.8	67.7	83.6	85.6	35	30
133	31	Laos	54.0	4.2	35.3	35.9	32.6	86.1	76.6	61.2	66.3	54.4	70.2	74.6	35	20
141	32	Pakistan	52.8	-3.1	36.4	34.1	30.5	78.9	87.3	30.8	61.2	37.8	74.8	67.2	55	40
143	33	India	52.6	-3.6	55.4	44.4	44.3	77.2	77.4	11.0	52.8	41.6	75.0	72.6	40	40
146	34	Burma	52.5	3.8	23.0	12.9	29.6	86.2	81.5	89.9	50.1	77.1	65.4	74.2	20	20
147	35	Vietnam	52.4	-1.6	49.7	32.0	24.6	79.6	74.6	21.1	61.2	62.2	76.0	83.1	25	40
148	36	Uzbekistan	52.3	6.3	48.0	41.9	27.5	90.7	66.2	99.8	64.8	50.4	61.1	66.8	0	10
152	37	Papua New Guinea	50.9	-2.3	37.7	54.0	32.7	67.8	64.5	16.7	59.8	67.4	69.8	85.4	25	30

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ECONOMIC FREEDOM IN ASIA-PACIFIC

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
153	38	Kiribati	50.9	4.7	48.0	33.0	37.6	73.6	0.0	99.5	51.5	71.9	82.0	58.2	25	30
157	39	Maldives	50.3	-3.6	45.1	33.0	31.4	93.0	51.5	9.4	80.6	70.4	76.3	47.8	35	30
163	40	Afghanistan	48.9	N/A	12.6	28.4	27.5	91.6	79.9	97.3	54.2	59.9	69.3	66.0	0	0
170	41	Turkmenistan	47.4	5.5	32.4	5.0	29.6	95.3	92.3	98.9	30.0	20.0	74.8	80.0	0	10
173	42	Timor-Leste	46.3	0.5	6.8	10.3	29.2	64.7	65.6	20.0	72.2	63.9	77.5	80.0	45	20
180	43	North Korea	4.9	2.6	32.4	5.0	11.6	0.0	0.0	0.0	5.0	5.0	0.0	0.0	0	0

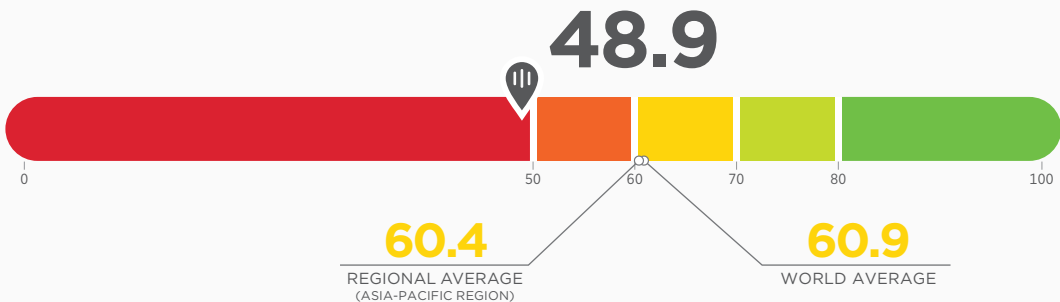
AFGHANISTAN

WORLD RANK: **163** | REGIONAL RANK: **40**
 ECONOMIC FREEDOM STATUS: **REPPRESSED**

A fghanistan's economic freedom is graded for the first time in the 2017 *Index*, reflecting the improved availability of key economic data. Over the past decade, the country has achieved rapid yet volatile economic growth. Construction and agriculture have been the key contributors to economic expansion. Afghanistan became a member of the World Trade Organization in 2016.

Political uncertainty and security challenges remain formidable. The rule of law continues to be fragile and uneven across the country; the inability to deliver even basic services reliably has eroded public confidence in the government; and systemic corruption has undermined the effectiveness of the courts, the banking sector, and other parts of the economy.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
Tax Policy

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

OVERALL SCORE CHANGE SINCE 2013:
N/A

FREEDOM TREND



QUICK FACTS

POPULATION:
32.0 million

GDP (PPP):
\$62.3 billion
1.5% growth in 2015
5-year compound annual growth 5.4%
\$1,947 per capita

UNEMPLOYMENT:
9.6%

INFLATION (CPI):
-1.5%

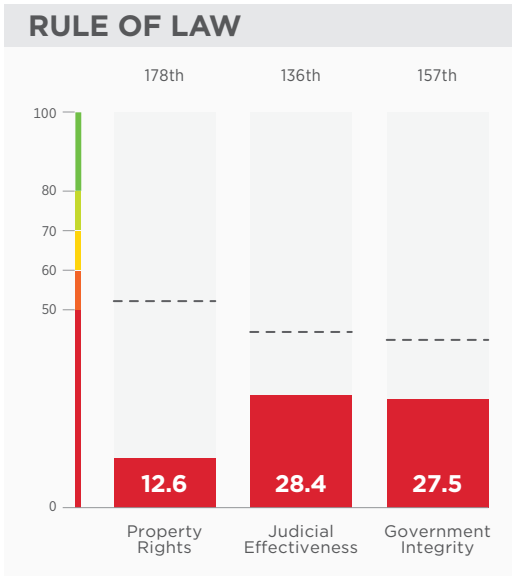
FDI INFLOW:
\$58.0 million

PUBLIC DEBT:
6.8% of GDP

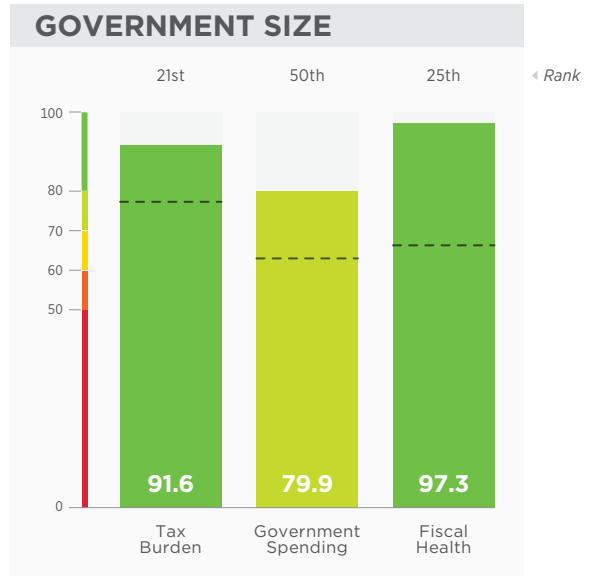
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Mohammad Ashraf Ghani became president following an election marred by allegations of vote-rigging in 2014. After three months of political wrangling, Ghani and former Foreign Minister Abdullah Abdullah agreed to form a unity government with Abdullah as chief executive officer. Taliban insurgents stepped up their attacks during the past year and now hold more territory than they have held at any other time since 2001 when they were ousted from power. In response to this offensive, President Obama decided to slow the withdrawal of U.S. troops from Afghanistan and keep about 8,400 U.S. forces in the country through the end of his term.

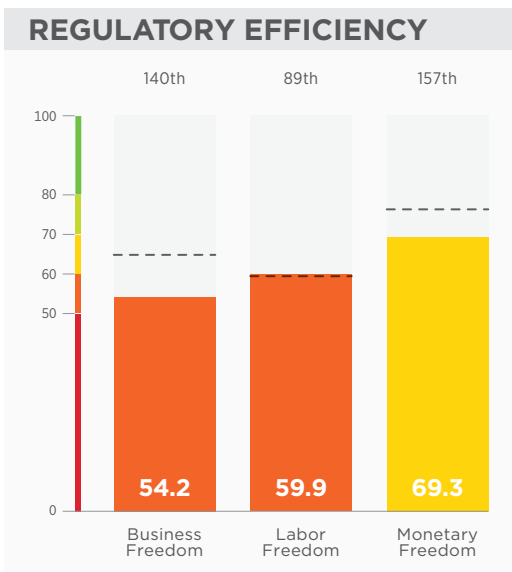
12 ECONOMIC FREEDOMS | AFGHANISTAN



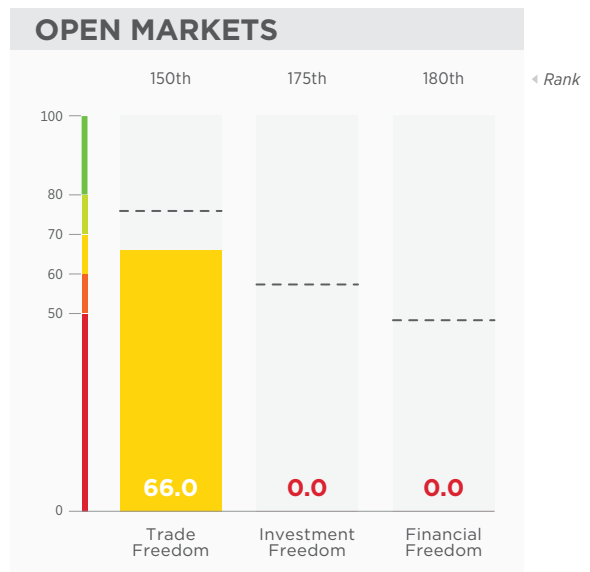
Protection of property rights is weak due to the lack of a comprehensive land titling system, disputed land titles, and the incapacity of commercial courts. The judicial system operates haphazardly; in many places, justice is administered by inadequately trained judges according to a mixture of legal codes. Corruption is endemic throughout society, and demands for bribery at border crossings hamper development of a market economy.



The top income and corporate tax rates are 20 percent. The overall tax burden equals 6.5 percent of total domestic income. Government spending has amounted to 26.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 6.8 percent of GDP. Years of political and security uncertainty have caused increased budgetary uncertainty and fiscal vulnerability.



Processes for establishing businesses and obtaining necessary licenses are relatively streamlined, but other structural barriers persist. The presence of a large informal economy continues to dampen development of a functioning labor market. Due to the severe underdevelopment of Afghanistan's financial system, the government has very limited influence on monetary policy.



Trade is important to Afghanistan's economy; the value of exports and imports taken together equals 53 percent of GDP. The average applied tariff rate is 7.0 percent, and regulatory barriers deter trade and investment. Security concerns and the financial system's weak capacity have slowed investment growth. The financial sector remains underdeveloped, and trust in the banking system has been undermined.

WORLD RANK:

5

REGIONAL RANK:

4

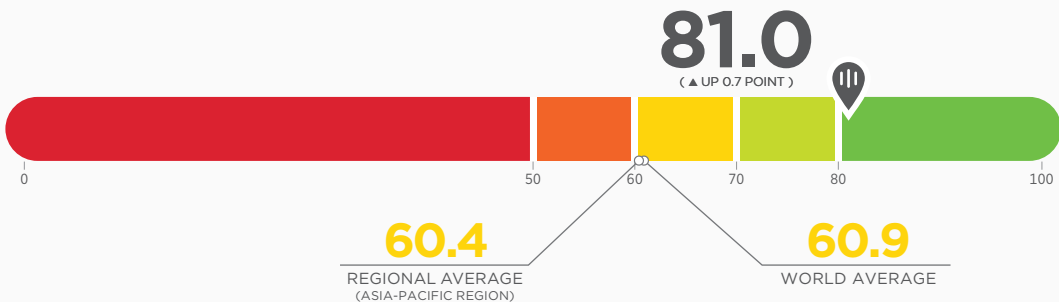
ECONOMIC FREEDOM STATUS:
FREE

AUSTRALIA

Australia, a vibrant free-market democracy, has recorded impressive economic progress unmarred by recession for more than 25 years. In addition to abundant natural resources, the economy has benefited from an effective system of government, a well-functioning legal system, and an independent bureaucracy, all of which have facilitated robust entrepreneurial development.

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

ECONOMIC FREEDOM SCORE

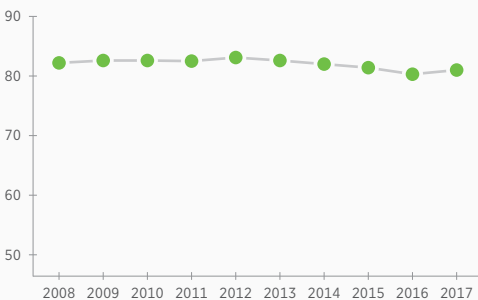


NOTABLE SUCCESSES:
Judicial Effectiveness, Financial Freedom, and Business Freedom

CONCERNS:
Government Spending and Tax Burden

OVERALL SCORE CHANGE SINCE 2013:
-1.6

FREEDOM TREND



QUICK FACTS

POPULATION:
23.9 million

GDP (PPP):
\$1.1 trillion
2.5% growth in 2015
5-year compound annual growth 2.7%
\$47,389 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
1.5%

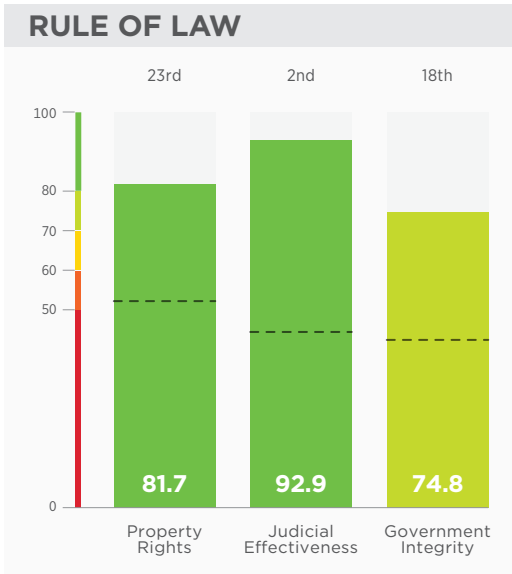
FDI INFLOW:
\$22.3 billion

PUBLIC DEBT:
36.8% of GDP

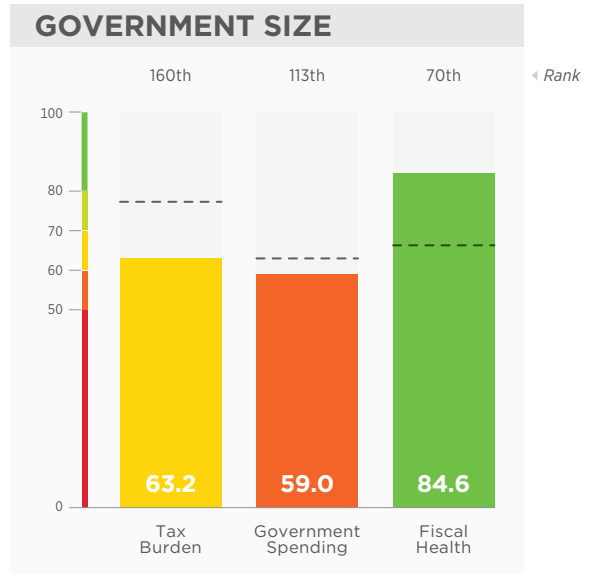
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Australia is one of the wealthiest Asia-Pacific nations and has enjoyed more than two decades of economic expansion. It emerged from the 2009 global recession relatively unscathed, but stimulus spending by the previous Labor government generated a fiscal deficit that has continued under subsequent Liberal governments. Australia is internationally competitive in services, technologies, and high-value-added manufactured goods. Mining and agriculture are important sources of exports. Malcolm Turnbull, a former businessman and communications minister, replaced Tony Abbott as head of the ruling Liberal-National coalition and as prime minister in September 2015.

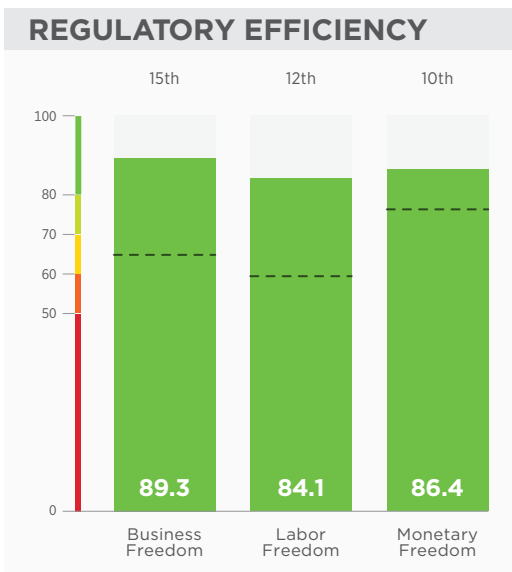
12 ECONOMIC FREEDOMS | AUSTRALIA



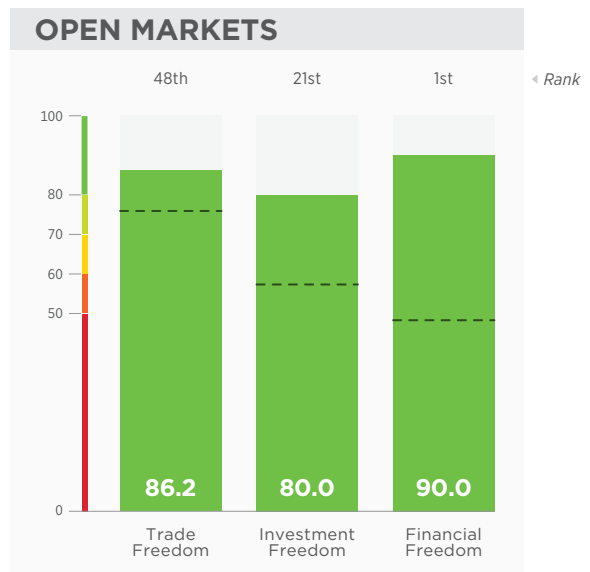
Strong rule of law protects property rights and helps to minimize corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia's stable political environment supports transparent and well-established political processes, a strong legal system, competent governance, and an independent bureaucracy. The judicial system operates independently and impartially. Anti-corruption measures are generally effective.



The top income tax rate is 45 percent, and the flat corporate tax rate is 30 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 27.5 percent of total domestic income. Government spending has amounted to 37 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 36.8 percent of GDP.



Australia's regulatory environment is one of the world's most transparent and efficient and is highly conducive to entrepreneurship. It takes only three procedures to launch a business. The labor market is well supported by the modern and flexible employment code. The Reserve Bank of Australia has reacted prudently to the slowdown in growth among the country's trading partners, and inflation remains below target levels.



Trade is moderately important to Australia's economy; the value of exports and imports taken together equals 41 percent of GDP. The average applied tariff rate is 1.9 percent. Some regulations impede agricultural trade. Most state-owned enterprises have been privatized. Foreign firms compete on equal terms with domestic banks and other financial institutions in Australia's highly developed and competitive financial system.

WORLD RANK: **68** | REGIONAL RANK: **15**

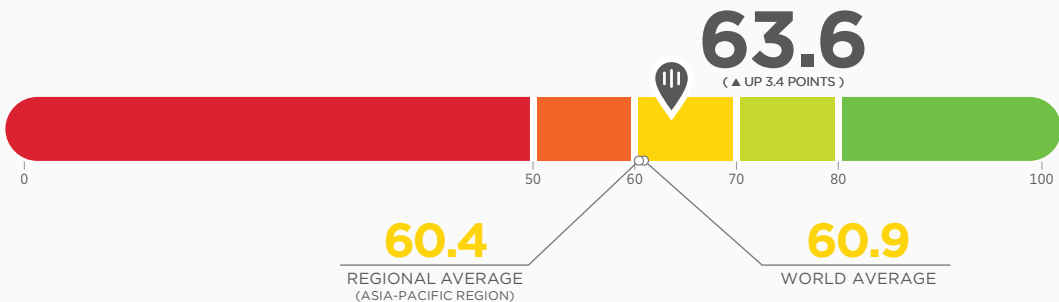
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

AZERBAIJAN

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

Challenges to diversification and sustainable growth remain substantial. Deeper systemic reforms are critically needed to advance and institutionalize economic freedom more firmly. Despite some progress, property rights are weak, and corruption remains widespread. State involvement in banking is still excessive, and lingering financial instability adds to uncertainty.

ECONOMIC FREEDOM SCORE

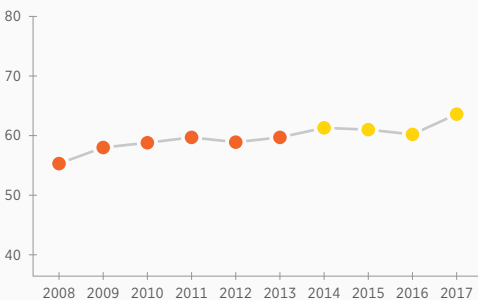


NOTABLE SUCCESSES:
Fiscal Policy, Tax Policy, and Labor Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+3.9

FREEDOM TREND



QUICK FACTS

POPULATION:
9.5 million

GDP (PPP):
\$169.4 billion
1.1% growth in 2015
5-year compound annual growth 2.4%
\$17,993 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
4.0%

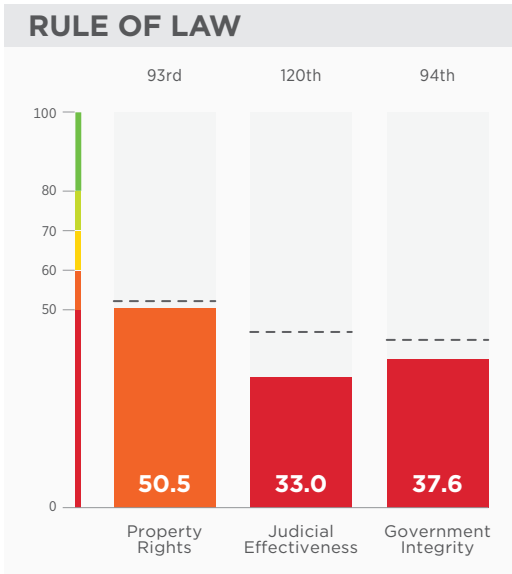
FDI INFLOW:
\$4.0 billion

PUBLIC DEBT:
36.1% of GDP

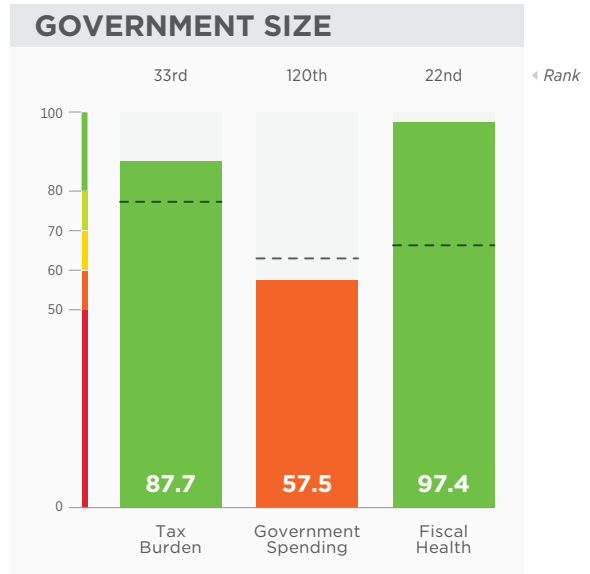
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: President Ilham Aliyev was elected to a third term in 2013 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan as a Soviet republic and later as an independent country until his death in 2003, when his son succeeded him. Armenia currently occupies the Nagorno-Karabakh region and seven neighboring districts that amount to almost 20 percent of Azerbaijan's internationally recognized territory. An upsurge in violence between Armenian and Azerbaijani forces in April 2016 threatened to exacerbate regional instability. Falling oil production is expected to be partially offset by increased natural gas exports. In 2015, construction began on the Trans-Anatolian Natural Gas Pipeline to export Azerbaijani gas through Turkey and ease Europe's energy dependence on Russia.

12 ECONOMIC FREEDOMS | AZERBAIJAN



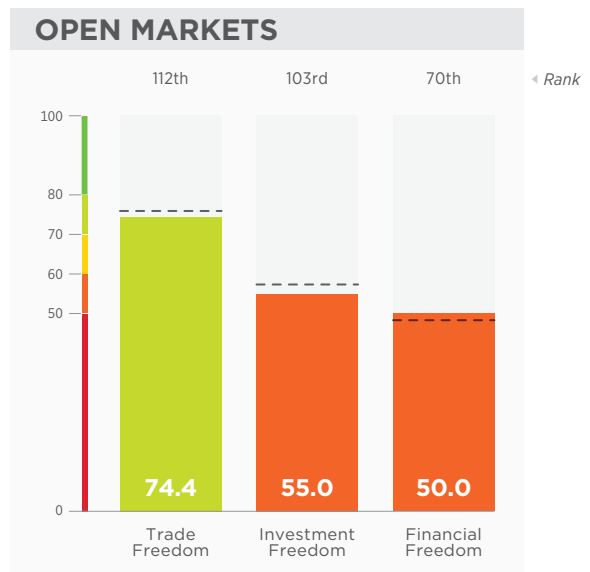
The state has seized property for development projects that involved forced evictions and unlawful and inadequately compensated expropriations. The corrupt and inefficient judiciary is largely subservient to the president and ruling party. Outcomes frequently appear to be predetermined. Corruption is widespread. Opposition politicians are subject to arbitrary arrest, physical violence, and other forms of intimidation.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 14.2 percent of total domestic income. Government spending has amounted to 37.6 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 36.1 percent of GDP.



Despite progress in streamlining the process for launching a business, other time-consuming requirements reduce regulatory efficiency. Labor regulations have become somewhat more flexible, but enforcement of the labor code remains uneven. After two steep devaluations, the central bank moved to a managed float exchange rate regime and raised interest rates in 2016 to address rising inflation.



Trade is important to Azerbaijan's economy; the value of exports and imports taken together equals 73 percent of GDP. The average applied tariff rate is 5.3 percent, and bureaucratic and regulatory barriers impede international trade and investment. The financial sector faces a range of challenges that include a currency devaluation. The banking sector is dominated by a large state bank, and small private banks remain fragmented.

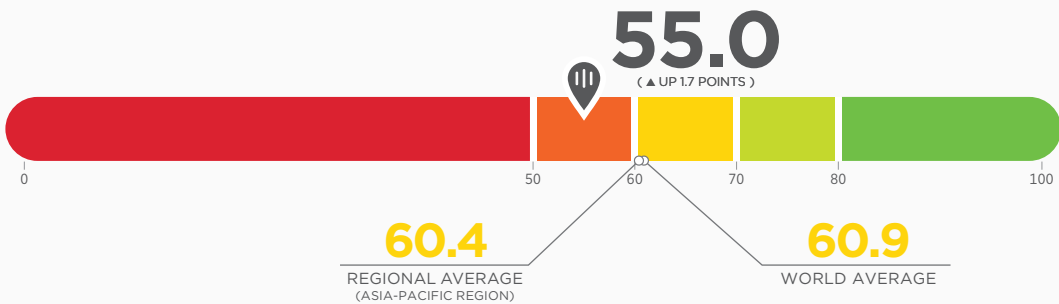
BANGLADESH

WORLD RANK: **128** | REGIONAL RANK: **28**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

The fragile rule of law continues to undermine economic development in Bangladesh. Corruption and marginal enforcement of property rights drive people and enterprises into the informal economy, and poor economic management, worsened by repeated political crises, severely constrains economic dynamism.

Despite some streamlining of business regulations, entrepreneurial activity is hampered by an uncertain regulatory environment and the absence of effective institutional support for private-sector development. The government's inability to provide even minimal public goods further limits opportunities for business development and job growth.

ECONOMIC FREEDOM SCORE

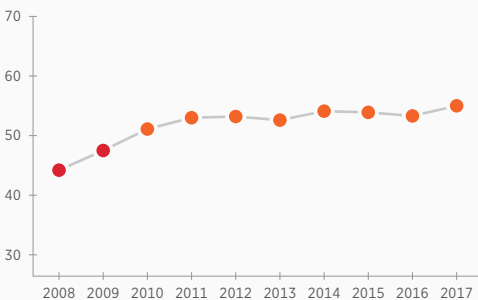


NOTABLE SUCCESSES:
 Government Spending, Fiscal Policy, and Tax Policy

CONCERNS:
 Rule of Law, Business Freedom, and Open Markets

OVERALL SCORE CHANGE SINCE 2013:
 +2.4

FREEDOM TREND



QUICK FACTS

POPULATION:
 159.9 million

GDP (PPP):
 \$576.5 billion
 6.4% growth in 2015
 5-year compound annual growth 6.3%
 \$3,607 per capita

UNEMPLOYMENT:
 4.4%

INFLATION (CPI):
 6.4%

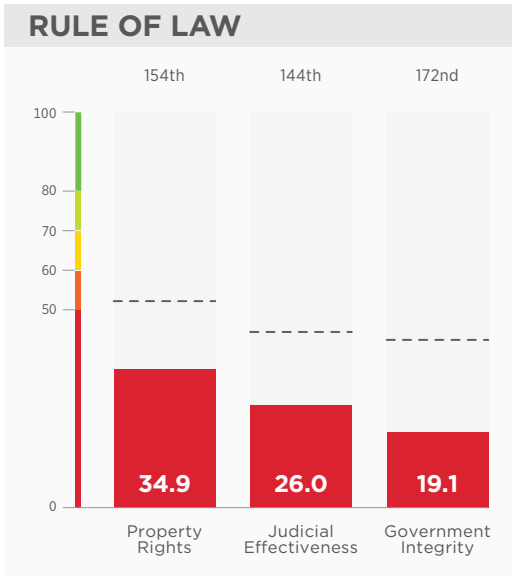
FDI INFLOW:
 \$2.2 billion

PUBLIC DEBT:
 34.0% of GDP

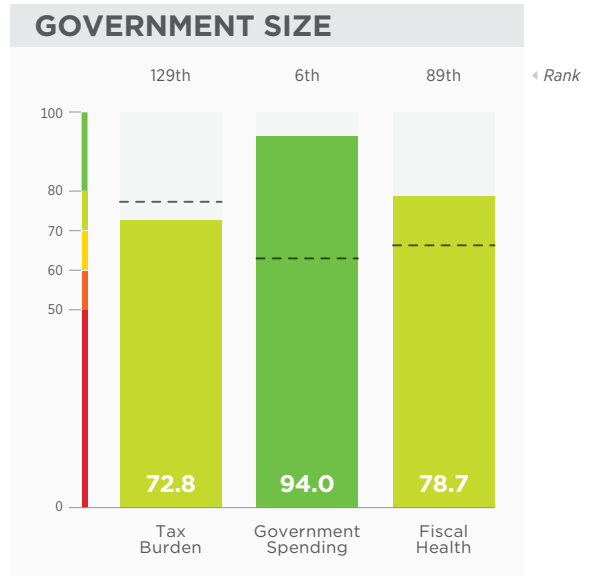
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Prime Minister Sheikh Hasina was reelected in January 2014 in an election marred by an opposition boycott. A year later, when antigovernment demonstrations and a transport blockade fueled violence that killed over 120 people, the government jailed over 7,000 opposition members. Extremist attacks against liberal bloggers, religious minorities, and foreigners have risen alarmingly since 2013. A major terrorist attack on a café in Dhaka in July 2016 that killed 22 people has led to concern that international terrorist groups like the Islamic State and al-Qaeda are linking up with local militant groups. Despite the political turmoil, a decade of fairly rapid economic growth has contributed to progress against persistent poverty.

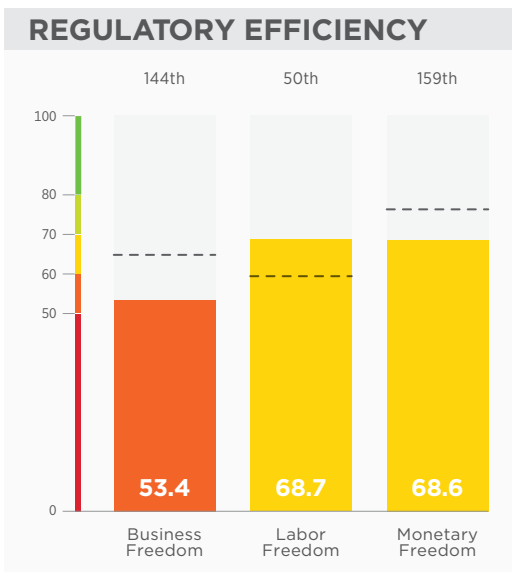
12 ECONOMIC FREEDOMS | BANGLADESH



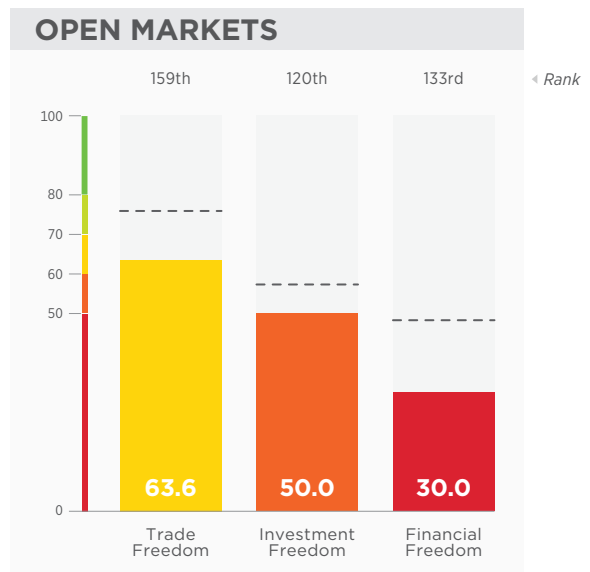
Property laws are antiquated, and property rights are enforced unevenly. The judiciary is not independent. Procedures for contract enforcement and dispute settlement are inefficient. Endemic corruption and criminality, weak rule of law, limited bureaucratic transparency, and political polarization have undermined government accountability. Anticorruption efforts are weakened by politicized enforcement and subversion of the judicial process.



The top income tax rate is 25 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax that is being reformed. The overall tax burden equals 8.6 percent of total domestic income. Government spending has amounted to 14.1 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 34.0 percent of GDP.



The costs of getting necessary permits and establishing a company have been reduced considerably. A well-functioning labor market has not been fully developed, but labor productivity growth has been slightly higher than wage hikes. Although somewhat less costly in 2016 due to low oil prices, the government's extensive subsidizing of basic food staples, fuels, fertilizers, and electricity continues to hamper economic growth.



Trade is moderately important to Bangladesh's economy; the value of exports and imports taken together equals 42 percent of GDP. The average applied tariff rate is 10.7 percent, and the government has taken steps to reduce bureaucratic barriers to trade and investment. Government ownership and interference in the financial sector remain considerable, undermining efficiency and growth.

BHUTAN

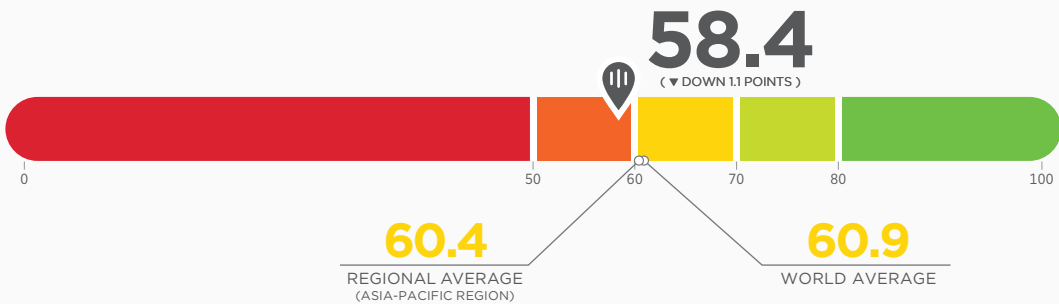
WORLD RANK: **107** | REGIONAL RANK: **21**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**



Bhutan has made progress in modernizing its economic structure and reducing poverty. The public sector has long been the main source of economic growth, but the government now recognizes that private-sector growth is crucial. Higher priority is being given to economic diversification, particularly in light of demographic shifts that will bring more young people into the labor market.

The government has taken steps to ensure greater security for property rights. However, lingering constraints on private-sector development include an inefficient regulatory framework, pervasive nontariff barriers to trade, and a rudimentary investment code. The financial sector remains small and without adequate regulation or supervision.

ECONOMIC FREEDOM SCORE

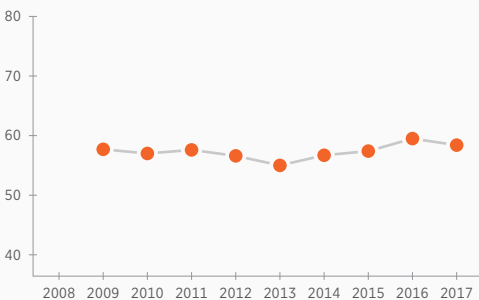


NOTABLE SUCCESSES:
 Tax Policy and
 Government Spending

CONCERNS:
 Investment Freedom, Financial
 Freedom, and Government Integrity

**OVERALL SCORE CHANGE
 SINCE 2013:**
 +3.4

FREEDOM TREND



QUICK FACTS

POPULATION:
 0.8 million

GDP (PPP):
 \$6.4 billion
 7.7% growth in 2015
 5-year compound
 annual growth 7.1%
 \$8,201 per capita

UNEMPLOYMENT:
 2.6%

INFLATION (CPI):
 7.2%

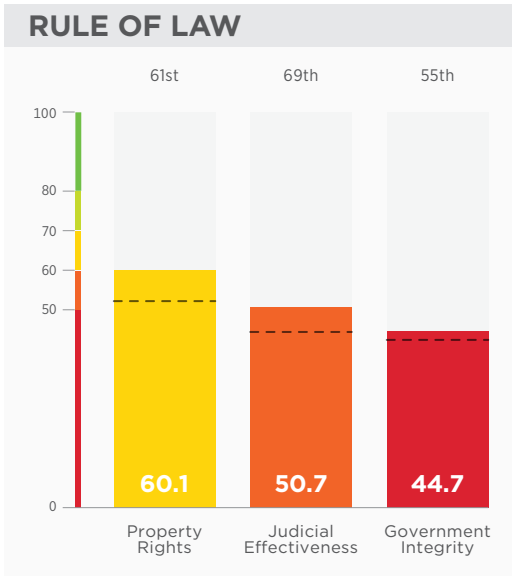
FDI INFLOW:
 \$12.1 million

PUBLIC DEBT:
 115.7% of GDP

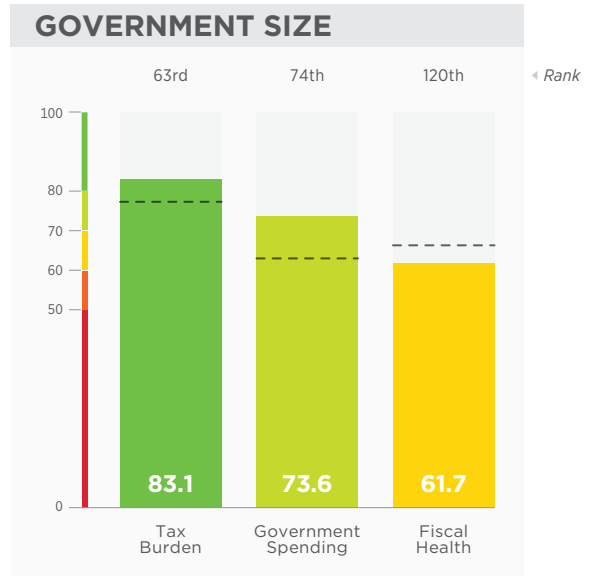
2015 data unless otherwise noted. Data compiled as of September 2016

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

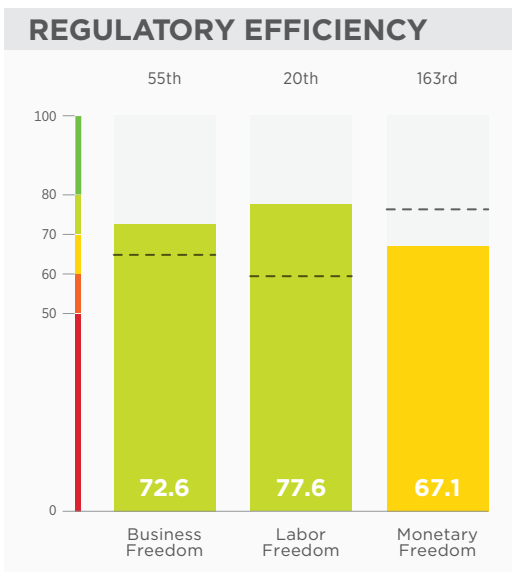
12 ECONOMIC FREEDOMS | BHUTAN



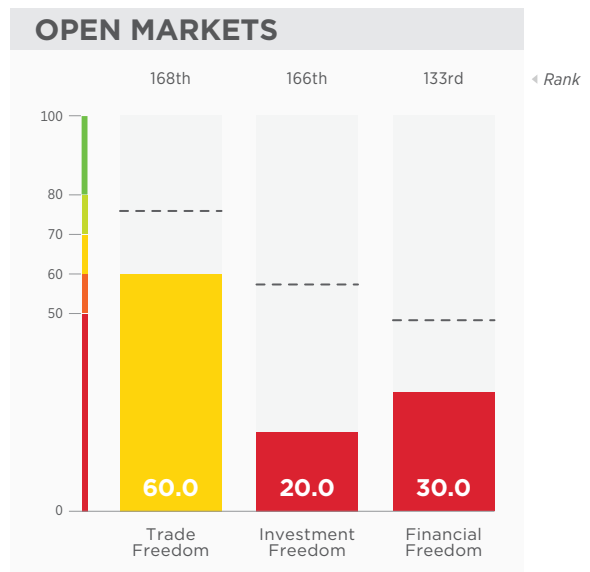
Introduction of a computerized land information system has made it easier to transfer property. Since 2007, Bhutan has moved decisively toward the judicially based rule of law, and its judiciary is now considered generally independent. The law provides criminal penalties for corruption by officials, and the government generally implements those laws effectively, although there are isolated reports of government corruption.



The top income tax rate is 25 percent, and the corporate tax rate is 30 percent. Other taxes include a property tax and an excise tax. The overall tax burden equals 13.0 percent of total domestic income. Government spending has amounted to 29.6 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 115.7 percent of GDP.



A modern regulatory framework has not been fully developed. Despite recent efforts, the business climate remains hampered by inconsistent enforcement of regulations and a lack of transparency. The labor supply-and-demand imbalance persists. India provides subsidized liquefied petroleum gas and kerosene to Bhutan and is cofinancing numerous hydropower projects. The state maintains significant financial and commercial controls.



Trade is extremely important to Bhutan's economy; the value of exports and imports taken together equals 116 percent of GDP. The average applied tariff rate is 10.0 percent. Investment in some sectors is restricted. Bhutan needs a more efficient banking sector to mobilize savings and channel long-term capital to facilitate private-sector development. An underdeveloped regulatory framework limits access to capital.

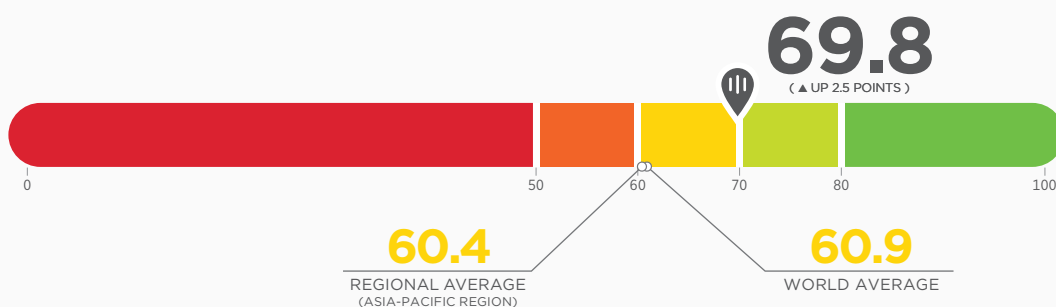
BRUNEI

WORLD RANK: **35** | REGIONAL RANK: **9**
 ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Oil and gas revenue have helped to make Brunei one of the world's richest economies, but long-standing efforts to modernize the economic structure have met with only limited success. Recently, a higher priority has been placed on measures to diversify the economy and attract more foreign investment, and the corporate tax rate has been cut to 18.5 percent.

With oil revenues down, fiscal adjustments have been at the forefront of reform efforts, particularly in terms of improving the efficiency and composition of public spending. Brunei continues to benefit from moderately well-maintained monetary stability and a relatively high level of market openness that facilitates engagement with the world through trade and investment.

