CHAPTER 6

THE COUNTRIES

The *Index of Economic Freedom* analyzes 12 factors under four pillars underpinning economic freedom in countries throughout the world.

Of the 186 countries included in this 25th edition of the *Index*, 180 are fully scored and ranked. Because of the lack of sufficient reliable data, six countries (Iraq, Libya, Liechtenstein, Somalia, Syria, and Yemen) are evaluated and partially graded but not ranked.

For analytical understanding and presentational clarity, the 12 economic freedoms are grouped into the following four pillars of economic freedom:

- **Rule of law** (property rights, judicial effectiveness, and government integrity);
- **Government size** (tax burden, government spending, and fiscal health);
- **Regulatory efficiency** (business freedom, labor freedom, and monetary freedom); and
- **Market openness** (trade freedom, investment freedom, and financial freedom).

Ranked countries are given an overall score ranging from 0 to 100 on each of the 12 components of economic freedom, and these scores are then averaged, using equal weights, to compute a country's final economic freedom score.

The country profiles in the *Index* provide real-world examples of the impact of government policies on the economic well-being of individuals and families. Policies that enhance economic freedom tend to be associated with greater economic and social progress. Countries with high levels of economic freedom have high levels of political stability and higher levels of income. Their citizens typically enjoy greater social mobility and work environments that are characterized by high levels of innovation and experimentation. Such economies are following not just one path to development, but rather as many as human ingenuity can produce. By contrast, countries in which freedom is curtailed occupy the lower spectrums of economic and social development.

In addition to the scores and rankings, each country page provides a brief overview of the economic and political background that may have influenced the country's performance, as well as a statistical profile that includes the country's key economic and demographic indicators.

WORLD RANK: **152**

REGIONAL RANK: **39**

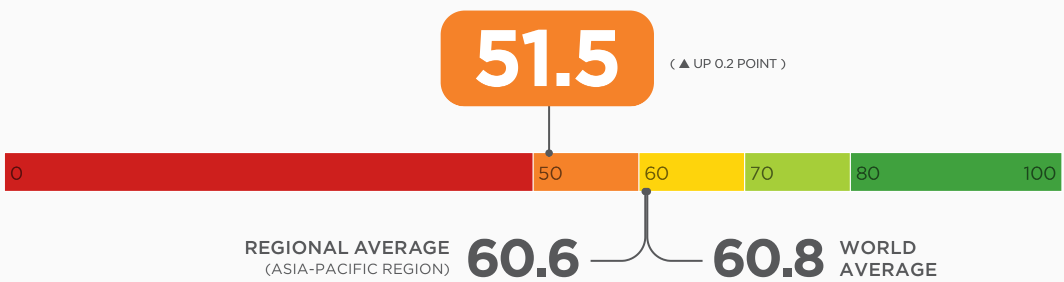
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

AFGHANISTAN

Afghanistan's economic freedom score is 51.5, making its economy the 152nd freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with advances in **labor freedom**, **property rights** protection, and **judicial effectiveness** outpacing declines in **business freedom** and **monetary freedom**. Afghanistan is ranked 39th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The improved availability of key economic data made it possible to grade Afghanistan's economic freedom for the first time in the 2017 *Index*. Its score in the 2019 *Index* reflects steady, incremental improvement in several economic freedom indicators. Over the past decade, economic growth has been volatile but rapid, with construction and agriculture the key contributors to economic expansion. Political uncertainty, corruption, and security challenges remain formidable, and the rule of law remains fragile and uneven across the country.

ECONOMIC FREEDOM SCORE

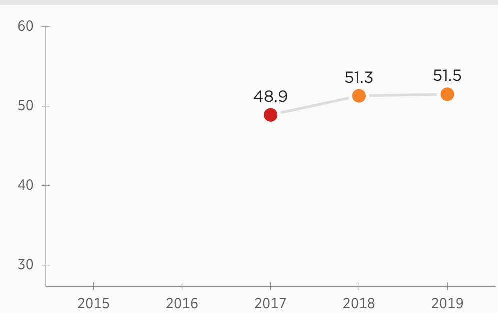


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2017):
+2.6

CONCERNS:
Investment Freedom, Financial Freedom, and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
35.5 million

GDP (PPP):
$69.6 billion
2.5% growth in 2017
5-year compound annual growth 2.9%
$1,958 per capita

UNEMPLOYMENT:
8.8%

INFLATION (CPI):
5.0%

FDI INFLOW:
$53.9 million

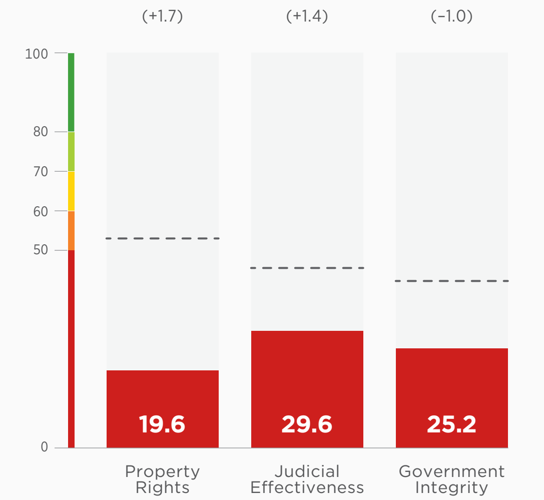
PUBLIC DEBT: 7.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Former World Bank technocrat Ashraf Ghani became president of this mountainous and landlocked country in 2014 following an election marred by allegations of vote rigging. After much political wrangling, President Ghani and former Foreign Minister Abdullah Abdullah formed a unity government with Abdullah as the newly created chief executive officer. Timing of the scheduled 2019 presidential election will likely depend on progress in talks with the Taliban. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 4 percent of GDP in 2016, and its living standards are among the lowest in the world. Licit exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation. An ongoing insurgency and drought have hampered economic growth.

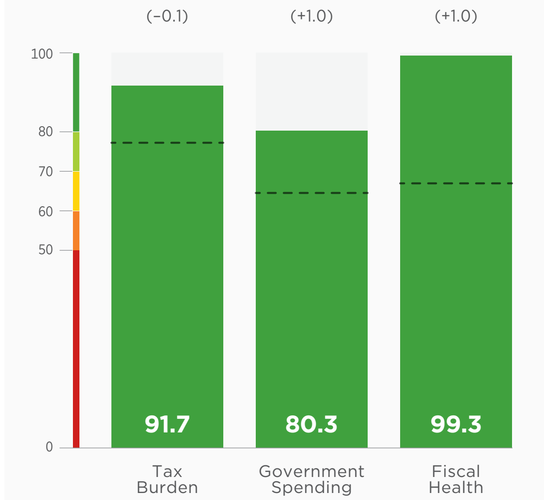
12 ECONOMIC FREEDOMS | AFGHANISTAN

RULE OF LAW



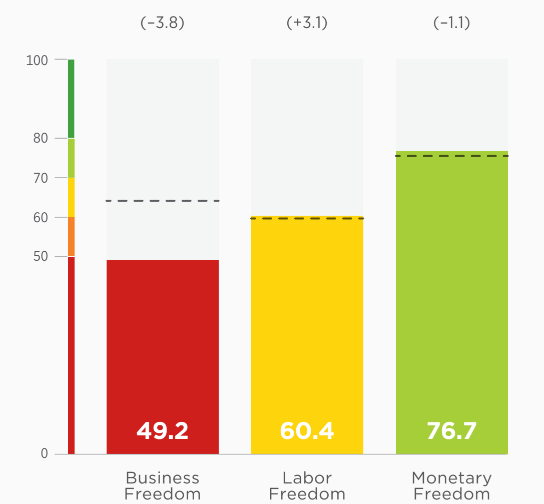
Protection of property rights is weak due to a lack of a comprehensive land titling system, disputed land titles, and slow-moving commercial courts. The judicial system operates haphazardly, and justice is often administered based on a mixture of legal codes by inadequately trained judges and local elders or shuras. Corruption is endemic throughout society and hampers economic development. Reforms to reduce corruption have stalled.

GOVERNMENT SIZE



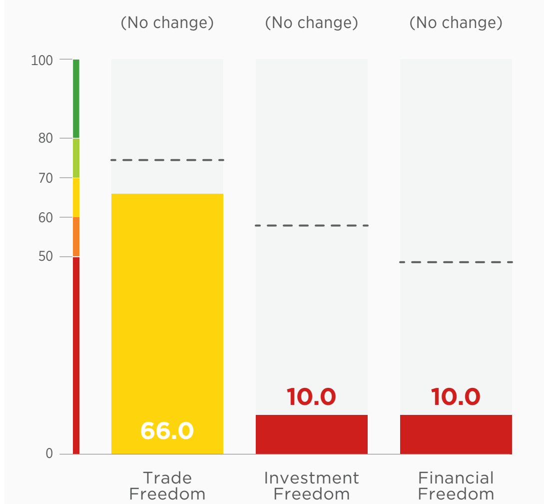
The top income and corporate tax rates are 20 percent. The overall tax burden equals 5.0 percent of total domestic income. Over the past three years, government spending has amounted to 25.6 percent of the country's output (GDP), and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 7.3 percent of GDP.

REGULATORY EFFICIENCY

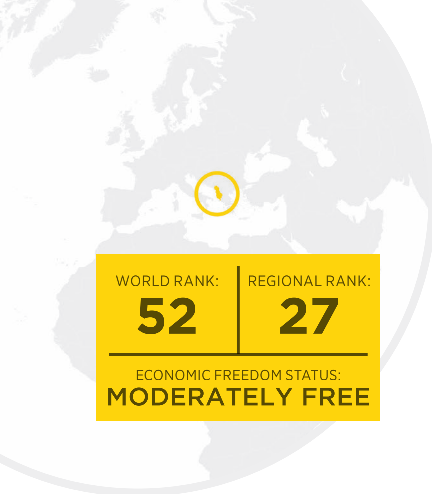


Processes for establishing businesses and obtaining necessary licenses are relatively streamlined, but other structural barriers persist. The presence of a large informal economy continues to dampen development of a functioning labor market. The government has a limited influence over monetary stability because of Afghanistan's severely underdeveloped financial system.

OPEN MARKETS



The combined value of exports and imports is equal to 55.9 percent of GDP. The average applied tariff rate is 7.0 percent. As of June 30, 2018, according to the WTO, Afghanistan had 22 nontariff measures in force. Security concerns and the financial system's weak capacity have slowed investment growth. The financial sector remains underdeveloped, and trust in the banking system has been undermined.



WORLD RANK: **52**

REGIONAL RANK: **27**

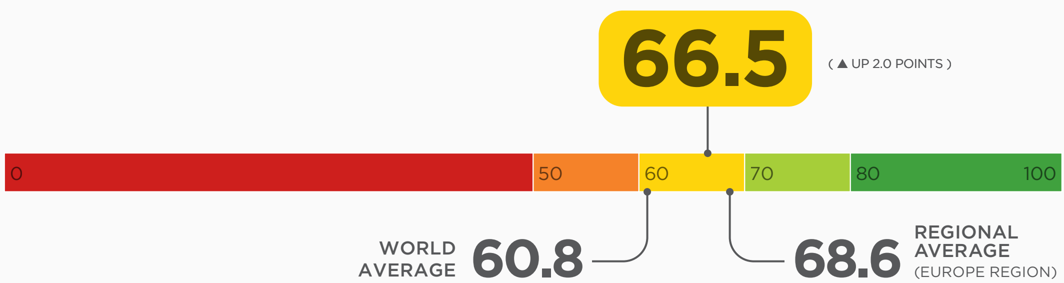
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

ALBANIA

Albania's economic freedom score is 66.5, making its economy the 52nd freest in the 2019 *Index*. Its overall score has increased by 2.0 points, led by dramatic improvement for the second consecutive year in **fiscal health** and higher scores for **judicial effectiveness**, **labor freedom**, and **government spending**. Albania is ranked 27th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

To promote its EU candidacy, Albania has been transitioning to a more open and flexible economic system by implementing substantial restructuring. Progress in income growth and poverty reduction has been considerable. A competitive trade regime supported by a relatively efficient regulatory framework has encouraged development of the growing entrepreneurial sector. To sustain this progress, the government plans additional reforms to improve the rule of law, encourage the growth of economic freedom, and ensure continued vibrant economic development.

ECONOMIC FREEDOM SCORE

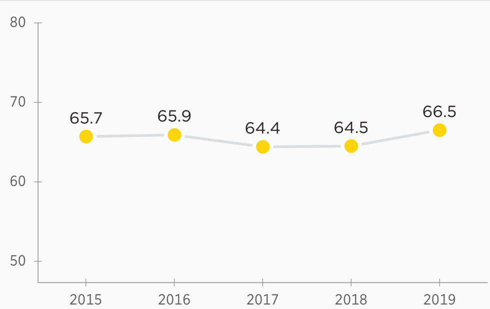


RELATIVE STRENGTHS:
Trade Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+16.8

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
2.9 million

GDP (PPP):
$36.0 billion
3.9% growth in 2017
5-year compound annual growth 2.5%
$12,507 per capita

UNEMPLOYMENT:
13.9%

INFLATION (CPI):
2.0%

FDI INFLOW:
$1.1 billion

PUBLIC DEBT:
71.2% of GDP

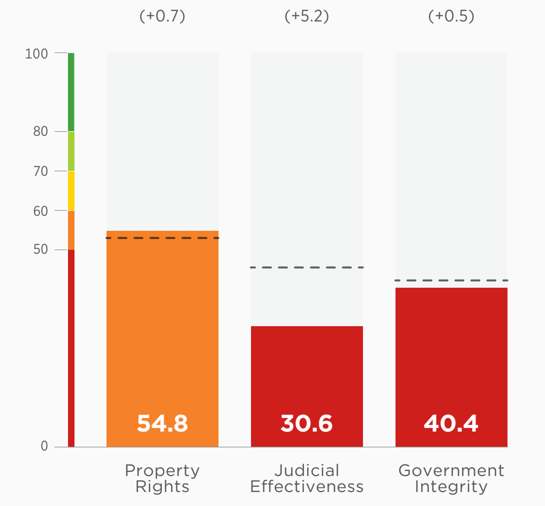
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Balkan nation of Albania transitioned from Communist rule to multiparty democracy in 1991. The political situation stabilized after state-sanctioned pyramid schemes collapsed in 1997. Edi Rama became prime minister in 2013, and his Socialist Party won a parliamentary majority in 2017. Albania's accession to the European Union has stalled in the absence of additional reforms to fight corruption and improve the rule of law. Agriculture dominates the economy and employs about half of the workforce, but services and tourism are increasingly important. Albania remains one of Europe's poorest countries, with sluggish economic growth hindered by a large informal economy and weak energy and transportation infrastructure. High unemployment and a lack of opportunity spur substantial emigration.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

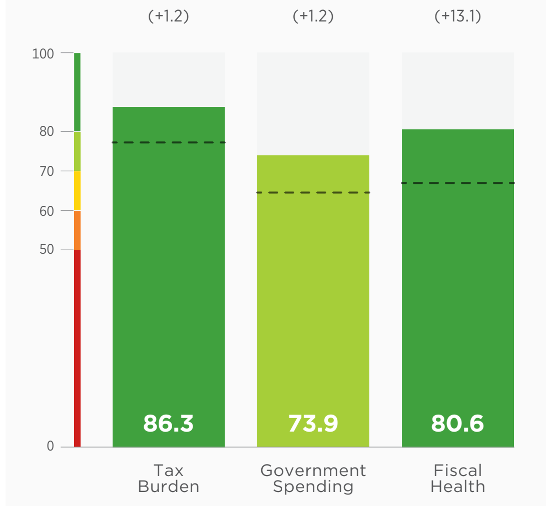
12 ECONOMIC FREEDOMS | ALBANIA

RULE OF LAW



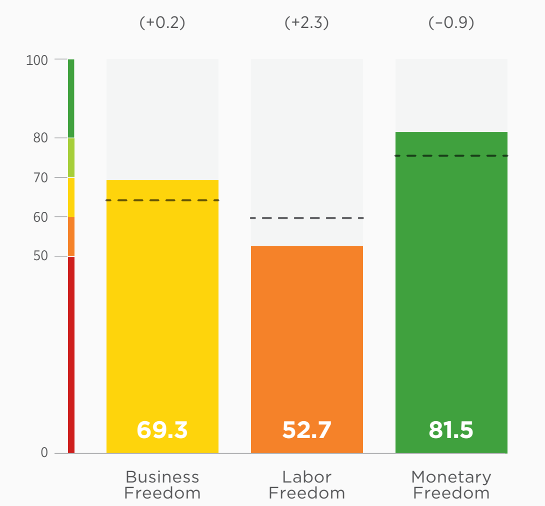
Property legislation is weak. Real estate registration procedures are cumbersome. The independent judiciary is subject to political pressure, intimidation, and limited resources, but a 2016 rewrite of one-third of the constitution involved the most significant judicial reforms since the end of Communism. Convicted criminals cannot hold public office, but public administration remains plagued by inefficiency, incompetence, and widespread corruption.

GOVERNMENT SIZE



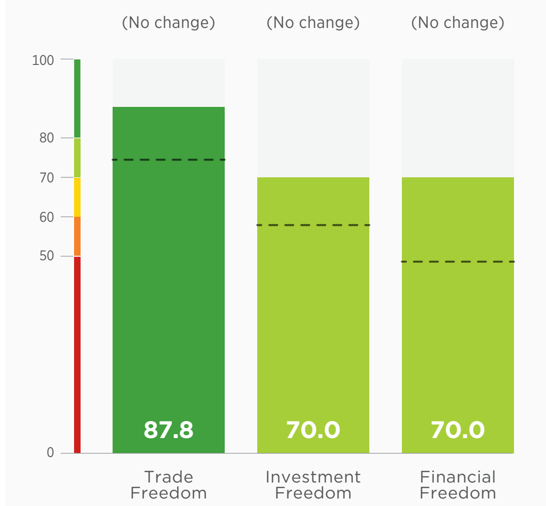
The top individual income tax rate is 23 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 24.9 percent of total domestic income. Over the past three years, government spending has amounted to 29.5 percent of the country's output (GDP), and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 71.2 percent of GDP.

REGULATORY EFFICIENCY

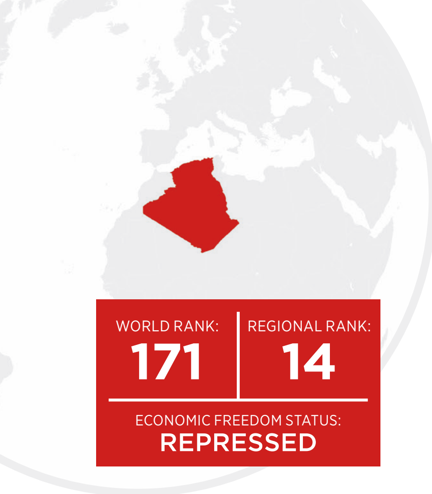


Business start-up procedures have become less costly, and there is no longer a minimum capital requirement for setting up a company. Labor demand in the formal economy, which has a high level of self-employment, is significantly influenced by the public sector. The government continues to phase out subsidies and price controls for electricity, water, and transportation but still subsidizes agriculture heavily.

OPEN MARKETS



The combined value of exports and imports is equal to 78.1 percent of GDP. The average applied tariff rate is 1.1 percent. As of June 30, 2018, according to the WTO, Albania had 196 nontariff measures in force. Bureaucratic barriers deter investment. Most banks are foreign-owned. The banking system has benefited from increased competition and remains stable, but the number of nonperforming loans hinders credit growth.



WORLD RANK: **171**

REGIONAL RANK: **14**

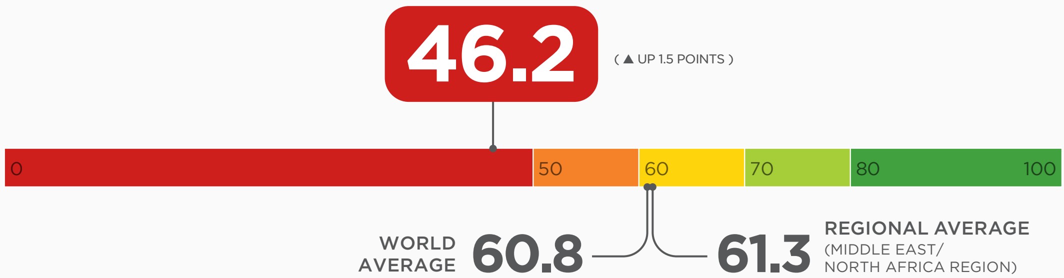
ECONOMIC FREEDOM STATUS: **REPRESSED**

ALGERIA

Algeria's economic freedom score is 46.2, making its economy the 171st freest in the 2019 *Index*. Its overall score has increased by 1.5 points, with improvements in **property rights**, **monetary freedom**, **investment freedom**, and **trade freedom** offsetting a steep decline in **business freedom**. Algeria is ranked 14th among the 14 fully evaluated countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The state continues to dominate Algeria's economy. Statism is a legacy of the country's socialist post-independence development model. Efforts to introduce economic reforms have been stymied by powerful vested interests; as a result, the government has made little progress in improving fiscal governance, has halted the privatization of state-owned industries, and has restricted imports and foreign engagement in its economy. These policies and other institutional weaknesses, combined with ongoing political uncertainty, continue to undermine prospects for sustained long-term economic development.

ECONOMIC FREEDOM SCORE

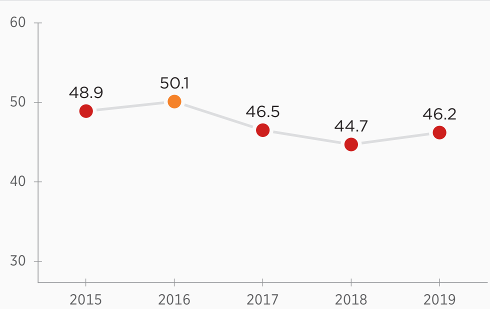


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–9.5

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
41.5 million

GDP (PPP):
$632.9 billion
2.0% growth in 2017
5-year compound annual growth 3.1%
$15,237 per capita

UNEMPLOYMENT:
10.0%

INFLATION (CPI):
5.6%

FDI INFLOW:
$1.2 billion

PUBLIC DEBT:
25.8% of GDP

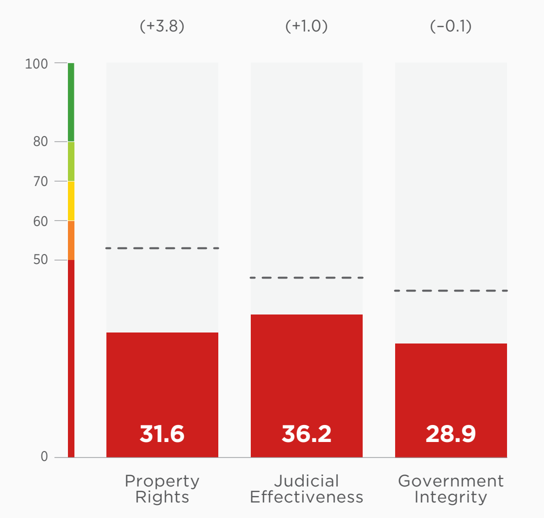
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The National Liberation Front has dominated politics since Algeria won independence from France in 1962. President Abdelaziz Bouteflika is considering a run for a fifth five-year term in 2019 despite rare public appearances after a stroke. Political stability is threatened by uncertainty over the 81-year-old Bouteflika's longevity, widespread popular disillusionment with the political system, and a weak economy. Reforms introduced after the Arab Spring protests lifted some restrictions on civil liberties. Since 2015, Algeria has pursued an import substitution policy, adopting protectionist measures to encourage domestic production. Algeria is the world's sixth-largest exporter of natural gas; oil and gas account for almost 95 percent of export revenues and more than 30 percent of GDP.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

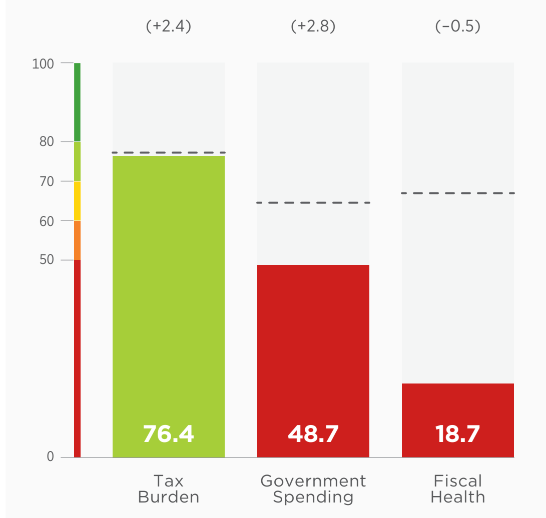
12 ECONOMIC FREEDOMS | ALGERIA

RULE OF LAW



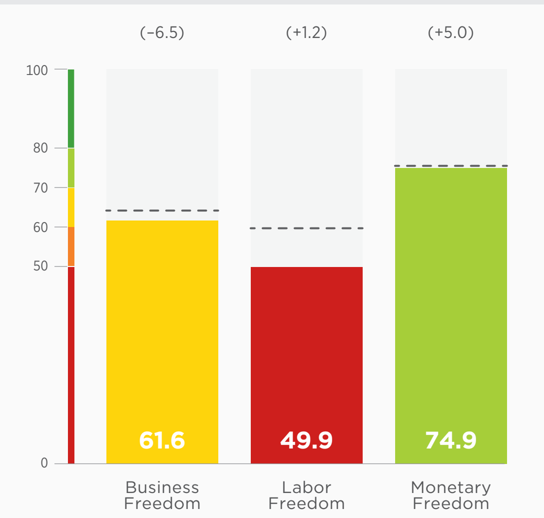
Secured interests in property are generally enforceable, but most real property is in government hands. Conflicting title claims make real estate transactions difficult. The country's judiciary system is generally weak, slow, and subject to political pressure. Corruption is pervasive in the business and public sectors, especially in energy. An estimated one-half of all economic transactions occurs in the informal sector.

GOVERNMENT SIZE



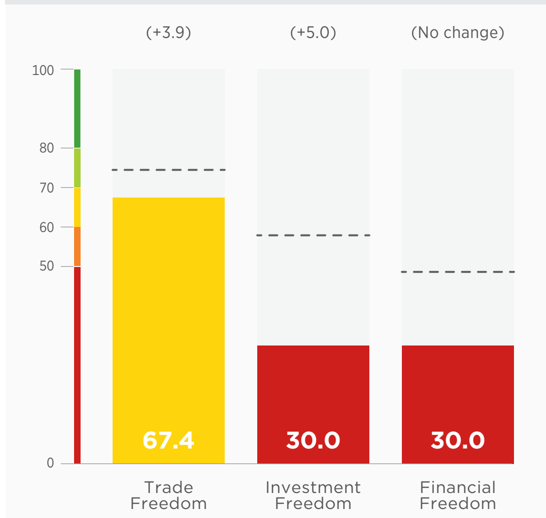
The top income tax rate is 35 percent, and the top corporate tax rate is 23 percent. Other major taxes include a value-added tax. The overall tax burden equals 24.5 percent of total domestic income. Over the past three years, government spending has amounted to 41.4 percent of the country's output (GDP), and budget deficits have averaged 11.6 percent of GDP. Public debt is equivalent to 25.8 percent of GDP.

REGULATORY EFFICIENCY



Despite past enhancement of the business environment, significant bureaucratic impediments to entrepreneurial activity and economic development persist. The continuing rigidity of the labor market contributes to high youth unemployment. Low global oil prices have forced the government to cut some energy subsidies, but other politically popular subsidies remain in place.

OPEN MARKETS



The combined value of exports and imports is equal to 60.4 percent of GDP. The average applied tariff rate is 8.8 percent. Nontariff barriers significantly impede trade. The government screens foreign investment, and its customs process is cumbersome. Algeria's capital markets are underdeveloped; private banks have grown, but the financial sector remains dominated by government-controlled banks.

WORLD RANK: 156 | REGIONAL RANK: 33

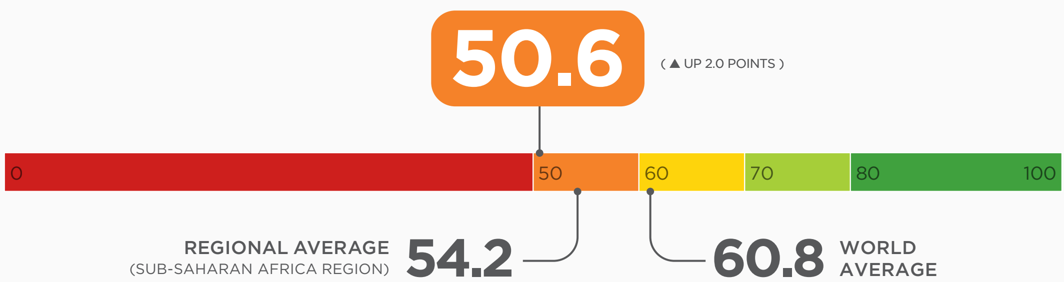
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

ANGOLA

Angola's economic freedom score is 50.6, making its economy the 156th freest in the 2019 *Index*. Its overall score has increased by 2.0 points, with improved scores for **government spending** and **labor freedom**, in particular, offsetting declines in **monetary freedom** and **business freedom**. Angola is ranked 33rd among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

President João Manuel Gonçalves Lourenço has tried to restructure Angola's economy away from dependence on oil, but his proposals have encountered resistance from vested interests in the ruling party. A small number of businesses have long enjoyed a stranglehold on most economic sectors. These monopolies have kept prices high, limited choice for consumers, and erected trade barriers and investment restrictions. Modest reforms have somewhat modernized the regulatory environment, but pervasive corruption and institutional weaknesses continue to undermine other important reforms.

ECONOMIC FREEDOM SCORE

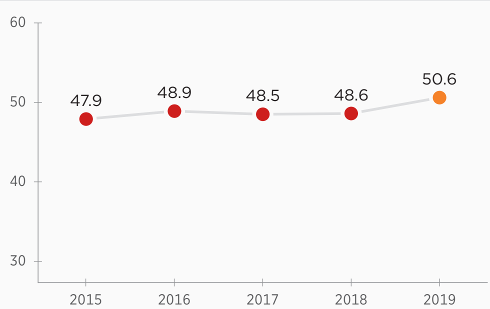


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+23.2

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
28.2 million

GDP (PPP):
$190.3 billion
0.7% growth in 2017
5-year compound annual growth 2.9%
$6,753 per capita

UNEMPLOYMENT:
8.2%

INFLATION (CPI):
31.7%

FDI INFLOW:
−$2,254.5 million

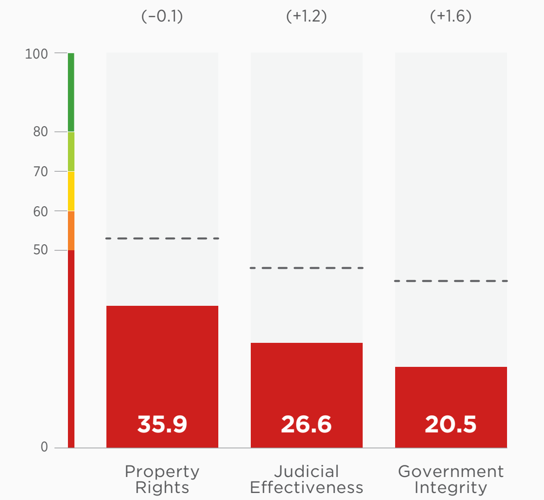
PUBLIC DEBT:
65.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: When former President José Eduardo dos Santos stepped down in 2017 after 38 years in power, former Defense Minister João Manuel Gonçalves Lourenço from dos Santos's ruling Popular Movement for the Liberation of Angola was elected president. Lourenço quickly moved to terminate the dos Santos family's control of the Sonangol state oil company and Angola's sovereign wealth fund. Angola is one of Africa's largest oil producers, and most of its proven reserves are in Cabinda province, which is plagued by a separatist conflict. Despite the country's oil, diamonds, hydroelectric potential, and rich agricultural land, most Angolans remain poor and dependent on subsistence farming. The long global oil price slump has battered the economy.

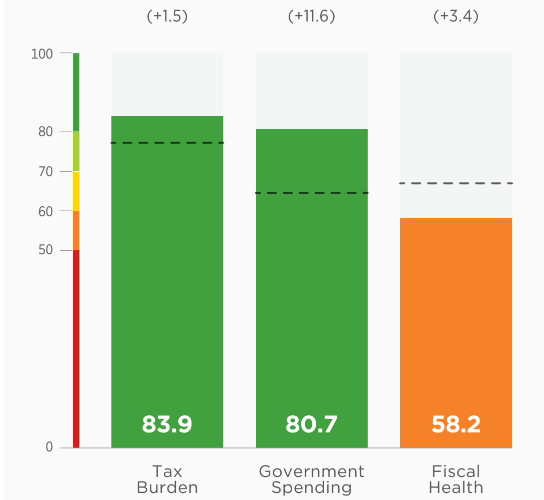
12 ECONOMIC FREEDOMS | ANGOLA

RULE OF LAW



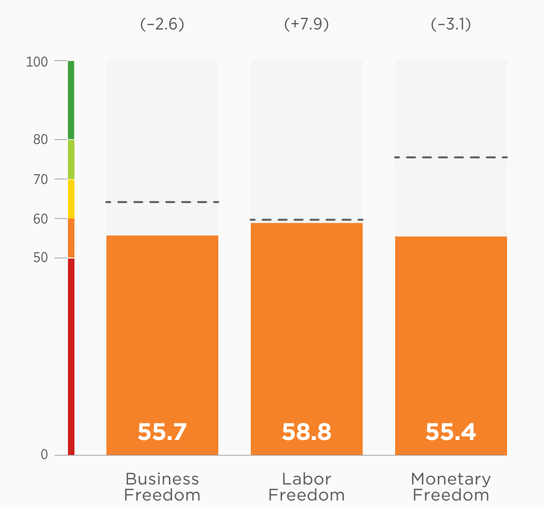
Protection of property rights is weak. The judiciary is subject to extensive political influence. Courts suffer from a lack of trained legal professionals, poor infrastructure, and a large case backlog. Government corruption and nepotism are widespread. The former president's daughter was ousted as CEO of the state-owned oil company, and in 2018, his son was caught trying to steal $500 million from the central bank.

GOVERNMENT SIZE



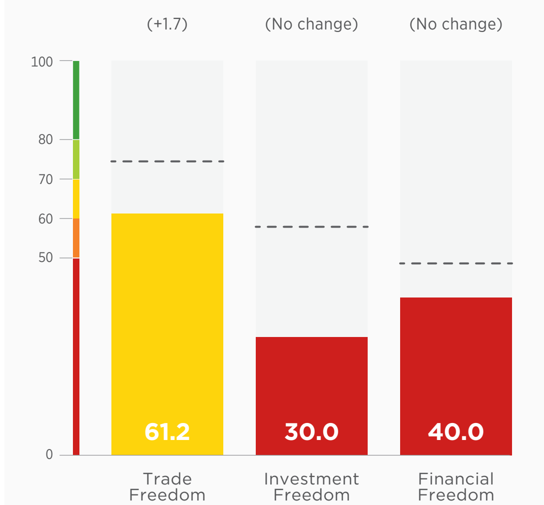
The top income tax rate is 17 percent. The top normal corporate tax rate is 30 percent, but rates for the mining and oil industries are as high as 50 percent. The overall tax burden equals 20.6 percent of total domestic income. Over the past three years, government spending has amounted to 25.3 percent of the country's output (GDP), and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 65.3 percent of GDP.

REGULATORY EFFICIENCY



Despite the recent implementation of more streamlined business start-up procedures, burdensome regulations still hinder private-sector development. Overall, the regulatory system lacks clarity, and regulations are enforced inconsistently. The formal labor market is underdeveloped. Seeking greater macroeconomic stability, the government says it will reduce subsidies on utilities and make public spending more efficient.

OPEN MARKETS



The combined value of exports and imports is equal to 57.6 percent of GDP. The average applied tariff rate is 9.4 percent. Nontariff barriers significantly impede trade. Government policies such as sectoral restrictions limit foreign investment. Banking continues to expand, but public use of banking services remains low. About 10 percent of Angolans maintain bank accounts.

ARGENTINA

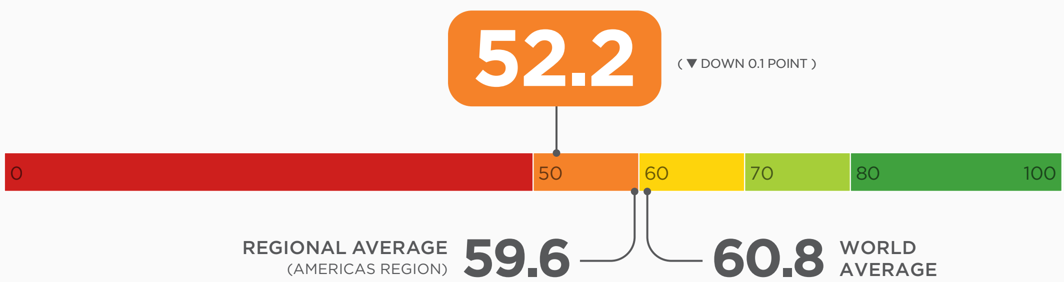
WORLD RANK: **148** | REGIONAL RANK: **26**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Argentina's economic freedom score is 52.2, making its economy the 148th freest in the 2019 *Index*. Its overall score has decreased by 0.1 point, with plunging scores for **fiscal health** and **government spending** outweighing improvements in **monetary freedom** and **property rights**. Argentina is ranked 26th among 32 countries in the Americas region, and its overall score remains below the regional and world averages.

