



# MIDDLE EAST AND NORTH AFRICA

Stretching from Morocco’s Atlantic shores to Iran and Yemen’s beaches on the Arabian Sea, the Middle East and North Africa (MENA) region remains central to world affairs. The region encompasses some of the world’s most ancient civilizations. Today, however, most of its economies are not free. Both blessed and in some ways cursed by enormous natural oil resources, most of the local populations are characterized by extreme concentrations of wealth and poverty. Most notably, the region continues to be a critical global hot spot for economic, political, and security vulnerabilities.

The population-weighted average GDP per capita for the region is approximately \$18,803, with monetary stability relatively well maintained. However, in recent years, the MENA region has been suffering from low economic growth and plagued by a high level of unemployment.

Since early 2011, many countries in the region have experienced socioeconomic upheaval or outright conflict, and outcomes have

been far from certain. The lives of many ordinary people have yet to change for the better. Of the Arab Spring economies, Tunisia and Egypt have shown the most encouraging results over the past year. However, Bahrain continues to be on a downward path in terms of economic freedom, and grading of economic freedom for Iraq, Libya, Syria, and Yemen remains suspended because of ongoing violence and unrest.

Chart 1 shows the distribution of countries in the MENA region within the five categories of economic freedom. The region does not have any economically “free” countries. The United Arab Emirates and Qatar are the region’s two “mostly free” economies. The majority of the Middle East/North Africa region’s 14 economies graded by the *Index* continue to be rated only “moderately free” or “mostly unfree,” with the Algerian economy categorized as “repressed.”

Structural and institutional problems abound throughout the region, and private-sector growth continues to lag far behind levels needed to provide adequate economic opportunities for growing populations. Despite the outflow of crude oil, actual trade flows remain very low, indicating a lack of economic dynamism. Taken as a whole, the MENA region’s lack of job opportunities remains a serious problem, particularly for younger members of the labor force whose average unemployment rate is close to 25 percent.

The MENA region is the absolute world leader in one notable category: tax policy. (See Table 1.) The region’s tax burden score is more than 10 points above the world average, a level reached because of the low income tax rates typical in the oil kingdoms. The region also scores slightly above the world average in such other areas as rule of law and regulatory efficiency, in part reflecting ongoing reform

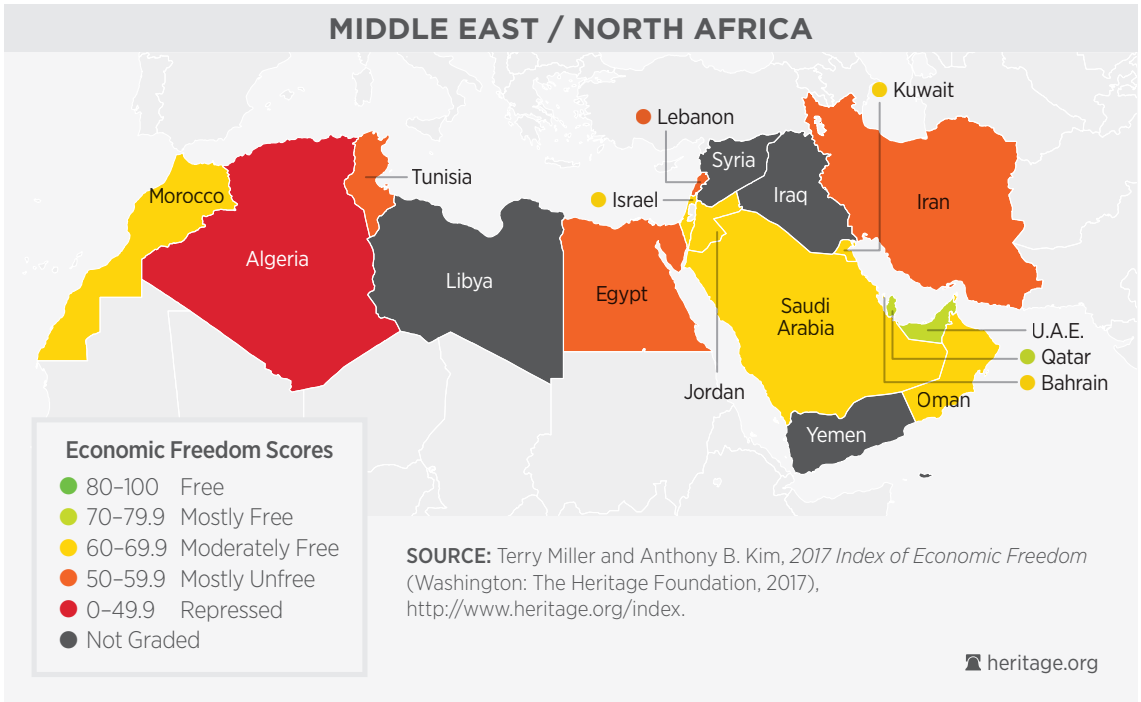
## MIDDLE EAST/NORTH AFRICA: QUICK FACTS

TOTAL POPULATION: 412.6 million	
POPULATION WEIGHTED AVERAGES	
GDP PER CAPITA (PPP):	\$18,803
GROWTH:	0.2%
5 YEAR GROWTH:	2.0%
INFLATION:	9.1%
UNEMPLOYMENT:	10.7%
PUBLIC DEBT:	47.1%

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



## MIDDLE EAST / NORTH AFRICA



efforts that regional leaders are making to cut back on bribery and government malfeasance.

Given the extreme oil wealth within the region, which has little to do with economic freedom, it is somewhat surprising that the MENA countries also demonstrate in dramatic fashion the correlation between economic freedom and prosperity. Chart 2 illustrates the positive relationship between high levels of economic freedom and high GDP per capita. The ongoing transformation of innovative states such as the United Arab Emirates, Qatar, and Israel may yet light the way to broader-based economic growth and political stability regionally.

As shown in Chart 3, across the region, higher economic freedom is also strongly correlated with overall human development as measured by the United Nations Human Development Index, which measures life expectancy, literacy, education, and the standard of living.

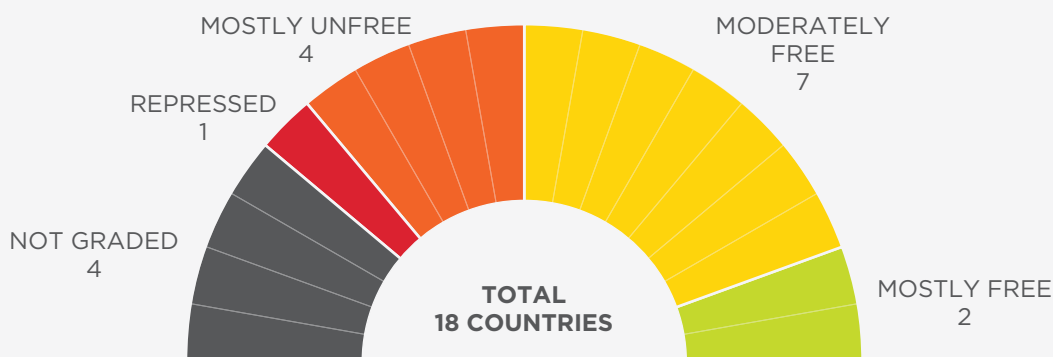
In light of the disappointing impact of the Arab Spring, it is clear that mounting economic problems will not be solved simply by

holding elections or allowing greater expressions of dissent. Existing policies and practices continue to restrict economic freedom. Costly energy and food subsidies, which place a considerable burden on budgets and stand in the way of sound sustainable economic development, are still on the rise as many governments in the region continue to rely on lavish spending to quell social and political unrest.

## NOTABLE COUNTRIES

- Israel's economy has been on a path of economic expansion. With the productive base increasingly diversified and structural reforms ongoing, steady growth has averaged over 3 percent annually over the past five years. Economic competitiveness has been anchored in strong protection of property rights and facilitated by openness to global trade and investment. Israel has the world's highest concentration of high-technology start-ups per capita.

## MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM SUMMARY

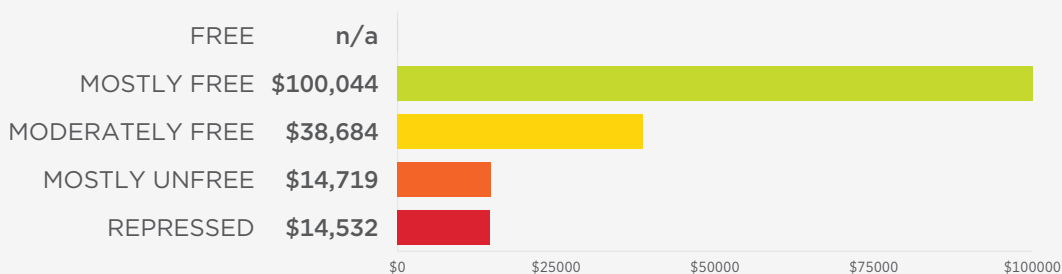


**SOURCE:** Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), <http://www.heritage.org/index>.

Chart 1 heritage.org

- Morocco continues to make gradual but notable progress in economic liberalization. The country's commitment to economic reform has encouraged the development of a dynamically evolving private sector. Policies that facilitate competitiveness and diversification of the productive base have contributed to economic expansion averaging around 4 percent annually over the past five years.
- Civil war has left Syria's economy in ruins and precludes assigning the country a rank in the 2017 *Index*. The devastation and chaos have inflicted a horrific human cost and caused enormous physical damage. Economic policy has focused on protecting the regime and maintaining the military's fighting capacity. With the escalating cost of the war compounded by a collapse in oil prices, the fiscal situation is dire.

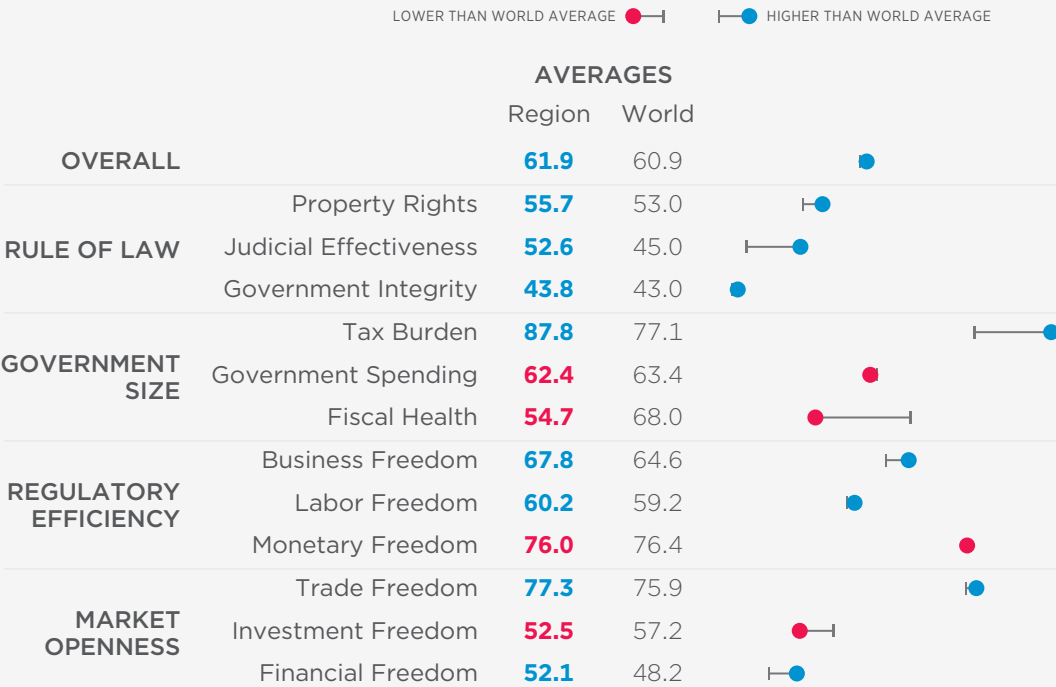
## MIDDLE EAST/NORTH AFRICA: GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY




**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

MIDDLE EAST/NORTH AFRICA: COMPONENTS OF ECONOMIC FREEDOM



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

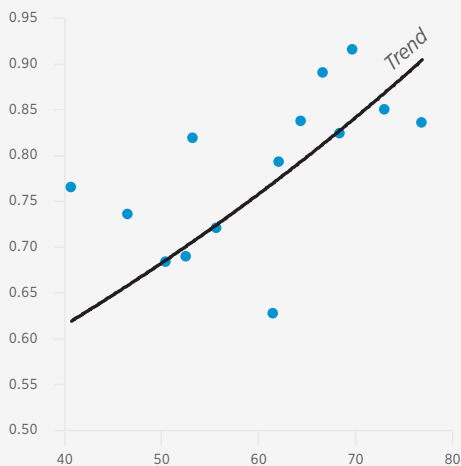
Table 1  heritage.org

- Economic dynamism is constrained in Tunisia by institutional weaknesses that remain unaddressed, primarily because political instability has hindered decisive government action. The regulatory regime, despite some improvements, remains burdensome and deters entrepreneurial activity. Deeper reforms to enhance governance and strengthen the critical pillars of economic freedom are needed to push the economy along a positive path of transition.
- Recent years’ broad-based and dynamic growth in the United Arab Emirates has been underpinned by continuous efforts to strengthen the business climate, boost investment, and foster the emergence of a more vibrant and diverse private sector. The generally liberal trade regime has helped to sustain the momentum for growth. The UAE aims to be a regional financial hub, and its banking sector is resilient.

## MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM AND HUMAN DEVELOPMENT

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

Human Development Index Score



Overall Score in the 2017 *Index of Economic Freedom*

**SOURCES:** Terry Miller and Anthony B. Kim, *2017 Index of Economic Freedom* (Washington: The Heritage Foundation, 2017), <http://www.heritage.org/index>, and U.N. Human Development Programme, International Human Development Indicators, <http://hdr.undp.org/en/data> (accessed December 13, 2016).

**Chart 3**  [heritage.org](http://heritage.org)

## ECONOMIC FREEDOM IN MIDDLE EAST/NORTH AFRICA

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
8	1	United Arab Emirates	76.9	4.3	76.7	85.0	74.2	96.4	67.4	99.2	81.1	80.9	78.4	83.5	40	60
29	2	Qatar	73.1	2.4	74.8	63.0	59.0	99.6	71.2	97.4	68.1	65.4	80.6	83.1	55	60
36	3	Israel	69.7	-1.0	71.9	82.0	47.6	61.0	50.5	71.8	69.9	64.3	84.9	88.0	75	70
44	4	Bahrain	68.5	-5.8	64.2	53.7	55.5	99.9	69.8	12.0	69.4	78.7	80.7	82.8	75	80
53	5	Jordan	66.7	-1.6	60.1	49.5	49.8	91.3	73.3	55.5	63.9	58.1	86.7	82.0	70	60
61	6	Kuwait	65.1	2.4	55.5	56.4	41.3	97.7	40.8	99.8	61.2	61.5	73.6	78.7	55	60
64	7	Saudi Arabia	64.4	2.3	62.0	65.0	45.9	99.7	54.5	65.7	73.8	68.5	70.1	78.2	40	50
82	8	Oman	62.1	-5.0	60.8	52.3	47.6	98.5	20.5	36.3	68.4	70.3	80.6	85.2	65	60
86	9	Morocco	61.5	0.2	55.0	41.9	37.1	71.7	69.4	55.0	67.7	33.8	82.7	84.0	70	70
123	10	Tunisia	55.7	-1.9	49.6	39.9	37.3	73.7	73.4	53.4	80.6	56.1	75.9	63.8	35	30
137	11	Lebanon	53.3	-6.2	43.8	25.3	23.3	91.8	76.1	0.0	51.5	49.5	78.4	84.4	65	50
144	12	Egypt	52.6	-3.4	35.4	56.3	32.7	86.1	63.0	4.6	66.8	51.3	69.6	70.2	55	40
155	13	Iran	50.5	7.0	32.4	36.0	29.6	81.1	92.7	94.9	64.8	54.5	55.5	54.5	0	10
172	14	Algeria	46.5	-3.6	38.2	29.6	31.7	81.1	51.0	19.8	62.1	49.5	67.0	63.3	35	30
N/A	N/A	Iraq	N/A	N/A	37.3	15.9	19.1	N/A	36.1	11.3	61.2	68.0	76.9	N/A	N/A	N/A
N/A	N/A	Libya	N/A	N/A	6.8	22.6	26.7	95	0	11.4	65.0	52.5	69.2	80.0	N/A	N/A
N/A	N/A	Syria	N/A	N/A	37.3	22.6	30.0	N/A	N/A	0.0	66.4	55.7	N/A	56.6	N/A	N/A
N/A	N/A	Yemen	N/A	N/A	37.3	22.6	17.4	N/A	77.2	10.6	51.4	54.2	59.7	N/A	N/A	N/A

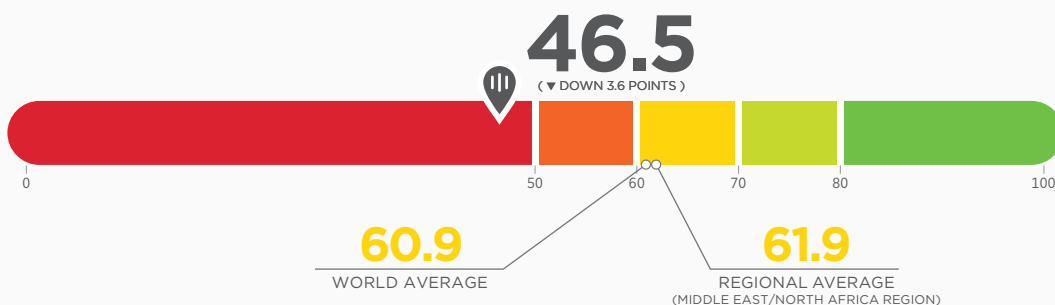
# ALGERIA

**I**nstitutional weaknesses continue to undermine prospects for sustained long-term economic development in Algeria. Linger- ing political uncertainty and a negative attitude toward foreign investment hamper fuller integration into the world economy, and policies to promote or sustain reform have been neglected or even reversed.

The government has made little progress in improving fiscal governance. Structural reforms to diversify the economic base have achieved only marginal progress, and policies to enhance regulatory efficiency and maintain open markets for the devel- opment of a more dynamic private sector have not advanced.



## ECONOMIC FREEDOM SCORE

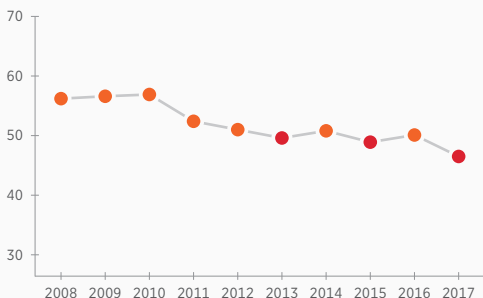


**NOTABLE SUCCESSSES:**  
Tax Policy and Monetary Stability

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

**OVERALL SCORE CHANGE SINCE 2013:**  
-3.1

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
39.5 million

**GDP (PPP):**  
\$578.7 billion  
3.7% growth in 2015  
5-year compound annual growth 3.3%  
\$14,504 per capita

**UNEMPLOYMENT:**  
10.5%

**INFLATION (CPI):**  
4.8%

**FDI INFLOW:**  
-\$587.3 million

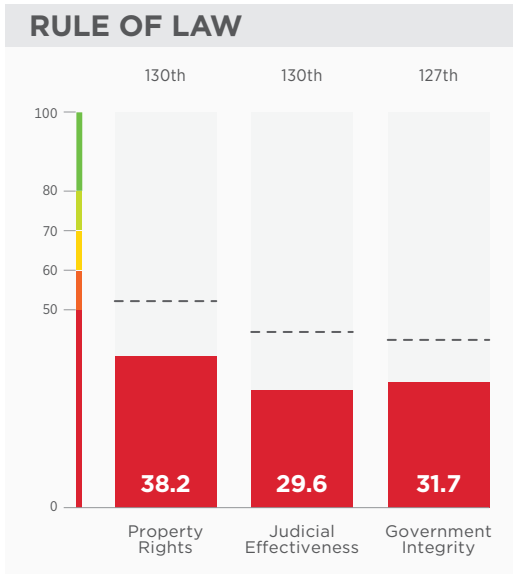
**PUBLIC DEBT:** 8.7% of GDP

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

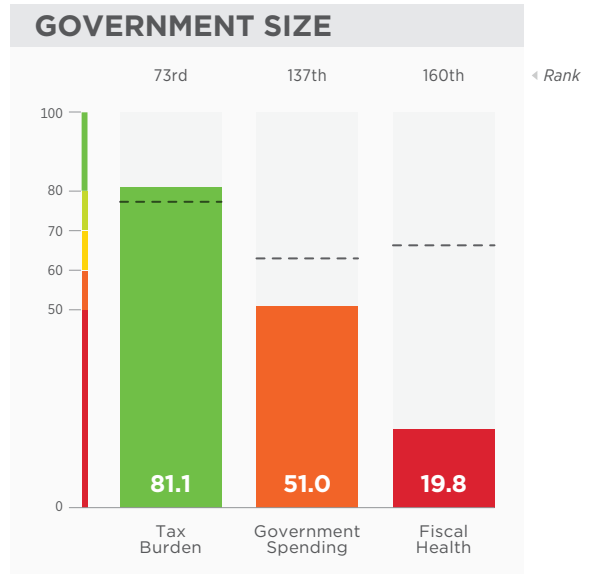
**BACKGROUND:** President Abdelaziz Bouteflika won a fourth term in April 2014 despite rarely appearing in public after a 2013 stroke. Reforms introduced after Arab Spring protests swept Tunisia and Libya included an end to almost two decades of state-of-emergency restrictions on civil liberties. In early 2016, the gov- ernment passed a series of major constitutional amendments to strengthen Algeria's governing structure and deepen separation of powers. The socialist model adopted after independence from France in 1962 has hindered development, and the state still dominates the economy. Formal-sector unemployment and housing shortages are persistently high. Algeria is the world's eighth-largest gas exporter. Oil and natural gas account for over 90 percent of exports and around 40 percent of GDP.