ECONOMIC FREEDOM SCORE

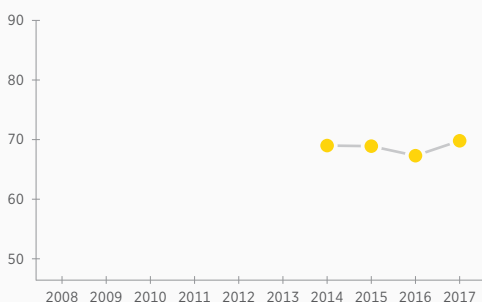


NOTABLE SUCCESSES:
Fiscal Policy and Trade Freedom

CONCERNS:
Judicial Effectiveness, Government Integrity, and Government Spending

OVERALL SCORE CHANGE SINCE 2013:
0.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
\$33.2 billion
-0.2% growth in 2015
5-year compound annual growth 0.0%
\$79,587 per capita

UNEMPLOYMENT:
1.9%

INFLATION (CPI):
-0.4%

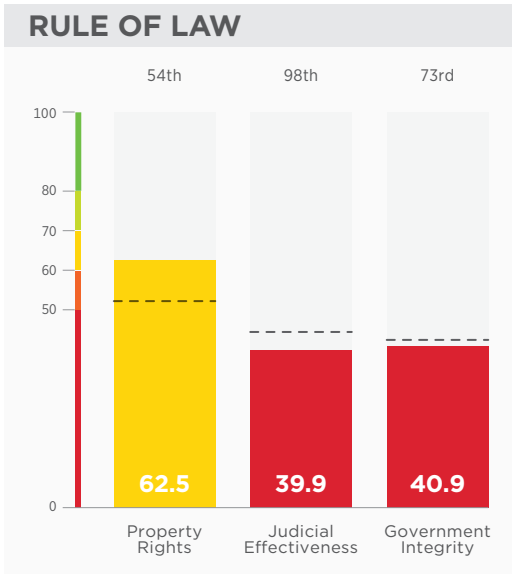
FDI INFLOW:
\$173.2 million

PUBLIC DEBT: 3.1% of GDP

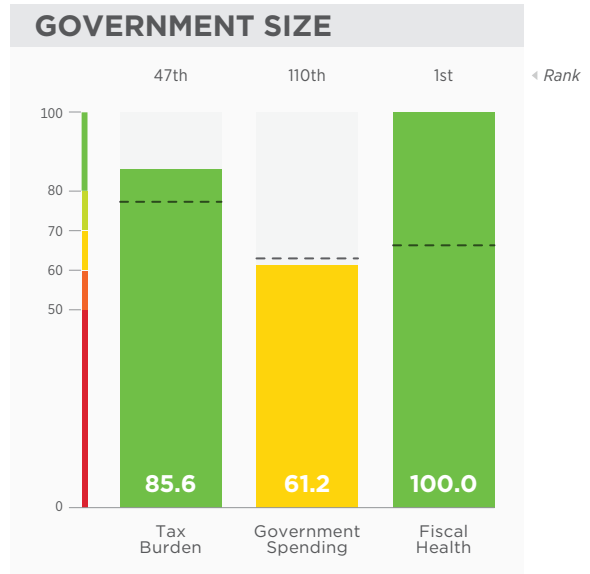
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Brunei, two small disconnected enclaves surrounded by the Malaysian state of Sarawak, lies on the northern coast of Borneo. The sultan serves as his own prime minister, minister of defense, foreign minister, and minister of finance. He is advised by several councils, including a Legislative Council and Privy Council, which he appoints. The oil and gas industry accounts for over half of GDP and 90 percent of government revenues. However, it generates only a small fraction of employment, and most of the population works directly for the government. Brunei has extremely low manufacturing capacity and imports most of its manufactured goods and food.

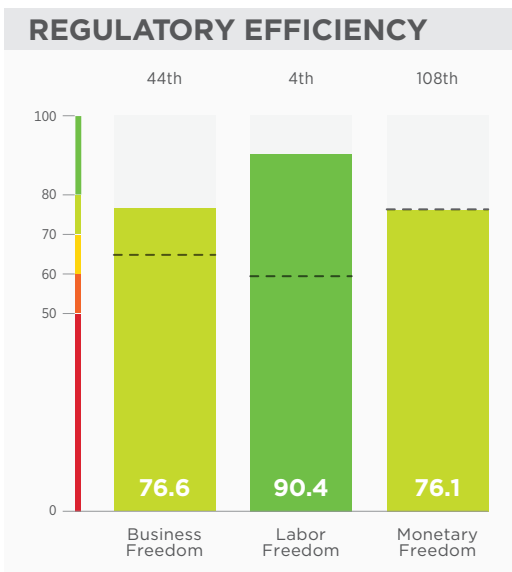
12 ECONOMIC FREEDOMS | BRUNEI



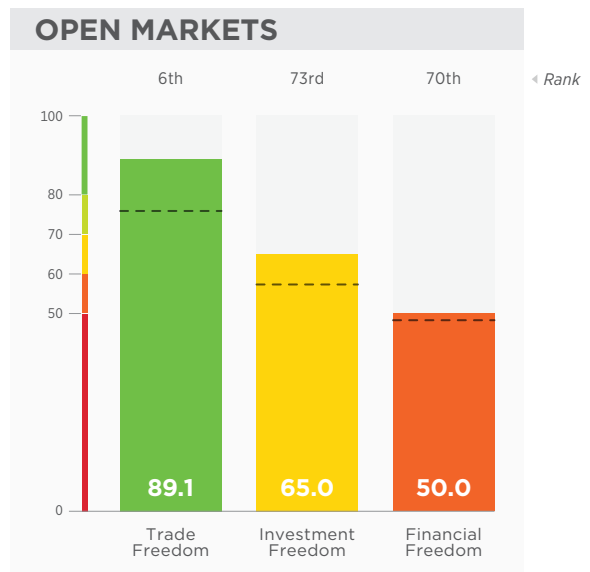
Protection of private property is weak. Only citizens may purchase land; foreign firms must have a local partner. The constitution does not provide for an independent judiciary. Brunei is one of the world's last remaining autocracies, and Sultan Hassanal Bolkiah wields nearly absolute powers. In 2016, the government slowed the planned full implementation of sharia (Islamic) law because it might jeopardize Brunei's inclusion in the Trans-Pacific Partnership trade pact.



Brunei has no personal income tax. The top corporate tax rate is 18.5 percent for most companies; the rate for oil and gas companies is 55 percent. The overall tax burden equals 33.1 percent of total domestic income. Government spending has amounted to 36 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.9 percent of GDP. Public debt is equivalent to 3.1 percent of GDP.



Registration requirements for starting a business have been simplified, and a one-stop shop now facilitates the overall operation of small and medium-size enterprises. The labor market is relatively flexible. The government provides large price-distorting subsidies for nearly everything the average citizen needs (for example, fuel, power, food, health care, and education).



Trade is extremely important to Brunei's economy; the value of exports and imports taken together equals 107 percent of GDP. The average applied tariff rate is only 0.5 percent. State-owned enterprises distort the economy, and foreign ownership of land is restricted. The small financial sector remains dominated by banks, which are well capitalized. Islamic financial services have grown considerably in recent years.

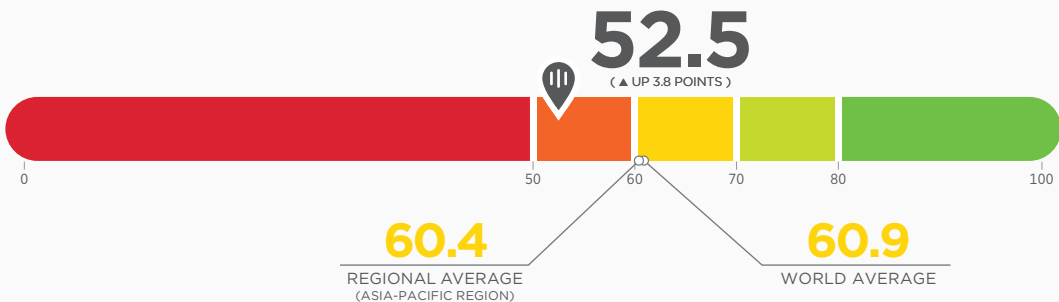
BURMA

Burma's economy has undergone notable changes. Economic sanctions have been eased or lifted, and the government has launched reforms to modernize the economic system. A new banking and finance law that lays the foundations for more efficient licensing of financial institutions has been ratified. In 2016, the lower house of parliament also approved a new investment law.

Long-standing structural problems include poor public finance management and underdeveloped legal and regulatory frameworks. Fragile monetary stability largely reflects excessive money creation to fund fiscal deficits. Arbitrary taxation policies and marginal enforcement of property rights have driven many enterprises into the informal sector.

WORLD RANK: **146** | REGIONAL RANK: **34**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

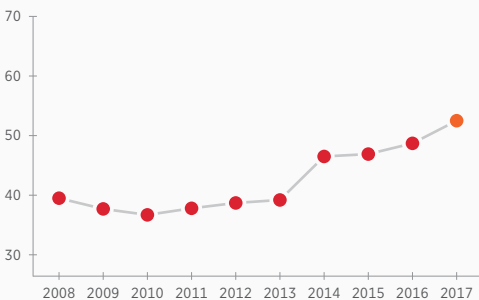


NOTABLE SUCCESSES:
Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+13.3

FREEDOM TREND



QUICK FACTS

POPULATION:
51.8 million

GDP (PPP):
\$283.5 billion
7.0% growth in 2015
5-year compound annual growth 7.4%
\$5,469 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
11.5%

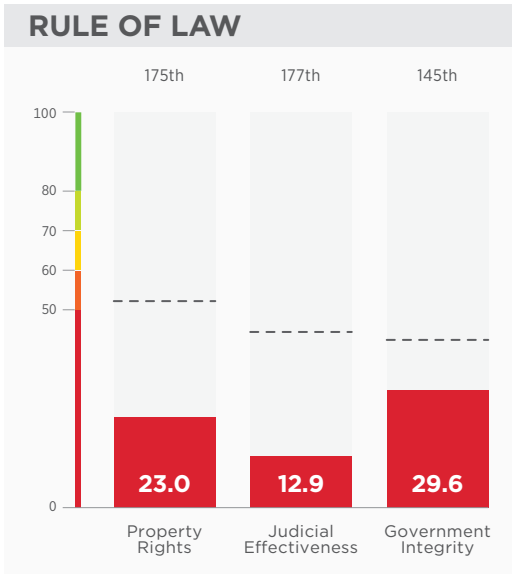
FDI INFLOW:
\$2.8 billion

PUBLIC DEBT:
32.0% of GDP

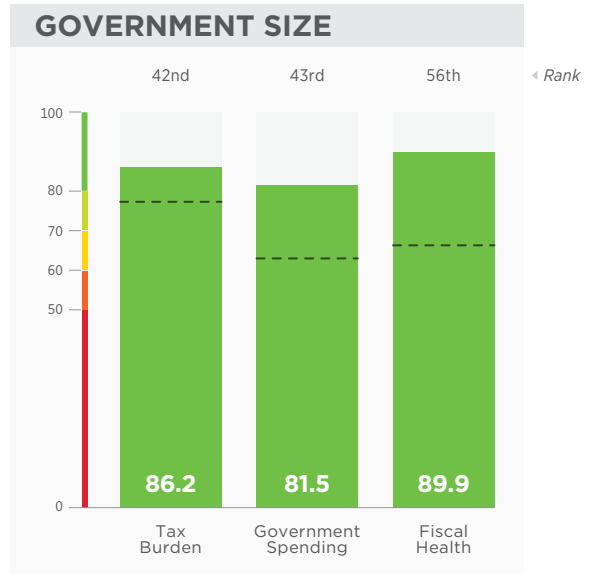
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Burma's slow transition from military dictatorship continues. Beginning in 2010, it experimented with some political and economic reform. National League for Democracy leader Aung San Suu Kyi, released from jail in November 2010, now acts as state counsellor and leader of the NLD. Following a general election in 2015 that gave the NLD an absolute majority, parliament elected Suu Kyi confidant Htin Kyaw as president. The army remains a major political force and controls several cabinet portfolios, including defense, foreign, border, and home affairs. The United States and the European Union have continued to ease sanctions in response to political changes, but sectarian violence and persecution of Muslims and Christians continue.

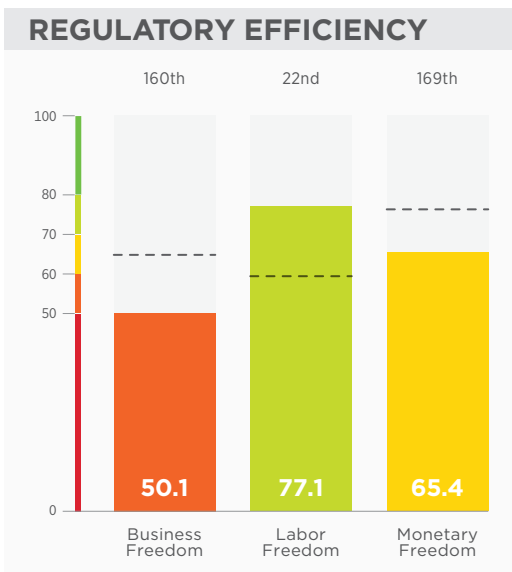
12 ECONOMIC FREEDOMS | BURMA



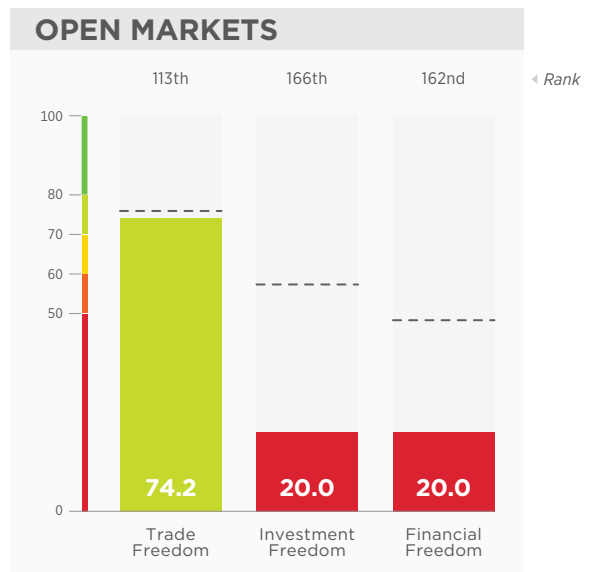
Protection of property rights is weak. There continue to be numerous cases of sometimes violent land-grabs and forced evictions without sufficient compensation by state security officials. The judiciary is not independent, and judicial decisions are heavily influenced by the executive. The budget process has become more open, but the government has not taken significant steps to curb rampant national and local corruption.



The top individual income tax rate is 20 percent, and the top corporate tax rate is 30 percent. Other taxes include commercial and capital gains taxes. The overall tax burden equals 9.2 percent of total domestic income. Government spending has amounted to 24.8 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 32.0 percent of GDP.



The regulatory system lacks transparency and clarity, and inconsistent enforcement of regulations injects uncertainty into business decision-making. The labor market lacks flexibility, and informal-sector employment is substantial. The government intends to make public spending more efficient, improve budget transparency, and privatize some loss-making state-owned enterprises.



Trade is moderately important to Burma's economy; the value of exports and imports taken together equals 34 percent of GDP. The average applied tariff rate is 2.9 percent. Several sectors, including land ownership, are closed to foreign investment, and state-owned enterprises significantly distort the economy. Four foreign banks were permitted to operate in 2016, adding to the nine that were licensed in 2014. State-owned banks still account for more than half of total banking-sector assets.

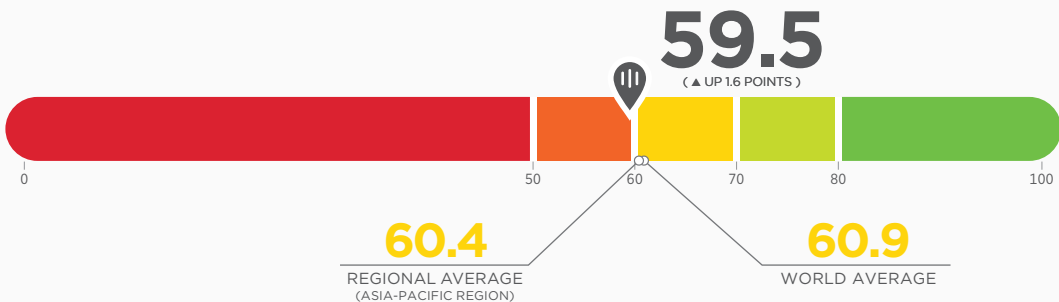
CAMBODIA

Cambodia's continuing efforts to integrate more fully into the global trading framework have contributed to high growth rates. Public finance is sound, with modest deficits and a moderate level of debt. Promotion of foreign investment and expansion of small and medium-size enterprises are important priorities.

However, lingering institutional weaknesses hold back the emergence of a more dynamic private sector. Weak property rights and pervasive corruption continue to constrain economic freedom, and institutionalization of a more independent judicial system remains a key area for reform. The rigidity of the formal labor market is partly responsible for the existence of an underground dual labor market.

WORLD RANK: **94** REGIONAL RANK: **20**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

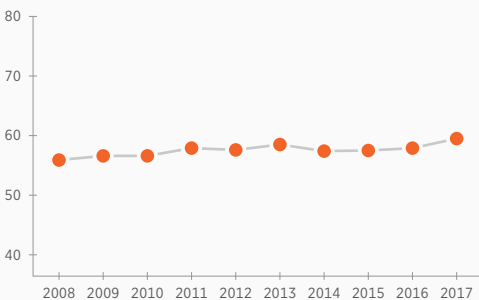


NOTABLE SUCCESSES:
Government Size, Monetary Stability, and Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+1.0

FREEDOM TREND



QUICK FACTS

POPULATION:
15.5 million

GDP (PPP):
\$54.2 billion
6.9% growth in 2015
5-year compound annual growth 7.2%
\$3,488 per capita

UNEMPLOYMENT:
0.5%

INFLATION (CPI):
1.2%

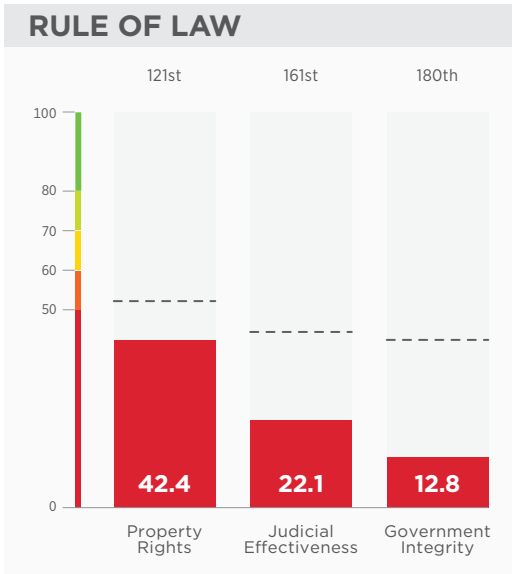
FDI INFLOW:
\$1.7 billion

PUBLIC DEBT:
33.6% of GDP

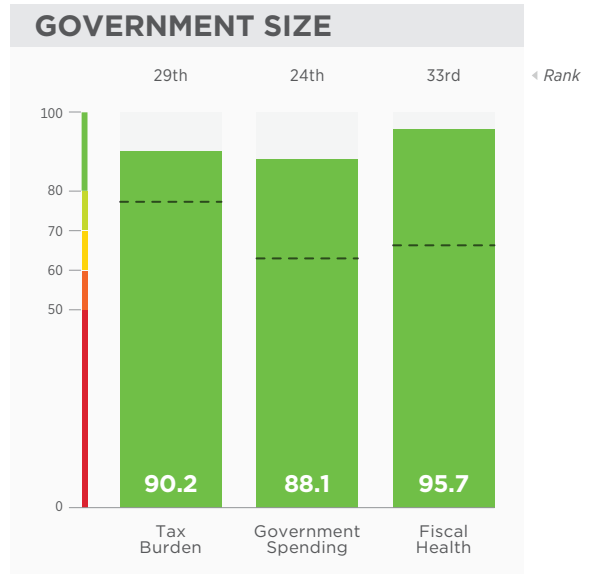
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Nominally a democracy, Cambodia has been ruled by former Khmer Rouge member Prime Minister Hun Sen since 1985. The general election victory of Hun Sen's Cambodian People's Party in 2013 was hotly contested by the opposition Cambodia National Rescue Party. In July 2014, after Hun Sen promised to initiate electoral reform, both parties agreed to suspend protests and reconvene government. Those reforms were only partially implemented. In 2016, democracy was in retreat. Opposition leaders have been silenced, government security forces allegedly beat up opposition parliamentarians, and at least 27 people are being held as political prisoners. Cambodia's economy remains heavily dependent on tourism and apparel assembly.

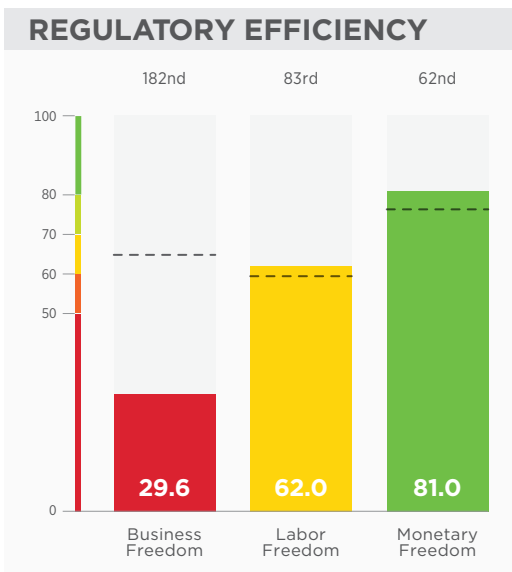
12 ECONOMIC FREEDOMS | CAMBODIA



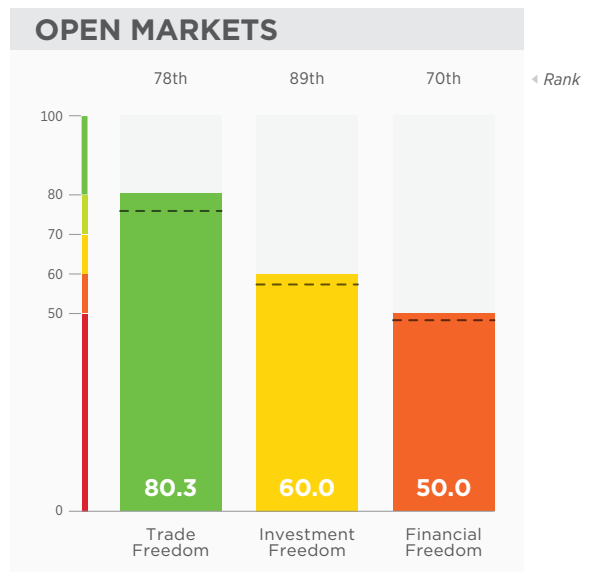
Property rights are regularly abused in the name of development. Powerful politicians, bureaucrats, and military officers have used state-sanctioned seizures to grab an estimated 12 percent or more of Cambodia's land. The judiciary is politicized and marred by inefficiency, poorly trained judges, and a lack of independence. Corruption remains a serious obstacle to economic development and social stability.



The top individual income and corporate tax rates are 20 percent. Other taxes include an excise tax and a value-added tax. The overall tax burden equals 13.4 percent of total domestic income. Government spending has amounted to 19.9 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 33.6 percent of GDP.



Measures to modernize commercial codes and facilitate private-sector development have been implemented in recent years. All sectors of the economy are open to foreign competition and investment. Labor force participation is high, but many jobs are informal. In 2016, drought conditions led the government to introduce de facto subsidies by exempting agricultural products from the value-added tax.



Trade is extremely important to Cambodia's economy; the value of exports and imports taken together equals 142 percent of GDP. The average applied tariff rate is 4.9 percent. New foreign investment may be screened by the government. Privatization and consolidation have gradually improved the efficiency of the banking sector. Banking has become more market-oriented, and credit to the private sector has increased.

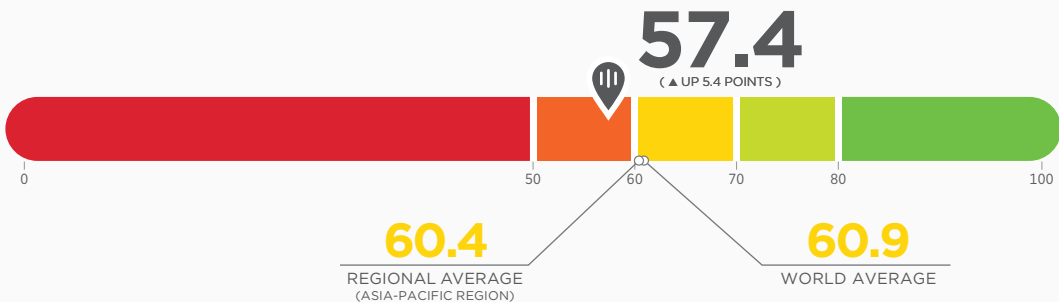
CHINA

China's economy remains "mostly unfree," and there is little momentum for reform. Despite a nominal openness to trade and investment, bureaucratic hurdles and resistance from vested interests in the state sector are substantial barriers to more dynamic economic development. Confronting a period of economic slowdown, the government has increased expansionary fiscal and monetary interventions.

Deep-seated structural problems, including a state-controlled financial sector and regulatory inefficiency, have become more acute. Accumulating debt at various levels of the economy increases long-term risks. The legal system's vulnerability to political influence and Communist Party directives undercuts the rule of law and adds uncertainty to economic activity.

WORLD RANK: **111** | REGIONAL RANK: **24**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

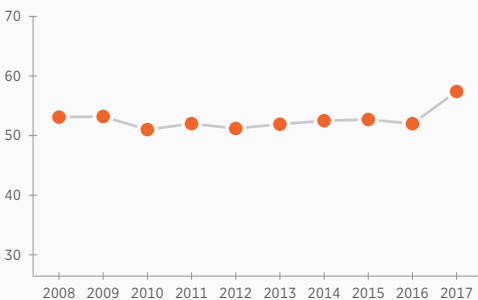


NOTABLE SUCCESSES:
 Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 +5.5

FREEDOM TREND



QUICK FACTS

POPULATION:
 1.4 billion

GDP (PPP):
 \$19.4 trillion
 6.9% growth in 2015
 5-year compound annual growth 7.8%
 \$14,107 per capita

UNEMPLOYMENT:
 4.6%

INFLATION (CPI):
 1.4%

FDI INFLOW:
 \$135.6 billion

PUBLIC DEBT:
 43.9% of GDP

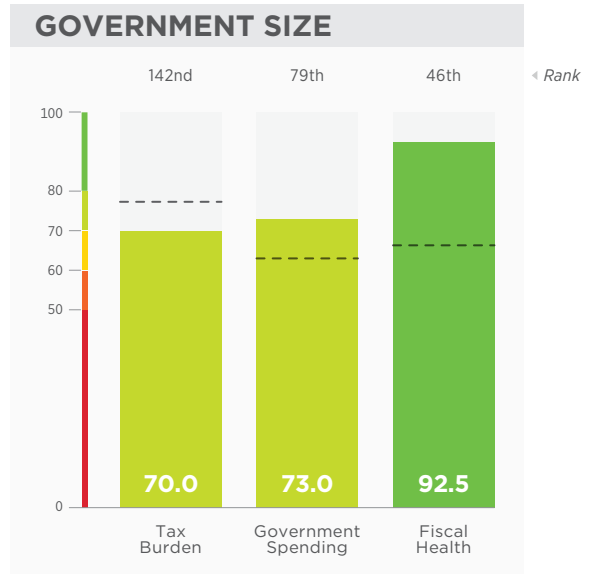
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: After more than three years in power, Communist Party General Secretary Xi Jinping's regime has failed to produce any significant progress in economic reform. State-owned enterprises still dominate the financial sector and many basic industries. Total national debt (household, corporate, and government) has approached 300 percent of GDP, a level comparable to crisis-ridden southern Europe. The anticorruption campaign is popular with the public but has reduced provincial spending and economic growth. The slowdown in economic growth, which may be more severe than reflected in official statistics, poses serious challenges for a government whose legitimacy, more now than in the past, depends on its ability to increase living standards throughout the large population.

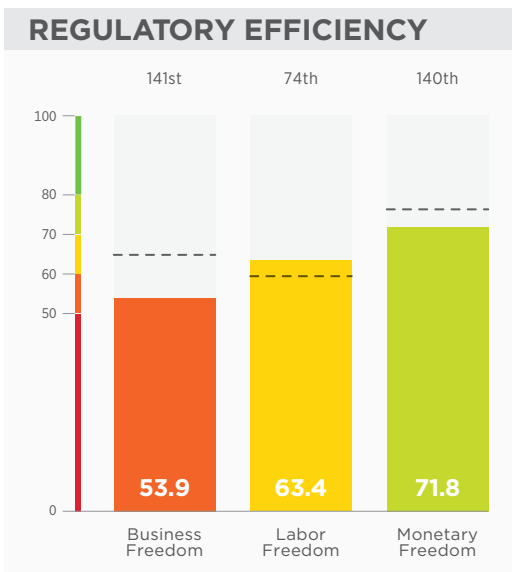
12 ECONOMIC FREEDOMS | CHINA



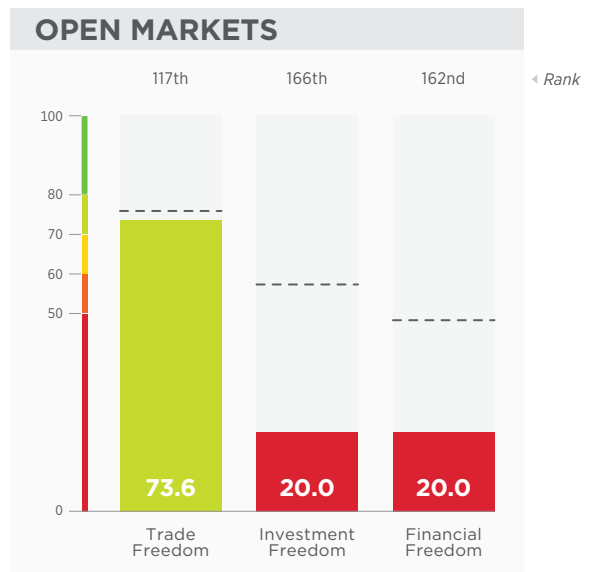
The state owns all land, and protection of foreign intellectual property continues to erode. Xi Jinping's anticorruption campaign accelerated in 2016, but corruption remains endemic, and the leadership has rejected more fundamental reforms such as requiring public disclosure of assets by officials, creating genuinely independent oversight bodies, or lifting political constraints on journalists and law enforcement agencies.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a real estate tax. The overall tax burden equals 18.7 percent of total domestic income. Government spending has amounted to 30 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 43.9 of GDP.



Elimination of the minimum capital requirement has made it easier to launch a new business, but the overall regulatory framework remains complex, arbitrary, and uneven. The labor regime continues to be repressive. The government props up numerous inefficient state-owned enterprises and funds a vast array of subsidies for manufactured exports, energy, agriculture, and consumer goods.



Overall, trade is only moderately important to China's economy; the value of exports and imports taken together equals 41 percent of GDP. The average applied tariff rate is 3.2 percent. Numerous state-owned enterprises distort the economy, and the state maintains its tight grip on the financial system. The government controls almost all of China's banks, which are facing a rise in the number of nonperforming loans.

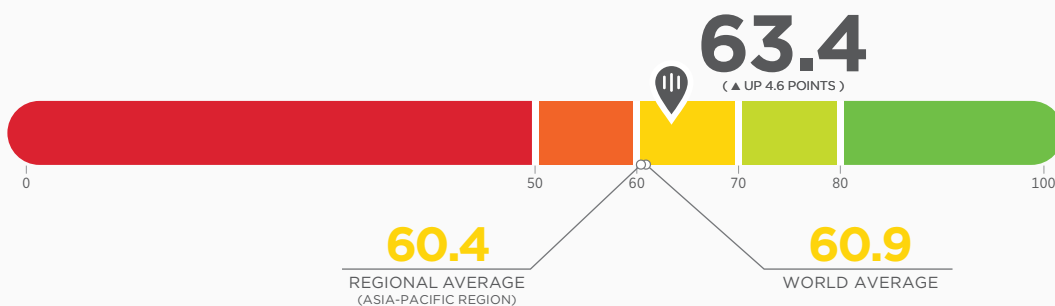
FIJI

Fiji's record in reforming underperforming institutions has been uneven, and economic growth is limited by lingering structural and policy weaknesses that constrain economic freedom. The rule of law is not strongly supported by the judicial system, particularly because of growing corruption. Inefficient and high public spending has resulted in a considerable fiscal burden imposed on the population.

The government has implemented a series of pro-business reforms, including simplification of the business start-up process, in an effort to enhance regulatory efficiency. However, the pace of reform has slowed in recent years, and policies to open markets further have not been advanced.



ECONOMIC FREEDOM SCORE

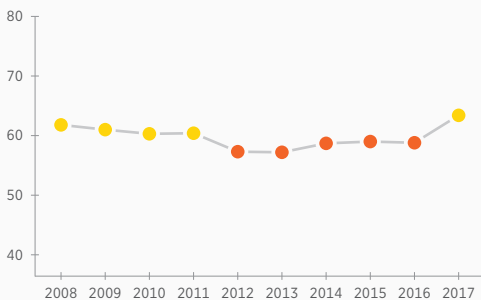


NOTABLE SUCCESSES:
Monetary Stability and Trade Freedom

CONCERNS:
Judicial Effectiveness, Government Integrity, and Business Freedom

OVERALL SCORE CHANGE SINCE 2013:
+6.2

FREEDOM TREND



QUICK FACTS

POPULATION:
0.9 million

GDP (PPP):
\$8.0 billion
4.3% growth in 2015
5-year compound annual growth 3.7%
\$9,044 per capita

UNEMPLOYMENT:
7.7%

INFLATION (CPI):
2.8%

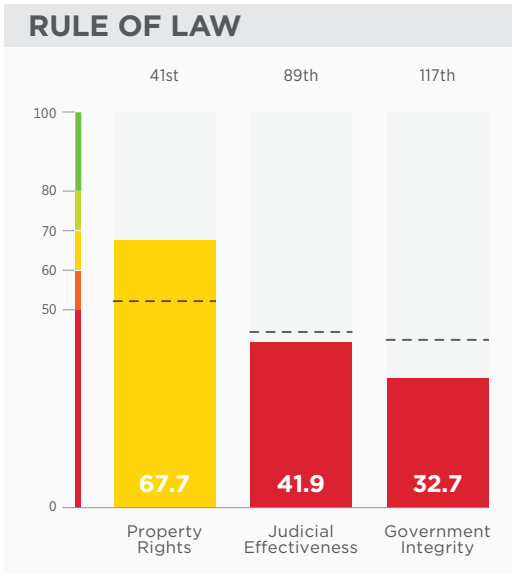
FDI INFLOW:
\$332.4 million

PUBLIC DEBT:
46.1% of GDP

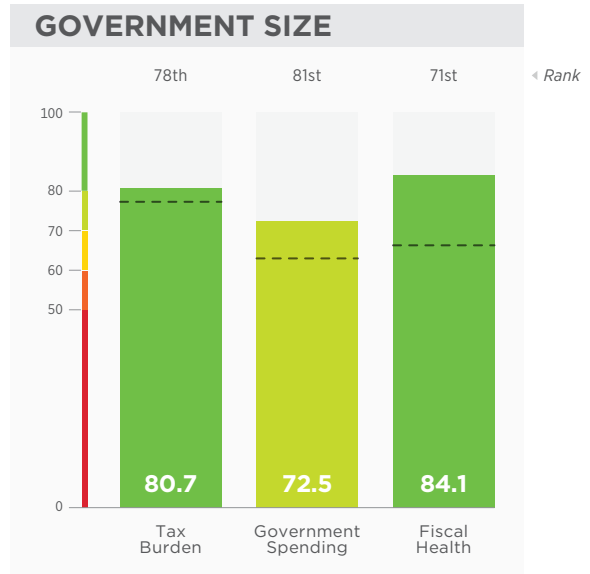
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Military strongman Commodore Frank Bainimarama has ruled the Pacific island nation of Fiji for a decade. There is a long history of ethnic tension between the indigenous, mostly Christian population and a large minority of Hindu and Muslim Indo-Fijians. Sanctions imposed in 2006 by Fiji's main trading partners, including the European Union and Australia, in reaction to the coup that installed Bainimarama hurt vital agriculture, apparel, and fishing industries. In September 2014, in Fiji's first election since 2006, Bainimarama was elected prime minister. Soon after the election, Australia and the United States lifted their sanctions. Fiji's economy relies heavily on tourism, remittances, and the sugar industry.

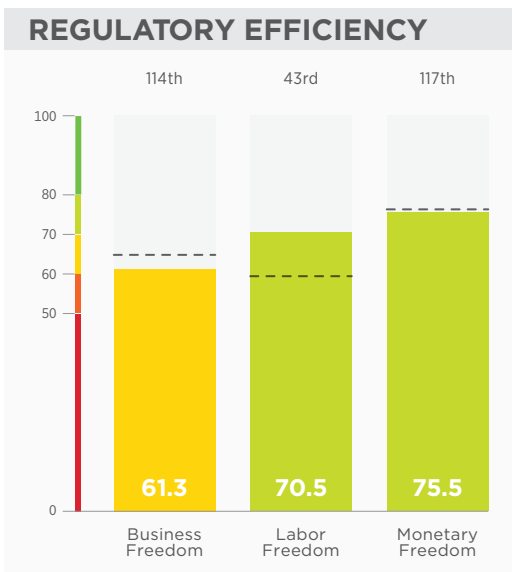
12 ECONOMIC FREEDOMS | FIJI



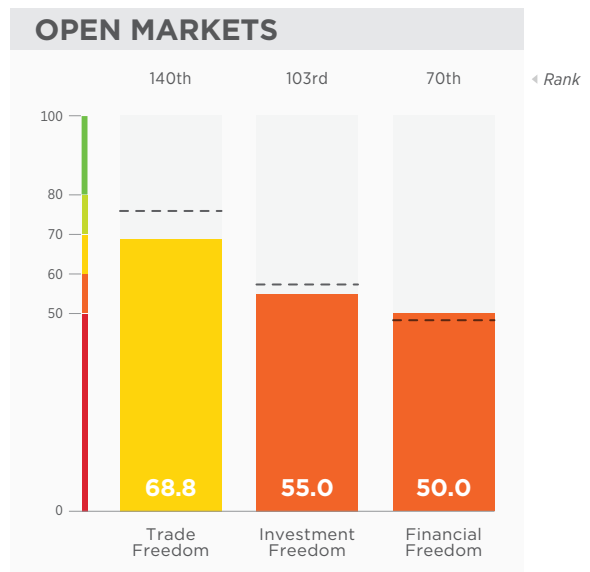
Protection of property rights is highly uncertain. Obtaining land titles is difficult. Only 8 percent of land is freehold; the rest is indigenous and government land and can only be leased. The judiciary is constitutionally independent but subject to executive influence. The parliamentary opposition is pushing for more transparent administration, but the government's heavy-handed tactics seriously undermine democratic accountability.



The top individual income tax rate is 29 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a land sales tax. The overall tax burden equals 26.3 percent of total domestic income. Government spending has amounted to 30.3 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 46.1 percent of GDP.



Despite some progress, procedures for establishing and running a private enterprise are still time-consuming and costly. Labor regulations remain rigid, and an efficient labor market has not been developed. The government's budget for fiscal year 2016-2017 contained subsidies on imported building materials for post-cyclone rebuilding of roads, bridges, water supplies, sanitation, and rural electrification.



Trade is extremely important to Fiji's economy; the value of exports and imports taken together equals 137 percent of GDP. The average applied tariff rate is 10.6 percent. Foreign investment is screened, and investment in land is restricted. State-owned enterprises distort the economy. The government has withdrawn from commercial banking, and foreign participation is significant. Controls on foreign exchange have been eased.

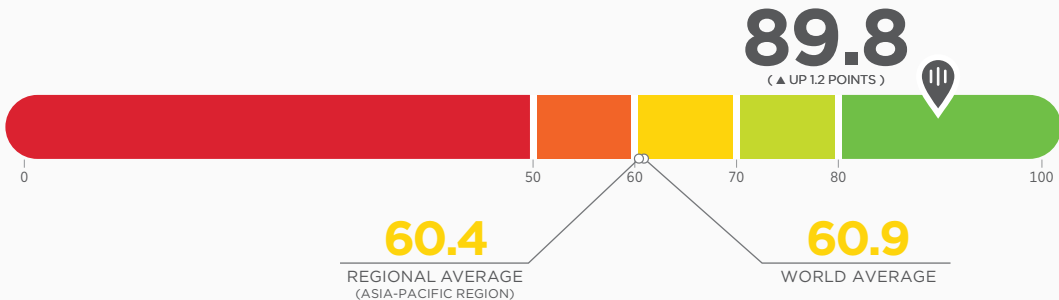
HONG KONG

Hong Kong has demonstrated a high degree of economic resilience and remains one of the world's most competitive financial and business hubs. The high-quality legal framework, which provides effective protection of property rights and strong support for the rule of law, continues to be a cornerstone of strength for this dynamic city. There is little tolerance for corruption, and government integrity is buttressed by a high degree of transparency.

Regulatory efficiency and openness to global commerce strongly support entrepreneurial activity. Interaction with China has become more intense through strengthened financial and other noneconomic linkages, and Hong Kong is by far the most significant transit point for exports and imports to and from China.



ECONOMIC FREEDOM SCORE

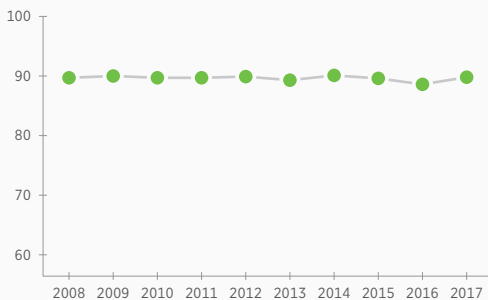


NOTABLE SUCCESSES:
Government Size, Open Markets,
and Regulatory Efficiency

CONCERNS:
Government Integrity and
Judicial Effectiveness

**OVERALL SCORE CHANGE
SINCE 2013:**
+0.5

FREEDOM TREND



QUICK FACTS

POPULATION:
7.3 million

GDP (PPP):
\$414.6 billion
2.4% growth in 2015
5-year compound
annual growth 2.9%
\$56,701 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
3.0%

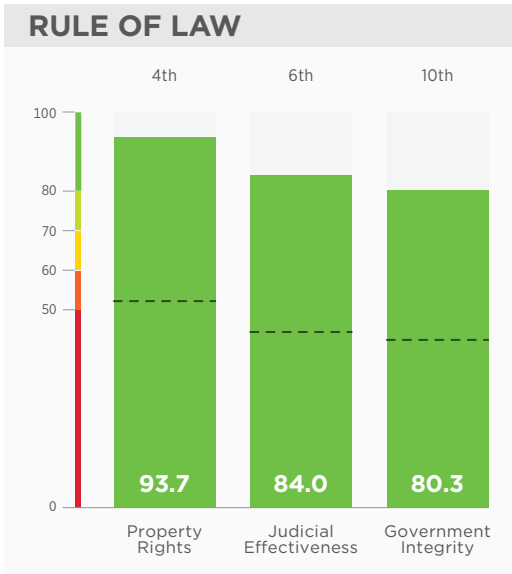
FDI INFLOW:
\$174.9 billion

PUBLIC DEBT: 0.1%
of GDP

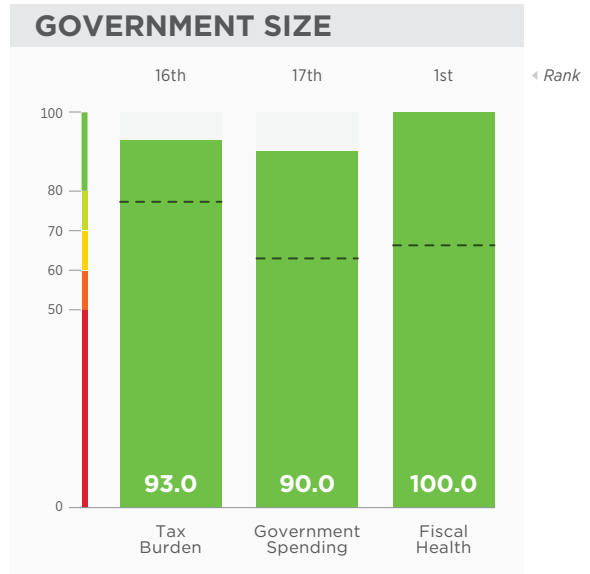
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Hong Kong became part of the People's Republic of China (PRC) in 1997. Under the "one country, two systems" agreement, China promised not to impose its socialist policies on Hong Kong and to allow Hong Kong a high degree of autonomy in all matters except foreign and defense policy for 50 years. This autonomy policy has been stressed by political interference from the PRC in recent years. Major industries include financial services and shipping; manufacturing has largely migrated to Mainland China and other Southeast Asian economies.