Notwithstanding an ongoing crisis of confidence in the economy, President Mauricio Macri is sticking with his government's politically risky austerity plan of budget cuts and tax increases to close the fiscal gap. These unpopular measures include the continued unwinding of costly energy subsidies, which caused prices of regulated goods and services to rise and spiked inflation. If Macri can succeed in restoring fiscal health, he will be well positioned to improve government integrity and make the many other institutional and structural reforms that are needed to restore Argentina to its former levels of economic freedom.

ECONOMIC FREEDOM SCORE

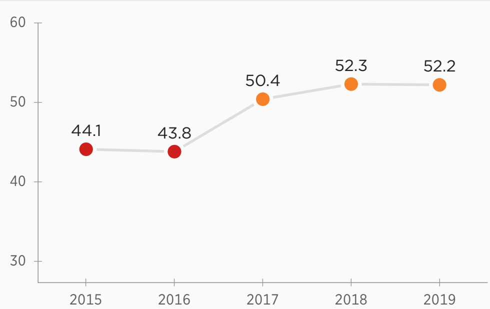


RELATIVE STRENGTHS:
Trade Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–15.8

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
44.1 million

GDP (PPP):
$920.2 billion
2.9% growth in 2017
5-year compound annual growth 0.7%
$20,876 per capita

UNEMPLOYMENT:
8.5%

INFLATION (CPI):
25.7%

FDI INFLOW:
$11.9 billion

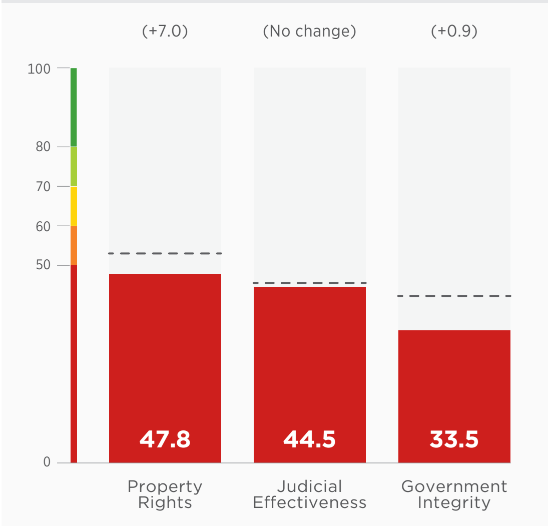
PUBLIC DEBT:
52.6% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Argentina is South America's second-largest country. Once one of the world's wealthiest nations, it has vast agricultural and mineral resources and a highly educated population, but it also has a long history of political and economic instability. Argentina's investment profile declined during the presidencies of Cristina Fernández de Kirchner and her late husband Néstor. Their legacy of statist protectionism and other Peronist policies isolated the country and led to economic stagnation. Center-right President Mauricio Macri began his four-year term in 2015 and has implemented a reformist agenda. Faced with an opposition-controlled Congress, weaker commodity prices, and a downturn in foreign investment, Macri was forced to seek a highly unpopular $50 billion IMF bailout in 2018.

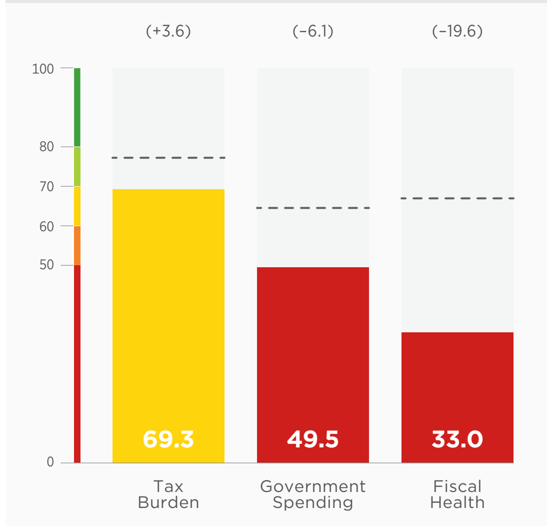
12 ECONOMIC FREEDOMS | ARGENTINA

RULE OF LAW



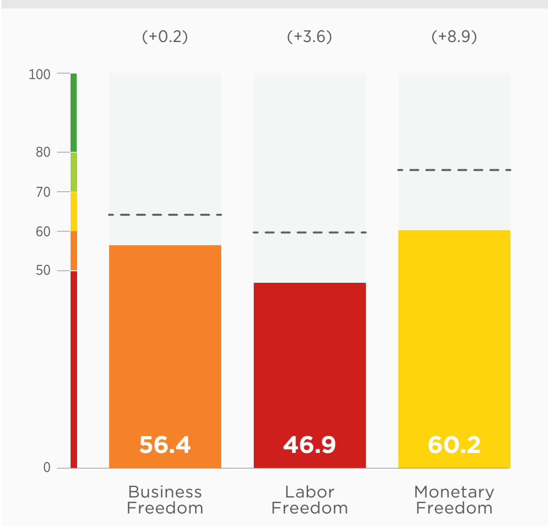
Secured interests in real property are recognized and enforced. The government has taken significant steps to improve the protection of intellectual property rights, but deficiencies persist within the patent and regulatory data protection regimes. President Macri has issued executive orders to improve judicial transparency, but the opposition-controlled Congress has blocked his comprehensive reforms to strengthen bureaucracy and reduce corruption.

GOVERNMENT SIZE



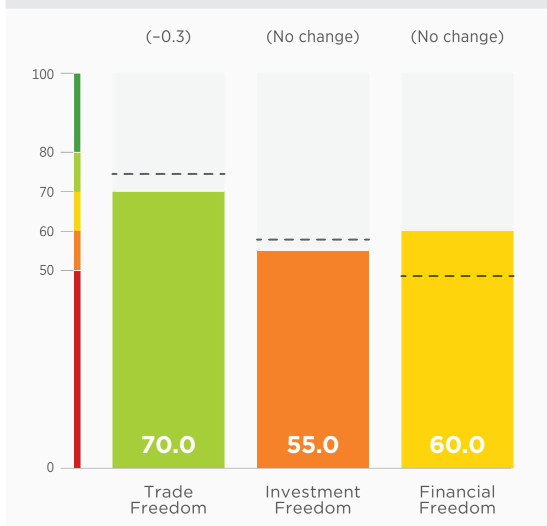
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added, wealth, and financial transactions taxes. The overall tax burden equals 30.8 percent of total domestic income. Over the past three years, government spending has amounted to 41.0 percent of the country's output (GDP), and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 52.6 percent of GDP.

REGULATORY EFFICIENCY

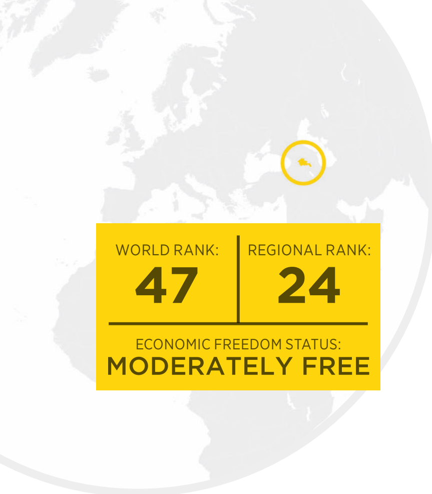


The Macri government has pursued a range of measures to improve the efficiency of business regulation. The president vetoed a labor law that would have kept firms from dismissing workers, arguing that it would depress the employment outlook by deterring investment. The government is removing price controls on fuel, oil, and natural gas and plans to cut energy and transportation subsidies in an effort to lower the fiscal deficit.

OPEN MARKETS



The combined value of exports and imports is equal to 25.0 percent of GDP. The average applied tariff rate is 7.5 percent. As of June 30, 2018, according to the WTO, Argentina had 126 nontariff measures in force. Openness to foreign investment is below average. The financial sector remains subject to government interference, but the presence of foreign banks has increased, and their assets have risen to approximately 30 percent of the total.



WORLD RANK: 47

REGIONAL RANK: 24

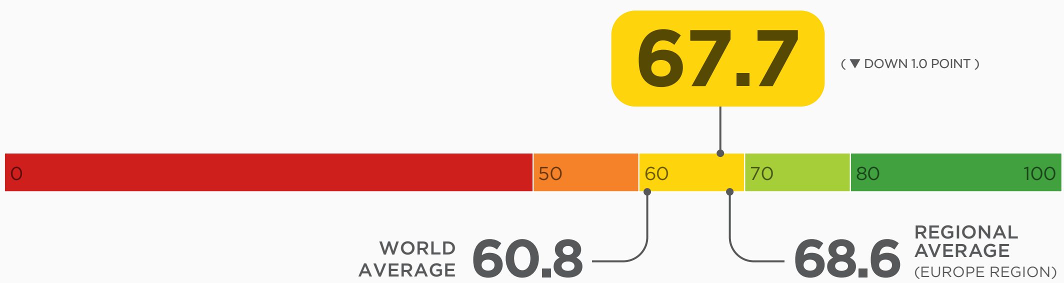
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

ARMENIA

Armenia's economic freedom score is 67.7, making its economy the 47th freest in the 2019 *Index*. Its overall score has decreased by 1.0 point, dragged down by a steep drop in **fiscal health** and lower scores on **government integrity** and **judicial effectiveness**. Armenia is ranked 24th among 44 countries in the Europe region, and its overall score is slightly below the regional norm but well above the world average.

Despite the previous government's efforts to improve the business environment through tax reform, reduce corruption in the customs and tax administrations, and increase the transparency of procurement processes, Armenia's geographic isolation, narrow export base, and pervasive monopolies in important business sectors make it particularly vulnerable to deteriorations in global commodity markets. Nevertheless, modest diversification has produced greater economic dynamism, and a decade of strong economic growth has reduced poverty and unemployment. Cronyism and influence peddling remain concerns, and progress in tackling corruption has been limited.

ECONOMIC FREEDOM SCORE

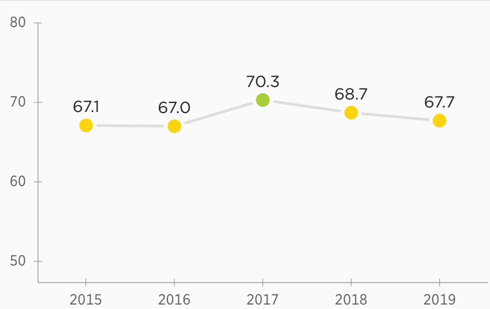


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+25.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.0 million

GDP (PPP):
$28.3 billion
7.5% growth in 2017
5-year compound annual growth 3.6%
$9,456 per capita

UNEMPLOYMENT:
18.2%

INFLATION (CPI):
0.9%

FDI INFLOW:
$245.7 million

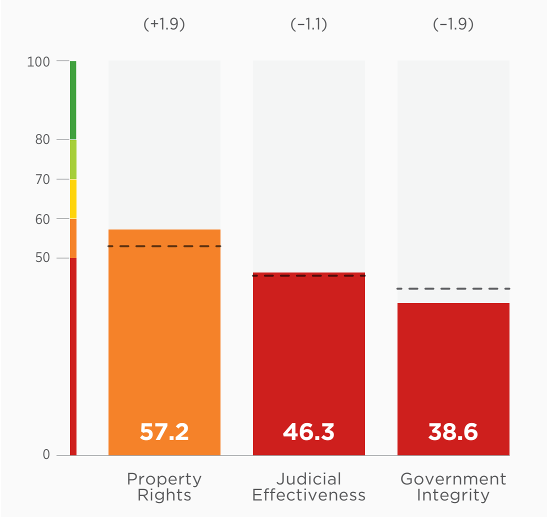
PUBLIC DEBT:
53.5% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Armenia was a Soviet republic until independence in 1991. Protests against President Serzh Sargsyan's attempt to name himself prime minister led to his ouster, and Armen Sarkissian was elected president in April 2018, with opposition leader Nikol Pashinyan elected prime minister. Armenia's 25-year occupation of neighboring Azerbaijan's Nagorno–Karabakh region and other territories remains one of post-Soviet Europe's frozen conflicts. The economy relies on manufacturing, services, remittances, and agriculture. Russia is Armenia's principal export market, and Armenia joined Russia's Eurasian Economic Union in 2015. It also signed a Comprehensive and Enhanced Partnership Agreement with the European Union in 2017. The government relies heavily on loans from Russia and international financial institutions.

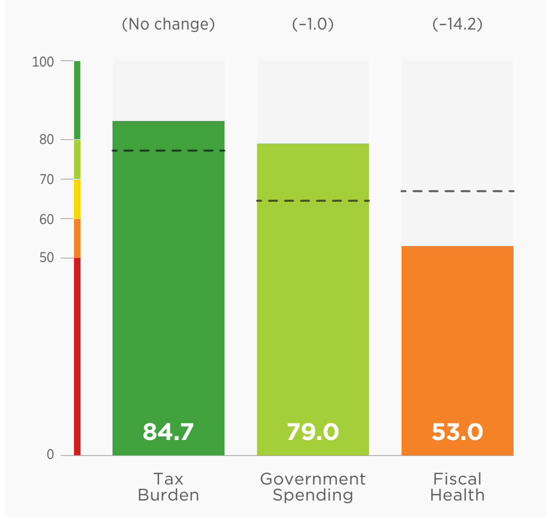
12 ECONOMIC FREEDOMS | ARMENIA

RULE OF LAW



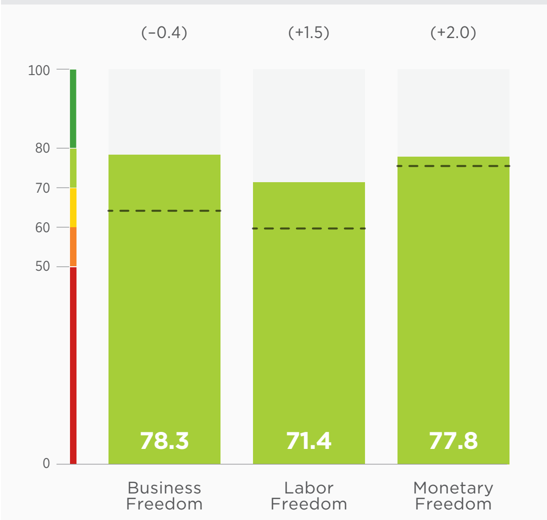
Armenian law protects secured interests in both personal and real property. The judiciary is slow and lacks efficiency, independence, and transparency. Judges often seek advice from higher courts, making decisions subject to influence by external factors. Corruption is pervasive, is not regularly prosecuted, and has been aggravated by Russia's consolidation of its influence over Armenia's economy and regional security.

GOVERNMENT SIZE



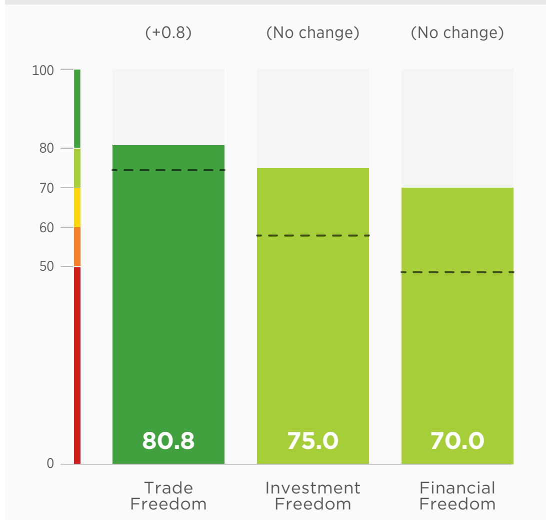
The top individual income tax rate is 26 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 21.3 percent of total domestic income. Over the past three years, government spending has amounted to 26.4 percent of the country's output (GDP), and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 53.5 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework is relatively efficient. The minimum capital requirement for business start-ups has been eliminated, and bankruptcy procedures have been modernized. The nonsalary cost of labor is moderate, but the informal labor market is sizable. Armenia's rising government debt is forcing the government to tighten its fiscal policies and rein in subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 88.5 percent of GDP. The average applied tariff rate is 2.1 percent. As of June 30, 2018, according to the WTO, Armenia had nine nontariff measures in force. Bureaucratic barriers interfere with foreign and domestic investment. The banking sector accounts for over 90 percent of total financial-sector assets but still struggles to provide adequate long-term credit.

WORLD RANK: 5 | REGIONAL RANK: 4

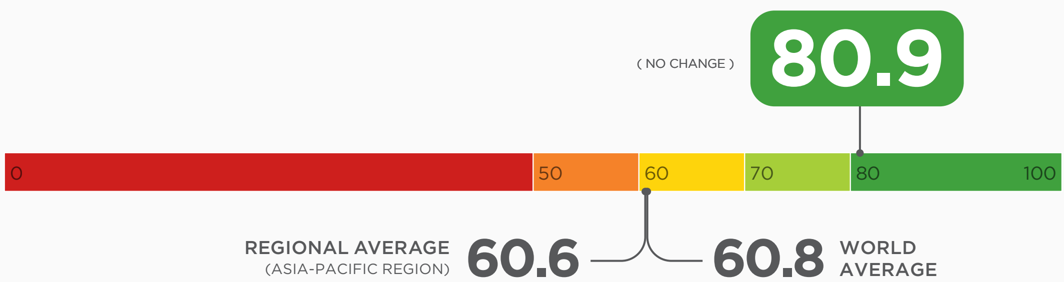
ECONOMIC FREEDOM STATUS: FREE

AUSTRALIA

Australia's economic freedom score is 80.9, making its economy the 5th freest in the 2019 *Index*. Its overall score is unchanged from 2018, with higher scores for **labor freedom**, **government integrity**, **fiscal health**, and **trade freedom** offsetting a steep drop in **judicial effectiveness**. Australia is ranked 4th among 43 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Australian economy is undergoing structural change as the mining investment boom unwinds, having peaked in 2012. The government is supporting this transition through corporate tax cuts, negotiation of additional free-trade agreements, and further reforms in the labor market. Overall, Australia's robust free-market democracy has benefited from an effective system of government that facilitates vibrant entrepreneurial development. With almost all industries open to foreign competition and a skilled workforce readily available, Australia remains an attractive and dynamic destination for investment.

ECONOMIC FREEDOM SCORE

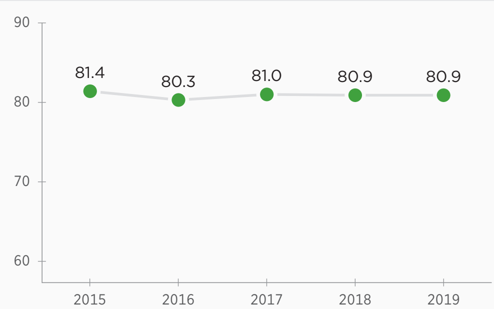


RELATIVE STRENGTHS:
Financial Freedom and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+6.8

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
24.8 million

GDP (PPP):
$1.2 trillion
2.3% growth in 2017
5-year compound annual growth 2.4%
$50,334 per capita

UNEMPLOYMENT:
5.6%

INFLATION (CPI):
2.0%

FDI INFLOW:
$46.4 billion

PUBLIC DEBT:
41.6% of GDP

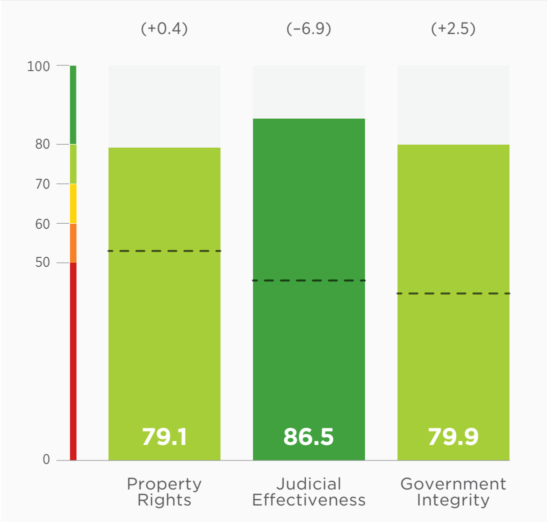
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Australia is one of the wealthiest Asia–Pacific nations and has enjoyed more than two decades of economic expansion. In a reflection of the turmoil within the governing party, Scott Morrison replaced Malcolm Turnbull as head of the ruling Liberal–National coalition and prime minister in 2018. Turnbull had replaced former Prime Minister Tony Abbott in 2015. Australia is internationally competitive in financial and insurance services, technologies, and high-value-added manufactured goods. Mining and agriculture are important export sectors. Australia's 10 free-trade agreements include agreements with the U.S., China, Japan, South Korea, and ASEAN. Negotiations on similar agreements are ongoing with the European Union and are expected to begin with the United Kingdom following Britain's exit from the EU.

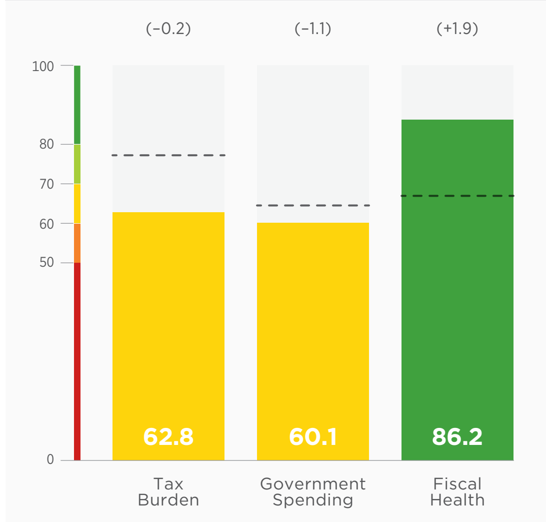
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | AUSTRALIA

RULE OF LAW



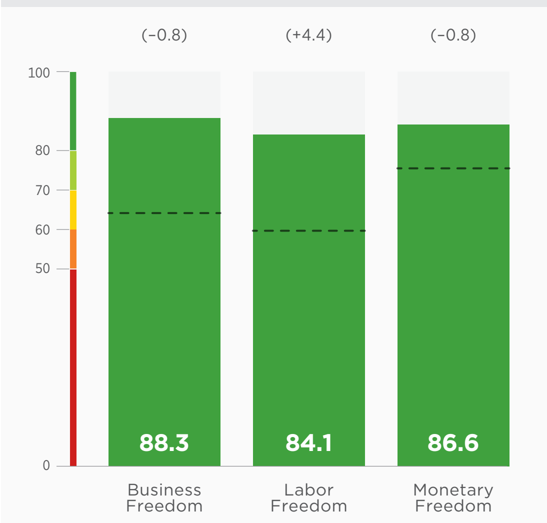
GOVERNMENT SIZE



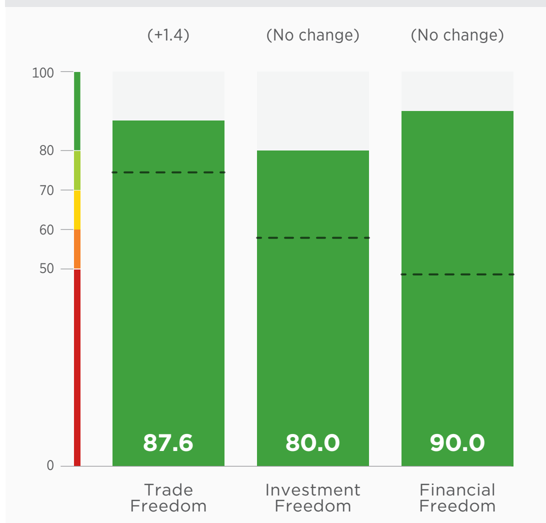
Property rights are robustly protected, and the strong rule of law mitigates corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia has transparent and well-established political processes, a strong legal system, competent governance, and an independent bureaucracy. The judicial system operates independently and impartially. Anticorruption measures are generally effective, and corruption cases are rare.

The top income tax rate is 45 percent, and the flat corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 28.2 percent of total domestic income. Over the past three years, government spending has amounted to 36.5 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 41.6 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Australia's regulatory environment is one of the world's most transparent and efficient, and is highly conducive to entrepreneurship. It takes only three procedures to launch a business. The labor market is well supported by the modern and flexible employment code. The government plans to eliminate subsidies for wind and solar energy generators by 2020.

The combined value of exports and imports is equal to 41.9 percent of GDP. The average applied tariff rate is 1.2 percent. As of June 30, 2018, according to the WTO, Australia had 322 nontariff measures in force. Government policies do not significantly interfere with foreign investment. Foreign firms compete on equal terms with domestic banks and other financial institutions in Australia's highly developed and competitive financial system.

AUSTRIA

WORLD RANK: **31**

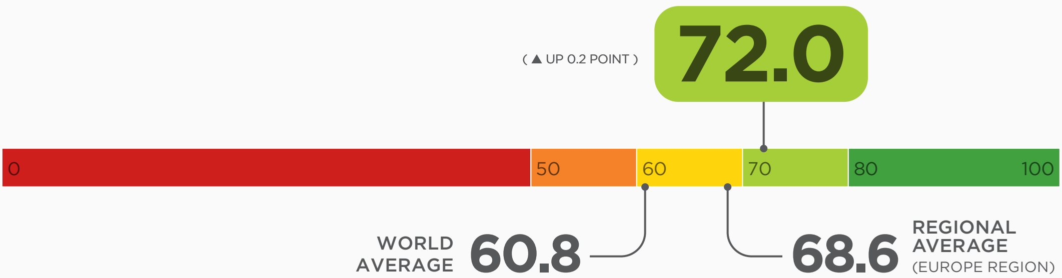
REGIONAL RANK: **16**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Austria's economic freedom score is 72.0, making its economy the 31st freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with higher scores for **government spending**, **fiscal health**, **government integrity**, and **labor freedom** offsetting a steep drop in **judicial effectiveness**. Austria is ranked 16th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The government's efforts to improve the business environment historically have included reducing corporate tax rates and introducing more flexible working hours and other labor market reforms. Austria's small but well-developed economy is highly globalized and resilient, sustained by a skilled labor force, competitive manufacturing, and a large services sector. Openness to global trade and investment is firmly institutionalized, and the relatively efficient entrepreneurial framework strengthens competitiveness. Protection of property rights is traditionally strong, the legal system is transparent and reliable, and anticorruption measures are effective.

ECONOMIC FREEDOM SCORE

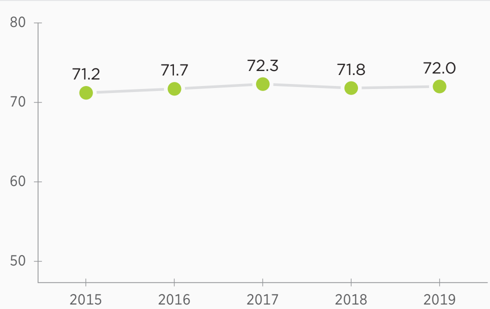


RELATIVE STRENGTHS:
Investment Freedom and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.0

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
8.8 million

GDP (PPP):
$439.6 billion
2.9% growth in 2017
5-year compound annual growth 1.3%
$49,869 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
2.2%

FDI INFLOW:
$9.6 billion

PUBLIC DEBT:
78.8% of GDP

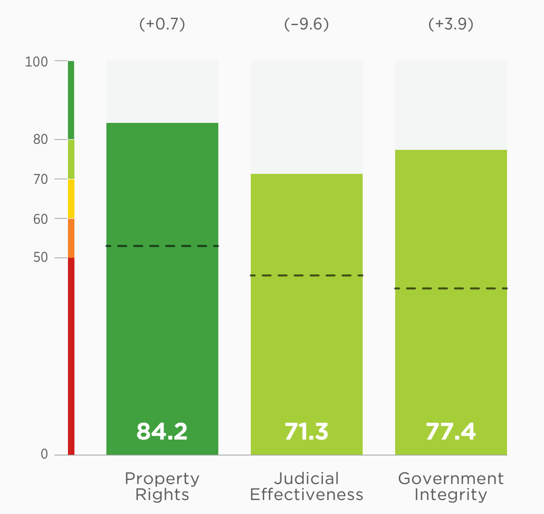
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Austria regained full sovereignty from the World War II victors in 1955. Alexander Van der Bellen, a Green Party member running as an independent, was elected to the largely ceremonial role of president in 2016. Sebastian Kurz of the conservative People's Party became chancellor in 2017 after forming a coalition government with the populist Freedom Party. Kurz campaigned on promises to tighten immigration controls, cut taxes, and make Austria more business-friendly. During its July–December 2018 presidency of the European Union, Austria focused on security improvements in the common external border. Austria has large services and industrial sectors and a small, highly developed agricultural sector. Challenges include the assimilation of migrants and the strains on labor markets and public finances caused by an aging population.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

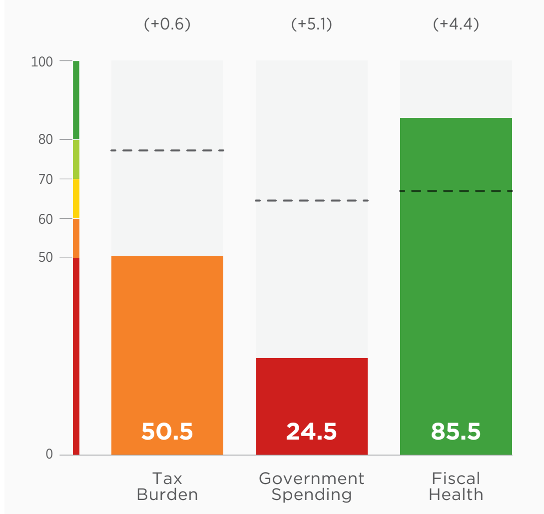
12 ECONOMIC FREEDOMS | AUSTRIA

RULE OF LAW



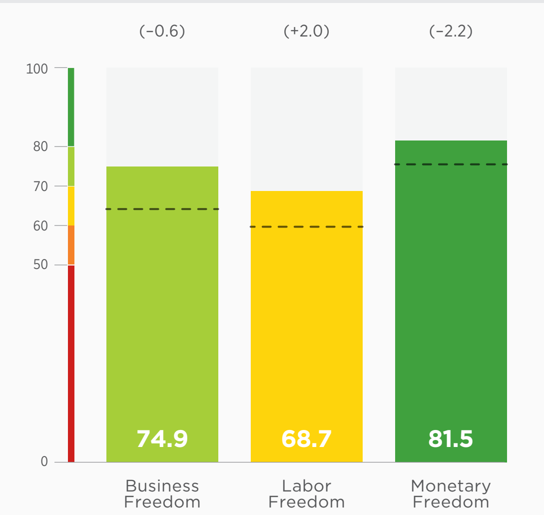
Austria's land registry is a reliable and accessible system for recording interests in property. The investment climate has been enhanced by the country's stability and strong rule of law. The independent judiciary provides an effective means for protecting real and intellectual property rights and enforcing contracts. Corruption is relatively rare, although several former high-ranking officials were charged with bribery and embezzlement in 2018.

GOVERNMENT SIZE



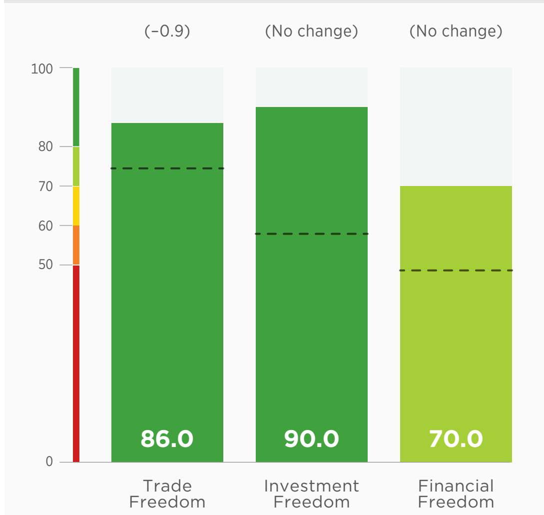
The top income tax rate is 50 percent, and the top corporate tax rate is 25 percent. High social security contributions are shared by employers and employees. The overall tax burden equals 42.7 percent of total domestic income. Over the past three years, government spending has amounted to 50.2 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 78.8 percent of GDP.

REGULATORY EFFICIENCY



Although the transparent and efficient regulatory framework generally facilitates productivity growth, a large public sector and extensive bureaucracy prevent Austria from being more business-friendly. Nonwage labor costs are still very substantial. The labor force is highly skilled, and labor–management relations are always amicable. The government continues heavy subsidies for renewable energy sources and electric vehicles.

OPEN MARKETS



The combined value of exports and imports is equal to 104.7 percent of GDP. The average applied tariff rate is 2.0 percent. Austria implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Complex regulations may impede investment. The competitive and stable financial sector offers a wide range of services.

WORLD RANK: 60 | REGIONAL RANK: 13

ECONOMIC FREEDOM STATUS:
MODERATELY FREE

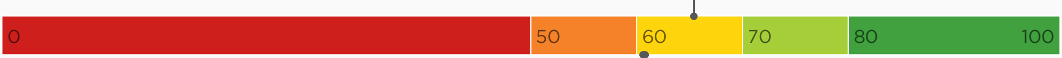
AZERBAIJAN

Azerbaijan's economic freedom score is 65.4, making its economy the 60th freest in the 2019 *Index*. Its overall score has increased by 1.1 points, led by a dramatic rise in **judicial effectiveness** and higher scores for **property rights** and **government integrity** that offset declines in **labor freedom** and **fiscal health**. Azerbaijan is ranked 13th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

The government's goals are to join the World Trade Organization, develop Azerbaijan into a trade and transit hub by continuing investment in road and rail infrastructure, and diversify away from economic dependence on hydrocarbons. Continued market-based improvements in regulatory efficiency and further restructuring are needed to capitalize on the well-educated labor force and broaden the production base. There has been measurable progress to improve the rule of law in the past year, but corruption remains widespread.

ECONOMIC FREEDOM SCORE

65.4 (▲ UP 1.1 POINTS)



REGIONAL AVERAGE (ASIA-PACIFIC REGION) **60.6**

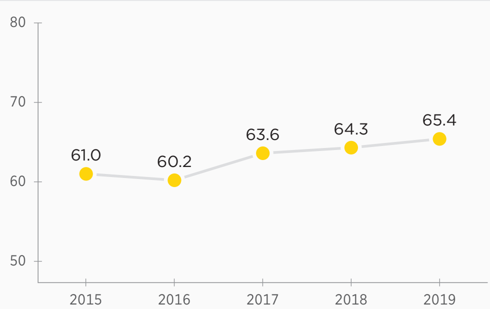
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+35.4

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
9.8 million

GDP (PPP):
$171.8 billion
0.1% growth in 2017
5-year compound annual growth 1.2%
$17,492 per capita

UNEMPLOYMENT:
5.0%

INFLATION (CPI):
13.0%

FDI INFLOW:
$2.9 billion

PUBLIC DEBT:
54.7% of GDP

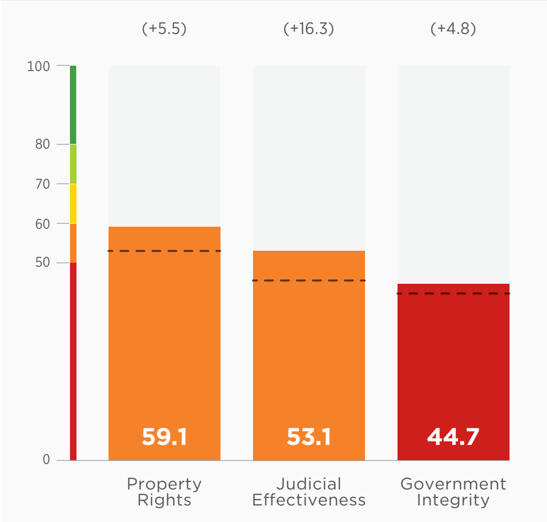
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: President Ilham Aliyev was elected to a fourth term in 2018 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan as a Soviet republic and later as an independent country until his death in 2003, when his son succeeded him. Armenia's 25-year occupation of 20 percent of Azerbaijan's internationally recognized territory in the Nagorno–Karabakh region and seven neighboring districts is one of post-Soviet Europe's frozen conflicts and exacerbates regional instability. Falling oil production is expected to be partially offset by increased natural gas exports. In 2018, the Trans-Anatolian Natural Gas Pipeline, an important section of the Southern Gas Corridor, opened to export Azerbaijani gas through Turkey and ease Europe's dependence on Russia for energy.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

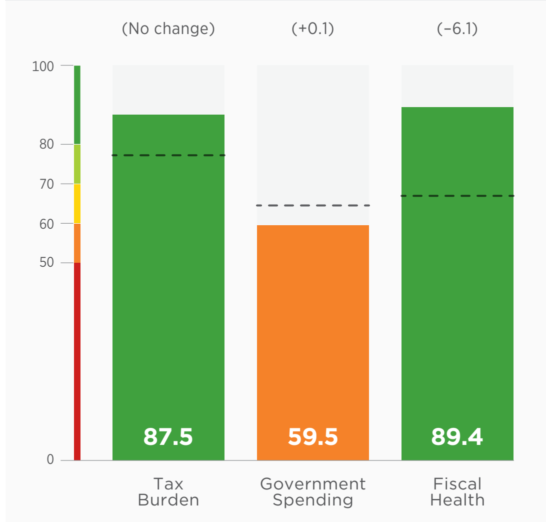
12 ECONOMIC FREEDOMS | AZERBAIJAN

RULE OF LAW



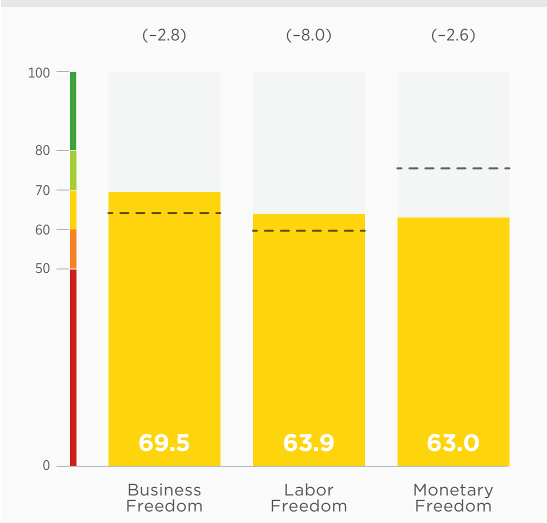
Although the state has seized property for development projects and inadequately compensated expropriations, some improvements in property registration and contract enforcement were made in 2016. The judiciary is corrupt, inefficient, and subject to political pressure; outcomes often seem to be predetermined. Corruption is widespread. Opposition politicians are subject to arbitrary arrest, physical violence, and other forms of intimidation.