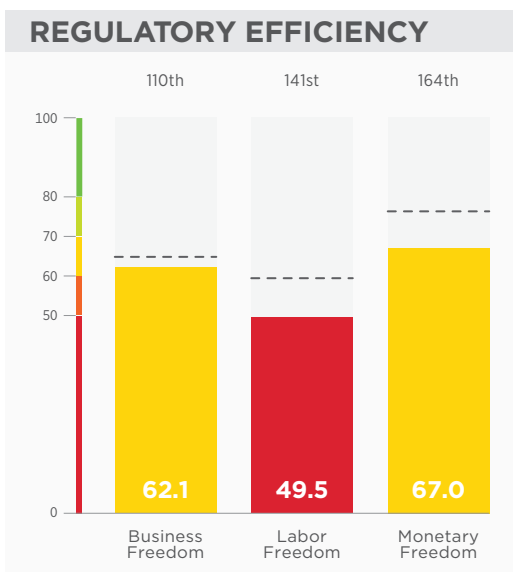
# 12 ECONOMIC FREEDOMS | ALGERIA



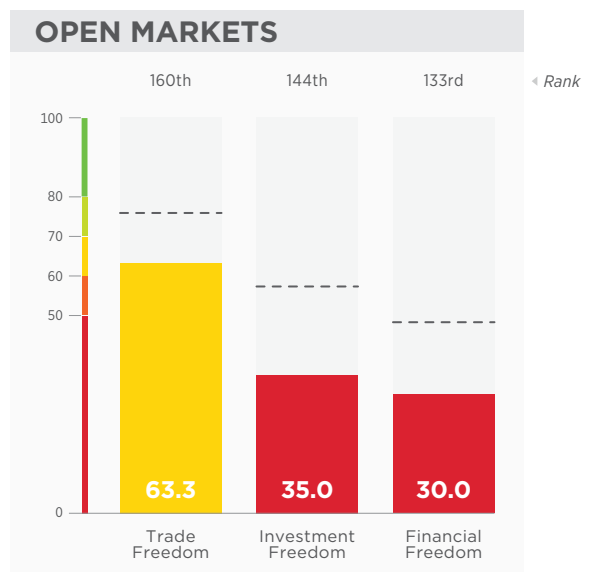
Secured interests in property are generally enforceable, but most real property is in government hands, and conflicting title claims can make real estate transactions difficult. The judicial system is generally weak, slow, and opaque. High levels of corruption plague Algeria's business and public sectors, especially the energy sector. An estimated one-half of all economic transactions in Algeria occur in the informal sector.



The top income tax rate is 35 percent, and the top corporate tax rate is 23 percent. Other major taxes include a value-added tax. The overall tax burden equals 11.7 percent of total domestic income. Government spending has amounted to 40.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.7 percent of GDP. Public debt is equivalent to 8.7 percent of GDP.



Despite some enhancement of the business environment, significant bureaucratic impediments to entrepreneurial activity and economic development persist. The labor market remains rigid, contributing to high youth unemployment. In spite of continuing low global oil prices, the government has struggled to maintain costly but politically popular subsidies for basic foods, fuels, electricity, health care, and housing.



Trade is important to Algeria's economy; the value of exports and imports taken together equals 63 percent of GDP. The average tariff rate is 8.4 percent. The government screens foreign investment, and its customs process is cumbersome. Capital markets are underdeveloped; private banks have grown, but the financial sector remains dominated by public banks.

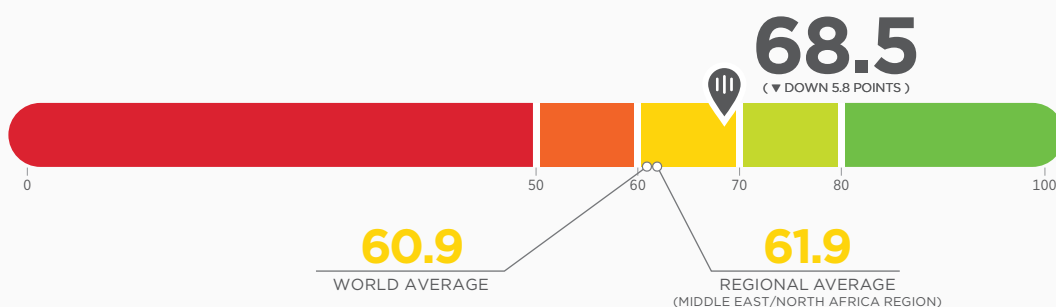
# BAHRAIN

**D**espite challenging regional and domestic environments, Bahrain continues to be a financial and business hub in the Middle East and North Africa. High levels of global trade and investment activity are sustained by a competitive and efficient regulatory environment. Reforms in the existing Commercial Companies Law have facilitated foreign investment and ownership of companies.

Expansionary spending policy since 2009 has resulted in widening budget deficits and rising debt, undermining overall fiscal health. In addition to reining in public spending and implementing additional structural reforms, action to firmly institutionalize the rule of law and enhance judicial independence and transparency is urgently needed.



## ECONOMIC FREEDOM SCORE

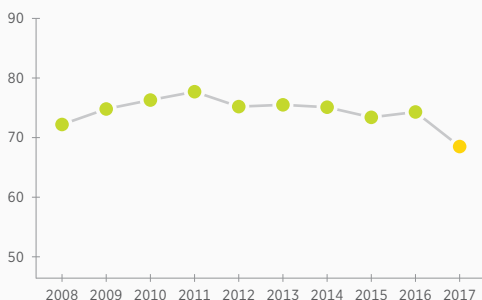


**NOTABLE SUCCESSSES:**  
Tax Policy, Trade Freedom, and Monetary Stability

**CONCERNS:**  
Fiscal Health, Judicial Effectiveness, and Government Integrity

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

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
1.2 million

**GDP (PPP):**  
\$64.8 billion  
3.2% growth in 2015  
5-year compound annual growth 3.7%  
\$50,095 per capita

**UNEMPLOYMENT:**  
1.2%

**INFLATION (CPI):**  
1.8%

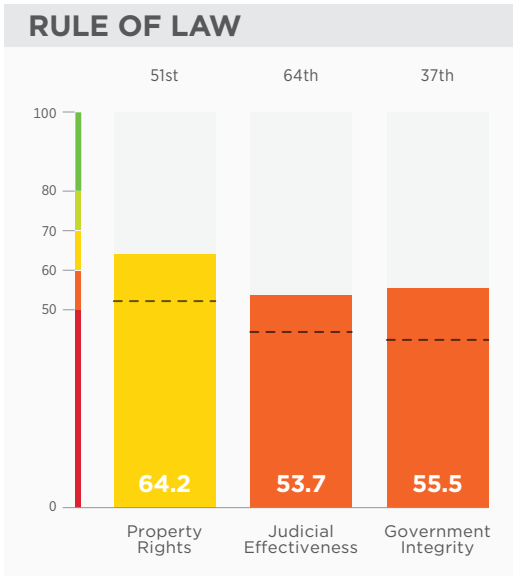
**FDI INFLOW:**  
-\$1.5 billion

**PUBLIC DEBT:**  
63.3% of GDP

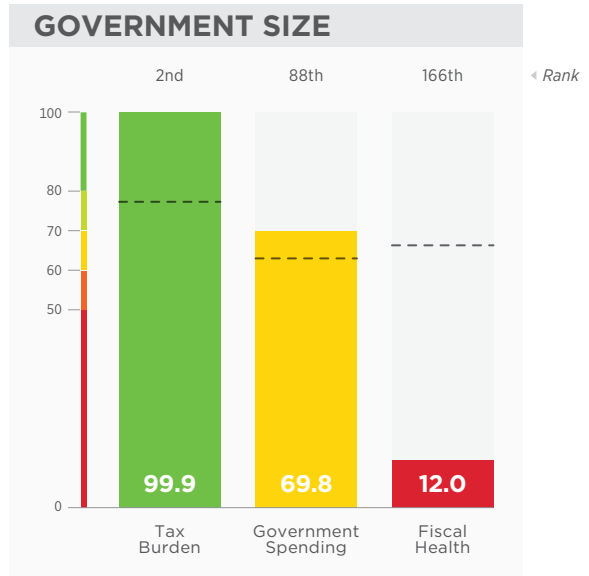
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Bahrain has been a constitutional monarchy since 2002. In 2011, Shia activists demanded a new constitution and greater political power. When modest concessions and efforts at dialogue failed to stem the demonstrations, King Hamad bin Isa Al Khalifa authorized a crackdown that was subsequently supported by Gulf Cooperation Council security forces. The government has sought to ease tensions through a national dialogue led by the crown prince and by introducing law enforcement, intelligence, and judicial reforms, but protests and sporadic violence continue. The oil industry continues to provide over 70 percent of budget revenues. Home to many multinational firms that do business in the region, Bahrain has a free trade agreement with the United States.

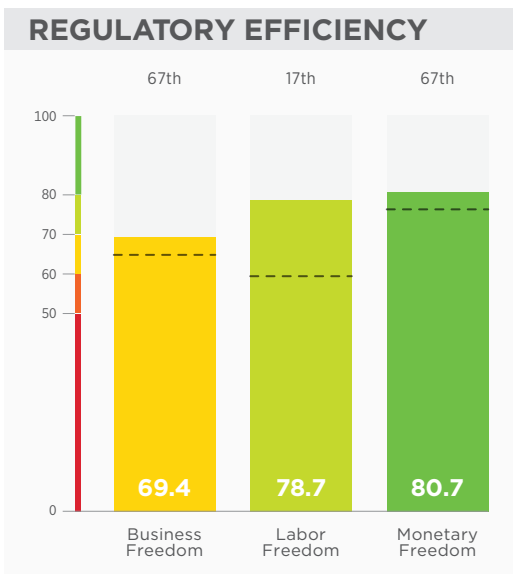
# 12 ECONOMIC FREEDOMS | BAHRAIN



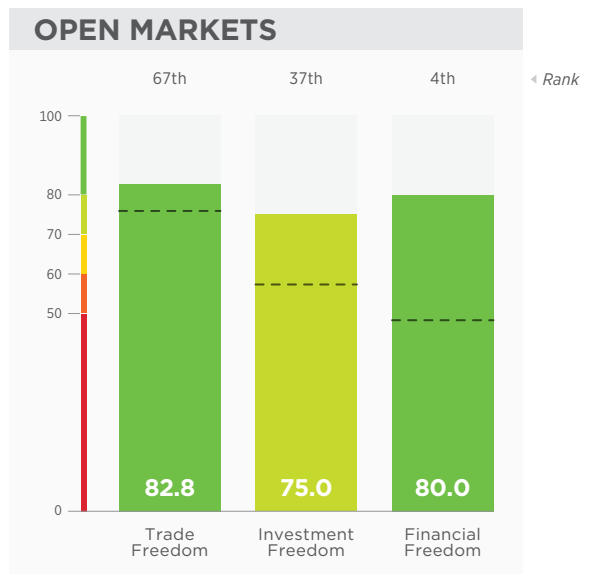
Bahrain's legal system adequately protects and facilitates the right to acquire and dispose of property. Expropriation is infrequent. The Al Khalifa royal family appoints all judges, and the judicial system is regarded as corrupt. Government tendering procedures are not always entirely transparent, and contracts are not always awarded based solely on price and technical merit. Petty corruption, however, is relatively rare.



Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 3.8 percent of total domestic income. Government spending has amounted to 31.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.7 percent of GDP. Public debt is equivalent to 63.3 percent of GDP.



The regulatory framework is relatively streamlined, but minimum capital requirements for starting a firm are higher than the level of average annual income. Although there is no nationally mandated minimum wage, wage increases have exceeded overall productivity growth. In 2016, slumping global oil prices forced the government to reduce subsidies on gasoline, diesel and kerosene, natural gas for industrial users, food items, water, and electricity.



Trade is extremely important to Bahrain's economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 3.6 percent, and domestic firms receive some preferences with respect to government procurement. The banking sector remains well-capitalized and liquid enough to navigate low oil prices. Foreign and domestic investors have access to a wide range of financial services.

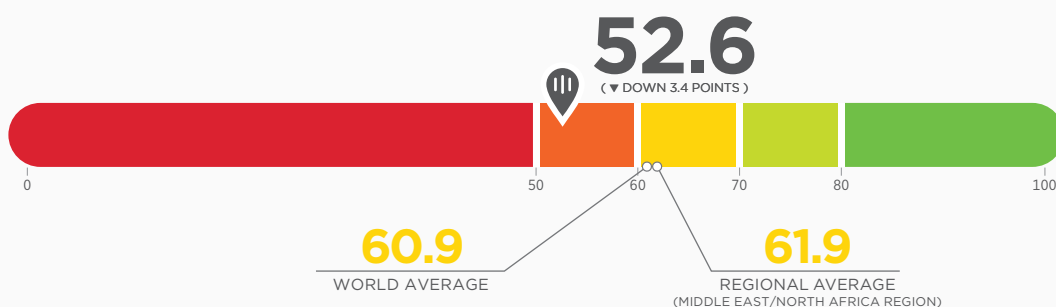
# EGYPT

**E**gypt's economy has been experiencing an extended period of instability and uncertainty that reflects in no small measure the political turmoil of recent years. Weak institutional capacity and stiff opposition from interest groups has stymied some necessary economic reforms.

Nonetheless, the government has been keen to enhance the business environment and consolidate public finances through fiscal reforms, and confidence has improved. Recent policy choices include measures to induce more dynamic investment and spur much-needed private-sector job creation. Reform of fuel subsidies has been a notable achievement. The intensity of the government's commitment to institutional and structural reforms will be critical to future progress.

WORLD RANK: **144** | REGIONAL RANK: **12**  
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

## ECONOMIC FREEDOM SCORE

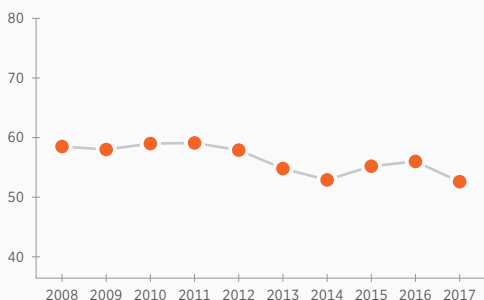


**NOTABLE SUCCESSES:**  
Tax Policy and Trade Freedom

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

**OVERALL SCORE CHANGE SINCE 2013:**  
-2.2

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
88.4 million

**GDP (PPP):**  
\$1.0 trillion  
4.2% growth in 2015  
5-year compound annual growth 2.5%  
\$11,850 per capita

**UNEMPLOYMENT:**  
12.1%

**INFLATION (CPI):**  
11.0%

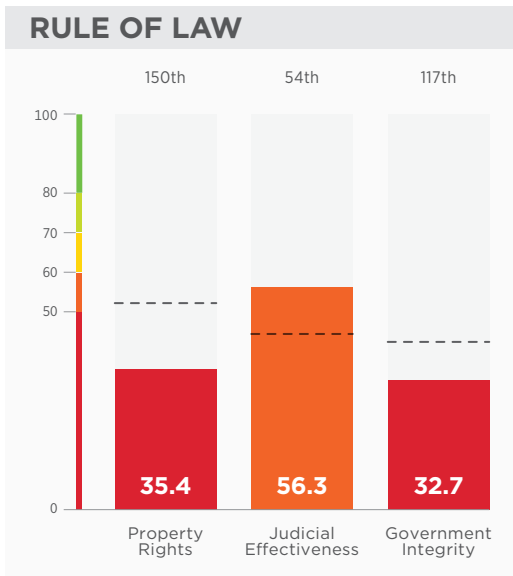
**FDI INFLOW:**  
\$6.9 billion

**PUBLIC DEBT:**  
87.7% of GDP

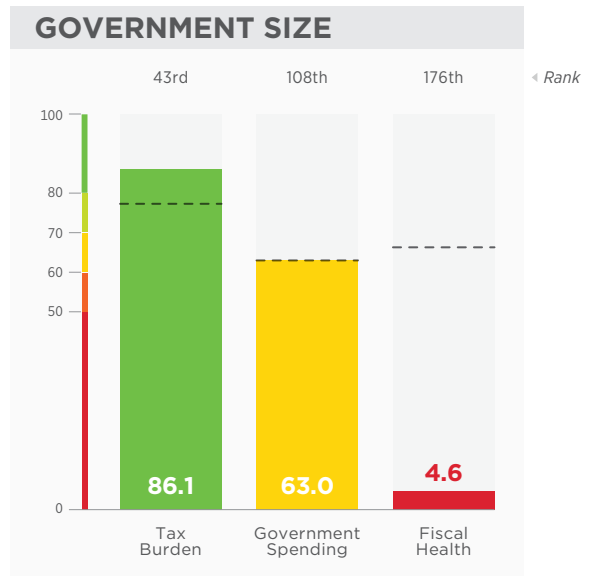
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** The army ousted President Hosni Mubarak in 2011. The ensuing period of political instability included dissolution of the parliament in 2012, recurring street demonstrations, and an army coup that ousted the increasingly unpopular government of Mohamed Morsi of the Muslim Brotherhood's Freedom and Justice Party in 2013. A new constitution was approved by referendum in January 2014. Current President Abdel Fattah el-Sisi was elected in May 2014. Despite continued terrorist attacks, the vital tourism industry has begun to revive, and there are signs of increased investment and economic growth. Egypt has only a small amount of arable land, but farming is an important part of its relatively well-diversified economy.

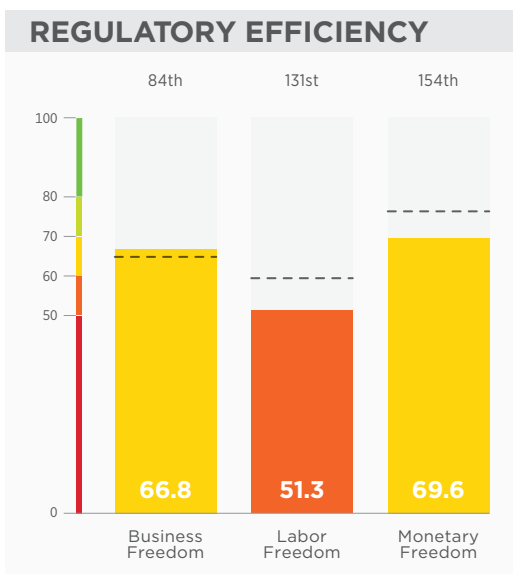
# 12 ECONOMIC FREEDOMS | EGYPT



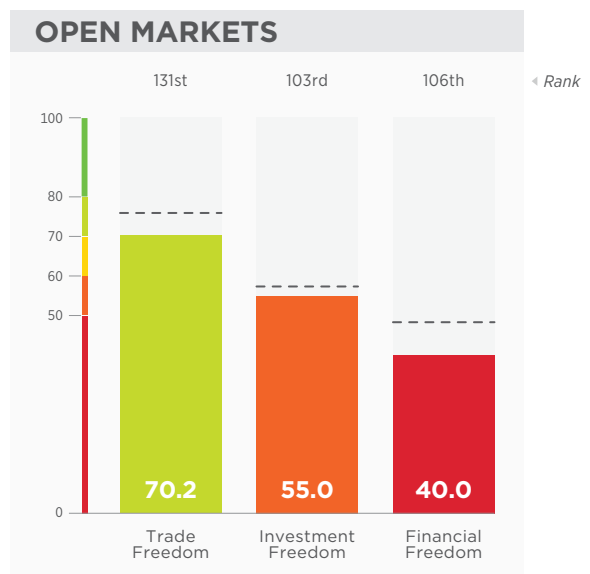
Although protection of property rights is slightly improved overall, it weakened in the Sinai in 2015 due to government counterinsurgency efforts there. The rule of law remains highly unstable, and the judicial system has become more politicized, although the judiciary has become more efficient in resolving commercial disputes. Corruption pervades all levels of government, and official mechanisms for investigating and punishing it are very weak.



The top individual and corporate income tax rates are 25 percent. Other taxes include a property tax and a general sales tax. The overall tax burden equals 11.9 percent of total domestic income. Government spending has amounted to 35.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 12.7 percent of GDP. Public debt is equivalent to 87.7 percent of GDP.



Ongoing regulatory reforms have made starting a business less time-consuming, but without needed reforms in other critical areas, they have not had much real impact. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. In 2016, the government increased prices for petroleum products and electricity as part of an effort to reduce the burden of energy subsidies on the state budget.



Trade is moderately important to Egypt's economy; the value of exports and imports taken together equals 35 percent of GDP. The average applied tariff rate is 7.4 percent. Foreign investment in several sectors of the economy is restricted, and numerous state-owned enterprises distort the economy. The state's presence in the financial sector has been phased out, but modernization of the sector has progressed slowly.

# IRAN

Iran's intrusive state and institutional shortcomings continue to hold back more broadly based economic development. Deriving most of its revenue from the oil sector, the state owns and directly operates numerous enterprises and indirectly controls many companies affiliated with the security forces. The rule of law remains vulnerable to political interference and oppression.

The private sector is largely marginalized by the restrictive regulatory environment and government inefficiency and mismanagement. Modest efforts to enhance the business climate have occasionally been undone to maintain the status quo. The repressive climate stifles innovation.