12 ECONOMIC FREEDOMS | HONG KONG



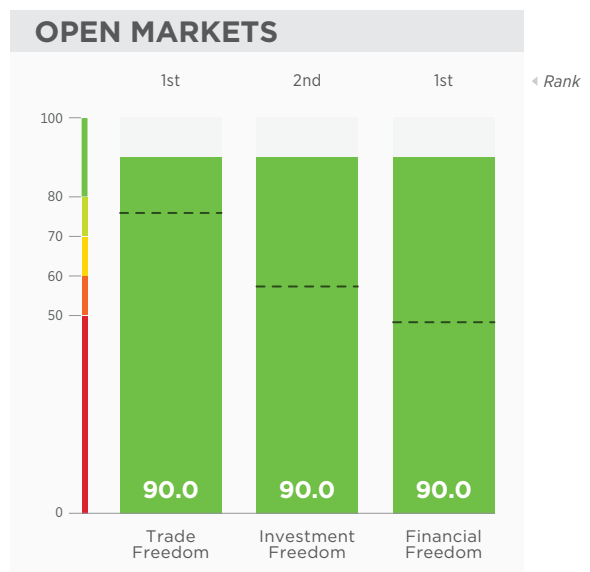
Private ownership of property is enshrined in the Basic Law, which is Hong Kong's constitution. Commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. The judiciary is independent, but Beijing reserves the right to make final interpretations of the Basic Law, effectively limiting the power of Hong Kong's Court of Final Appeal. Hong Kong has an excellent track record in combating corruption.



The standard individual income tax rate is 15 percent, and the top corporate tax rate is 16.5 percent. The tax system is simple and efficient. The overall tax burden equals 14.4 percent of total domestic income. Government spending has amounted to 18.3 percent of total output (GDP) over the past three years, and budget surpluses have averaged 2.0 percent of GDP. Public debt is equivalent to 0.1 percent of GDP.



Business freedom is well protected within an efficient regulatory framework. Transparency encourages entrepreneurship, and the overall environment is conducive to the formation and operation of start-up businesses. The labor code is strictly enforced but not burdensome. Hong Kong has very few price controls, but it does fund some subsidies and regulates residential rents and prices for telecommunications, public transport, and electricity.



Trade is extremely important to Hong Kong's economy; the value of exports and imports taken together equals 400 percent of GDP. The average applied tariff rate is zero percent. Hong Kong is very open to global trade and investment. The financial regulatory and legal environment focuses on ensuring transparency and enforcing prudent minimum standards. There are no restrictions on foreign banks, which are treated the same as domestic institutions.

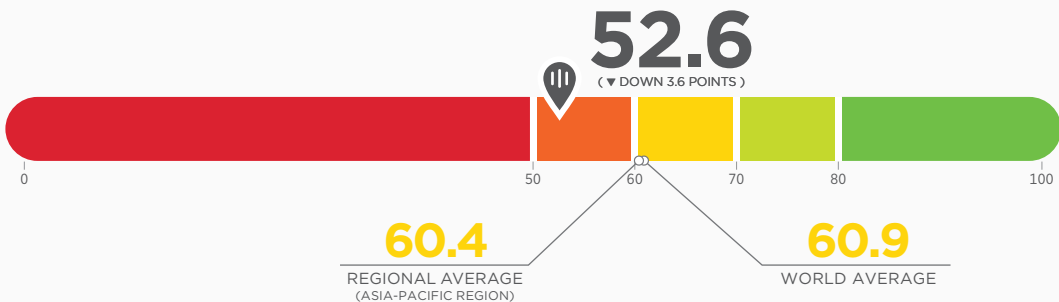
INDIA

WORLD RANK: **143** | REGIONAL RANK: **33**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

India is a significant force in world trade. Corruption, under-developed infrastructure, and poor management of public finance continue to undermine overall development, although the economy has sustained an average annual growth rate of about 7 percent over the past five years.

Growth is not deeply rooted in policies that preserve economic freedom. Progress on market-oriented reforms has been uneven. The state maintains an extensive presence in many areas through public-sector enterprises. A restrictive and burdensome regulatory environment discourages the entrepreneurship that could provide broader private-sector growth.

ECONOMIC FREEDOM SCORE

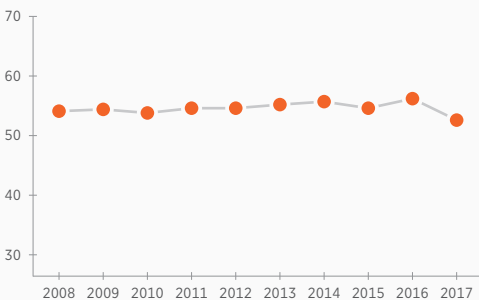


NOTABLE SUCCESSES:
 Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 -2.6

FREEDOM TREND



QUICK FACTS

POPULATION:
 1.3 billion

GDP (PPP):
 \$8.0 trillion
 7.3% growth in 2015
 5-year compound annual growth 6.7%
 \$6,162 per capita

UNEMPLOYMENT:
 3.5%

INFLATION (CPI):
 4.9%

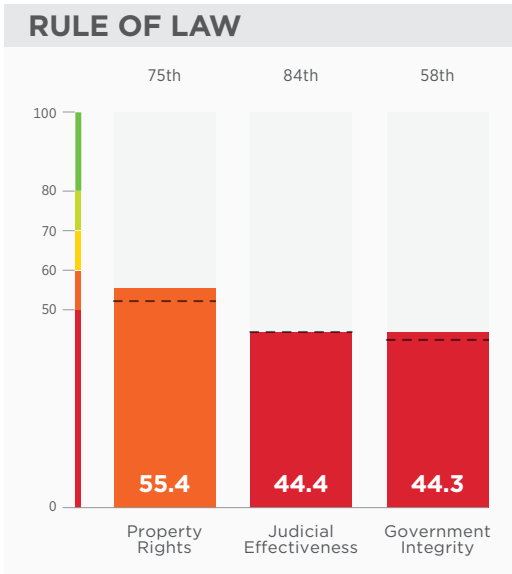
FDI INFLOW:
 \$44.2 billion

PUBLIC DEBT:
 67.2% of GDP

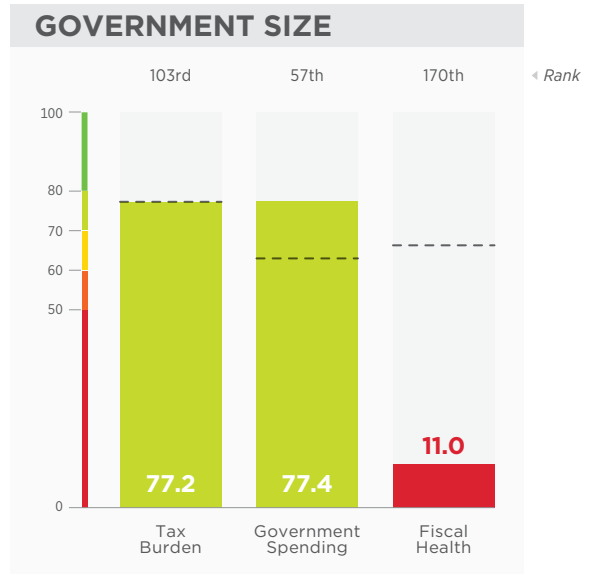
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: India is a stable democracy. It is 80 percent Hindu but also home to one of the world's largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party, took office in 2014 and is credited with reinvigorating India's foreign policy. Modi, who in June 2016 made his fourth visit to the United States in two years, has bolstered ties with the U.S., particularly in defense cooperation. India has technology and manufacturing sectors as advanced as any in the world as well as traditional sectors characteristic of a lesser developed economy. Extreme wealth and poverty coexist as the nation both modernizes rapidly and struggles to find paths to inclusive development for its large and diverse population.

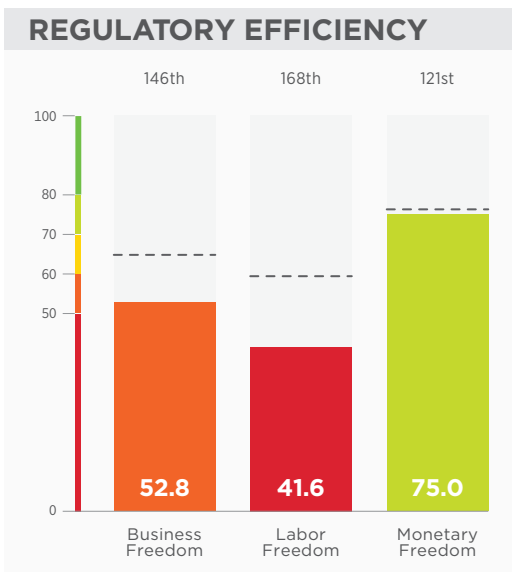
12 ECONOMIC FREEDOMS | INDIA



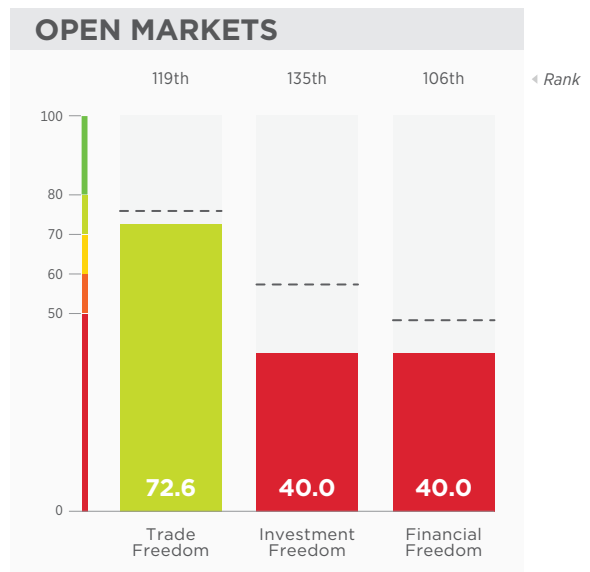
Real property rights are generally well enforced in metropolitan areas, although titling remains unclear in many other urban and rural areas. The judiciary is independent, but courts are understaffed and lack the technology necessary to clear an enormous backlog. Domestic and international pressure led to passage of legislation aimed at addressing corruption, but there is little evidence that it is being implemented effectively.



The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 34.6 percent. The overall tax burden equals 16.6 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 7.3 percent of GDP. Public debt is equivalent to 67.2 percent of GDP.



The regulatory framework is burdensome, and the legal framework is weak. Labor regulations continue to evolve, and the informal economy is an important source of employment. Although the IMF reported in 2016 that India's "major subsidies" (e.g., on fuels and fertilizer) dropped below 2 percent of GDP, the government is introducing a new basic foods subsidy for around two-thirds of the population.



Trade is moderately important to India's economy; the value of exports and imports taken together equals 49 percent of GDP. The average applied tariff rate is 6.2 percent. Foreign investment is screened, but ownership restrictions in some economic sectors have been reduced. State-owned enterprises distort the economy. Despite some liberalization and modernization, state-owned institutions dominate the banking sector and capital markets.

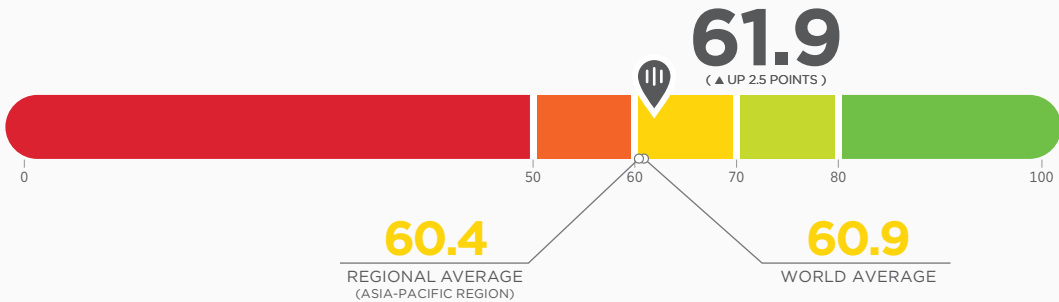
INDONESIA

WORLD RANK: **84** | REGIONAL RANK: **18**
 ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Indonesia's reform-minded government has undertaken some necessary structural adjustments with a focus on stamping out corruption, better managing public finance, and improving the business environment. Fuel subsidies have been cut dramatically in an effort to narrow fiscal deficits. The administration has also moved to dismantle some of the barriers that had been imposed on foreign investment.

Despite this progress, however, lingering institutional shortcomings continue to undercut momentum for more dynamic economic development. In the absence of a well-functioning legal and regulatory framework, corruption remains a serious impediment to the emergence of a more dynamic private sector. The state's presence in the economy remains extensive through state-owned enterprises.

ECONOMIC FREEDOM SCORE

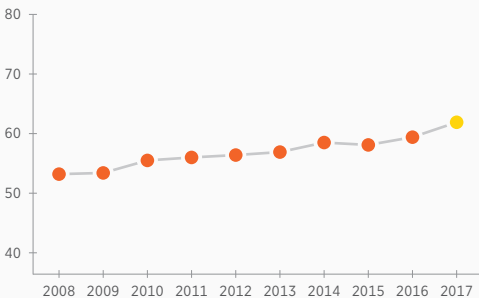


NOTABLE SUCCESSES:
 Trade Freedom and Monetary Stability

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

OVERALL SCORE CHANGE SINCE 2013:
 +5.0

FREEDOM TREND



QUICK FACTS

POPULATION:
 255.1 million

GDP (PPP):
 \$2.8 trillion
 4.8% growth in 2015
 5-year compound annual growth 5.5%
 \$11,126 per capita

UNEMPLOYMENT:
 5.8%

INFLATION (CPI):
 6.4%

FDI INFLOW:
 \$15.5 billion

PUBLIC DEBT:
 27.3% of GDP

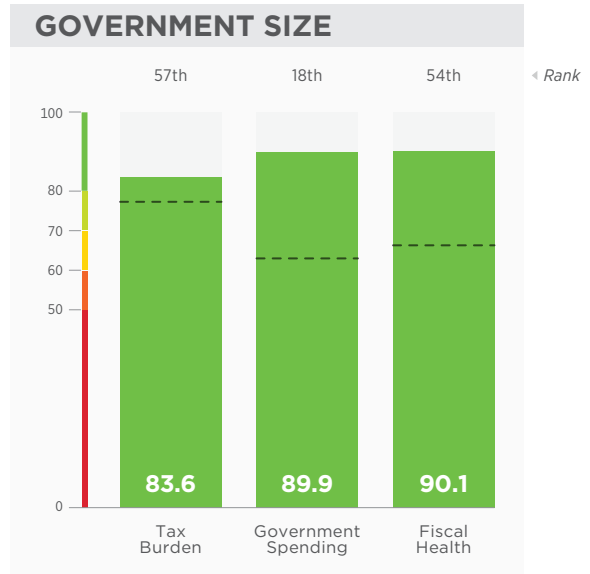
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Indonesia is the world's most populous Muslim-majority democracy. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 250 million people have enjoyed a widening range of political freedoms, and participation in the political process is high. Joko Widodo, former businessman and governor of Jakarta, won a tight race for the presidency in 2014, pledging to end corruption and promote economic reform. As a member of the G20 and a driving force within the Association of Southeast Asian Nations, Indonesia plays a growing role at the multilateral level.

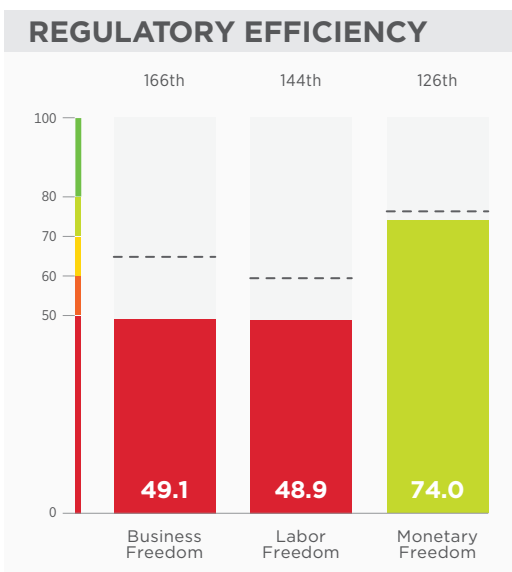
12 ECONOMIC FREEDOMS | INDONESIA



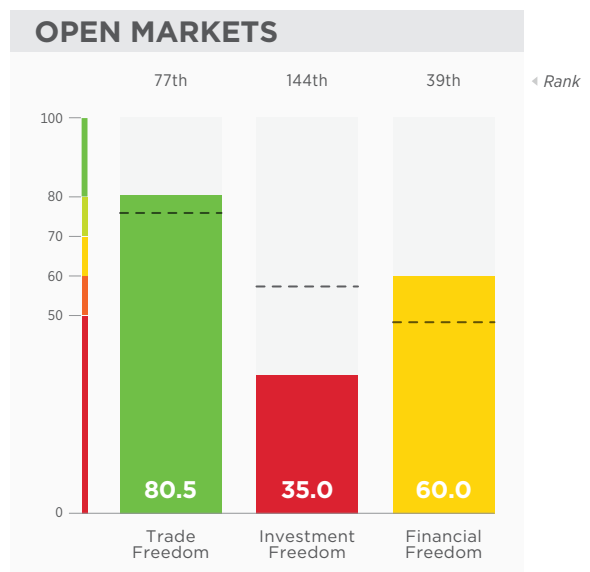
Property rights are generally respected, but enforcement is inefficient and uneven, and registering property can be difficult. The judiciary has demonstrated independence in some cases, but the court system remains plagued by corruption and other weaknesses. The World Economic Forum's *Global Competitiveness Index* reports that anticorruption efforts are nevertheless paying off, with Indonesia improving on almost all measures related to bribery and ethics.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 10.9 percent of total domestic income. Government spending has amounted to 18.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 27.3 percent of GDP.



Indonesia's overall regulatory environment has improved over the years, but more commitment to reform is necessary to boost private investment and increase employment opportunities. The IMF commended Indonesia in 2016 for a "very successful" fuel subsidy reform that "serves as a model for other countries." Government energy subsidies are provided now only to the poorest consumers.



Trade is moderately important to Indonesia's economy; the value of exports and imports taken together equals 42 percent of GDP. The average applied tariff rate is 2.3 percent. Foreign investment in several sectors of the economy is restricted, and state-owned enterprises distort the economy. Overall, banking supervision has been strengthened, and the efficiency of the system has increased. The state still owns a number of banks.

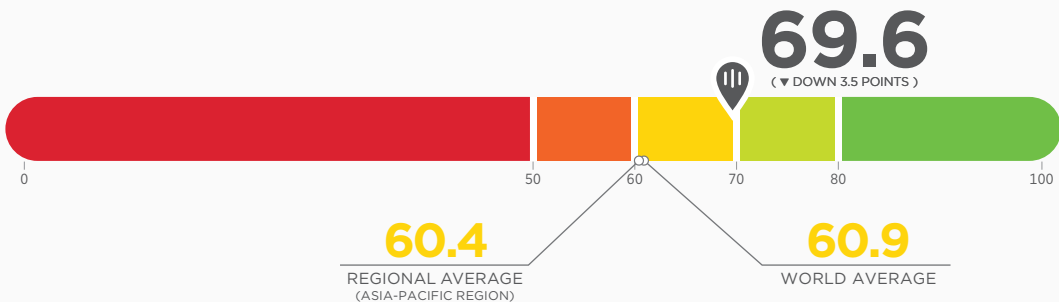
JAPAN

Economic freedom in Japan is buttressed by political stability and a well-maintained rule of law. Overcoming entrenched economic stagnation, however, will require serious efforts at reform that challenge long-established economic and cultural interests. A large public debt, the highest in the developed world as a percentage of GDP, has taken a toll on private-sector economic activity, preventing more dynamic growth.

Disparities in productivity between different segments of the economy have continued to widen. Although its export-oriented economy has long benefited from global trade, Japan still maintains nontariff barriers that raise domestic prices and hurt overall efficiency. Japan also has lagged behind other countries in pursuing bilateral trade agreements, in part because of its unwillingness to expose certain sectors to foreign competition.



ECONOMIC FREEDOM SCORE

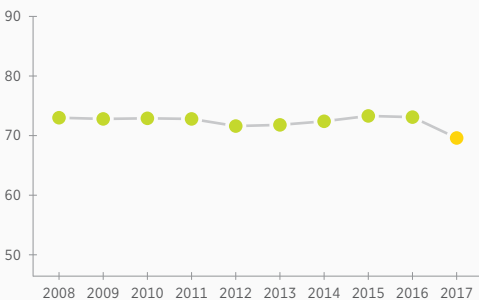


NOTABLE SUCCESSES:
Rule of Law, Trade Freedom, and Monetary Stability

CONCERNS:
Government Size and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
-2.2

FREEDOM TREND



QUICK FACTS

POPULATION:
126.7 million

GDP (PPP):
\$4.8 trillion
0.5% growth in 2015
5-year compound annual growth 0.6%
\$38,054 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
0.8%

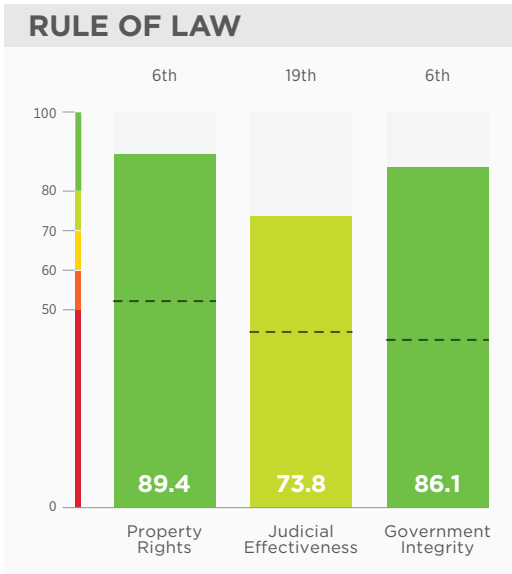
FDI INFLOW:
-\$2.3 billion

PUBLIC DEBT:
248.1% of GDP

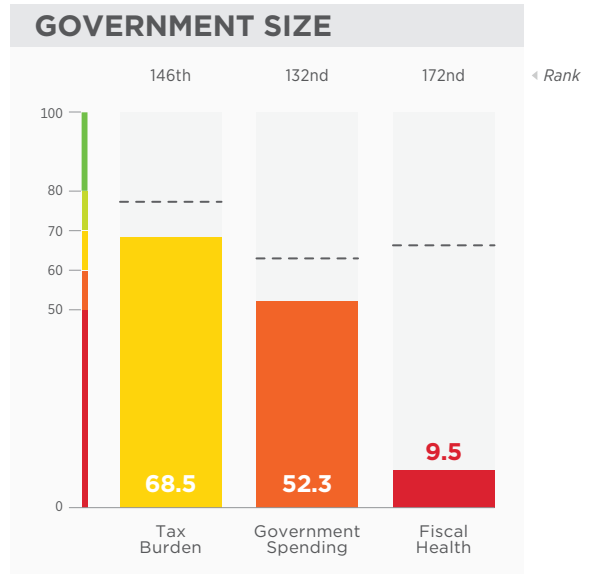
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Prime Minister Shinzo Abe has energized Japan's international security role by reducing constraints on the allowable roles and missions of its Self-Defense Forces. Japan and the United States have made sweeping changes in the bilateral alliance guidelines, enabling greater integrated security operations worldwide. Japan will now play a larger role in addressing international security challenges, including collective self-defense. Previously, for example, Japan was precluded from protecting U.S. forces deployed to defend Japan or even from transporting American munitions on Japanese ships.

12 ECONOMIC FREEDOMS | JAPAN



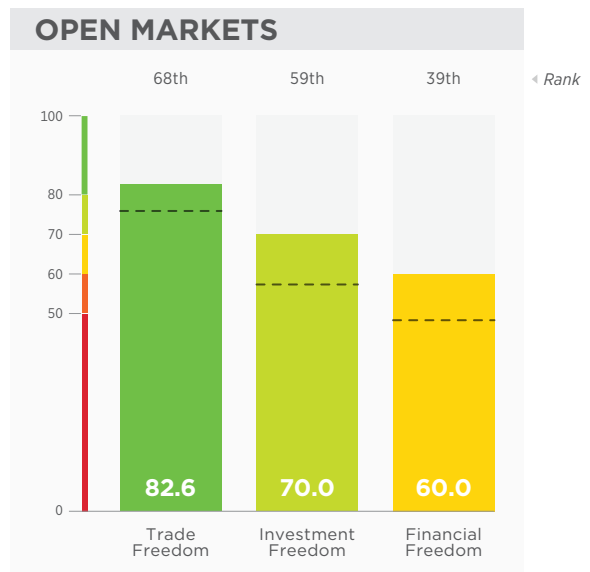
Japan's judiciary is independent and fair. It provides secure protection of real and intellectual property. The direct exchange of cash for favors from government officials is extremely rare. However, a web of close relationships among companies, politicians, government agencies, and other groups fosters a business climate that is conducive to corruption, most often seen in the rigging of bids on government public works projects.



The top personal income tax rate is 40.8 percent. The top corporate tax rate is 23.9 percent, which local taxes and an enterprise tax can increase significantly. The overall tax burden equals 30.3 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 6.6 percent of GDP. Public debt is equivalent to 248.1 percent of GDP.



The process for establishing a business is relatively streamlined, but bureaucracy is sometimes stifling, and structural problems discourage entrepreneurial growth. A propensity for lifetime employment guarantees and seniority-based wages impedes the development of a dynamic and flexible labor market. The government has continued its efforts to scale back institutionalized farm subsidies and liberalize electricity markets.



Trade is moderately important to Japan's economy; the value of exports and imports taken together equals 37 percent of GDP. The average applied tariff rate is 1.2 percent. Many agricultural imports are restricted, and foreign investment in some sectors of the economy is screened by the government. The financial sector is competitive, but state involvement persists. Banks are well capitalized, and the share of nonperforming loans is low.

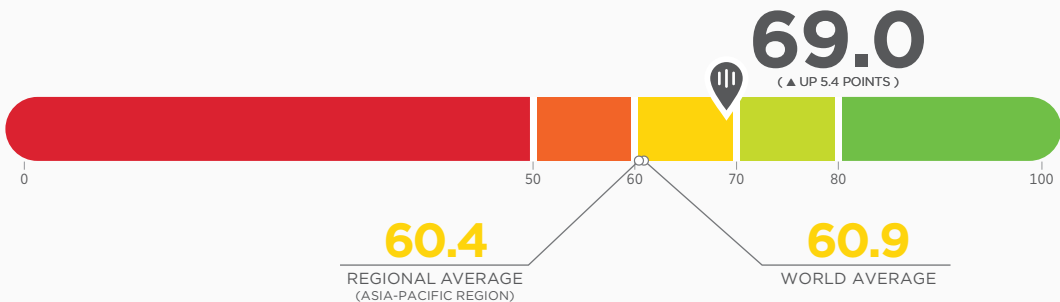
KAZAKHSTAN

Kazakhstan's economy has benefited substantially from increased openness and flexibility over the past decade. Although the state continues to maintain its ownership in key enterprises, particularly in the energy sector, the economy is mostly in private hands, and more privatization is being sought. Beneficial structural reforms have included bank privatization, implementation of competitive flat tax rates, and modernization of the trade regime.

Deeper institutional reforms to reduce barriers to investment and increase the efficiency of the judiciary are critical to further success. Despite measures to expand the non-energy sector, the overall regulatory framework needs to be more streamlined to enhance competitiveness.



ECONOMIC FREEDOM SCORE

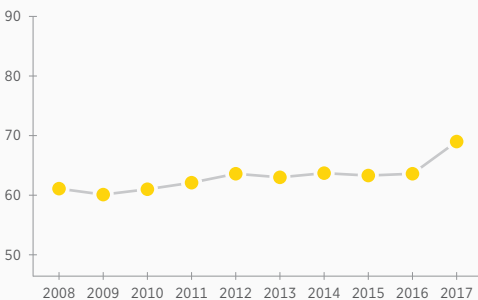


NOTABLE SUCCESSES:
Government Size and Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+6.0

FREEDOM TREND



QUICK FACTS

POPULATION:
17.7 million

GDP (PPP):
\$429.1 billion
1.2% growth in 2015
5-year compound annual growth 4.8%
\$24,268 per capita

UNEMPLOYMENT:
5.6%

INFLATION (CPI):
6.5%

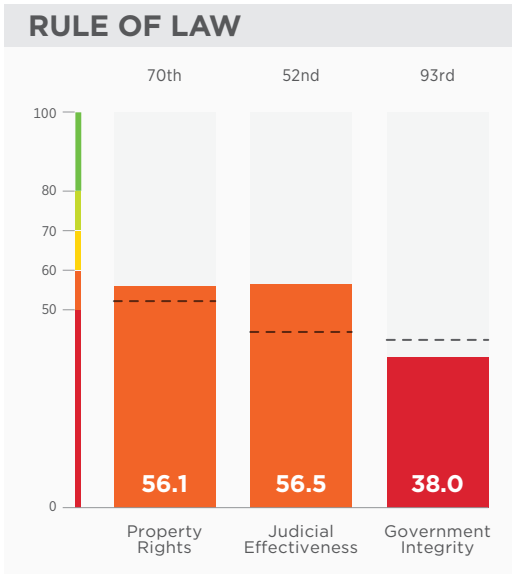
FDI INFLOW:
\$4.0 billion

PUBLIC DEBT:
23.3% of GDP

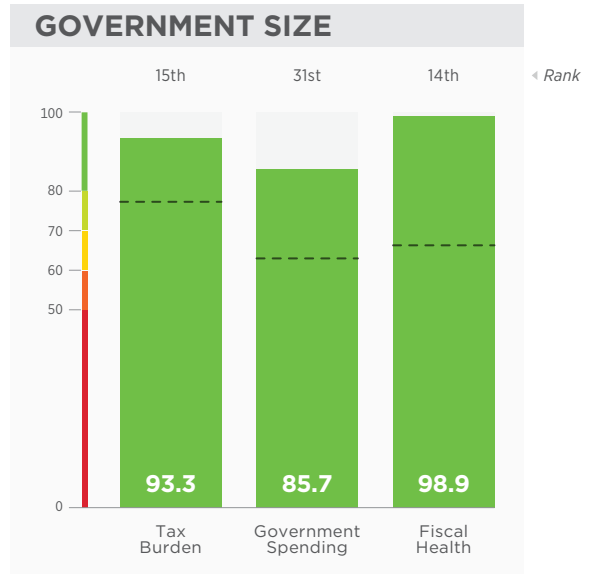
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: President Nursultan Nazarbayev, whose rule began in 1989 when Kazakhstan was still a Soviet republic, won a sixth five-year term in 2015. The opposition is marginalized, and the lack of a succession plan creates longer-term political uncertainty. Kazakhstan joined the Eurasian Economic Union, which includes Russia and Belarus, on January 1, 2015. The past year has been tumultuous for Kazakhstan. In April 2016, there were widespread protests against government land-reform plans. In June, a terrorist attack in the northwestern city of Aqtobe left 28 people dead. Modernization of the Atyrau, Shymkent, and Pavlodar refineries is due to be completed in 2018. Kazakhstan is also the world's largest producer of uranium.

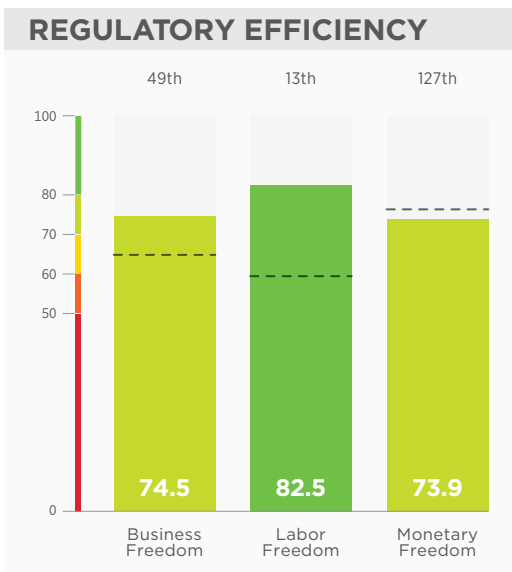
12 ECONOMIC FREEDOMS | KAZAKHSTAN



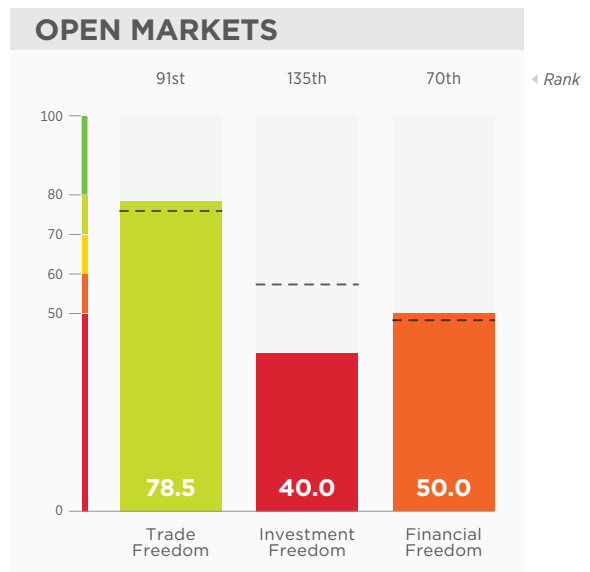
Property rights are not protected effectively, although the government has made enforcement of contracts easier by introducing a simplified fast-track procedure for small claims. Judges are subject to political influence, and bias is evident throughout the judicial system. Corruption is widespread, and those in positions of authority and individuals with ties to government or law enforcement officials may act with impunity.



The flat personal income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 13.2 percent of total domestic income. Government spending has amounted to 21.8 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.5 percent of GDP. Public debt is equivalent to 23.3 percent of GDP.



The regulatory framework has undergone a series of reforms. The private sector now faces fewer constraints, although there is still much room for institutional reform. Labor regulations are relatively flexible, facilitating the development of a more dynamic labor market. Kazakhstan is subsidizing renewable energy with the goal of having 10 percent of its needs met by renewables by 2030.



Trade is important to Kazakhstan's economy; the value of exports and imports taken together equals 53 percent of GDP. The average applied tariff rate is 3.3 percent. Foreign investment in some sectors of the economy is restricted, and state-owned enterprises distort the economy. The state has been providing additional support to the banking sector since 2014. The number of nonperforming loans continues to be high.

KIRIBATI

WORLD RANK:

153

REGIONAL RANK:

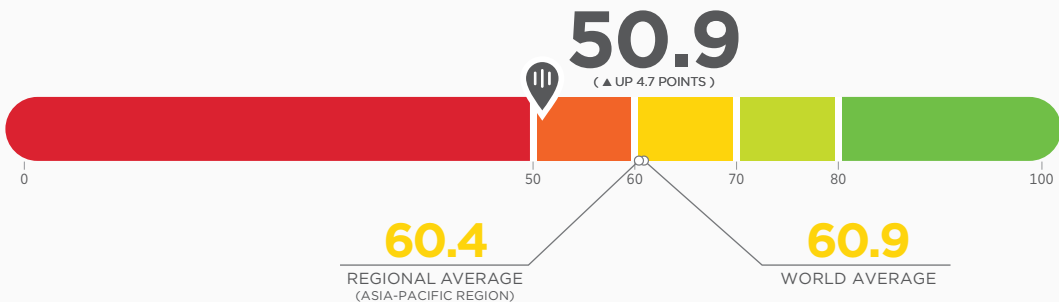
38

ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

Kiribati's economy is dominated by a public sector that accounts for two-thirds of formal employment and about half of GDP. Only a small proportion of the total labor force is employed on salaries, however; the rest work in subsistence farming or fishing. The economy relies heavily on foreign assistance and remittances.

Economic growth continues to be undermined by inefficient state-owned enterprises and regulations that hinder private-sector development. The government has tried to decentralize economic activity from the main islands, but progress has been very limited. The financial sector remains underdeveloped, leaving much of the population without formal access to banking services.

ECONOMIC FREEDOM SCORE

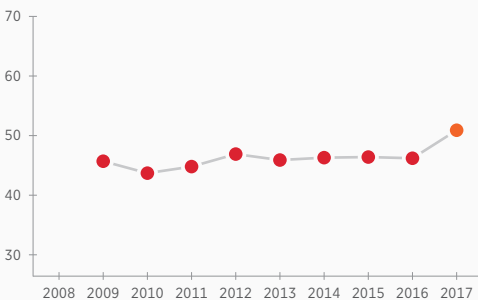


NOTABLE SUCCESSES:
Monetary Stability

CONCERNS:
Rule of Law, Open Markets, and
Business Freedom

**OVERALL SCORE CHANGE
SINCE 2013:**
+5.0

FREEDOM TREND



QUICK FACTS

POPULATION:

0.1 million

GDP (PPP):

\$0.2 billion

4.2% growth in 2015

5-year compound

annual growth 3.6%

\$1,787 per capita

UNEMPLOYMENT:

n/a

INFLATION (CPI):

1.4%

FDI INFLOW:

\$1.7 million

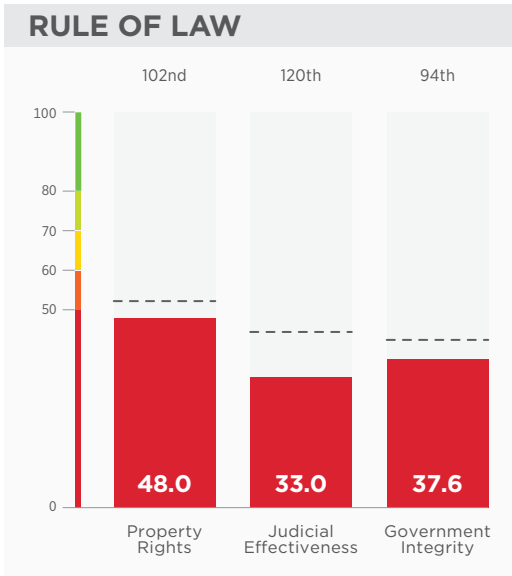
PUBLIC DEBT:

16.4% of GDP

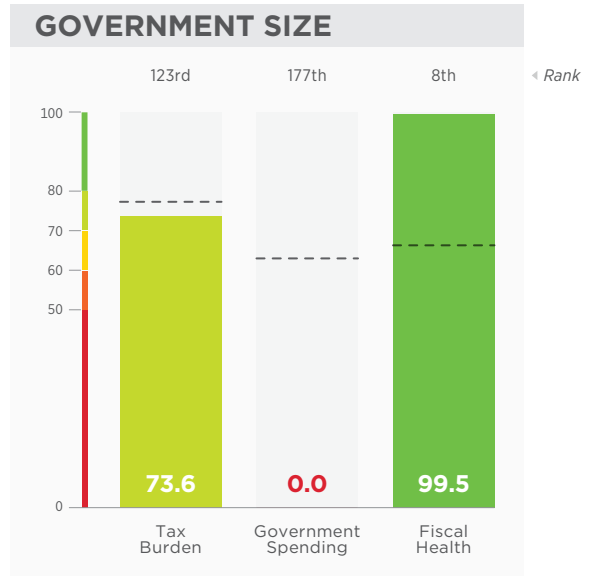
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Pacific archipelago of Kiribati gained its independence from Britain in 1979, and its government functions democratically. Elections in February 2016 ushered in new leadership, with Taneti Maamau of the Tobwaan Kiribati Party becoming president after 12 years of rule by Anote Tong of the Bou-tokaan te Koaua. Economic activity in Kiribati once centered on the mining of phosphates, but deposits were exhausted in 1979. However, a \$500 million Revenue Equalization Reserve Fund created with mining revenues continues to provide significant revenue. Reliance on foreign assistance, remittances from overseas, fishing licenses, exports of fish and coconuts, and tourism is also heavy. Crippling algae in the corals surrounding Kiribati seriously threaten the fishing industry.

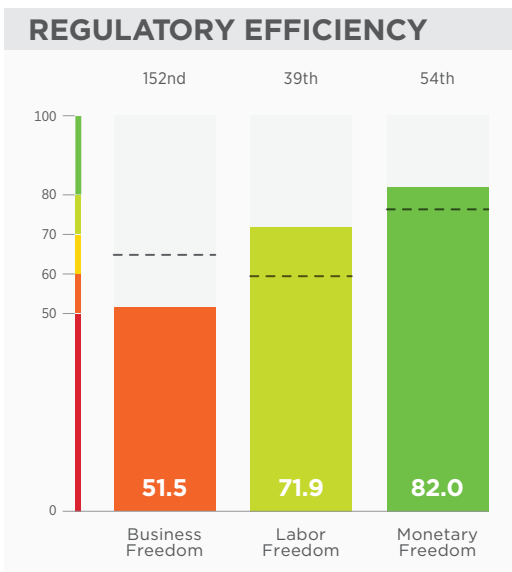
12 ECONOMIC FREEDOMS | KIRIBATI



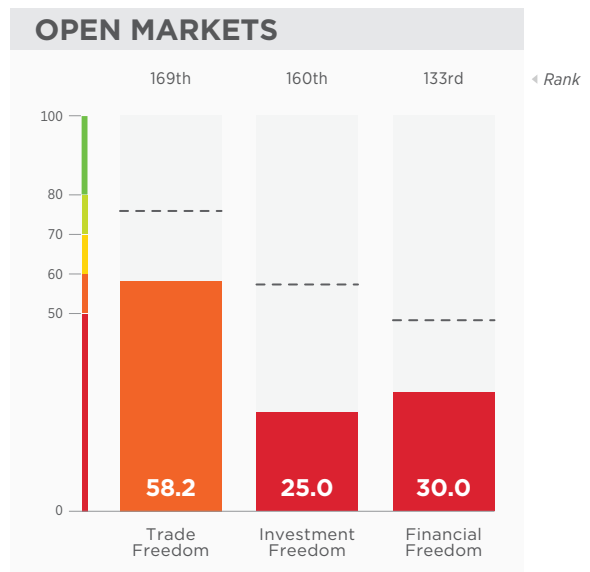
Property rights are weak. The judicial system is modeled on English common law and provides adequate due process rights, but the rule of law remains uneven across the country. Enforcement of contracts is weak, and courts are relatively inexperienced in commercial litigation. Official corruption and abuse are serious problems, and international donors continue to demand improved governance and transparency.



The top individual income and corporate tax rates are 35 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 13.8 percent of total domestic income. Government spending has amounted to 94.9 percent of total output (GDP) over the past three years, and budget surpluses have averaged 9.4 percent of GDP. Public debt is equivalent to 16.4 percent of GDP.



Kiribati's regulatory environment is quite rudimentary. Existing commercial regulations are not enforced consistently. The government is the major source of formal employment, providing jobs in public service and state-owned enterprises. It also funds price-distorting subsidies for some agricultural products such as coconut oil. Inflows of development aid and assistance account for as much as 25 percent of GDP.



Trade is extremely important to Kiribati's economy; the value of exports and imports taken together equals 104 percent of GDP. The average applied tariff rate is 15.9 percent. Foreign investors may not own land, and investment in other sectors of the economy is screened by the government. High credit costs impede development of the private sector. A large proportion of the population remains outside the formal banking system.

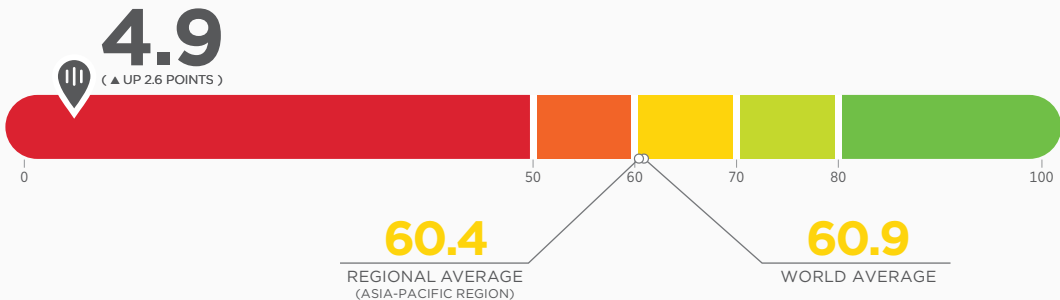
NORTH KOREA

North Korea remains an unreformed and closed state as Kim Jong-un maintains a despotic regime that resists economic reform. The government has experimented with a few market reforms but mainly administers a system of centralized planning and state control of the economy. The impoverished population is heavily dependent on food rations and government housing subsidies.

North Korea may be attempting modest economic opening by encouraging limited foreign direct investment, but the dominant influence of the military establishment makes any meaningful near-term change unlikely. Normal foreign trade is minimal, with China and South Korea being the country's most important trading partners. No courts are independent of political interference.