GOVERNMENT SIZE



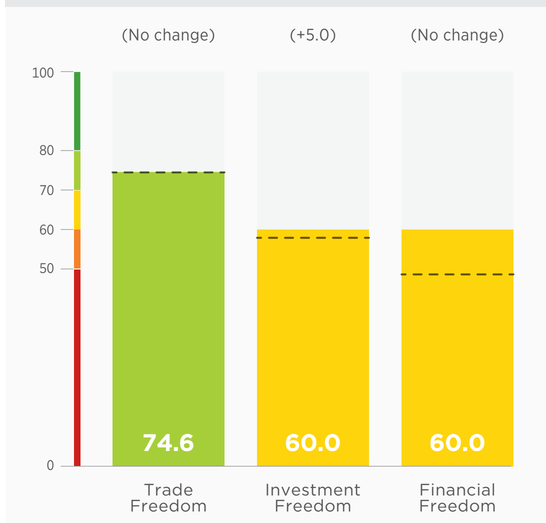
The top individual income tax rate is 25 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and property taxes. The overall tax burden equals 14.9 percent of total domestic income. Over the past three years, government spending has amounted to 36.7 percent of the country's output (GDP), and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 54.7 percent of GDP.

REGULATORY EFFICIENCY

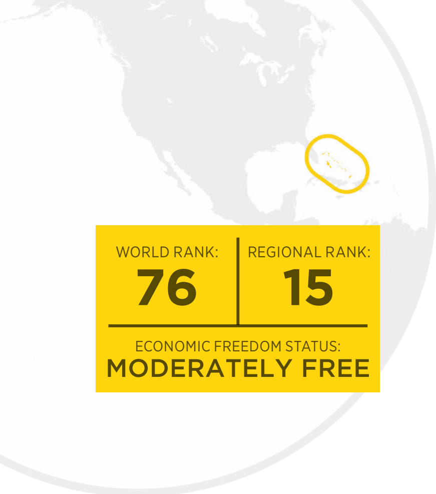


Despite progress in streamlining the process for launching a business, other time-consuming requirements reduce regulatory efficiency. Labor regulations are somewhat flexible, but enforcement of the labor code remains uneven. Ongoing subsidies continue to create price distortions for such goods as alcohol, drugs, energy, food and other agricultural products, and electricity.

OPEN MARKETS



The combined value of exports and imports is equal to 90.7 percent of GDP. The average applied tariff rate is 5.2 percent. Nontariff barriers impede trade. Regulatory barriers impede foreign and domestic investment in Azerbaijan. The financial sector faces many challenges including currency weakness. The banking sector is dominated by a large state bank, and small private banks remain splintered.



THE BAHAMAS

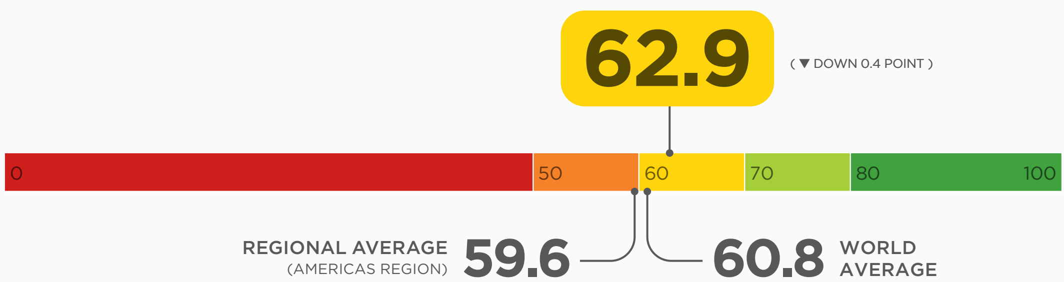
WORLD RANK: **76** | REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

The Bahamas' economic freedom score is 62.9, making its economy the 76th freest in the 2019 *Index*. Its overall score has decreased by 0.4 point, with declines in scores for **government integrity** and **judicial effectiveness** outpacing increases in **fiscal health** and **investment freedom**. The Bahamas is ranked 15th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The government's top priority is reducing the fiscal deficit. To stimulate the economy, it has simplified business licensing, procurement, and business-related immigration. It also has taken new steps to foster development of small and medium-size enterprises and encourage local investment. Private-sector growth has been constrained by weak rule of law, lingering protectionism, heavy subsidies to state-owned enterprises, and a bloated and slow-moving bureaucracy. Nevertheless, the overall regulatory system is conducive to entrepreneurial activity, and there are no individual or corporate income taxes.

ECONOMIC FREEDOM SCORE

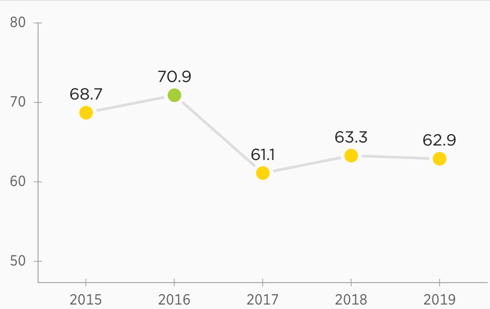


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–8.9

CONCERNS:
Property Rights and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$11.6 billion
1.3% growth in 2017
5-year compound annual growth –0.7%
$31,139 per capita

UNEMPLOYMENT:
12.6%

INFLATION (CPI):
1.4%

FDI INFLOW:
$927.7 million

PUBLIC DEBT:
57.2% of GDP

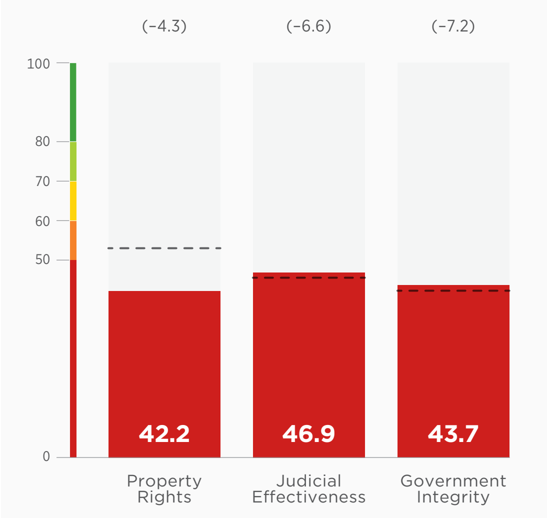
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Prime Minister Hubert Minnis of the Free National Movement party, elected in 2017, faces soft economic growth, high unemployment, high household indebtedness, and the costs of ongoing repairs made necessary by recent hurricanes. Tourism accounts for more than 60 percent of GDP. International banking, investment management, and financial services are also important. The Bahamas is the only Western Hemisphere country not to have joined the World Trade Organization, and Minnis is seeking to reactivate the accession process with the goal of achieving full membership by 2019. Debate continues regarding how to replace the tariff revenues that could decline with WTO membership. Proximity to the U.S. makes the Bahamas a transshipment point for illegal drugs and human trafficking.

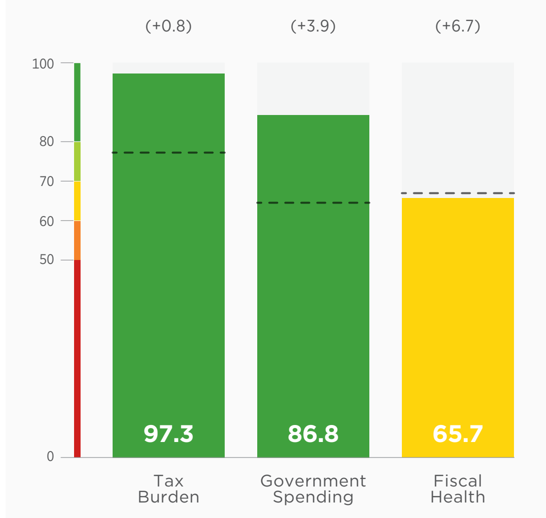
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | THE BAHAMAS

RULE OF LAW



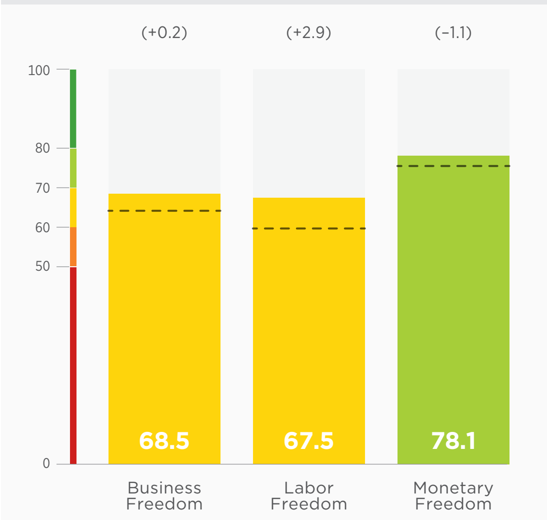
GOVERNMENT SIZE



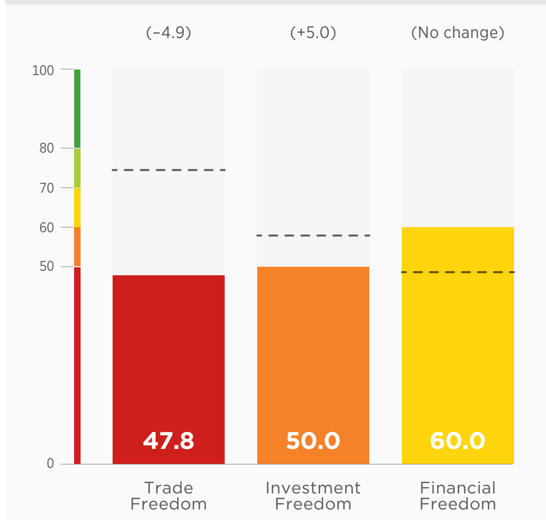
The government has in recent years made property registration somewhat easier, but difficulties remain. The independent legal system is based on British common law, and contracts are enforced. The judicial process is inefficient, however, and trials can be delayed. Retaliatory crimes against both witnesses and alleged perpetrators have increased. Money laundering and corruption are problems at all levels of government.

The government imposes national insurance, property, and stamp taxes but no income, corporate income, capital gains, or wealth taxes. The overall tax burden equals 16.3 percent of total domestic income. Over the past three years, government spending has amounted to 21.0 percent of the country's output (GDP), and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 57.2 percent of GDP.

REGULATORY EFFICIENCY

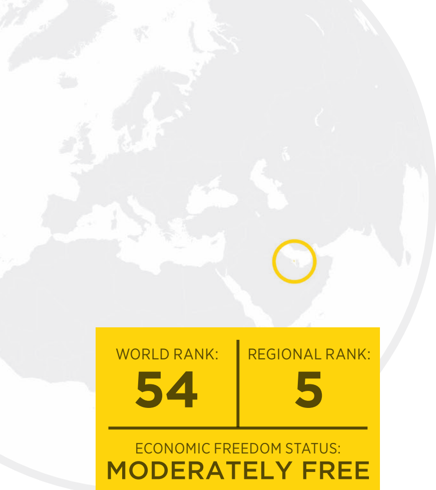


OPEN MARKETS



The Bahamas has made starting a business easier by merging the processes of registering for a business license and registering for the value-added tax. The labor market is relatively flexible, but the existing labor codes are not enforced effectively. Subsidies to state-owned enterprises such as Bahamas Air, which has recorded annual losses for two decades, continue to be a drag on government finances.

The combined value of exports and imports is equal to 75.5 percent of GDP. The average applied tariff rate is 18.6 percent. Emergence of a more dynamic and sustainable private sector has been held back by protectionism and a bloated bureaucracy. Financial services are relatively competitive. The Bahamas' diversified banking sector remains stable, but the number of nonperforming loans has increased.



WORLD RANK: **54**

REGIONAL RANK: **5**

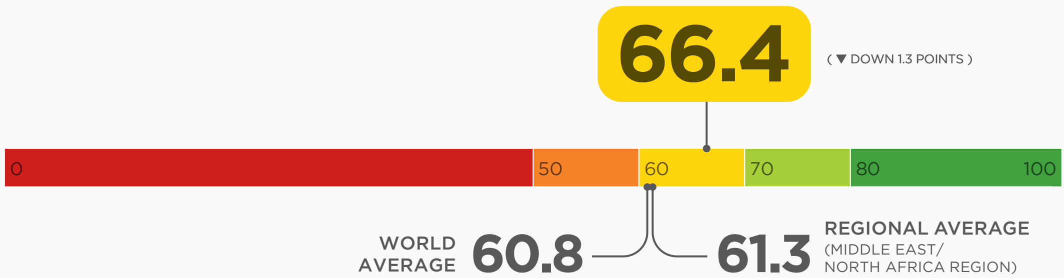
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

BAHRAIN

Bahrain's economic freedom score is 66.4, making its economy the 54th freest in the 2019 *Index*. Its overall score has decreased by 1.3 points because of declines in **business freedom**, **labor freedom**, **judicial effectiveness**, and **government spending**. Bahrain is ranked 5th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Bahrain continues to be affected by the political unrest that began after the Arab Spring in 2011, which is driven by long-standing complaints of the country's Shia majority. Rising global oil prices may help the government to reduce the budgetary deficit, but pressures to maintain higher public spending persist in the face of persistent social unrest and intermittent political violence. The government faces the long-term challenge of boosting the country's regional competitiveness and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector.

ECONOMIC FREEDOM SCORE

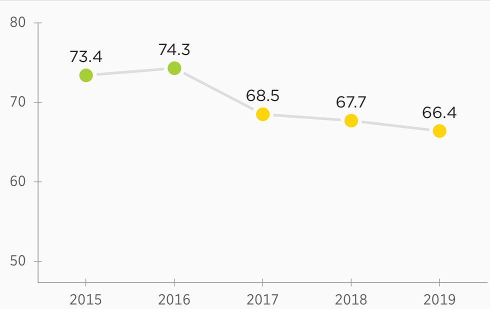


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–9.8

CONCERNS:
Fiscal Health and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
1.5 million

GDP (PPP):
$70.4 billion
3.2% growth in 2017
5-year compound annual growth 3.8%
$48,505 per capita

UNEMPLOYMENT:
1.2%

INFLATION (CPI):
1.4%

FDI INFLOW:
$518.9 million

PUBLIC DEBT:
90.3% of GDP

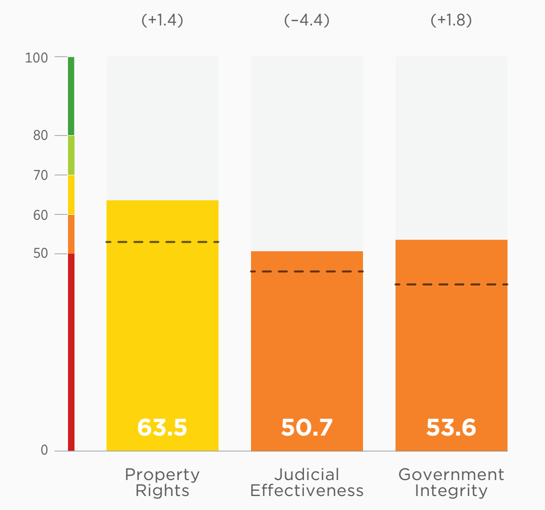
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Ruled since the 18th century by the Al-Khalifa family, initially as a British protectorate, Bahrain gained its independence in 1971 and became a constitutional monarchy in 2002. In 2011, Bahrain was engulfed by domestic unrest spearheaded by Shia political activists demanding a new constitution and greater political power. King Hamad bin Isa Al-Khalifa authorized a crackdown that subsequently was supported by Gulf Cooperation Council security forces. A national dialogue led by the crown prince and the introduction of law enforcement, intelligence, and judicial reforms eventually eased tensions, and growing tourism has encouraged economic recovery. Oil revenues support 85 percent of the government budget. A banking and financial services hub, Bahrain is the regional home for many multinational firms.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

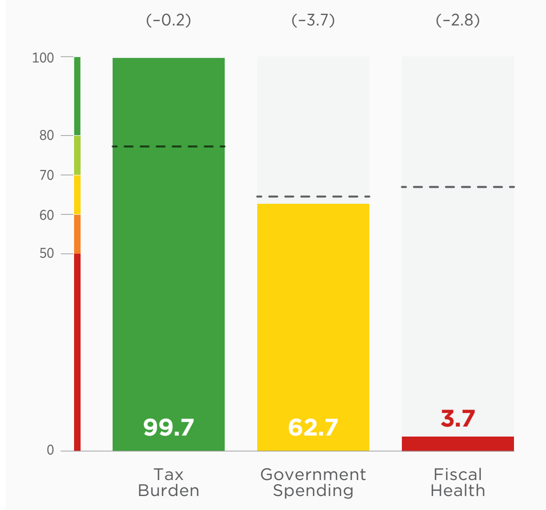
12 ECONOMIC FREEDOMS | BAHRAIN

RULE OF LAW



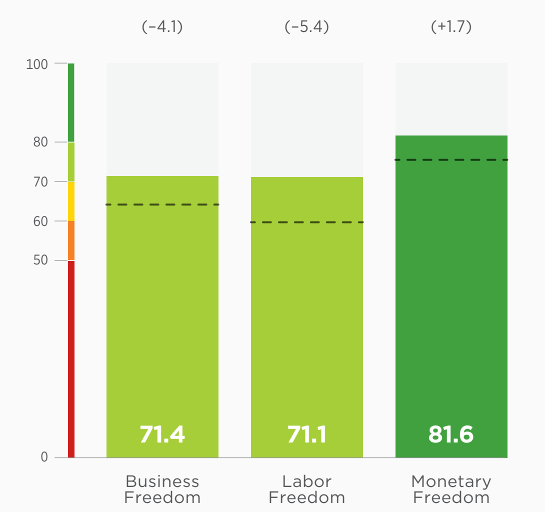
Bahrain's legal system adequately protects and facilitates acquisition and disposition of property rights. Expropriation is infrequent. The Al-Khalifa royal family appoints all judges, and the judicial system is seen as corrupt, with outcomes often depending on connections. Government tendering procedures are not always transparent, and contracts are not always awarded based solely on price and technical merit. Petty corruption is relatively rare.

GOVERNMENT SIZE



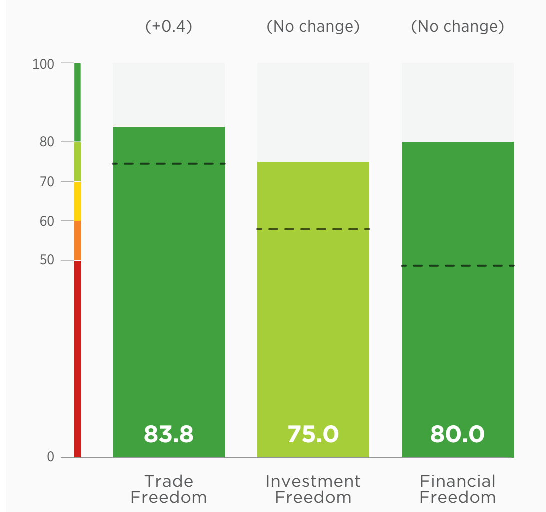
Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 5.6 percent of total domestic income. Over the past three years, government spending has amounted to 35.3 percent of the country's output (GDP), and budget deficits have averaged 17.2 percent of GDP. Public debt is equivalent to 90.3 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework is relatively streamlined, but minimum capital requirements for starting a firm are higher than the level of average annual income. There is no nationally mandated minimum wage, but wage increases have exceeded overall productivity growth. Looking to ease its fiscal burden, the cash-strapped government is negotiating with the parliament to reduce subsidies on such goods and services as fuel, electricity, and water.

OPEN MARKETS



The combined value of exports and imports is equal to 139.6 percent of GDP. The average applied tariff rate is 3.1 percent. As of June 30, 2018, according to the WTO, Bahrain had seven nontariff measures in force. The banking sector remains well capitalized. Foreign and domestic investors have access to a wide range of financial services. About 85 percent of adult Bahrainis have access to an account with a formal banking institution.

WORLD RANK: **121**

REGIONAL RANK: **27**

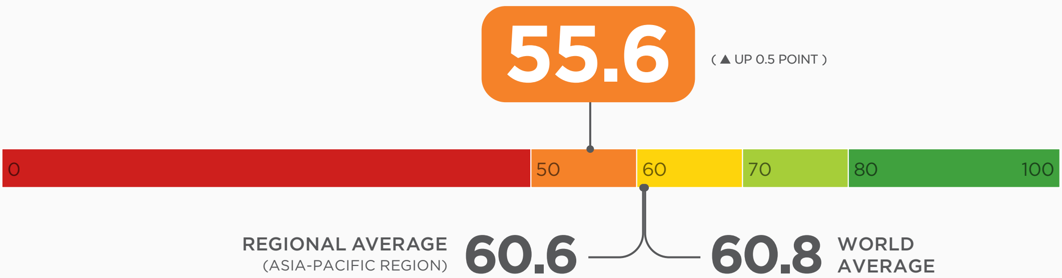
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

BANGLADESH

Bangladesh's economic freedom score is 55.6, making its economy the 121st freest in the 2019 *Index*. Its overall score has increased by 0.5 point, with higher scores on factors including **property rights** and **government integrity** countering declines in **investment freedom** and **fiscal health**. Bangladesh is ranked 27th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Robust economic growth of approximately 6 percent annually for two decades has been driven by a rapid increase in private consumption and fixed investment. Nevertheless, Bangladesh still grapples with poor infrastructure, endemic corruption, insufficient power supplies, and slow implementation of economic reforms. The fragile rule of law continues to undermine economic development. Corruption and weak enforcement of property rights force workers and small businesses into the informal economy. Entrepreneurial activity is also hampered by an uncertain regulatory environment.

ECONOMIC FREEDOM SCORE

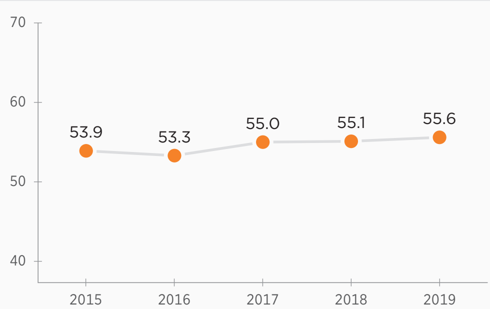


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+14.7

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
163.2 million

GDP (PPP):
$687.1 billion
7.1% growth in 2017
5-year compound annual growth 6.7%
$4,211 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
5.7%

FDI INFLOW:
$2.2 billion

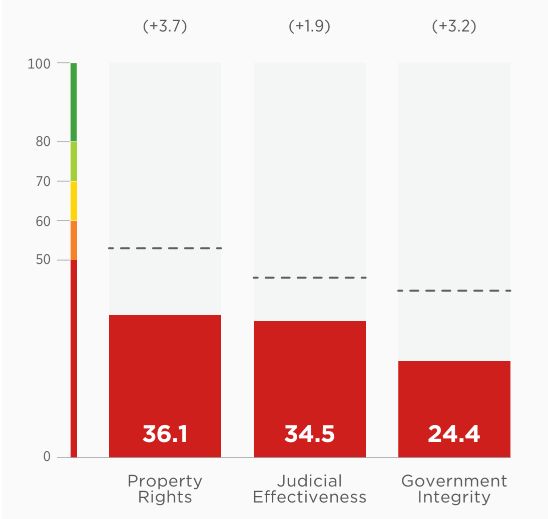
PUBLIC DEBT:
32.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Bangladesh is a large Muslim-majority democracy that shares borders with India and Burma. The British partition of India in 1947 resulted in the creation of West Pakistan and, in the Muslim-majority areas of Bengal east of India, East Pakistan. Following a brutal conflict for independence from West Pakistan, East Pakistan, aided by India, declared itself the independent state of Bangladesh in 1971. Two political parties have alternated in power for decades. Prime Minister Sheikh Hasina of the Awami League was reelected in 2014. The opposition Bangladesh Nationalist Party boycotted the 2014 election and threatened to boycott elections that were scheduled for late December 2018. Despite political instability, economic growth is robust, led by garment exports.

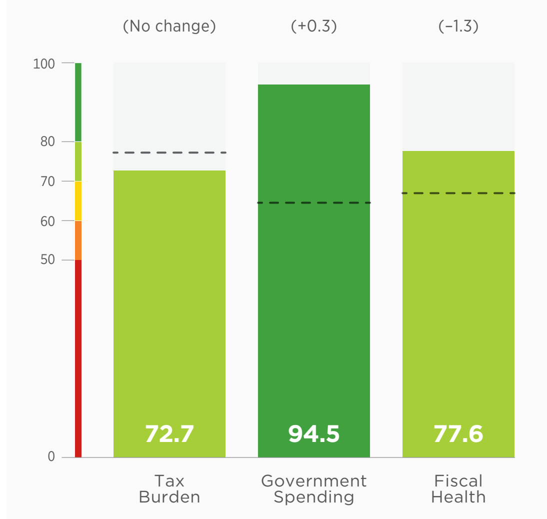
12 ECONOMIC FREEDOMS | BANGLADESH

RULE OF LAW



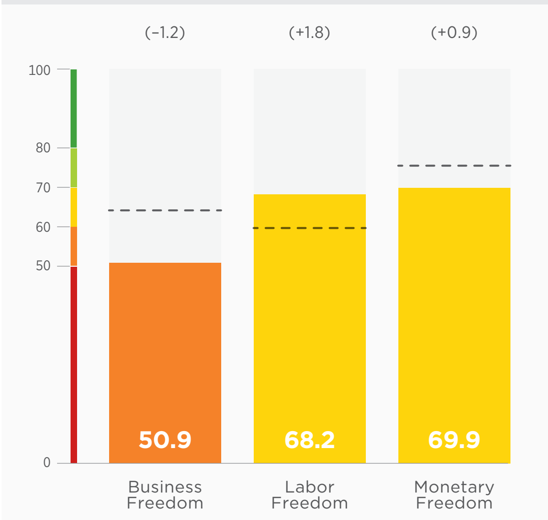
Property laws are antiquated, and land disputes are common. The judiciary is slow and lacks independence. Contract enforcement and dispute settlement procedures are inefficient. Endemic corruption and criminality, weak rule of law, limited bureaucratic transparency, and political polarization have undermined government accountability. High-profile corruption cases are common. Two recent cases involved a chief justice and a former prime minister.

GOVERNMENT SIZE



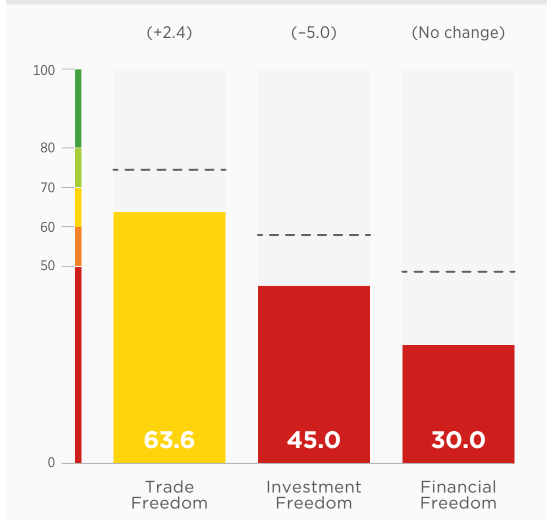
The top income tax rate is 25 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax. The overall tax burden equals 8.8 percent of total domestic income. Over the past three years, government spending has amounted to 13.6 percent of the country's output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 32.4 percent of GDP.

REGULATORY EFFICIENCY

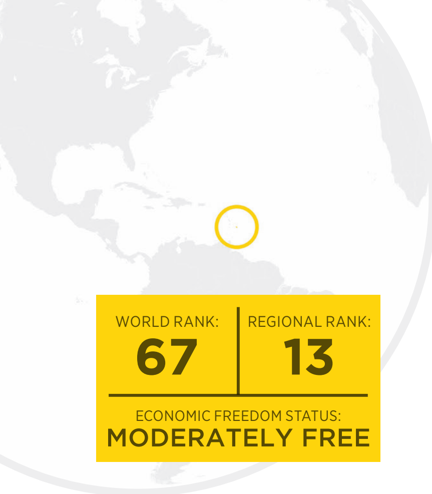


Despite some progress in streamlining business regulations, entrepreneurial activity is hampered by an uncertain regulatory environment and the absence of effective long-term institutional support for private-sector development. A well-functioning labor market has not been fully developed, but labor productivity growth has been slightly higher than wage hikes. The state continues its extensive subsidizing of food, fuel, electricity, and agriculture.

OPEN MARKETS



The combined value of exports and imports is equal to 35.3 percent of GDP. The average applied tariff rate is 10.7 percent. The government has taken steps to reduce bureaucratic barriers to investment, but overall progress has been slow. State ownership and interference in the financial sector remain considerable. About 54 percent of adult Bangladeshis have access to an account with a formal banking institution.



WORLD RANK: **67**

REGIONAL RANK: **13**

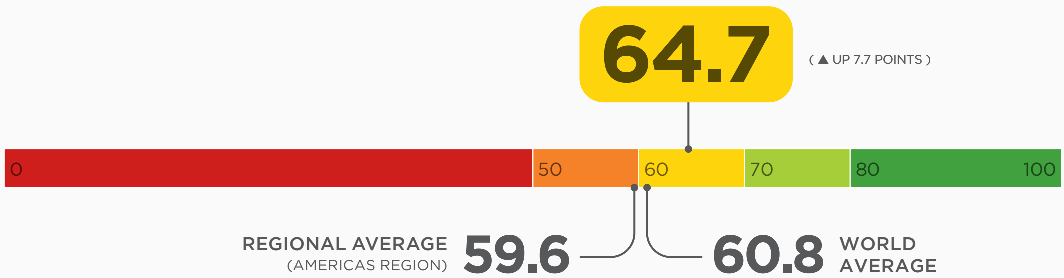
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

BARBADOS

Barbados's economic freedom score is 64.7, making its economy the 67th freest in the 2019 *Index*. Its overall score has increased by 7.7 points, with large increases in scores for **fiscal health** and **government spending** far outweighing declines in **monetary freedom** and **trade freedom**. Barbados is ranked 13th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Increases in arrivals and spending by tourists have helped economic growth in the past year. Government economic policies are focused on attracting international companies. Regulatory efficiency facilitates private-sector growth. Despite some restrictions on foreign investment, transparency levels the playing field for domestic and foreign businesses, but excessive bureaucracy discourages the expansion of investment by undercutting policies intended to buttress open trade and productivity growth. The new government has executed a fiscal consolidation and debt restructuring plan that includes a selective default, but government debt remains very high.

ECONOMIC FREEDOM SCORE

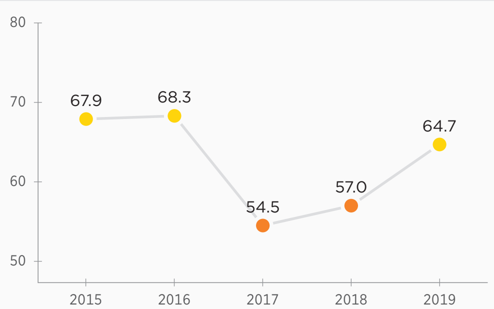


RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+2.4

CONCERNS:
Property Rights and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$5.2 billion
0.9% growth in 2017
5-year compound annual growth 0.6%
$18,664 per capita

UNEMPLOYMENT:
9.7%

INFLATION (CPI):
4.4%

FDI INFLOW:
$286.2 million

PUBLIC DEBT:
132.9% of GDP

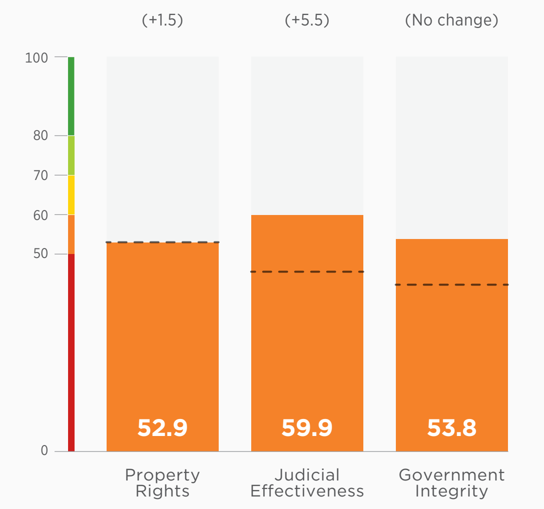
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Independent from the United Kingdom since 1966, Barbados is a stable parliamentary constitutional monarchy. In May 2018, the center-left Barbados Labor Party won all 30 parliamentary seats and defeated incumbent Prime Minister Freundel Stuart in a stunning upset that created an unprecedented single-party legislature and gave the country its first female leader, Prime Minister Mia Mottley. Barbados has transformed itself from a low-income agricultural economy into a more diversified, middle-income economy built on tourism and offshore banking that generates one of the Caribbean's highest per capita incomes. Tourism receipts have improved, but serious challenges to medium-term economic growth remain.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

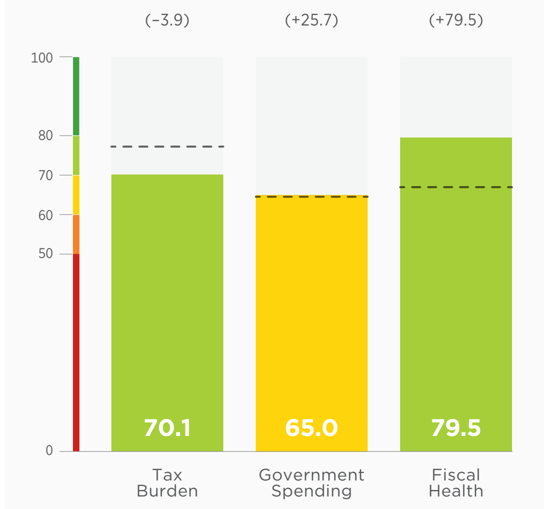
12 ECONOMIC FREEDOMS | BARBADOS

RULE OF LAW



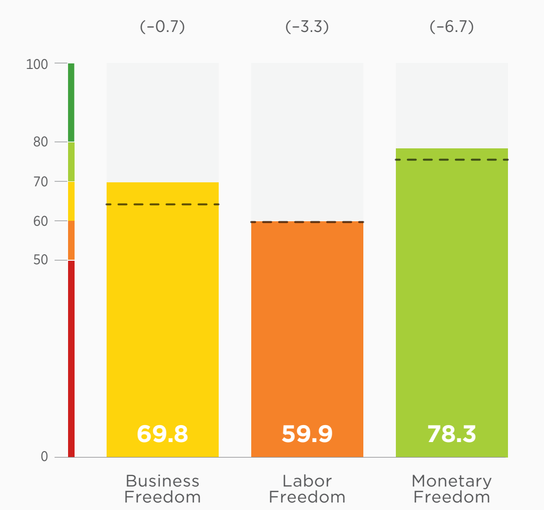
Property registration in Barbados is very time-consuming. The court system is based on British common law and is generally unbiased and efficient. The protection of property rights is strong, and the rule of law is respected. Corruption is not a major problem, and anticorruption laws are implemented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

GOVERNMENT SIZE



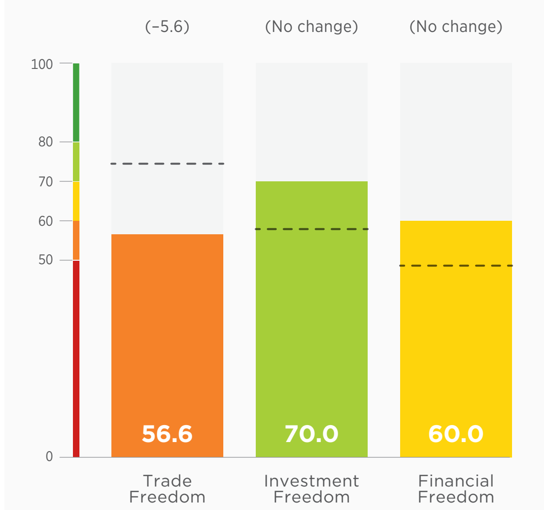
The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.7 percent of total domestic income. Over the past three years, government spending has amounted to 34.1 percent of the country's output (GDP), and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 132.9 percent of GDP.