WORLD RANK:

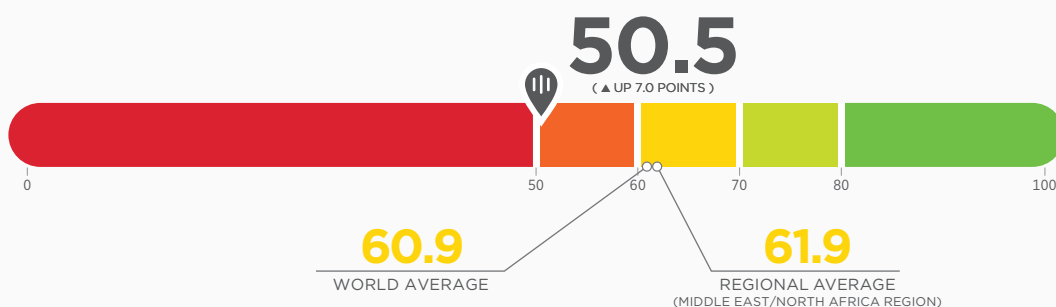
155

REGIONAL RANK:

13

ECONOMIC FREEDOM STATUS:  
**MOSTLY UNFREE**

## ECONOMIC FREEDOM SCORE

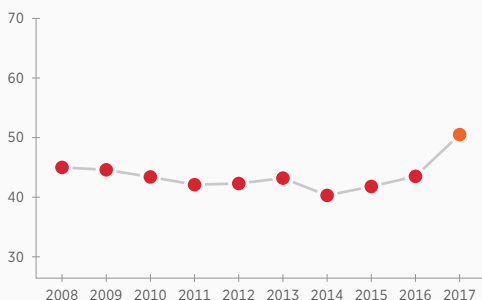


**NOTABLE SUCCESSSES:**  
None

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

**OVERALL SCORE CHANGE SINCE 2013:**  
+7.3

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
79.0 million

**GDP (PPP):**  
\$1.4 trillion  
0.0% growth in 2015  
5-year compound annual growth -0.1%  
\$17,251 per capita

**UNEMPLOYMENT:**  
10.5%

**INFLATION (CPI):**  
12.0%

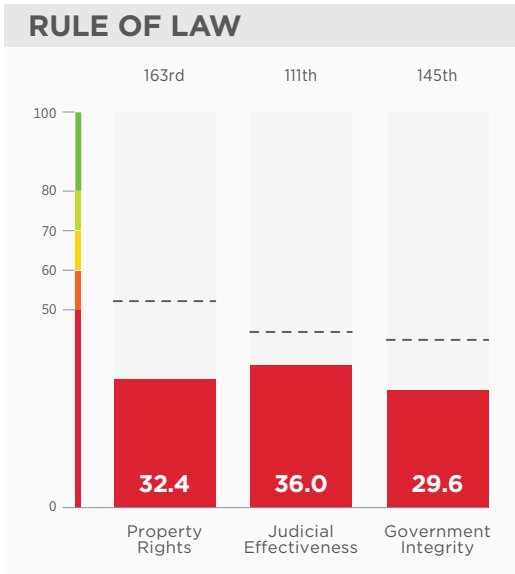
**FDI INFLOW:**  
\$2.1 billion

**PUBLIC DEBT:** 17.1% of GDP

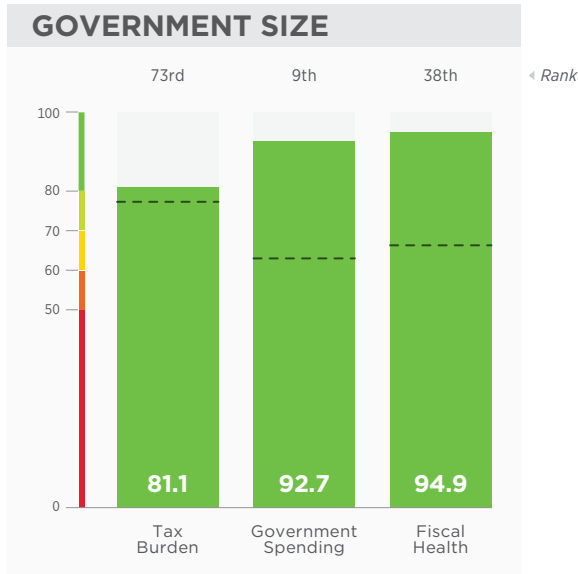
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** After the pro-Western shah was overthrown in 1979, radical Islamic forces established a theocratic government with religious authorities holding the most power. The president, who has limited powers, is elected every four years by popular vote in a process controlled by hard-line clerics who veto candidates that threaten the regime. Current President Hassan Rouhani, elected in 2013 as a pragmatist, has tried to steer a less confrontational path in dealing with foreign powers. Iran has the world's second-largest reserves of natural gas and fourth-largest reserves of crude oil. The relaxation of sanctions and reintegration into the international economy as a result of the July 2015 nuclear agreement are expected to bolster foreign investment and increase trade.

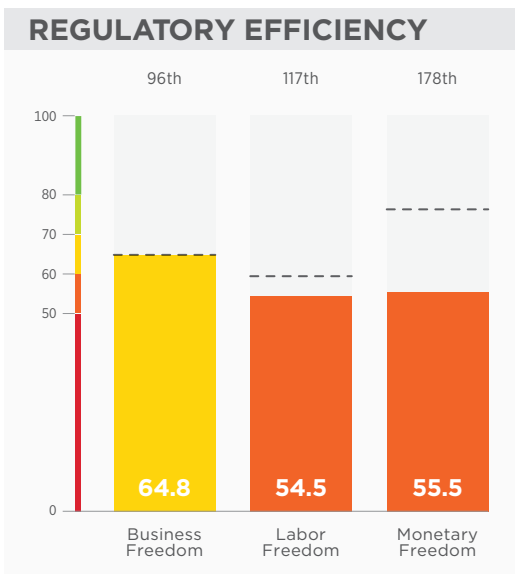
# 12 ECONOMIC FREEDOMS | IRAN



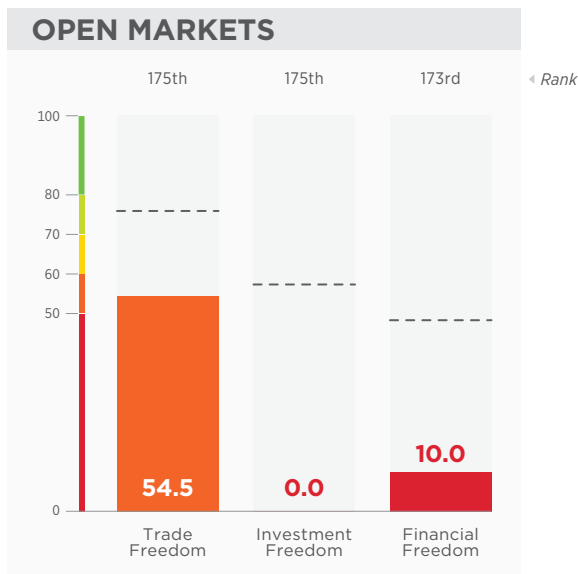
The government has confiscated property belonging to religious minorities. The judicial system is not independent; the supreme leader directly appoints the head of the judiciary, who in turn appoints senior judges. Corruption is pervasive. The hard-line clerical establishment has gained great wealth through control of tax-exempt foundations that dominate many economic sectors.



The top personal income tax rate is 35 percent. The top corporate tax rate is 25 percent. All property transfers are subject to a standard tax. The overall tax burden equals 6.4 percent of total domestic income. Government spending of tax and oil revenue has amounted to 15.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 17.1 percent of GDP.



The restrictive regulatory environment, exacerbated by the state's economic planning process and excessive bureaucracy, continues to hamper private investment and production. Labor regulations are restrictive, and the labor market remains stagnant. Price controls and subsidies that date from the early years of the Islamic Revolution have been reduced in scope in recent years.



Trade is moderately important to Iran's economy; the value of exports and imports taken together equals 43 percent of GDP. The average applied tariff rate is 15.2 percent. International sanctions and domestic barriers limit foreign investment. Stringent government controls limit access to financing for businesses. State-owned commercial banks and specialized financial institutions account for a majority of banking-sector assets.

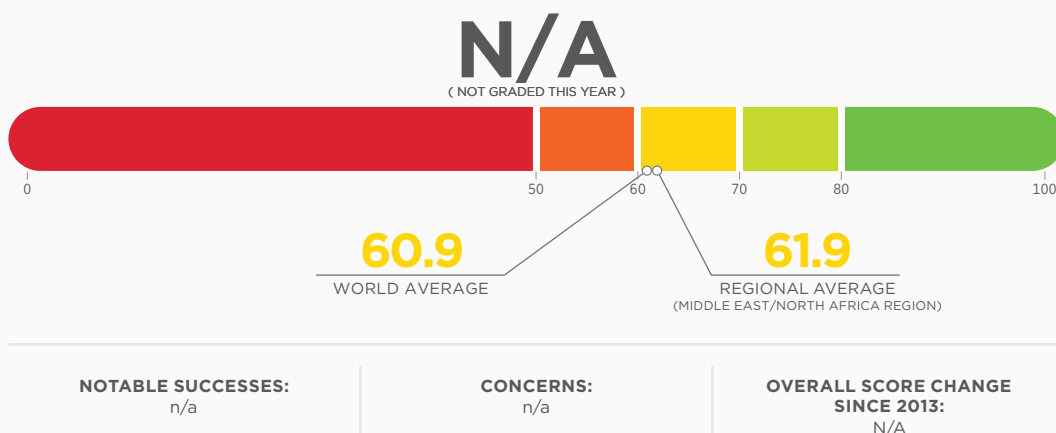
# IRAQ

The collapse of oil prices significantly damaged Iraq's long-term fiscal health, investment climate, and standard of living. Prime Minister Haider al-Abadi has enacted measures to reform state-owned enterprises, fight corruption, and reduce bureaucratic bottlenecks, but overall progress has been uneven and marginal. Due to the absence of reliable data, Iraq is not ranked in the 2017 *Index*.

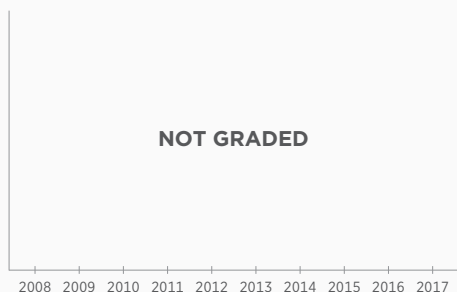
Among other ongoing challenges, Iraq's economy lacks effective monetary and fiscal policies. The weak state of the financial system, coupled with its limited role within the economy, also makes development of a much-needed dynamic private sector extremely difficult and fragile. The main challenges are improving security and restoring the rule of law.

WORLD RANK: **N/A** REGIONAL RANK: **N/A**  
ECONOMIC FREEDOM STATUS: **NOT GRADED**

## ECONOMIC FREEDOM SCORE



## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
37.0 million

**GDP (PPP):**  
\$544.1 billion  
2.4% growth in 2015  
5-year compound annual growth 5.7%  
\$15,474 per capita

**UNEMPLOYMENT:**  
16.9%

**INFLATION (CPI):**  
1.4%

**FDI INFLOW:**  
\$3.5 billion

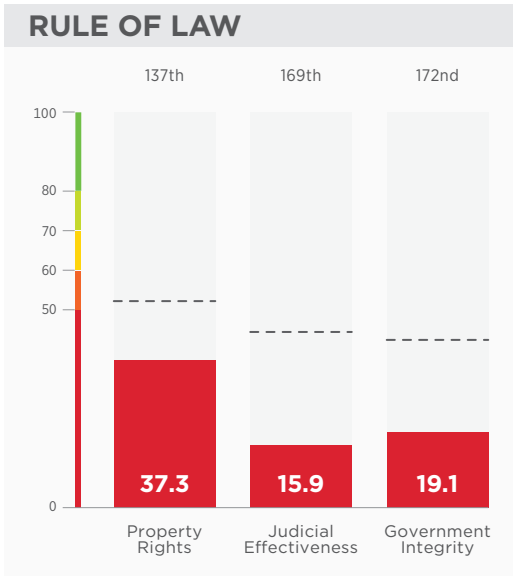
**PUBLIC DEBT:**  
66.1% of GDP

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

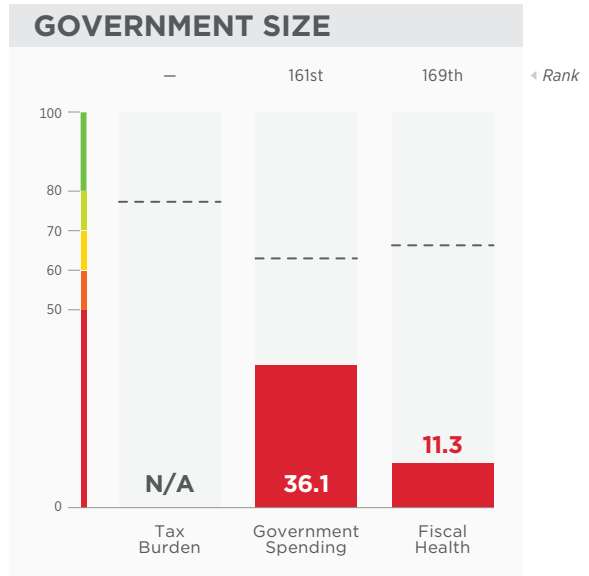
**BACKGROUND:** Iraq has become increasingly unstable since 2013 due to the rise of the Islamic State (formerly known as the Islamic State in Iraq and Syria, or ISIS) and declining world oil prices. Prime Minister Nuri al-Maliki's party won the largest number of seats in the April 2014 parliamentary elections, but he alienated Sunni Arabs and Kurds with a heavy-handed sectarian agenda. He stepped down in August 2014 and was succeeded by Haider al-Abadi. The oil industry provides more than 90 percent of government revenue. The war against the Islamic State imposes a high cost on the economy, and the central government is corrupt and ineffective.



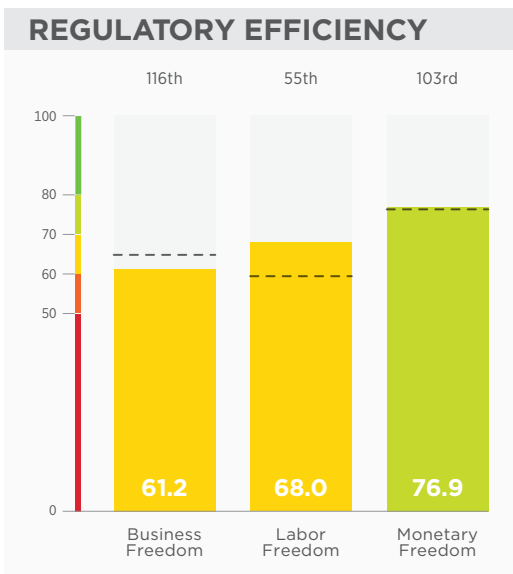
# 12 ECONOMIC FREEDOMS | IRAQ



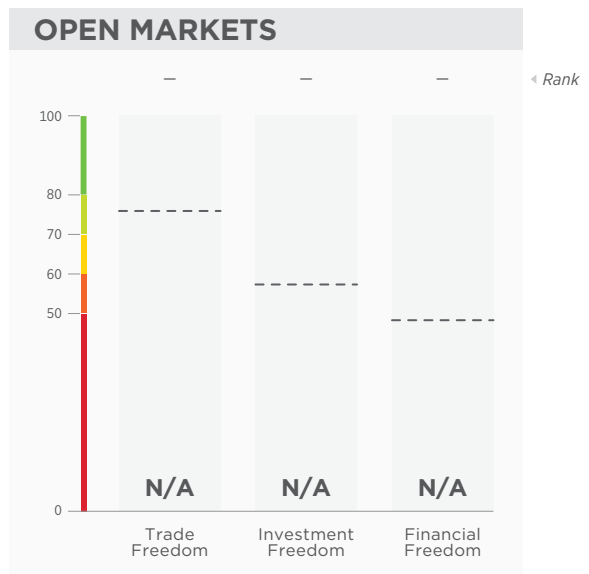
Partly as a result of the state's limited administrative capacity, property rights are not well protected. The judiciary in Iraq is heavily influenced by political, tribal, and religious forces. Officials throughout the government often engage in corrupt practices with impunity, and investigation of corruption is politically influenced. Bribery, money laundering, nepotism, and misappropriation of public funds are commonplace.



Individual and corporate income tax rates are capped at 15 percent. Tax revenue as a percentage of GDP is negligible due to high levels of evasion and lax enforcement. Public spending is estimated to equal more than half of total domestic output, and the budget records surpluses only because of oil revenue, which funds more than 90 percent of government expenses. Public debt is equivalent to 66.1 percent of GDP.



The application of existing regulations has been inconsistent and nontransparent. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. The government has struggled to comply with 2016 IMF requirements that it make politically difficult reductions in fuel and food subsidies even as it faces lower revenues from oil and instability caused by ISIS.



Trade is important to Iraq's economy; the value of exports and imports taken together equals 50 percent of GDP. Judicial and regulatory system problems discourage foreign trade and investment, and numerous state-owned enterprises distort the economy. Iraq's cash-based economy lacks the infrastructure of a fully functioning financial system. The legal and institutional framework has not strengthened enough to deepen financial intermediation.

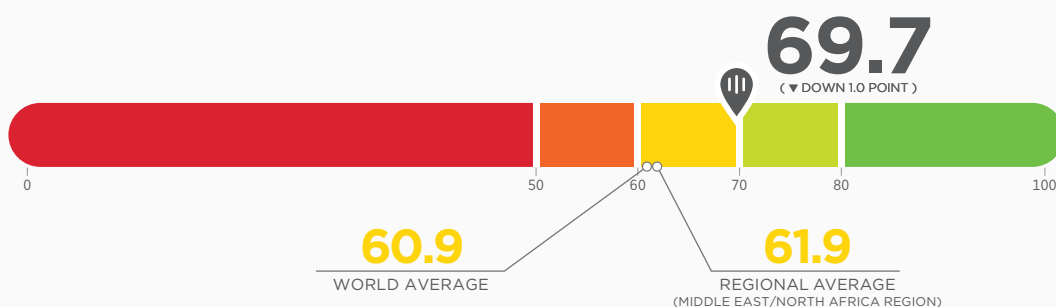
# ISRAEL

**D**espite a very challenging external economic environment, Israel's economy has been on a path of economic expansion. With the productive base increasingly diversified and structural reforms ongoing, steady growth has averaged over 3 percent annually over the past five years. Economic competitiveness has been anchored in strong protection of property rights and facilitated by openness to global trade and investment.

Business start-ups have been well supported by efficient regulatory processes and effective policy coordination. Israel has the world's highest concentration of high-technology start-ups per capita. Contributing to overall stability, the sound judicial framework sustains the rule of law. Maintaining better management of public finance will be critical to ensuring economic resilience.

WORLD RANK: **36** | REGIONAL RANK: **3**  
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

## ECONOMIC FREEDOM SCORE

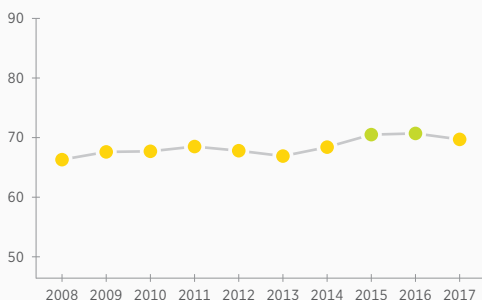


**NOTABLE SUCCESSSES:**  
Open Markets, Property Rights, and Judicial Effectiveness

**CONCERNS:**  
Government Integrity, Tax Burden, and Government Spending

**OVERALL SCORE CHANGE SINCE 2013:**  
+2.8

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
8.4 million

**GDP (PPP):**  
\$281.9 billion  
2.6% growth in 2015  
5-year compound annual growth 3.3%  
\$33,656 per capita

**UNEMPLOYMENT:**  
5.0%

**INFLATION (CPI):**  
-0.6%

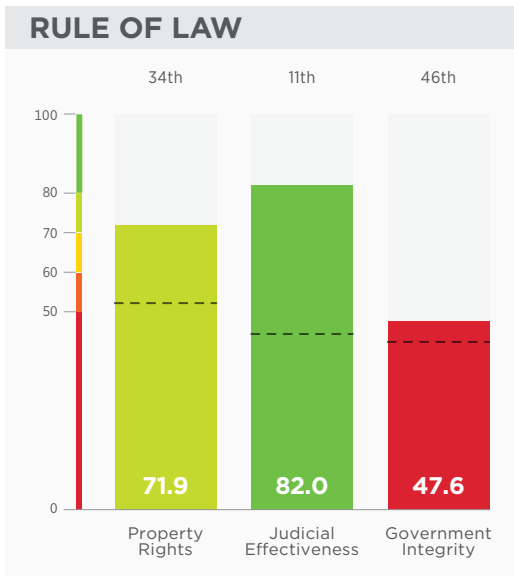
**FDI INFLOW:**  
\$11.6 billion

**PUBLIC DEBT:**  
64.6% of GDP

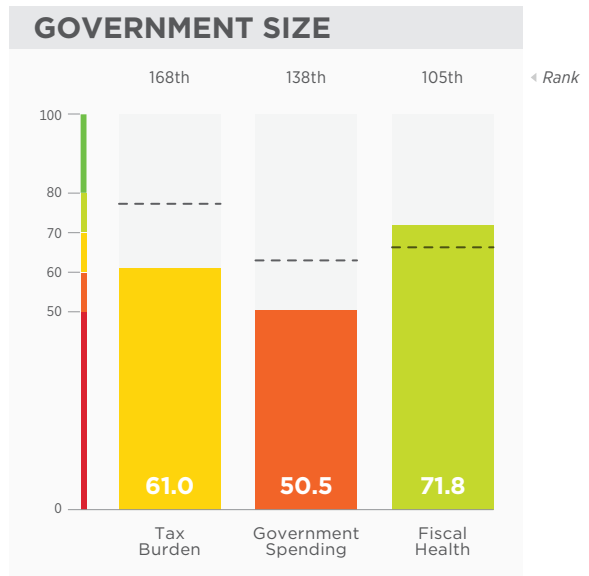
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Israel gained independence in 1948, and its vibrant democracy remains unique in the region. Prime Minister Benjamin Netanyahu, reelected in March 2015, leads a coalition government of right-leaning and religious parties. Israel has a modern market economy with a thriving high-technology sector that attracts considerable foreign investment. The recent discovery of large offshore natural gas deposits has improved both its energy security and its balance-of-payments prospects. Despite the 2006 war against Hezbollah in Lebanon and the 2008–2009, 2012, and 2014 wars against Hamas in Gaza, as well as the constant threat of terrorism, Israel's economy is fundamentally sound and dynamic.