WORLD RANK: **180** | REGIONAL RANK: **43**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

ECONOMIC FREEDOM SCORE

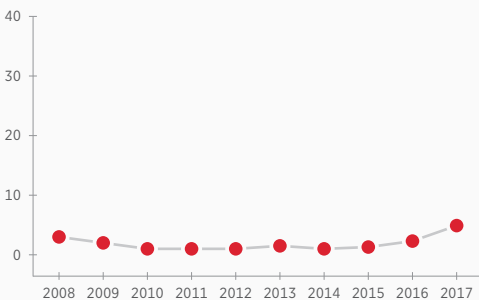


NOTABLE SUCCESSES:
None

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

OVERALL SCORE CHANGE SINCE 2013:
+3.4

FREEDOM TREND



QUICK FACTS

POPULATION:
24.8 million

GDP (NOMINAL):
\$17.4 billion (2014)
1.0% growth in 2014
5-year compound annual growth n/a
n/a per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
n/a

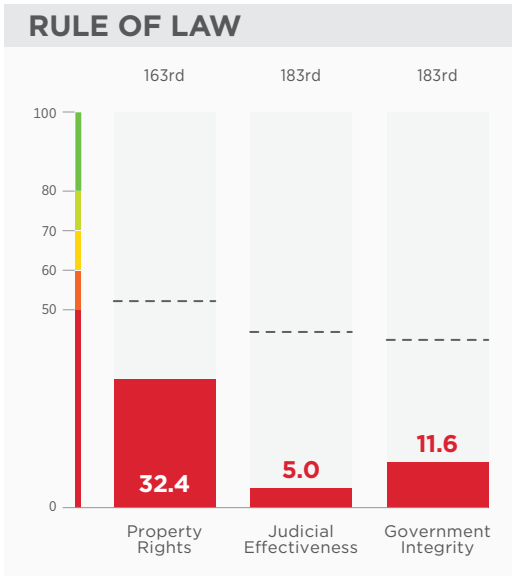
FDI INFLOW:
\$82.9 million

PUBLIC DEBT:
n/a

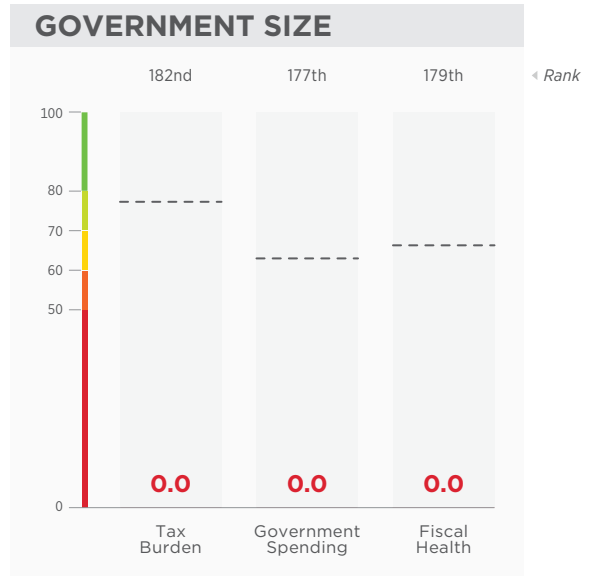
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: In May 2016, North Korea convened the first Korea Workers' Party Congress in 36 years and only the seventh in North Korean history, generating speculation about possible sweeping policy changes, but the congress merely affirmed North Korea's dogged pursuit of nuclear weapons and continuance of socialist policies. Kim Jong-un has warned that opening the country would expose it to the contagion of foreign influences. In 2016, North Korea conducted more nuclear and long-range missile tests in defiance of U.N. resolutions, earning widespread condemnation. The regime continues to threaten nuclear attacks on the United States and its allies and is augmenting its nuclear and missile-delivery capabilities.

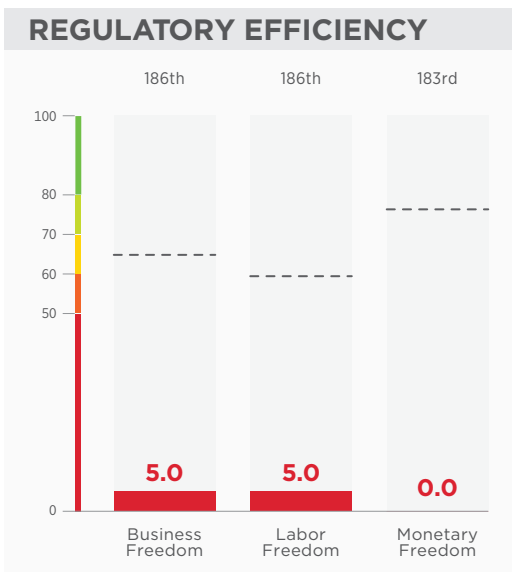
12 ECONOMIC FREEDOMS | NORTH KOREA



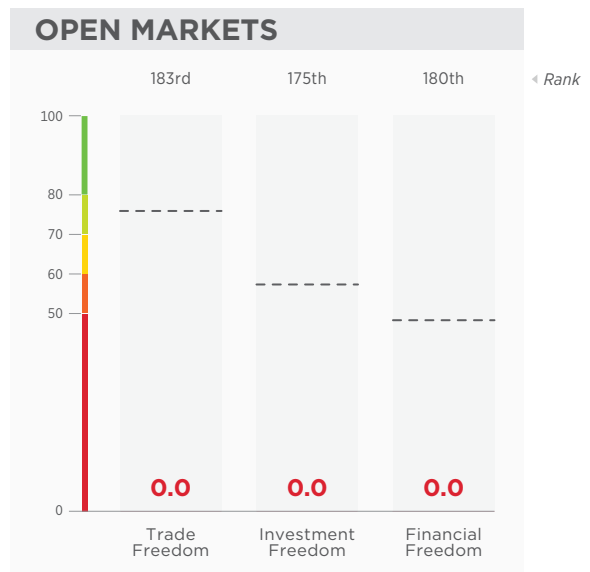
Almost all property belongs to the state. Government control extends even to chattel property (domestically produced goods and all imports and exports). A functioning, modern, and independent judiciary does not exist. Bribery is pervasive, and corruption is endemic at every level of the state and economy. The ruling Workers' Party, the Korean People's Army, and members of the cabinet run companies that compete to earn foreign exchange.



No effective tax system is in place. The government commands almost every part of the economy. The government sets production levels for most products, and state-owned industries account for nearly all GDP. The state directs all significant economic activity. Disproportionately high military spending further drains scarce resources. Despite an attempted state crackdown, black markets have grown.



The state continues to regulate the economy heavily through central planning and control. Entrepreneurial activity remains virtually impossible. As the main source of employment, the state determines wages. Factory managers have had limited autonomy to offer incentives to workers. North Korea receives extensive food and energy subsidies from China. Its monetary regime is completely controlled, leading to a total distortion of prices.



Trade and investment flows are impeded by the North Korean government and by actions that have resulted in multilateral economic sanctions. There is virtually no functioning financial sector. Access to financing is very limited and constrained by the repressive economic system. The government provides most funding for industries and takes a percentage from enterprises.

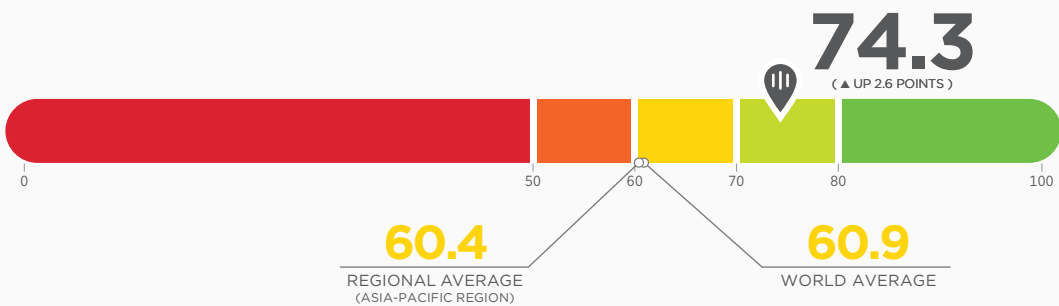
SOUTH KOREA

South Korea's economy is at a crossroads. Despite its relatively well-maintained macroeconomic stability and openness to global commerce, the economy has been flagging, with momentum for growth increasingly subdued in the absence of decisive policy reforms to improve overall efficiency and flexibility. Ongoing political instability and uncertainty have made structural economic reform almost impossible.

The rule of law has been fairly well institutionalized in South Korea, supporting such other pillars of economic freedom as regulatory efficiency and market openness. However, repeated high-profile corruption scandals have raised concerns about government integrity and eroded the public's trust and confidence in government.



ECONOMIC FREEDOM SCORE

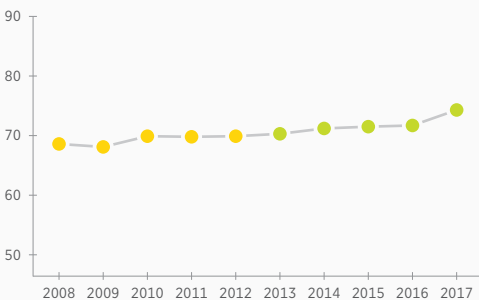


NOTABLE SUCCESSES:
Trade Freedom, Monetary Stability, and Business Freedom

CONCERNS:
Judicial Effectiveness, Labor Freedom, and Government Integrity

OVERALL SCORE CHANGE SINCE 2013:
+4.0

FREEDOM TREND



QUICK FACTS

POPULATION:
50.6 million

GDP (PPP):
\$1.8 trillion
2.6% growth in 2015
5-year compound annual growth 3.0%
\$36,511 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
0.7%

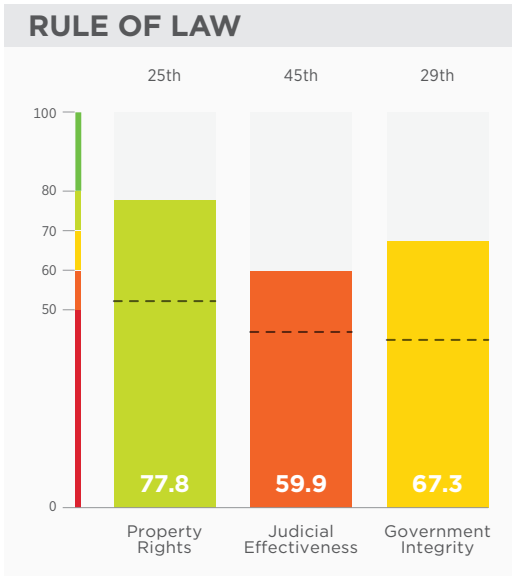
FDI INFLOW:
\$5.0 billion

PUBLIC DEBT:
35.9% of GDP

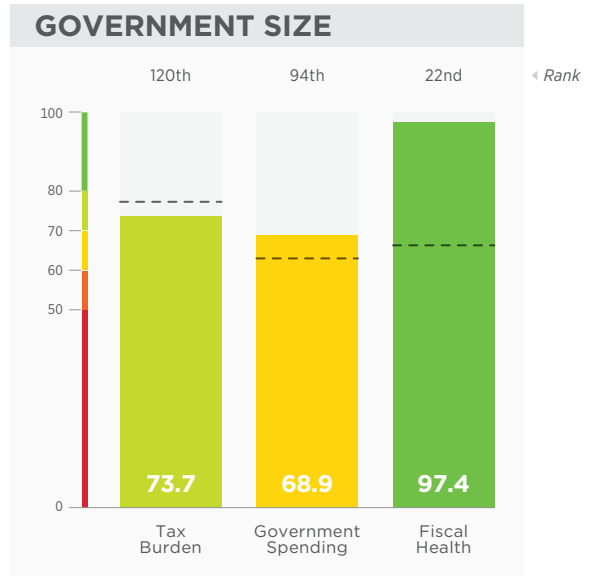
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The South Korean political landscape is in flux following the impeachment of President Park Geun-hye. Though Park remains in office, she was required to transfer her presidential powers to Prime Minister Hwang Kyo-ahn pending final resolution by the Constitutional Court. Park's corruption scandal led to a fracturing of the ruling conservative party and increased the likelihood that a progressive candidate might win the presidential election. Progressive candidates advocate greater focus on resolving domestic economic disparity and reforming the economy away from reliance on the chaebol (large family-owned conglomerates). Progressives would also push for reduced reliance on the alliance with the U.S., reopening economic ventures with North Korea, and more timid implementation of sanctions for Pyongyang's repeated violations of U.N. resolutions.

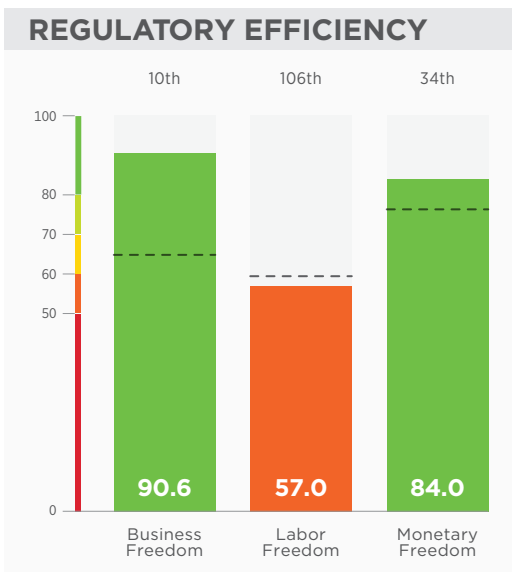
12 ECONOMIC FREEDOMS | SOUTH KOREA



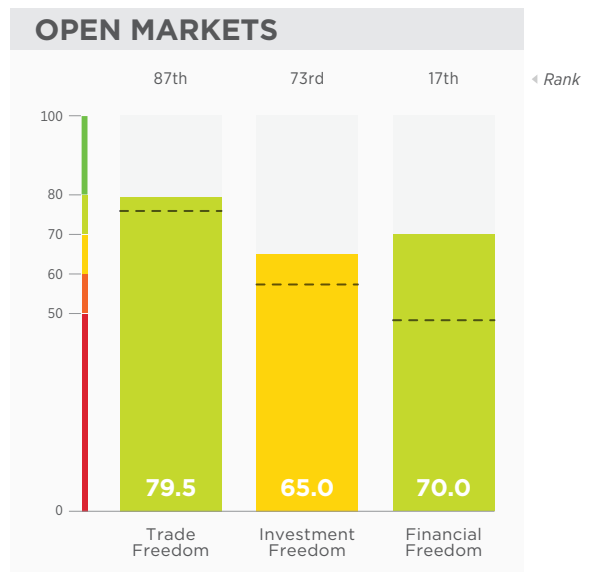
Private property rights are protected, and the judicial system is independent and efficient. Nevertheless, encounters with graft, influence peddling, and extortion continue to occur despite the government's anticorruption efforts. Piracy of copyrighted material is significant, and protection of intellectual property rights needs to be improved. The importance that the government places on IPR protection, however, has increased considerably.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. A 10 percent surtax is imposed on individual and corporate rates. The overall tax burden equals 24.6 percent of total domestic income. Government spending has amounted to 32.2 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 35.9 percent of GDP.



The competitive regulatory framework facilitates entrepreneurial activity and innovation. Business formation and operating rules are relatively efficient. The labor market is dynamic, but there are lingering regulatory rigidities, and powerful trade unions add to the cost of doing business. Monetary stability has been well maintained. The government subsidizes rice farmers and sets price controls on items that include fuel, rice, and electricity.



Trade is important to South Korea's economy; the value of exports and imports taken together equals 85 percent of GDP. The average applied tariff rate is 5.2 percent. Foreign investment in some sectors is restricted, and state-owned enterprises distort the economy. The financial sector has become more competitive, although business start-ups still struggle to obtain financing. The banking sector remains largely stable.

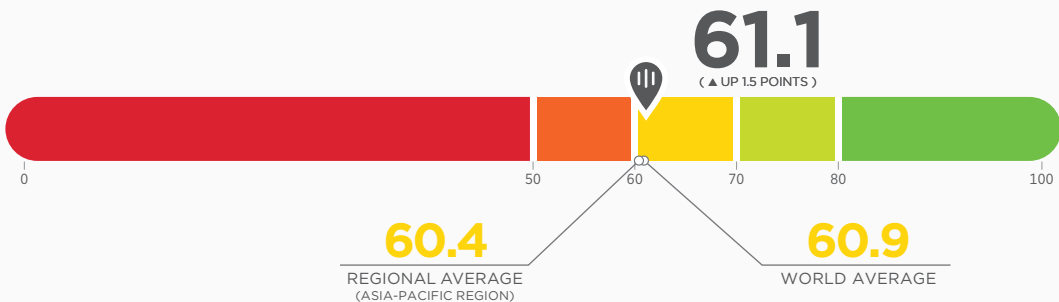
KYRGYZ REPUBLIC

The Kyrgyz Republic is one of Central Asia's poorest countries and is sharply divided along ethnic lines. Despite implementation of some reforms, overall improvement in the entrepreneurial environment has been slow and uneven. Political turmoil has contributed to policy volatility and uncertainty, hampering economic development. Political rivalries and powerful vested interests have held back implementation of deeper structural reforms.

With remnants of the former Communist system evident in many areas, the economy lacks the institutional foundations necessary for the advancement of economic freedom. Weak rule of law fosters pervasive corruption and ownership insecurity, undermining private-sector investment and business growth.



ECONOMIC FREEDOM SCORE

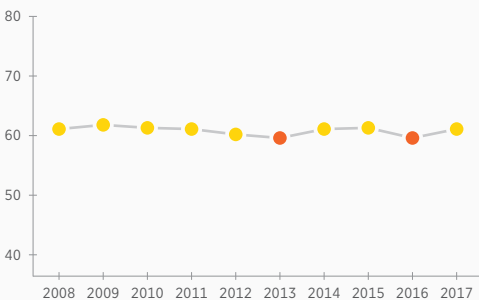


NOTABLE SUCCESSES:
Trade Freedom

CONCERNS:
Rule of Law and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+1.5

FREEDOM TREND



QUICK FACTS

POPULATION:
5.8 million

GDP (PPP):
\$20.1 billion
3.5% growth in 2015
5-year compound annual growth 4.5%
\$3,363 per capita

UNEMPLOYMENT:
8.2%

INFLATION (CPI):
6.5%

FDI INFLOW:
\$404.5 million

PUBLIC DEBT:
68.8% of GDP

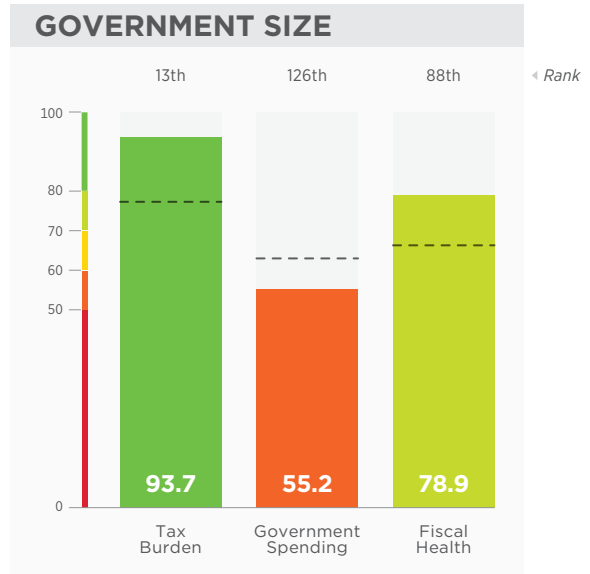
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Weak governance under President Almazbek Atambayev, elected in 2011 with Moscow's support, has encouraged extremist threats, organized crime, and corruption. The Kyrgyz Republic is a member of the Eurasian Economic Union. The economy depends heavily on gold exports and remittances from Kyrgyzstani migrant workers, primarily in Russia, who have been negatively affected by declines in the Russian economy. Cotton, tobacco, wool, and meat are the main agricultural products, but only tobacco and cotton are exported in any quantity. Foreign investment from Russia has been strong in the past, but its continuation is far from certain. This has led many in the political elite to question Russia's reliability as a long-term partner.

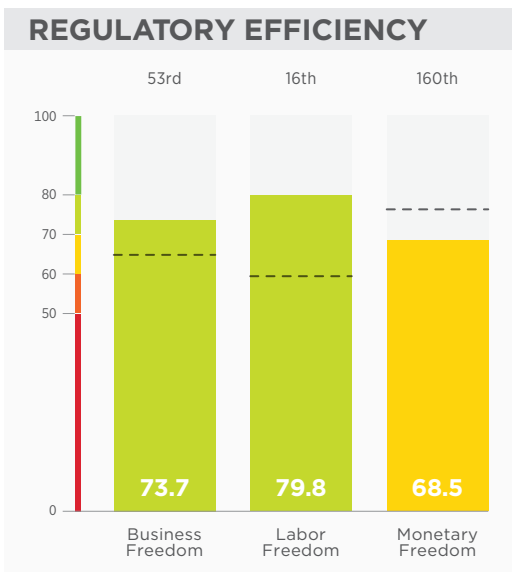
12 ECONOMIC FREEDOMS | KYRGYZ REPUBLIC



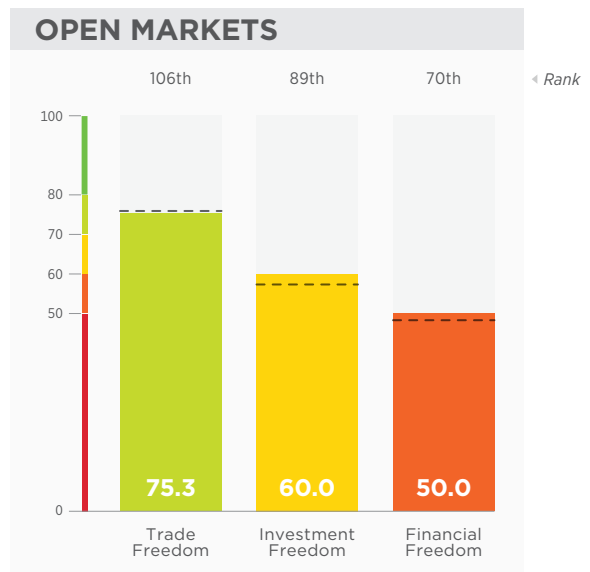
Protection of property rights is weak. The judiciary is not independent and is dominated by the executive branch. There are numerous credible reports that judges pay bribes to attain their positions. Corruption is pervasive in Kyrgyzstani society. Despite some anticorruption efforts, the country is trapped in a cycle in which predatory political elites use government resources to reward clients, including organized crime figures, and punish opponents.



The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 20.8 percent of total domestic income. Government spending has amounted to 38.7 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 68.8 percent of GDP.



The overall regulatory environment is still hampered by bureaucratic impediments to private-sector production and investment. Reforms have not yet resulted in the structural changes that are needed to foster efficiency. The formal labor market has not been fully developed. Agricultural sector growth has been financed by subsidized lending. In 2016, the government told the IMF that it intends to reduce subsidies and transfers to 3 percent of GDP.



Trade is extremely important to the Kyrgyz Republic's economy; the value of exports and imports taken together equals 125 percent of GDP. The average applied tariff rate is 2.3 percent. In 2016, the government banned the use of foreign currency. State-owned enterprises distort the economy. Financial intermediation has continued to increase, but credit costs remain high. The banking sector remains vulnerable to political interference.

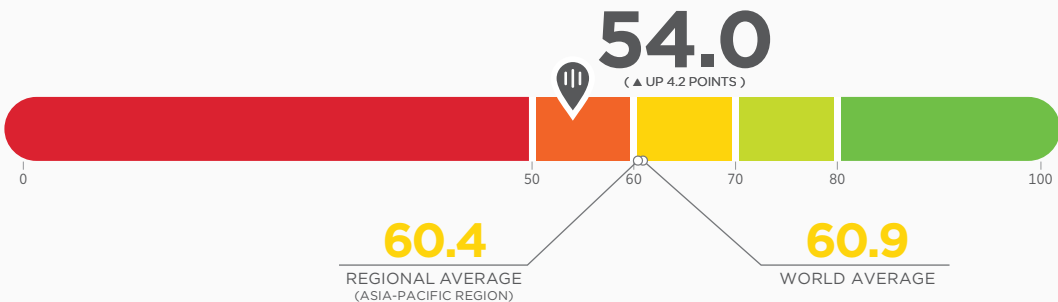
LAOS

The Laotian economy has shown notable resilience, growing at an average annual rate of more than 7 percent over the past five years. Laos continues to integrate more fully into the system of global trade and investment. The trade regime has become more transparent, and there has been progress in improving the management of public finances.

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

WORLD RANK: **133**
REGIONAL RANK: **31**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

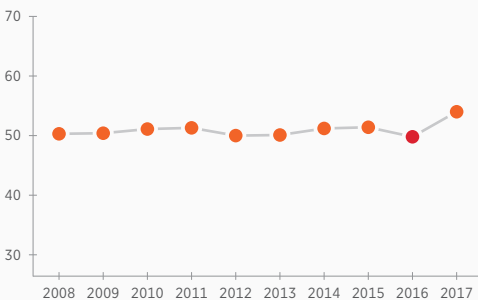


NOTABLE SUCCESSSES:
Monetary Stability and Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+3.9

FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
\$37.3 billion
7.0% growth in 2015
5-year compound annual growth 7.7%
\$5,309 per capita

UNEMPLOYMENT:
1.6%

INFLATION (CPI):
5.3%

FDI INFLOW:
\$1.2 billion

PUBLIC DEBT:
64.3% of GDP

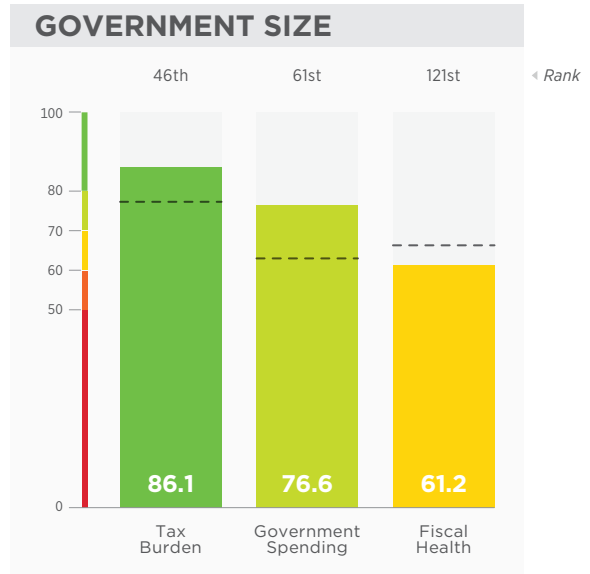
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Communist government of Laos, in power since 1975, wrecked the economy in the early years of its rule. Minimal liberalization, begun in 1986, has yielded some progress. To advance its “state-managed market-orientated economy,” the government has taken on increasing levels of external public and publicly guaranteed debt since 2012 to subsidize construction of hydropower and mining megaprojects. Basic civil liberties are heavily restricted. Seventy-three percent of the workforce is employed in subsistence farming. In 2013, after 15 years of negotiations, Laos became a member of the World Trade Organization. It also served as the 2016 chair for the Association of Southeast Asian Nations. Since 2016, 79-year-old Bounnhang Vorachith has served as president of Laos and general secretary of the Lao People’s Revolutionary Party.

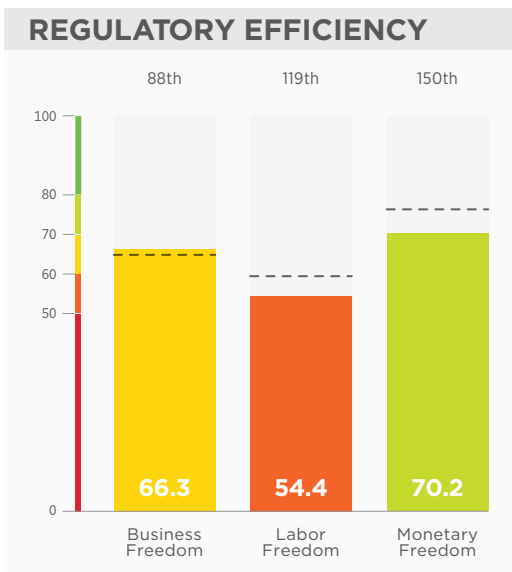
12 ECONOMIC FREEDOMS | LAOS



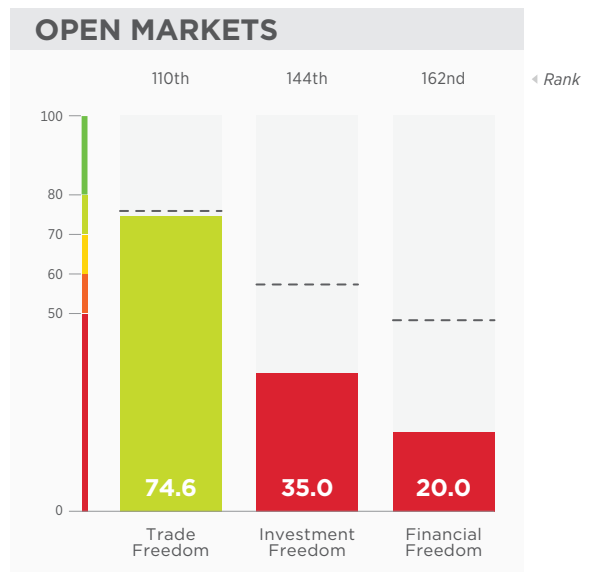
Protection of property rights is weak. The judicial system is inefficient, corrupt, and controlled by the ruling party. Corruption and graft by government officials are serious problems in Laos, fueling public discontent and causing gaps in revenue collection and degraded public services. Several anticorruption laws have been passed, but enforcement remains weak, and no high-profile cases have been brought to trial.



The top personal income and corporate tax rates are 24 percent. Other taxes include a vehicle tax and excise taxes. The overall tax burden equals 15.5 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 4.4 percent of GDP. Public debt is equivalent to 64.3 percent of GDP.



The poor regulatory infrastructure continues to impede private-sector development. The labor market does not promote flexibility or economic diversification and has not provided dynamic employment opportunities for the growing labor supply. To advance its socialist "state-managed market-orientated economy," the government influences many prices through subsidies and state-owned enterprises, especially in the hydropower and mining sectors.



Trade is important to the Laotian economy; the value of exports and imports taken together equals 79 percent of GDP. The average applied tariff rate is 5.2 percent. State-owned enterprises distort the economy, and foreign investors may not own land. The financial system is underdeveloped and subject to government involvement. High credit costs and scarce access to financing severely impede private-sector development.

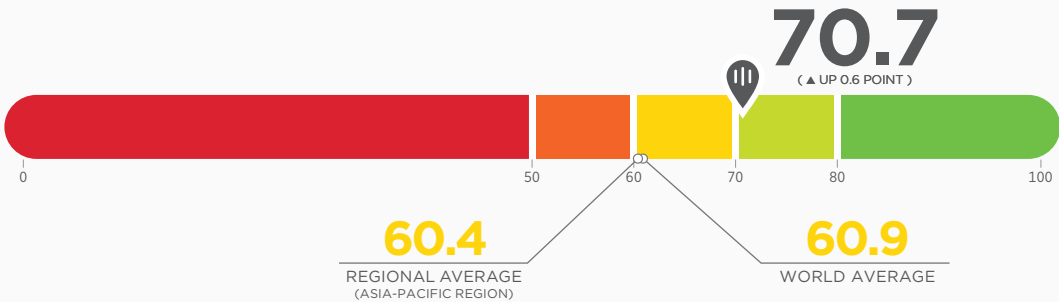
MACAU

WORLD RANK: **32** | REGIONAL RANK: **8**
 ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

As a free port, Macau has long benefited from global trade and investment. The entrepreneurial environment is generally efficient and streamlined, and property rights are generally well respected. Taxation is low and relatively efficient. Since opening up the gaming industry in 2002, Macau has attracted more foreign investment. Other growth areas include finance, insurance, and real estate. New measures to accelerate the registration processes for trademarks and patents have been implemented.

The services sector accounts for almost 90 percent of GDP and over 70 percent of total employment. Investment in resort and entertainment projects and related infrastructure has transformed Macau into one of the world's leading tourism destinations.

ECONOMIC FREEDOM SCORE

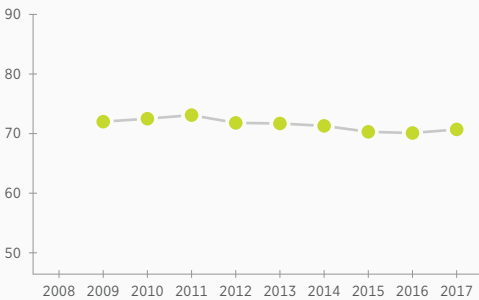


NOTABLE SUCCESSES:
Trade Freedom and Investment Freedom

CONCERNS:
Government Integrity and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
-1.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
\$65.4 billion
-20.3% growth in 2015
5-year compound annual growth 4.2%
\$98,135 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
4.6%

FDI INFLOW:
\$3.9 billion

PUBLIC DEBT:
0.0% of GDP

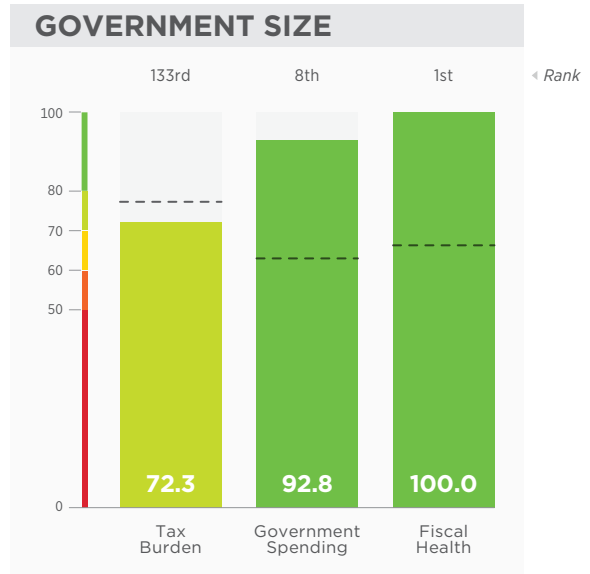
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Macau, colonized by the Portuguese in the 16th century, became a Special Administrative Region of China in 1999, and its chief executive is appointed by Beijing. Macau is one of the world's largest gaming centers and the only place in China where casinos are legal. Gaming-related taxes account for approximately 80 percent of government revenue. Over the past three years, China's anticorruption campaign has caused tourism and gambling traffic from the mainland to decrease. As a result, the city's small economy shrank by 20 percent last year. Two ongoing structural problems are a lack of attractions for nongambling tourists and high travel expenses.

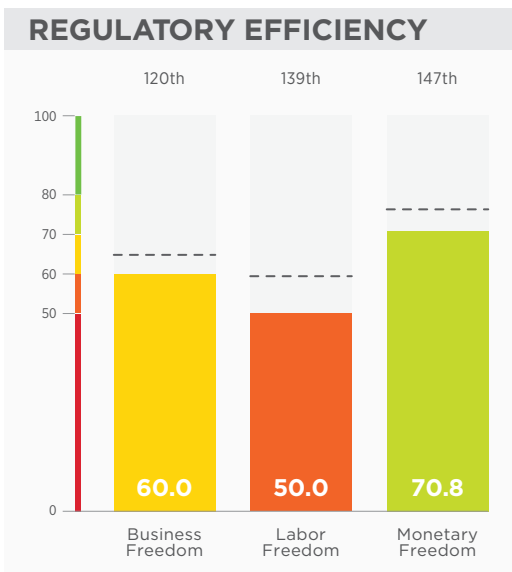
12 ECONOMIC FREEDOMS | MACAU



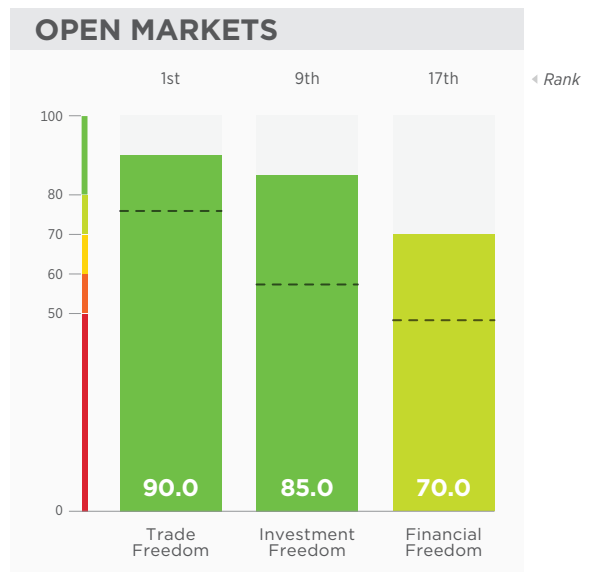
Private ownership of property and contractual rights are well established. There are no restrictions on foreign ownership of property. Macau has its own judicial system with a high court, and its legal framework is based largely on Portuguese law. Although the population was politically quiescent in the past, the frequency of public protests against a range of issues such as corruption, favoritism, and nepotism has increased in recent years.



The top personal income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high. The overall tax burden equals 33.2 percent of total domestic income. Government spending has amounted to 15.5 percent of total output (GDP) over the past three years, and budget surpluses have averaged 21.4 percent of GDP. Macau has no public debt.



The overall regulatory environment is relatively transparent and efficient, with license requirements varying by type of economic activity. The economy lacks a dynamic and broad-based labor market. The government sets minimum standards for the terms and conditions of employment. Monetary stability has been relatively well maintained, but the government funds generous subsidies to households, the elderly, and students.



Trade is extremely important to Macau's economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 0.0 percent. There are few nontariff barriers to trade, and Macau is relatively open to foreign investment. The small financial system functions without undue government influence. Credit is allocated on market terms, and relatively sound regulation assures free flows of financial resources.

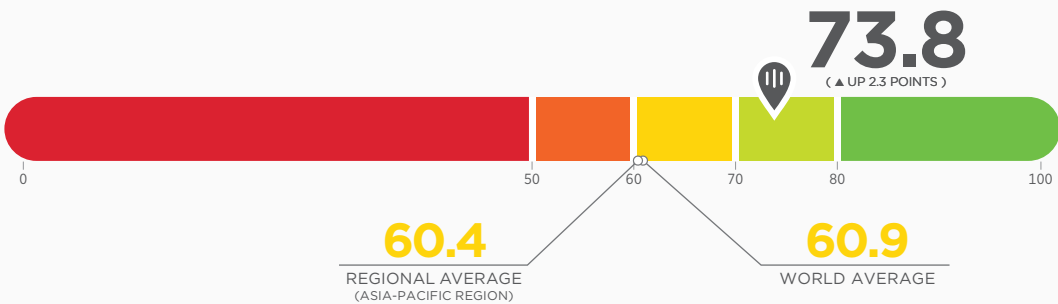
MALAYSIA

Ongoing economic reforms have enhanced Malaysia's competitiveness. The financial sector has undergone regulatory adjustments that include easing the limits on foreign ownership in financial subsectors. Numerous domestic equity requirements that restricted foreign investment have been eliminated. The trade regime is relatively open, although nontariff barriers that limit overall trade freedom are still in place. There is no mandated minimum wage, and labor regulations are not rigid.

Improving fiscal health continues to be a priority, but progress has been slow. The judicial system's vulnerability to political influence poses a significant challenge to the effective and even-handed rule of law and undermines government integrity.



ECONOMIC FREEDOM SCORE

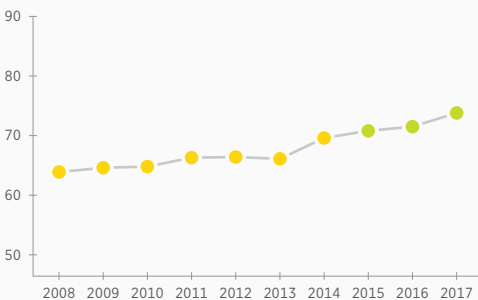


NOTABLE SUCCESSES:
Trade Freedom, Business Freedom, and Monetary Stability

CONCERNS:
Government Integrity, Judicial Effectiveness, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2013:
+7.7

FREEDOM TREND



QUICK FACTS

POPULATION:
30.8 million

GDP (PPP):
\$815.6 billion
5.0% growth in 2015
5-year compound annual growth 5.3%
\$26,315 per capita

UNEMPLOYMENT:
2.9%

INFLATION (CPI):
2.1%

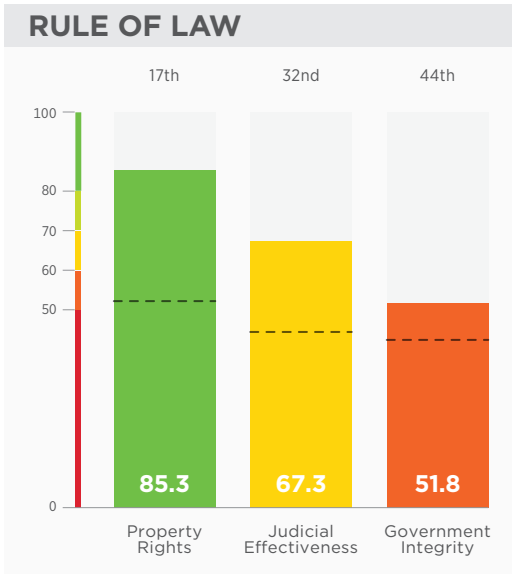
FDI INFLOW:
\$11.1 billion

PUBLIC DEBT:
57.4% of GDP

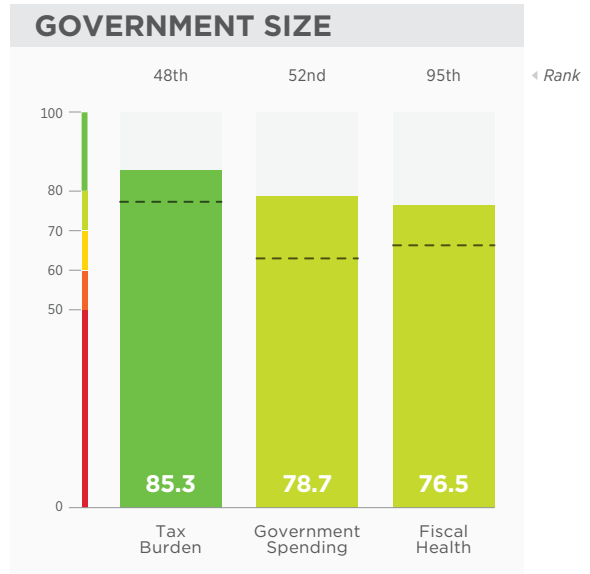
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The United Malays National Organization (UMNO) has ruled the ethnically and religiously diverse constitutional monarchy of Malaysia since independence in 1957. In 2013 elections, the UMNO-led coalition retained power but for the first time failed to win more than 50 percent of the popular vote. Since 2015, Prime Minister Najib Razak has been embroiled in a scandal involving the misappropriation of \$3.5 billion in state funds. Despite this, Najib's UMNO won two special parliamentary elections in June 2016. The government maintains investments in such key sectors as banking, media, automobiles, and airlines. Malaysia is a leading exporter of electronics and information-technology products.

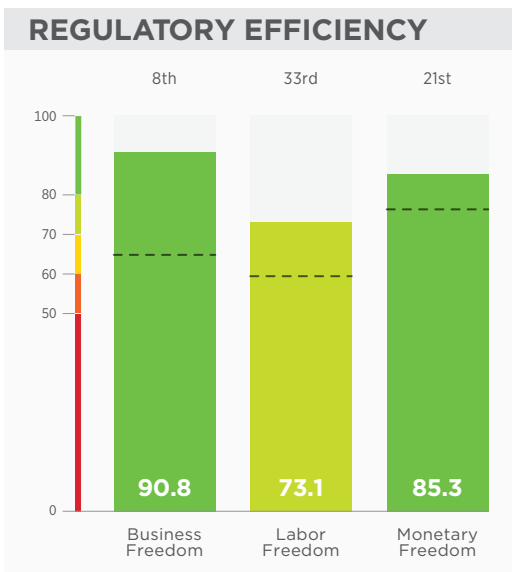
12 ECONOMIC FREEDOMS | MALAYSIA



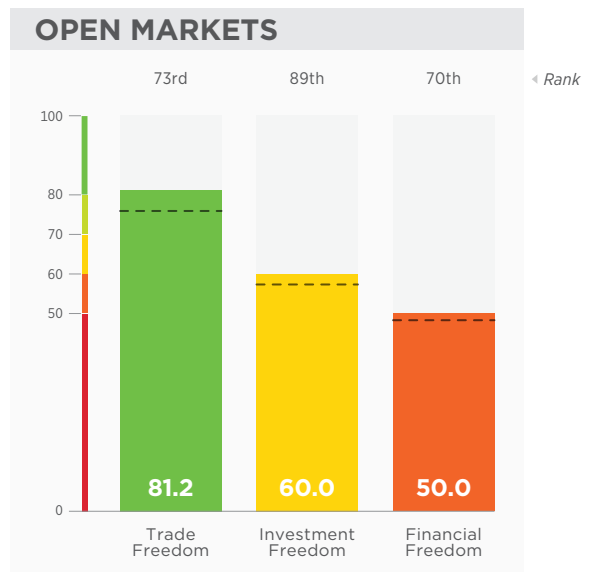
Malaysian courts protect real property ownership rights, but protection of intellectual property rights is weaker. Judicial independence is marred by heavy executive influence, and arbitrary or politically motivated verdicts are common. Favoritism and blurred distinctions between public and private enterprises create conditions conducive to corruption. A multibillion-dollar corruption scandal involving the prime minister has dominated the headlines during the past year.