REGULATORY EFFICIENCY

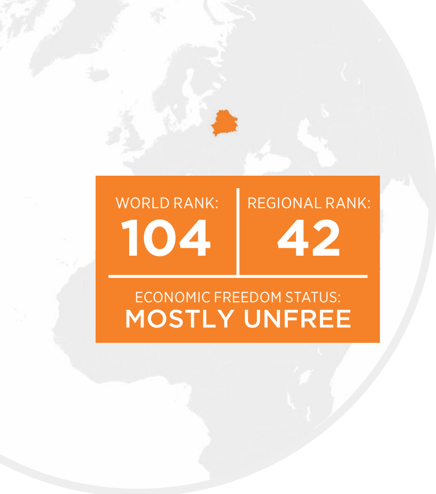


Transparent policies and straightforward laws generally facilitate regulatory efficiency. The overall process for obtaining licenses and starting a business is not burdensome. The labor market remains relatively flexible, and employers are not legally obligated to recognize unions. Rising international oil prices are increasing the inflationary pressures faced by the new government, which must also reduce subsidies to state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 80.7 percent of GDP. The average applied tariff rate is 14.2 percent. As of June 30, 2018, according to the WTO, Barbados had 128 nontariff measures in force. The investment climate has improved, but much investment activity is subject to government approval. The banking sector provides a wide range of services for investors, although securities markets are relatively illiquid.



WORLD RANK: **104**

REGIONAL RANK: **42**

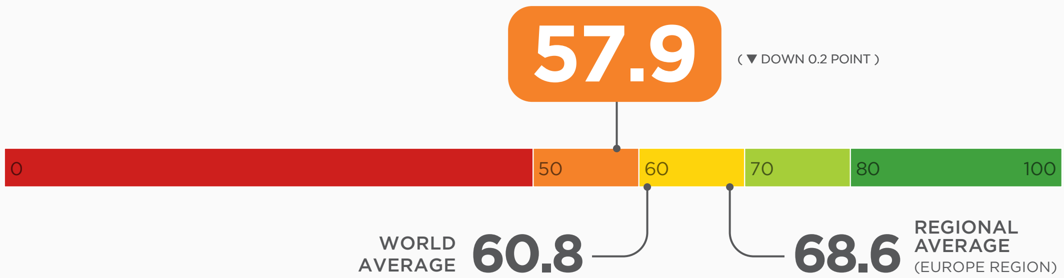
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

BELARUS

Belarus's economic freedom score is 57.9, making its economy the 104th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with higher scores for **fiscal health** and **monetary freedom** unable to offset declines including for **government spending** and **judicial effectiveness**. Belarus is ranked 42nd among 44 countries in the Europe region, and its overall score is below the regional and world averages.

Economic growth has been fueled by domestic demand and investment. The recovery of the Russian economy helped to increase exports of manufactured goods. Higher global prices for key exports such as petroleum products and potash fertilizer have helped Belarus service its external debt. The government has had some success with deregulation, but broad-scale liberalization has not been a priority. Instead, pervasive state involvement in and control of the economy still severely hamper growth and development, and the small private sector remains marginalized.

ECONOMIC FREEDOM SCORE

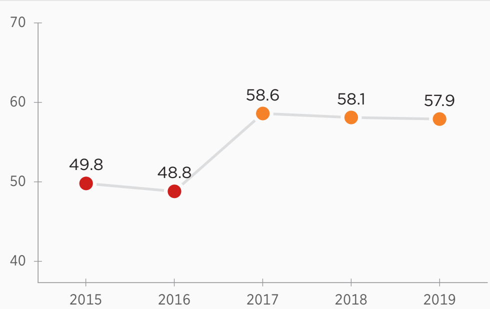


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+17.5

CONCERNS:
Financial Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
9.5 million

GDP (PPP):
$178.9 billion
2.4% growth in 2017
5-year compound annual growth −0.3%
$18,931 per capita

UNEMPLOYMENT:
0.5%

INFLATION (CPI):
6.0%

FDI INFLOW:
$1.3 billion

PUBLIC DEBT:
51.0% of GDP

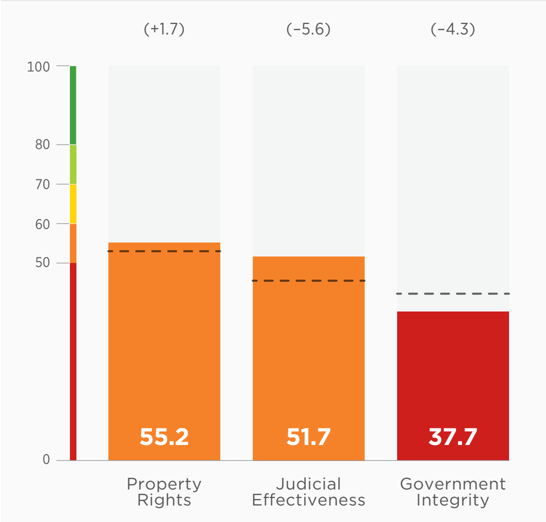
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Belarus is a former Soviet republic. President Alexander Lukashenko, in power since 1994, controls all branches of government. Belarus has one of Europe's worst human rights records. Opposition groups united in a coalition for the 2016 parliamentary elections, which international observers viewed as rigged, but failed to make meaningful gains. Lukashenko faced no serious competition in the 2015 presidential election, which was likewise neither free nor fair, and may seek another term in 2020. Industries and state-controlled agriculture are not competitive. Moscow maintains huge influence in the government and the economy, which rebounded in 2017 as the Russian economy slowly recovered. Belarus joined the Russia-backed Eurasian Economic Union in 2015.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

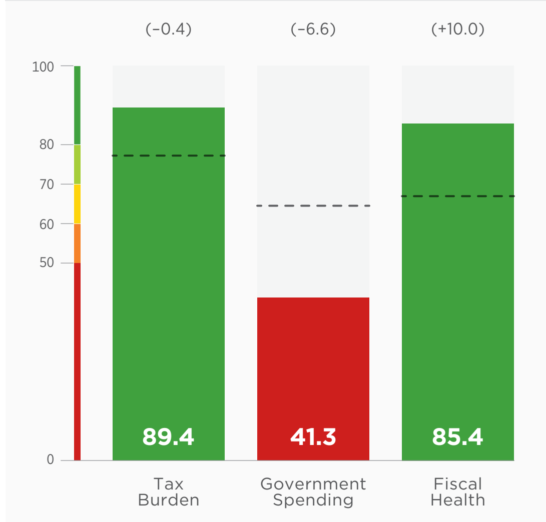
12 ECONOMIC FREEDOMS | BELARUS

RULE OF LAW



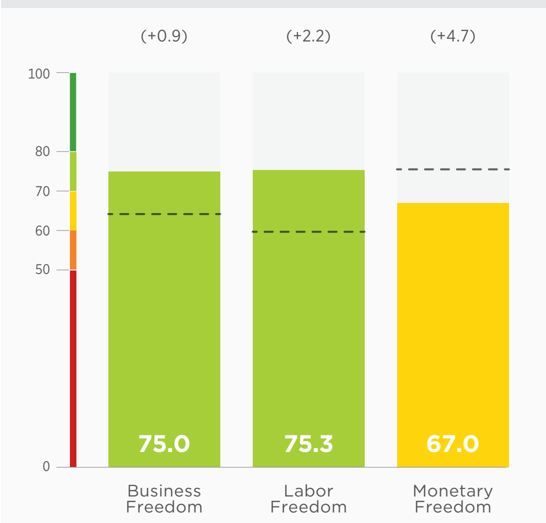
Soviet-era property laws remain in effect, but improvements have made property registration and transfer easier. Constitutionally vested powers give the president control of the government, the courts, and the legislature by assigning greater legal force to presidential decrees than to ordinary legislation. The state controls 70 percent of the economy, feeding widespread corruption, and the lack of transparency and government accountability encourages graft.

GOVERNMENT SIZE



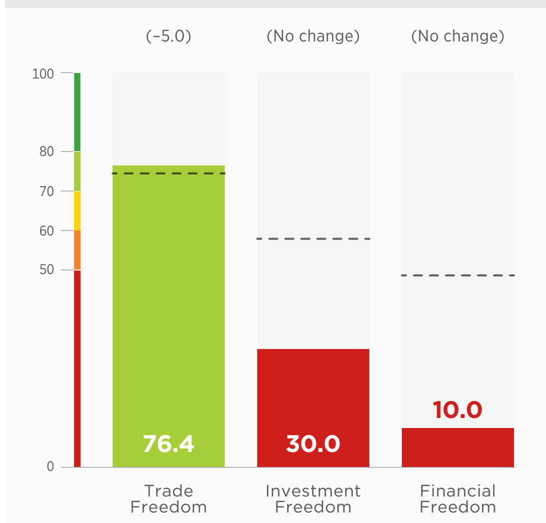
The personal income tax rate is 13 percent. The top corporate tax rate remains 18 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 23.8 percent of total domestic income. Over the past three years, government spending has amounted to 44.2 percent of the country's output (GDP), and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 51.0 percent of GDP.

REGULATORY EFFICIENCY

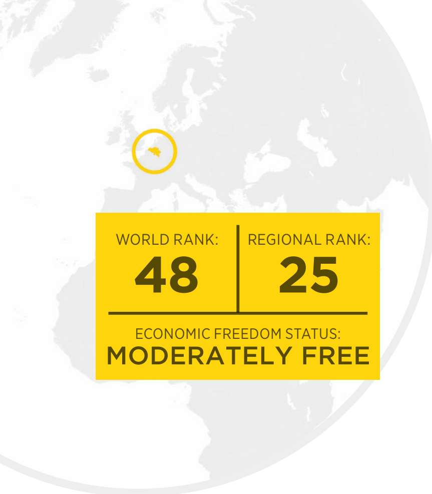


Simplified registration formalities and abolition of the minimum capital requirement have facilitated business formation. Procedural requirements for necessary permits have also been reduced. An efficient labor market is not fully developed. The government continues to subsidize its inefficient state-owned enterprises and controls fuel prices by charging one group of consumers higher prices to subsidize costs for others.

OPEN MARKETS



The combined value of exports and imports is equal to 133.6 percent of GDP. The average applied tariff rate is 1.8 percent. Extensive state ownership and government control severely limit investment and financial activity. Many industries are primarily or exclusively state-run to the detriment of private investment and enterprises. About 85 percent of adult Belarusians have access to an account with a formal banking institution.



WORLD RANK: **48**

REGIONAL RANK: **25**

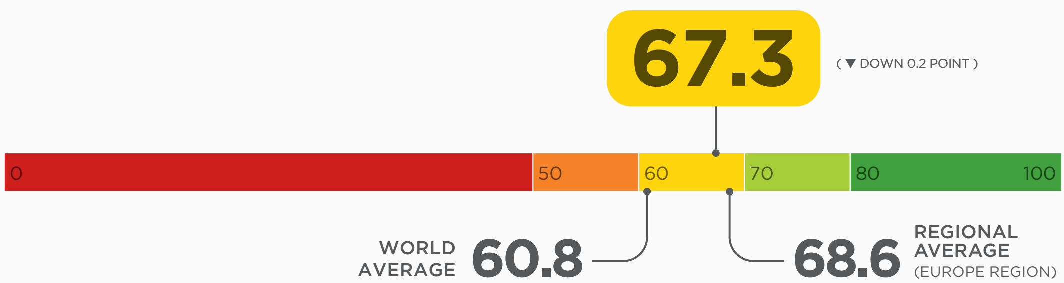
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

BELGIUM

Belgium's economic freedom score is 67.3, making its economy the 48th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, precipitated by sharp drops in **judicial effectiveness** and **monetary freedom** that are not totally offset by improvements in **fiscal health**, **tax burden**, and **government spending**. Belgium is ranked 25th among 44 countries in the Europe region, and its overall score is below the regional average but well above the world average.

Generally friendly to free-market competition, Belgium's well-diversified economy, based on transport, services, manufacturing, and high technology, has long benefited from openness to global trade and investment. The government has passed measures to implement its reformist agenda to increase competitiveness, reduce the tax burden, and improve public finances, along with changes in labor market rules and welfare benefits. These changes have generally made Belgian wages more competitive regionally but risk worsening tensions with trade unions and triggering extended strikes.

ECONOMIC FREEDOM SCORE

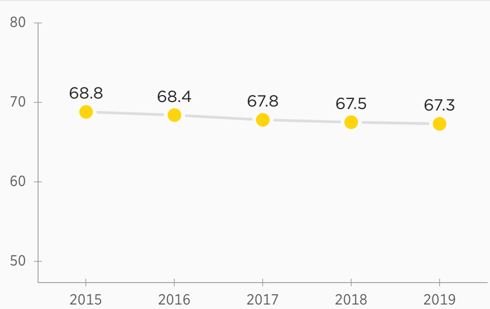


RELATIVE STRENGTHS:
Trade Freedom and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+1.3

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
11.4 million

GDP (PPP):
$528.5 billion
1.7% growth in 2017
5-year compound annual growth 1.2%
$46,553 per Capita

UNEMPLOYMENT:
7.1%

INFLATION (CPI):
2.2%

FDI INFLOW:
$740.4 million

PUBLIC DEBT:
103.2% of GDP

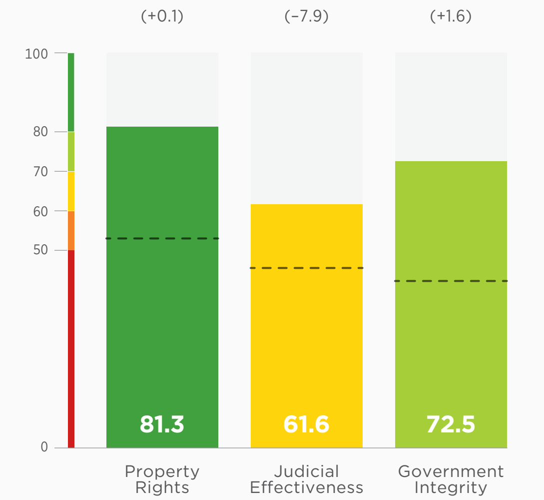
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Belgium is a federal state with three culturally different regions: Flanders, Wallonia, and the capital city of Brussels, which hosts the headquarters of NATO and the European Union. The center-right New Flemish Alliance formed a coalition government in 2014, and Charles Michel of the liberal francophone Reformist Movement Party became the country's youngest prime minister since 1845. Neighboring countries have a strong political and economic impact on Belgium. The services sector accounts for a large portion of GDP in the export-driven economy. Belgium boasts a dense network of rails and roadways and Europe's second-busiest port, Antwerp. The vital tourism industry recovered well in 2017 after high-profile terrorist attacks, but terrorism remains a significant security challenge.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

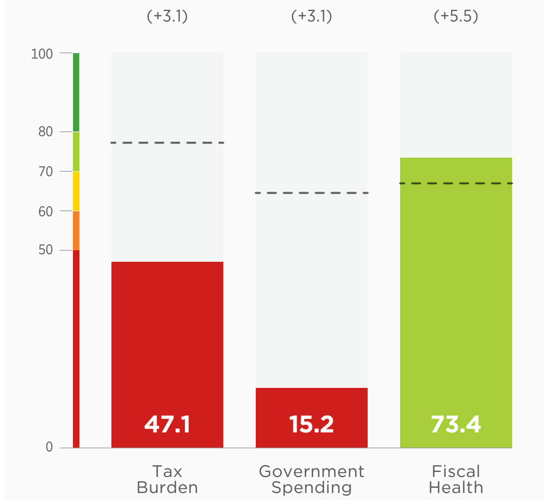
12 ECONOMIC FREEDOMS | BELGIUM

RULE OF LAW



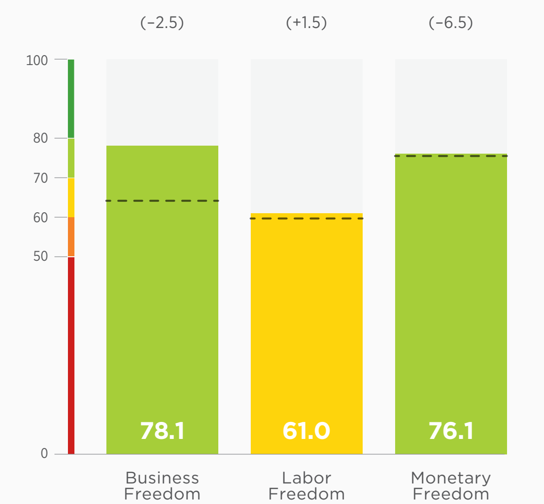
Property rights are well protected by law, but enforcement actions to protect intellectual property rights can be protracted. Laws are well codified, and the independent judicial system functions professionally, albeit under a growing backlog of cases. Corruption is relatively rare in Belgium, although the government's Central Service for Combatting Corruption is insufficiently staffed. The government prohibits and punishes bribery.

GOVERNMENT SIZE



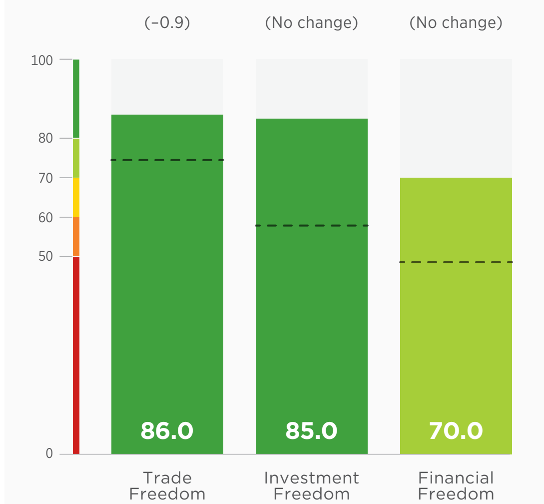
The top income tax rate is 50 percent, and the top corporate tax rate is 29 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 44.2 percent of total domestic income. Over the past three years, government spending has amounted to 53.2 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 103.2 percent of GDP.

REGULATORY EFFICIENCY

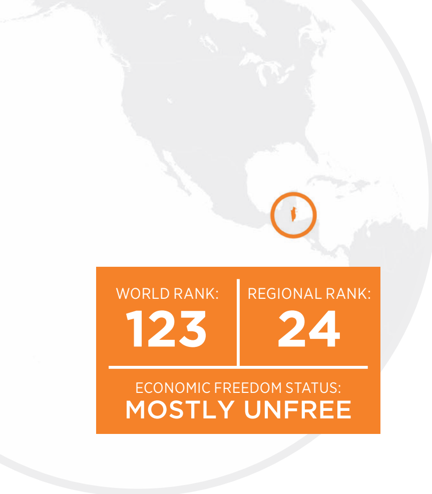


The overall regulatory environment is efficient and transparent. The cost of establishing a company is relatively modest, and starting a business is a relatively quick process. Employment regulations have gradually become less burdensome, but the nonsalary cost of hiring a worker remains high. Belgium's Energy Minister plans to grant subsidies to all electricity producers as a part of efforts to increase non-nuclear thermal power production.

OPEN MARKETS



The combined value of exports and imports is equal to 169.4 percent of GDP. The average applied tariff rate is 2.0 percent. Belgium implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The banking sector has recovered its resilience over the past years, and the number of nonperforming loans remains low.



WORLD RANK: 123 | REGIONAL RANK: 24

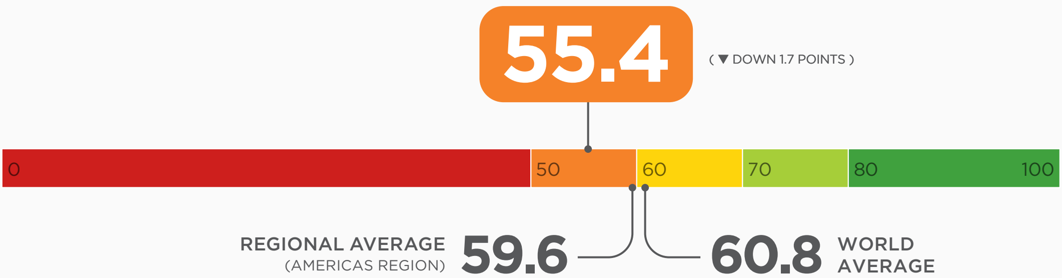
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

BELIZE

Belize's economic freedom score is 55.4, making its economy the 123rd freest in the 2019 *Index*. Its overall score has decreased by 1.7 points, with sharp declines in **fiscal health**, **government integrity**, and **judicial effectiveness** overwhelming an improvement in **labor freedom**. Belize is ranked 24th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Belize's record of economic reform is uneven, and more dynamic growth is constrained by lingering policy and institutional weaknesses in many parts of the economy. Entrepreneurial activity remains limited, and economic growth rates have been lackluster in recent years. Burdensome tariff and nontariff barriers and the high cost of domestic financing hinder private-sector development and economic diversification. The inefficient regulatory infrastructure raises costs for private businesses. The judicial system remains vulnerable to political interference, and corruption is common.

ECONOMIC FREEDOM SCORE

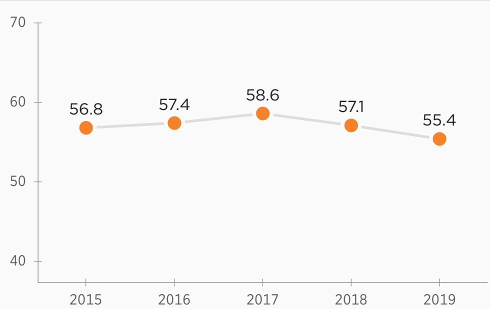


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–7.5

CONCERNS:
Government Integrity and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$3.2 billion
0.8% growth in 2017
5-year compound annual growth 1.8%
$8,324 per capita

UNEMPLOYMENT:
9.3%

INFLATION (CPI):
1.1%

FDI INFLOW:
$77.0 million

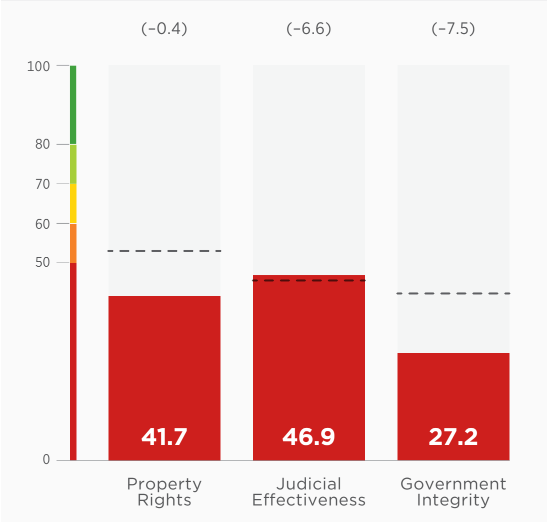
PUBLIC DEBT:
99.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former colony of British Honduras gained independence in 1981 as a parliamentary democracy. The economy relies primarily on tourism and exports of marine products, citrus, sugar, and bananas. Belize's vulnerability to fluctuating agricultural commodity prices complicates policymaking. Actions to tighten controls against money laundering and the financing of terrorism have heightened scrutiny of international financial transactions in Belize. As Prime Minister Dean Barrow of the United Democratic Party seeks to anoint a successor in 2020, his party's losses in 2018 municipal elections will likely slow the process of economic reform. Foreign reserves remain under pressure as the government continues to make U.S. dollar payments to settle a dispute arising from the 2009 nationalization of Belize Telemedia.

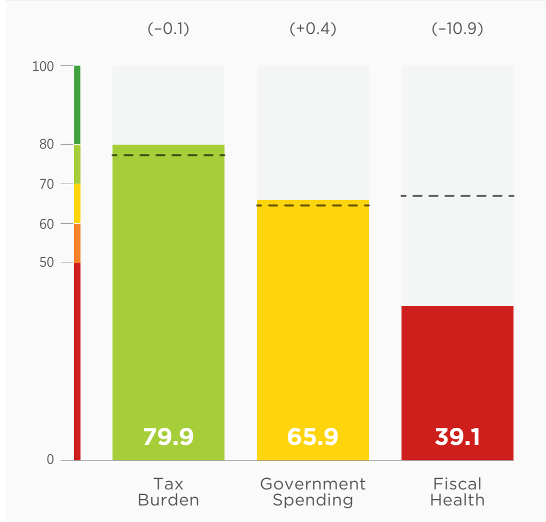
12 ECONOMIC FREEDOMS | BELIZE

RULE OF LAW



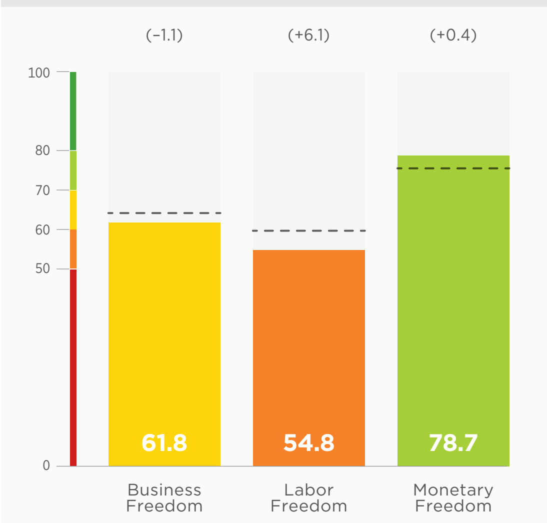
Unreliable land title certificates result in numerous property disputes involving foreign investors and landowners. The judiciary, although independent, is often influenced by the executive. Recent case management reforms should reduce backlogs, time delays, and costs. Belize is the only country in Central America that is not a party to the U.N. Convention Against Corruption.

GOVERNMENT SIZE



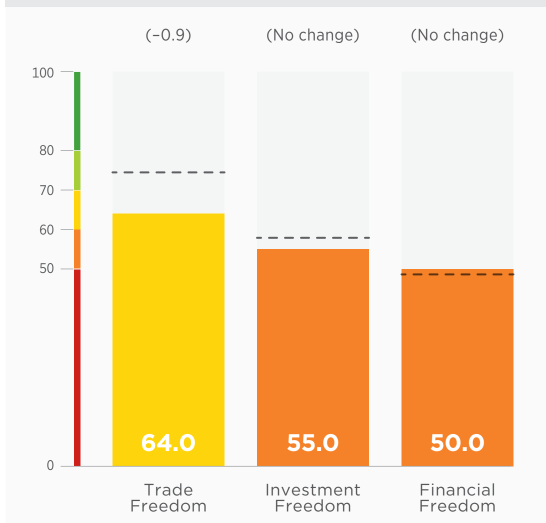
The top income and corporate tax rates are 25 percent; petroleum profits are taxed at a rate of 40 percent. Other taxes include a goods and services tax and a stamp duty. The overall tax burden equals 27.6 percent of total domestic income. Over the past three years, government spending has amounted to 33.7 percent of the country's output (GDP), and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 99.0 percent of GDP.

REGULATORY EFFICIENCY



Entrepreneurial activity often faces such challenges as poor enforcement of the commercial code and lack of transparency. The nonsalary cost of employing a worker is relatively low, and terminating labor contracts is not cumbersome, but a formal labor market has not been fully developed. The government maintains price controls on basic foods like rice, sugar, bread, and flour as well as on butane gas and all utilities.

OPEN MARKETS



The combined value of exports and imports is equal to 112.8 percent of GDP. The average applied tariff rate is 10.5 percent. As of June 30, 2018, according to the WTO, Belize had two nontariff measures in force. Bureaucratic barriers may discourage foreign investment. The state influences credit allocation through quasi-government banks. About 52 percent of adult Belizeans have an account with a formal banking institution.

WORLD RANK: 127

REGIONAL RANK: 21

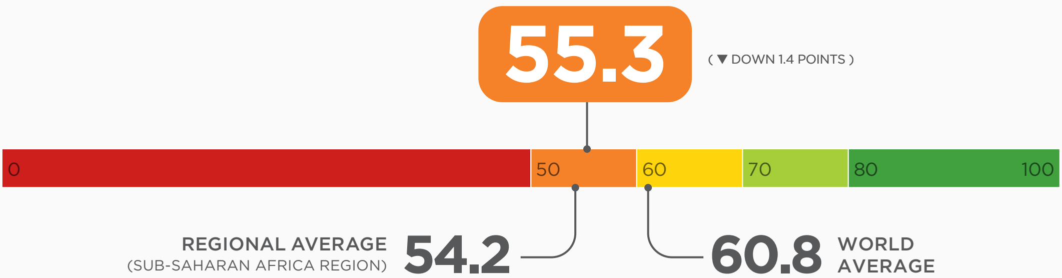
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

BENIN

Benin's economic freedom score is 55.3, making its economy the 127th freest in the 2019 *Index*. Its overall score has decreased by 1.4 points, with improvements in **trade freedom** and **labor freedom** overwhelmed by a plunge in **fiscal health** and lower scores for **investment freedom**, **government integrity**, and **government spending**. Benin is ranked 21st among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The government's structural reforms are aimed at reducing corruption and bureaucratic inefficiency and improving governance by pushing for legislative changes to strengthen political checks and balances. The program is also intended to reduce administrative expenses and strengthen Benin's public finances and debt management. Higher public spending has funded infrastructure upgrades, which should produce higher GDP growth. Overall, entrepreneurs in Benin benefit from a relatively stable political and macroeconomic environment.

ECONOMIC FREEDOM SCORE

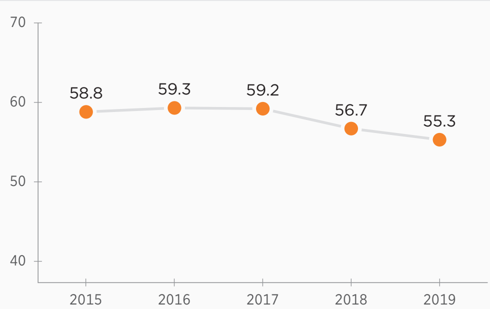


RELATIVE STRENGTHS:
Monetary Freedom and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+0.8

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
11.1 million

GDP (PPP):
$25.3 billion
5.6% growth in 2017
5-year compound annual growth 5.0%
$2,277 per capita

UNEMPLOYMENT:
2.5%

INFLATION (CPI):
0.1%

FDI INFLOW:
$184.4 million

PUBLIC DEBT:
54.6% of GDP

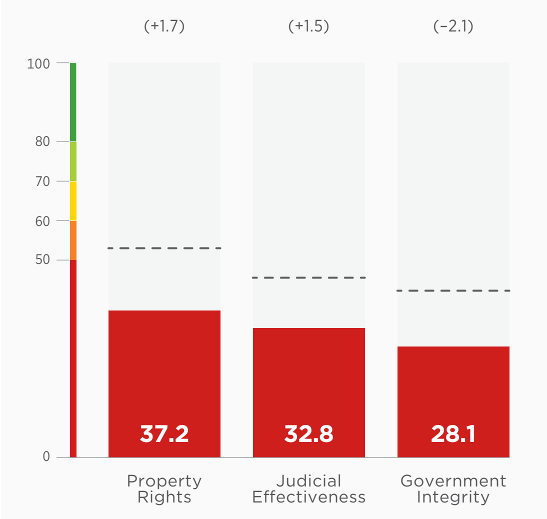
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: One of Africa's largest cotton producers, the former French colony of Benin nevertheless remains underdeveloped and dependent on subsistence agriculture and regional trade. Wealthy businessman and political novice Patrice Talon was elected to a five-year presidential term in 2016 on a clean-government platform. His predecessor, Thomas Boni Yayi, was constitutionally limited to two terms. In April 2017, Talon tried unsuccessfully to change the limit to one six-year term. Government efforts to increase power generation capacity to help two-thirds of the population gain access to electricity should stimulate economic growth. Ongoing expansion of the privately managed port of Cotonou, which accounts for approximately 60 percent of GDP, will further encourage growth by increasing port services to Nigeria, Niger, and Burkina Faso.

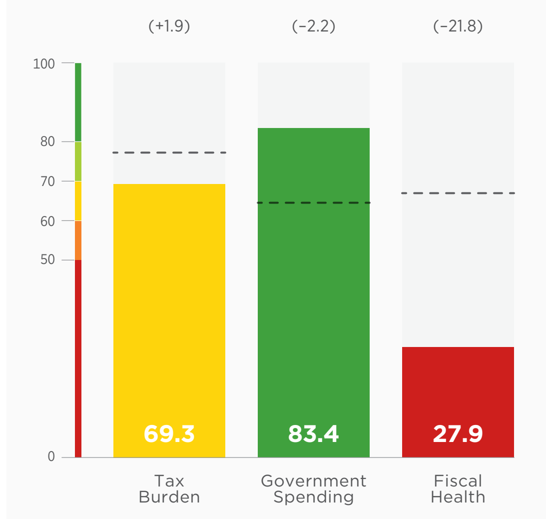
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | BENIN

RULE OF LAW



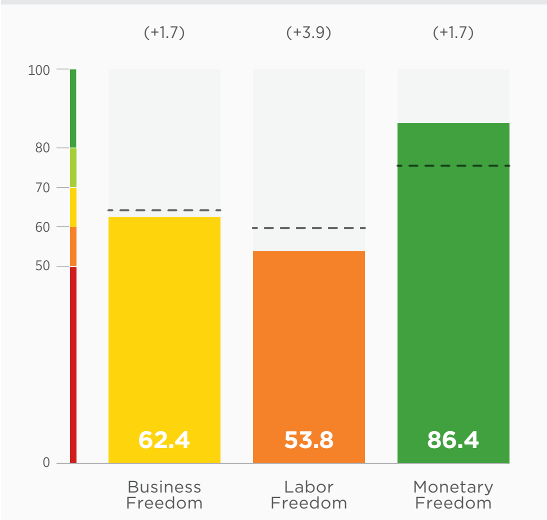
GOVERNMENT SIZE



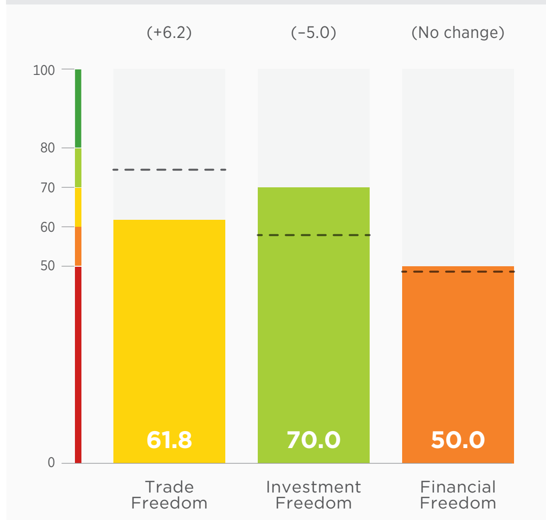
Property rights are recognized and enforced. Property registration procedures were streamlined in 2018. The judiciary remains inefficient, underfunded, and susceptible to corruption, but the government has proposed reforms to increase transparency and accountability and to strengthen the independence of the courts. A Court of Accounts is to be established to review public finances in the wake of a major embezzlement scandal.

The top income tax rate is 45 percent, and the top corporate tax rate is 30 percent (45 percent for oil companies). Other taxes include a value-added tax. The overall tax burden equals 11.9 percent of total domestic income. Over the past three years, government spending has amounted to 23.5 percent of the country's output (GDP), and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 54.6 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The overall entrepreneurial environment remains burdensome. Obtaining necessary business licenses is time-consuming and costly. Outmoded employment regulations hinder overall job creation. The government has stopped subsidizing the cotton sector, citing a lack of transparency, but Benin continues to benefit from smuggled and heavily subsidized gasoline and rice from neighboring Nigeria.

The combined value of exports and imports is equal to 79.4 percent of GDP. The average applied tariff rate is 11.6 percent. As of June 30, 2018, according to the WTO, Benin had one nontariff measure in force. Bureaucratic barriers hinder investment. Despite the development of microfinance institutions, overall access to credit remains low. About 41 percent of adult Beninese have access to an account with a formal banking institution.