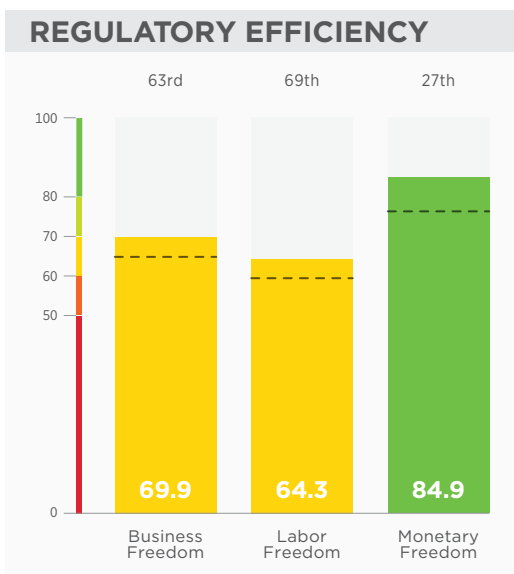
# 12 ECONOMIC FREEDOMS | ISRAEL



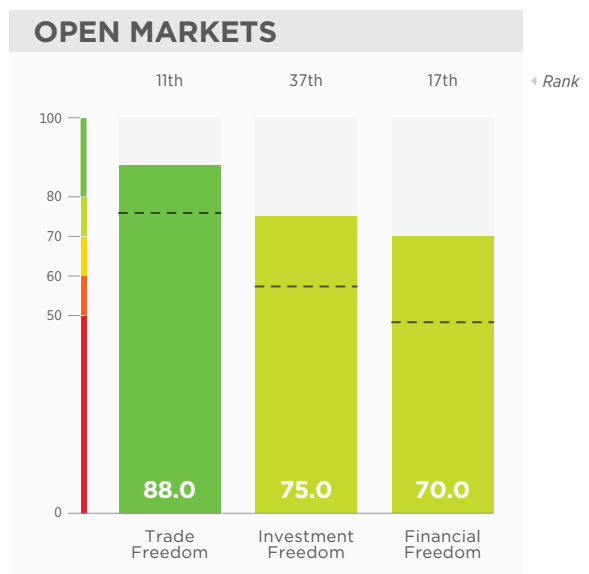
Secured interests in property are recognized, and the system for recording titles is reliable. Israel's judicial system, based on British common law, enforces property and contractual rights effectively. Courts are independent. Bribery and other forms of corruption are illegal. A strong societal intolerance for graft underpins governance with relatively low levels of corruption and has strengthened the foundations of economic freedom.



The top personal income tax rate is 48 percent. The corporate tax rate has been cut to 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden equals 31.1 percent of total domestic income. Government spending has amounted to 40.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 64.6 percent of GDP.



The overall regulatory framework promotes efficiency and entrepreneurial activity. The labor market needs more flexibility to accommodate the rapidly transforming economy, but the nonsalary cost of employing a worker is relatively low. Since widespread demonstrations in 2011, the government has maintained economically distorting price controls for many basic foods such as dairy products, eggs, bread, and salt and for basic banking services.



Trade is important to Israel's economy; the value of exports and imports taken together equals 59 percent of GDP. The average applied tariff rate is 1.0 percent. The government owns most of the land, and state-owned enterprises distort the economy. The financial sector facilitates a high level of capital liquidity. Banking remains concentrated, but commercial banks offer a range of financial services that support private-sector development.

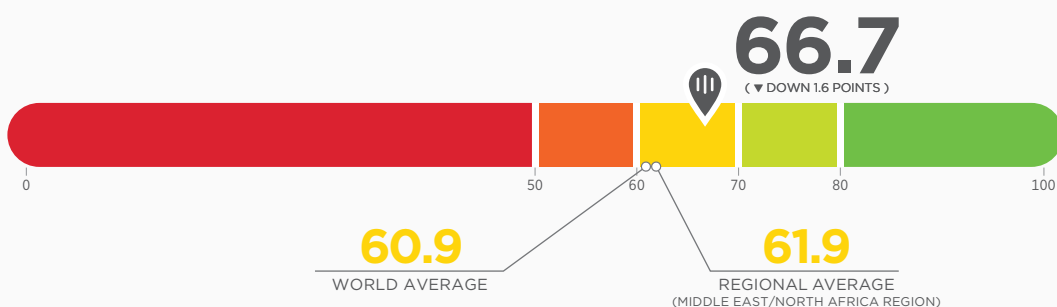
# JORDAN

**E**conomic freedom in Jordan has suffered in recent years with rising public debt and persistent budget deficits. The country has become home to a large number of refugees, putting further stress on the government's finances. Regional instability also disrupts trade routes and restricts tourism inflows.

The government has eliminated nearly all fuel subsidies, and many state-owned enterprises have been privatized. A three-year agreement with the International Monetary Fund concluded in August 2016 supports fiscal consolidation and structural reforms. Future adjustments are planned to focus on better-targeted capital spending and private-sector development. Overall economic freedom is curtailed by corruption and the judicial system's vulnerability to political influence.



## ECONOMIC FREEDOM SCORE

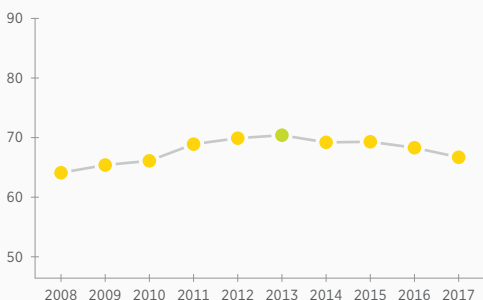


**NOTABLE SUCCESSSES:**  
Trade Freedom and Monetary Stability

**CONCERNS:**  
Judicial Effectiveness, Government Integrity, and Fiscal Health

**OVERALL SCORE CHANGE SINCE 2013:**  
-3.7

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
6.8 million

**GDP (PPP):**  
\$82.7 billion  
2.5% growth in 2015  
5-year compound annual growth 2.7%  
\$12,123 per capita

**UNEMPLOYMENT:**  
12.9%

**INFLATION (CPI):**  
-0.9%

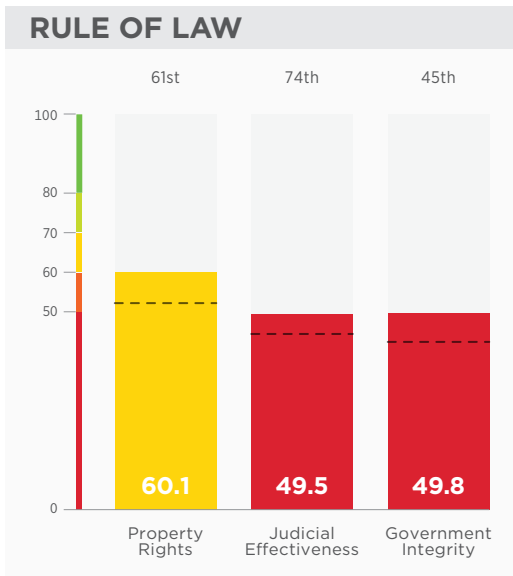
**FDI INFLOW:**  
\$1.3 billion

**PUBLIC DEBT:**  
91.7% of GDP

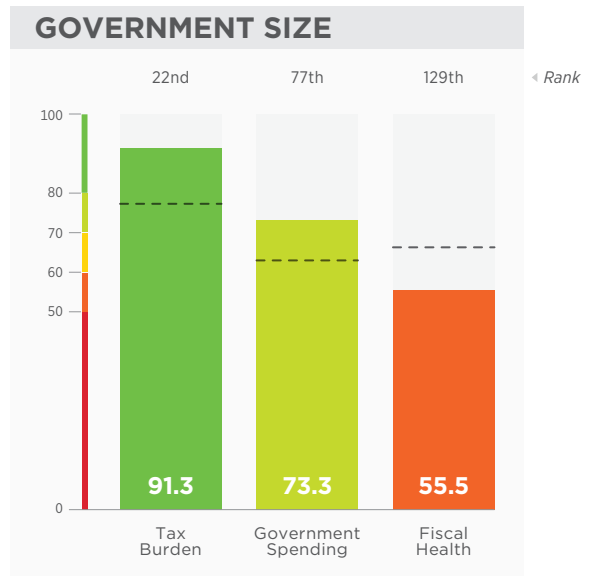
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** In 2011, constitutional monarch King Abdallah II responded to Arab Spring demonstrations by dismissing his cabinet and ceding greater authority to the judiciary and parliament. Since then, constitutional amendments aimed at restoring power to the crown have raised concerns that Arab Spring reforms were superficial. Foreign loans, international aid, and remittances from expatriate workers support the economy. In 2000, Jordan joined the World Trade Organization and signed a free trade agreement with the United States. The ongoing conflicts in Iraq and Syria have severely disrupted traditional economic activities and have exacerbated the challenges of governing an already diverse population.

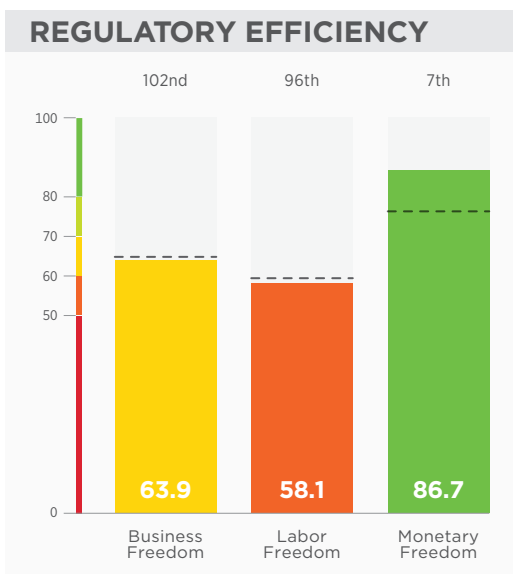
# 12 ECONOMIC FREEDOMS | JORDAN



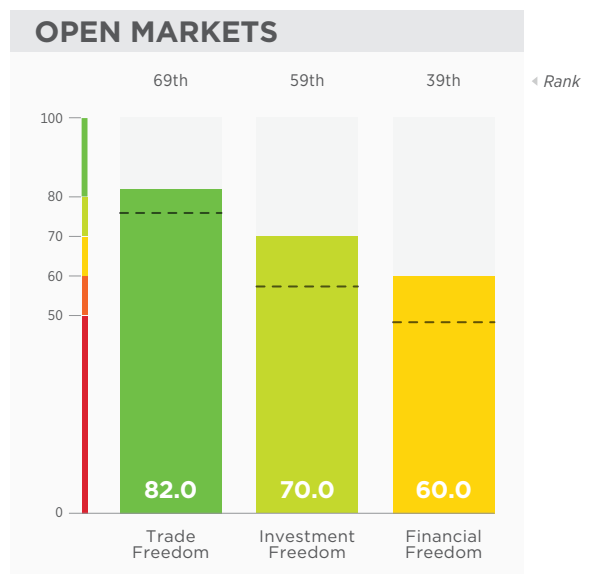
Property rights are respected for the most part. The judiciary is generally independent, but the king is the ultimate authority. The use of family, business, and other personal connections to advance business and interests, known in the Middle East as *wasta*, is endemic in Jordan. Weak investigative journalism, limited access to information, and a lack of institutional checks and balances undermine efforts to combat widespread corruption.



The top individual income tax rate is 14 percent. As of January 1, 2015, the standard corporate tax rate rose to 20 percent. The overall tax burden equals 16.7 percent of total domestic income. Government spending has amounted to 29.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 91.7 percent of GDP.



Despite persistent bureaucratic obstacles and delays, reforms carried out in recent years have made business formation and operation more efficient and dynamic. Progress toward reforming bloated public-sector employment has been dismal. Under ongoing IMF agreements, the government has eliminated nearly all fuel subsidies and in 2016 pressed ahead with price increases to reduce losses at the state-owned electric and water companies.



Trade is important to Jordan's economy; the value of exports and imports taken together equals 98 percent of GDP. The average applied tariff rate is 4.0 percent. The government screens foreign investment and restricts investment in some sectors of the economy. Along with financial-sector policies that are intended to enhance competition and efficiency, banking supervision and regulation generally conform to international standards.

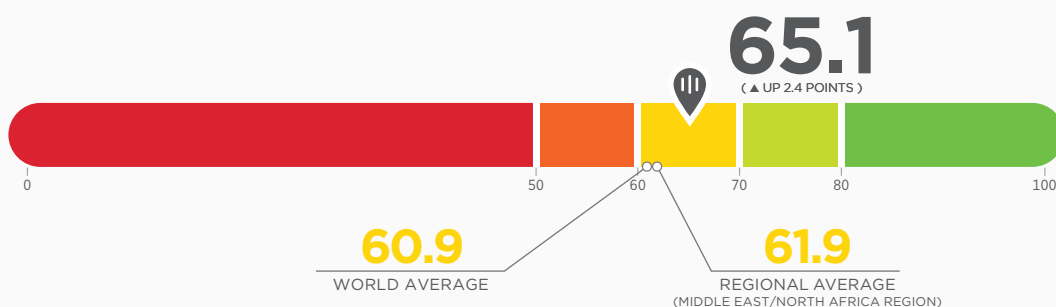
# KUWAIT

**K**uwait is trying to modernize the structure of its economy and scores relatively well in many of the 12 economic freedoms. The economy benefits from high levels of openness to global commerce and good monetary stability. Progress on enhancing the efficiency of business regulations, however, has been mixed.

The availability of high oil revenues has delayed privatization and other structural reforms that would diversify the economy; following the collapse of oil prices in 2015, Kuwait recorded a budget deficit for the first time in 15 years. Institutional deficiencies stemming from state bureaucracy and an entitlement culture stifle economic dynamism. The judicial system is subject to political influence and lacks transparency.



## ECONOMIC FREEDOM SCORE

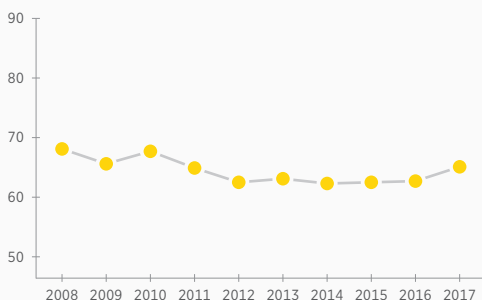


**NOTABLE SUCCESSSES:**  
Trade Freedom and Monetary Stability

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

**OVERALL SCORE CHANGE SINCE 2013:**  
+2.0

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.1 million

**GDP (PPP):**  
\$288.4 billion  
0.9% growth in 2015  
5-year compound annual growth 4.0%  
\$70,166 per capita

**UNEMPLOYMENT:**  
3.5%

**INFLATION (CPI):**  
3.4%

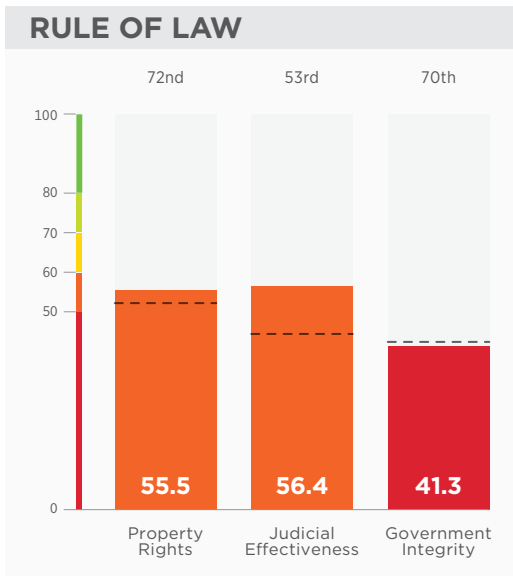
**FDI INFLOW:**  
\$293.5 million

**PUBLIC DEBT:**  
10.6% of GDP

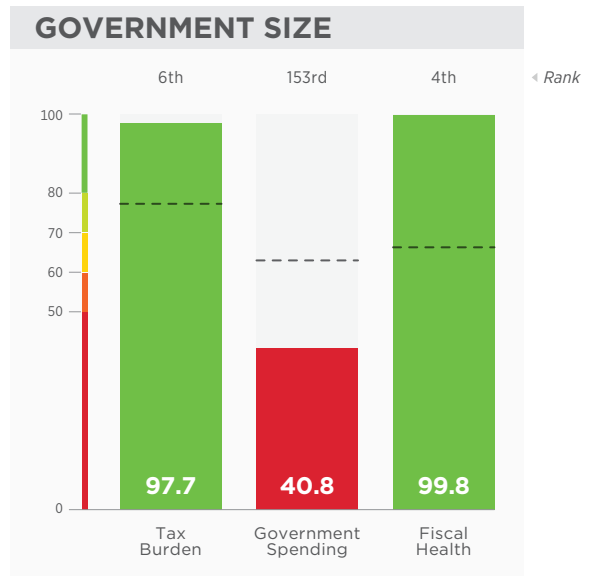
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Kuwait, the first Gulf Arab country to establish an elected parliament, is a constitutional monarchy ruled by the al-Sabah dynasty. After Islamists scored major gains in parliamentary elections in February 2012, Emir Sabah al-Ahmad al-Jabr al-Sabah annulled the results and changed the election laws. This sparked protests and a boycott of the subsequent election, the results of which were annulled by the Constitutional Court. In July 2013 balloting, pro-government Sunni candidates won a significant majority. Kuwait controls roughly 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and 94 percent of export revenues.

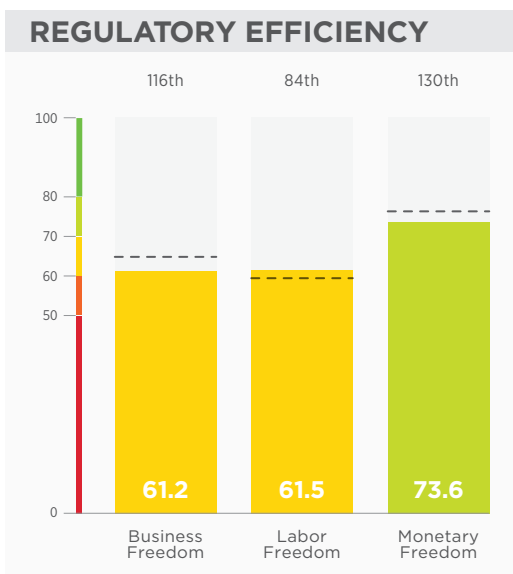
# 12 ECONOMIC FREEDOMS | KUWAIT



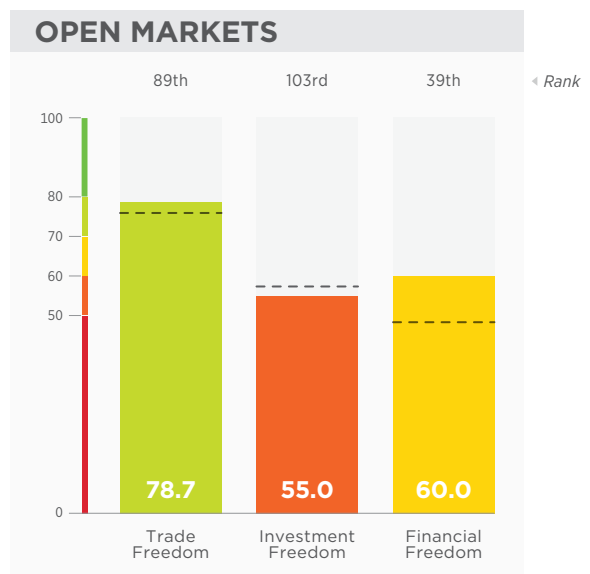
Only citizens of Gulf Cooperation Council countries may own land. The legal system is not well developed, and foreigners face difficulties enforcing contract provisions in local courts. The emir appoints all judges. The ruling family has blocked attempts by the opposition in parliament to investigate corruption. Transparency in government spending and operations is inadequate, and the rule of law is weak.



Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the corporate income tax, which is a flat 15 percent. The overall tax burden equals 0.9 percent of total domestic income. Government spending has amounted to 44.4 percent of total output (GDP) over the past three years, and budget surpluses have averaged 20.6 percent of GDP. Public debt is equivalent to 10.6 percent of GDP.



In an effort to enhance the economy's overall competitiveness, Kuwait has taken steps to improve its regulatory framework, but progress has been slow. The labor market is highly segmented. The public sector employs over 70 percent of the labor force. In 2016, public opposition slowed implementation of the government's five-year (2015–2019) development plan for the gradual phasing out of Kuwait's extensive system of subsidies.