The top individual income tax rate has been raised to 28 percent. The top corporate tax rate has been cut to 24 percent. Other taxes include a capital gains tax. The overall tax burden equals 14.8 percent of total domestic income. Government spending has amounted to 25.8 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 57.4 percent of GDP.



A new Companies Act, which was enacted in 2016 to facilitate the establishment and operations of domestic firms, is expected to take effect in 2017. There is no national minimum wage, and restrictions on work hours are relatively flexible. The International Monetary Fund has praised the government's bold multi-year drive to reduce costly and untargeted subsidies (for example, on electricity and fuel).



Trade is extremely important to Malaysia's economy; the value of exports and imports taken together equals 134 percent of GDP. The average applied tariff rate is 4.4 percent. Investment in some sectors is restricted, and state-owned enterprises distort the economy. The financial sector continues to grow, and its competitiveness is increasing. Supervision of banking has been strengthened, and measures to liberalize capital markets have progressed.

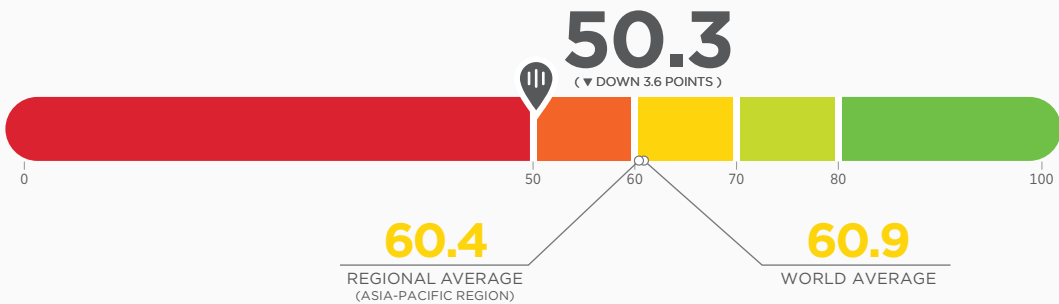
MALDIVES

WORLD RANK: **157** | REGIONAL RANK: **39**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tourism and related industries drive the Maldives' economy, which needs diversification to protect it from global slow-downs. Reforms to improve the business environment have been uneven. Corporations now have additional disclosure requirements for filing taxes, and it is harder to obtain a building permit. The government deficit is large and growing.

Foreign companies are now permitted to own land, but ambiguous foreign investment laws deter investors. Government corruption remains a serious problem; the Auditor General discovered during a special audit in February 2016 that \$79 million had been embezzled from the Maldives Marketing and Public Relations Corporation.

ECONOMIC FREEDOM SCORE

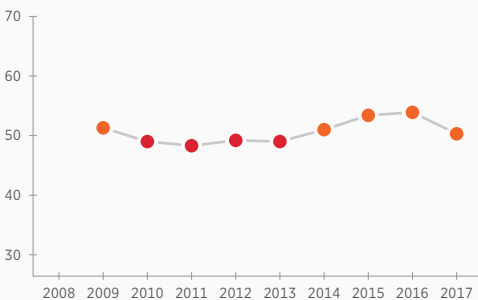


NOTABLE SUCCESSES:
 Tax Policy

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

OVERALL SCORE CHANGE SINCE 2013:
 +1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
 0.3 million

GDP (PPP):
 \$5.2 billion
 1.9% growth in 2015
 5-year compound annual growth 4.9%
 \$14,923 per capita

UNEMPLOYMENT:
 11.8%

INFLATION (CPI):
 1.4%

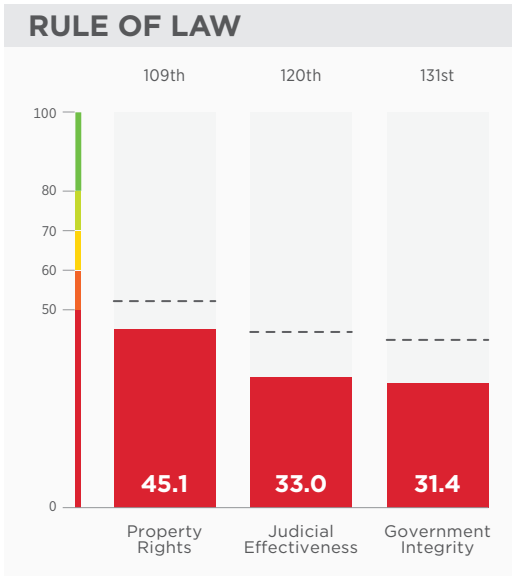
FDI INFLOW:
 \$323.9 million

PUBLIC DEBT:
 72.9% of GDP

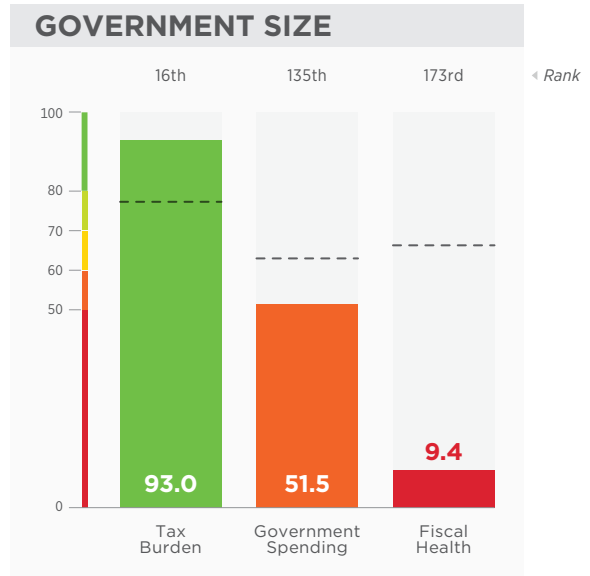
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The military forced democratically elected President Mohamed Nasheed to step down in February 2012 after several weeks of anti-government street protests instigated by former dictator Maumoon Abdul Gayoom. In November 2013, Gayoom's half-brother Abdulla Yameen was elected president. Sixteen months later, Yameen's government sentenced former President Nasheed to 13 years in prison based on dubious allegations of terrorism, prompting large-scale protests among his supporters and cancellation of a planned state visit by India's prime minister. Nasheed was granted political asylum in London in May amid signs of increasing political repression by President Yameen. As calls for sanctions by Western countries have intensified, Yameen has turned increasingly toward Chinese and Saudi investment.

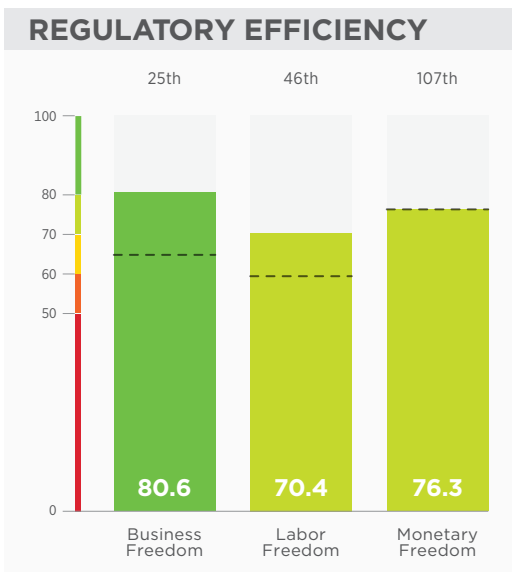
12 ECONOMIC FREEDOMS | MALDIVES



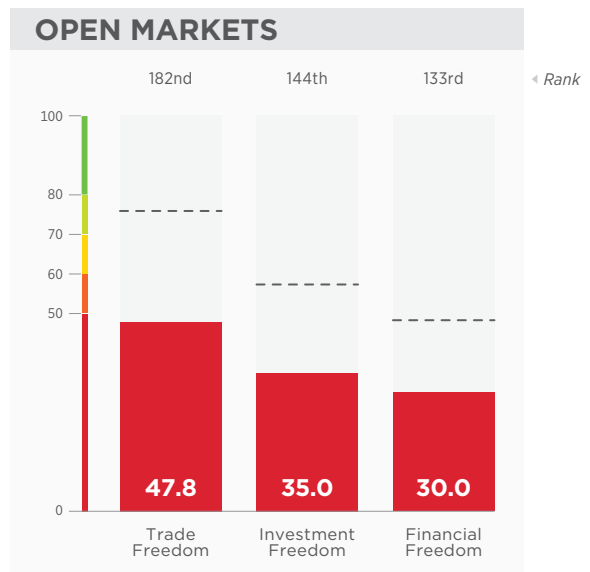
Property rights are generally weak; most land is owned by the government and then leased to private owners or developers. Although legally independent, the judiciary is subject to influence amid numerous allegations of judicial impropriety and abuse of power. In 2016, former President Nasheed received a long prison sentence on a politically motivated terrorism charge, partly because he ordered the arrest of a corrupt judge in 2012.



The government of the Maldives levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 26.4 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 8.6 percent of GDP. Public debt is equivalent to 72.9 percent of GDP.



Impediments to sustained private-sector growth and diversification remain considerable, in large part due to the lack of supportive policies and infrastructure. The large public sector employs much of the labor force. With the government facing an overall budget deficit of over 8 percent of GDP in 2016, the IMF recommended that it both find better ways to target welfare and food subsidies and eliminate electricity subsidies.



Trade is extremely important to the Maldives' economy; the value of exports and imports taken together equals 201 percent of GDP. The average applied tariff rate is 21.1 percent. The government screens foreign investment, and state-owned enterprises distort the economy. The shallow financial sector is dominated by banking. Costly credit and limited access to financial services impede development of a vibrant private sector.

MICRONESIA

WORLD RANK:

132

REGIONAL RANK:

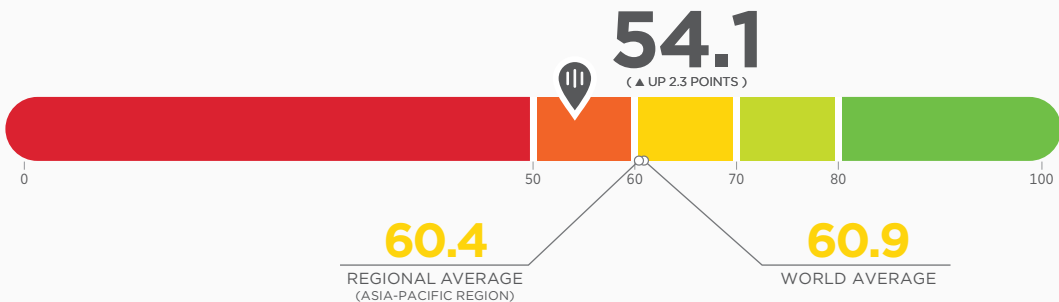
30

ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

Micronesia faces considerable geographic and other challenges that arguably reduce its economic potential, but poor policy choices in critical areas of economic freedom have further retarded growth. A significant portion of economic activity is concentrated in the public sector, which is the largest source of employment.

Tariff barriers are relatively low, but overall trade freedom is limited by nontariff barriers and poor trade infrastructure. Development of the private sector has been marginal because of a business environment that is not conducive to entrepreneurial activity. The overall regulatory and legal framework remains inefficient and lacking in transparency. The island economy remains highly dependent on foreign aid.

ECONOMIC FREEDOM SCORE

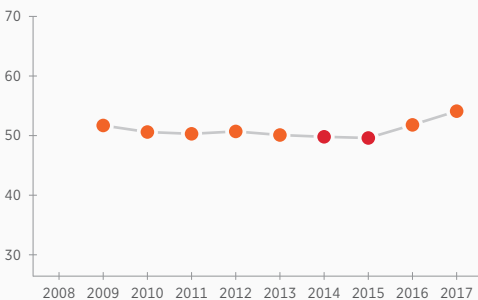


NOTABLE SUCCESSSES:
Trade Freedom

CONCERNS:
Rule of Law, Government Spending,
and Financial Freedom

**OVERALL SCORE CHANGE
SINCE 2013:**
+4.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
\$0.3 billion
-0.2% growth in 2015
5-year compound
annual growth -1.2%
\$2,955 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
-1.0%

FDI INFLOW:
\$0.8 million

PUBLIC DEBT:
26.3% of GDP

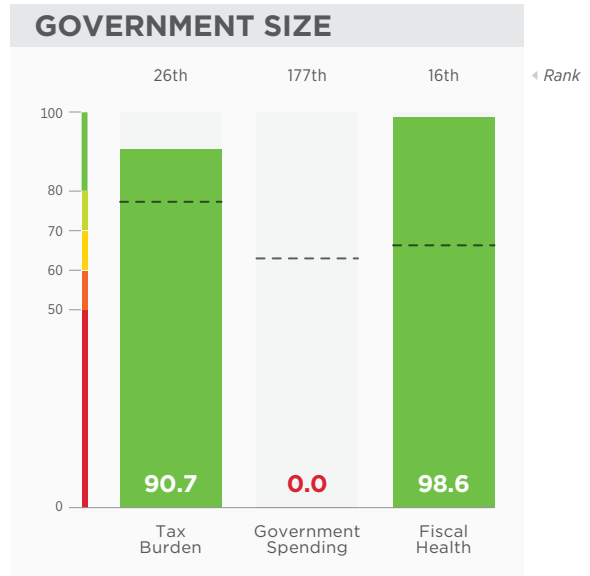
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Politically organized as a confederation of four states (the island groups of Pohnpei, Chuuk, Yap, and Kosrae), the 607-island South Pacific archipelago of Micronesia has a central government with limited powers. The most recent parliamentary election for Micronesia's small unicameral legislature took place in March 2015; in May 2015, the legislature's at-large members elected President Peter Christian to a four-year term. Under an amended compact, it receives about \$130 million annually in direct assistance from the U.S.

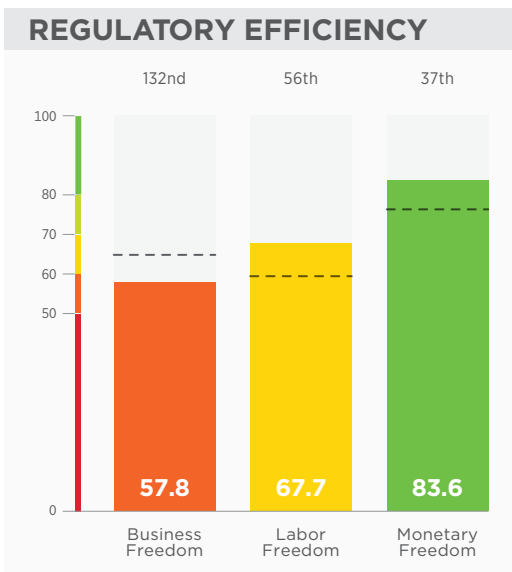
12 ECONOMIC FREEDOMS | MICRONESIA



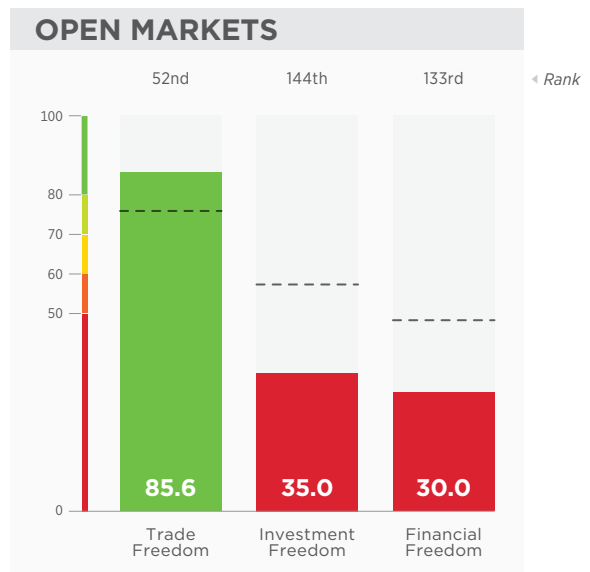
Property rights are only well protected for citizens and, to a lesser degree, for foreign nationals who have more than five year's residence in the country. The government generally respects the constitutionally independent judiciary, but the judicial system is chronically underfunded and subject to political influence. Civilian authorities maintain effective control of the police and investigate abuse and corruption.



Micronesia's tax laws are administered and enforced erratically. The personal income tax rate is 10 percent, and the corporate tax rate is 21 percent. The overall tax burden equals 19.7 percent of total domestic income. Government spending has amounted to 60.2 percent of total output (GDP) over the past three years, and budget surpluses have averaged 5.7 percent of GDP. Public debt is equivalent to 26.3 percent of GDP.



Given the poor development of the physical and regulatory infrastructure, the formation or operation of private businesses is not easy. A large share of the workforce is employed in the informal sector. The government depends heavily on U.S. subsidies, which account for roughly 40 percent of annual revenue, and is looking to China for future support when the American payments end in 2023.



Trade is important to Micronesia's economy; the value of exports and imports taken together equals 78 percent of GDP. The average applied tariff rate is 2.2 percent. Foreign investors may not own land, and investment in other economic sectors may be screened. Outmoded regulation, high credit costs, and scarce access to financing continue to constrain the small private sector. Much of the population remains outside of the formal banking sector.

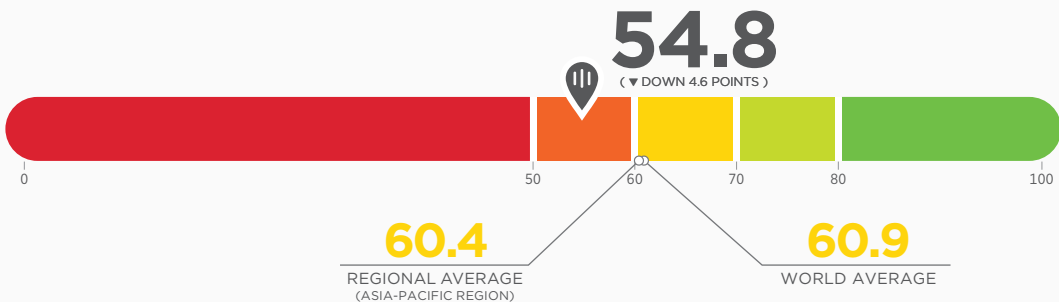
MONGOLIA

In an effort to accelerate its transition to a competitive economy, Mongolia has adopted policies to liberalize markets and develop the financial sector. However, long-term economic development will still require further critical reforms. The evolving regulatory framework governing investment remains opaque, injecting uncertainty into investment decisions.

The weak rule of law and lingering corruption are additional drags on the economy. Institutional reforms and continued efforts to streamline public administration are critical to sustaining economic growth. Management of public finances has deteriorated notably, and growing budget deficits have pushed the level of public debt to more than 75 percent of GDP.

WORLD RANK: **129** | REGIONAL RANK: **29**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

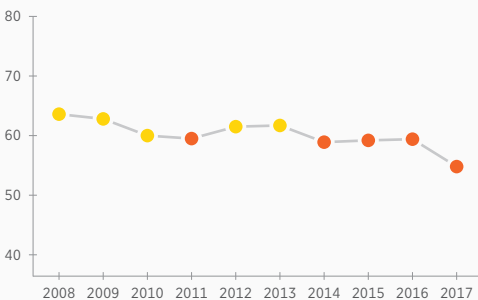


NOTABLE SUCCESSSES:
 Trade Freedom

CONCERNS:
 Rule of Law, Investment Freedom, and Government Spending

OVERALL SCORE CHANGE SINCE 2013:
 -6.9

FREEDOM TREND



QUICK FACTS

POPULATION:
 3.0 million

GDP (PPP):
 \$36.1 billion
 2.3% growth in 2015
 5-year compound annual growth 10.3%
 \$12,147 per capita

UNEMPLOYMENT:
 7.1%

INFLATION (CPI):
 5.9%

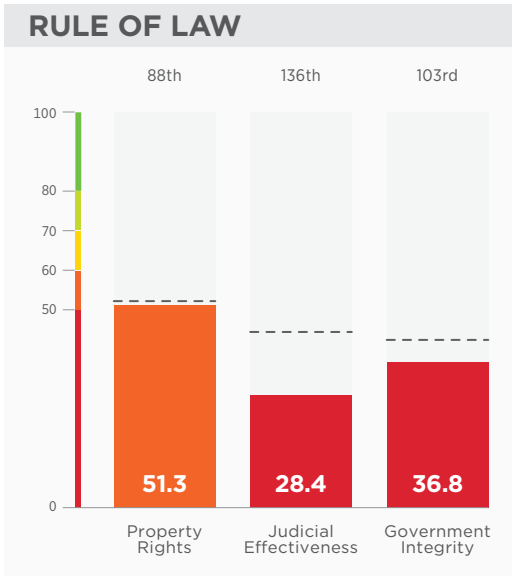
FDI INFLOW:
 \$195.1 million

PUBLIC DEBT:
 76.5% of GDP

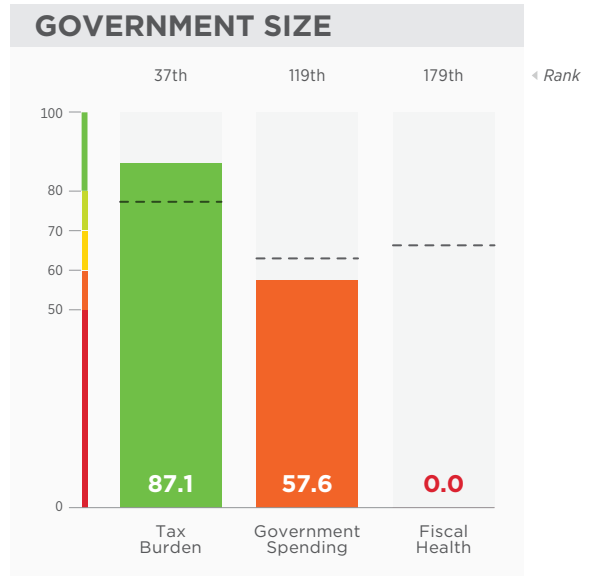
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Since the adoption of a new constitution in 1992, Mongolia has transformed from a closed society ruled by a single-party Communist system into an open society and a dynamic multi-party democracy. This transition has been accompanied by the gradual introduction of free-market reforms and relatively well-maintained political stability. While improving overall relations with the U.S., Japan, and South Korea, Mongolia has also maintained strong ties with Russia and China. President Tsakhiagiin Elbegdorj, whose Democratic Party coalition controls parliament, is serving his second term. Agriculture and mining remain the most important sectors of the economy. Uncertainty over investment rules has caused investment in the mineral sector to ebb and flow.

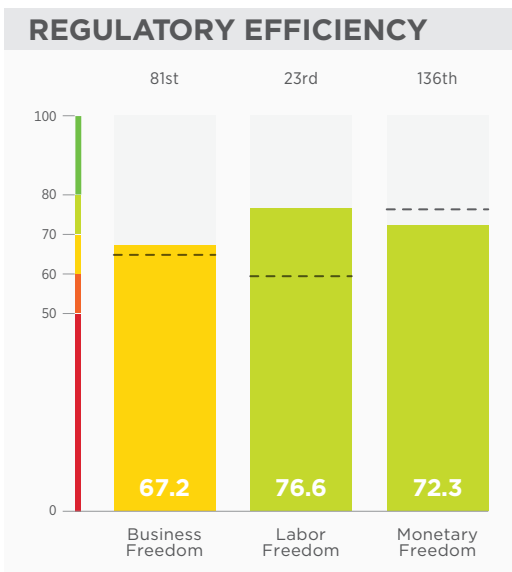
12 ECONOMIC FREEDOMS | MONGOLIA



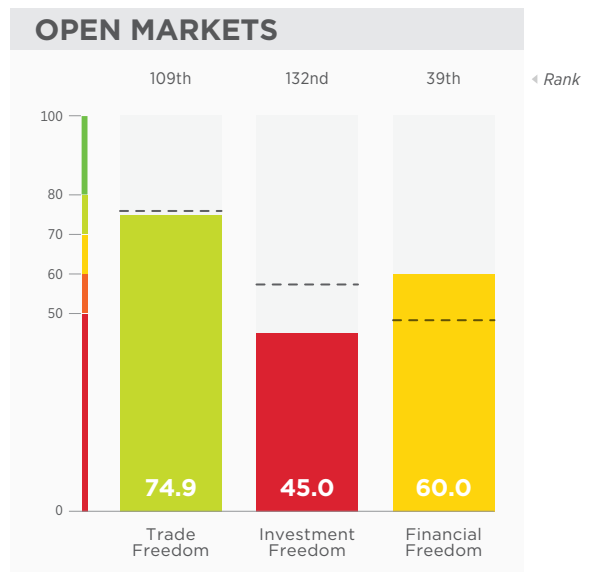
Property and contractual rights are recognized, but enforcement is weak. The government lacks the capacity to enforce intellectual property rights laws. The judiciary is independent but inefficient and vulnerable to political interference. Pervasive corruption stems from a political culture that places a high value on relationships. Graft is endemic, and weak institutions do not enforce anticorruption measures effectively.



The individual income tax rate is a flat 10 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and an excise tax. The overall tax burden equals 23.7 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 9.4 percent of GDP. Public debt is equivalent to 76.5 percent of GDP.



The regulatory framework continues to evolve, although the pace of reform has been sluggish. Labor regulations are relatively flexible, but the labor market lacks dynamism. The nonsalary cost of employing a worker is moderate, and dismissing an employee is not burdensome. Faced with a budget deficit, the government is contemplating the sale of some state-owned enterprises such as power plants, coal companies, and the stock exchange.



Trade is important to Mongolia's economy; the value of exports and imports taken together equals 87 percent of GDP. The average applied tariff rate is 5.0 percent. The judicial and regulatory systems impede foreign investment, and state-owned enterprises distort the economy. The limited availability of long-term loans and costly collateral requirements make access to credit a challenge for small and medium-size firms.

NEPAL

WORLD RANK:

125

REGIONAL RANK:

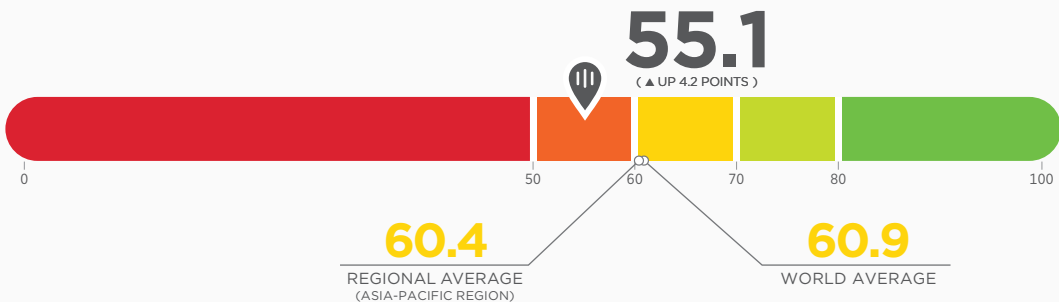
26

ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

Nepal's economy lacks the entrepreneurial dynamism needed for stronger economic growth and long-term development. Overall, weak reform efforts have failed to stimulate broad-based poverty reduction. The state continues to hinder private-sector development, and political instability further weakens the capacity to implement economic reform or create a stable development environment.

Overall, the statist approach to economic management and development has been a serious drag on business activity. Lack of transparency, corruption, and a burdensome approval process impede much-needed expansion of private investment and production. Property rights are undermined by the inefficient judicial system, which is subject to substantial corruption and political influence.

ECONOMIC FREEDOM SCORE

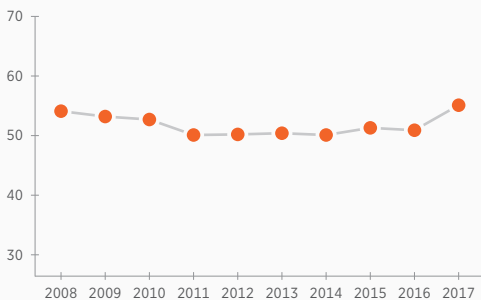


NOTABLE SUCCESSES:
Monetary Stability

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

**OVERALL SCORE CHANGE
SINCE 2013:**
+4.7

FREEDOM TREND



QUICK FACTS

POPULATION:
28.4 million

GDP (PPP):
\$70.1 billion
3.4% growth in 2015
5-year compound
annual growth 4.2%
\$2,465 per capita

UNEMPLOYMENT:
3.1%

INFLATION (CPI):
7.2%

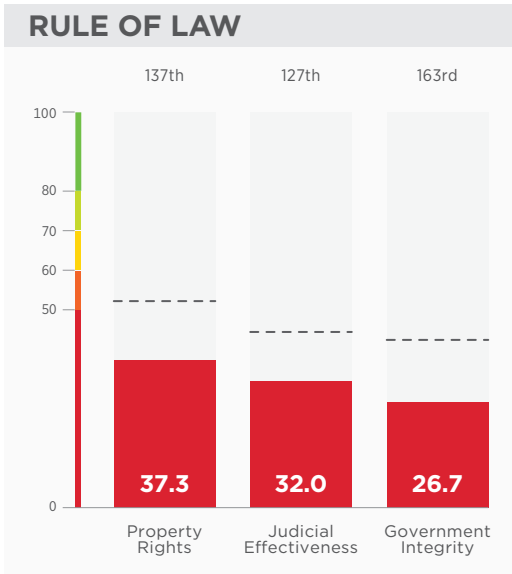
FDI INFLOW:
\$51.4 million

PUBLIC DEBT:
28.7% of GDP

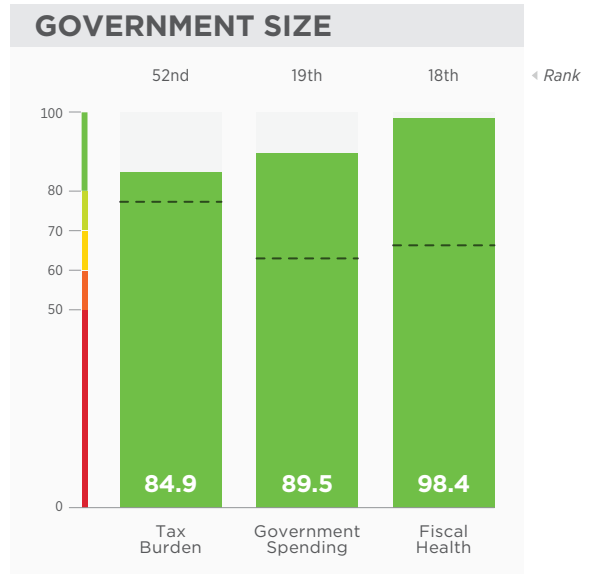
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Political instability continues in Nepal, which has seen eight governments in the past decade. On September 20, 2015, Nepal finally approved a new constitution establishing itself as a federal republic and redrawing political boundaries. Ethnic Madhesis, who have close links to India, objected to the constitution and protested in street demonstrations. In July 2016, an impending vote of no confidence drove Prime Minister Khadga Prasad Oli to resign. The Nepali Congress party and the Communist Party of Nepal (Maoist-Center), which were allied against Oli, agreed to share rotating leadership of the government, and Communist Party chairman Pushpa Kamal Dahal became prime minister in August 2016. The dramatic drop in trade with India since adoption of the constitution has caused a fuel crisis in Nepal.

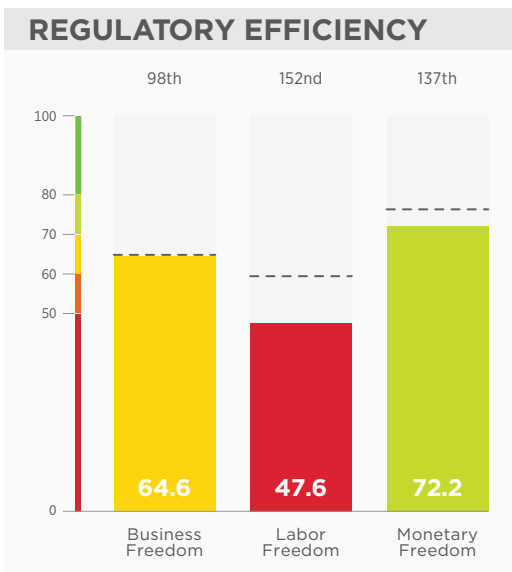
12 ECONOMIC FREEDOMS | NEPAL



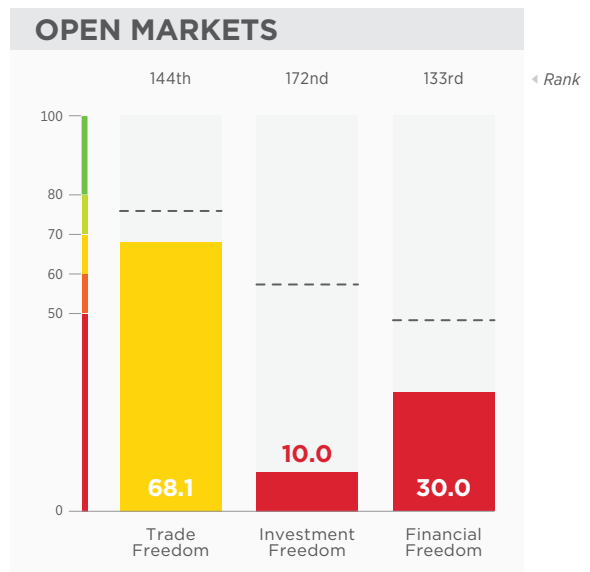
Property rights are not protected effectively, and it can take years to resolve property disputes. The law provides for an independent judiciary, but courts remain vulnerable to political pressure, bribery, and intimidation. There are numerous reports of corrupt actions by government officials, political parties, and party-affiliated organizations. Corruption and impunity in general are problems within the Nepal Police and Armed Police Force.



The top individual income and corporate tax rates are 25 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 16.1 percent of total domestic income. Government spending has amounted to 18.7 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.5 percent of GDP. Public debt is equivalent to 28.7 percent of GDP.



Despite some progress in streamlining the process for launching a business, other time-consuming requirements reduce the efficiency of the regulatory system. Nepal's labor regulations remain obsolete, and underemployment persists. In the wake of the devastating 2015 earthquake, Nepal has subsidized the rebuilding of homes, contingent on the use of earthquake-resistant methods and materials.



Trade is important to Nepal's economy; the value of exports and imports taken together equals 53 percent of GDP. The average applied tariff rate is 10.9 percent. The judicial and regulatory systems impede foreign investment, and state-owned enterprises distort the economy. Nepal's fragmented financial system remains vulnerable to government influence, and financial supervision is inadequate.

NEW ZEALAND

WORLD RANK:

3

REGIONAL RANK:

3

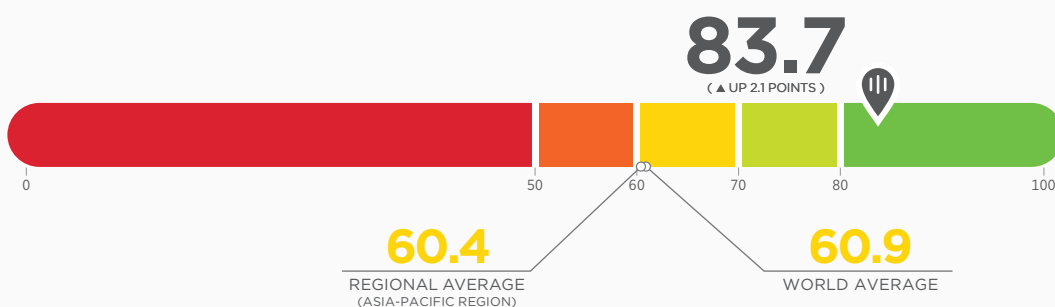
ECONOMIC FREEDOM STATUS:

FREE

New Zealand's strong commitment to economic freedom has resulted in a policy framework that encourages impressive economic resilience. Openness to global trade and investment are firmly institutionalized. The financial system has remained stable, and prudent regulations allowed banks to withstand the past global financial turmoil with little disruption.

Other institutional strengths of the Kiwi economy include relatively sound management of public finance, a high degree of monetary stability, and strong protection of property rights. The government continues to maintain a tight rein on spending, keeping public debt under control and sustaining overall fiscal health. A transparent and stable business climate makes New Zealand one of the world's friendliest environments for entrepreneurs.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:

Rule of Law, Regulatory Efficiency, and Open Markets

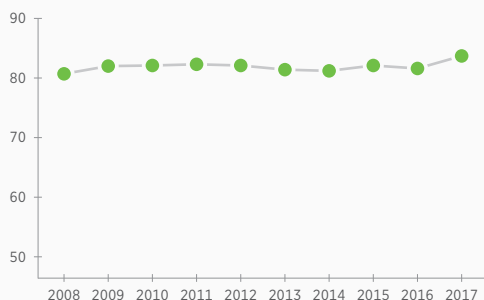
CONCERNS:

Government Spending

OVERALL SCORE CHANGE SINCE 2013:

+2.3

FREEDOM TREND



QUICK FACTS

POPULATION:

4.6 million

GDP (PPP):

\$168.2 billion
3.4% growth in 2015
5-year compound annual growth 2.5%
\$36,172 per capita

UNEMPLOYMENT:

5.9%

INFLATION (CPI):

0.3%

FDI INFLOW:

-\$985.8 million

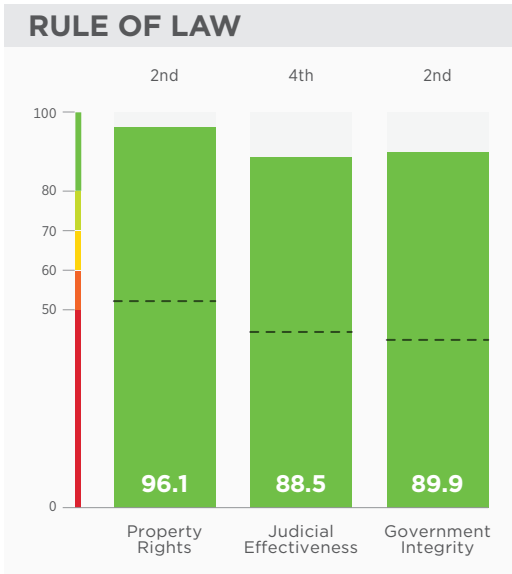
PUBLIC DEBT:

30.4% of GDP

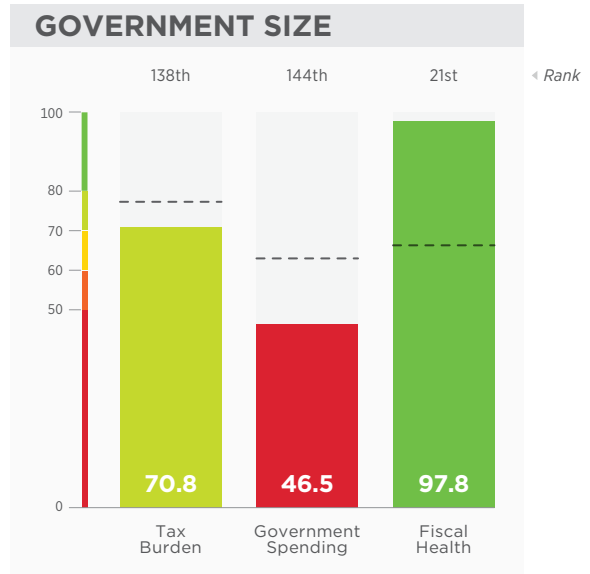
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: New Zealand is a parliamentary democracy and one of the Asia-Pacific region's most prosperous countries. After 10 years of Labor Party-dominated governments, the center-right National Party, led by Prime Minister John Key, returned to power in November 2008. Key was reelected in 2011 and 2014. In December 2016, Key resigned and endorsed his deputy, Bill English, who was elected to succeed him as prime minister. Far-reaching deregulation and privatization in the 1980s and 1990s largely liberated the economy. Agriculture is important, but so too are a flourishing manufacturing sector, thriving tourism, and a strong geothermal energy resource base. Following a sizable contraction during the global economic recession, the economy has been expanding since 2010.

12 ECONOMIC FREEDOMS | NEW ZEALAND



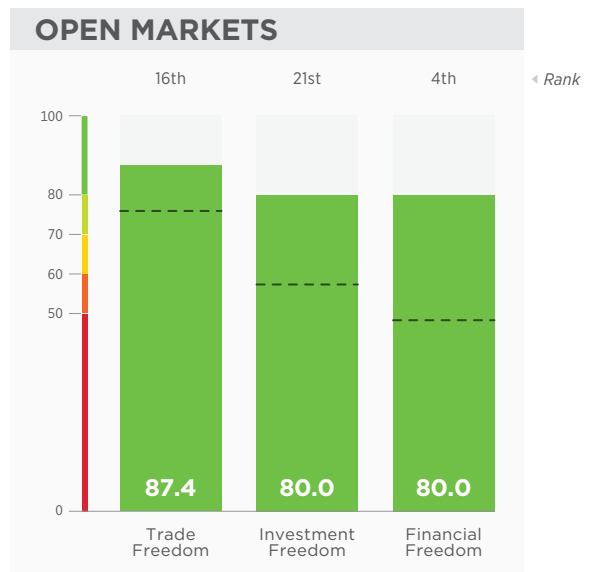
Private property rights are strongly protected, and contracts are notably secure. The judicial system is independent and functions well. New Zealand ranked fourth out of 168 countries surveyed in Transparency International's 2015 *Corruption Perceptions Index*. The country is renowned for its efforts to penalize bribery and ensure a transparent, competitive, and corruption-free government procurement system.



The top income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include a goods and services tax and environmental taxes. The overall tax burden equals 32.4 percent of total domestic income. Government spending has amounted to 42.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.5 percent of GDP. Public debt is equivalent to 30.4 percent of GDP.



The entrepreneurial environment is one of the world's most efficient and competitive. Start-up companies enjoy great flexibility under licensing and other regulatory frameworks. The labor regulations facilitate a dynamic labor market. New Zealand, which has the lowest subsidies among OECD countries, removed all farm subsidies more than three decades ago and spurred the development of a vibrant and diversified agriculture sector.



Trade is important to New Zealand's economy; the value of exports and imports taken together equals 55 percent of GDP. The average applied tariff rate is 1.3 percent. There are few barriers to foreign investment, although some investment may be subject to screening. The financial sector, dominated by banking, is well developed and competitive, offering a full range of financing instruments for entrepreneurial activity.

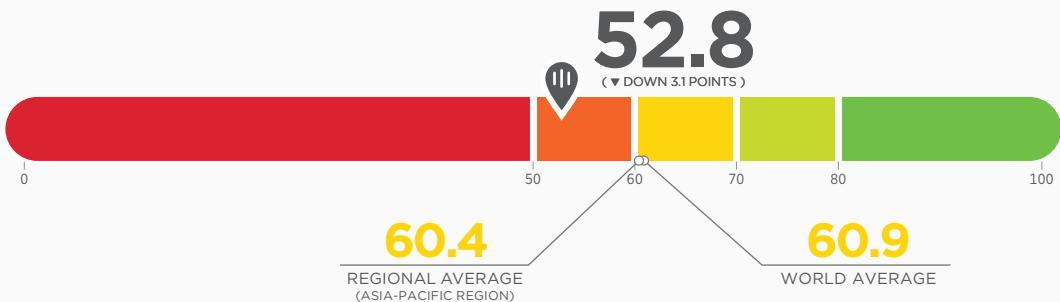
PAKISTAN

WORLD RANK: **141** | REGIONAL RANK: **32**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Pakistan has pursued reforms to improve its entrepreneurial environment and facilitate private-sector development. The financial sector has undergone modernization and restructuring. However, overall progress lags significantly behind other countries in the region. The tax system is complex and inefficient, although reforms to cut tax rates, broaden the tax base, and increase transparency have been undertaken.

The judicial system suffers from a serious backlog and poor security, and corruption continues to taint the judiciary and civil service. The state's excessive involvement in the economy and restrictions on foreign investment are serious drags on economic dynamism. Ongoing political instability and the threat of terrorist violence have made the business operating environment more challenging in recent years.