WORLD RANK: **74**

REGIONAL RANK: **16**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

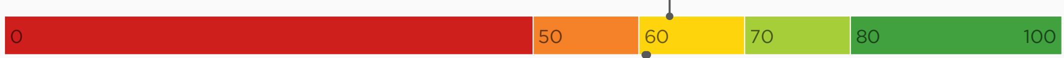
BHUTAN

Bhutan's economic freedom score is 62.9, making its economy the 74th freest in the 2019 *Index*. Its overall score has increased by 1.1 points, with higher scores for **judicial effectiveness**, **trade freedom**, and **labor freedom** offsetting declines in **business freedom** and **fiscal health**. Bhutan is ranked 16th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

The public sector has long been the main source of economic growth, but the government now recognizes that private-sector growth is crucial. Bhutan has made progress in modernizing its economic structure and reducing poverty. Economic diversification is now a higher priority, particularly with demographic shifts bringing more young people into the labor market. The government has acted to ensure greater security for property rights. Constraints on private-sector development include an inefficient regulatory framework, significant nontariff barriers to trade, and a rudimentary investment code.

ECONOMIC FREEDOM SCORE

62.9 (▲ UP 1.1 POINTS)



REGIONAL AVERAGE (ASIA-PACIFIC REGION) **60.6**

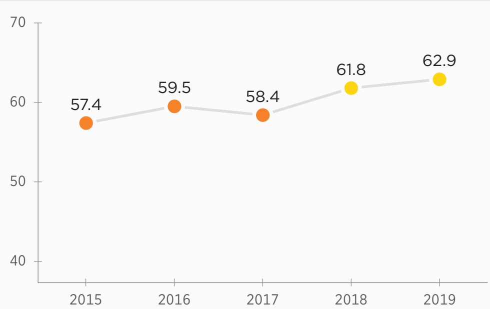
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Tax Burden and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+5.2

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$7.0 billion
6.0% growth in 2017
5-year compound annual growth 5.2%
$8,744 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
3.4%

FDI INFLOW:
$10.3 million

PUBLIC DEBT:
102.4% of GDP

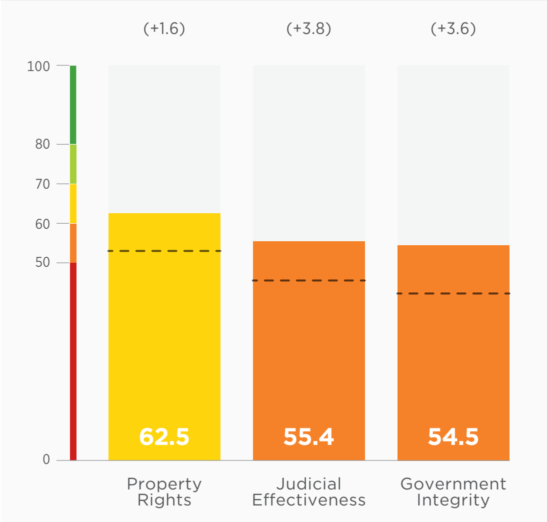
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The small Himalayan kingdom of Bhutan transitioned from absolute monarchy to constitutional parliamentary democracy in 2008. Former Prime Minister Tshering Tobgay's People's Democratic Party, which won a majority in the National Assembly in 2013, lost unexpectedly to Lotay Tshering's Bhutan United Party in October 2018 elections. Bhutan has one of the world's smallest and least-developed economies. Until a few decades ago, the landlocked country was agrarian with few roads, little electricity, and no modern hospitals. Recent interregional economic cooperation, particularly involving trade with Bangladesh and India, is helping to encourage economic growth. Connections to global markets are limited and dominated by exports of hydropower to India, but those exports could increase if chronic construction delays are resolved.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

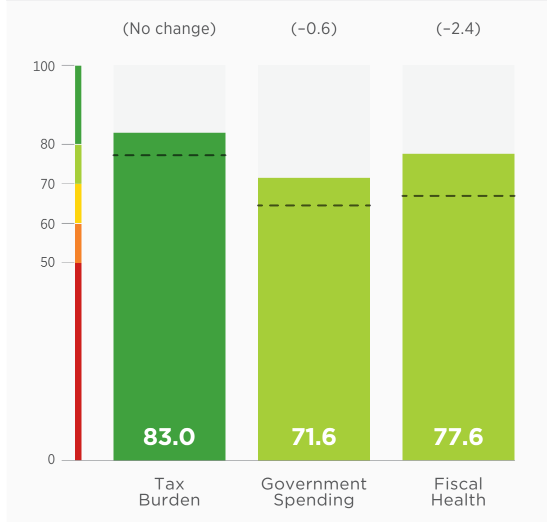
12 ECONOMIC FREEDOMS | BHUTAN

RULE OF LAW



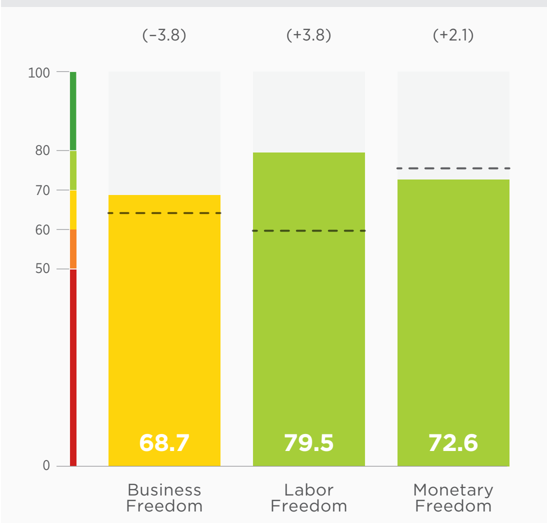
The government has improved contract enforcement by creating a special court to resolve commercial disputes as part of its efforts to move decisively toward judicial-based rule of law. Judicial independence is now largely respected. The law provides criminal penalties for corruption by officials, and the government generally implements such laws effectively, although there are isolated reports of government corruption.

GOVERNMENT SIZE



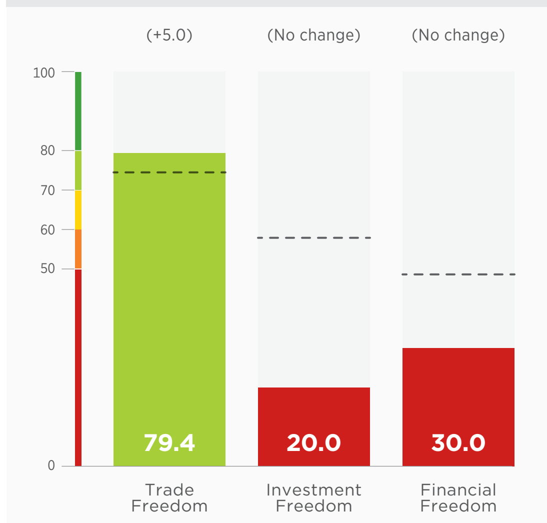
The top income tax rate is 25 percent, and the corporate tax rate is 30 percent. Other taxes include property and excise taxes. The overall tax burden equals 13.4 percent of total domestic income. Over the past three years, government spending has amounted to 30.7 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 102.4 percent of GDP.

REGULATORY EFFICIENCY



A modern regulatory framework has not been fully developed. Despite recent efforts, the business climate remains hampered by inconsistent enforcement of regulations and a lack of transparency. The labor supply-and-demand imbalance persists. The state maintains significant financial and commercial controls, and Bhutan is the largest recipient of Indian foreign aid, especially through cofinancing of numerous hydropower projects.

OPEN MARKETS



The combined value of exports and imports is equal to 74.0 percent of GDP. The average applied tariff rate is 2.8 percent. Investment in some sectors is restricted. Bhutan needs a more efficient banking sector to channel long-term capital to facilitate private-sector development. An underdeveloped regulatory framework limits access to capital. About 38 percent of adult Bhutanese have access to an account with a formal banking institution.

BOLIVIA

WORLD RANK: **173**

REGIONAL RANK: **30**

ECONOMIC FREEDOM STATUS: **REPRESSED**

Bolivia's economic freedom score is 42.3, making its economy the 173rd freest in the 2019 *Index*. Its overall score has decreased by 1.8 points, with a steep drop in **fiscal health** as well as lower scores for **tax burden**, **government integrity**, and **trade freedom** swamping modest improvements in **investment freedom** and **government spending**. Bolivia is ranked 30th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Bolivia's overall economic development remains severely hampered by structural and institutional problems. Heavily dependent on the hydrocarbon sector, the economy lacks dynamism. Other problems include poor economic infrastructure, a weak regulatory framework, lack of access to market financing, a nontransparent investment regime, pervasive corruption, and weak rule of law. The state's presence in economic activity is gradually increasing through nationalization, and the judiciary is becoming more vulnerable to political interference.

ECONOMIC FREEDOM SCORE

42.3 (▼ DOWN 1.8 POINTS)

REGIONAL AVERAGE (AMERICAS REGION) **59.6**

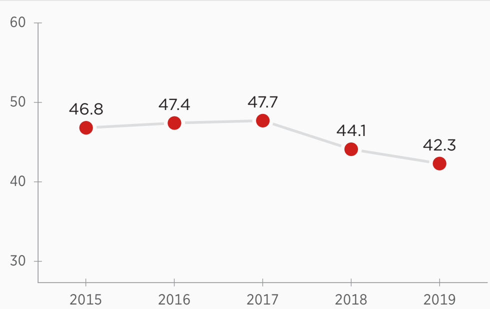
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–14.5

CONCERNS:
Judicial Effectiveness and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
11.1 million

GDP (PPP):
$83.6 billion
4.2% growth in 2017
5-year compound annual growth 5.1%
$7,547 per capita

UNEMPLOYMENT:
3.1%

INFLATION (CPI):
2.8%

FDI INFLOW:
$724.7 million

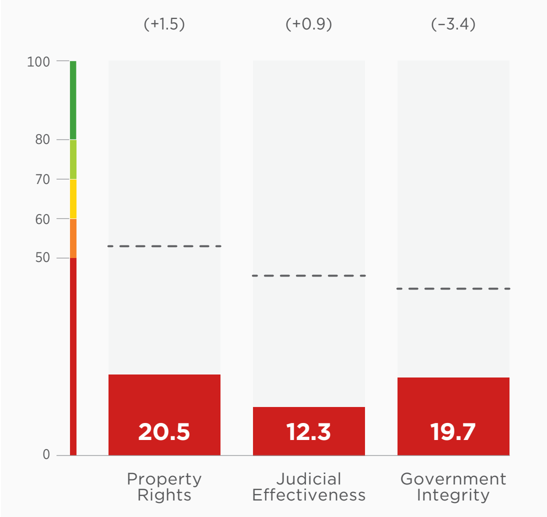
PUBLIC DEBT:
50.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Resource-rich Bolivia has had strong economic growth, buoyed by exports of natural gas to Brazil and Argentina, but also faces deeply rooted poverty, social unrest, and illegal drug activity. Leftist President Evo Morales's third consecutive five-year term began in 2015. His Movement Toward Socialism controls all political institutions and suppresses dissent. In a 2016 referendum, voters rejected his proposal to run for a fourth term in the October 2019 election. In 2018, however, ignoring opponents' reminders that "Bolivia Said No," Morales unilaterally eliminated constitutional term limits and announced plans to run for reelection and remain in office indefinitely. Although the economic outlook has brightened, nearly 40 percent of Bolivians remain below the poverty line.

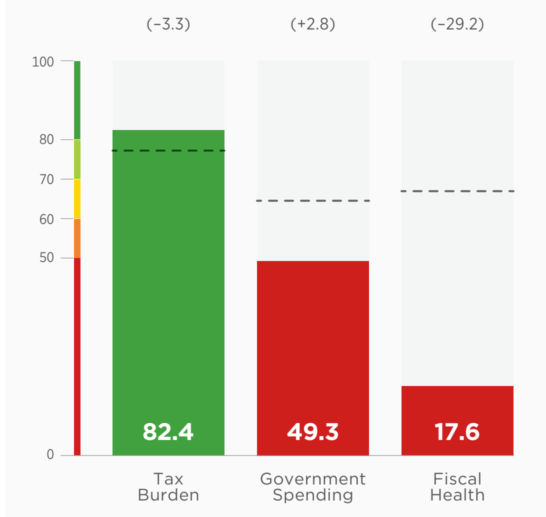
12 ECONOMIC FREEDOMS | BOLIVIA

RULE OF LAW



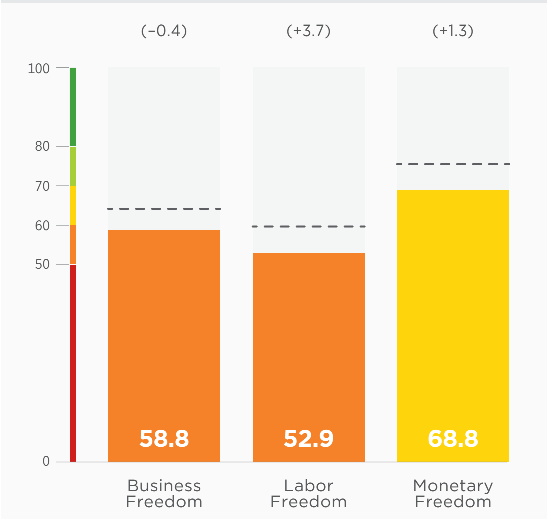
The lack of an adequate land title verification system and an unreliable dispute resolution process create risk and uncertainty in real property acquisition. The ruling MAS party tightly controls all institutions including the judiciary, which removed term limits for public officials in 2018. Moreover, the judicial system remains highly discredited because of ongoing scandals, corruption and influence peddling, and little effectiveness in reducing impunity.

GOVERNMENT SIZE



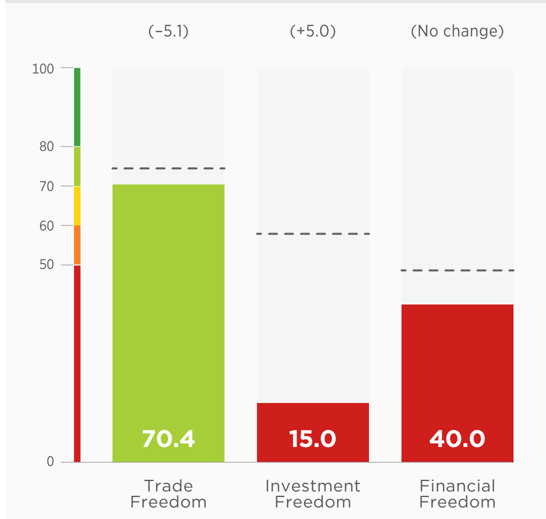
The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include value-added and transactions taxes. The overall tax burden equals 31.1 percent of total domestic income. Over the past three years, government spending has amounted to 41.1 percent of the country's output (GDP), and budget deficits have averaged 7.0 percent of GDP. Public debt is equivalent to 50.9 percent of GDP.

REGULATORY EFFICIENCY



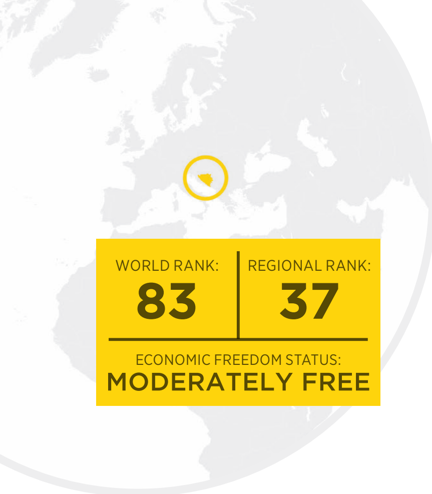
The entrepreneurial environment is burdened with red tape and inconsistent enforcement of commercial regulations. Employment regulations are rigid and not conducive to productivity growth. There are government-established minimum wages for the public and private sectors. The government controls the prices of such products as sugar, maize, and bread, and the cost of state subsidies for gasoline, oil, and other fuels is nearly 8 percent of GDP.

OPEN MARKETS



The combined value of exports and imports is equal to 56.7 percent of GDP. The average applied tariff rate is 4.8 percent. As of June 30, 2018, according to the WTO, Bolivia had three nontariff measures in force. The government prioritizes domestic investment over foreign investment. The financial sector is vulnerable to state interference. About 60 percent of adult Bolivians have access to an account with a formal banking institution.

BOSNIA AND HERZEGOVINA



WORLD RANK: **83**

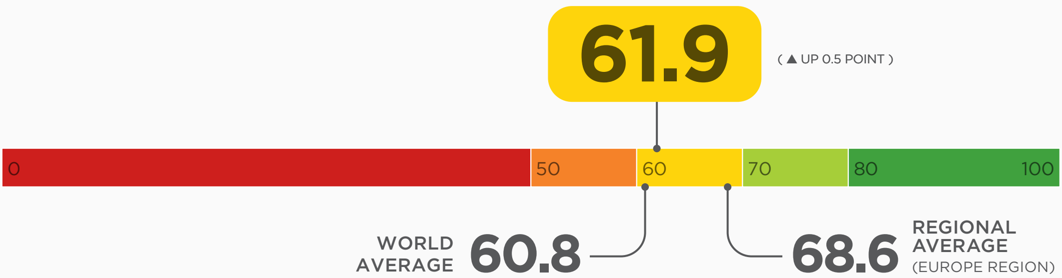
REGIONAL RANK: **37**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Bosnia and Herzegovina's economic freedom score is 61.9, making its economy the 83rd freest in the 2019 *Index*. Its overall score has increased by 0.5 point, with improvements in **labor freedom** and **government spending** outpacing declines in scores for **judicial effectiveness** and **trade freedom**. Bosnia and Herzegovina is ranked 37th among 44 countries in the Europe region, and its overall score is below the regional average but slightly above the world average.

Bosnia and Herzegovina's economy has been driven by postwar reconstruction. Trade is an engine of growth, but the overall entrepreneurial environment remains one of the region's most burdensome, hindering the emergence of a dynamic private sector. The highly decentralized government hampers policy coordination and reform, while excessive bureaucracy, weak rule of law, and market segmentation discourage foreign investment. Public perceptions of government corruption and misuse of taxpayer money motivate many to remain in the large informal economy.

ECONOMIC FREEDOM SCORE

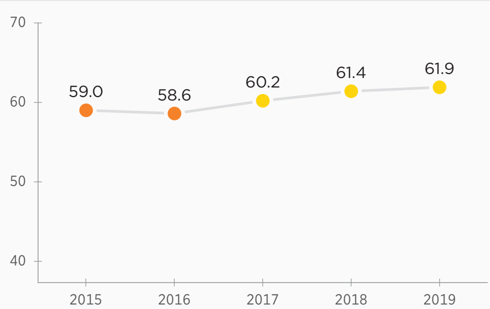


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+32.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$44.6 billion
2.7% growth in 2017
5-year compound annual growth 2.5%
$12,724 per capita

UNEMPLOYMENT:
25.6%

INFLATION (CPI):
1.3%

FDI INFLOW:
$425.2 million

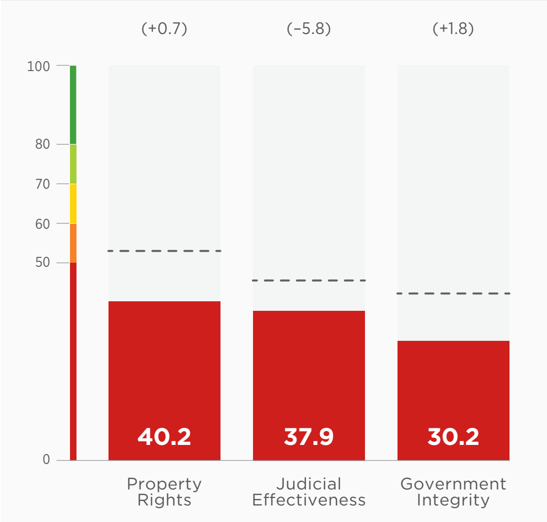
PUBLIC DEBT:
41.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The 1995 Dayton Agreement finalized Bosnia and Herzegovina's independence. Two separate entities exist under a loose central government: the Republika Srpska (Serbian) and Federation of Bosnia and Herzegovina (Muslim/Croat). Bosnian Serb nationalist leader Milorad Dodik and Sefik Dzaferovic of the large Muslim Bosniak party won the Serb and Bosniak seats in Bosnia's triumvirate presidency in October 2018 elections. The slow pace of reform has delayed accession to the European Union. The economy relies heavily on exports of metals, energy, textiles, and furniture as well as on remittances, foreign aid, and Chinese infrastructure investment, particularly in the energy sector. Tourism has been rising, but a large uptick in migrant arrivals caused by shifting smuggling routes in the Balkans has strained resources.

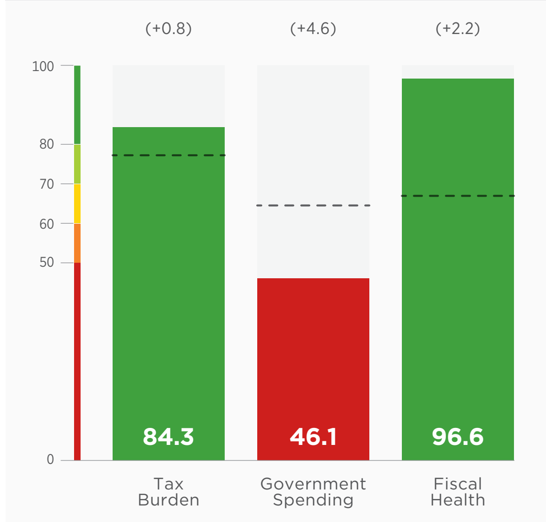
12 ECONOMIC FREEDOMS | BOSNIA AND HERZEGOVINA

RULE OF LAW



Property registries are largely unreliable, making land transactions vulnerable to dispute and creating a major barrier to the development of real property and mortgage markets. The judiciary remains susceptible to political influence and burdened by a large case backlog. Inefficiency, incompetence, and corruption are pervasive.

GOVERNMENT SIZE

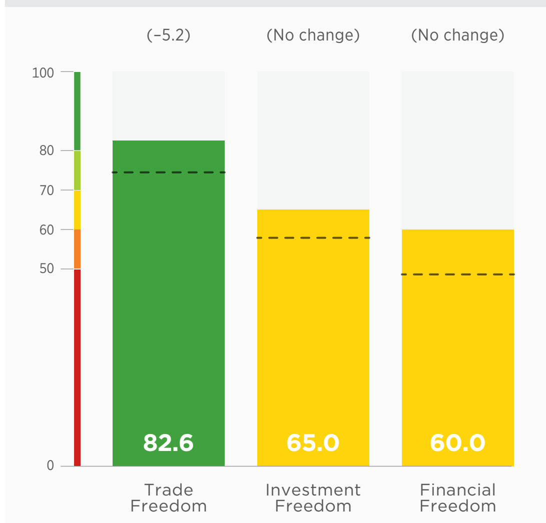


The top income and corporate tax rate is 10 percent, but various governing entities have different tax policies. The overall tax burden equals 37.0 percent of total domestic income. Over the past three years, government spending has amounted to 42.4 percent of the country's output (GDP), and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 41.0 percent of GDP.

REGULATORY EFFICIENCY

Regulatory inefficiency still impairs the business environment and limits the private investment needed for faster economic growth. Obtaining business licenses and launching a business remain subject to bureaucratic delays. The newly adopted labor code is intended to enhance labor market flexibility. The government subsidizes energy and maintains a regime of poorly targeted agricultural subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 86.9 percent of GDP. The average applied tariff rate is 1.2 percent. The government's official policy is to treat foreign and domestic investors equally under the law. Foreign-owned banks account for over 80 percent of banking assets. About 63 percent of adult Bosnians and Herzegovinians have an account with a formal banking institution.

WORLD RANK: 36

REGIONAL RANK: 3

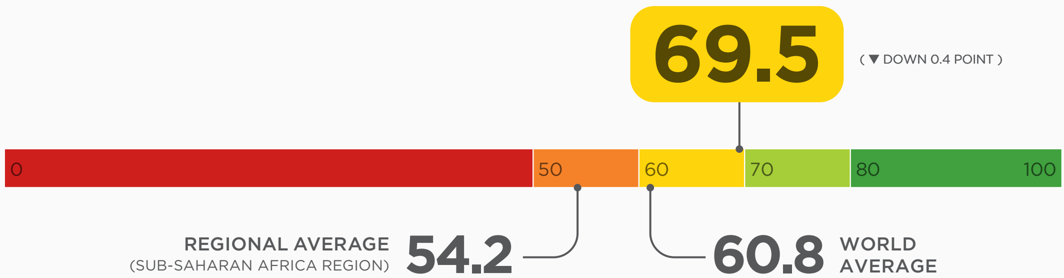
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

BOTSWANA

Botswana's economic freedom score is 69.5, making its economy the 36th freest in the 2019 *Index*. Its overall score has decreased by 0.4 point, with declines in **judicial effectiveness**, **government integrity**, and **fiscal health** exceeding improvements in the scores for **tax burden**, **labor freedom**, and **government spending**. Botswana is ranked 3rd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Through fiscal discipline and sound management, Botswana has transformed itself from one of the world's poorest countries to a middle-income country. Economic policy is guided by the government's efforts to diversify the economy away from dependence on the volatile mining sector and toward agriculture, services, and manufacturing. The regulatory environment encourages growth, and openness to foreign investment and trade promotes competitiveness and resilience. The independent judiciary provides strong protection of property rights.

ECONOMIC FREEDOM SCORE

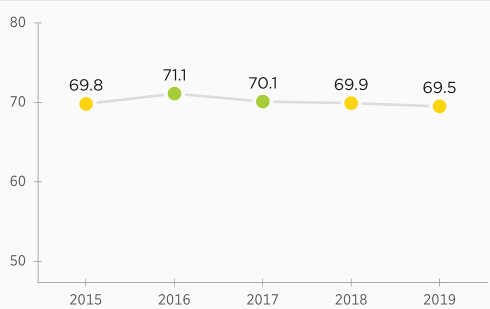


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+12.7

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
2.2 million

GDP (PPP):
$38.9 billion
2.2% growth in 2017
5-year compound annual growth 4.1%
$17,828 per capita

UNEMPLOYMENT:
17.4%

INFLATION (CPI):
3.3%

FDI INFLOW:
$400.6 million

PUBLIC DEBT:
15.6% of GDP

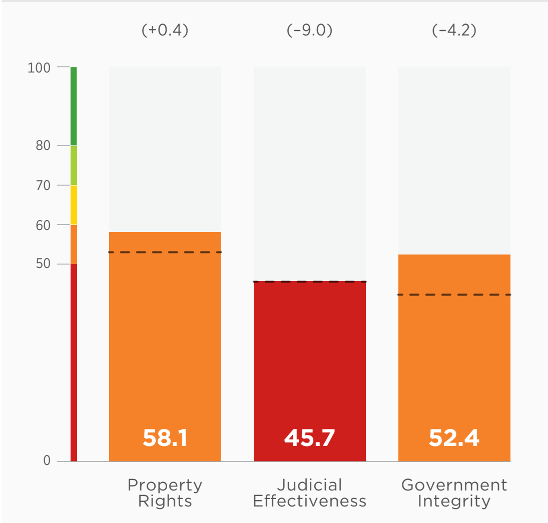
2017 data unless otherwise noted. Data compiled as of September 2018

BOTSWANA: Sparsely populated Botswana has a land area larger than Spain and is dominated by the vast Kalahari Desert. The Botswana Democratic Party (BDP) has governed this multiparty democracy since independence from the United Kingdom in 1966. President Mokgweetsi Masisi took power in April 2018 after former President Ian Khama finished his second and final five-year term. In 2014, the BDP received less than 50 percent of the vote for the first time as opposition groups gained significant support from young and urban middle-class voters. Botswana has abundant diamond and other natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings, and ecotourism in its extensive nature preserves is helping to diversify the economy.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

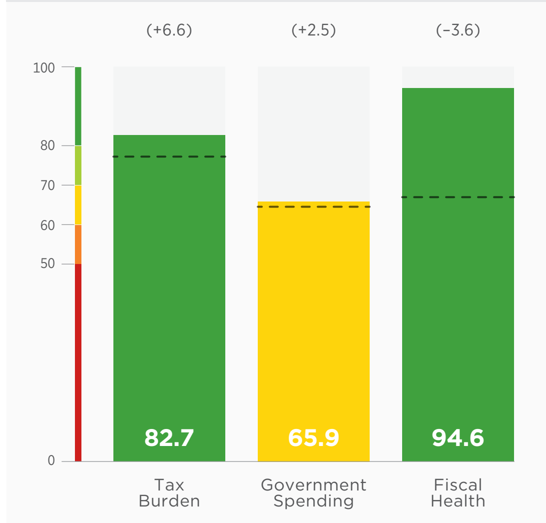
12 ECONOMIC FREEDOMS | BOTSWANA

RULE OF LAW



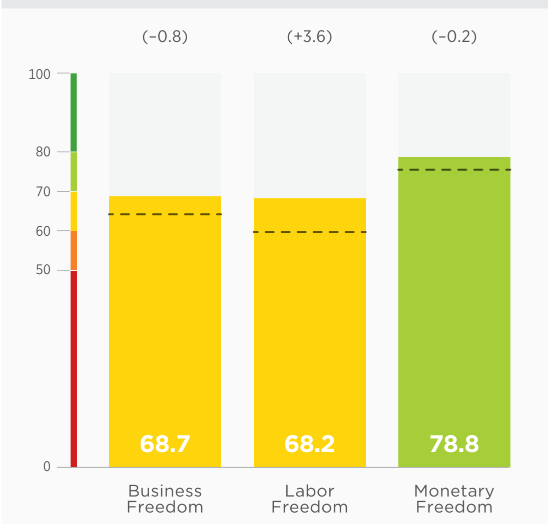
Increases in Botswana's property rights and intellectual property rights scores caused its overall score in the Property Rights Alliance's 2017 *International Property Rights Index* to improve as well. Courts enforce commercial contracts. Botswana remains rated the African continent's least corrupt country, but there are almost no restrictions on the private business activities of public servants, and an increase in tender-related corruption has been reported.

GOVERNMENT SIZE



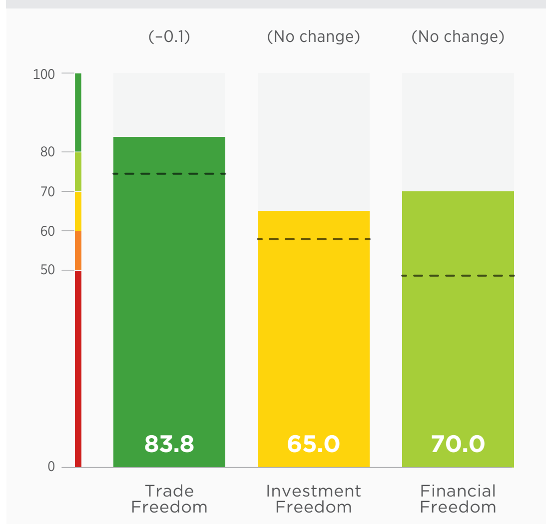
The top personal income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include property, inheritance, and value-added taxes. The overall tax burden equals 24.9 percent of total domestic income. Over the past three years, government spending has amounted to 33.7 percent of the country's output (GDP), and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 15.6 percent of GDP.

REGULATORY EFFICIENCY



The regulatory environment protects the overall freedom to establish and run a business relatively well. A one-stop shop for entrepreneurs is in place, and the process for business closings has become easy and straightforward. Employment regulations are relatively flexible. Maize, diesel, and petroleum are subject to price controls, and the government continues other subsidies through state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 97.1 percent of GDP. The average applied tariff rate is 0.6 percent. As of June 30, 2018, according to the WTO, Botswana had 21 nontariff measures in force. Foreign investment in some sectors is restricted. Generally adhering to global standards in the transparency of banking supervision, the financial sector provides considerable access to credit and has expanded.

BRAZIL

WORLD RANK: **150**

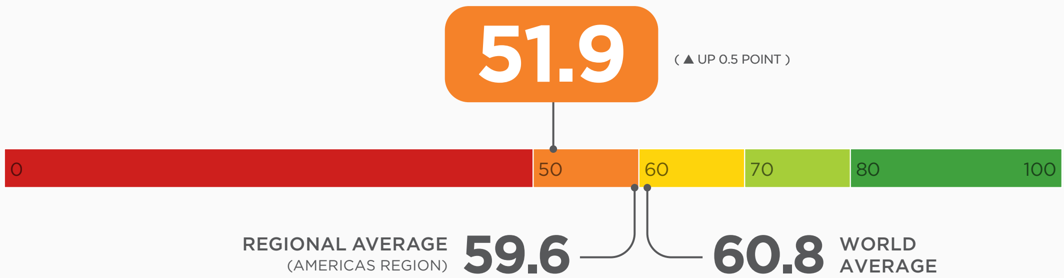
REGIONAL RANK: **27**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Brazil's economic freedom score is 51.9, making its economy the 150th freest in the 2019 *Index*. Its overall score has increased by 0.5 point, with improvements in **labor freedom** and **government spending** outpacing declines in **judicial effectiveness** and **government integrity**. Brazil is ranked 27th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Brazil's bloated and overly centralized federal government has been crushing economic freedom for decades. The new administration is likely to reduce barriers to foreign investment; prioritize efforts to revitalize Mercosur (the customs union of Argentina, Brazil, Paraguay, and Uruguay); be open to the more free-market Pacific Alliance (Mexico, Chile, Colombia, and Peru); and continue the sound, market-oriented policies of its predecessor. Pension reforms are likely to pass in 2019 to slow the growth of government spending, maintain debt sustainability, and reduce inflationary pressures. Lower interest rates and inflation will aid recovery.

ECONOMIC FREEDOM SCORE

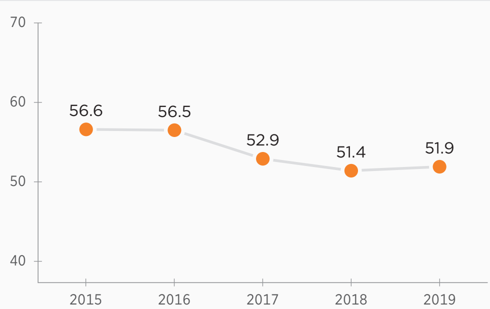


RELATIVE STRENGTHS:
Monetary Freedom and Tax Burden

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
+0.5

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
207.7 million

GDP (PPP):
$3.2 trillion
1.0% growth in 2017
5-year compound annual growth −0.5%
$15,603 per capita

UNEMPLOYMENT:
13.3%

INFLATION (CPI):
3.4%

FDI INFLOW:
$62.7 billion

PUBLIC DEBT:
84.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

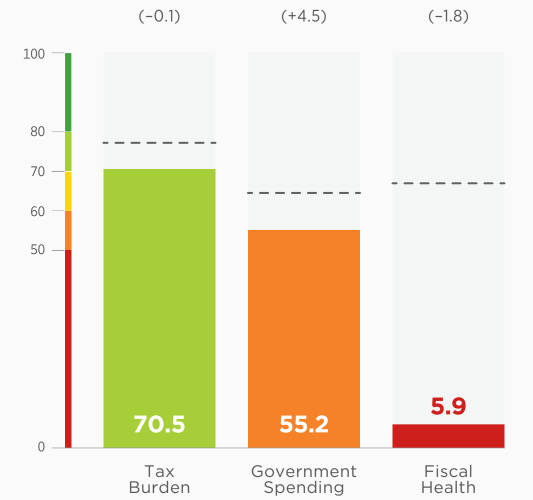
BACKGROUND: Brazil, the world's fifth-largest country, has a mostly coastal population of more than 200 million and is dominated by the Amazon River and the world's largest rain forest. Public corruption has led to political chaos. In 2018, former President Luiz Inácio "Lula" da Silva of the socialist Workers' Party went to prison on corruption charges. His successor, Dilma Rousseff, was removed from office in 2016 for budgetary misconduct, and her successor, market-oriented centrist Michel Temer, was likewise tainted by corruption. New President Jair Bolsonaro scored an upset victory in October 2018, with a large majority of voters hoping he will restore law and order, stabilize the economy, and put Brazil on a path to economic freedom.

12 ECONOMIC FREEDOMS | BRAZIL

RULE OF LAW

Mortgage registration is uneven, and there is no standardized contract. Although largely independent, the judiciary is overburdened, inefficient, and often subject to intimidation and other external influences, especially in rural areas. Corruption scandals have undermined trust in both public and private institutions and contributed to Brazil's 17-point decline in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE

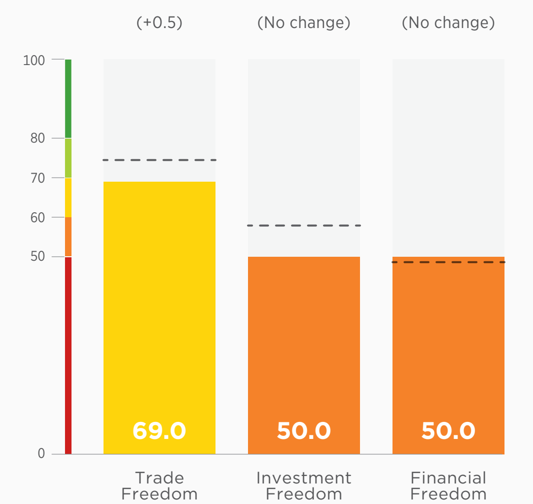


The personal income tax rate is 27.5 percent. The standard corporate rate is 15 percent, but other taxes, including a financial transactions tax, make the effective rate 34 percent. The overall tax burden equals 32.2 percent of total domestic income. Over the past three years, government spending has amounted to 38.6 percent of the country's output (GDP), and budget deficits have averaged 9.1 percent of GDP. Public debt is equivalent to 84.0 percent of GDP.