Trade is important to Kuwait's economy; the value of exports and imports taken together equals 99 percent of GDP. The average applied tariff rate is 3.2 percent. Foreign investment may be screened by the government. The financial sector continues to evolve. The number of nonperforming loans is declining, and the banking sector remains well capitalized. Kuwait's stock exchange was privatized in 2016.

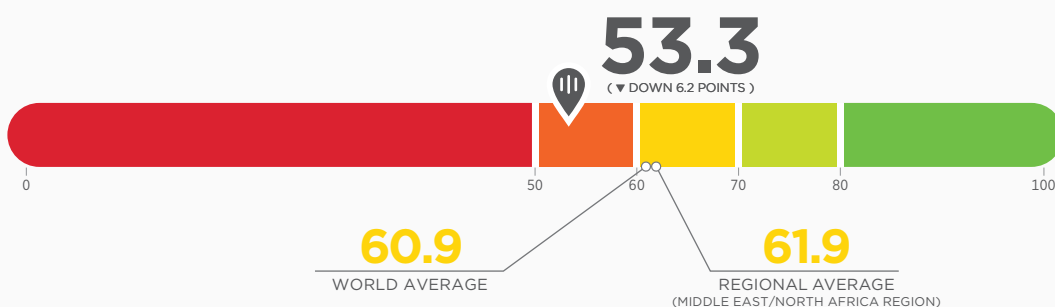
# LEBANON

**L**ebanon was once a leading regional center for finance and tourism, but its economy has fallen on hard times. The investment climate is undermined by political instability and continuing turmoil in Syria, rising sectarian tensions, and terrorism. The destabilizing spillover effects of the Syrian civil war, including the influx of over a million registered Syrian refugees, has had a negative impact on economic growth.

The fiscal deficit continues to be substantial, with reduced assistance from the Gulf countries complicating near-term financial management. The increasingly burdensome cost of debt service accounts for over one-third of public spending.

WORLD RANK: **137** | REGIONAL RANK: **11**  
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

## ECONOMIC FREEDOM SCORE

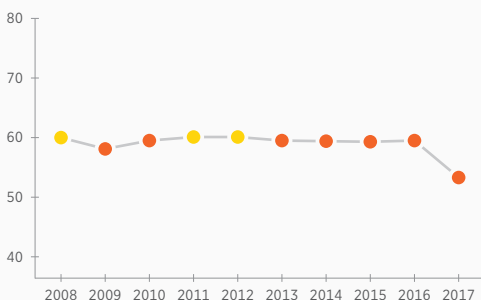


**NOTABLE SUCCESSSES:**  
Trade Freedom and  
Monetary Stability

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

**OVERALL SCORE CHANGE  
SINCE 2013:**  
-6.2

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.6 million

**GDP (PPP):**  
\$83.1 billion  
1.0% growth in 2015  
5-year compound  
annual growth 1.8%  
\$18,240 per capita

**UNEMPLOYMENT:**  
7.1%

**INFLATION (CPI):**  
-3.7%

**FDI INFLOW:**  
\$2.3 billion

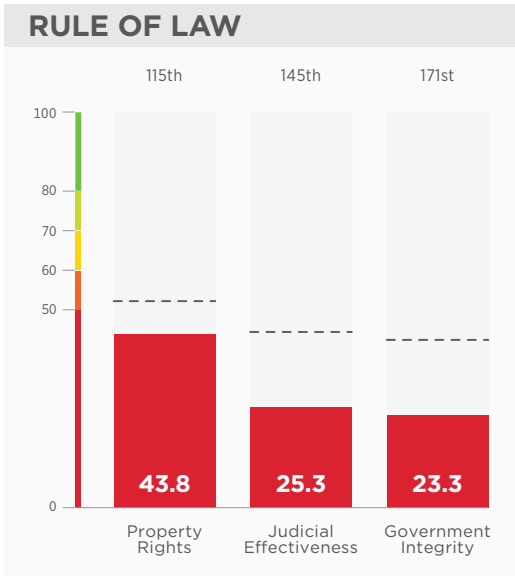
**PUBLIC DEBT:**  
139.1% of GDP

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

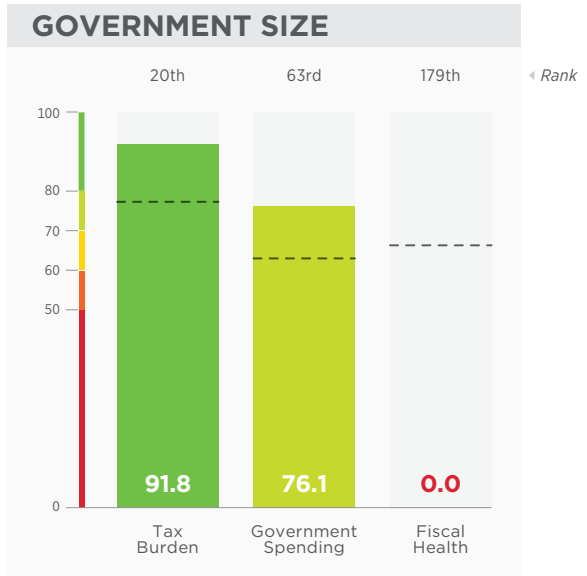
**BACKGROUND:** Lebanon has been destabilized since 1975 by civil war, Syrian occupation, and clashes between Israel and the powerful Shia Islamist group, Hezbollah, which is backed by Iran. Syria withdrew its army in 2005 after its government was implicated in the assassination of former Lebanese Prime Minister Rafiq Hariri. These sectarian tensions have led to complex power-sharing arrangements that hinder political cooperation on key government appointments and substantive policy issues. The Sunni-dominated Future Movement blocked the election by Lebanon's parliament of Michel Aoun, an 81-year-old former army general and Maronite Christian, as president for two years, until late October 2016. President Aoun was backed by Hezbollah.



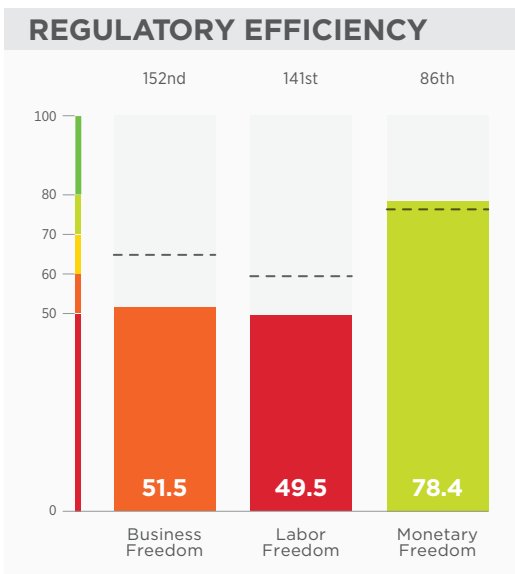
# 12 ECONOMIC FREEDOMS | LEBANON



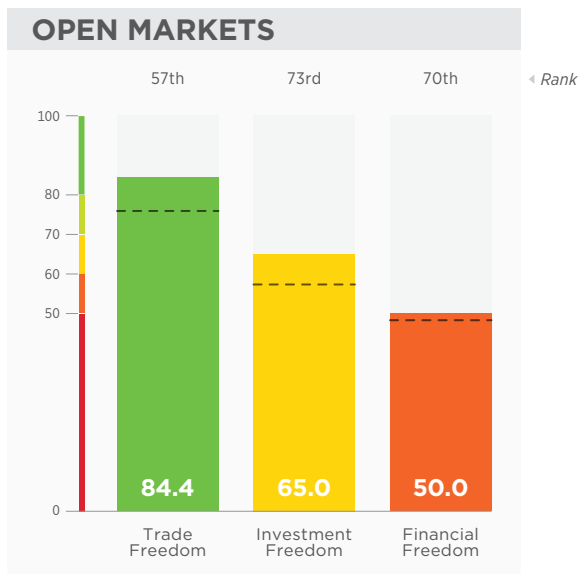
Lebanon has made transferring property more complex by increasing the time required for property registration. Political forces hold sway over an officially independent judiciary. The Supreme Judicial Council is composed of 10 judges, eight of whom are nominated by the president and the cabinet. Corruption is reportedly pervasive in government contracts (primarily in procurement and public works) and in taxation and real estate registration.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 15 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 13.8 percent of total domestic income. Government spending has amounted to 28.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 139.1 percent of GDP.



The overall freedom to establish and run a business remains limited by the poor regulatory environment. The cost of starting a business and completing licensing requirements is high. The labor market, undermined by political instability, continues to be stagnant. Although annual government transfers to the unprofitable state-owned power utility consume 15 percent of the budget, Lebanon continues to suffer from pervasive blackouts.



Trade is extremely important to Lebanon's economy; the value of exports and imports taken together equals 122 percent of GDP. The average applied tariff rate is 2.8 percent. State-owned enterprises distort the economy, and the regulatory and judicial systems discourage foreign investment. Lebanon's financial sector used to be a regional hub, but ongoing political insecurity has subjected it to massive uncertainty and strain.

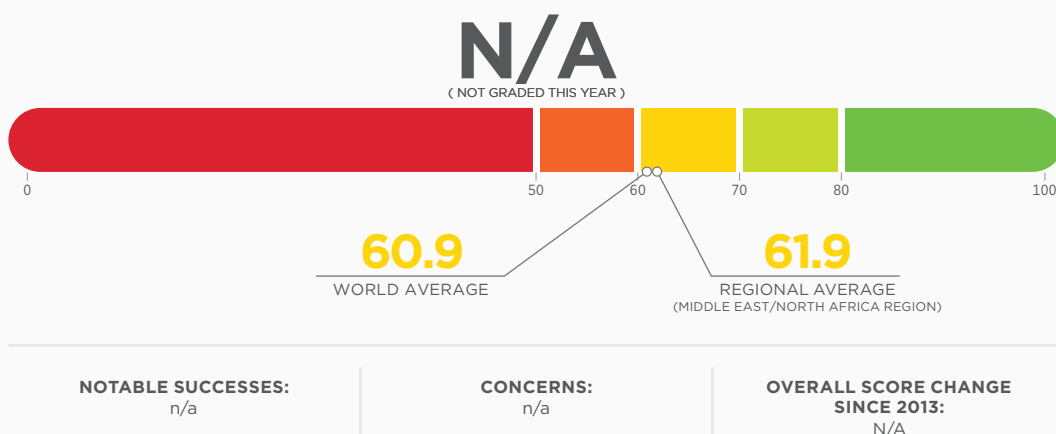
# LIBYA



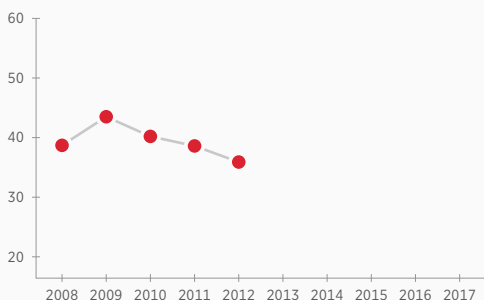
The level of economic freedom in Libya remains unrated because of a lack of reliable comparable data. Official government compilations of economic data are inadequate, and data reported by many of the international sources relied upon for *Index* grading remain incomplete.

Economic recovery since the overthrow of Muammar Qadhafi's regime has been fragile. Political instability, factional clashes, and security threats from domestic and foreign followers of the Islamic State are significant constraints on economic growth and meaningful development. The government faces major challenges in disarming and demobilizing militias, enforcing the rule of law, and reforming the state-dominated economy.

## ECONOMIC FREEDOM SCORE



## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
6.3 million

**GDP (PPP):**  
\$92.6 billion  
-6.4% growth in 2015  
5-year compound  
annual growth -0.3%  
\$14,650 per capita

**UNEMPLOYMENT:**  
20.6%

**INFLATION (CPI):**  
8.0%

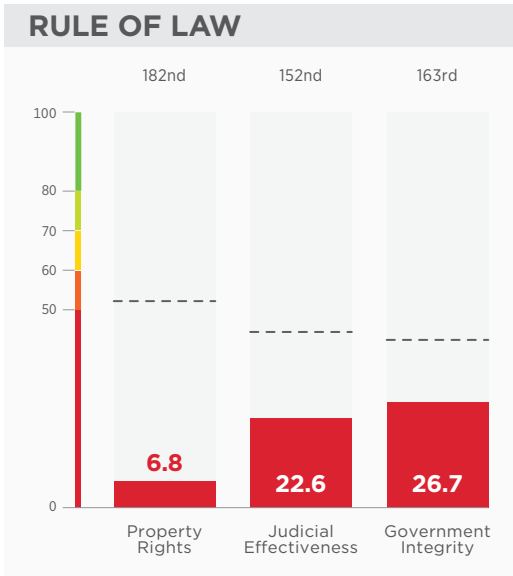
**FDI INFLOW:**  
\$725.7 million

**PUBLIC DEBT:**  
65.4% of GDP

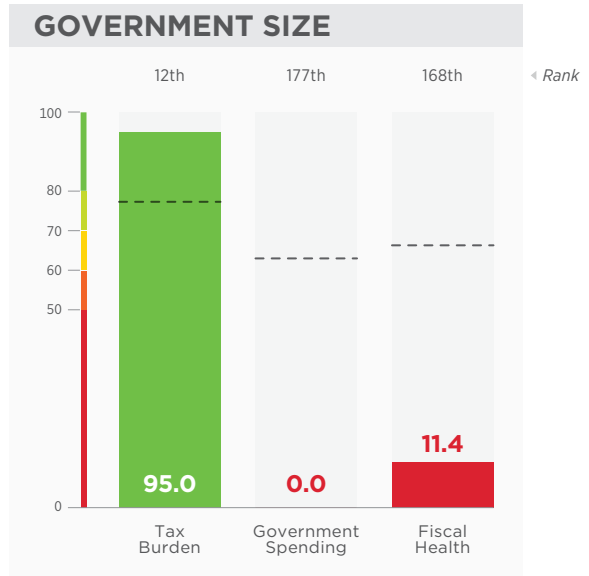
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Dictator Muammar Qadhafi was overthrown in 2011, and political upheaval continues to this day. In June 2014, Libya held its second parliamentary election since the fall of Qadhafi; in November, the Supreme Constitutional Court ruled that the elected parliament was constitutionally illegitimate. Pro-Islamist militias allied with the Muslim Brotherhood have established parallel institutions. In March 2016, the U.N. brokered the establishment of a national unity government in Tripoli to replace the two rival administrations. Oil and natural gas provide about 80 percent of GDP, 95 percent of export revenues, and 99 percent of government revenues. Extremists have attacked oilfields and seized oil infrastructure, threatening government control of oil and gas revenues.

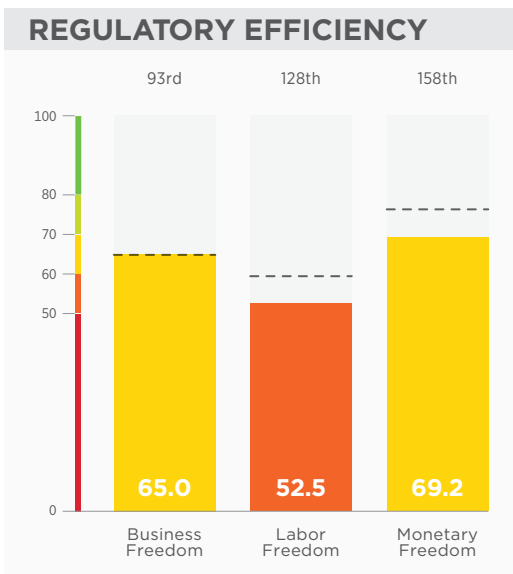
# 12 ECONOMIC FREEDOMS | LIBYA



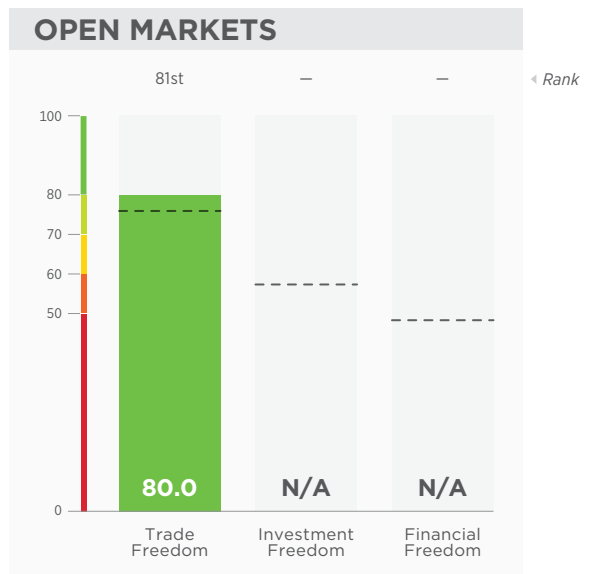
Libyans have the right to own property and can start businesses, but regulations and protections are not upheld in practice. The World Bank's 2015 *Doing Business* report ranked Libya 188th out of 189 economies surveyed. Businesses and homes have been confiscated by militants, particularly in Libya's eastern regions and in Benghazi. Without a permanent constitution, the role of the judiciary remains unclear. Corruption is pervasive.



The top income tax rate is 10 percent, but other taxes make the top rate much higher in practice. The top effective corporate tax rate is 20 percent. Taxation has not been enforced effectively since early 2011. Government spending has amounted to 74.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 32.9 percent of GDP. Public debt is equivalent to 65.4 percent of GDP.

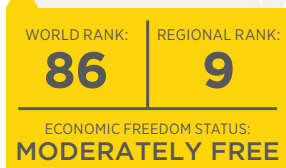


The existing regulatory framework is severely undermined by ongoing political instability and turmoil. The labor market remains destabilized, and the large informal sector is an important source of employment. Fearful of exacerbating social unrest, the central bank uses its large stock of foreign reserves to operate as a de facto ministry of finance, funding subsidies in the absence of a unified government.



Trade is extremely important to Libya's economy; the value of exports and imports taken together equals 137 percent of GDP. Political instability is a major impediment to foreign trade and investment. The financial infrastructure has been significantly degraded by unstable political and economic conditions. Limited access to financing severely impedes any meaningful private business development.

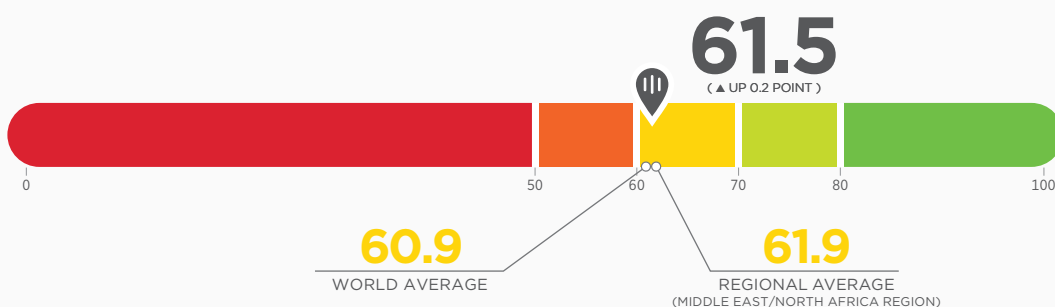
# MOROCCO



**M**orocco continues to make gradual but notable progress in economic liberalization. The country is benefiting from a commitment to economic reforms that encourage a dynamically evolving private sector. Policies that facilitate competitiveness and diversification of the productive base have contributed to economic expansion averaging around 4 percent annually over the past five years. However, a large segment of the labor force remains marginalized because of inflexible labor regulations.

Although Morocco is a strong reformer in the area of private-sector development, overall progress will depend on the government's willingness to confront long-standing challenges that require deeper reforms, particularly in connection with the rule of law.

## ECONOMIC FREEDOM SCORE

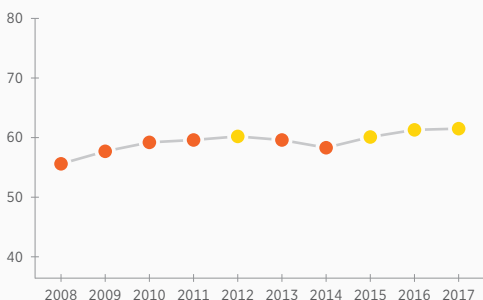


**NOTABLE SUCCESSSES:**  
Open Markets and  
Monetary Stability

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

**OVERALL SCORE CHANGE  
SINCE 2013:**  
+1.9

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
33.5 million

**GDP (PPP):**  
\$273.5 billion  
4.5% growth in 2015  
5-year compound  
annual growth 4.0%  
\$8,164 per capita

**UNEMPLOYMENT:**  
9.6%

**INFLATION (CPI):**  
1.6%

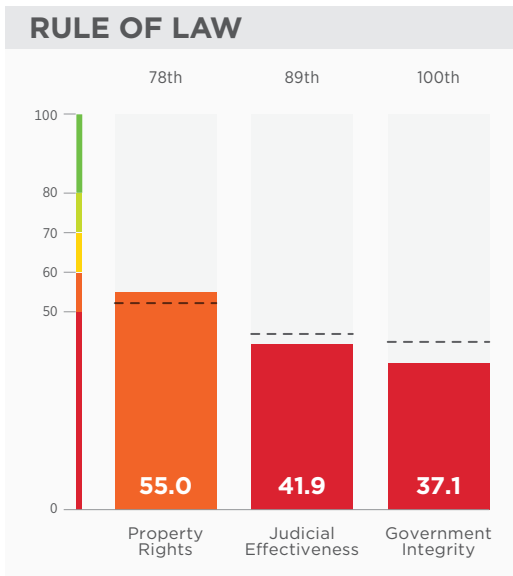
**FDI INFLOW:**  
\$3.2 billion

**PUBLIC DEBT:**  
63.7% of GDP

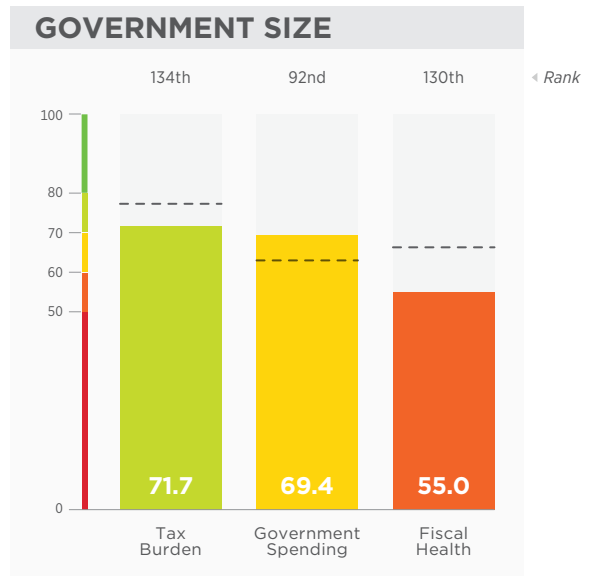
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Morocco, a constitutional monarchy with an elected parliament, has been a key U.S. ally in the struggle against Islamist terrorism. Following popular protests in 2011, constitutional amendments proposed by a commission authorized by King Mohammed VI and approved by referendum were adopted to increase the power and independence of the prime minister and provide greater civil liberties. The king retains significant power as chief executive, however. In addition to a large tourism industry and a growing manufacturing sector, a nascent aeronautics industry has attracted foreign investment.