ECONOMIC FREEDOM SCORE

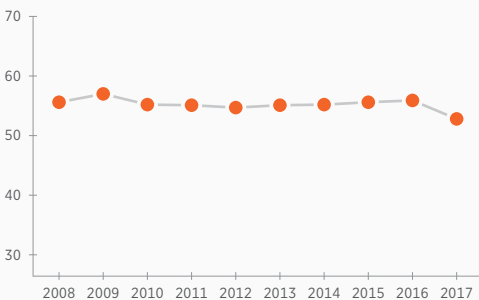


NOTABLE SUCCESSES:
 Monetary Stability

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

**OVERALL SCORE CHANGE
 SINCE 2013:**
 -2.3

FREEDOM TREND



QUICK FACTS

POPULATION:
 190.0 million

GDP (PPP):
 \$931.0 billion
 4.2% growth in 2015
 5-year compound
 annual growth 3.9%
 \$5,000 per capita

UNEMPLOYMENT:
 5.4%

INFLATION (CPI):
 4.5%

FDI INFLOW:
 \$864.7 million

PUBLIC DEBT:
 64.4% of GDP

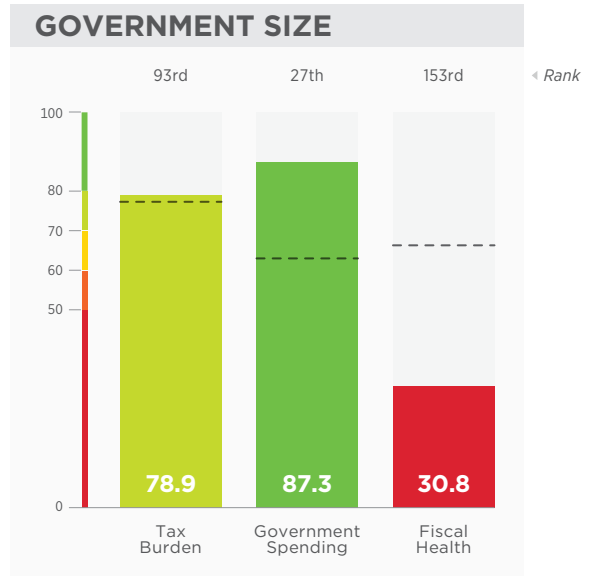
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Prime Minister Nawaz Sharif, elected in 2013, governs an unstable democracy that continues to face formidable threats from sectarian and terrorist violence. Tensions with India remain high, as evidenced by a January 2, 2016, attack by Pakistan-based militants on an Indian air base just six days after Indian Prime Minister Modi's goodwill visit to Lahore. U.S.-Pakistan relations have deteriorated as well. In April 2016, Congress blocked U.S. subsidies for Pakistan's purchase of additional F-16 fighter jets because of Islamabad's failure to include the Haqqani network in its crackdown on militants.

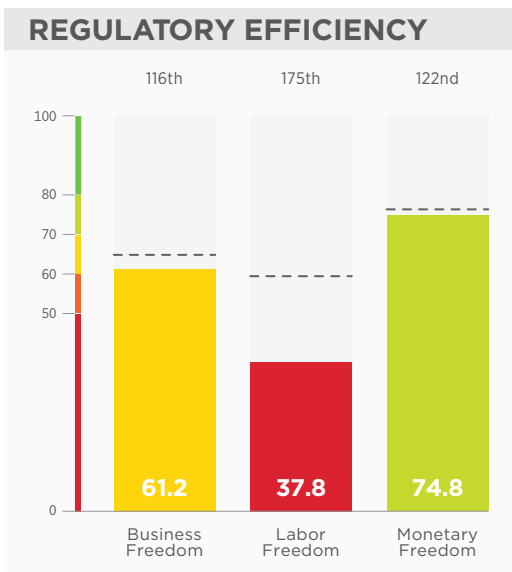
12 ECONOMIC FREEDOMS | PAKISTAN



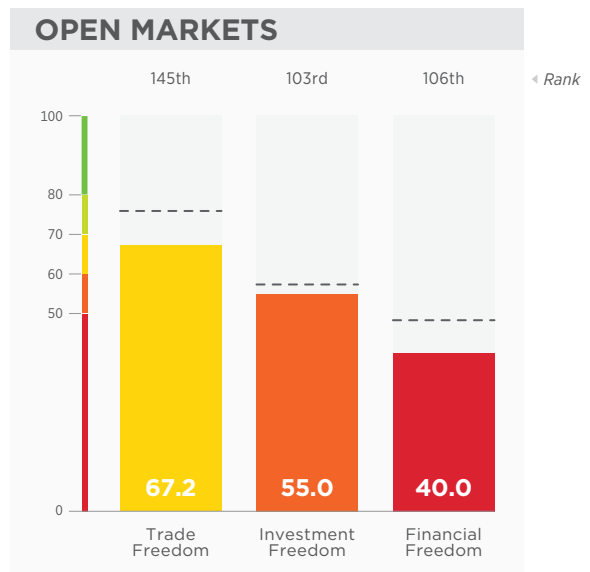
Protection of property rights is weak. Although technically independent, the judiciary is subject to external influences, such as fear of reprisal from extremist elements in terrorism or blasphemy cases. Corruption is pervasive in politics, government, and law enforcement, and various politicians and public officeholders face allegations of corruption involving bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 33 percent. The overall tax burden equals 11.0 percent of total domestic income. Government spending has amounted to 20.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 64.4 percent of GDP.



Progress in improving the entrepreneurial environment has been modest. The cost of completing licensing requirements is still burdensome. A large portion of the workforce is underemployed in the informal sector. The IMF has commended Pakistan for making substantial progress in reducing untargeted energy subsidies from 2.3 percent of GDP in FY 2011–2012 to a budgeted 0.4 percent for FY 2015–2016 but also says that additional cuts are needed.

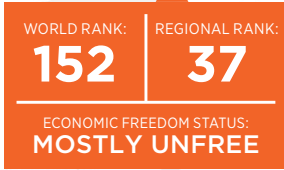


Trade is moderately important to Pakistan's economy; the value of exports and imports taken together equals 28 percent of GDP. The average applied tariff rate is 8.9 percent. The judicial and regulatory systems can deter foreign investment, and state-owned enterprises distort the economy. A majority of the commercial banks are now in private hands, but the sector remains vulnerable to government influence in terms of budgetary support.

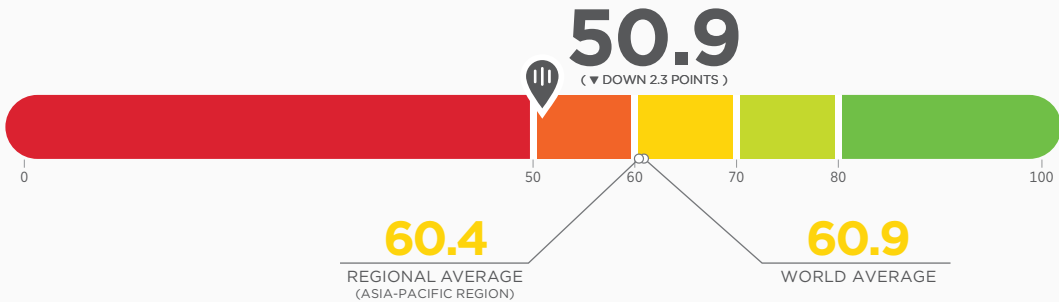
PAPUA NEW GUINEA

Papua New Guinea's economy has long been divided between a formal sector based on exports of natural resources and a large informal sector that relies on subsistence farming and other small-scale economic activity. The government intrudes in many aspects of the economy through state ownership and regulation, not only raising the costs of conducting entrepreneurial activity, but also discouraging broader-based development of the private sector.

In an effort to enhance regulatory efficiency, the government introduced an online business registration system early in 2016. Nonetheless, private-sector development is still held back by the lack of institutionalized open-market policies and an inefficient legal system.



ECONOMIC FREEDOM SCORE

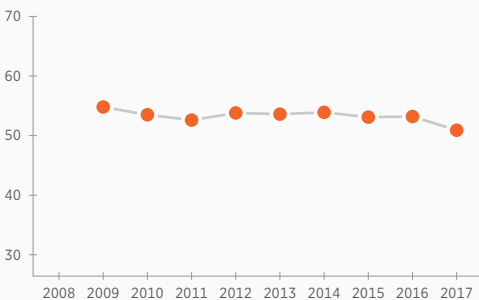


NOTABLE SUCCESSSES:
 Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 -2.7

FREEDOM TREND



QUICK FACTS

POPULATION:
 7.7 million

GDP (PPP):
 \$20.5 billion
 9.0% growth in 2015
 5-year compound annual growth 8.4%
 \$2,652 per capita

UNEMPLOYMENT:
 3.1%

INFLATION (CPI):
 6.0%

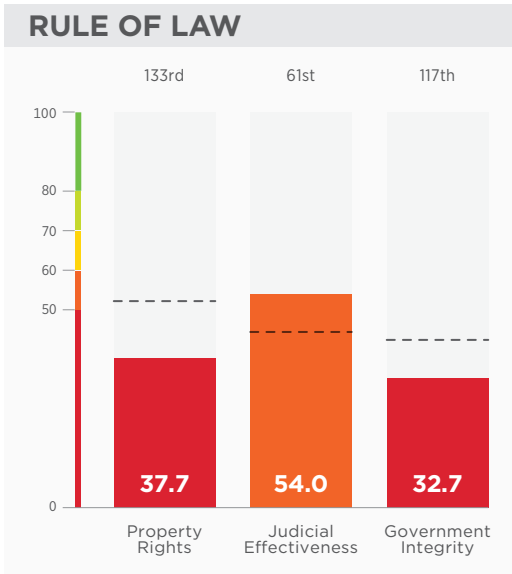
FDI INFLOW:
 -\$27.8 million

PUBLIC DEBT:
 40.8% of GDP

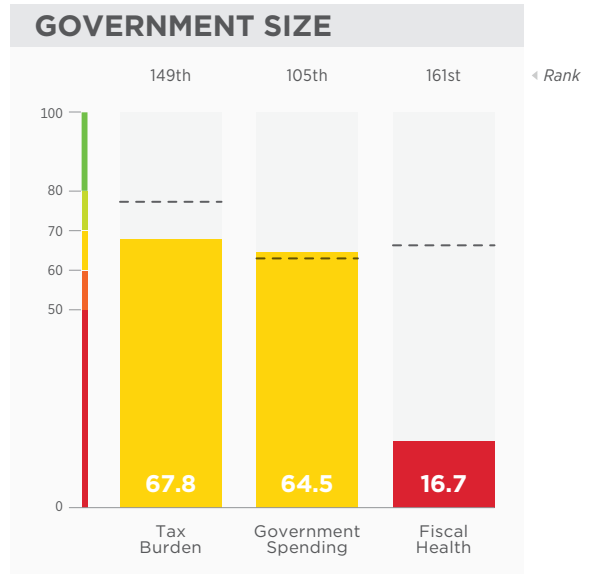
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Papua New Guinea is a parliamentary democracy whose nearly 7.5 million people speak over 840 different languages. A year-long constitutional crisis subsided in August 2012 with the reelection of Prime Minister Peter O'Neill, whose People's National Congress Party won the most seats in parliament. Sir Michael Somare, O'Neill's chief rival, agreed to form a joint government. In 2014, O'Neill was embroiled in a legal battle over alleged misuse of government funds. Protests against O'Neill, including student protests in 2016 during which police opened fire on protesters, continue today. Elections will be held in 2017. Gold and copper mining, oil, and natural gas dominate the formal economy.

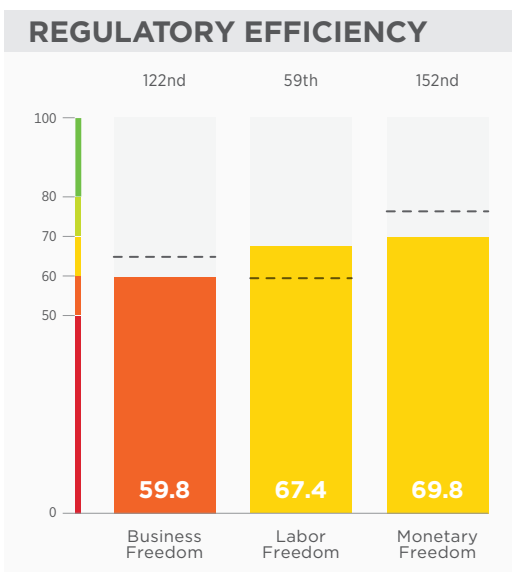
12 ECONOMIC FREEDOMS | PAPUA NEW GUINEA



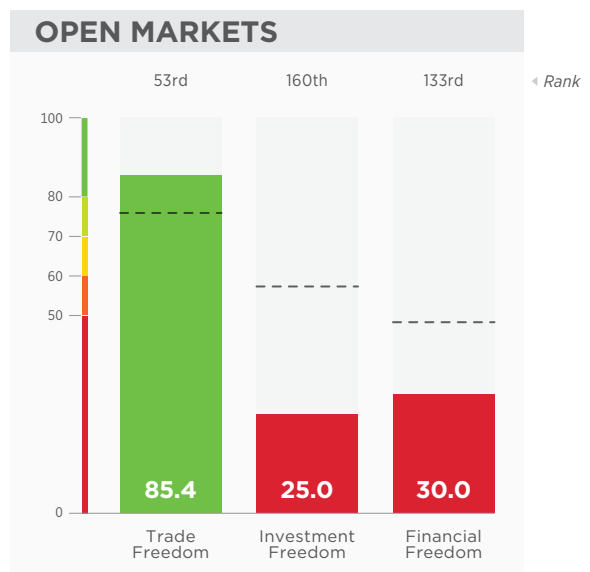
The law does not permit direct foreign ownership of land, and there are substantial delays both in the government's issuance of long-term leases and in other legal processes to facilitate acquisition and disposition of property rights. The judicial framework is inadequately resourced and underdeveloped. Pervasive corruption and nepotism fueled by large foreign investment windfalls in mining and petroleum are the biggest hindrances to development.



The top individual income tax rate is 42 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an excise tax. The overall tax burden equals 23.5 percent of total domestic income. Government spending has amounted to 34.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.6 percent of GDP. Public debt is equivalent to 40.8 percent of GDP.



The overall regulatory framework remains poor. Labor regulations are relatively flexible, but the formal labor market is not fully developed. Lower prices for liquefied natural gas have caused fiscal deficits to balloon, forcing drastic cuts in transportation, health care, and education subsidies. Heavily subsidized state-owned enterprises provide substandard services for power, water, banking, telecommunications, air travel, and seaports.



Trade is important to Papua New Guinea's economy; the value of exports and imports taken together equals 57 percent of GDP. The average applied tariff rate is 2.3 percent. Foreign investors may not own land, and investment in several other sectors is restricted. State-owned enterprises distort the economy. Financial intermediation varies across the country, and a large portion of the population remains unconnected to the banking system.

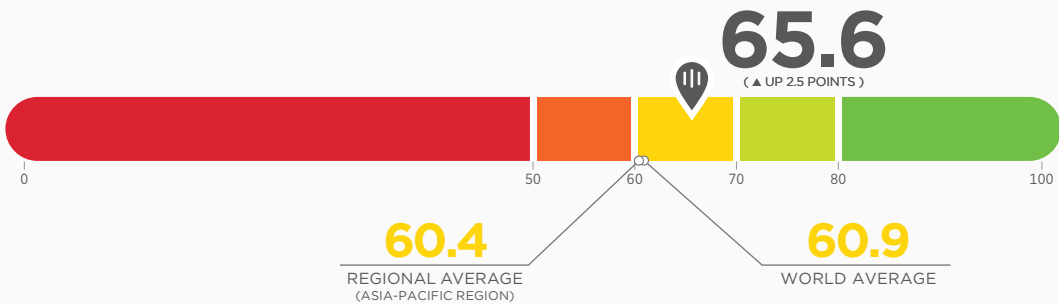
THE PHILIPPINES

Despite the challenging global economic environment, the Philippines has achieved notable economic expansion, driven by the economy's strong export performance and inflows of remittances that have bolstered private consumption. The absence of entrepreneurial dynamism, however, still makes long-term economic development a challenging task.

The government is pursuing a series of legislative reforms to enhance the overall entrepreneurial environment and develop the stronger private sector that is needed to generate broader-based job growth. Progress has been mixed, although some fiscal reforms have been accomplished. Deeper institutional reforms are required in interrelated areas: business freedom, investment freedom, and the rule of law. The judicial system remains weak and vulnerable to political influence.



ECONOMIC FREEDOM SCORE

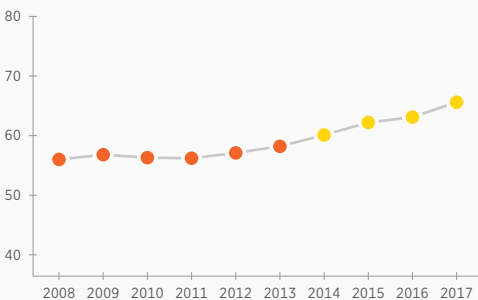


NOTABLE SUCCESSES:
Fiscal Policy, Government Spending, and Monetary Stability

CONCERNS:
Rule of Law and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
+7.4

FREEDOM TREND



QUICK FACTS

POPULATION:
101.4 million

GDP (PPP):
\$741.0 billion
5.8% growth in 2015
5-year compound annual growth 5.9%
\$7,254 per capita

UNEMPLOYMENT:
6.7%

INFLATION (CPI):
1.4%

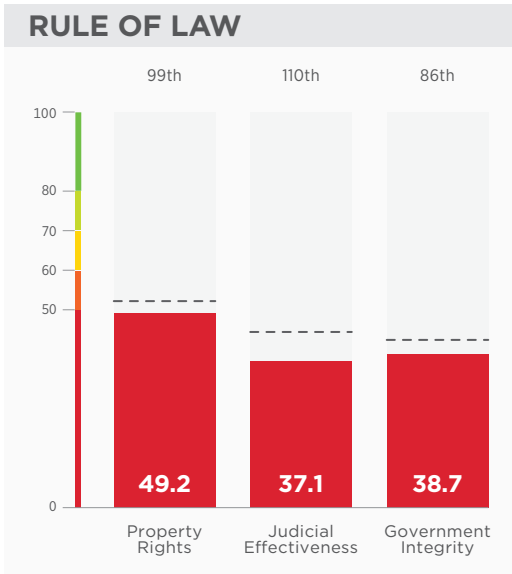
FDI INFLOW:
\$5.2 billion

PUBLIC DEBT:
37.1% of GDP

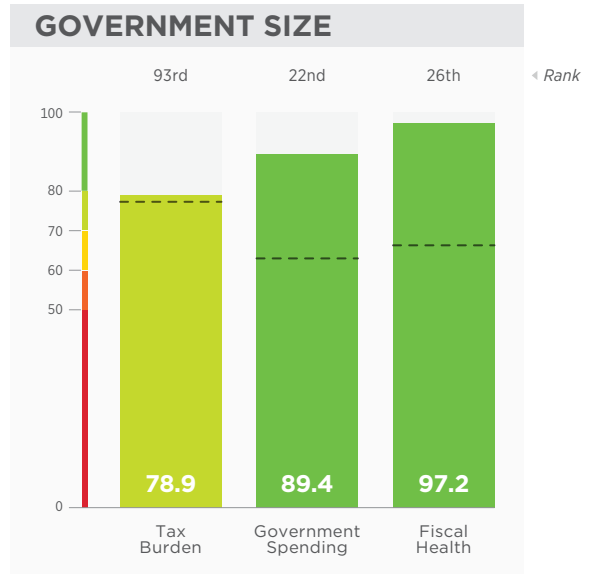
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Philippines' diverse population, speaking more than 80 languages and dialects, is spread over 7,000 islands in the Western Pacific. During the six-year term of President Benigno Aquino III (2010–2016), the Philippines became one of the region's best-performing economies. Now the question is whether his successor, longtime mayor of Davao City Rodrigo Duterte, will maintain and expand his predecessor's successful policies. While agriculture is still a significant part of the economy, industrial production in areas like electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to nearly 10 percent of GDP.

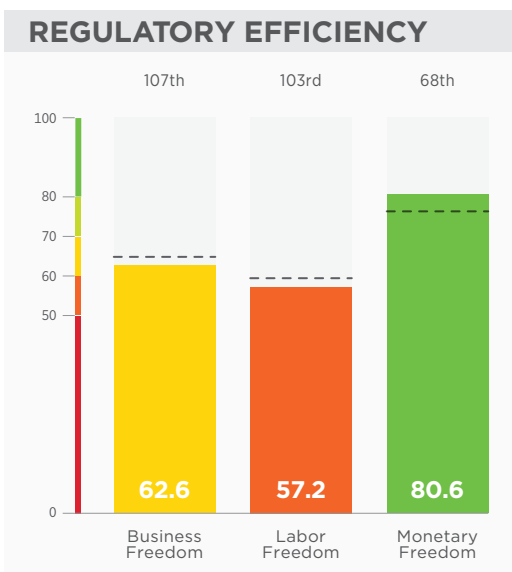
12 ECONOMIC FREEDOMS | THE PHILIPPINES



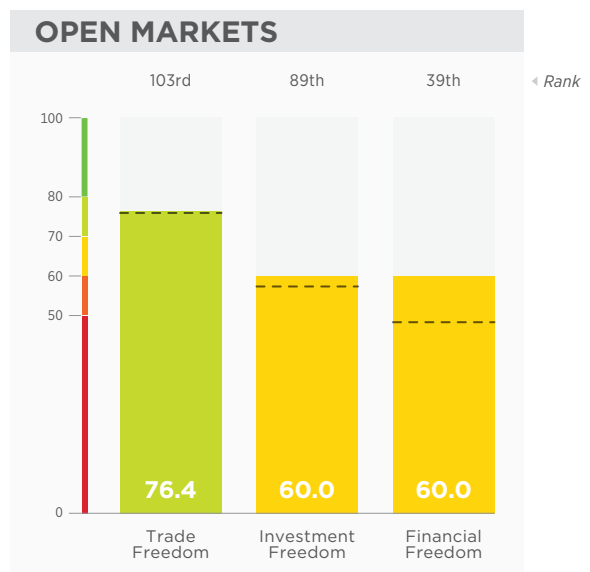
Implementation of laws protecting property rights is weak. Judicial independence is strong, but the rule of law is generally ineffectual. Courts are hampered by inefficiency, low pay, intimidation, and complex procedures. Corruption and cronyism are pervasive. A few dozen leading families hold a disproportionate share of land, corporate wealth, and political power. A culture of impunity is reinforced by the strong-arm tactics of the new president.



The top individual income tax rate is 32 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 13.6 percent of total domestic income. Government spending has amounted to 18.8 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 37.1 percent of GDP.



Gradual improvement of the business regulatory environment includes reduction of the time and cost involved in fulfilling licensing requirements. The labor market remains structurally rigid, but existing regulations are not particularly burdensome. In 2016, the government used its authority to grant special agriculture subsidies in response to El Niño drought conditions. There are price controls on pharmaceuticals and some food and household fuel items.



Trade is important to the Philippines' economy; the value of exports and imports taken together equals 61 percent of GDP. The average applied tariff rate is 4.3 percent. Many agricultural imports face additional barriers. Investment in several economic sectors is restricted. The financial sector remains relatively stable and sound. In 2016, the central bank announced that it would end a 17-year moratorium on the granting of new banking licenses.

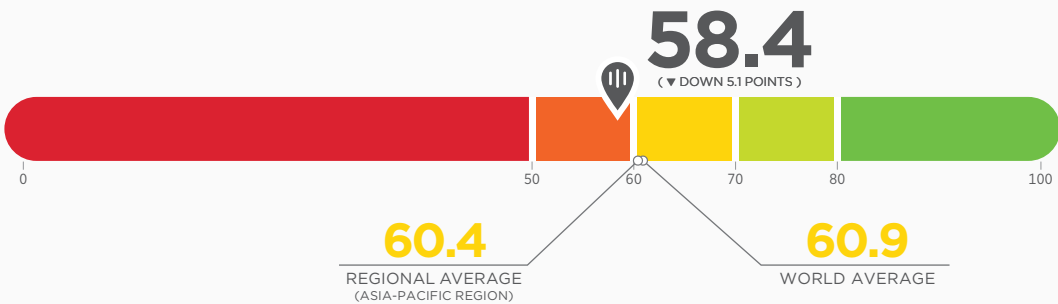
SAMOA

The government of Samoa has lagged in reforming vital economic institutions. More vibrant economic growth is constrained by lingering structural weaknesses that continue to undermine economic freedom. Particularly because of persistent corruption, the rule of law is not firmly institutionalized through a well-functioning judicial system. Inefficient and high public spending has resulted in a considerable fiscal burden for the population.

Modest regulatory reforms, including simplification of the business start-up process, have led to increased efficiency. However, the pace of reform has slowed in recent years, and policies to open markets further have not been advanced. The Samoan economy has become more dependent on remittances and foreign aid.

WORLD RANK: **108** | REGIONAL RANK: **22**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

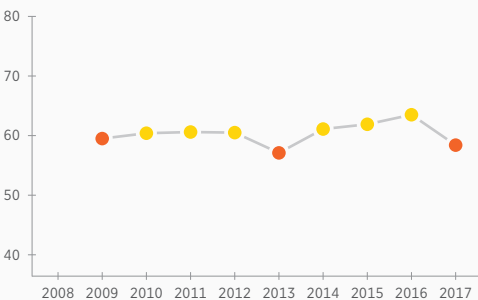


NOTABLE SUCCESSES:
 Monetary Stability

CONCERNS:
 Rule of Law, Financial Freedom, and Government Spending

OVERALL SCORE CHANGE SINCE 2013:
 +1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
 0.2 million

GDP (PPP):
 \$1.0 billion
 1.7% growth in 2015
 5-year compound annual growth 1.4%
 \$5,174 per capita

UNEMPLOYMENT:
 5.8%

INFLATION (CPI):
 0.9%

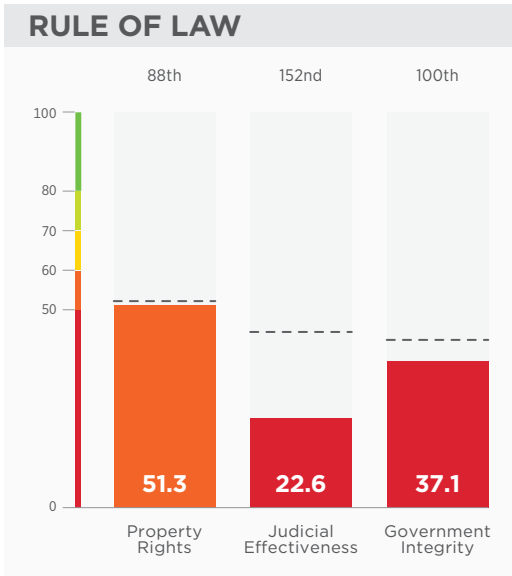
FDI INFLOW:
 \$15.6 million

PUBLIC DEBT:
 55.5% of GDP

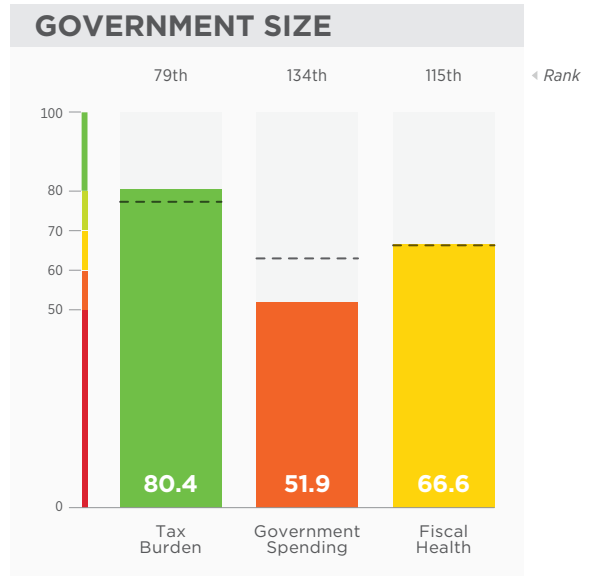
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Samoa is a small South Pacific archipelago with a population of less than 200,000. Independent since 1962, it is now a multi-party, unicameral parliamentary democracy dominated politically by the Human Rights Protection Party (HRPP). A few politicians were found guilty of bribery during the 2011 parliamentary elections, but the HRPP remains in power. Current Prime Minister Tuilaepa Aiono Sailele Malielegaoi, in office since 1998, was reelected in March 2016. Two-thirds of the workforce is employed in the fishing and agricultural sector, which produces 90 percent of exports. Samoa's economy is based on fishing, agriculture, and tourism.

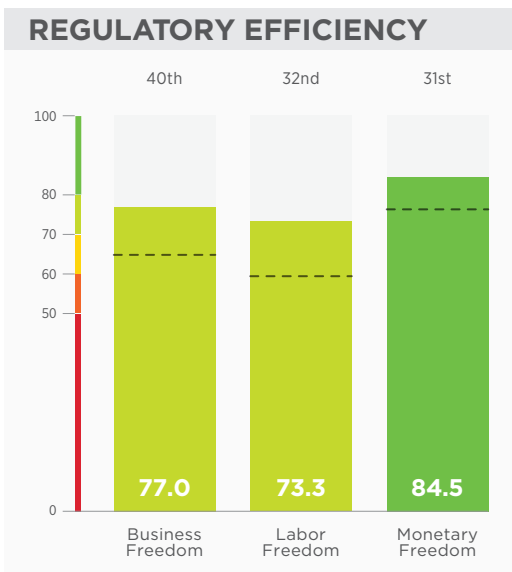
12 ECONOMIC FREEDOMS | SAMOA



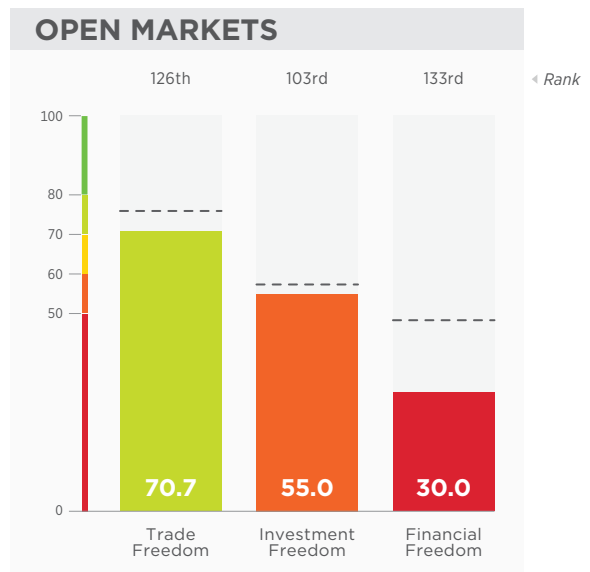
The judiciary is independent, but a modern and well-functioning legal framework for land ownership and enforcement of property rights is not firmly in place. Official corruption is a major cause of public discontent. An associate minister was found guilty of forgery in January 2016 and later resigned from Parliament, but the recently reelected government has refused to set up an anticorruption tribunal.



The top individual income and corporate tax rates are 27 percent. Other taxes include a value-added tax and excise taxes. The overall tax burden equals 22.4 percent of total domestic income. Government spending has amounted to 40 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 55.5 percent of GDP.



The application of commercial codes is not always straightforward, and bureaucratic uncertainty continues to hamper the emergence of a vibrant private sector. The nonsalary cost of employing a worker is not costly, but the formal labor market is not fully developed. The government's response to IMF advice that it should privatize the highly subsidized electricity-generation company and other state-owned enterprises has been lackluster.



Trade is important to Samoa's economy; the value of exports and imports taken together equals 78 percent of GDP. The average applied tariff rate is 9.7 percent. Foreign investors may not own land, and investment in some sectors of the economy is restricted. Samoa's small and underdeveloped financial sector is dominated by banking. A significant portion of the population remains unconnected to the formal banking system.

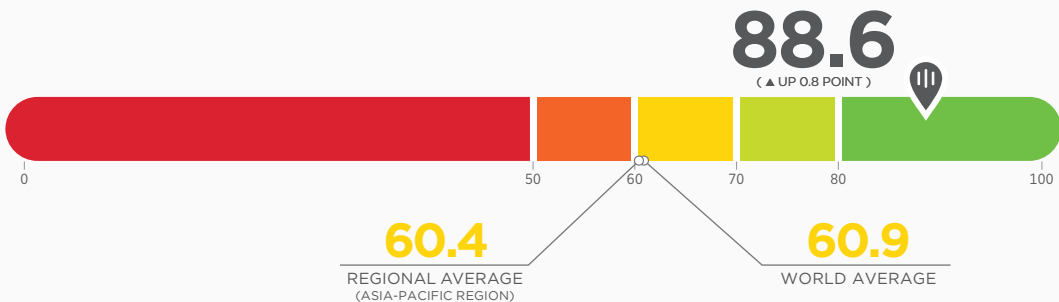
SINGAPORE

WORLD RANK: **2** | REGIONAL RANK: **2**
 ECONOMIC FREEDOM STATUS: **FREE**

Prudent macroeconomic policy and a stable political and legal environment have been the keys to Singapore's continuing success in maintaining a strong and dynamic economy. Well-secured property rights promote entrepreneurship and productivity growth effectively. A strong tradition of minimum tolerance for corruption is institutionalized in an effective judicial framework, strongly sustaining the rule of law.

Singapore's openness to global trade and investment and its transparent and efficient regulatory environment encourage vibrant commercial activity, and the private sector is a prime source of economic resilience and competitiveness. However, state ownership and involvement in key sectors remain substantial. A government statutory entity, the Central Provident Fund, administers public housing, health care, and various other programs.

ECONOMIC FREEDOM SCORE

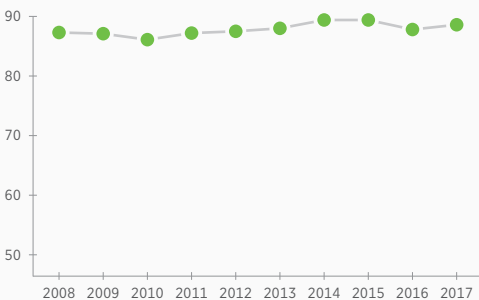


NOTABLE SUCCESSES:
 Rule of Law, Regulatory Efficiency, and Trade Freedom

CONCERNS:
 Monetary Stability and Fiscal Health

OVERALL SCORE CHANGE SINCE 2013:
 +0.6

FREEDOM TREND



QUICK FACTS

POPULATION:
 5.5 million

GDP (PPP):
 \$471.9 billion
 2.0% growth in 2015
 5-year compound annual growth 4.0%
 \$85,253 per capita

UNEMPLOYMENT:
 3.3%

INFLATION (CPI):
 -0.5%

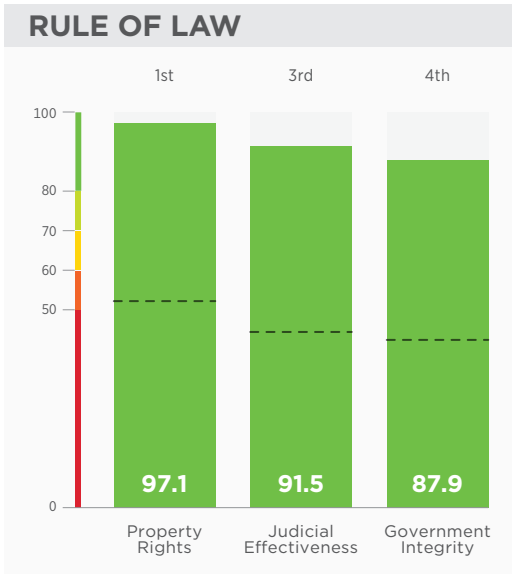
FDI INFLOW:
 \$65.3 billion

PUBLIC DEBT:
 98.2% of GDP

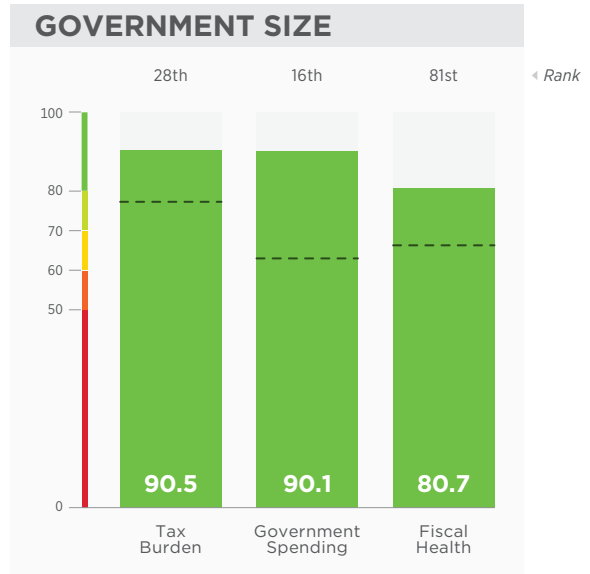
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Singapore is a democratic state that has been ruled by only one party, the People's Action Party (PAP), since independence in 1965. In the September 2015 election, the PAP won 83 of the 89 parliamentary seats and 69.9 percent of the vote. Prime Minister Lee Hsien Loong has led the government since 2004. Certain civil liberties, such as freedom of assembly and freedom of speech, remain restricted, but the PAP has embraced economic liberalization and international trade. Singapore is one of the world's most prosperous nations. Its economy is dominated by services, but the country is also a major manufacturer of electronics and chemicals.

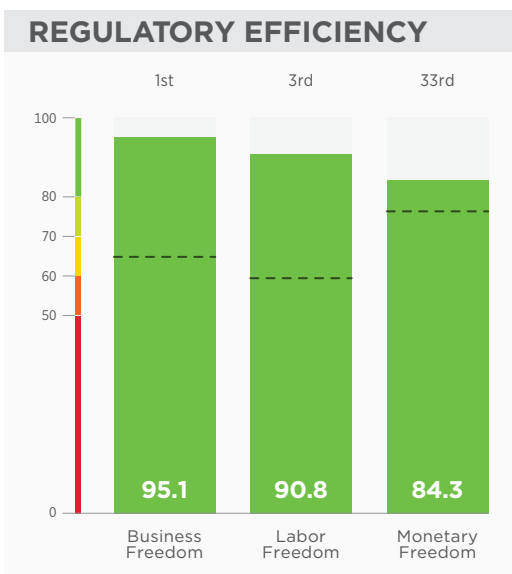
12 ECONOMIC FREEDOMS | SINGAPORE



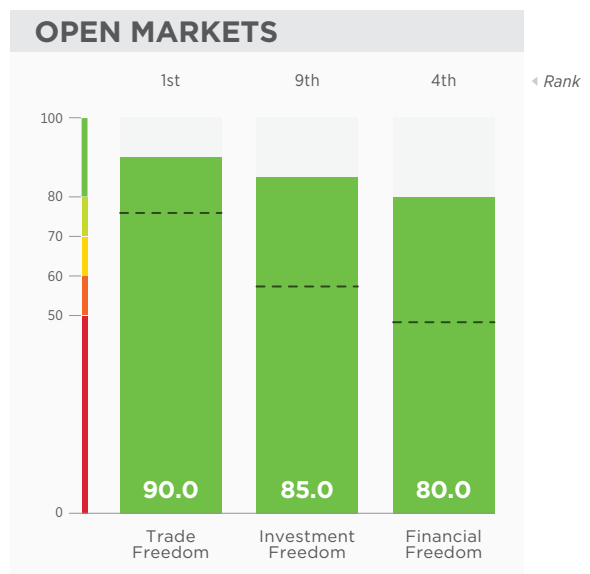
Property rights are enforced. In 2015, the World Bank ranked Singapore first in enforcement of contracts and 24th in registration of property. Commercial courts function well, but the government's overwhelmingly successful track record in court cases raises questions about judicial independence. Singapore is one of the world's least corrupt countries, although the power of deeply entrenched political elites continues to raise concerns.



The top individual income tax rate has been raised to 22 percent. The top corporate tax rate is 17 percent. The overall tax burden equals 13.4 percent of total domestic income. Government spending has amounted to 18.2 percent of total output (GDP) over the past three years, and budget surpluses have averaged 3.3 percent of GDP. Public debt is equivalent to almost a full year's GDP.



The overall entrepreneurial environment remains one of the world's most transparent and efficient. The business start-up process is straightforward, with no minimum capital required. The labor market is vibrant and functions well, supported by flexible labor regulations. The government funds generous housing, transport, and health care subsidy programs and influences other prices through regulation and state-linked enterprises.



Trade is extremely important to Singapore's economy; the value of exports and imports taken together equals 326 percent of GDP. The average applied tariff rate is 0.0 percent, and most sectors of the economy are open to foreign investment. The efficient and well-developed financial sector is highly competitive. The government continues its ownership in the sector but has steadily been opening the domestic market to foreign banks.

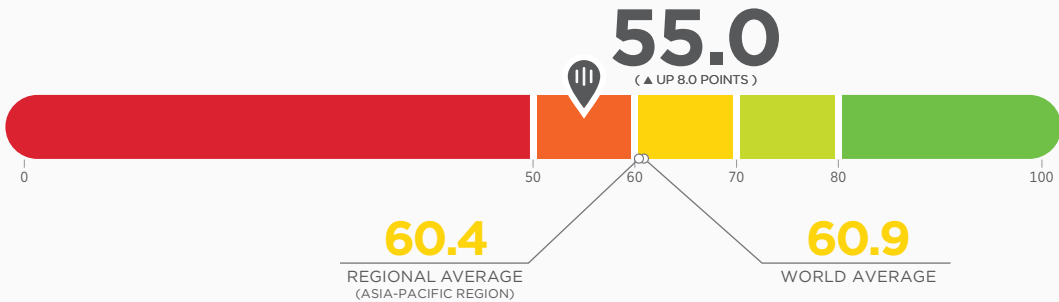
SOLOMON ISLANDS

Economic dynamism and development in the Solomon Islands remain stifled by a number of serious deficiencies that include poor governance and an inefficient public sector. Underdeveloped legal and physical infrastructure, combined with political instability, continues to undermine the emergence of a vibrant private sector. Private-sector development is also undercut by the government's outsized role in the economy. The Solomon Islands' limited protection of property rights is a further drag on entrepreneurial activity.

These structural weaknesses limit dynamic business activity, and the agriculture sector remains the primary source of employment. Despite attempts at reform, widespread corruption increases the cost of doing business and deters investment.

WORLD RANK: **126** | REGIONAL RANK: **27**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

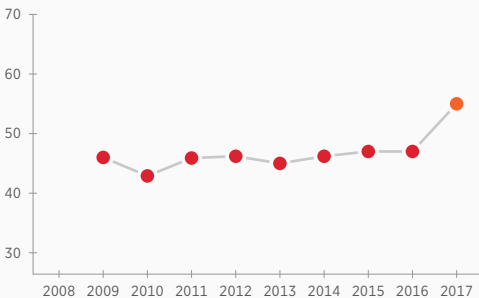


NOTABLE SUCCESSES:
 Trade Freedom and Monetary Stability

CONCERNS:
 Rule of Law, Investment Freedom, and Government Spending

OVERALL SCORE CHANGE SINCE 2013:
 +10.0

FREEDOM TREND



QUICK FACTS

POPULATION:
 0.6 million

GDP (PPP):
 \$1.1 billion
 3.3% growth in 2015
 5-year compound annual growth 5.2%
 \$1,950 per capita

UNEMPLOYMENT:
 34.8%

INFLATION (CPI):
 -0.4%

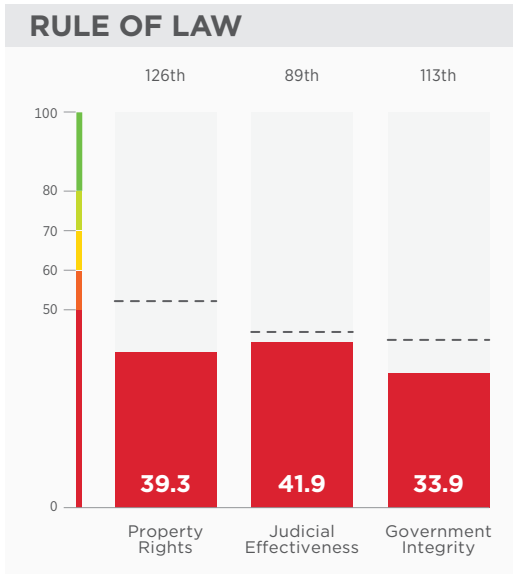
FDI INFLOW:
 \$21.1 million

PUBLIC DEBT:
 10.4% of GDP

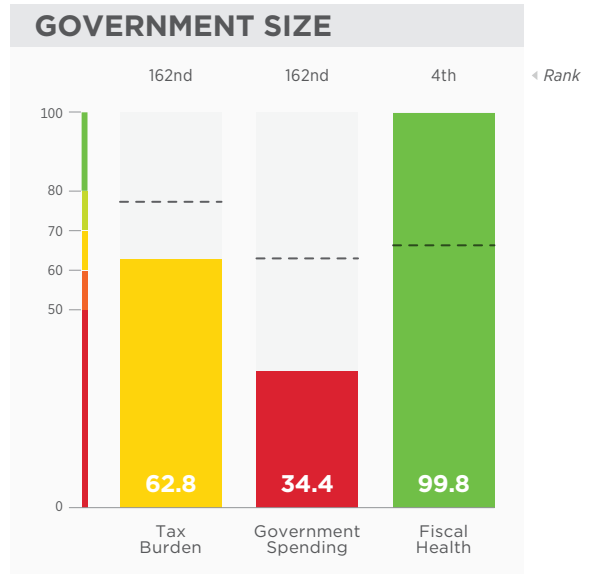
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Solomon Islands is a parliamentary democracy and one of Asia's poorest nations. Danny Philip's election as prime minister in 2010 seemingly stabilized a chaotic political environment, but allegations of corruption forced Philip to resign in 2011. Prime Minister Manasseh Sogavare has been in office since 2014. In recent years, Australia has had to intervene several times to defuse ethnic conflict. Australia, the European Union, Japan, New Zealand, and Taiwan provide significant financial aid. Most of the population lives in rural communities, and three-fourths of the workforce is engaged in subsistence farming and fishing. Economic growth depends largely on logging and exports of timber.