REGULATORY EFFICIENCY

Bureaucratic hurdles abound, and it is costly and time-consuming to launch or expand a business. Rigid and outmoded labor regulations undermine employment growth, and the nonsalary cost of employing a worker is burdensome. To reduce its heavy debt, the government tried to cut subsidies by removing price controls on products of the state-run Petrobras oil company, but violent nationwide protests in 2018 forced a policy reversal.

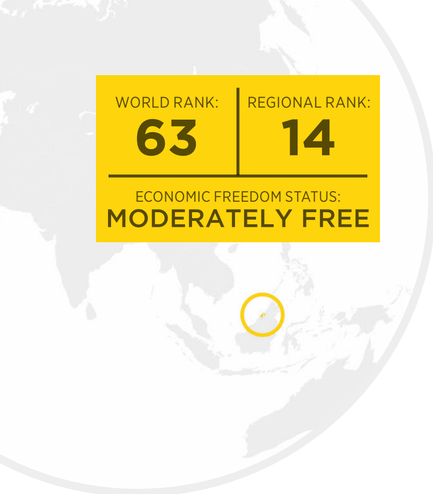
OPEN MARKETS



The combined value of exports and imports is equal to 24.1 percent of GDP. The average applied tariff rate is 8.0 percent. As of June 30, 2018, according to the WTO, Brazil had 634 nontariff measures in force. Investment faces bureaucratic and regulatory hurdles. The financial sector is diversified and competitive, but government involvement remains considerable, and public banks account for over 50 percent of loans to the private sector.

WORLD RANK: **63** | REGIONAL RANK: **14**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

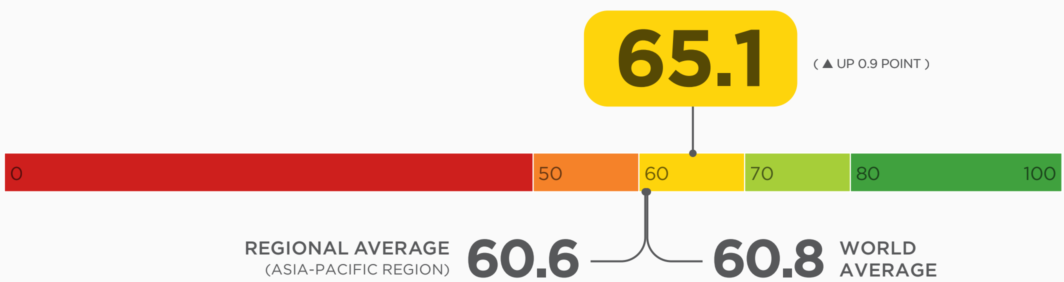


BRUNEI DARUSSALAM

Brunei Darussalam's economic freedom score is 65.1, making its economy the 63rd freest in the 2019 *Index*. Its overall score has increased by 0.9 point, with significantly higher scores on **property rights** and **tax burden** exceeding declines in **trade freedom**, **government integrity**, and **judicial effectiveness**. Brunei Darussalam is ranked 14th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Large budget deficits continue, exacerbated by relatively low oil and gas prices that reduce government revenue. The government hopes that a well-educated, largely English-speaking population, excellent infrastructure, and political stability will attract foreign investment to diversify the economy to other industries such as information technology, tourism, and halal manufacturing that are permitted by Islamic law. Brunei benefits from moderately well-maintained monetary stability (its dollar is pegged to the Singapore dollar at parity) and a relatively high degree of market openness.

ECONOMIC FREEDOM SCORE

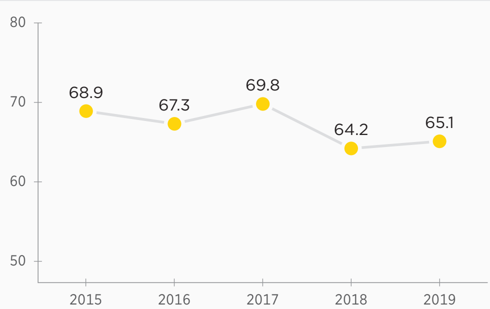


RELATIVE STRENGTHS:
Labor Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2014):
–3.9

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$33.5 billion
0.5% growth in 2017
5-year compound annual growth –1.4%
$78,196 per capita

UNEMPLOYMENT:
7.1%

INFLATION (CPI):
–0.1%

FDI INFLOW:
–$46.3 million

PUBLIC DEBT: 2.7% of GDP

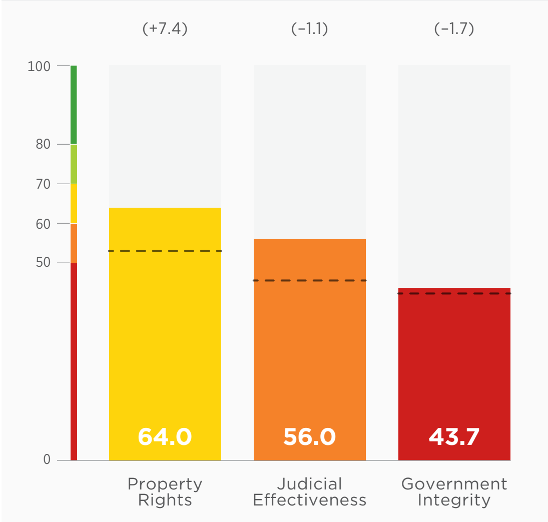
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Brunei, two enclaves surrounded by the Malaysian state of Sarawak, lies on the northern coast of Borneo. The sultan serves as his own prime minister, minister of defense, foreign minister, and minister of finance. He is advised by several councils, including a Legislative Council and Privy Council, which he appoints. Oil and gas account for over half of GDP, 90 percent of government revenue, and 90 percent of exports but generate few jobs. Most of the population works directly for the government. The economy has slowed substantially because of lower global oil prices and is further hampered by OPEC production caps. Brunei has extremely low manufacturing capacity and imports most of its manufactured goods and food.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

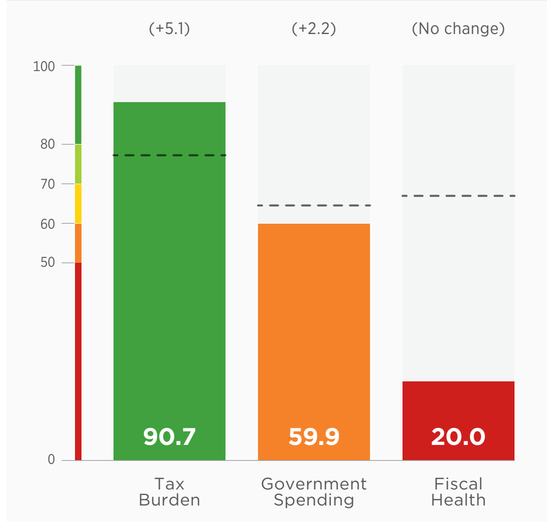
12 ECONOMIC FREEDOMS | BRUNEI DARUSSALAM

RULE OF LAW



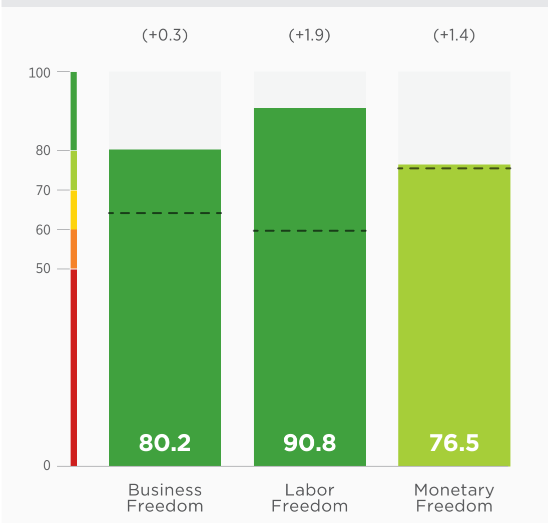
Protection of private property is weak, although property registration and contract enforcement have improved. Only Brunei citizens may purchase land; foreign firms must have a local partner. The constitution does not provide for an independent judiciary. Brunei is one of the world's last remaining autocracies, and the sultan wields nearly absolute power. In March 2018, the government took another step to implement a Sharia penal code.

GOVERNMENT SIZE



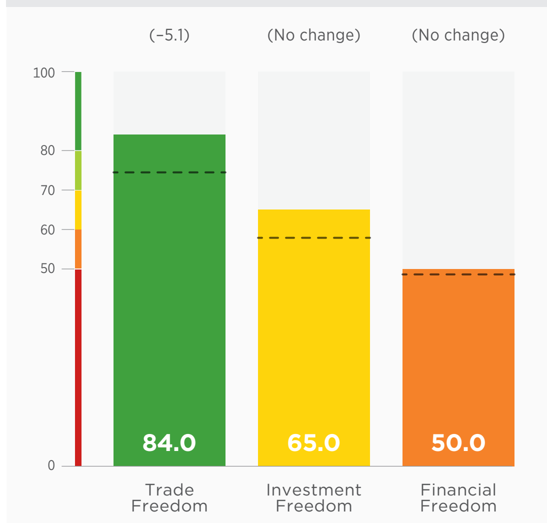
Brunei has no personal income tax. The top corporate tax rate is 18.5 percent for most companies and 55 percent for oil and gas companies. The overall tax burden equals 24.2 percent of total domestic income. Over the past three years, government spending has amounted to 36.6 percent of the country's output (GDP), and budget deficits have averaged 16.1 percent of GDP. Public debt is equivalent to 2.7 percent of GDP.

REGULATORY EFFICIENCY



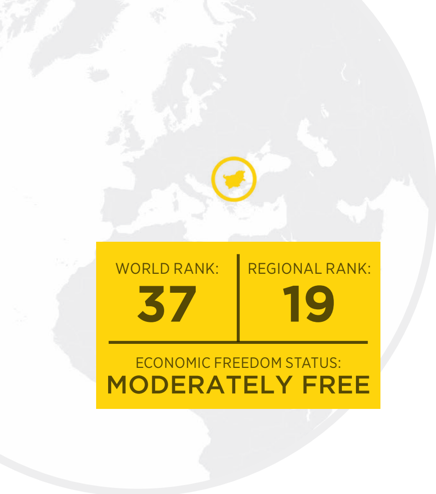
Registration requirements for starting a business have been simplified, and a one-stop shop now facilitates the overall operation of small and medium-size enterprises. The labor market is relatively flexible. The government still heavily subsidizes many basic goods and services such as fuel, power, food, health care, and education.

OPEN MARKETS



The combined value of exports and imports is equal to 85.2 percent of GDP. The average applied tariff rate is 0.5 percent. As of June 30, 2018, according to the WTO, Brunei Darussalam had one nontariff measure in force. State-owned enterprises distort the economy, and foreign ownership of land is restricted. The small financial sector remains dominated by banks. Islamic financial services have grown considerably in recent years.

BULGARIA



WORLD RANK: **37**

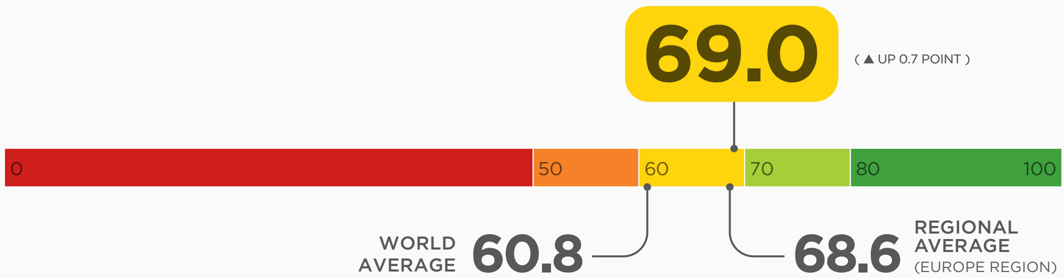
REGIONAL RANK: **19**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Bulgaria's economic freedom score is 69.0, making its economy the 37th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with improvements in **monetary freedom** and **fiscal health** exceeding declines in scores for **government integrity** and **business freedom**. Bulgaria is ranked 19th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The institutional and structural reform process, although somewhat hindered by political conflicts, is gradually being implemented to complete the transition from a centralized, planned economy to a more liberal, market-driven one. Reforms include privatization of state-owned enterprises, adoption of a favorable investment regime, liberalization of trade, and strengthening of the tax system. Public debt has been well managed. However, corruption in public administration, a weak judiciary, low productivity, and organized crime continue to hamper Bulgaria's investment climate and economic prospects.

ECONOMIC FREEDOM SCORE

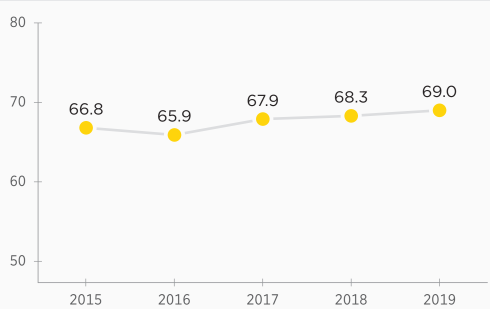


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+19.0

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
7.1 million

GDP (PPP):
$153.1 billion
3.6% growth in 2017
5-year compound annual growth 2.7%
$21,687 per capita

UNEMPLOYMENT:
6.2%

INFLATION (CPI):
1.2%

FDI INFLOW:
$1.1 billion

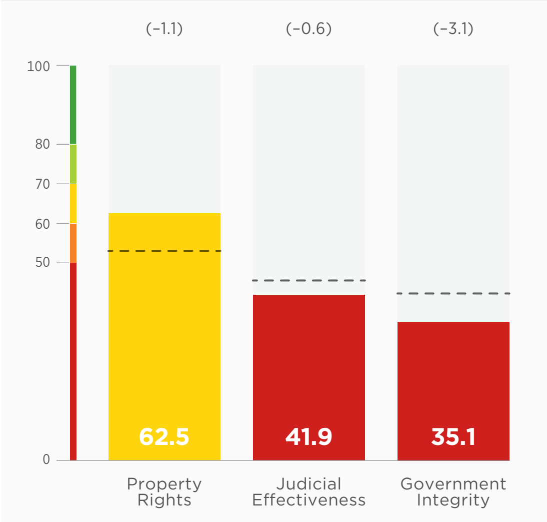
PUBLIC DEBT:
23.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

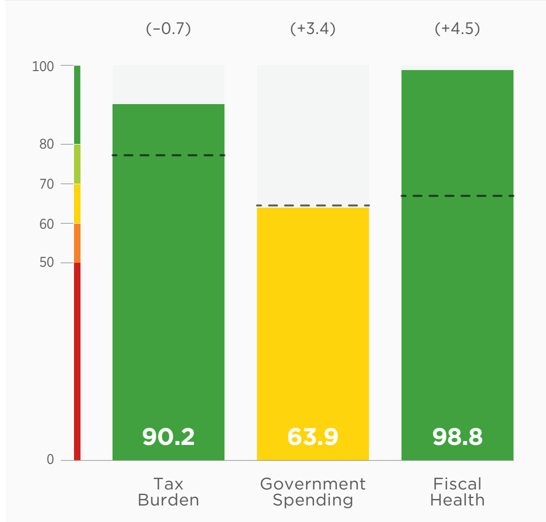
BACKGROUND: Communist domination of the former People's Republic of Bulgaria ended in 1990. The country joined NATO in 2004 and the European Union in 2007. Boyko Borissov of the center-right GERB party was elected prime minister for the third time in 2017. His coalition was supported by three nationalist parties in the United Patriots coalition. Rumen Radev, a pro-Russian, independent candidate and former air force commander, won the largely ceremonial presidency in 2016. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Bulgaria has been trying—so far unsuccessfully—to join the eurozone and Schengen Area. Heavily dependent on Russian gas, Bulgaria is seeking a link to the Turkish Stream pipeline, which is currently under construction.

12 ECONOMIC FREEDOMS | BULGARIA

RULE OF LAW



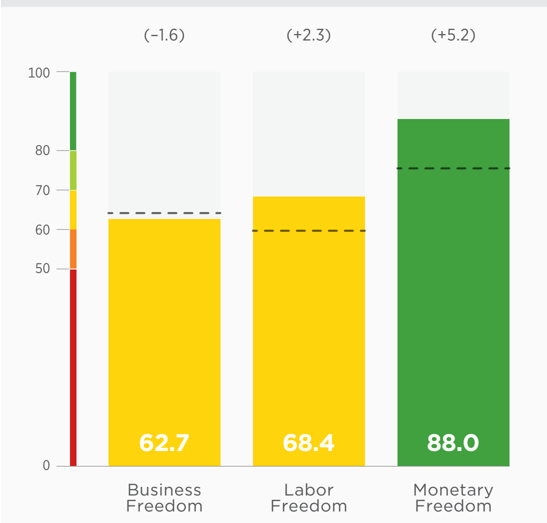
GOVERNMENT SIZE



Property rights are not well protected. The judiciary in Bulgaria's "flawed democracy" has benefited from legal and institutional reforms associated with EU accession, but practical gains in efficiency and accountability have been lacking. The court system remains the least trusted government institution. The government has struggled to combat corruption, which is fueled by human and narcotics trafficking and contraband smuggling.

The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 28 percent of total domestic income. Over the past three years, government spending has amounted to 34.7 percent of the country's output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 23.9 percent of GDP.

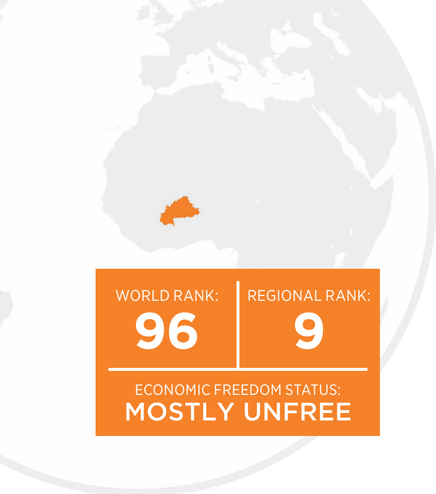
REGULATORY EFFICIENCY



OPEN MARKETS

Launching a business has become less time-consuming, and licensing requirements have been eased, although the pace of change has lagged behind that of some other countries. Relatively flexible labor regulations enhance employment growth, but there is room for further reform. State-owned enterprises, such as airports, are being privatized, and government subsidies to the largely state-owned, loss-making energy sector are gradually being reduced.

The combined value of exports and imports is equal to 131.1 percent of GDP. The average applied tariff rate is 2.0 percent. As of June 30, 2018, according to the WTO, Bulgaria had 116 nontariff measures in force. Generally, foreign and domestic investors are treated equally under the law. About 75 percent of adult Bulgarians have an account with a formal banking institution. The level of nonperforming loans remains relatively high.



WORLD RANK:
96

REGIONAL RANK:
9

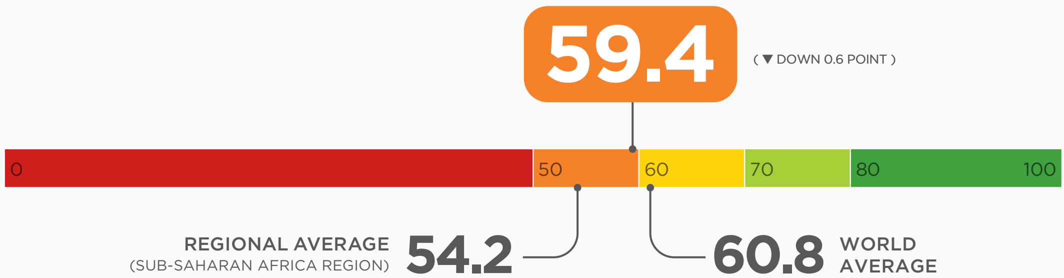
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

BURKINA FASO

Burkina Faso's economic freedom score is 59.4, making its economy the 96th freest in the 2019 *Index*. Its overall score has decreased by 0.6 point, with a sharp drop in **fiscal health** and lower scores for **government spending** and **judicial effectiveness** overwhelming improvements in **property rights** and **government integrity**. Burkina Faso is ranked 9th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Improved political stability, increased public investment, and better macroeconomic management, coupled with robust cotton and gold exports, have enabled Burkina Faso to achieve annual growth exceeding 5 percent for the past seven years, although most citizens have yet to benefit significantly from it. Earlier reforms have led to some reduction in poverty, but weak rule of law and systemic weaknesses in the protection of property rights still hinder the emergence of a more vibrant entrepreneurial environment.

ECONOMIC FREEDOM SCORE

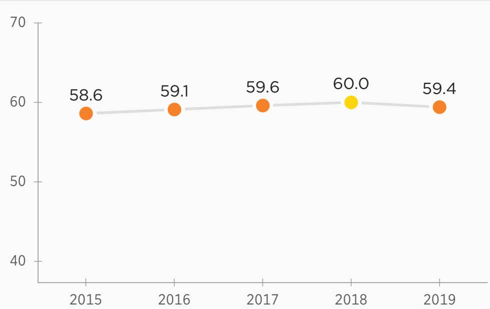


RELATIVE STRENGTHS:
Monetary Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+10.0

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
18.9 million

GDP (PPP):
$35.8 billion
6.4% growth in 2017
5-year compound annual growth 5.3%
$1,889 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
0.4%

FDI INFLOW:
$485.9 million

PUBLIC DEBT:
38.3% of GDP

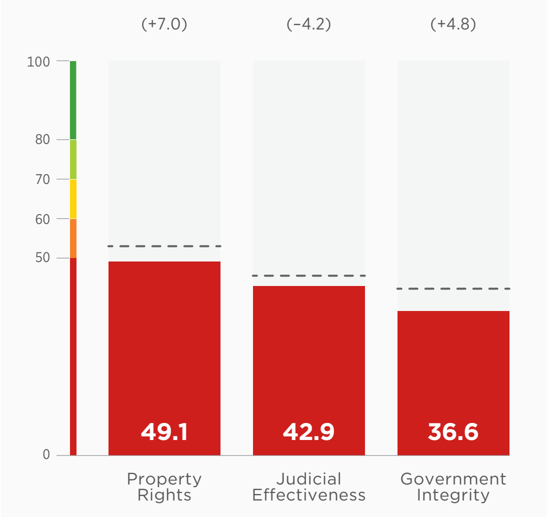
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former French colony of Burkina Faso is one of the world's poorest countries. When former President Blaise Compaoré was forced to resign after 27 years in power for trying to change the constitution's two-term limit, President Roch Marc Christian Kaboré of the People's Movement for Progress was elected to a five-year term in 2015. Burkina Faso has few natural resources and a weak industrial base. About 90 percent of the population is engaged in subsistence farming, and cotton is the principal cash crop. Literacy rates are well below the regional average. In addition to frequent attacks by terrorist groups linked to al-Qaeda, ongoing challenges include political insecurity in neighboring Mali, unreliable energy supplies, and poor transportation links.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

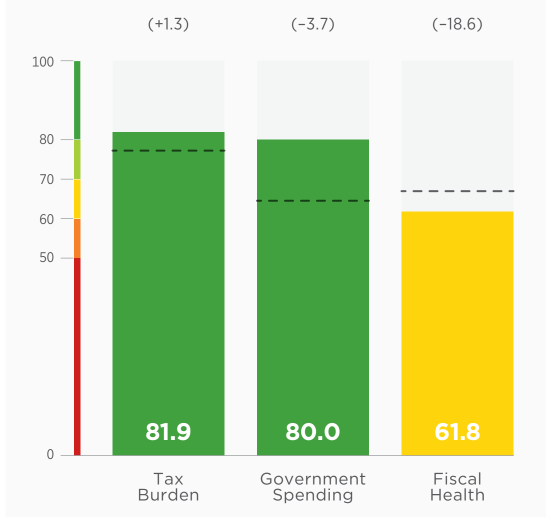
12 ECONOMIC FREEDOMS | BURKINA FASO

RULE OF LAW



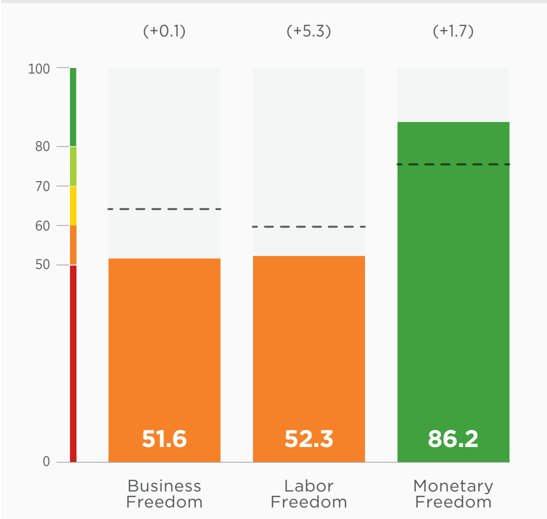
Protection of private property is weak. Only about 5,000 land titles have been granted since 1960. The judiciary is weak and unwilling to prosecute senior officials charged with corruption. Challenges faced by the new government include poor access to information, limited enforcement powers of anticorruption institutions, misappropriation of public funds, and the lack of an effective separation of powers.

GOVERNMENT SIZE



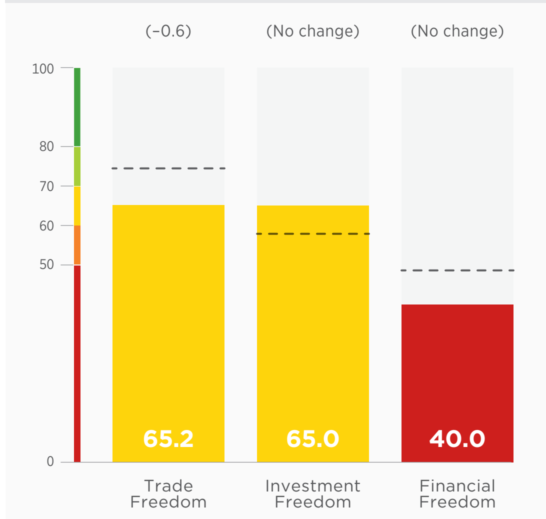
The top individual income tax rate is 27.5 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 16.3 percent of total domestic income. Over the past three years, government spending has amounted to 25.8 percent of the country's output (GDP), and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 38.3 percent of GDP.

REGULATORY EFFICIENCY



Although progress has been mixed, the implementation of reforms to streamline regulations has helped to enhance the overall entrepreneurial environment. Measures to modernize the labor market and enhance its flexibility have progressed slowly. The state subsidizes fuels and electricity; maintains price supports for cotton, rice, and other staple goods; and influences other prices through state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 62.8 percent of GDP. The average applied tariff rate is 7.4 percent. Nontariff barriers are considerable, and foreign investment remains hindered by bureaucracy. The government has pursued banking liberalization and restructuring, limiting its direct participation, but financial firms still lack the capacity to provide a full range of modern services.

WORLD RANK: **139**

REGIONAL RANK: **35**

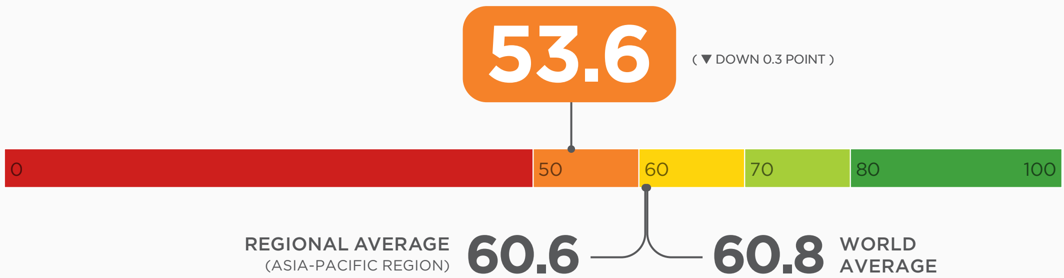
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

BURMA

Burma's economic freedom score is 53.6, making its economy the 139th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with a significantly lower score for **fiscal health** overwhelming modest improvements in **property rights** and **government integrity**. Burma is ranked 35th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Burma has enjoyed robust economic growth of at least 6 percent during its long transition to democracy, with reforms aimed at reintegrating into the global economy and attracting foreign investment in the energy, garment, information technology, and food and beverage sectors. The government is accelerating agricultural productivity and land reforms, modernizing the financial sector, and developing transportation and electricity infrastructure. Nevertheless, Burma remains one of Asia's poorest countries. The legacy of past isolationism and economic mismanagement is poor infrastructure, endemic corruption, underdeveloped human resources, and inadequate access to capital.

ECONOMIC FREEDOM SCORE

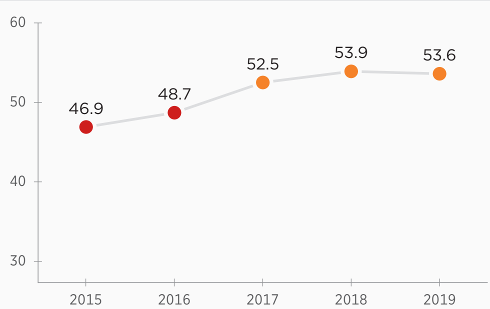


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+8.5

CONCERNS:
Judicial Effectiveness and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
52.6 million

GDP (PPP):
$328.7 billion
6.7% growth in 2017
5-year compound annual growth 7.2%
$6,244 per capita

UNEMPLOYMENT:
0.8%

INFLATION (CPI):
5.1%

FDI INFLOW:
$4.3 billion

PUBLIC DEBT:
34.7% of GDP

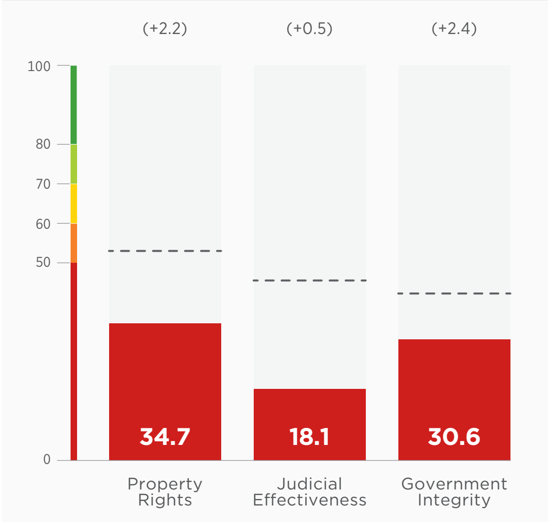
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Burma's slow transition from military dictatorship continued when National League for Democracy (NLD) leader Aung San Suu Kyi was released from detention in 2010. She now acts as state counsellor and leader of the NLD, which won an absolute parliamentary majority in 2015. Although her confidante Htin Kyaw was elected president, Suu Kyi essentially fills the role. The army remains a major political force and controls several cabinet portfolios, including defense, border, and home affairs. The Rohingya human rights and refugee crisis that began in 2017 has stalled political reform and slowed the pace of economic reform. Wages in Burma remain low compared with wages in low-labor-cost Asian rivals, and more than 25 percent of the population lives in poverty.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

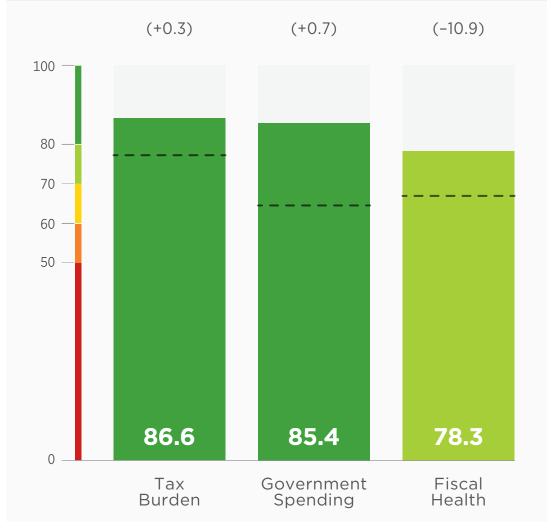
12 ECONOMIC FREEDOMS | BURMA

RULE OF LAW



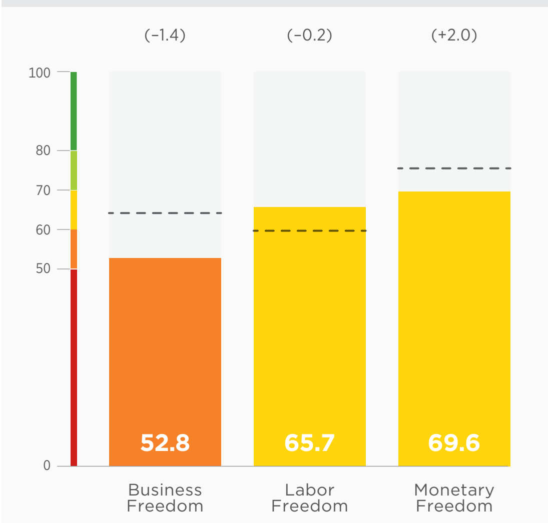
The government has improved property registration by reducing the cost of stamp duties. The judiciary is not independent. Political-appointee judges adjudicate cases according to governmental decrees. Burma has a deep-rooted problem with graft, so anticorruption measures such as the Myanmar Companies Law of 2017 have been prioritized. High-level corruption has been reduced, but petty corruption remains common.

GOVERNMENT SIZE



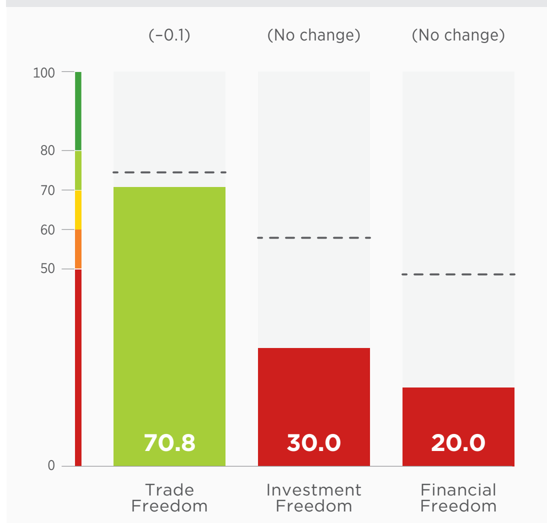
The top individual income tax rate is 20 percent, and the top corporate tax rate is 30 percent. Other taxes include commercial and capital gains taxes. The overall tax burden equals 6.5 percent of total domestic income. Over the past three years, government spending has amounted to 22.1 percent of the country's output (GDP), and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 34.7 percent of GDP.

REGULATORY EFFICIENCY



The regulatory system lacks transparency and clarity, and inconsistent enforcement of regulations injects uncertainty into business decision-making. The labor market lacks flexibility, and informal-sector employment is substantial. Fixed prices for electricity, diesel, and petrol have resulted in shortages, although the government has pledged to privatize some heavily subsidized state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 39.1 percent of GDP. The average applied tariff rate is 4.6 percent. As of June 30, 2018, according to the WTO, Burma had one nontariff measure in force, but other barriers to trade persist. Numerous state-owned enterprises distort the economy, undermining private investment. About 30 percent of adult Burmese have access to an account with a formal banking institution.

WORLD RANK: **162** | REGIONAL RANK: **39**

ECONOMIC FREEDOM STATUS: **REPRESSED**

BURUNDI

Burundi's economic freedom score is 48.9, making its economy the 162nd freest in the 2019 *Index*. Its overall score has decreased by 2.0 points, with a plunge in **fiscal health** and lower **monetary freedom** and **investment freedom** scores overwhelming higher scores for **judicial effectiveness** and **government spending**. Burundi is ranked 39th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

As political repression persists and donors withhold funding, Burundi's government has no development policy and no resources with which to counter pervasive poverty. Instead, it uses subsidies and higher public-sector salaries to solidify loyalty to the regime. Burundi's economy, hampered by extensive state controls and structural problems, lags in productivity growth and lacks dynamism. The lack of enforcement of property rights and the weak rule of law have driven many people and enterprises into the informal sector.