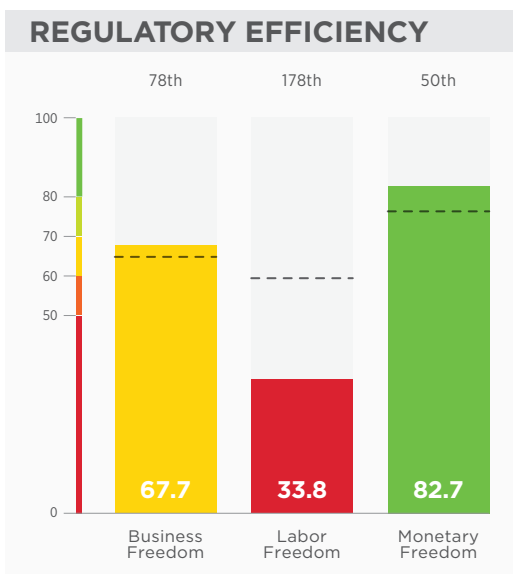
# 12 ECONOMIC FREEDOMS | MOROCCO



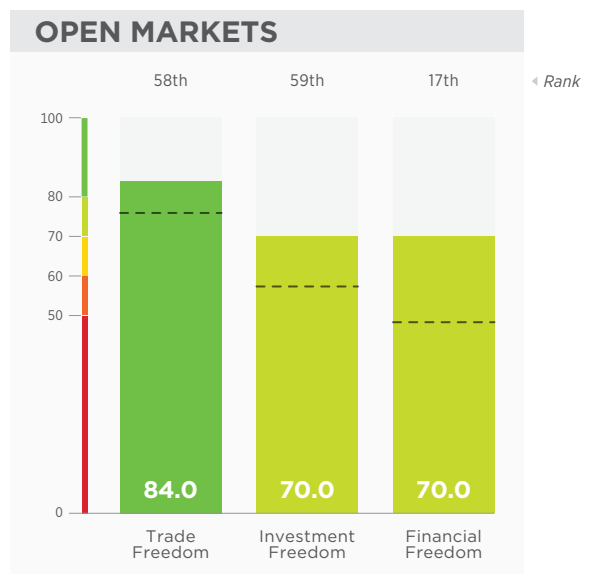
The rates of land titling and land rights registration are low, although the 2016 World Bank *Doing Business* survey reported that new procedures have been put in place to speed property transfers. The judiciary is not independent of the palace, and the courts are regularly used to punish government opponents. Officials engage in corrupt practices with impunity. Corruption is a serious problem throughout government and law enforcement.



The top individual income tax rate is 38 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a gift tax. The overall tax burden equals 22.0 percent of total domestic income. Government spending has amounted to 31.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 63.7 percent of GDP.



Procedures for setting up and registering a private business have been streamlined in recent years. Despite some improvement, labor market rigidity continues to discourage dynamic employment growth. The elimination of fuel subsidies in 2015 provided critical fiscal space, but the government is likely to maintain subsidies on basic goods such as flour and sugar in the interest of preserving social stability.

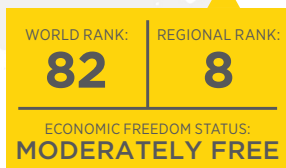


Trade is important to Morocco's economy; the value of exports and imports taken together equals 81 percent of GDP. The average applied tariff rate is 3.0 percent. Foreign and domestic investors are generally treated equally under the law. The financial sector is competitive, and there is an ongoing campaign to increase modernization and transparency. The Casablanca Stock Exchange does not restrict foreign participation.

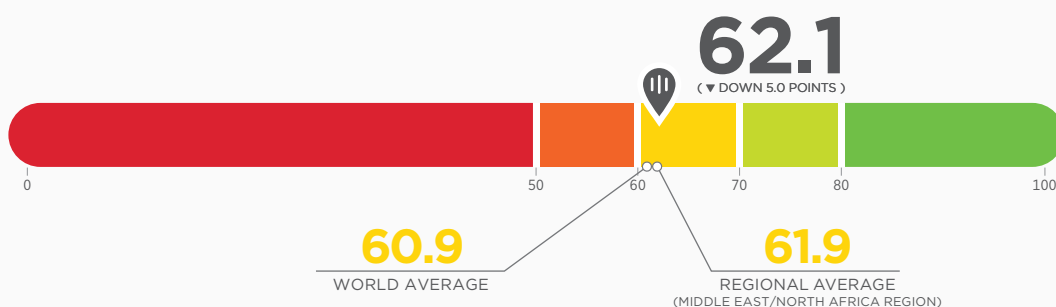
# OMAN

The government of Oman has tried to expand exports of liquefied natural gas and encourage foreign investment in petrochemicals, electric power, and telecommunications. It hopes to mitigate its dependence on declining oil resources through diversification that would reduce the oil sector's share from about 45 percent of GDP to 9 percent by 2020.

Greater structural reform is still needed to improve the business environment. Bureaucracy and cumbersome regulations hinder entrepreneurial activity, and state-owned enterprises distort the economy. The judiciary is not independent. Social welfare spending has strained the budget, and fiscal prudence will be needed as the population grows and government spending on welfare programs mounts.



## ECONOMIC FREEDOM SCORE

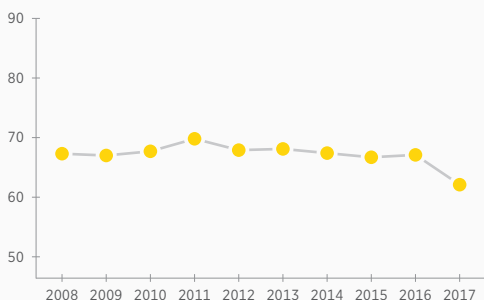


**NOTABLE SUCCESSES:**  
Tax Policy and Trade Freedom

**CONCERNS:**  
Government Spending, Fiscal Health, and Government Integrity

**OVERALL SCORE CHANGE SINCE 2013:**  
-6.0

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.2 million

**GDP (PPP):**  
\$171.4 billion  
4.1% growth in 2015  
5-year compound annual growth 4.3%  
\$44,628 per capita

**UNEMPLOYMENT:**  
6.3%

**INFLATION (CPI):**  
0.2%

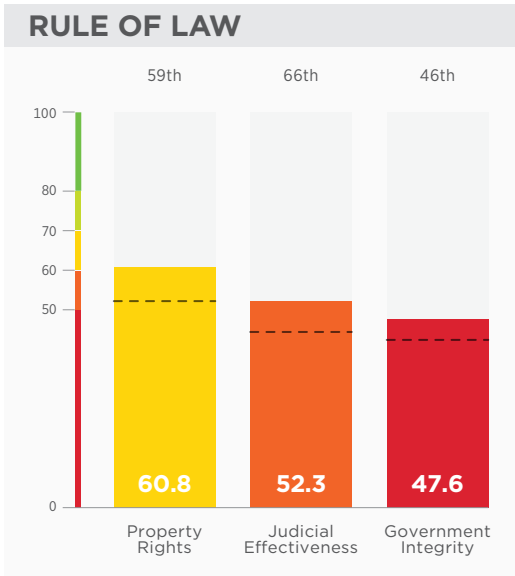
**FDI INFLOW:**  
\$821.8 million

**PUBLIC DEBT:**  
20.6% of GDP

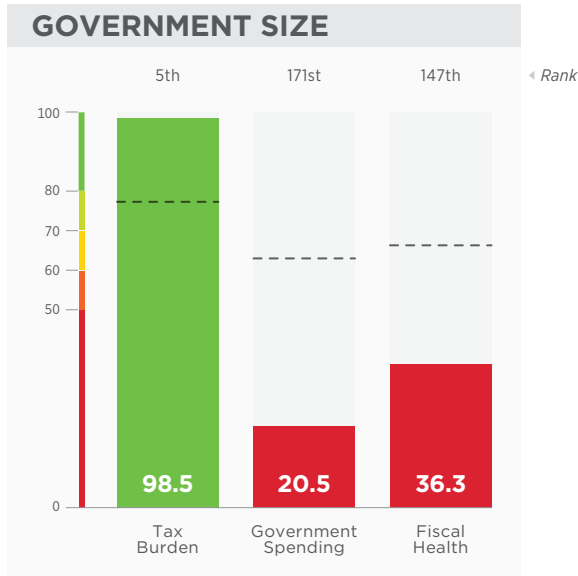
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Oman, a relatively small oil-producing kingdom with one of the Arab world's smallest populations, has been ruled by Sultan Qaboos bin Said Al-Said since 1970. In early 2011, in response to widespread regional turmoil, the sultan changed cabinet ministers and promised political and economic reforms. A Consultative Council elected in October 2011 expanded regulatory and legislative powers. As part of the government's efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in December 2012. Oman joined the World Trade Organization in 2000 and signed a free trade agreement with the United States in 2006.

# 12 ECONOMIC FREEDOMS | OMAN



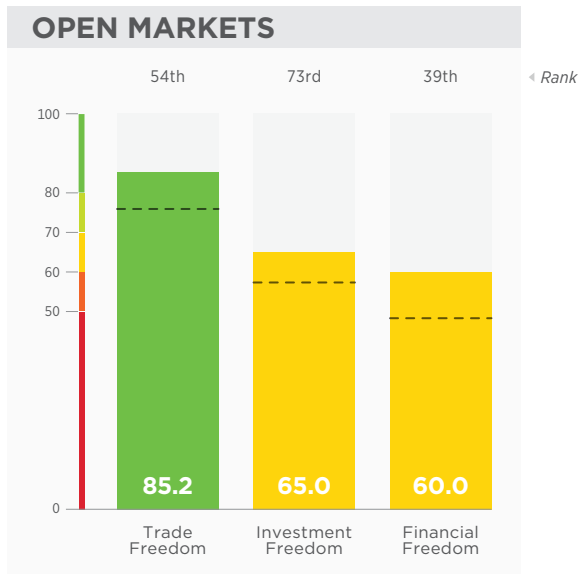
Property rights are well protected. The judiciary remains subordinate to the sultan and the Ministry of Justice, but authorities generally hold security personnel and other officials accountable for their actions. Several high-profile corruption cases involving government officials and executives of the state-owned oil company have been prosecuted in recent years, but many influential government officials are believed to have business-related conflicts of interest.



There is no individual income tax, and the top corporate tax rate is 12 percent. There is no consumption tax or value-added tax. The overall tax burden equals 2.6 percent of total domestic income. Government spending has amounted to 51.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 20.6 percent of GDP.



Although improving, the overall freedom to conduct a business remains limited by the inefficient regulatory environment. The nonsalary cost of employing a worker is low, but the labor laws enforce the “Omanization” policy that requires private-sector firms to meet quotas for hiring native Omani workers. Cuts in government subsidies for petroleum products have led to rises in fuel prices; other subsidies remain in place.



Trade is extremely important to Oman’s economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 2.4 percent. There is no general screening of foreign investment. State-owned enterprises distort the economy. Most credit is offered at market rates, but the government uses subsidized loans to promote investment. The Muscat Securities Market is active and open to foreign investors.

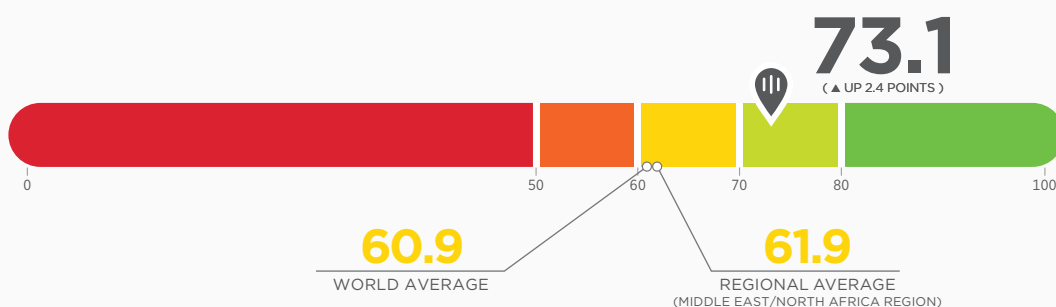
# QATAR



The oil and gas sectors remain the major drivers of Qatar's economy, accounting for over 50 percent of government revenue. This has left Qatar subject to external shocks, although growth in manufacturing and financial services has contributed to economic diversification.

Deeper structural reforms are critical to enhancing competitiveness, particularly as low oil prices have led to the first fiscal deficit in 15 years. In 2016, Qatar sold \$9 billion in bonds, the largest Middle East bond issue in history, in an effort to cover the budget deficit. Maintaining the sound management of public finance is crucial as major government investments in infrastructure and other projects continue.

## ECONOMIC FREEDOM SCORE

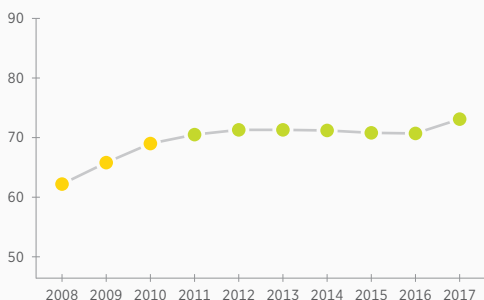


**NOTABLE SUCCESSSES:**  
Tax Policy, Fiscal Policy, and Trade Freedom

**CONCERNS:**  
Investment Freedom, Government Integrity, and Labor Freedom

**OVERALL SCORE CHANGE SINCE 2013:**  
+1.8

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
2.4 million

**GDP (PPP):**  
\$319.8 billion  
3.3% growth in 2015  
5-year compound annual growth 6.0%  
\$132,099 per capita

**UNEMPLOYMENT:**  
0.2%

**INFLATION (CPI):**  
1.7%

**FDI INFLOW:**  
\$1.1 billion

**PUBLIC DEBT:**  
35.8% of GDP

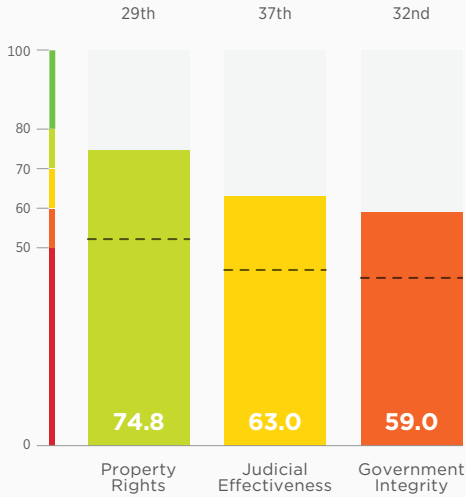
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** The Al-Thani family has ruled Qatar since independence from Great Britain in 1971. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has emphasized such domestic issues as enhancing infrastructure, health care, and education. Qatar has largely avoided problems generated elsewhere by the Arab Spring uprisings, but it has been criticized for its support of radical Islamist groups. Qatar's proven oil reserves exceed 25 billion barrels, and its natural gas reserves are the world's third largest. After winning its bid to host the 2022 World Cup, the government expedited large infrastructure projects including roads, light rail transportation, a new port, stadiums, and other sporting facilities.



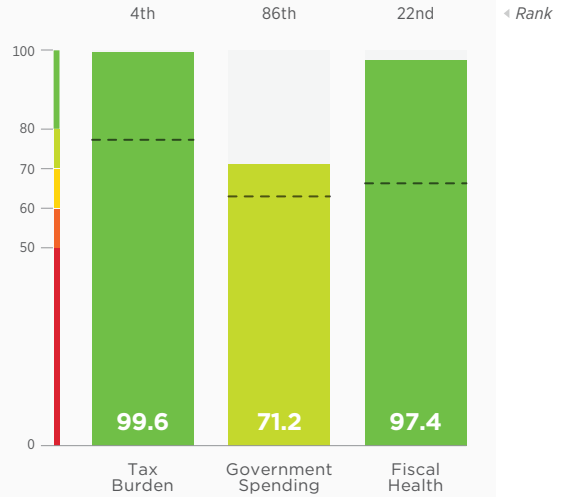
# 12 ECONOMIC FREEDOMS | QATAR

## RULE OF LAW



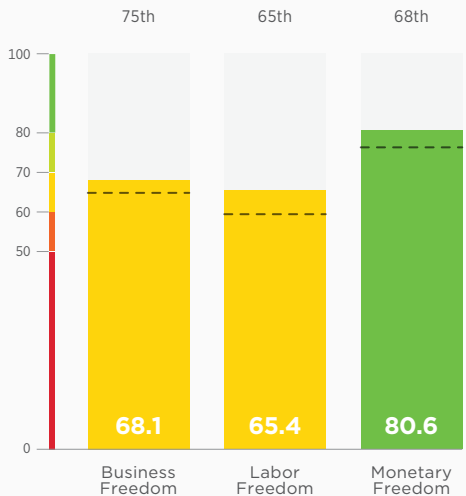
Property rights for non-Qataris are limited. The judiciary is not independent in practice. The judicial system consists of Sharia courts (for family law) and civil law courts, which have jurisdiction over criminal, commercial, and civil cases. Critics cite a lack of transparency in government procurement, which favors personal connections. Qatar has faced ongoing allegations of corrupt practices in securing the winning bid to host the 2022 World Cup.

## GOVERNMENT SIZE



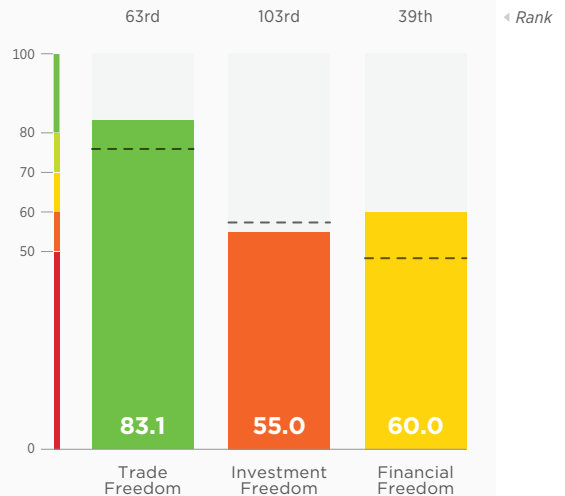
There is no income tax or domestic corporate tax. Foreign corporations operating in Qatar are subject to a flat 10 percent corporate rate. The overall tax burden equals 6.3 percent of total domestic income. Government spending has amounted to 31 percent of total output (GDP) over the past three years, and budget surpluses have averaged 15.0 percent of GDP. Public debt is equivalent to 35.8 percent of GDP.

## REGULATORY EFFICIENCY



The process for launching a business and obtaining licenses has been made more streamlined. The labor force consists primarily of expatriate workers, and employment rules are relatively flexible. Fuel subsidies were scrapped in 2016 as liquefied natural gas revenues dropped and the emir criticized the dependency mindset created by years of heavy subsidization. The government has denied that it still subsidizes state-owned Qatar Airways.

## OPEN MARKETS



Trade is important to Qatar's economy; the value of exports and imports taken together equals 91 percent of GDP. The average applied tariff rate is 3.4 percent. Foreign investment in many sectors of the economy is capped, and state-owned enterprises distort the economy. The stable banking sector remains competitive, and investment laws have been amended to attract greater foreign investment in banking.

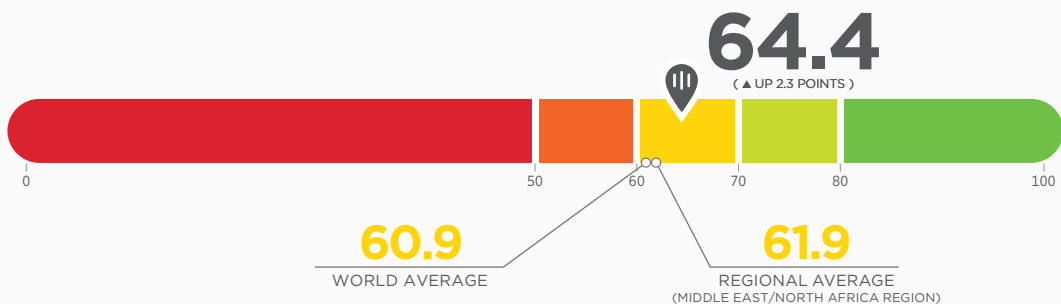
# SAUDI ARABIA

Saudi Arabia's regulatory efficiency and open-market policies have lagged behind those of other emerging economies. In a global economic environment of low oil prices over the past years, dynamic gains from free flows of trade and investment have likewise fallen short, leading to sizable budget deficits.