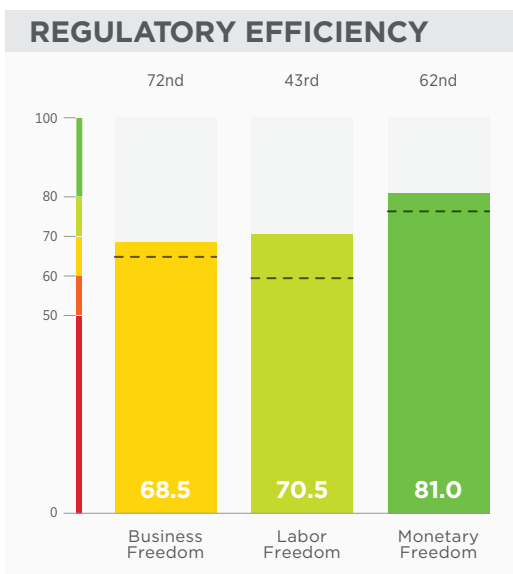
12 ECONOMIC FREEDOMS | SOLOMON ISLANDS



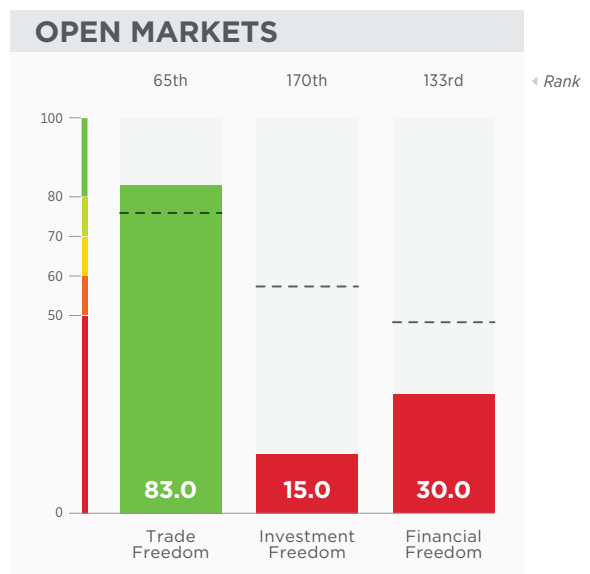
Land ownership is reserved for Solomon Islanders, and conflicts over land tenure have been a major source of civil unrest. The judiciary's lack of resources hinders the conduct of timely trials. Residents of rural areas have limited access to the formal justice system. Threats against judges and prosecutors have weakened the judicial system's independence and rigor. Government corruption is a pervasive problem, especially in the forestry and fishing sectors.



The top personal income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include a property tax and a sales tax. The overall tax burden equals 35.0 percent of total domestic income. Government spending has amounted to 46.8 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.9 percent of GDP. Public debt is equivalent to 10.4 percent of GDP.



The regulatory infrastructure continues to be undermined by bureaucratic bottlenecks. Despite the recognized need for business law reforms, policy action toward greater business freedom has been marginal. The formal labor market is not fully developed, and enforcement of the labor code is not effective. About one-third of total public spending subsidizes infrastructure development projects, many of which are funded by international donors.



Trade is important to the Solomon Islands' economy; the value of exports and imports taken together equals 98 percent of GDP. The average applied tariff rate is 8.5 percent. Foreign investment is screened by the government. Four state-owned enterprises have been privatized since 2008. The financial sector is underdeveloped and dominated by banking, and limited access to credit constrains business development.

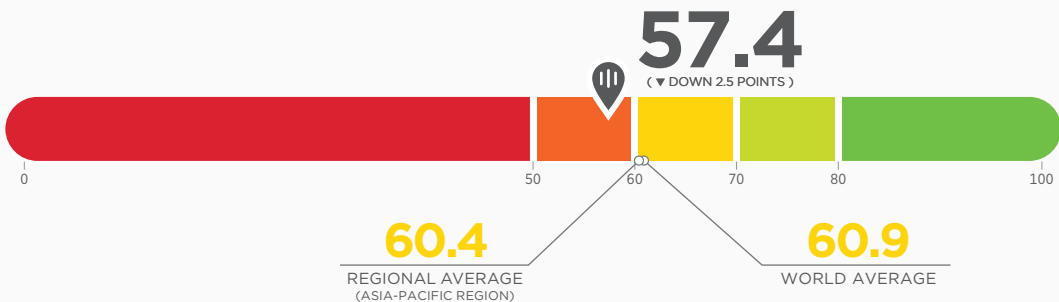
SRI LANKA

WORLD RANK: **112** | REGIONAL RANK: **25**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Sri Lanka's economy has expanded at an average rate of about 6 percent over the past five years. The country has made a notable economic transition from fragility to relative stability. Political reconciliation and economic transformation have been strengthened by measures that support long-term development and competitiveness.

Economic reforms undertaken to improve Sri Lanka's macroeconomic stability and potential for growth include strengthening the management of public finance and structural reforms to foster a more dynamic private sector. However, a weak judiciary continues to undermine property rights, and the perceived level of corruption is debilitating.

ECONOMIC FREEDOM SCORE

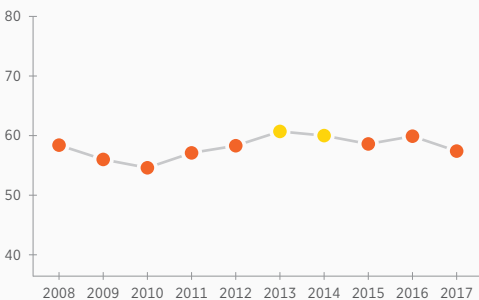


NOTABLE SUCCESSES:
 Tax Policy, Trade Freedom, and Business Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 -3.3

FREEDOM TREND



QUICK FACTS

POPULATION:
 21.1 million

GDP (PPP):
 \$223.0 billion
 5.2% growth in 2015
 5-year compound annual growth 6.1%
 \$10,566 per capita

UNEMPLOYMENT:
 4.7%

INFLATION (CPI):
 0.9%

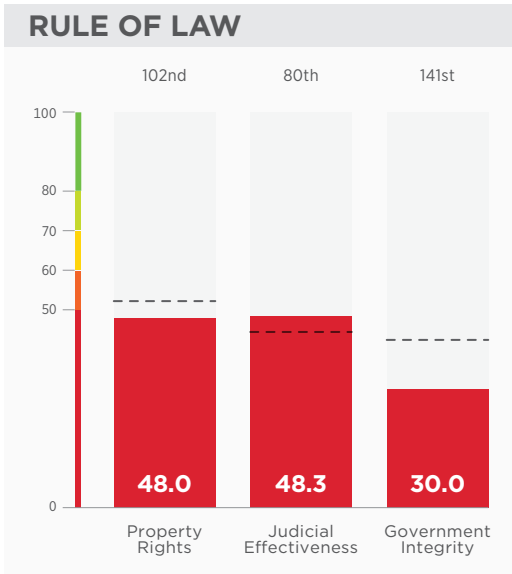
FDI INFLOW:
 \$681.2 million

PUBLIC DEBT:
 74.4% of GDP

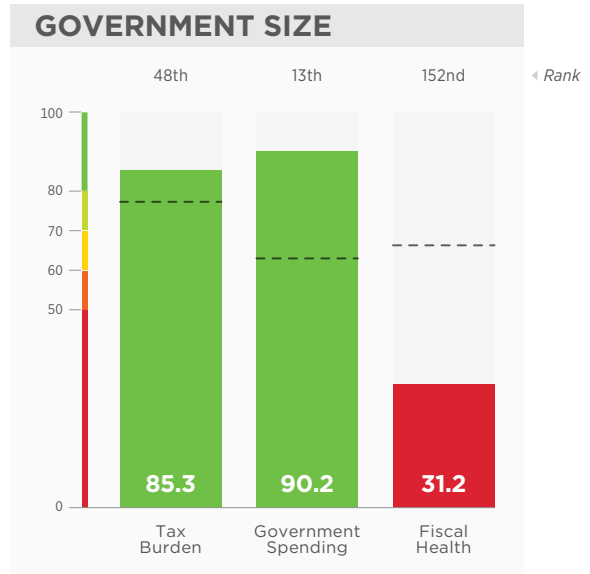
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: President Mahinda Rajapaksa was voted out of office in January 2015. Prime Minister Maithripala Sirisena, who ran against him on pledges to restore parliamentary democracy and rein in corruption, formed a coalition government with the opposition United National Party (UNP) and reinstated presidential term limits. Parliamentary elections in August 2015 brought UNP leader Ranil Wickremesinghe to power as the new prime minister. Sirisena and Wickremesinghe have pledged to work together for ethnic reconciliation and in September 2015 co-sponsored a U.N. Human Rights Council resolution acknowledging that war crimes were committed by both the government and the Liberation Tigers of Tamil Eelam during the civil war that ended in 2009.

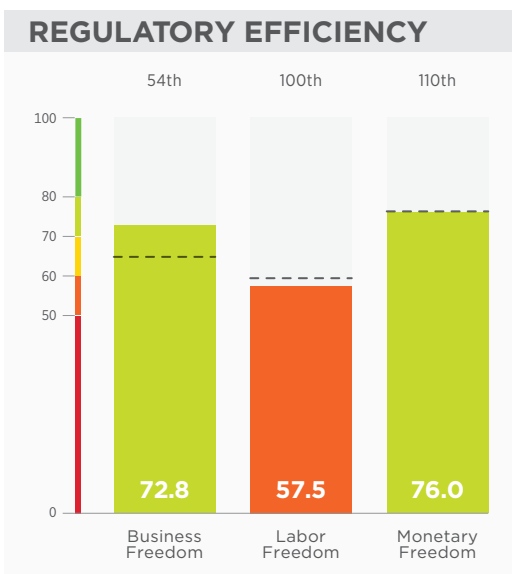
12 ECONOMIC FREEDOMS | SRI LANKA



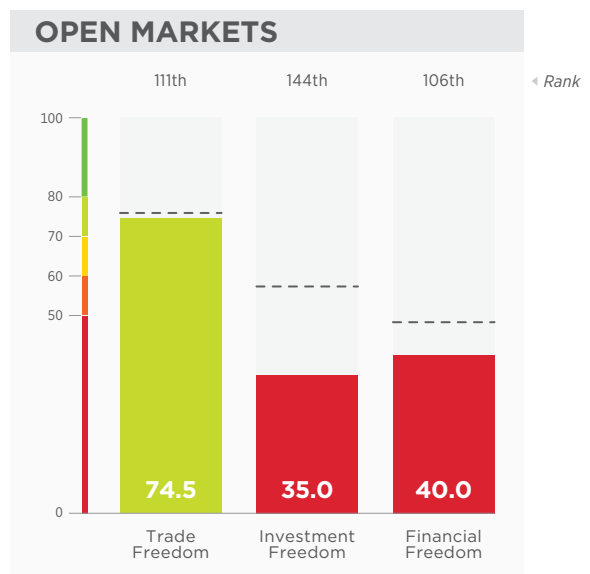
Secured interests in property are generally recognized, and there is a fairly reliable registration system for recording private property, but many investors claim that protection can be flimsy. Judicial independence has improved under the new administration. Although corruption remains a concern, steps were taken in 2015 to strengthen enforcement of existing safeguards and uphold the current legal and administrative framework.



The top personal income tax rate is 24 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 10.7 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 6.0 percent of GDP. Public debt is equivalent to 74.4 percent of GDP.



The business start-up process has been streamlined, and the number of licensing requirements has been reduced. Because the labor market lacks efficiency, there is an imbalance between labor supply and demand. In 2016, the IMF recommended that the government phase out some of its extensive system of price controls and subsidies that distort most sectors of the economy. The government's plan to privatize some industries faces public opposition.



Trade is moderately important to Sri Lanka's economy; the value of exports and imports taken together equals 48 percent of GDP. The average applied tariff rate is 5.3 percent. Investment in some sectors of the economy is restricted, and state-owned enterprises distort the economy. The financial sector remains underdeveloped. Nonperforming loans remain a problem in the banking system, and the allocation of credit is subject to state influence.

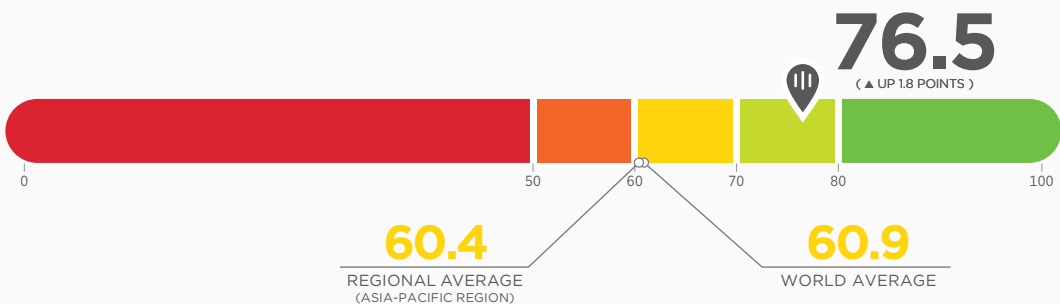
TAIWAN



Taiwan's private sector has benefited from a relatively well-developed commercial code and open-market policies that facilitate the free flow of goods and capital. Small and medium-size enterprises have been the backbone of Taiwan's dynamic economic expansion. A sound legal framework is in place to provide strong protection of property rights and uphold the rule of law.

Although institutional and economic fundamentals are in place, further reforms to increase competition and openness will be critical to sustaining the momentum for growth. The level of state involvement in the export-oriented economy remains considerable. Privatization and market liberalization are ongoing, but progress has been slow and uneven. The financial sector remains fragmented.

ECONOMIC FREEDOM SCORE

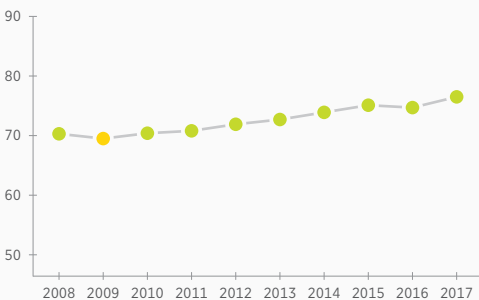


NOTABLE SUCCESSES:
Trade Freedom, Business Freedom, and Property Rights

CONCERNS:
Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
+3.8

FREEDOM TREND



QUICK FACTS

POPULATION:
23.5 million

GDP (PPP):
\$1.1 trillion
0.7% growth in 2015
5-year compound annual growth 2.5%
\$46,783 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
-0.3%

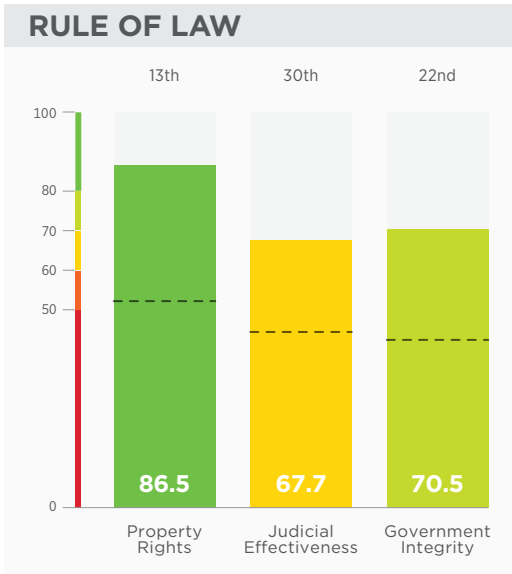
FDI INFLOW:
\$2.4 billion

PUBLIC DEBT:
38.3% of GDP

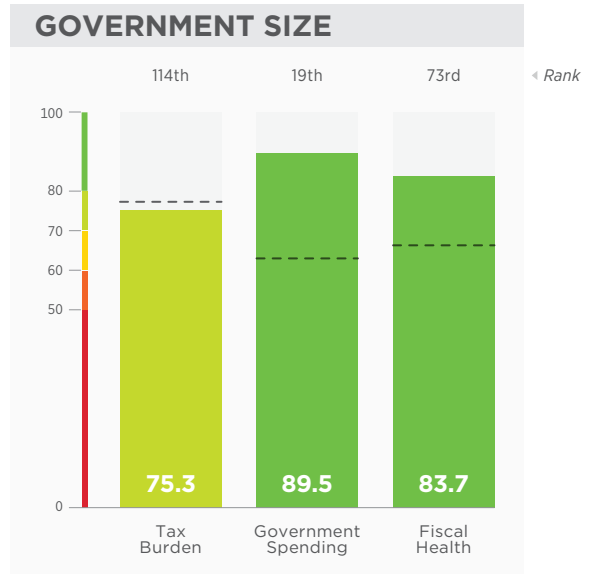
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Taiwan is a dynamic multi-party democracy, and its economy is one of the richest in Asia. The Democratic Progressive Party returned to power when Tsai Ing-wen was elected president in 2016. As a result of the election and the economic slowdown in China, tourism, an important source of economic growth, has declined. Taiwan is excluded from membership in the United Nations, other international organizations, and a variety of free trade arrangements as part of Beijing's efforts to pressure it into unification. Although internal opposition to engaging with China is considerable because of fears that sovereignty will be lost, recent economic arrangements bind the island closer to the mainland.

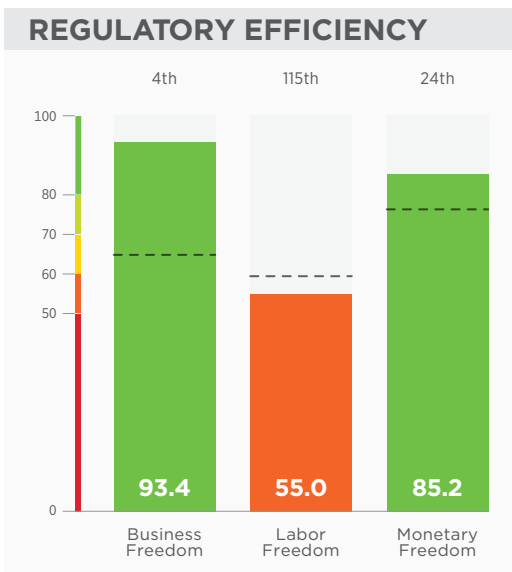
12 ECONOMIC FREEDOMS | TAIWAN



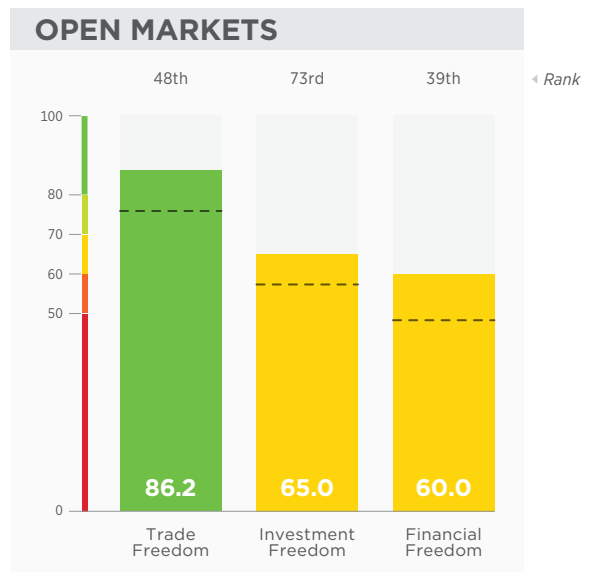
Property rights are generally protected, and contracts are enforced effectively. The judiciary is independent, and the court system is largely free of political interference. Although corruption is much less prevalent today, it remains a problem. Politics and big business are closely intertwined, and this leads to malfeasance in government procurement. In November 2015, a former New Taipei City deputy mayor was charged with taking \$230,000 in bribes.



The top personal income tax rate has been raised to 45 percent. The top corporate tax rate is 17 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 12.3 percent of total domestic income. Government spending has amounted to 18.7 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 38.3 percent of GDP.



The overall freedom to conduct business is relatively well protected under the transparent regulatory environment. The nonsalary cost of employing a worker is low, but regulations on work hours are not flexible. Taiwan law mandates price controls on electricity and salt, and the government regulates prices for fuels and pharmaceutical products. Other prices are determined largely by the market.



Trade is extremely important to Taiwan's economy; the value of exports and imports taken together equals 111 percent of GDP. The average applied tariff rate is 1.9 percent, and some agricultural imports face additional barriers. Foreign investment is screened, and investment in some sectors is restricted. The financial sector continues to evolve, and the stock market is generally open to foreign participation. Foreign banks play a relatively small role.

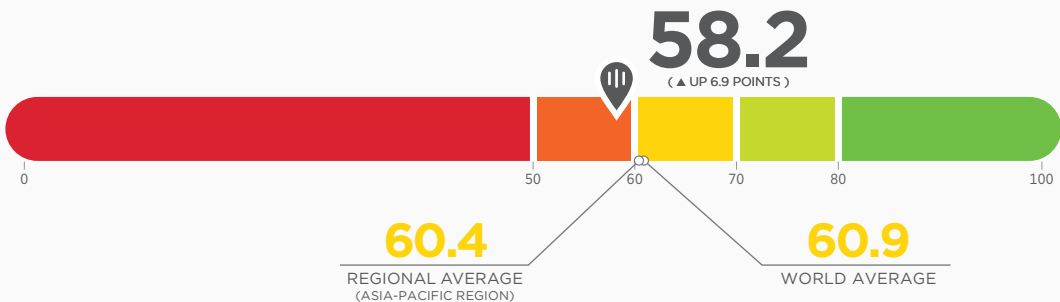
TAJIKISTAN

Tajikistan's many ongoing challenges include rebuilding infrastructure, improving the entrepreneurial environment, and attracting dynamic investment. Progress on reforms to foster sounder macroeconomic management and improvement of the business climate has been only marginal. The potential for growth is high, but government interference has left the economy vulnerable in a repressive political environment.

Despite some progress in privatizing small and medium-size public enterprises, private-sector development has been slow. Remittances continue to be an important source of external financing. Foreign investment is deterred by burdensome bureaucratic regulations and inconsistent administration. Tajikistan remains one of the world's most corrupt nations.

WORLD RANK: **109** | REGIONAL RANK: **23**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

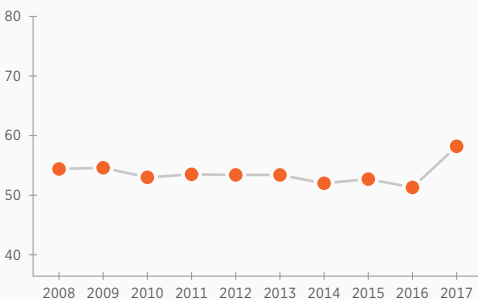


NOTABLE SUCCESSES:
 Fiscal Policy, Tax Policy, and Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 +4.8

FREEDOM TREND



QUICK FACTS

POPULATION:
 8.5 million

GDP (PPP):
 \$23.3 billion
 3.0% growth in 2015
 5-year compound annual growth 6.4%
 \$2,749 per capita

UNEMPLOYMENT:
 10.9%

INFLATION (CPI):
 5.8%

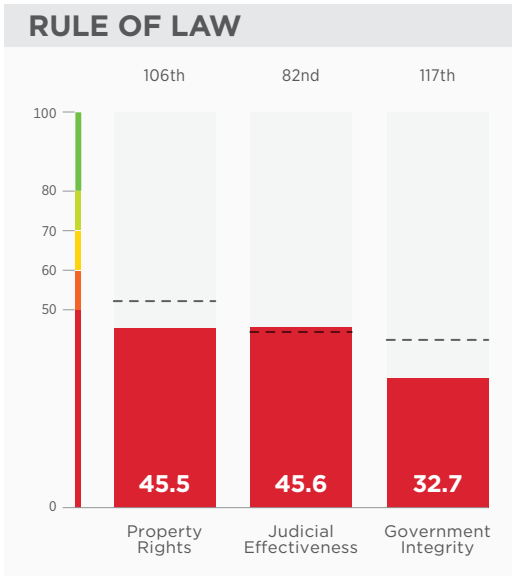
FDI INFLOW:
 \$226.8 million

PUBLIC DEBT:
 35.9% of GDP

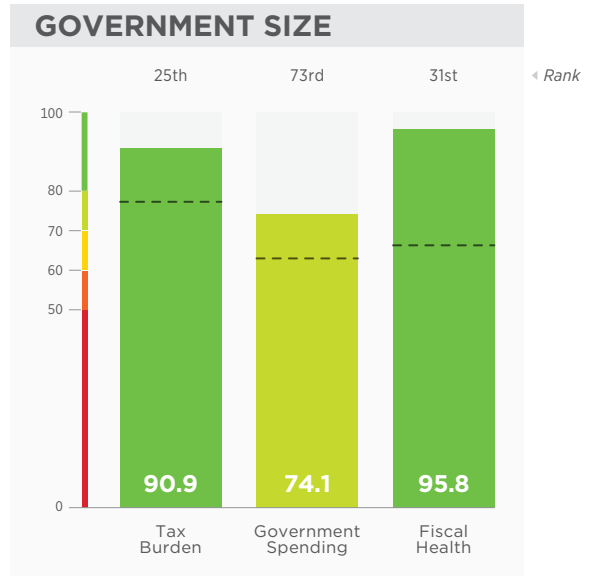
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: President Emomali Rahmon has been in power since 1994. His ruling party won parliamentary elections in March 2015 that were criticized by international monitors. For the first time since 1991, the Communists and the Islamic Renaissance Party failed to clear the 5 percent threshold needed to win seats. Relations with neighboring Uzbekistan are strained, and the Russian military patrols the border with Afghanistan. Abuse of human rights is widespread. Tajikistan relies heavily on revenues from aluminum and cotton exports. It is estimated that the illegal drug trade and remittances from migrant workers, primarily in Russia, account for over 45 percent of GDP. Tajikistan has been negatively affected by the economic slowdown in Russia.

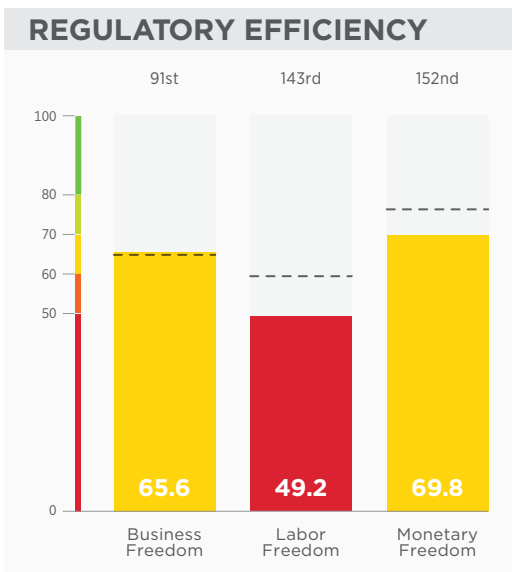
12 ECONOMIC FREEDOMS | TAJIKISTAN



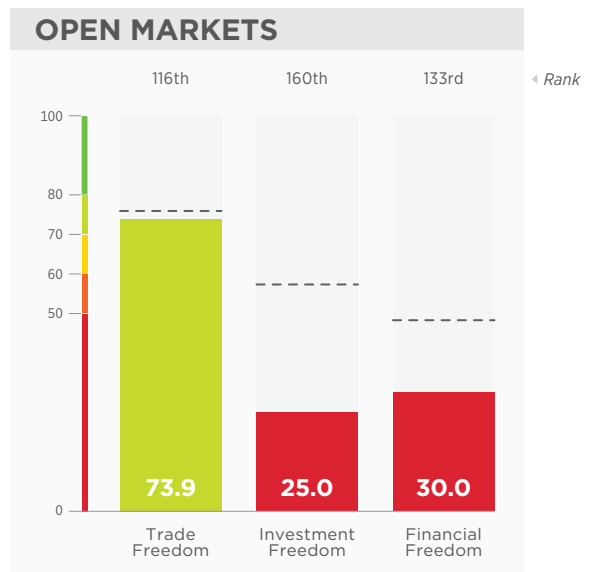
Under Tajik law, all land belongs to the state. The judiciary lacks independence. Many judges are poorly trained and inexperienced, and bribery is reportedly widespread. Corruption is pervasive. Patronage networks and regional affiliations are central to political life. At least two of President Rahmon's children hold senior government posts, and various family members reportedly maintain extensive business interests in the country.



The top individual income tax rate is 13 percent, and the statutory corporate tax rate is 15 percent. Other taxes include a value-added tax. The overall tax burden equals 22.8 percent of total domestic income. Government spending has amounted to 29.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 35.9 percent of GDP.



Entrepreneurial activity is hampered by state interference that increases regulatory costs and uncertainty through various bureaucratic impediments. Labor regulations are not flexible enough to facilitate dynamic employment growth. The government influences prices through regulation and large subsidies to numerous state-owned and state-trading enterprises. The economy is highly dollarized, and central bank institutional capacity is weak.



Trade is important to Tajikistan's economy; the value of exports and imports taken together equals 55 percent of GDP. The average applied tariff rate is 5.6 percent. All land is owned by the government. The government screens foreign investment, and state-owned enterprises distort the economy. The government's continuing interference and the financial sector's limited overall capacity are serious impediments to development of the private sector.

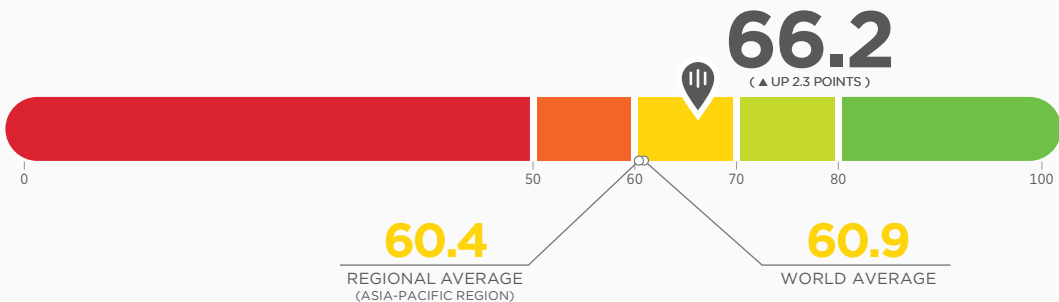
THAILAND

Thailand's government has taken measures to enhance regulatory efficiency and better integrate the economy into the global marketplace. The overall regulatory framework has gradually become more efficient and transparent, with procedures for business formation streamlined and the financial sector opened to competition. The level of trade freedom is relatively high, although nontariff barriers continue to undercut gains from trade.

Despite relatively solid economic fundamentals, serious challenges require deeper institutional reforms. Political instability continues to undermine the investment climate and hold economic activity far below potential levels. The judicial system remains vulnerable to political interference, and government integrity has been undermined by pervasive corruption.



ECONOMIC FREEDOM SCORE

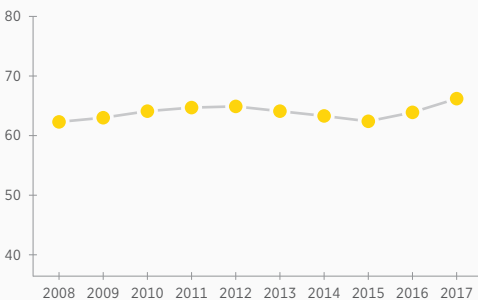


NOTABLE SUCCESSES:
Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
+2.1

FREEDOM TREND



QUICK FACTS

POPULATION:
68.8 million

GDP (PPP):
\$1.1 trillion
2.8% growth in 2015
5-year compound annual growth 2.9%
\$16,097 per capita

UNEMPLOYMENT:
1.1%

INFLATION (CPI):
-0.9%

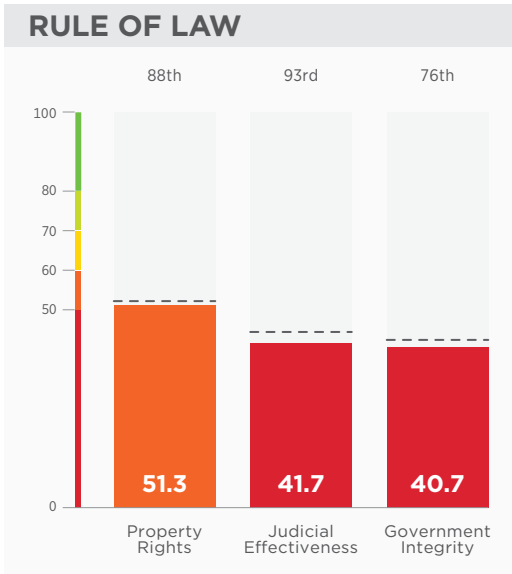
FDI INFLOW:
\$10.8 billion

PUBLIC DEBT:
43.1% of GDP

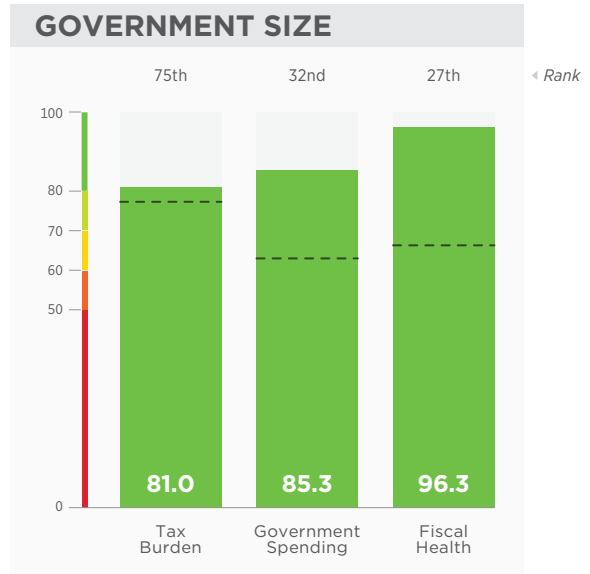
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Thailand has had 19 military coups since becoming a constitutional monarchy in 1932. The period since the ouster and exile of Thaksin Shinawatra in 2006 has been particularly turbulent. Civilian government returned in 2007, and Pheu Thai, the legacy party of the Thaksin government, won an outright majority in the 2011 parliamentary elections. Thaksin's sister, Yingluck Shinawatra, became prime minister but was subsequently ousted from power in spring 2014 in a military coup led by former army commander Prayut Chan-ocha, who is now prime minister. New elections, initially expected to be held in October 2015, have been postponed first until 2016 and again until 2017 following a referendum on a new constitution.

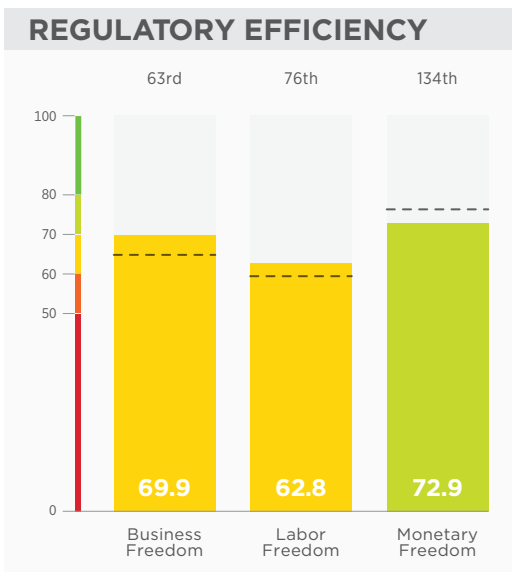
12 ECONOMIC FREEDOMS | THAILAND



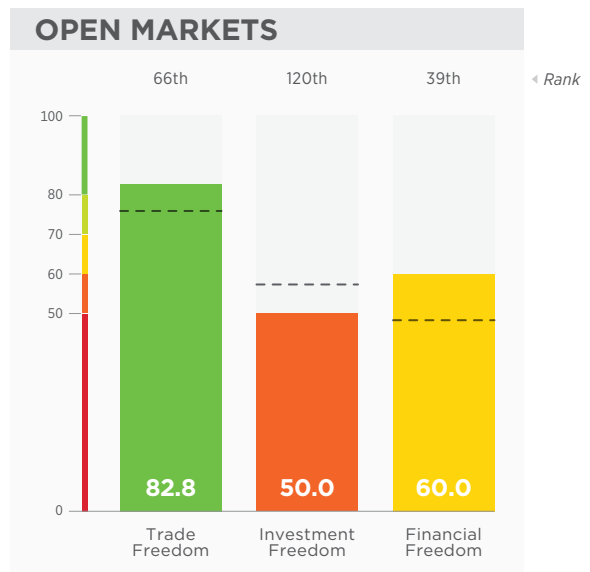
The independent judiciary has generally been effective in enforcing property and contractual rights but has been criticized for political bias. Owners of intellectual property rights must still contend with widespread counterfeiting and piracy. Corruption is widespread at all levels of society, and bribery is viewed as a normal part of doing business. Low civil service salaries also reportedly encourage officials to accept illegal inducements.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 16.5 percent of total domestic income. Government spending has amounted to 22.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 43.1 percent of GDP.



Recent reforms have improved regulatory efficiency, although licensing requirements remain time-consuming. Labor regulations are relatively flexible, but informal labor activity remains substantial. The military government appears to have no intention of phasing out price controls on an extensive list of goods and services, including basic foods, cooking oils, and fertilizer, that have been in place for many years.



Trade is extremely important to Thailand's economy; the value of exports and imports taken together equals 132 percent of GDP. The average applied tariff rate is 3.6 percent. The government has undertaken measures to facilitate trade, but investment in several sectors of the economy is restricted. The financial system has undergone restructuring, and the regulatory framework has been strengthened. The stock exchange is active and open to foreign investors.

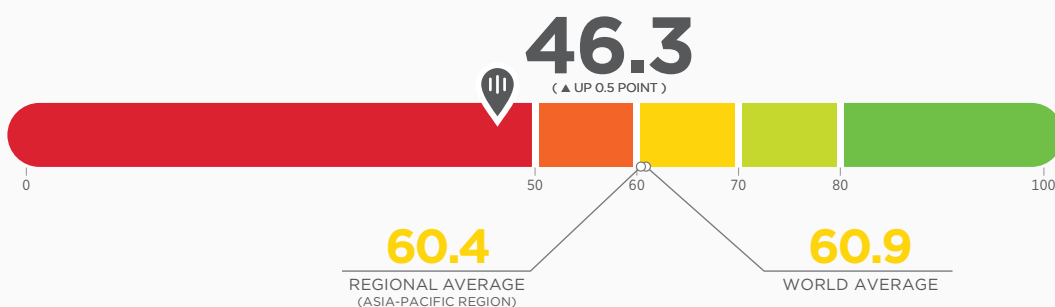
TIMOR-LESTE

Timor-Leste has made some progress toward macroeconomic stability since achieving independence in 2002. Gains in poverty reduction and income growth have been driven largely by development of the oil and gas sector.

However, structural and institutional deficiencies continue to constrain economic freedom. The economic base is narrow, and political instability continues to hold back lasting economic development. The state plays an outsized role in the economy with its increasing dependence on drawdowns from the Petroleum Fund. Private-sector development is further limited by a burdensome regulatory environment and an underdeveloped financial sector. Widespread corruption unchecked by a weak judicial system remains a considerable drag on economic activity.



ECONOMIC FREEDOM SCORE

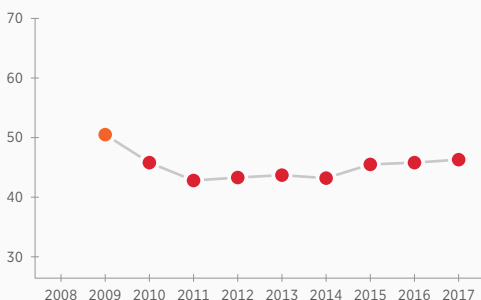


NOTABLE SUCCESSES:
Trade Freedom and Monetary Stability

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

OVERALL SCORE CHANGE SINCE 2013:
+7.6

FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
\$6.6 billion
4.3% growth in 2015
5-year compound annual growth 5.7%
\$5,629 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
0.6%

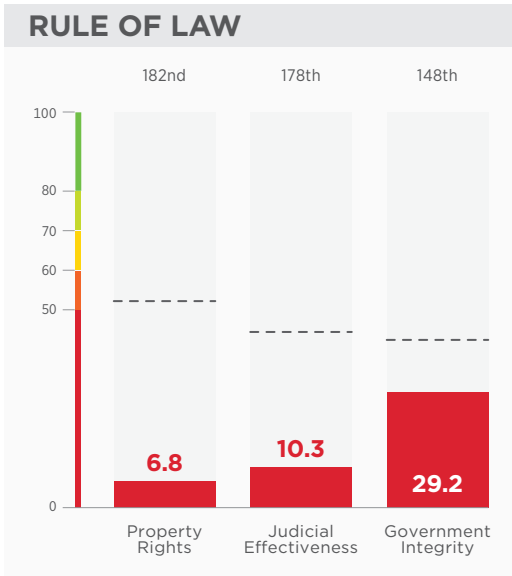
FDI INFLOW:
\$43.0 million

PUBLIC DEBT:
0.0% of GDP

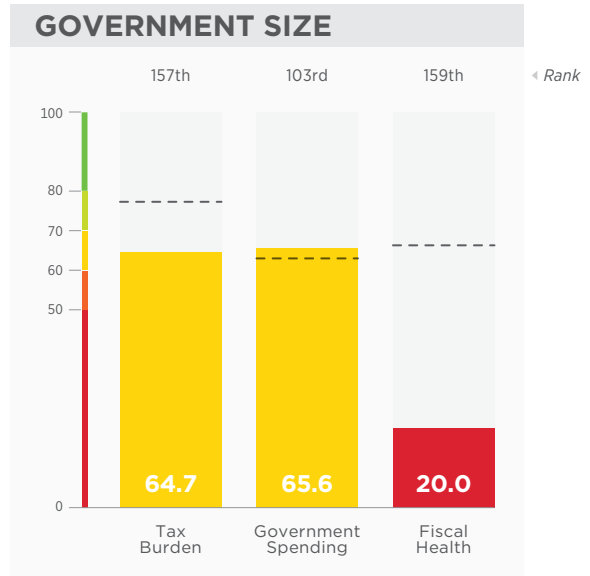
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Democratic Republic of Timor-Leste became independent in 2002, and successive governments have struggled to pacify the country. Revolutionary leader Xanana Gusmao, its first president, who had been prime minister since 2007, stepped down in February 2015 and appointed opposition leader Rui Araujo as his successor. Timor-Leste remains one of East Asia's poorest countries. Economic liberalization has mostly stalled, and the economy depends heavily on foreign aid. Oil and gas profits account for more than 95 percent of government revenue. The government deposits all oil income in the Petroleum Fund, which is not counted as part of GDP but is reflected in government revenue figures.

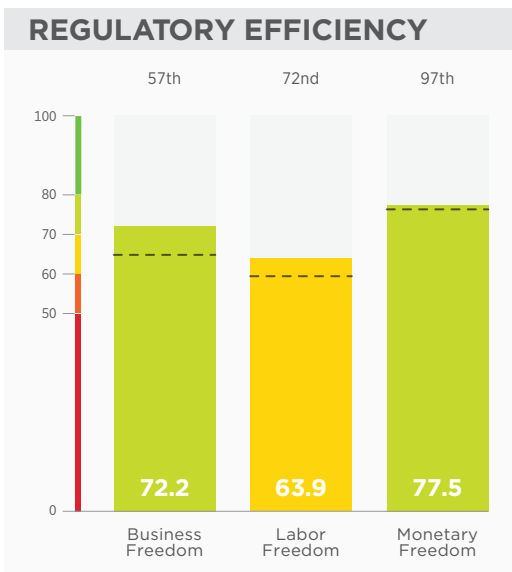
12 ECONOMIC FREEDOMS | TIMOR-LESTE



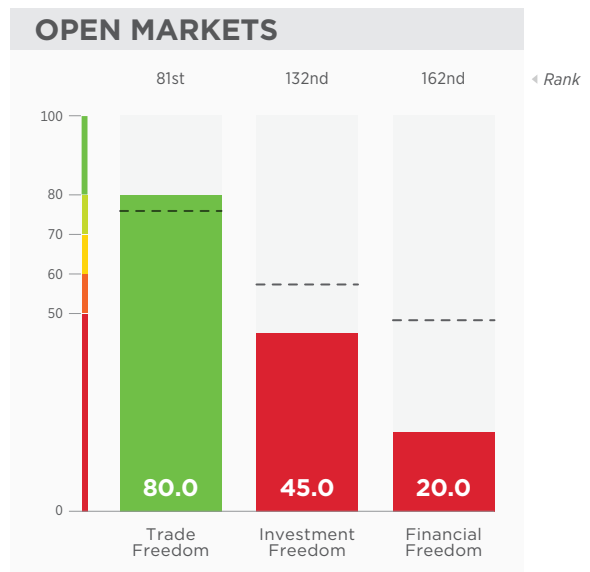
Land reform remains an unresolved and contentious issue with rival property claims from the Portuguese, Indonesian, and post-independence eras. The overly complex legal regime reflects that same confusing pedigree. The weak judicial system suffers from a severe shortage of qualified personnel and has failed to demonstrate independence in some politically sensitive cases. Corruption and nepotism continue to be serious problems.