ECONOMIC FREEDOM SCORE

48.9 (▼ DOWN 2.0 POINTS)

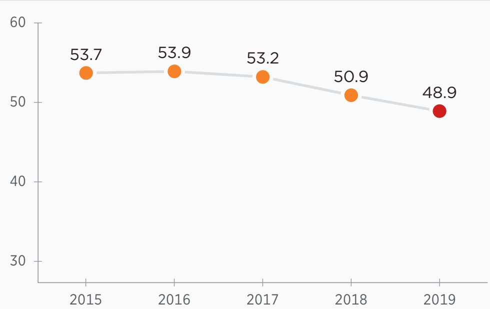
0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

60.8 WORLD AVERAGE

RELATIVE STRENGTHS:	**HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):**	**CONCERNS:**
Government Spending and Tax Burden	+3.5	Property Rights and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
10.9 million

GDP (PPP):
$8.0 billion
0.0% growth in 2017
5-year compound annual growth 1.1%
$735 per capita

UNEMPLOYMENT:
1.6%

INFLATION (CPI):
16.6%

FDI INFLOW:
$0.3 million

PUBLIC DEBT:
56.7% of GDP

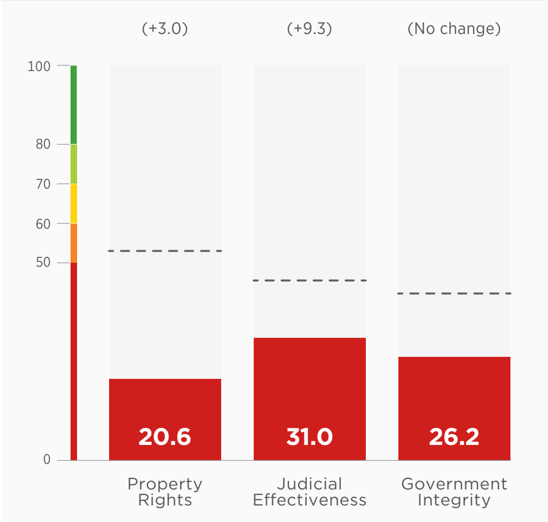
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Burundi has had a turbulent history since gaining independence from Belgium in 1962; its first democratically elected president was assassinated in 1993 after only 100 days in office. Sidestepping the two-term constitutional limit, President Pierre Nkurunziza was elected to a third term in 2015, sparking violence that killed hundreds. The government used violence and intimidation to ensure passage of a May 2018 referendum further centralizing presidential power. Western countries have suspended aid because of the government's abuses of human rights and poor implementation of policy. Fuel shortages in 2017 due to a lack of hard currency brought many businesses to a standstill. Subsistence agriculture dominates the economy, and well over half of the population lives below the poverty line.

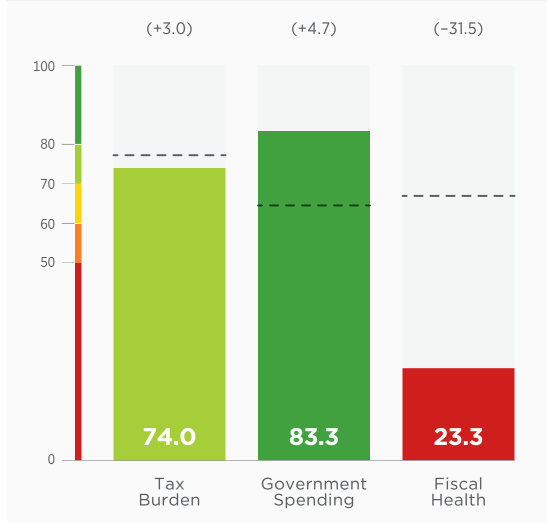
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | BURUNDI

RULE OF LAW



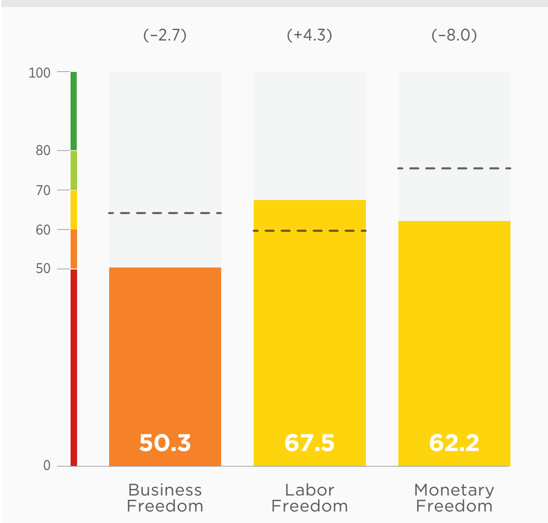
GOVERNMENT SIZE



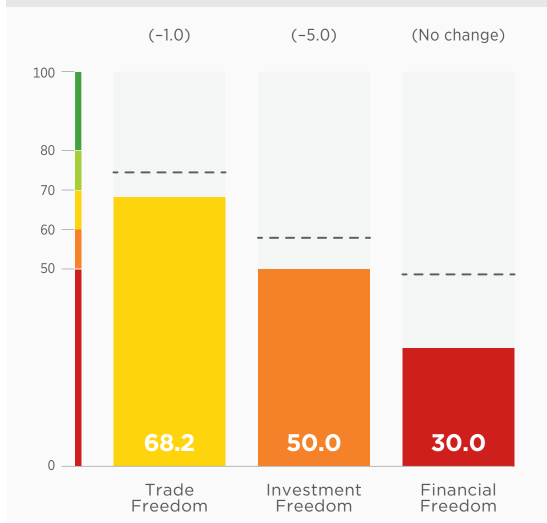
Burundi remains one of the world's poorest nations and one of sub-Saharan Africa's most corrupt. Private property is vulnerable to government expropriation and armed banditry, and property registration is difficult. The judiciary is nominally independent, but judges are subject to political pressure. Government procurement is conducted nontransparently amid frequent allegations of cronyism. Customs officials reportedly extort bribes.

The top individual income and corporate tax rates are 35 percent. A value-added tax recently replaced the general sales tax. The overall tax burden equals 12.3 percent of total domestic income. Over the past three years, government spending has amounted to 23.6 percent of the country's output (GDP), and budget deficits have averaged 6.6 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.

REGULATORY EFFICIENCY

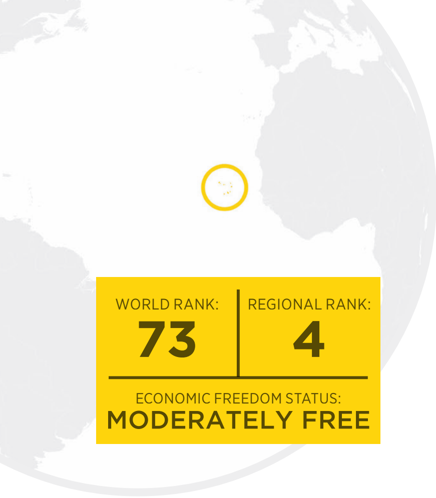


OPEN MARKETS



The overall business environment remains severely constrained by burdensome regulations and inefficiency. Continuing instability and bureaucratic corruption impede entrepreneurial activity. In the absence of a modern labor market, the informal sector accounts for most employment. Subsidies and rationing of fuel and electricity persist, and the state influences other prices through state-owned enterprises and agriculture-support programs.

The combined value of exports and imports is equal to 38.2 percent of GDP. The average applied tariff rate is 5.9 percent. As of June 30, 2018, according to the WTO, Burundi had three nontariff measures in force. Openness to foreign investment is below average. The underdeveloped financial sector provides a very limited range of services. About 8 percent of adult Burundians have an account with a formal banking institution.



WORLD RANK: **73**

REGIONAL RANK: **4**

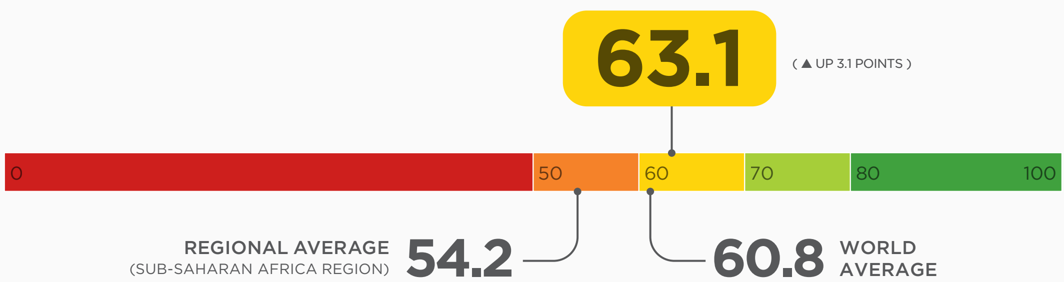
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

CABO VERDE

Cabo Verde's economic freedom score is 63.1, making its economy the 73rd freest in the 2019 *Index*. Its overall score has increased by 3.1 points, with spikes in scores for **fiscal health** and **labor freedom** easily outpacing a decline in **judicial effectiveness**. Cabo Verde is ranked 4th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

The government aims to expand and modernize infrastructure, improve the business environment by cutting red tape and implementing other business-friendly reforms, streamline administrative procedures, increase labor market flexibility, and strengthen the performance of state-owned enterprises. Though its economy is vulnerable to external shocks, Cabo Verde has benefited from reasonably well-maintained monetary stability, a relatively high level of market openness that facilitates trade and investment, a sound and transparent legal framework, and an independent judiciary that institutionalizes and supports the rule of law.

ECONOMIC FREEDOM SCORE

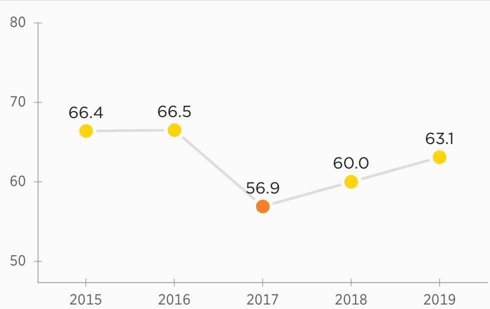


RELATIVE STRENGTHS:
Monetary Freedom and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+13.4

CONCERNS:
Government Integrity and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
0.5 million

GDP (PPP):
$3.7 billion
4.0% growth in 2017
5-year compound annual growth 2.0%
$6,944 per capita

UNEMPLOYMENT:
10.3%

INFLATION (CPI):
0.8%

FDI INFLOW:
$108.6 million

PUBLIC DEBT:
126.0% of GDP

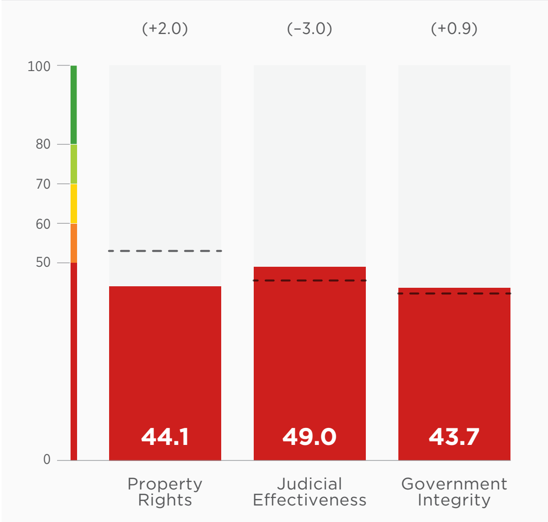
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Colonized by the Portuguese in the 15th century, Cabo Verde has few natural resources but managed to become a trading center and is now a stable, multiparty parliamentary democracy. Jorge Carlos Fonseca of the Movement for Democracy was elected to a second five-year term as president in 2016. The economy relies on services, which account for about 75 percent of GDP. Tourism and emigrants' remittances are also important. Foreign aid finances the country's traditionally high trade deficit. The government wants to generate all energy through renewables by 2020. China invests heavily in Cabo Verde, which has announced its willingness to participate in China's "One Belt, One Road" initiative.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

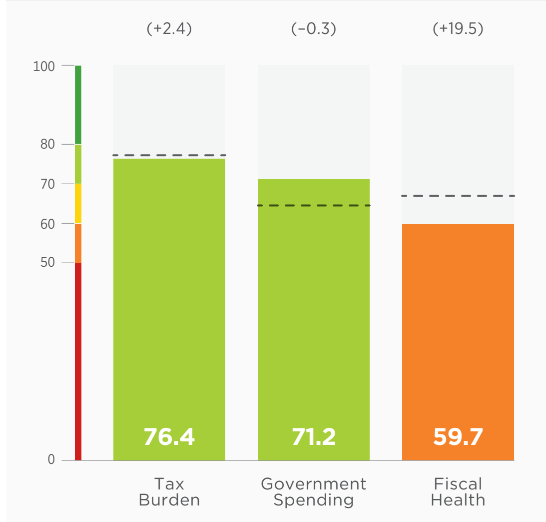
12 ECONOMIC FREEDOMS | CABO VERDE

RULE OF LAW



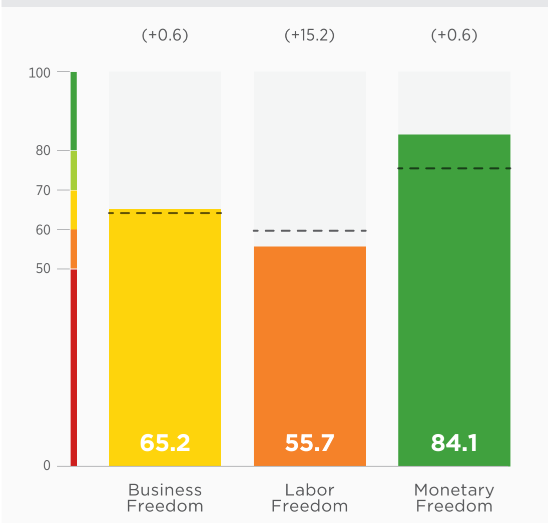
Private property is reasonably well protected, and the government is implementing reforms to increase the reliability and protection of land information. The judiciary's constitutional independence is generally respected, but a shortage in staff creates a case backlog that causes significant delays. Levels of transparency are relatively high and levels of corruption are relatively low in Cabo Verde compared to those in other African nations.

GOVERNMENT SIZE



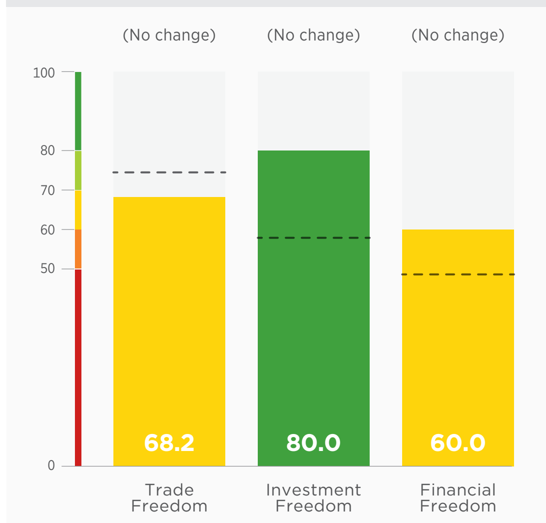
The top personal income tax rate is 35 percent, and the top corporate tax rate is 24 percent. Other taxes include a value-added tax. The overall tax burden equals 23.7 percent of total domestic income. Over the past three years, government spending has amounted to 31.0 percent of the country's output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 126.0 percent of GDP.

REGULATORY EFFICIENCY



The overall business environment has become more efficient. The process for launching a business is more streamlined, and licensing requirements are less burdensome. Despite efforts to reform the labor market, the unemployment rate remains persistently high. The market determines most prices, and subsidies to the state-owned, loss-making airline were reduced in 2016, but the government still subsidizes electricity and water.

OPEN MARKETS



The combined value of exports and imports is equal to 103.1 percent of GDP. The average applied tariff rate is 10.9 percent. As of June 30, 2018, according to the WTO, Cabo Verde had four nontariff measures in force. Foreign and domestic investors are generally treated equally under the law. The number of nonperforming loans in the banking system has decreased. Credit is generally allocated on market terms.

CAMBODIA

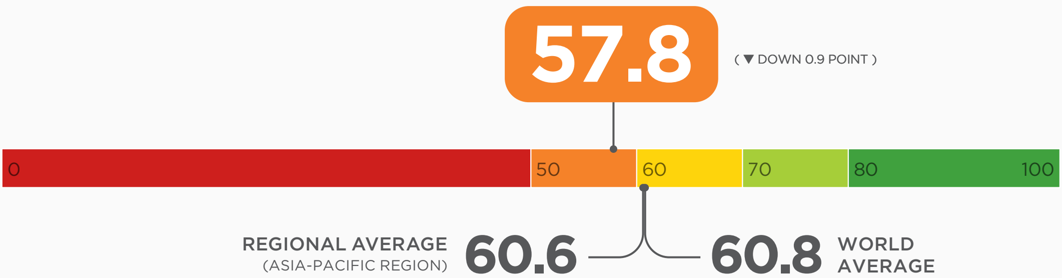
WORLD RANK: **105** | REGIONAL RANK: **22**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Cambodia's economic freedom score is 57.8, making its economy the 105th freest in the 2019 *Index*. Its overall score has decreased by 0.9 point, with a steep decline in **trade freedom** and a lower **fiscal health** score overwhelming improvements in **labor freedom** and **judicial effectiveness**. Cambodia is ranked 22nd among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Through its "One Belt, One Road" program, China's influence in Cambodia will continue to grow as it finances major infrastructure projects without making Western-style demands for domestic policy reforms. The economically crucial garment sector is gradually losing its regional cost-competitiveness and has lost tariff-free access to the European Union because of the government's continuing crackdown on the political opposition. Weak property rights and pervasive corruption continue to constrain economic freedom, and institutionalization of a more independent judiciary remains a key area for reform.

ECONOMIC FREEDOM SCORE

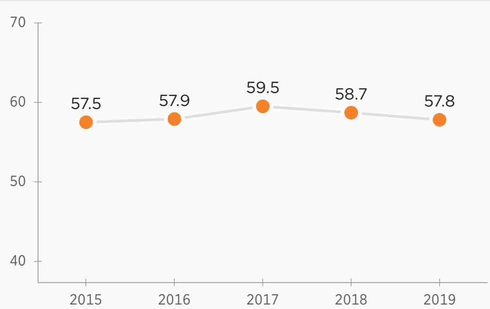


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
+5.0

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
16.0 million

GDP (PPP):
$64.3 billion
6.9% growth in 2017
5-year compound annual growth 7.1%
$4,012 per capita

UNEMPLOYMENT:
0.2%

INFLATION (CPI):
2.9%

FDI INFLOW:
$2.8 billion

PUBLIC DEBT:
35.1% of GDP

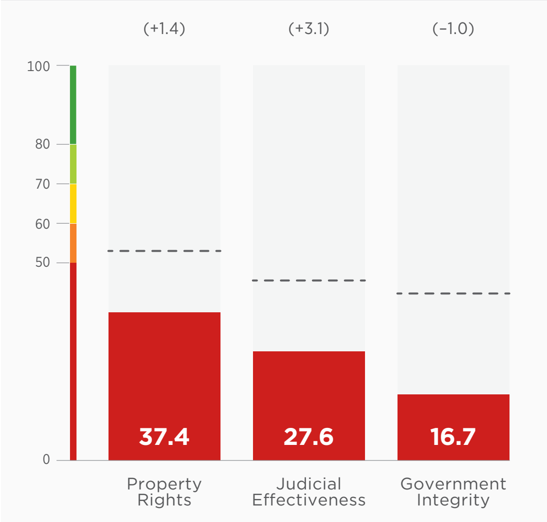
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Nominally a democracy, Cambodia has been ruled by former Khmer Rouge member and now Prime Minister Hun Sen since 1985. Hun Sen's Cambodian People's Party (CPP) implemented an unprecedented crackdown against the opposition Cambodia National Rescue Party (CNRP) in the lead-up to local elections in 2017 and formalized Cambodia's status as a one-party state in the 2018 national elections. CNRP leader Kem Sokha is imprisoned, and the party itself was banned and dissolved by the Cambodian Supreme Court. Media have been censored, and civil society groups have been repressed. The economy is still heavily dependent on tourism and the garment industry. More than half of the labor force is engaged in subsistence farming, and Cambodia remains one of Asia's poorest countries.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

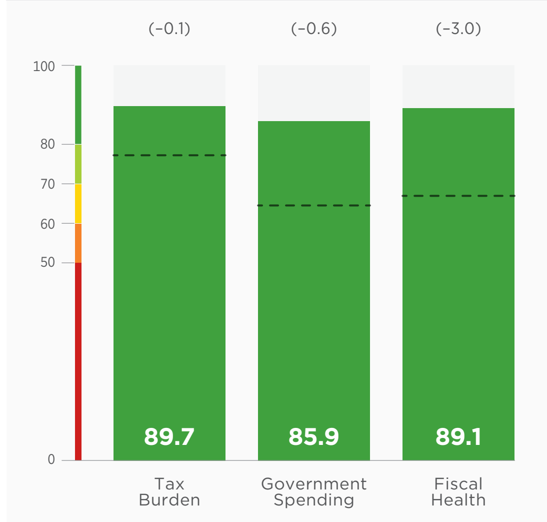
12 ECONOMIC FREEDOMS | CAMBODIA

RULE OF LAW



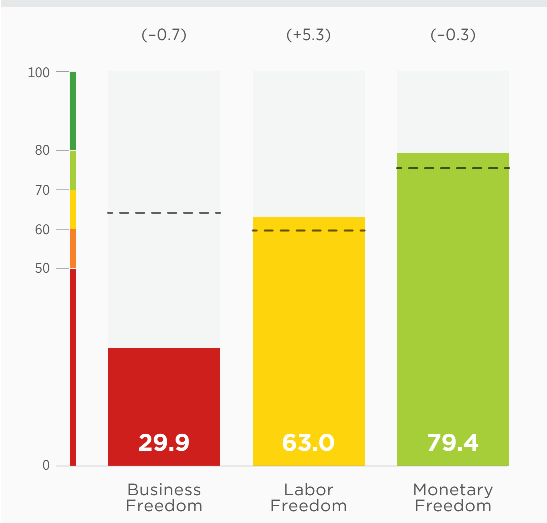
Property rights are regularly abused for politically favored private projects, and the land titling system is corrupt and costly. Powerful politicians, bureaucrats, and military officers have grabbed an estimated 12 percent (or more) of Cambodia's land through state-sanctioned seizures. The judiciary is subject to bribery and political pressure and marred by inefficiency, poor training, and a lack of independence. Corruption remains a serious problem.

GOVERNMENT SIZE



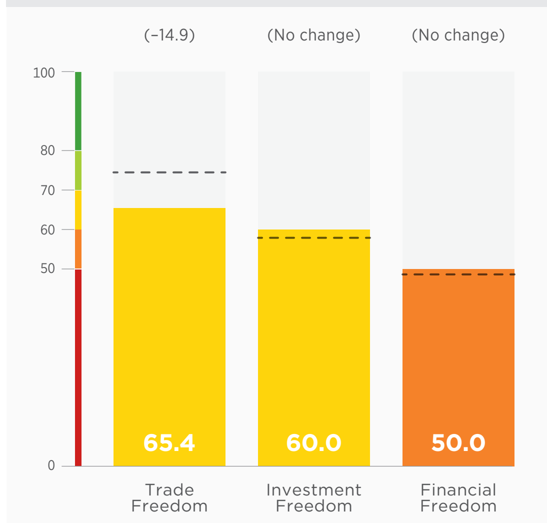
The top individual income and corporate tax rates are 20 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 15.0 percent of total domestic income. Over the past three years, government spending has amounted to 21.7 percent of the country's output (GDP), and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 35.1 percent of GDP.

REGULATORY EFFICIENCY



Measures to modernize commercial codes and facilitate private-sector development have been implemented in recent years. All sectors of the economy are open to foreign competition and investment. Labor force participation is high, but many jobs are informal. The government provides households with annual energy subsidies costing tens of millions of dollars in an effort to lower the price of domestic electricity by 2020.

OPEN MARKETS



The combined value of exports and imports is equal to 124.9 percent of GDP. The average applied tariff rate is 9.8 percent. As of June 30, 2018, according to the WTO, Cambodia had one nontariff measure in force. New foreign investment may be screened by the government. Privatization has gradually improved financial-sector efficiency. Banking has become more market-oriented, with credit increasingly available to the private sector.

WORLD RANK: **145**

REGIONAL RANK: **29**

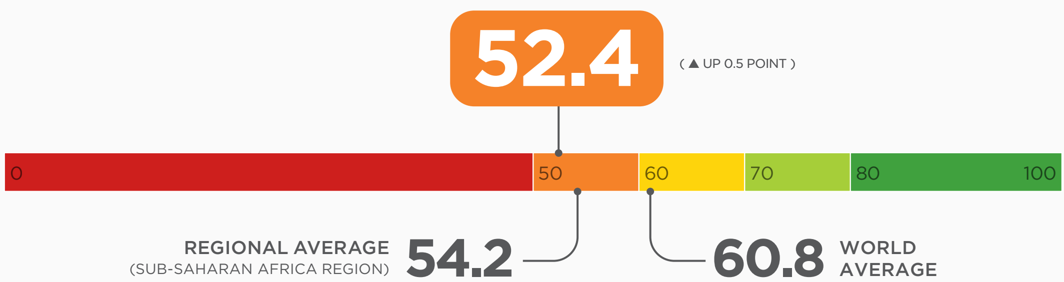
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

CAMEROON

Cameroon's economic freedom score is 52.4, making its economy the 145th freest in the 2019 *Index*. Its overall score has increased by 0.5 point, with higher scores for **investment freedom** and **labor freedom** offsetting a sharp decline in **fiscal health**. Cameroon is ranked 29th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

A difficult business environment and the existence of a large informal economy hinder diversification of the formal economy. Other problems include an inefficient and top-heavy civil service, poor infrastructure, endemic corruption, and continuing inefficiencies of a large parastatal system in key sectors. Restrictions on trade through nontariff barriers raise costs. Weak rule of law fails to stem the corruption that erodes incentives for long-term economic expansion. More comprehensive and sustained economic reforms, including increased budget transparency and privatization of state-owned enterprises, are needed urgently.

ECONOMIC FREEDOM SCORE

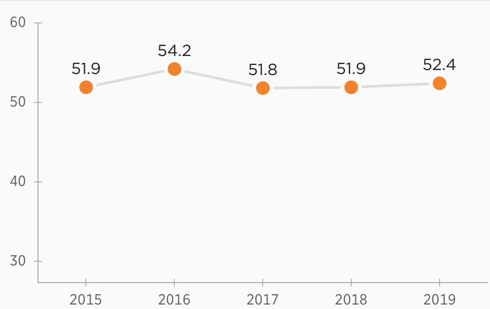


RELATIVE STRENGTHS:
Government Spending and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.1

CONCERNS:
Government Integrity and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
24.3 million

GDP (PPP):
$88.9 billion
3.2% growth in 2017
5-year compound annual growth 4.9%
$3,660 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
0.6%

FDI INFLOW:
$672.5 million

PUBLIC DEBT:
33.8% of GDP

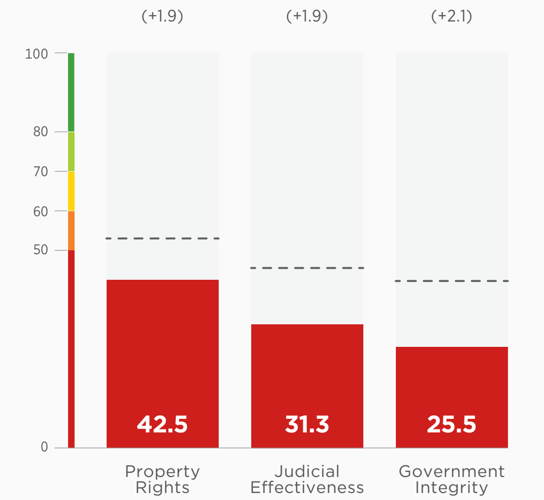
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Former French and British colonies merged in the 1960s to form Cameroon. President Paul Biya, now 85 years old, is Africa's second-longest-ruling head of state. He abolished term limits in 2008 and went on to win seven-year terms of office in 2011 and again in 2018 in elections marred by irregularities. Tensions between the Anglophone minority and the central government erupted into violence with atrocities reportedly committed by both sides. The Islamist terrorist Boko Haram movement frequently attacks across Cameroon's 1,230-mile border with Nigeria. The economy depends on oil for about 40 percent of export earnings. Cameroon is building Central Africa's only deep-sea port in Kribi, financed primarily by China's Export–Import Bank, and is expanding hydropower generation.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

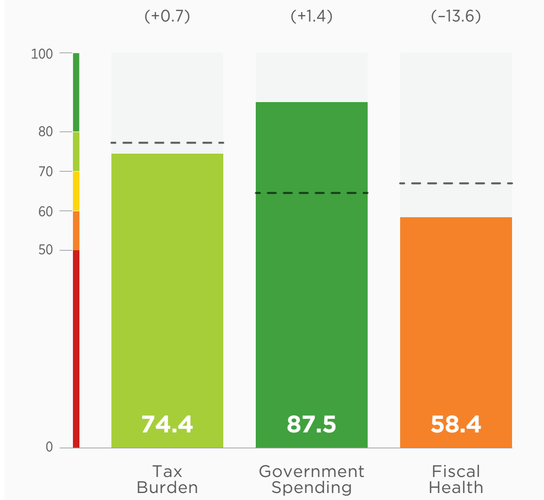
12 ECONOMIC FREEDOMS | CAMEROON

RULE OF LAW



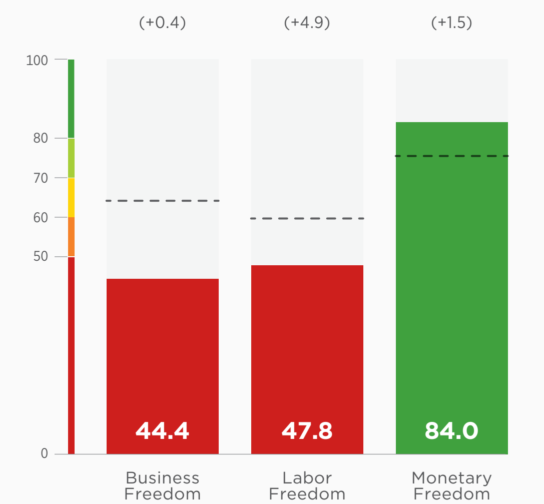
Protection of real and intellectual property rights is weak, and land disputes are common. The inefficient judicial system is vulnerable to political interference. Corruption and cronyism are systemic, and demands for bribes, from gaining school admission to fixing traffic infractions, are commonplace. Revenues from oil and minerals extractions are not openly reported. Enforcement of anticorruption statutes targets political opponents.

GOVERNMENT SIZE



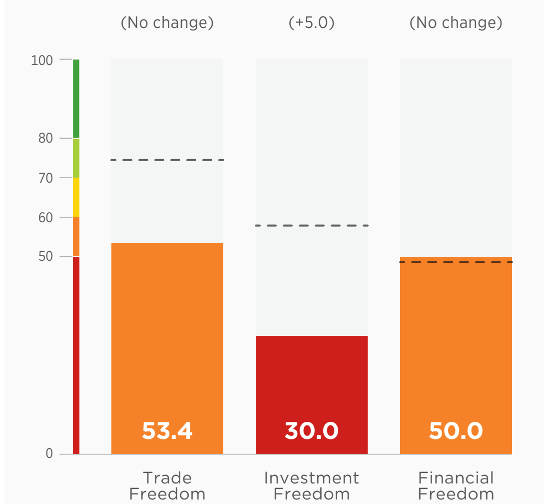
The top individual income tax rate is 35 percent, and the top corporate tax rate is 33 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 15.6 percent of total domestic income. Over the past three years, government spending has amounted to 20.4 percent of the country's output (GDP), and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 33.8 percent of GDP.

REGULATORY EFFICIENCY



Private enterprises still face numerous impediments related to regulatory inefficiency and nontransparency. Despite some reforms, requirements for business entry and exit are time-consuming and costly. The labor market remains inefficient. The government subsidizes electricity, retail gasoline, diesel, and liquid natural gas while maintaining price controls for food and other consumer goods.

OPEN MARKETS



The combined value of exports and imports is equal to 36.9 percent of GDP. The average applied tariff rate is 15.8 percent. The investment code includes several general minimum requirements, and local content, though not yet enshrined in law, is increasingly a requirement of contracts. The cost of financing remains high, and access to credit remains limited in rural areas. There is a wide network of microfinance institutions.

WORLD RANK:	REGIONAL RANK:
8	1

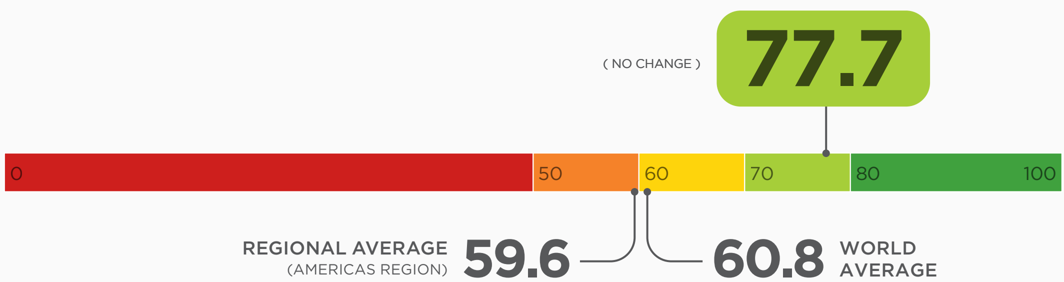
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

CANADA

Canada's economic freedom score is 77.7, making its economy the 8th freest in the 2019 *Index*. Its overall score has not changed, with increases in **government integrity**, **labor freedom**, and **fiscal health** countered by declines in **judicial effectiveness**, **trade freedom**, and **government spending**. Canada is ranked 1st among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The government is emphasizing trade diversification, export promotion, and support for small businesses and domestic industries affected by protectionism. It has also maintained an expansionary fiscal policy, and business investment has grown. Gradual monetary tightening by the central bank, however, has kept inflation contained. Canada's economic competitiveness has been sustained by the solid institutional foundations of an open-market system and a high degree of regulatory efficiency. The independent judiciary provides strong protection of property rights and upholds the rule of law.

ECONOMIC FREEDOM SCORE

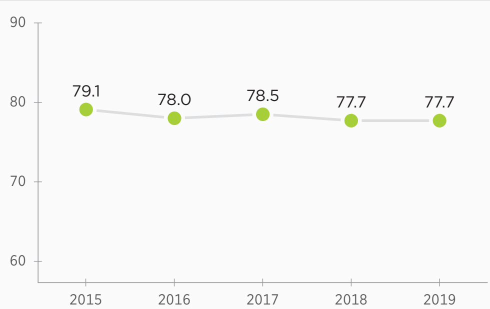


RELATIVE STRENGTHS:
Property Rights and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+8.3

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
36.7 million

GDP (PPP):
$1.8 trillion
3.0% growth in 2017
5-year compound annual growth 2.1%
$48,265 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
1.6%

FDI INFLOW:
$24.2 billion

PUBLIC DEBT:
89.7% of GDP

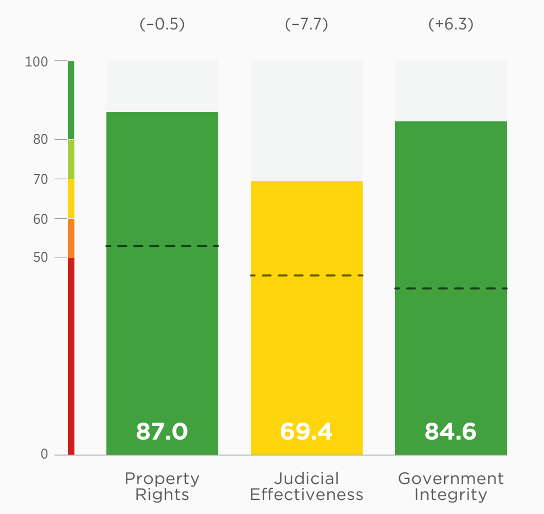
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Canada is the world's second-largest country by land area and has its 10th-largest economy. Prime Minister Justin Trudeau's Liberal Party shifted Canadian politics to the left after ending the Conservative Party's decade-long rule in 2015. Although the government prioritizes green policies, its support for the fossil fuel industry is crucial to the economy's health. Canada closely resembles the U.S. in its market-oriented economic system, patterns of production, and high living standards. Leading sectors include automotive and other manufactures, forest products, minerals, and petroleum. About three-quarters of Canada's exports go to the United States, so the successful 2018 renegotiation of the North American Free Trade Agreement (now called USMCA) was crucial.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

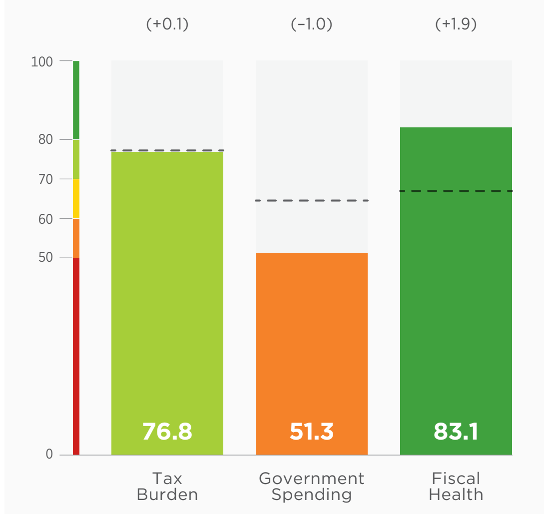
12 ECONOMIC FREEDOMS | CANADA

RULE OF LAW



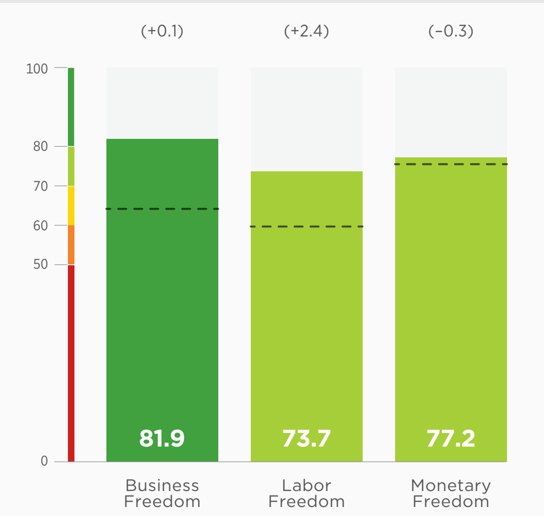
Although 89 percent of Canada's land area is owned by the state, the 11 percent that is privately owned is well protected. Protection of intellectual property rights meets world standards. Enforcement of contracts is very secure, and expropriation is highly unusual. The independent and transparent judiciary vigorously prosecutes corruption. Canada has a reputation for clean government, and the level of corruption is very low.