In April 2016, in a notable policy shift, the kingdom unveiled a significant economic reform plan, Saudi Vision 2030. The plan, which seeks to increase foreign investment and enhance the overall competitiveness of the Saudi Arabian economy, includes the sale of up to 5 percent of the state-owned oil company, ARAMCO, and economic diversification through development of the private sector.



## ECONOMIC FREEDOM SCORE

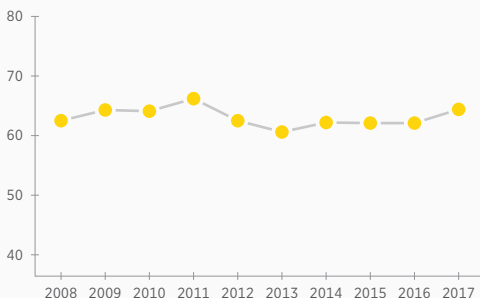


**NOTABLE SUCCESSES:**  
Trade Freedom and Tax Policy

**CONCERNS:**  
Government Integrity, Investment Freedom, and Financial Freedom

**OVERALL SCORE CHANGE SINCE 2013:**  
+3.8

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
31.4 million

**GDP (PPP):**  
\$1.7 trillion  
3.4% growth in 2015  
5-year compound annual growth 5.0%  
\$53,624 per capita

**UNEMPLOYMENT:**  
5.8%

**INFLATION (CPI):**  
2.2%

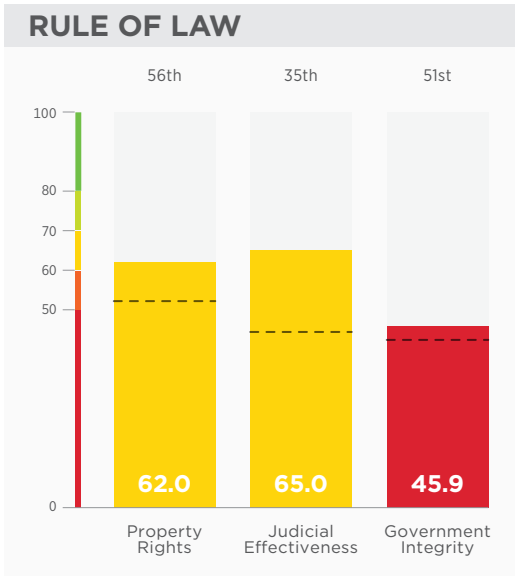
**FDI INFLOW:**  
\$8.1 billion

**PUBLIC DEBT:**  
5.8% of GDP

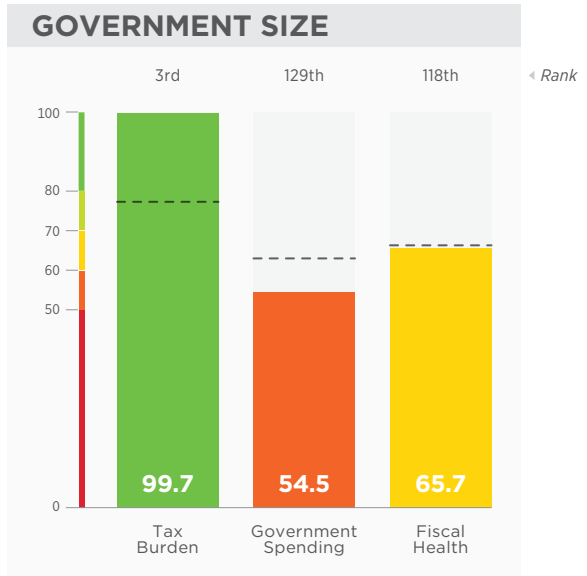
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud, who became king following the death of his half-brother, King Abdullah, in January 2015. Oil revenues account for about 90 percent of export earnings and about 87 percent of government revenues. Saudi Arabia faces a rising threat from the Islamic State, which has recruited many young Saudis, as well as internal sectarian tensions between Sunni Muslims and the Shiite minority. Crown Prince Mohammad has taken the lead on security matters, including the Saudi-led coalition that intervened in Yemen in March 2015 to help the Yemeni government battle Iran-supported Houthi rebels.

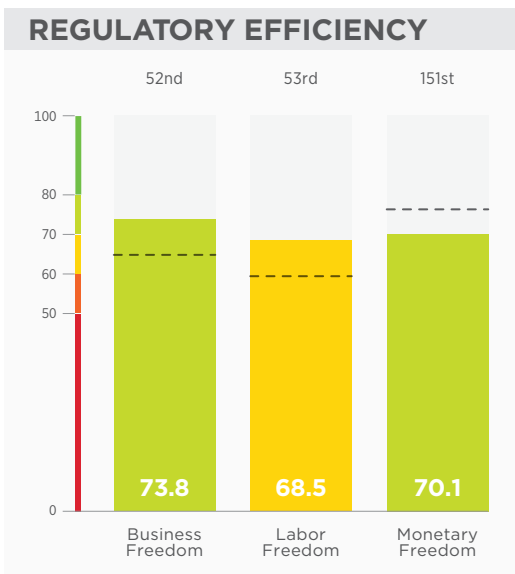
# 12 ECONOMIC FREEDOMS | SAUDI ARABIA



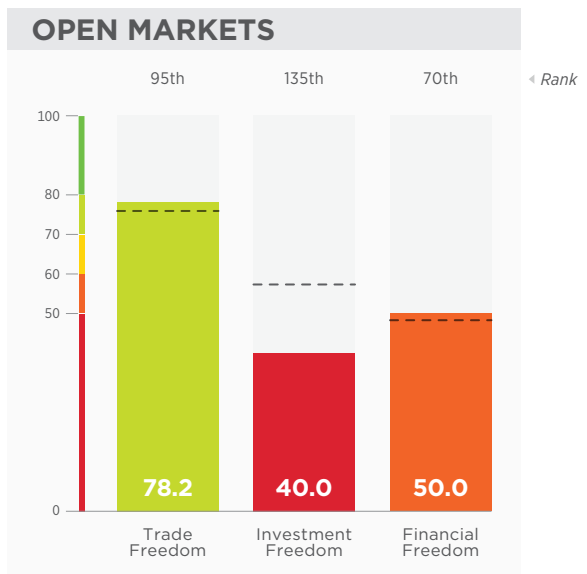
Laws protecting private property are subject to Islamic practices. The slow and nontransparent judiciary is not independent and must coordinate its decisions with the executive branch. Despite some earlier moves to hold certain officials accountable, corruption remains a significant problem, and there is low transparency in the functioning of government as well as opacity about state budgets and financial practices.



Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law. The overall tax burden equals 4.6 percent of total domestic income. Government spending has amounted to 39 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 5.8 percent of GDP.



With no minimum capital required, procedures for starting a business have been relatively streamlined. There is no mandated minimum wage, but wage increases have exceeded labor productivity. Oil prices must be at least \$106 per barrel for Saudi Arabia to maintain its historically generous subsidies, for which Saudi nationals have paid zero taxes. In 2016, the government decreased some of those subsidies, but they still exceed regional averages.



Trade is important to Saudi Arabia's economy; the value of exports and imports taken together equals 73 percent of GDP. The average applied tariff rate is 3.4 percent. Foreign investment is screened by the government, and state-owned enterprises distort the economy. Direct purchase of shares in Saudi companies listed on the stock exchange has been permitted since 2015, opening the market to foreign institutional investors.

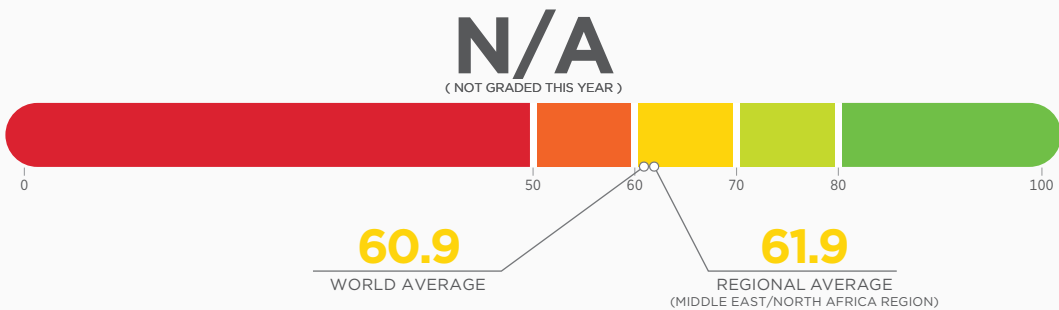
# SYRIA

Civil war has left Syria's economy in ruins and precludes ranking it in the 2017 *Index*. The devastation and chaos have inflicted a horrific human cost and caused enormous damage to the economy. The rule of law is ravaged by extrajudicial killings, kidnappings, and torture. Inflation has grown as the Syrian pound has become an unreliable medium of exchange.

Economic policy has focused on protecting the regime and maintaining the military's fighting capacity. With the escalating cost of the war compounded by a collapse in oil prices, the fiscal situation is dire. The regime continues to prioritize spending on the military.

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**  
ECONOMIC FREEDOM STATUS: **NOT GRADED**

## ECONOMIC FREEDOM SCORE

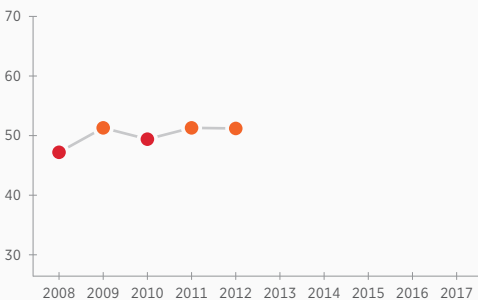


**NOTABLE SUCCESSSES:**  
n/a

**CONCERNS:**  
n/a

**OVERALL SCORE CHANGE SINCE 2013:**  
N/A

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
16.8 million

**GDP (PPP):**  
\$68.0 billion  
-4.8% growth in 2015  
5-year compound annual growth n/a  
n/a per capita

**UNEMPLOYMENT:**  
n/a

**INFLATION (CPI):**  
29.6%

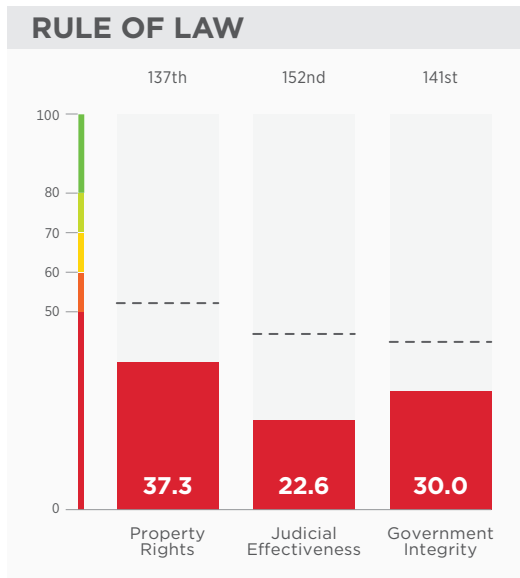
**FDI INFLOW:**  
n/a

**PUBLIC DEBT:**  
n/a

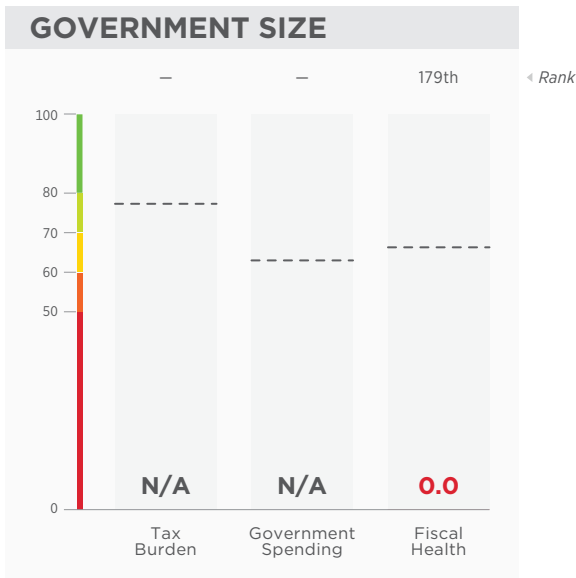
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** The Assad family has ruled Syria since Hafez al-Assad's military coup in 1970. Bashar al-Assad, who succeeded his father in 2000, failed to deliver on promises to open the socialist economy and ease political repression. A brutal crackdown after 2011's Arab Spring protests sparked an armed uprising against Assad that by 2012 had become a sectarian civil war with the predominantly Sunni rebels pitted against the Alawite-dominated regime. Assad's regime is heavily supported by Iran, Russia, and Hezbollah, while the U.S. and several of its allies back various Syrian rebel groups. The conflict has killed more than 400,000 Syrians and driven more than 4.5 million refugees out of the country.

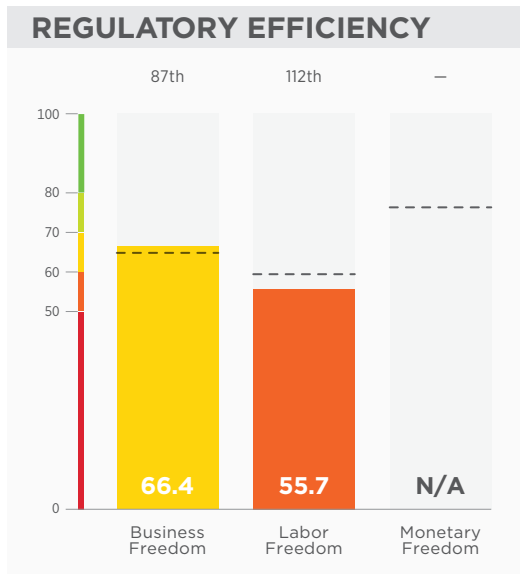
# 12 ECONOMIC FREEDOMS | SYRIA



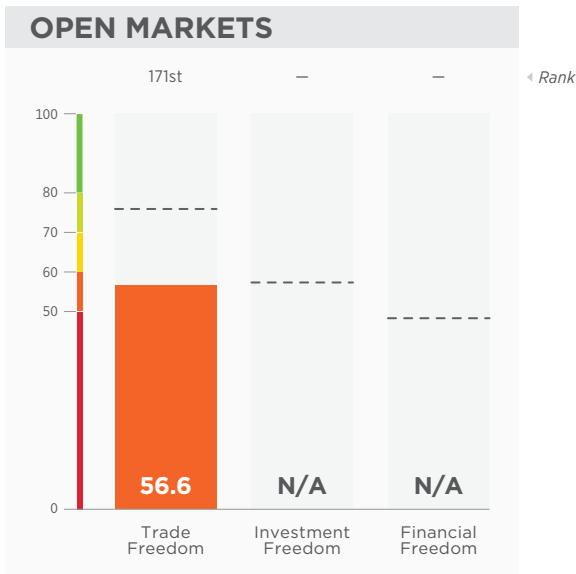
Rule of law is weak, and the government on occasion has seized political opponents' properties and businesses. All judges and prosecutors must belong to the Ba'ath Party and are beholden to the political leadership. Government institutions lacked public accountability and were plagued by corruption even before the civil war. Those who question state policies or use of public funds face harassment, imprisonment, or death.



The civil conflict has rendered fiscal policy and tax administration (if any) opaque. The overall budgetary situation remains dire in the near absence of a consistent flow of oil and tax revenues. In 2015, despite severe budget shortfalls, the Assad government issued a decree providing for an increase in the monthly salaries and pensions of all public-sector employees, exacerbating the already dismal fiscal situation.

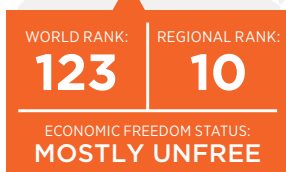


Before the ongoing civil unrest, the business environment, lacking transparency and efficiency, had improved only marginally. Functioning labor markets are limited to certain parts of the country, subject to heavy state interference and control. To conserve resources for its fight against ISIS insurgents, the government has slashed electricity, water, diesel, and heating oil subsidies, angering Syrians who are already facing rampant inflation.



Syria's ongoing civil war deters international trade and investment. The average applied tariff rate is 14.2 percent. Political instability and repression have severely weakened the financial system, and foreign reserves have been almost exhausted. Despite the war, a number of foreign banks are in operation. In 2016, the Bahrain-based Islamic banking group Al Baraka became the largest privately owned bank in the country.

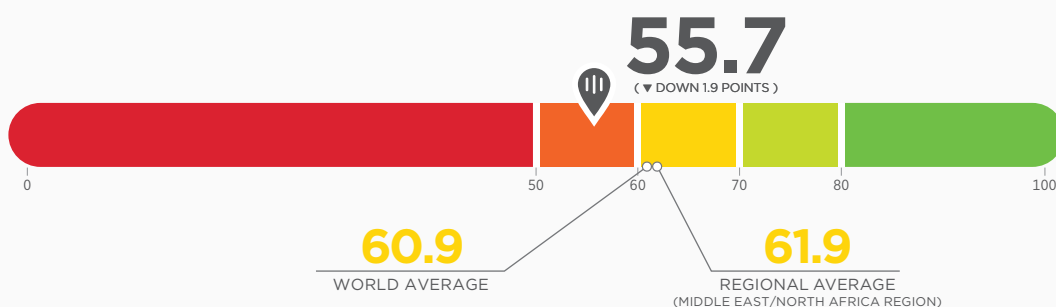
# TUNISIA



**E**conomic dynamism remains constrained in Tunisia by institutional weaknesses that remain unaddressed, primarily because political instability has hindered decisive government action. The regulatory regime, despite some improvements, remains burdensome and deters dynamic entrepreneurial activity. The closed trade regime and rigid labor markets largely prevent the emergence of a vibrant private sector.

Reforms adopted in past years have failed to deliver tangible benefits to the stagnant economic system or trigger more rapid growth. Deeper reforms to enhance governance and strengthen the critical pillars of economic freedom are needed to push the economy along a positive path of transition.

## ECONOMIC FREEDOM SCORE

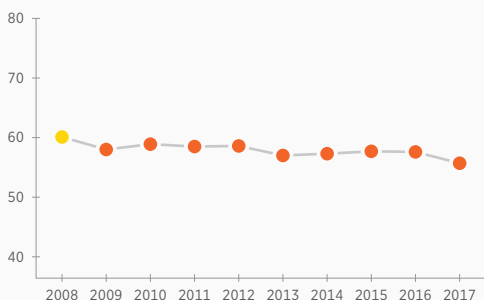


**NOTABLE SUCCESSSES:**  
Monetary Stability

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

**OVERALL SCORE CHANGE SINCE 2013:**  
-1.3

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
11.1 million

**GDP (PPP):**  
\$127.0 billion  
0.8% growth in 2015  
5-year compound annual growth 1.5%  
\$11,428 per capita

**UNEMPLOYMENT:**  
14.8%

**INFLATION (CPI):**  
4.9%

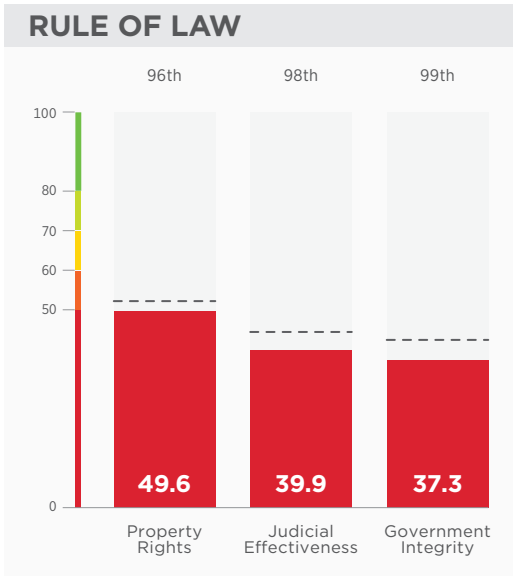
**FDI INFLOW:**  
\$1.0 billion

**PUBLIC DEBT:**  
54.5% of GDP

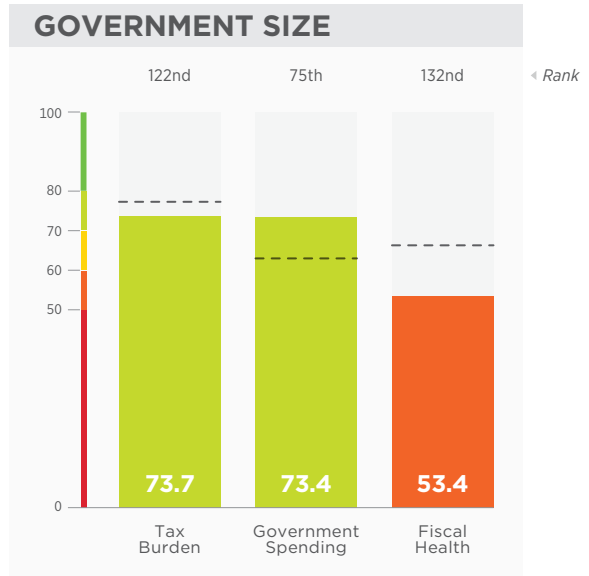
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Tunisia, birthplace of the Arab Spring, ousted President Zine al-Abidine Ben Ali in January 2011. Shortly thereafter, the formerly banned Islamist Ennahda Party won the largest number of seats in the National Constituent Assembly. The Ennahda government stepped aside in 2014 following ratification of a new constitution in January and was succeeded by an interim technocratic government led by interim Prime Minister Mehdi Jomaa. During the second half of 2014, Tunisia held its first full parliamentary and presidential elections under the new constitution. Beji Caid Essebsi, former prime minister and leader of the Nidaa Tounes party that he founded in 2012, was elected president in December 2015. Despite notable progress in democratization, social unrest has continued.