The top personal income and corporate tax rates are 10 percent. Most government revenue comes from offshore petroleum projects in the Timor Sea. Overall government revenue, including large petroleum receipts, equals 61.5 percent of total domestic income. Government spending has risen to more than 50 percent of total output (GDP) over the past three years, and budget deficits have averaged 46.6 percent of GDP. Timor-Leste has no public debt.



The lack of consistency in enforcing regulations continues to discourage private-sector development. The minimum capital necessary to start a business is quite high. The public sector accounts for approximately half of nonagricultural employment, and the formal labor market remains underdeveloped. With state revenues reduced as a result of low world oil prices, the IMF has urged the government to curtail its large subsidy programs.



Trade is extremely important to Timor-Leste's economy; the value of exports and imports taken together equals 111 percent of GDP. The average applied tariff rate is 2.5 percent. Foreign ownership of land is not allowed, and investment in other sectors of the economy is screened. Modest progress has been made in establishing an effective banking system, but the financial sector is still at a nascent stage of development.

WORLD RANK: REGIONAL RANK:

73

17

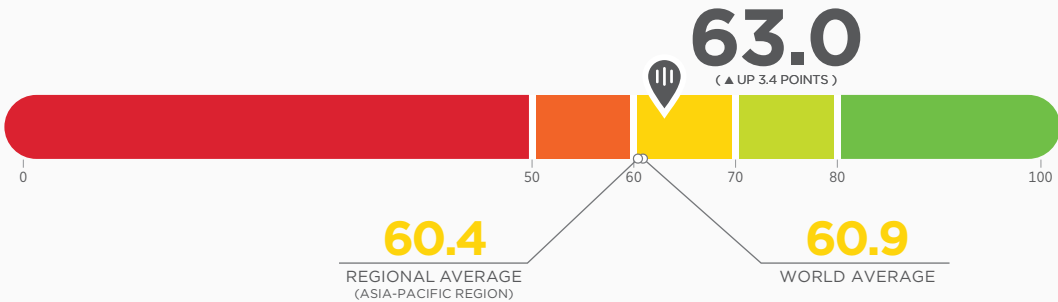
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

TONGA

Tonga's economy remains heavily dependent on foreign aid and overseas remittances. The dominance of the public sector has contributed to a low level of economic dynamism despite a workforce that is considered the best educated among the Pacific Island nations.

The institutional capacity for long-term development remains weak. The judicial system is inefficient and lacks transparency. Although trade-weighted average tariffs have dropped significantly, a lack of commitment to fully open markets impedes investment growth. The state plays a significant role in the economy, crowding out private-sector development. Despite improved oversight of government expenditures, Tonga's public debt poses a challenge to the sustainability of public spending.

ECONOMIC FREEDOM SCORE

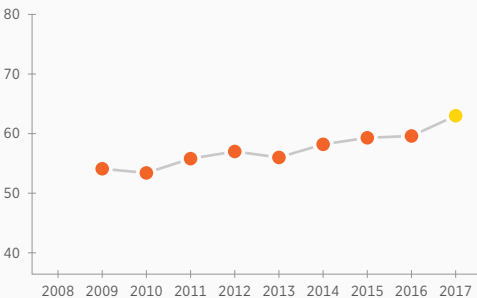


NOTABLE SUCCESSES:
Regulatory Efficiency and
Trade Freedom

CONCERNS:
Judicial Effectiveness, Financial
Freedom, and Government Integrity

**OVERALL SCORE CHANGE
SINCE 2013:**
+7.0

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
\$0.5 billion
2.6% growth in 2015
5-year compound
annual growth 0.9%
\$5,045 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
-0.1%

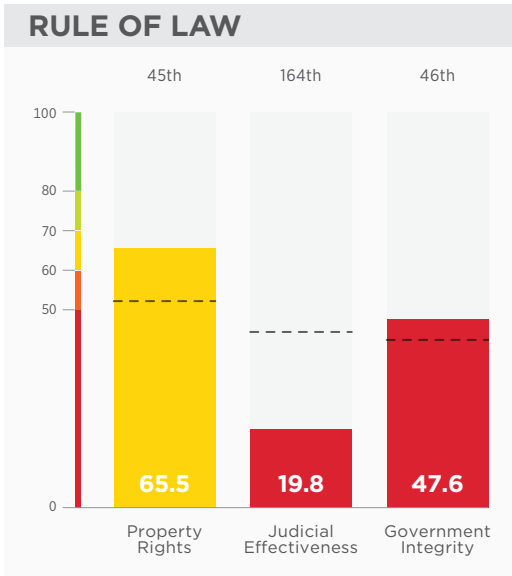
FDI INFLOW:
\$12.6 million

PUBLIC DEBT:
49.0% of GDP

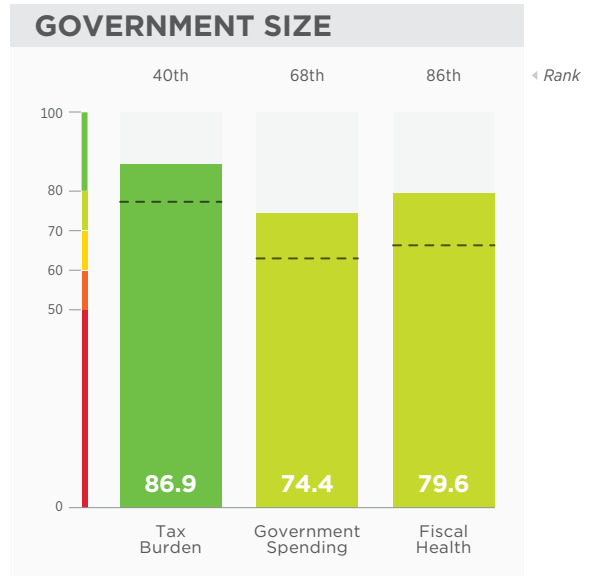
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Kingdom of Tonga, the South Pacific's last Polynesian monarchy, has been independent since 1970. The royal family, hereditary nobles, and a few other landholders control politics. Tonga held its first elections in November 2010 under its newly formed constitutional monarchy. The Democratic Party of the Friendly Islands won a plurality in parliament, and Lord Siale'ataongo Tu'ivakano became Tonga's first elected prime minister. In 2014 elections, the Democratic Party of the Friendly Islands maintained power but elected a new prime minister, 'Akilisi Pohiva. Agriculture is the principal productive sector of the economy, and remittances from abroad are a significant source of income.

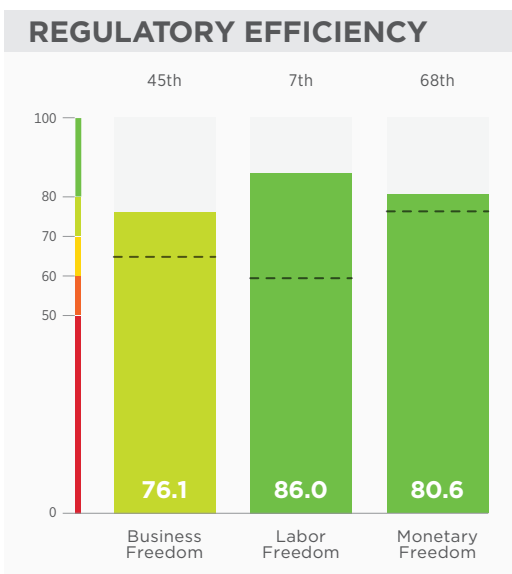
12 ECONOMIC FREEDOMS | TONGA



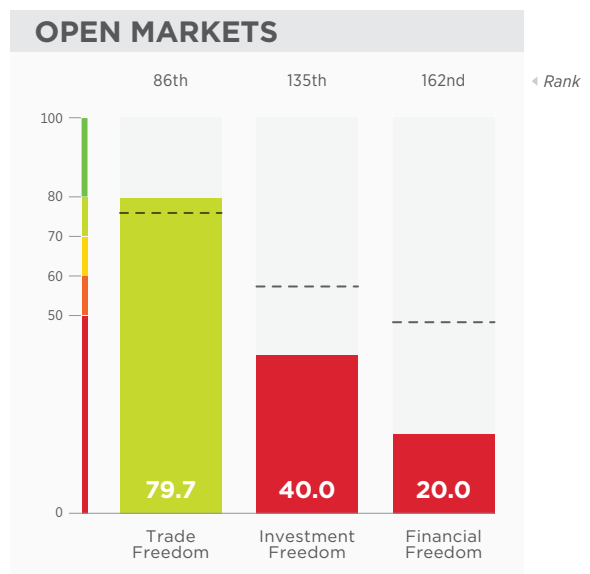
Property rights are uncertain, and their enforcement is weak. The judicial system is generally independent but inadequately resourced. In 2014, public support for democratic reforms and dissatisfaction with widespread corruption among the Tongan nobility and their top associates led to the election of a reformist government that has struggled to implement policy while facing opposition from vested interests and a faction of nobles in the legislature.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 17.0 percent of total domestic income. Government spending has amounted to 29.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.5 percent of GDP. Public debt is equivalent to 49.0 percent of GDP.



A dynamic private sector has not emerged, partly because of inefficient implementation of a statutorily business-friendly regulatory environment. The formal labor sector is underdeveloped, and labor regulations are not enforced effectively. The foreign aid-dependent government is under pressure from international donors to scale back subsidies for electricity and loss-making state-owned enterprises that it uses to influence prices.



Trade is important to Tonga's economy; the value of exports and imports taken together equals 71 percent of GDP. The average applied tariff rate is 5.2 percent. Foreign investment in several sectors of the economy is restricted, and foreign investors may lease but not own land. The underdeveloped financial sector's limited ability to offer affordable credit undermines the development of a dynamic entrepreneurial sector.

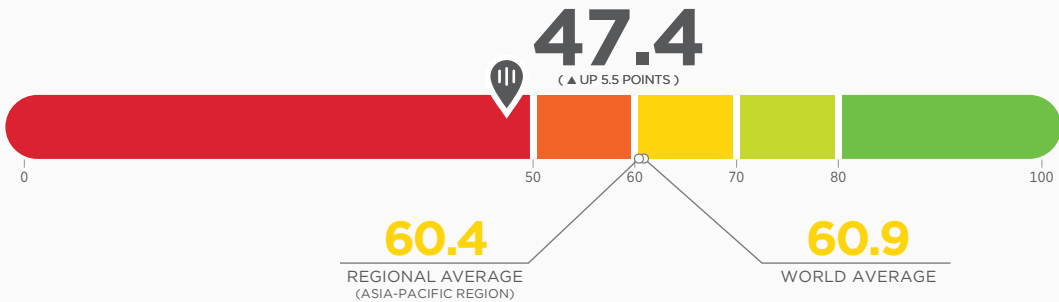
TURKMENISTAN

WORLD RANK: **170** | REGIONAL RANK: **41**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

The government of Turkmenistan's heavy involvement in leading economic sectors has dampened private-sector dynamism and led to economic stagnation in nonhydrocarbon sectors. The government restricts foreign investment to a few handpicked partners, and under the state-controlled financial system, access to credit is limited to political favorites. Burdensome and opaque regulatory systems, the nearly complete absence of property rights, pervasive corruption, and rigid labor regulations further limit private-sector activity.

While diversification will require the end of state control in several sectors, Turkmenistan's current competitive tax rates and open trade regime provide a practical base for sustainable long-term growth.

ECONOMIC FREEDOM SCORE

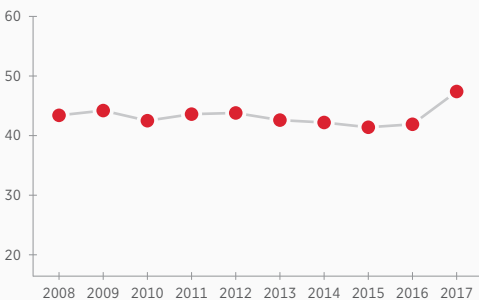


NOTABLE SUCCESSES:
 Government Size and Trade Freedom

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

OVERALL SCORE CHANGE SINCE 2013:
 +4.8

FREEDOM TREND



QUICK FACTS

POPULATION:
 5.9 million

GDP (PPP):
 \$88.6 billion
 6.5% growth in 2015
 5-year compound annual growth 10.6%
 \$16,445 per capita

UNEMPLOYMENT:
 10.0%

INFLATION (CPI):
 5.5%

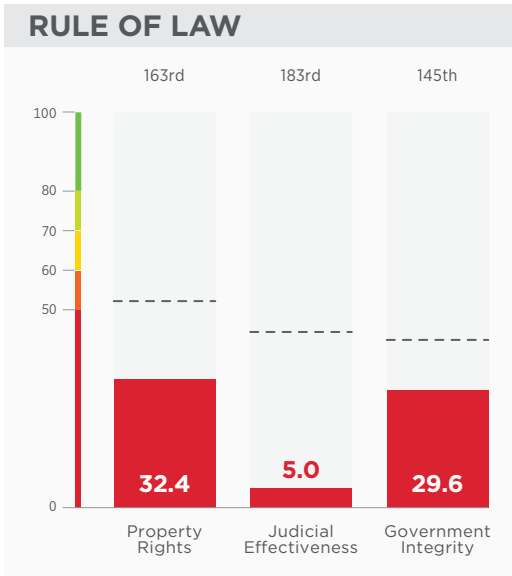
FDI INFLOW:
 \$4.3 billion

PUBLIC DEBT:
 23.3% of GDP

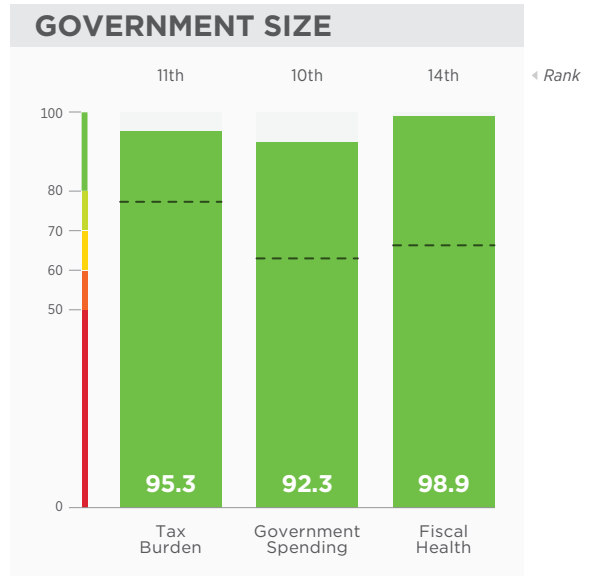
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: In 2012, President Gurbanguly Berdimukhammedov won a second five-year term with 97 percent of the vote in elections that international observers regarded as flawed. The presidency tightly controls the judiciary, the legislature, the economy, social services, and the mass media. Berdimukhammedov's policies are somewhat more open to the world than those of his predecessor, President-for-Life Saparmurad Niyazov, but the government still tends toward isolationism. Turkmenistan has intensive agriculture in irrigated oases, sizable oil resources, and the world's sixth-largest reserves of natural gas. Berdimukhammedov has encouraged some foreign investment in the energy sector, especially from Russia, China, and Iran. Turkmenistan's economy has been negatively affected by the economic slowdown in Russia.

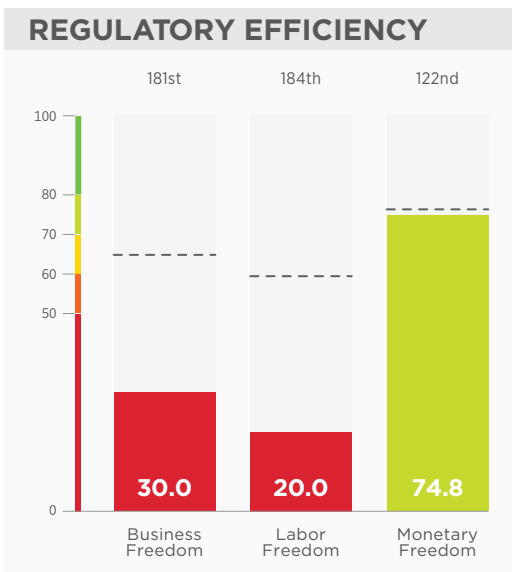
12 ECONOMIC FREEDOMS | TURKMENISTAN



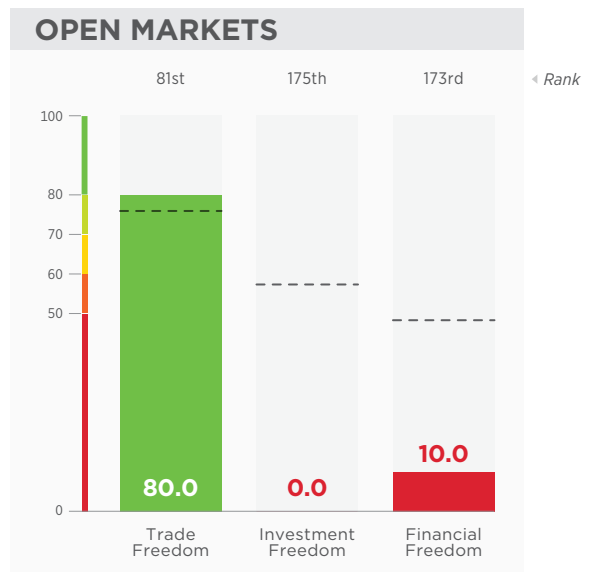
All land is owned by the government, and other ownership rights are limited. The judicial system is subservient to the president, who appoints and removes judges without legislative review. The legal system does not enforce contracts and property rights effectively. Laws are poorly developed, and judges are poorly trained and open to bribery. Corruption is widespread, and public officials are often forced to bribe their way into their positions.



The personal income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 17.4 percent of total domestic income. Government spending has amounted to 16 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.6 percent of GDP. Public debt is equivalent to 23.3 percent of GDP.



Regulatory codes remain outmoded, and personal relations with government officials often play a role in overcoming bureaucratic red tape. The bloated public sector provides the majority of jobs, and labor regulations are outdated and not enforced effectively. Although citizens have received gas, electricity, and water free of charge since 1993, regional economic reverberations from deep recession in Russia have forced the state to cut those subsidies.



Trade is important to Turkmenistan's economy; the value of exports and imports taken together equals 58 percent of GDP. The average applied tariff rate is 0.0 percent, but nontariff barriers impede trade. Private investors may not own land, and state-owned enterprises distort the economy. The government continues to control the financial system, and the flow of financial resources is severely restricted.

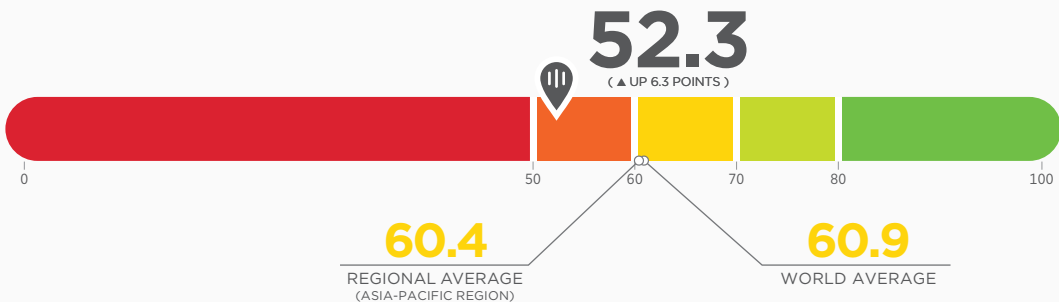
UZBEKISTAN

Overall economic freedom in Uzbekistan has been held back by corruption and government intervention in various aspects of the economy. While structural reform has been uneven, recent efforts have improved the investment climate to some extent. An online one-stop shop to streamline business regulation, introduced in 2015, has improved the entrepreneurial environment.

The government has announced a program to privatize approximately 1,200 state-owned enterprises by the end of 2016. More than 300 were privatized during the first half of the year, but there is doubt regarding the transparency of this process. Uzbekistan also reduced its business corporate tax rate from 9 percent to 7.5 percent in 2016.

WORLD RANK: **148** | REGIONAL RANK: **36**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

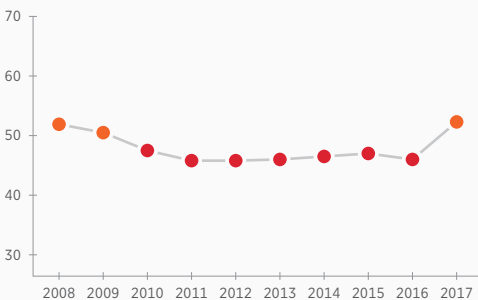


NOTABLE SUCCESSES:
 Tax Policy and Fiscal Policy

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

OVERALL SCORE CHANGE SINCE 2013:
 +6.2

FREEDOM TREND



QUICK FACTS

POPULATION:
 31.0 million

GDP (PPP):
 \$187.9 billion
 8.0% growth in 2015
 5-year compound annual growth 8.1%
 \$6,068 per capita

UNEMPLOYMENT:
 10.1%

INFLATION (CPI):
 8.5%

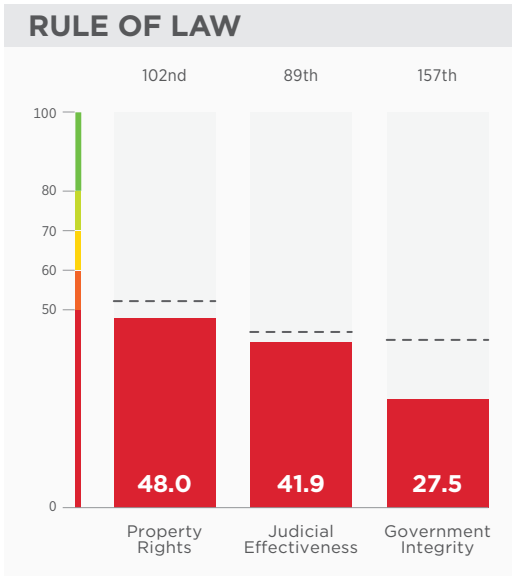
FDI INFLOW:
 \$1.1 billion

PUBLIC DEBT:
 10.7% of GDP

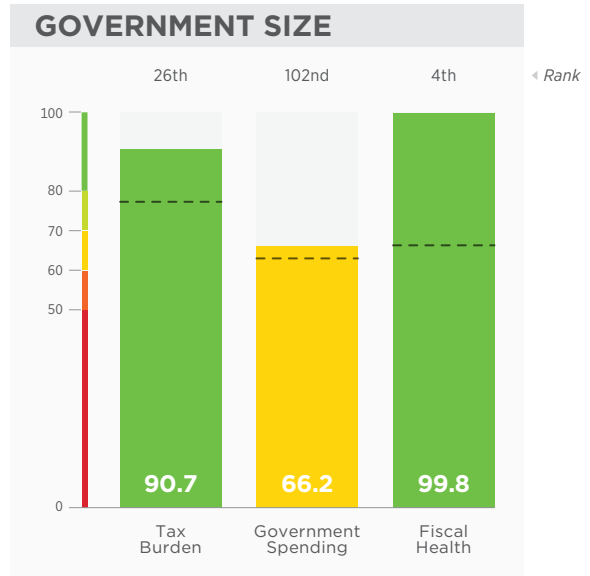
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Islam Karimov ruled the country with an iron fist from the late 1980s until his death in 2016. He never reformed the highly subsidized, Soviet-era command economy. Karimov was succeeded by former prime minister and current President Shavkat Mirziyoyev, who committed to policy continuity but has shown some willingness to reform. Uzbekistan is dry and landlocked; 11 percent of the land is cultivated in irrigated river valleys. More than 60 percent of the population lives in densely populated rural communities. Uzbekistan is the world's fifth-largest cotton exporter and sixth-largest producer, but unsound cultivation practices have degraded the land and depleted water supplies. The economy also relies on natural gas and gold exports.

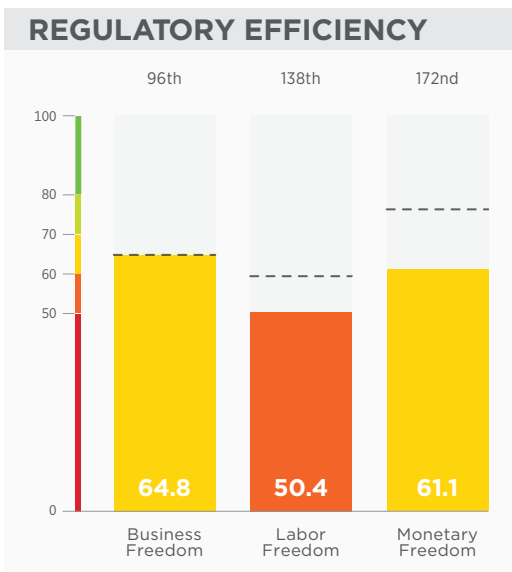
12 ECONOMIC FREEDOMS | UZBEKISTAN



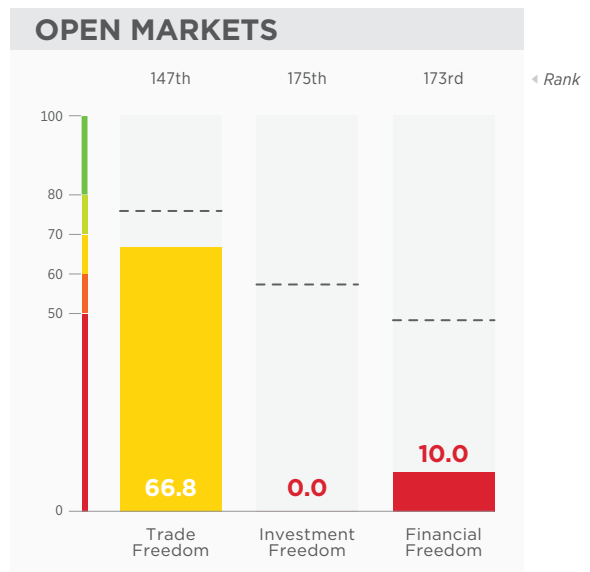
Property ownership is generally respected, but it can be subverted by the government. There is no general system for registering liens on chattel property. Police, security services, and judges interpret the laws as they choose or according to political dictates, leaving little recourse to appeal. Corruption is pervasive. Uzbekistan was ranked 153rd out of 168 countries and territories surveyed in Transparency International's 2015 *Corruption Perceptions Index*.



The top personal income tax rate is 22 percent. The top corporate tax rate has been cut to 7.5 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 19.7 percent of total domestic income. Government spending has amounted to 33.6 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.8 percent of GDP. Public debt is equivalent to 10.7 percent of GDP.



The regulatory system suffers from a lack of transparency and clarity, and regulations are enforced inconsistently. The labor market lacks flexibility, and regulations undermine dynamic employment growth. The government effectively subsidizes many basic staples. It also controls interest rates and in 2016 imposed strict limits on the amount of hard currency that Uzbek citizens may withdraw while traveling abroad.



Trade is moderately important to Uzbekistan's economy; the value of exports and imports taken together equals 43 percent of GDP. The average applied tariff rate is 6.6 percent. All land is owned by the government. Foreign investment is screened, and state-owned enterprises distort the economy. The financial sector is subject to heavy state intervention. The high cost of financing remains a key barrier to development of the private sector.

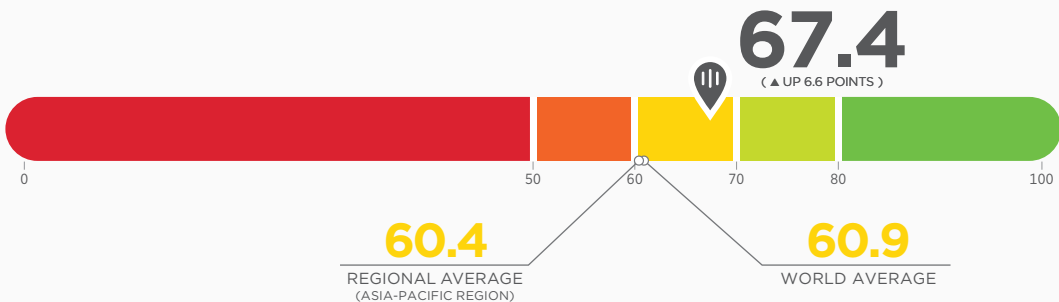
VANUATU

The government of Vanuatu's main policy focus over the past year has been on rebuilding key infrastructure (such as water and sanitation works, schools, and medical facilities) that was severely damaged by a cyclone in 2015. The island economy continues to rely heavily on foreign aid and concessional loans from international development agencies.

Overall, Vanuatu lacks a consistent and effective political commitment to institutional reforms that are needed to spark development of a dynamic private sector. Property rights are poorly protected, and investment is deterred by the country's inadequate physical and legal infrastructure. High tariffs and nontariff barriers to trade have held back integration into the global marketplace. Business activity is further limited by rigid labor regulations and widespread corruption.



ECONOMIC FREEDOM SCORE

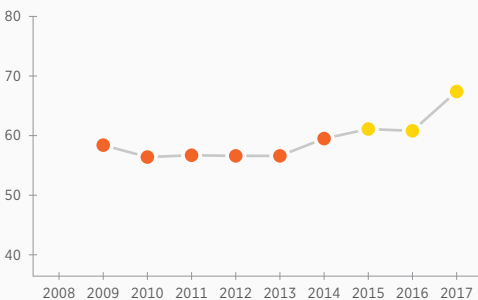


NOTABLE SUCCESSES:
Tax Policy and Fiscal Policy

CONCERNS:
Judicial Effectiveness, Financial Freedom, and Business Freedom

OVERALL SCORE CHANGE SINCE 2013:
+10.8

FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
\$0.7 billion
-0.8% growth in 2015
5-year compound annual growth 1.3%
\$2,550 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
3.3%

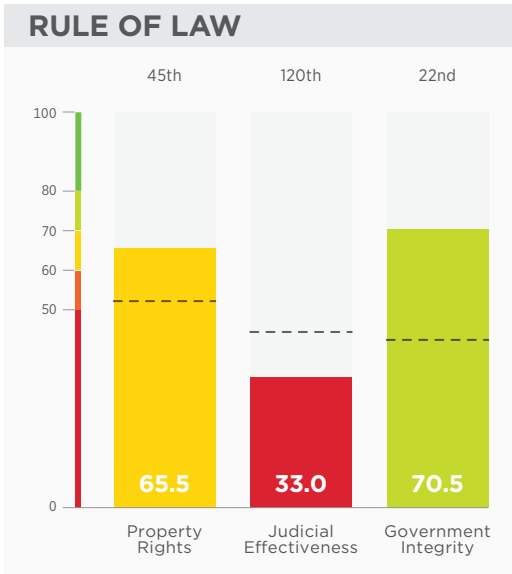
FDI INFLOW:
\$29.1 million

PUBLIC DEBT:
20.5% of GDP

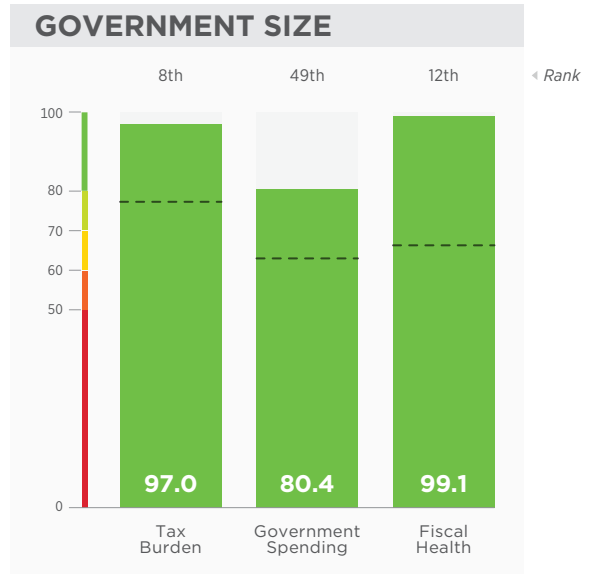
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The South Pacific island Republic of Vanuatu achieved independence in 1980 and is today a parliamentary democracy divided between its English-speaking and French-speaking citizens. Charlot Salwai of the Reunification of Movements for Change party became prime minister in February 2016 following snap elections called after 14 members of parliament were convicted of bribery. Vanuatu is heavily dependent on tourism, which comprises 40 percent of the economy. In March 2015, Cyclone Pam destroyed thousands of homes and other buildings and killed more than a dozen people.

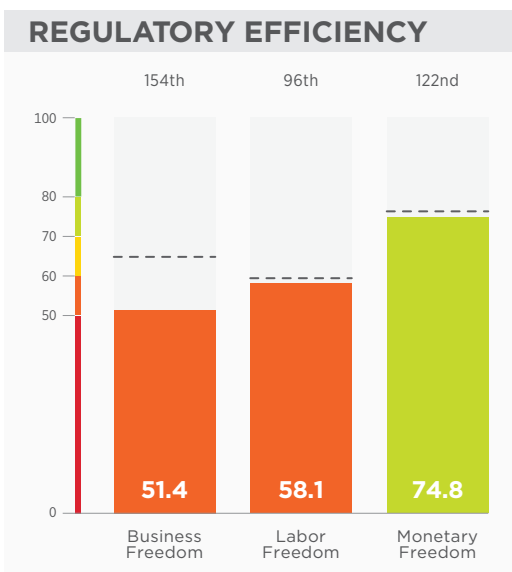
12 ECONOMIC FREEDOMS | VANUATU



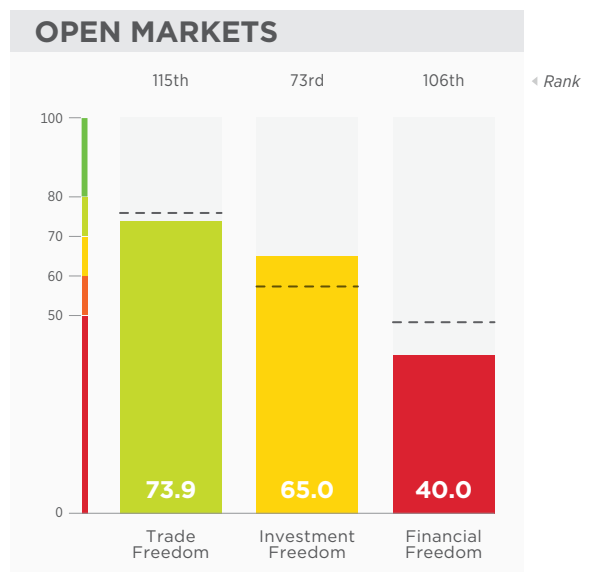
In 2016, Vanuatu appointed an ombudsman to deal with complaints about land registration procedures. The judiciary is largely independent but lacks the resources to retain qualified personnel. After 14 members of parliament charged with corruption were convicted in late 2015, a snap election in January 2016 resulted in an overhauled parliament and a new prime minister, but strong factionalism continues to undermine political stability.



Vanuatu imposes no individual or corporate income tax. Taxes include a value-added tax and import duties. The overall tax burden equals 17.2 percent of total domestic income. Government spending has amounted to 25.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 20.5 percent of GDP.



Bureaucratic procedures are complex and non-transparent, and completion of licensing requirements is costly. Labor codes are rigid and outmoded, and a formal labor market is not fully developed. The government still subsidizes 11 state-owned enterprises in such important economic areas as airports, banking, agriculture, and broadcasting. Most are poorly managed and lose money.



Trade is important to Vanuatu's economy; the value of exports and imports taken together equals 97 percent of GDP. The average applied tariff rate is 5.5 percent. Foreign investors may lease but not own land, and investment in other sectors of the economy may be screened by the government. Access to financing remains poor, and less than 15 percent of rural adults have access to formal banking services.

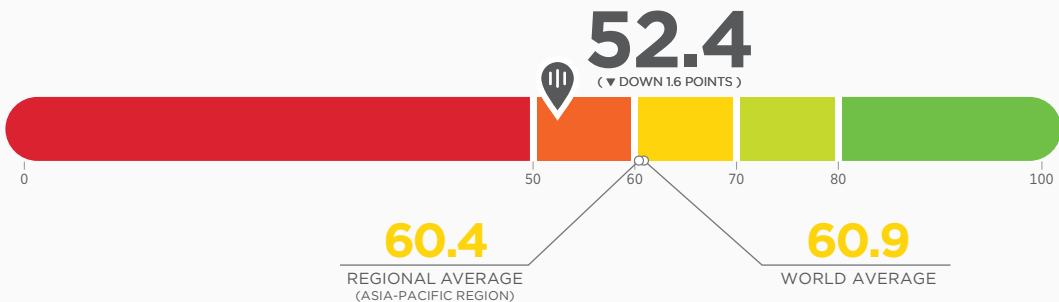
VIETNAM

Capitalizing on its gradual integration into the global trade and investment system, Vietnam has been transforming itself into a more market-oriented economy. Reforms have included partial privatization of state-owned enterprises, liberalization of the trade regime, and increasing recognition of private property rights. The economy has registered annual rates of growth averaging about 6 percent over the past five years.

Vietnam's overall economic freedom is limited by several key institutional factors. Despite ongoing reform efforts, the regulatory environment is not particularly efficient or transparent. Despite progress, investment remains hindered by opaque bureaucracy and a weak judicial system. State-owned enterprises still account for about 40 percent of GDP, hampering the emergence of a more dynamic private sector.

WORLD RANK: **147** | REGIONAL RANK: **35**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

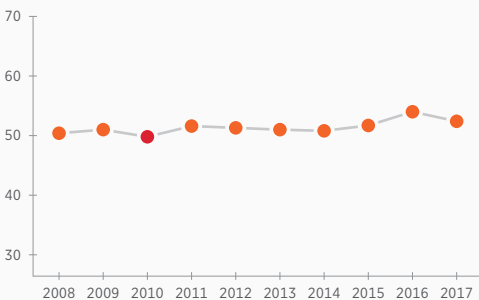


NOTABLE SUCCESSES:
 Trade Freedom and Monetary Stability

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

OVERALL SCORE CHANGE SINCE 2013:
 +1.4

FREEDOM TREND



QUICK FACTS

POPULATION:
 91.6 million

GDP (PPP):
 \$552.3 billion
 6.7% growth in 2015
 5-year compound annual growth 5.9%
 \$6,024 per capita

UNEMPLOYMENT:
 2.1%

INFLATION (CPI):
 0.6%

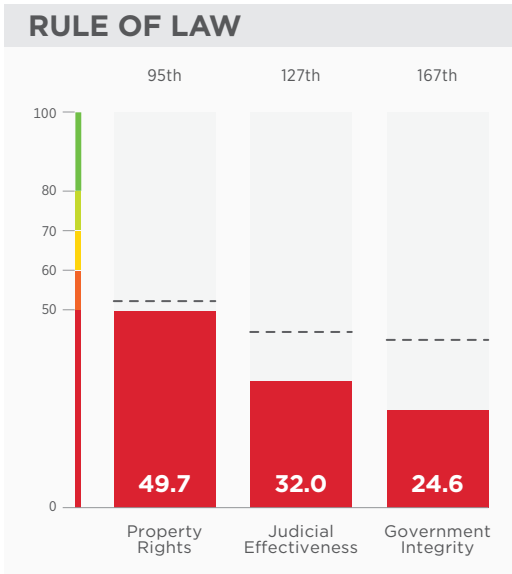
FDI INFLOW:
 \$11.8 billion

PUBLIC DEBT:
 59.3% of GDP

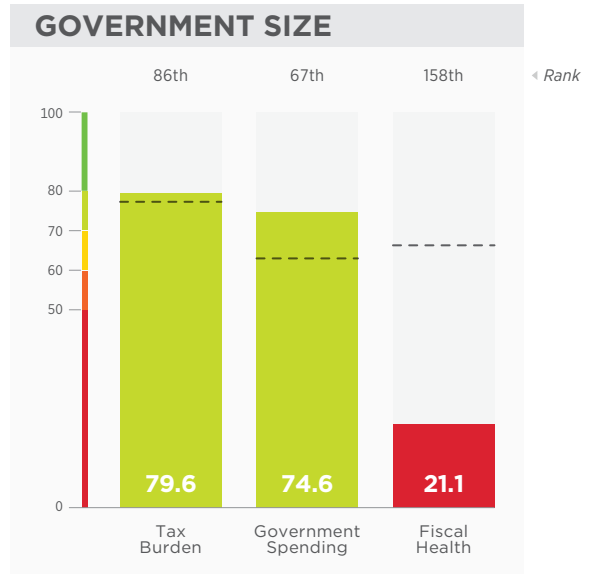
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by political repression and the absence of civil liberties. Economic liberalization began in 1986 with the *doi moi* reforms, and Vietnam joined the World Trade Organization in 2007. Economic growth was among the fastest in the world during the decade-long tenure of prime minister Nguyễn Tấn Dũng but in 2016, after losing a contest for the highest position, that of General Secretary of the Communist Party of Vietnam, Dũng was forced out. He was replaced as prime minister by Nguyễn Xuân Phúc. The economy is driven primarily by tourism and exports. In a major development, the U.S. lifted the long-standing arms embargo against Vietnam in 2016.

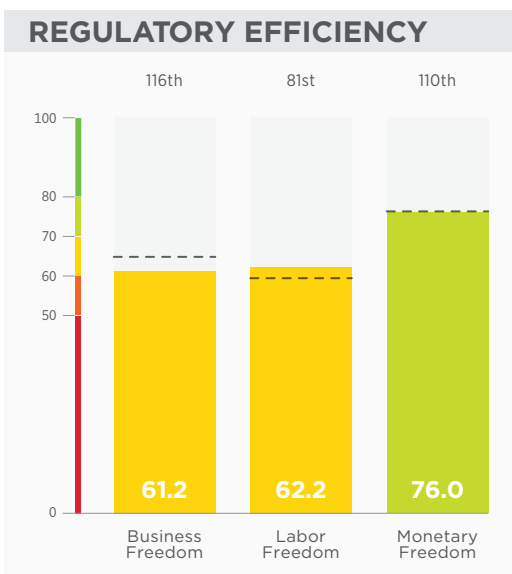
12 ECONOMIC FREEDOMS | VIETNAM



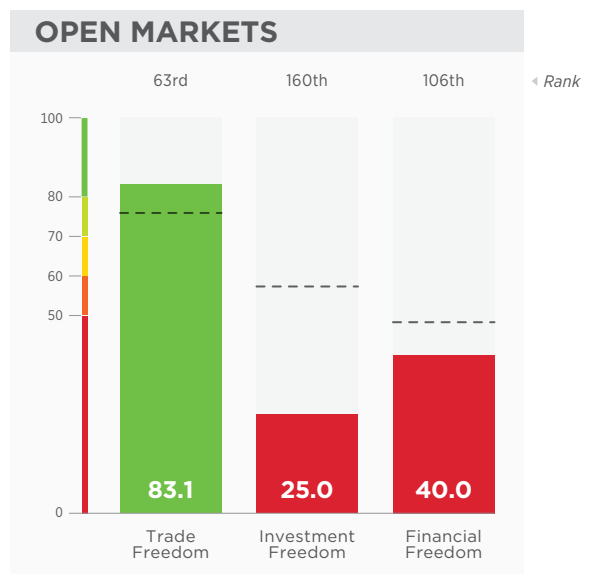
All land is collectively owned and managed by the state. Private property rights are not strongly respected, and resolution of disputes can take years. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam, which controls the courts at all levels. Party membership is widely viewed as a way to enhance one's personal wealth and connections. Corruption and nepotism are rife within the party and in state-owned companies.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 18.2 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 6.7 percent of GDP. Public debt is equivalent to 59.3 percent of GDP.



Administrative procedures have been streamlined, and the regulatory framework for smaller businesses has been improved. The labor market remains relatively rigid. Prices for air travel, water, electricity, telecommunications, postal service, and gasoline are set by the state, which also regulates prices for some natural resources, pharmaceuticals, and products produced by government-run enterprises such as health care, education, and some housing.



Trade is extremely important to Vietnam's economy; the value of exports and imports taken together equals 179 percent of GDP. The average applied tariff rate is 3.4 percent. Barriers to foreign investment remain significant, but they have been liberalized. Numerous state-owned enterprises distort the economy. The state remains heavily involved in the financial sector. The high level of nonperforming loans continues to limit the pace of credit growth.