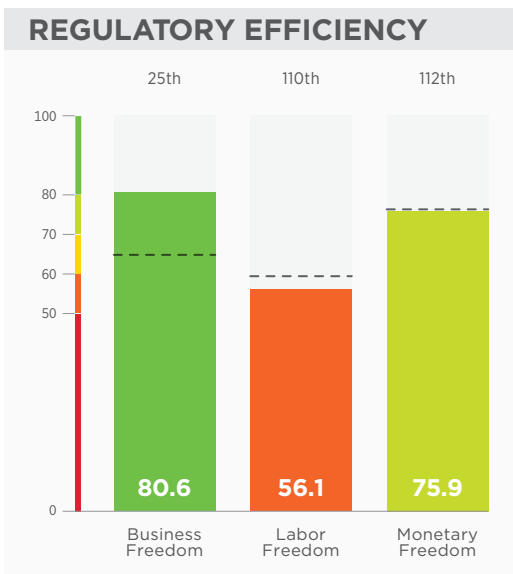
# 12 ECONOMIC FREEDOMS | TUNISIA



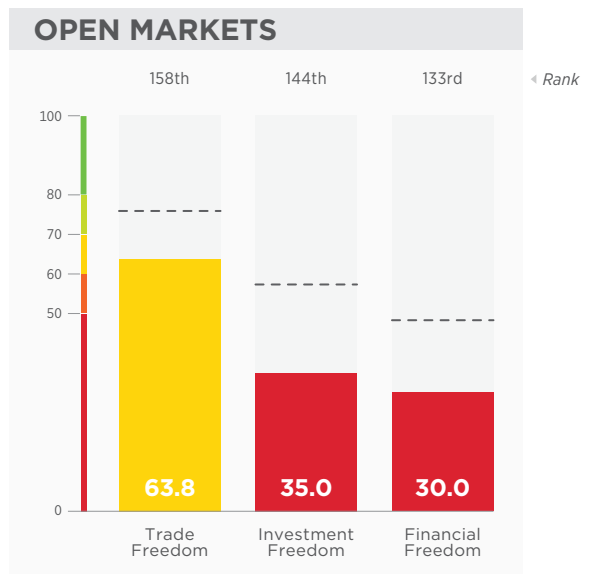
Although the judiciary is generally independent, protection of property rights remains uneven, hindered by corruption and lengthy case backlogs. Governmental weakness encourages graft at lower levels of bureaucracy and law enforcement. Long-standing public resentment of efforts against smuggling along the Libyan border, which eliminated local jobs, intensified in 2016 after the construction of a border wall to block infiltration by terrorists.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a property transfer tax. The overall tax burden equals 22.5 percent of total domestic income. Government spending has amounted to 29.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 54.5 percent of GDP.



Despite some progress, the regulatory framework still lacks transparency and efficiency. Completion of licensing requirements remains burdensome. The rigid labor market has been stagnant, failing to generate dynamic job growth. In 2016, social tensions triggered populist spending policies to placate a frustrated electorate, but low oil prices should permit the government to achieve its goal of phasing out fuel subsidies.



Trade is extremely important to Tunisia's economy; the value of exports and imports taken together equals 102 percent of GDP. The average applied tariff rate is 13.1 percent. Foreign investors may not own agricultural land, and investment in other sectors may be subject to government screening. State-owned enterprises distort the economy. The weak financial sector is fragmented. Access to credit is limited, and capital markets are underdeveloped.

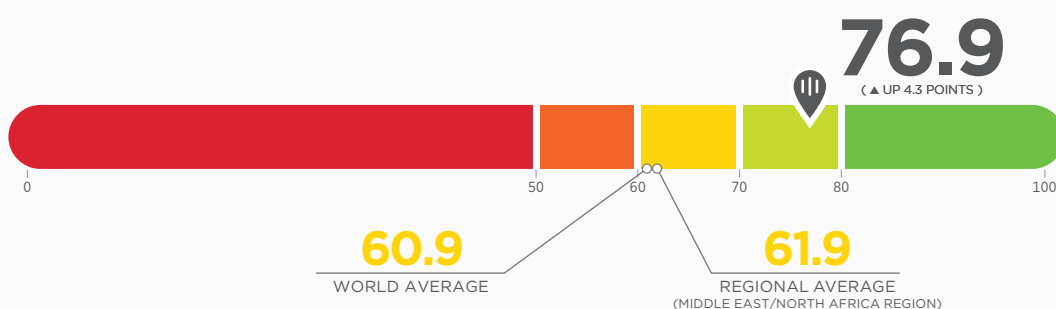
# UNITED ARAB EMIRATES



Recent years' broad-based and dynamic growth in the United Arab Emirates has been underpinned by continuous efforts to strengthen the business climate, boost investment, and foster the emergence of a more vibrant and diverse private sector. The generally liberal trade regime has helped to sustain momentum for growth. The UAE aims to be a regional financial hub, and its banking sector is resilient.

Overall fiscal soundness is well maintained, although the non-oil deficit has widened as the government's overall surplus has fallen. Coordinating the various emirates' fiscal policies and improving the transparency of public finances remain critical tasks. Keeping the legal framework effective and independent will be vital to continuing to attract dynamic foreign investment.

## ECONOMIC FREEDOM SCORE

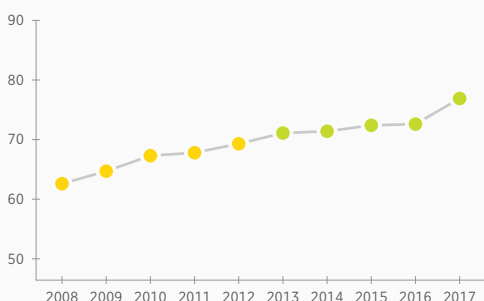


**NOTABLE SUCCESSSES:**  
Trade Freedom and  
Regulatory Efficiency

**CONCERNS:**  
Investment Freedom,  
Financial Freedom, and  
Government Spending

**OVERALL SCORE CHANGE  
SINCE 2013:**  
+5.8

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
9.6 million

**GDP (PPP):**  
\$647.8 billion  
3.9% growth in 2015  
5-year compound  
annual growth 5.0%  
\$67,617 per capita

**UNEMPLOYMENT:**  
3.7%

**INFLATION (CPI):**  
4.1%

**FDI INFLOW:**  
\$11.0 billion

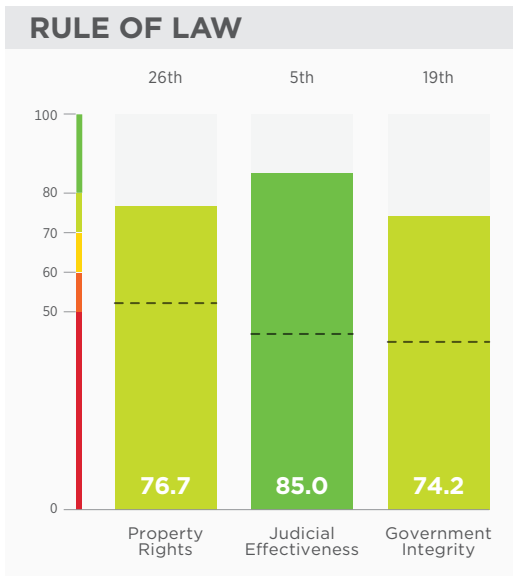
**PUBLIC DEBT:**  
19.4% of GDP

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

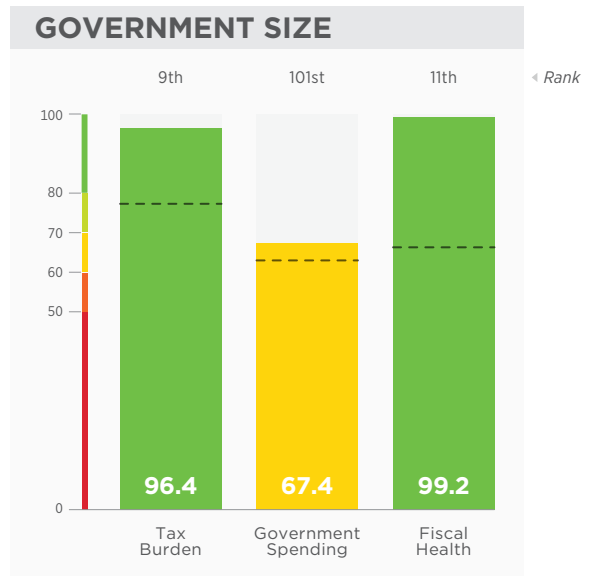
**BACKGROUND:** The United Arab Emirates is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. The Federal Supreme Council (the seven rulers of the individual emirates) selects the president and vice president for five-year terms with no term limits. Abu Dhabi ruler Sheikh Khalifa bin Zayed al-Nahyan has been president since November 2004. In 2011, the government responded to protests calling for greater political participation by expanding the number of people allowed to vote in the September 2011 Federal National Council elections. Since 2012, the UAE has clamped down on social media activism.



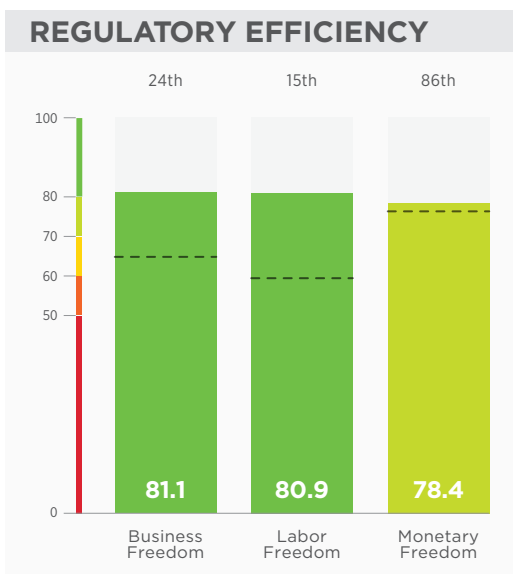
# 12 ECONOMIC FREEDOMS | UNITED ARAB EMIRATES



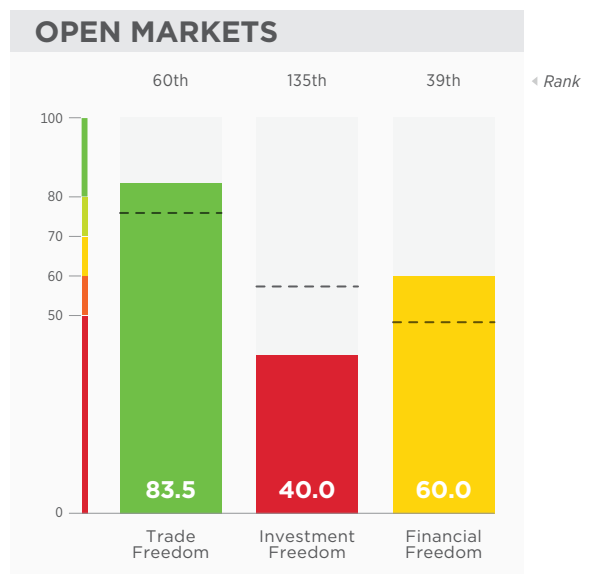
Each emirate establishes its own land ownership procedures. Although the judiciary is not independent and court rulings are subject to review by the political leadership, the rule of law is generally well maintained, and the UAE is considered one of the region's less corrupt countries. A campaign to reform public services was launched in 2015, but the most significant government decisions are still taken only by the emirates' ruling families.



The UAE has no income tax and no federal-level corporate tax. There are different corporate tax rates for certain activities in some emirates. The overall tax burden equals 19.0 percent of total domestic income. Government spending has amounted to 33 percent of total output (GDP) over the past three years, and budget surpluses have averaged 3.5 percent of GDP. Public debt is equivalent to 19.4 percent of GDP.



There is no minimum capital requirement for establishing a business, and licensing requirements have been streamlined. Employment regulations are relatively flexible, and the nonsalary cost of employing a worker is not high. In 2016, the IMF commended the government for eliminating fuel subsidies, raising tariffs on water and electricity, and scaling back grants and transfers to government-run enterprises.



Trade is extremely important to the UAE's economy; the value of exports and imports taken together equals 176 percent of GDP. The average applied tariff rate is 3.2 percent. In general, foreign investors may own majority stakes in companies outside of "free zones." State-owned enterprises distort the economy. The financial sector provides a full range of services, but the state presence is considerable. Capital markets are open and vibrant.

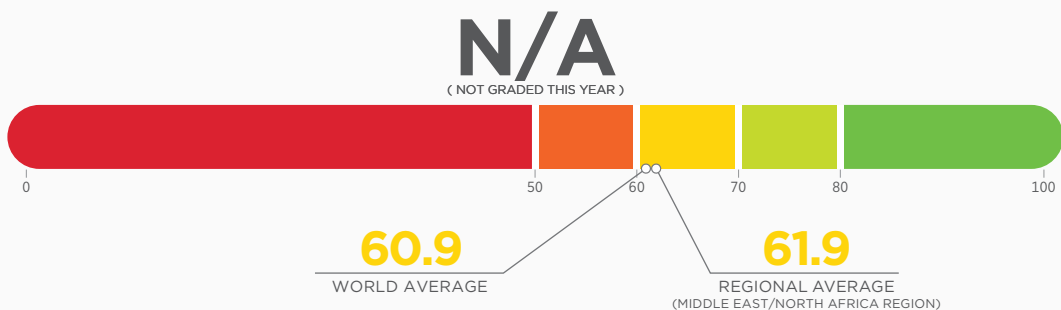
# YEMEN

**N**umerical grading of Yemen's overall economic freedom remains suspended in the 2017 *Index* because of a significant deterioration in the quality of publicly available economic statistics for the country. An intensifying civil conflict has devastated the economy, destroying critical infrastructure.

Yemen will require significant international assistance to stabilize its economy if and when the civil war ends. The fighting has created a mounting humanitarian crisis, food shortages, and tens of thousands of refugees. Yemen's limited oil and gas production has been severely disrupted, and the prolonged conflict continues to take a heavy toll on the already fragile economy.

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**  
ECONOMIC FREEDOM STATUS: **NOT GRADED**

## ECONOMIC FREEDOM SCORE

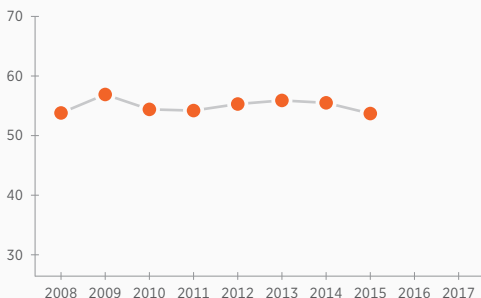


**NOTABLE SUCCESSSES:**  
n/a

**CONCERNS:**  
n/a

**OVERALL SCORE CHANGE SINCE 2013:**  
N/A

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
28.3 million

**GDP (PPP):**  
\$75.5 billion  
-28.1% growth in 2015  
5-year compound  
annual growth -6.8%  
\$2,671 per capita

**UNEMPLOYMENT:**  
15.9%

**INFLATION (CPI):**  
30.0%

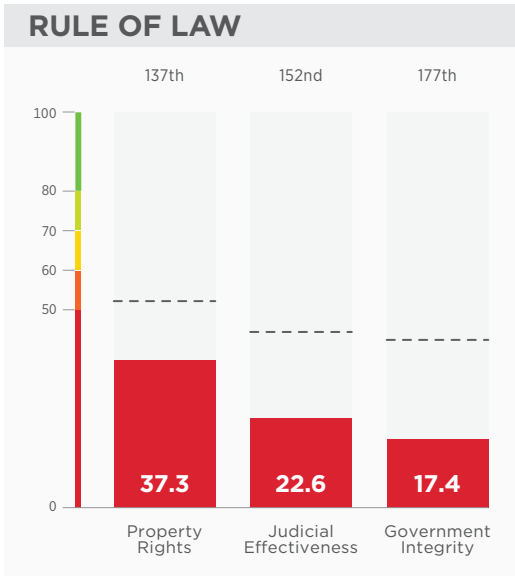
**FDI INFLOW:**  
-\$1.2 billion

**PUBLIC DEBT:**  
68.6% of GDP

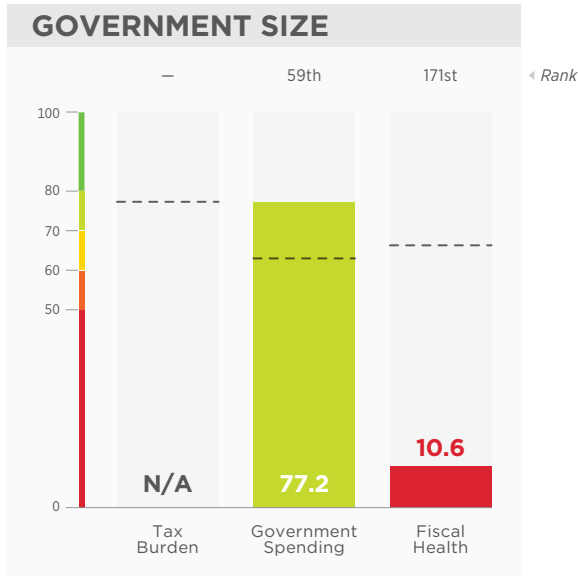
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** The civil war in Yemen, one of the Arab world's least developed countries, has brought tentative efforts at modernization and integration into the global economy to a halt. The conflict's most immediate cause is a breakdown in relations between President Abd Rabbuh Mansour Hadi and the Houthis, a Zaydi Shia rebel movement. In March 2015, Saudi Arabia launched an intensive bombing campaign and ground intervention in an attempt to restore Hadi to power, but the Houthis have retained significant gains on the ground. Al-Qaeda in the Arabian Peninsula (AQAP) has exploited the conflict to seize parts of eastern Yemen and develop a working relationship with anti-Houthi tribal militias.

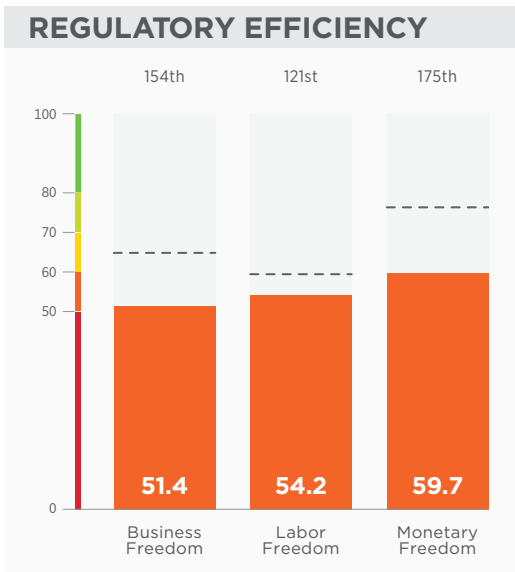
# 12 ECONOMIC FREEDOMS | YEMEN



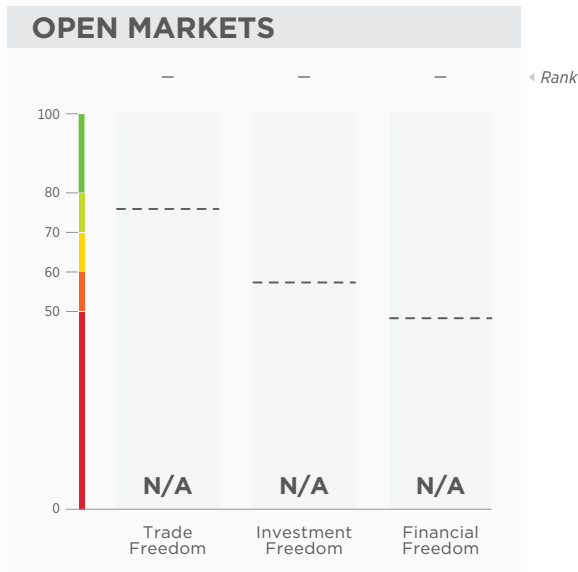
Property rights and business activity are impaired by insecurity and corruption. The nominally independent judiciary is weak and susceptible to interference from the executive branch. Authorities have a poor record of enforcing judicial rulings. Years of mismanagement and corruption, compounding the depletion of natural resources, had resulted in chronic poverty and underdevelopment even before the current conflict.



Political turmoil and civil conflict have caused the economy to collapse. Oil and gas exports have been suspended, and the overall fiscal situation remains perilous with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. Limited fiscal resources have been directed toward spending on the military and public-sector wages. Millions of Yemenis are at risk of famine.



The absence of a dynamic private sector results in chronic underemployment and a large informal sector. In 2014, in the midst of civil war, fiscal pressure caused by lower oil revenue forced the cash-strapped government in Sana'a to cut fuel subsidies. The ensuing popular backlash was exploited by the Houthis, a Zaydi Shia group from northern Yemen, but the Houthis could not afford to restore fuel subsidies after seizing the capital.



Trade is important to Yemen's economy; the value of exports and imports taken together equals 60 percent of GDP. The average applied tariff rate is 4.1 percent. Yemen's civil war impedes international trade and investment. The economy is largely cash based, and the small financial system remains dominated by the state. The ongoing conflict has increased the banking system's instability and fragility.