GOVERNMENT SIZE



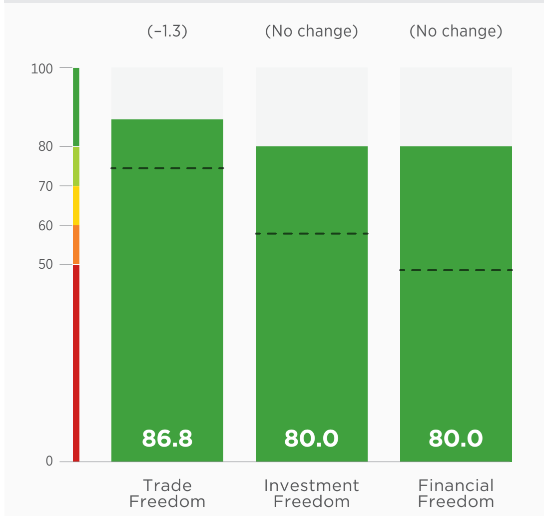
The top federal personal income tax rate is 33 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 31.7 percent of total domestic income. Over the past three years, government spending has amounted to 40.3 percent of the country's output (GDP), and budget deficits have averaged 0.7 percent of GDP. Public debt is equivalent to 89.7 percent of GDP.

REGULATORY EFFICIENCY

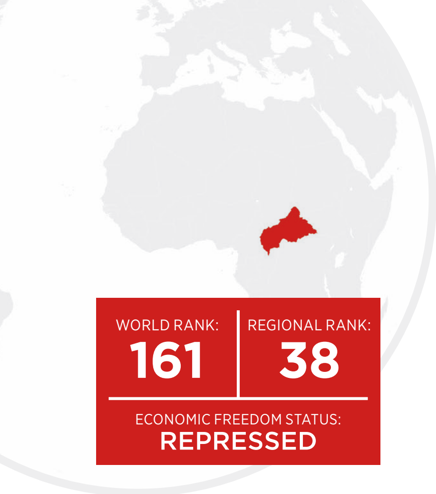


The transparent regulatory framework facilitates commercial activity, allowing business formation and operation to be efficient and dynamic. Relatively flexible labor regulations enhance employment growth. The government has pledged to phase out extensive fossil fuel subsidies to meet G-20 environmental standards, but heavy state subsidies to airplane manufacturer Bombardier and other favored businesses continue.

OPEN MARKETS



The combined value of exports and imports is equal to 64.1 percent of GDP. The average applied tariff rate is 1.6 percent. As of June 30, 2018, according to the WTO, Canada had 435 nontariff measures in force. Foreign investment in some sectors, including aviation and telecommunications, is capped by the government. The banking sector remains sound. A wide range of nonbank financial companies operate in a prudent business environment.



WORLD RANK: 161

REGIONAL RANK: 38

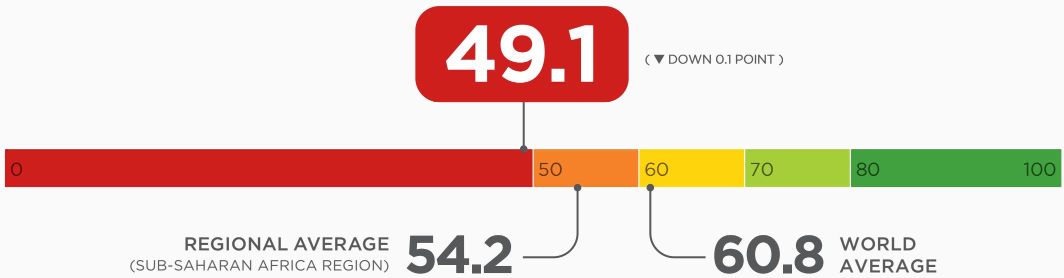
ECONOMIC FREEDOM STATUS: REPRESSED

CENTRAL AFRICAN REPUBLIC

The Central African Republic's economic freedom score is 49.1, making its economy the 161st freest in the 2019 *Index*. Its overall score has decreased by 0.1 point, with declines in **fiscal health**, **trade freedom**, and **business freedom** outpacing improvements in **labor freedom** and **monetary freedom**. The Central African Republic is ranked 38th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The CAR is one of the world's least-developed countries, constrained by a poor transportation system, a largely unskilled work force, and a legacy of misdirected macroeconomic policies. The CAR scores very poorly on such regulatory factors as labor market flexibility and taxation. Progress to achieve a more welcoming business environment has been marginal. More than half of the population lives in rural areas and depends on subsistence agriculture. Ongoing concerns include high debt levels and weakening security conditions in diamond-exporting areas.

ECONOMIC FREEDOM SCORE

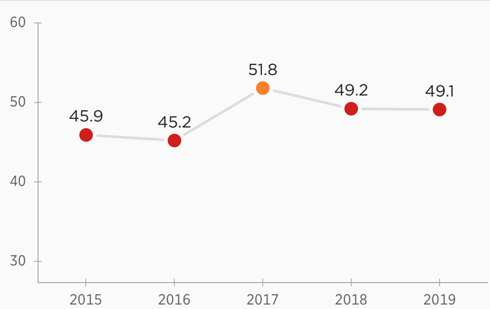


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002):
–10.7

CONCERNS:
Property Rights and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
5.0 million

GDP (PPP):
$3.4 billion
4.0% growth in 2017
5-year compound annual growth –4.5%
$677 per capita

UNEMPLOYMENT:
6.0%

INFLATION (CPI):
3.8%

FDI INFLOW:
$17.2 million

PUBLIC DEBT:
53.4% of GDP

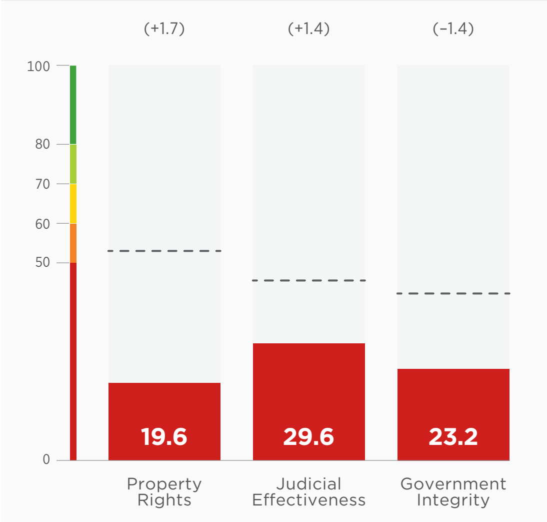
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A former French colony, the Central African Republic became independent in 1960. After more than 30 years of mostly incompetent and frequently brutal military regimes, a democracy was established in 1993 that ended with a 2003 military coup led by François Bozizé, who was later elected president. In 2013, mostly Muslim Séléka rebels led by Michel Djotodia overthrew Bozizé. Subsequent sectarian violence precipitated French military intervention and the deployment of U.N. peacekeepers. Djotodia stepped down in 2014, and former Prime Minister Faustin-Archange Touadéra was elected president in 2016. Militia violence continues to fuel displacement and hunger. The CAR has abundant timber, gold, and uranium, and previously-banned exports of diamonds have resumed in some parts of the country.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

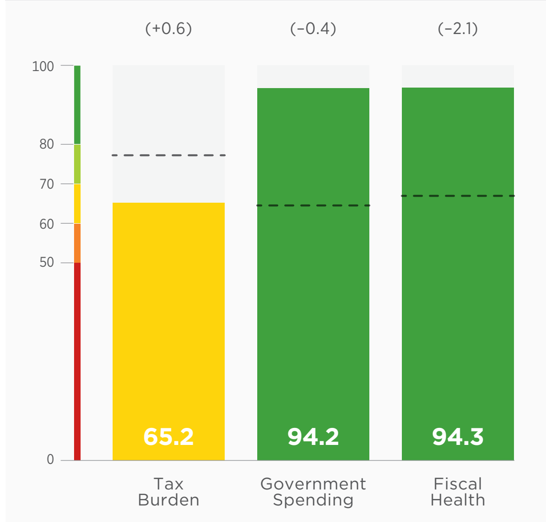
12 ECONOMIC FREEDOMS | CENTRAL AFRICAN REPUBLIC

RULE OF LAW



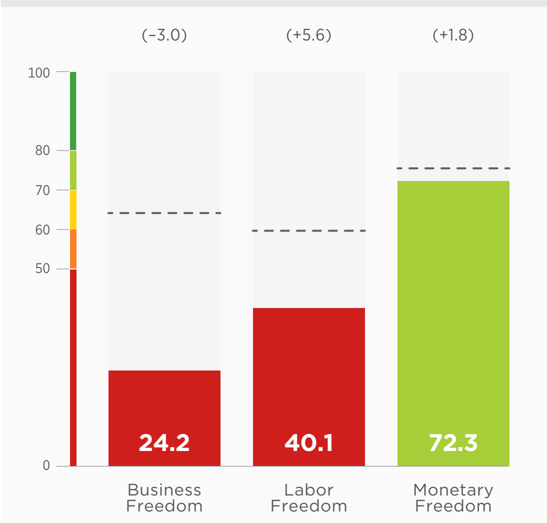
Protection of property rights is weak. There have been numerous reports of armed militias entering homes without judicial authorization, seizing and damaging property without due process, and evicting persons from their places of residence both in Bangui and throughout the countryside. The courts do not enforce their rulings, and access to lawyers is difficult and costly. Corruption remains pervasive.

GOVERNMENT SIZE



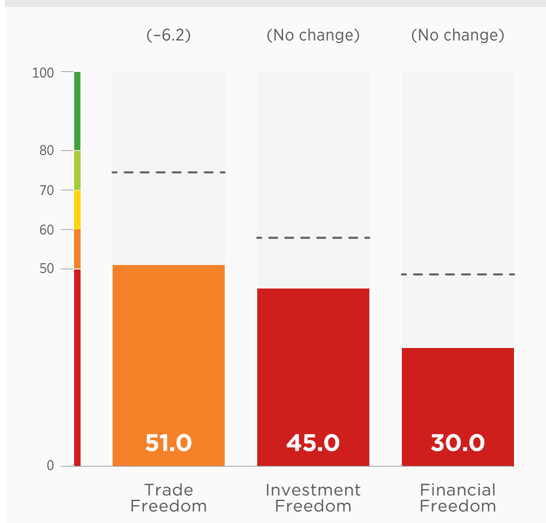
The top personal income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 9.0 percent of total domestic income. Over the past three years, government spending has amounted to 13.9 percent of the country's output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 53.4 percent of GDP.

REGULATORY EFFICIENCY

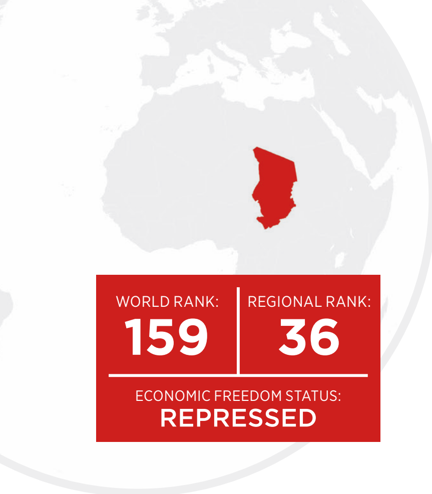


Establishing a business remains time-consuming, and other burdensome and opaque regulatory requirements increase the cost of conducting business. The labor market remains severely underdeveloped. Growing political instability and government distortions of the economy through subsidies and price controls undermine the basic functioning of state institutions.

OPEN MARKETS



The combined value of exports and imports is equal to 44.3 percent of GDP. The average applied tariff rate is 14.5 percent. Persistent nontariff barriers and impediments to investment are made worse by political volatility. The financial system is underdeveloped, and access to financing for businesses remains very limited. About 16 percent of adult Central Africans have access to an account with a formal banking institution.



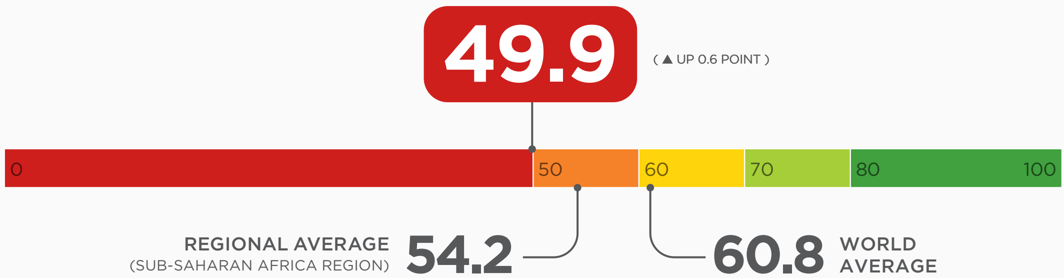
WORLD RANK: 159
REGIONAL RANK: 36
ECONOMIC FREEDOM STATUS: REPRESSED

CHAD

Chad's economic freedom score is 49.9, making its economy the 159th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with improvements in **fiscal health**, **labor freedom**, and **monetary freedom** exceeding declines in **business freedom** and **trade freedom**. Chad is ranked 36th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

After a deep economic contraction, economic growth in Chad resumed slowly in 2018 as higher global prices drove rising oil production. Modest economic recovery in Nigeria, an important trading partner, also provided a slight boost for external demand, as did partial privatization of the cotton parastatal. The burden of servicing the external debt remained particularly heavy in 2017 at around 40 percent of fiscal revenue. The state's presence in the economy is still considerable. The weakness of the overall regulatory and legal framework hinders private-sector development.

ECONOMIC FREEDOM SCORE

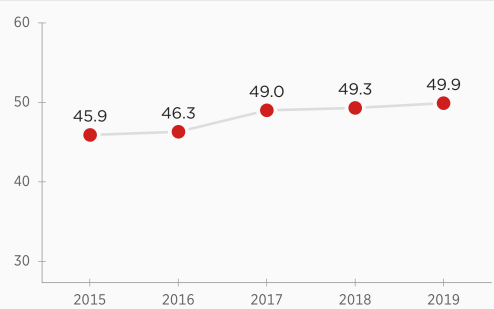


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
+4.8

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
12.2 million

GDP (PPP):
$28.6 billion
–3.1% growth in 2017
5-year compound annual growth 1.0%
$2,344 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
–0.9%

FDI INFLOW:
$335.0 million

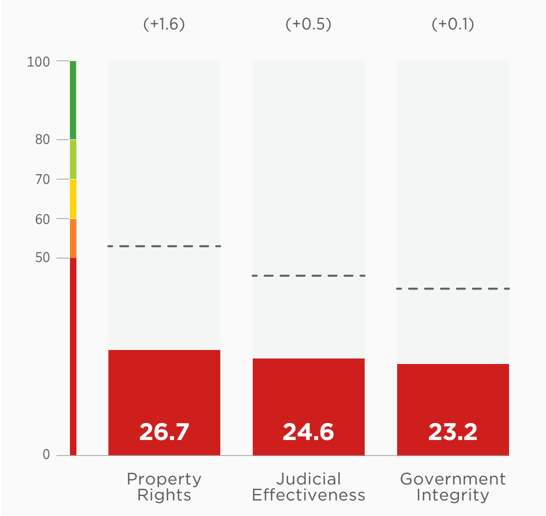
PUBLIC DEBT:
52.5% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A former French colony, Chad endured three decades of civil war and invasions by Libya before the restoration of peace in 1990. A rebellion in northern Chad flares up sporadically, and Chad remains locked in combat with the Islamist terrorist group Boko Haram, based in neighboring Nigeria. President Idriss Déby, who seized power in 1990, won a fifth term in 2016, touching off large protests. In 2018, a new constitution expanded presidential power and restored term limits, but they will not be retroactive so will not apply to Déby. Landlocked Chad pays dearly for imported goods, and oil accounts for approximately 60 percent of export revenues. Cotton, cattle, livestock, and gum arabic provide the bulk of nonoil exports.

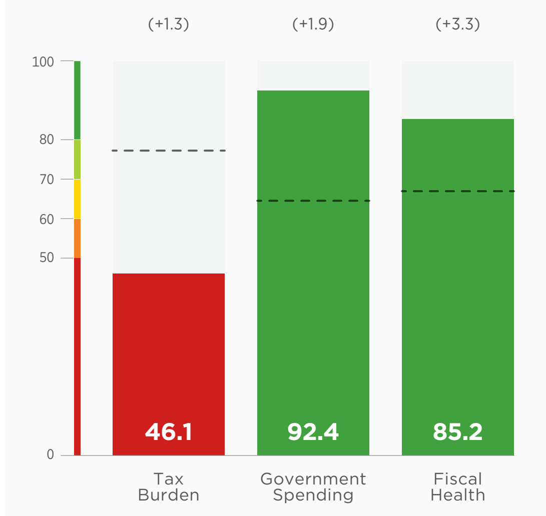
12 ECONOMIC FREEDOMS | CHAD

RULE OF LAW



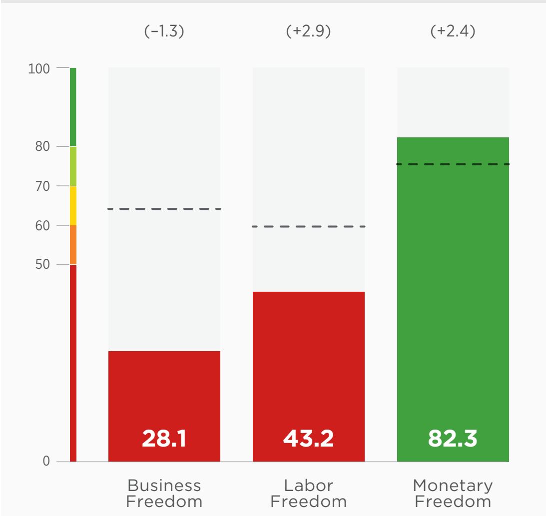
Protection of private property is undermined by the lack of titles or deeds. Fraud in property transactions remains common, and the costs to register property are high. The rule of law is weak, and the judiciary lacks real independence. Corruption is endemic at all levels of government, from the siphoning off of the nation's oil wealth by the presidential cabinet to petty corruption by local officials.

GOVERNMENT SIZE



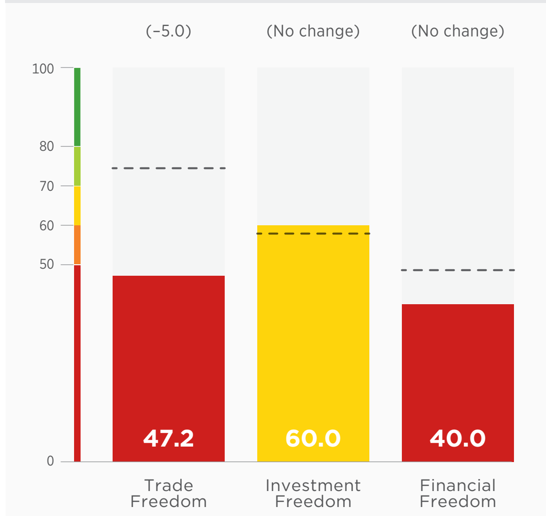
The top individual income tax rate is 60 percent, and the top corporate tax rate is 45 percent. Other taxes include value-added and property taxes. The overall tax burden equals 5.3 percent of total domestic income. Over the past three years, government spending has amounted to 15.9 percent of the country's output (GDP), and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 52.5 percent of GDP.

REGULATORY EFFICIENCY



The absence of modern commercial regulations imposes considerable costs on businesses, as do such other institutional deficiencies as a lack of access to financing. The labor market is mostly informal, and the workforce remains mostly unskilled. The government subsidizes inefficient state-owned enterprises, and the country's economy is distorted by heavily subsidized oil.

OPEN MARKETS



The combined value of exports and imports is equal to 73.5 percent of GDP. The average applied tariff rate is 16.4 percent. There are few formal restrictions on trade and investment, but the overall investment environment remains challenging because of various burdens on private enterprises. Chad's capital market is underdeveloped. Less than 10 percent of personal and small-business financial transactions passes through formal banks.

WORLD RANK: 18 | REGIONAL RANK: 3

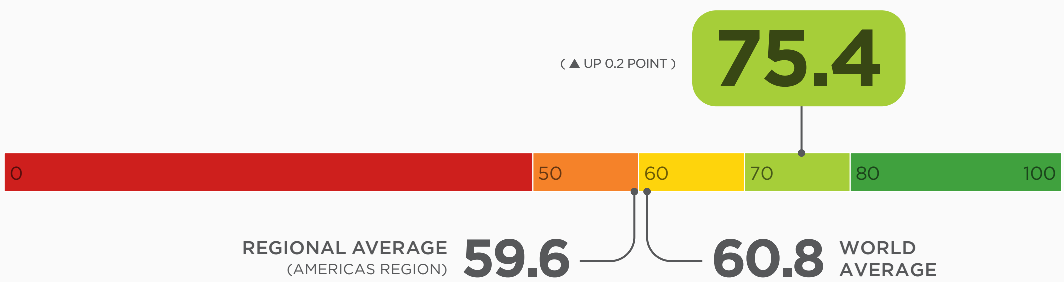
ECONOMIC FREEDOM STATUS: MOSTLY FREE

CHILE

Chile's economic freedom score is 75.4, making its economy the 18th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with increases in **labor freedom**, **business freedom**, and **monetary freedom** offsetting a steep decline in **judicial effectiveness**. Chile is ranked 3rd among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Expectations of more business-friendly policies and maintenance of Chile's long record of broadly sound macroeconomic policymaking by the Piñera government helped to boost confidence in 2018 and brought about a recovery in investment after four years of contraction. The government introduced tax reform measures and proposals to incentivize accelerated depreciation of capital investment in addition to new incentives for entrepreneurship and innovation. Chile's openness to global trade and investment and its transparent regulatory environment and strong rule of law continue to provide a solid basis for economic dynamism.

ECONOMIC FREEDOM SCORE

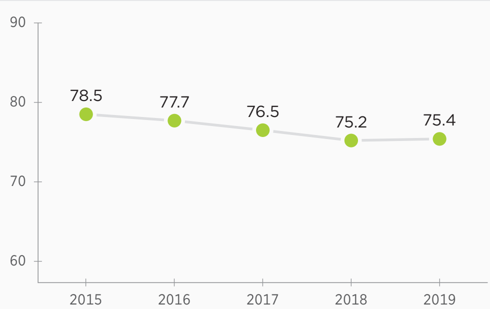


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+4.2

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
18.4 million

GDP (PPP):
$451.1 billion
1.5% growth in 2017
5-year compound annual growth 2.2%
$24,537 per capita

UNEMPLOYMENT:
7.0%

INFLATION (CPI):
2.2%

FDI INFLOW:
$6.7 billion

PUBLIC DEBT:
23.6% of GDP

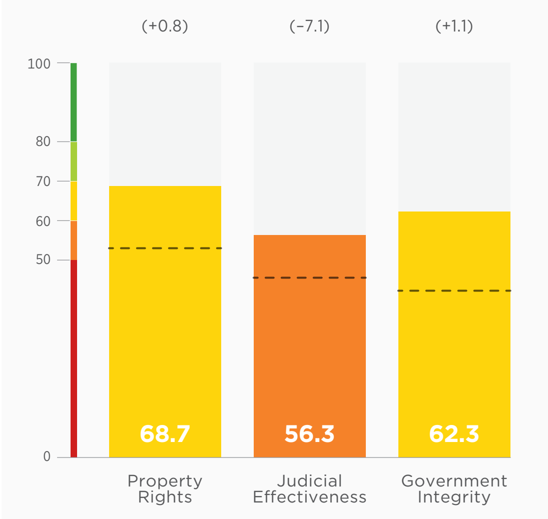
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Chile is the world's leading copper producer, and its exports of minerals, wood, fruit, seafood, and wine drive GDP growth. Center-right President Sebastian Piñera's efforts to repeal the socialist policies of his predecessor, Michelle Bachelet, have been slowed by his party's lack of a congressional majority. He also has had to deal with persistent student demonstrations demanding free education (a significant drain on the budget) and politically powerful trade unions' opposition to labor market reforms. Although its dependence on imported oil makes Chile vulnerable to volatility in global commodities markets, solid economic fundamentals undergirded an economic rebound in 2018. Chile retains the Pacific Alliance's best investment profile and benefits from many free-trade agreements.

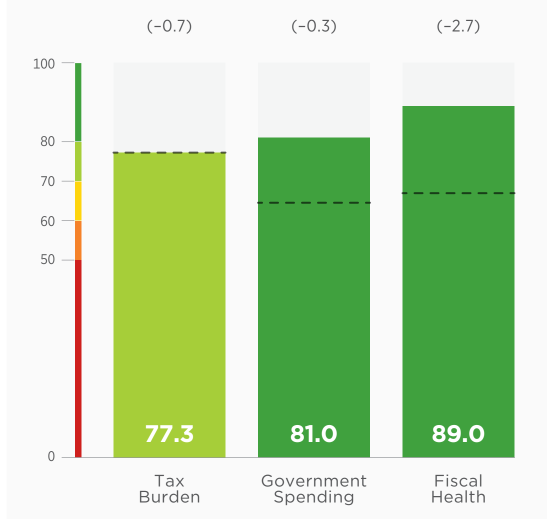
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | CHILE

RULE OF LAW



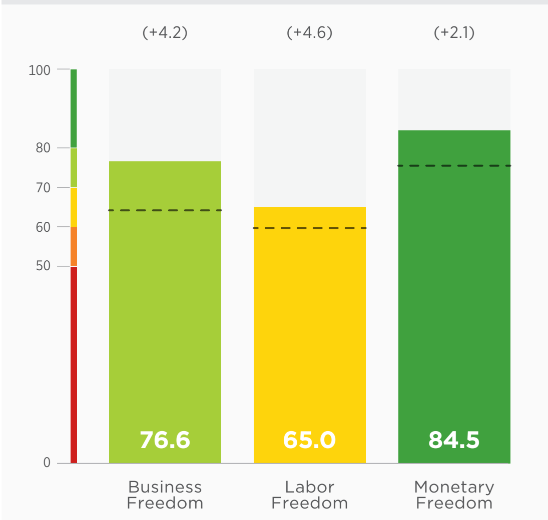
GOVERNMENT SIZE



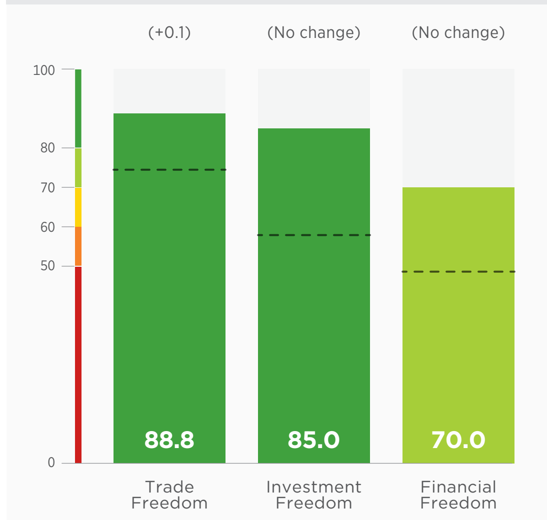
Real and intellectual property rights and contracts are strongly respected, and expropriation is rare. The judiciary is independent, and the courts generally enforce property and contractual rights competently and are free from political interference. Although Chile remains among the least corrupt countries in South America, a series of high-level scandals in 2016–2017 damaged former President Bachelet's credibility.

The top individual income tax rate has been cut to 35 percent, but the top corporate tax rate has increased to 25 percent. The overall tax burden equals 20.4 percent of total domestic income. Over the past three years, government spending has amounted to 25.2 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 23.6 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The overall regulatory framework facilitates entrepreneurial activity and productivity growth. Chile has made resolving insolvency easier by clarifying and simplifying provisions on liquidation and reorganization. Increases in the minimum wage have exceeded overall productivity growth in recent years. The government controls electricity and water prices, and a controversial system of price bands applies to sugar, wheat, gasoline, and automobile use.

The combined value of exports and imports is equal to 55.7 percent of GDP. The average applied tariff rate is 0.6 percent. As of June 30, 2018, according to the WTO, Chile had 107 nontariff measures in force. Chile has a successful record of attracting FDI, supported by its market-oriented policies. The financial system is sound and competitive, and credit is allocated on market terms. Nonperforming loans have decreased steadily.

WORLD RANK: **100**

REGIONAL RANK: **20**

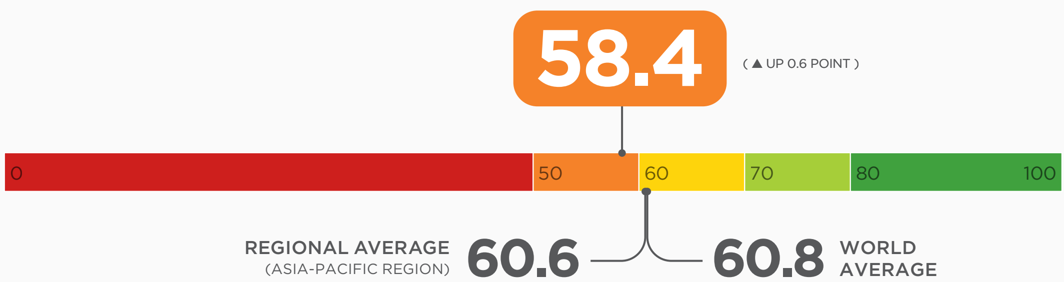
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

CHINA

China's economic freedom score is 58.4, making its economy the 100th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with higher scores on **judicial effectiveness** and **labor freedom** outpacing a sharp drop in **fiscal health**. China is ranked 20th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Increasing tensions in the U.S.–China economic relationship have heightened business uncertainties, and despite still impressive growth rates, the government adopted looser economic policies in 2018 to mitigate mounting risks to future growth. China remains "mostly unfree." Non-transparent state-owned enterprises dominate the financial sector and many basic industries. The official ideology of "Socialism with Chinese Characteristics" has chilled liberalization, heightened reliance on mercantilism, raised bureaucratic hurdles to trade and investment, weakened the rule of law, and strengthened resistance from vested interests that impede more dynamic economic development.

ECONOMIC FREEDOM SCORE

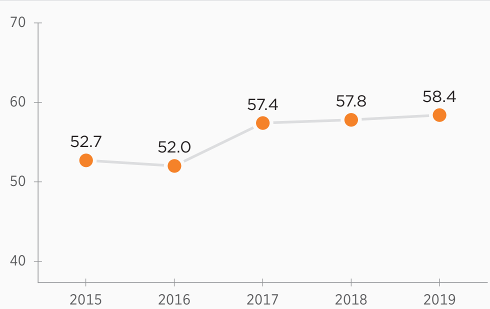


RELATIVE STRENGTHS:
Fiscal Health and Judicial Effectiveness

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+6.4

CONCERNS:
Financial Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 billion

GDP (PPP):
$23.2 trillion
6.9% growth in 2017
5-year compound annual growth 7.1%
$16,660 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
1.6%

FDI INFLOW:
$136.3 billion

PUBLIC DEBT:
47.8% of GDP

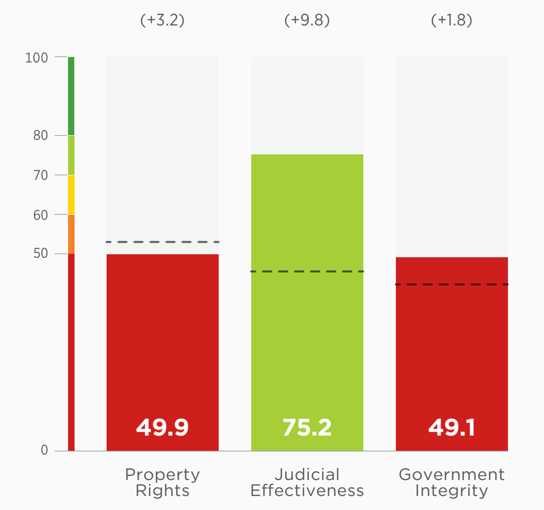
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Communist Party General Secretary Xi Jinping's regime has produced no significant free-market reforms since taking power in 2013. Xi has centralized his authority, ousted internal political enemies, and backed authoritarian policies to tighten control of civil society. China is the world's second-largest economy and biggest exporter, but its per capita income is still below the global average. A slowdown in economic growth, which may be more severe than official statistics indicate, poses serious challenges for a government whose legitimacy depends increasingly on its ability to raise living standards. Much will depend on how well Xi's new ideological economic framework translates into government policy. Xi's "China 2025" program to achieve Chinese dominance of high-tech sectors has engendered pushback from global rivals.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

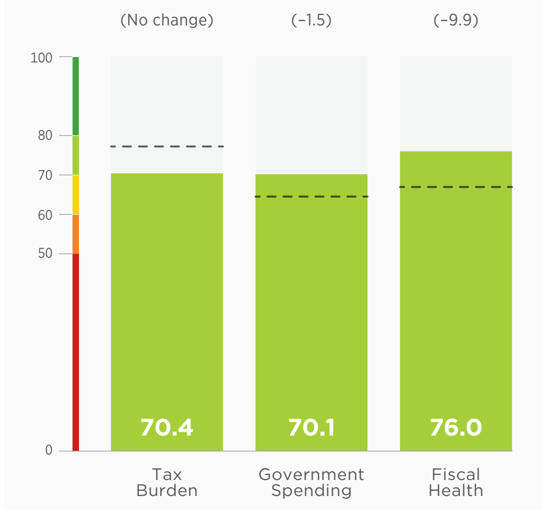
12 ECONOMIC FREEDOMS | CHINA

RULE OF LAW



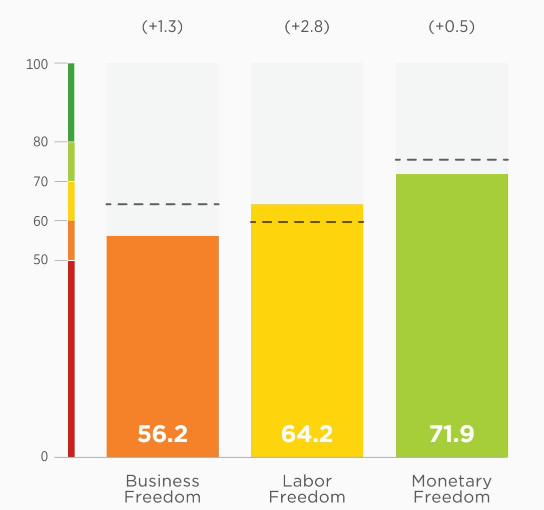
All land in China is owned by the state, and protection of foreign intellectual property is inadequate. The judicial system is heavily influenced by government agencies and the Chinese Communist Party. Corruption remains endemic, and the leadership has rejected fundamental reforms such as requiring public disclosure of assets by officials, creating genuinely independent oversight bodies, or lifting political constraints on journalists.

GOVERNMENT SIZE



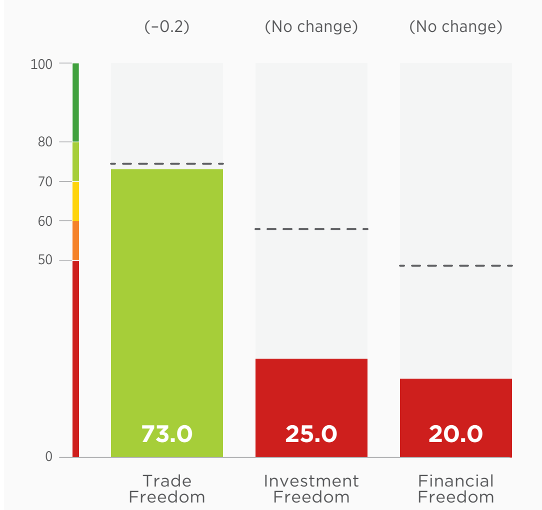
The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 17.5 percent of total domestic income. Over the past three years, government spending has amounted to 31.6 percent of the country's output (GDP), and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 47.8 percent of GDP.

REGULATORY EFFICIENCY



Elimination of the minimum capital requirement has made it easier to launch a new business, but the overall regulatory framework remains complex and uneven. The labor market remains tightly controlled. Implementation guidelines on labor issues often differ from agency to agency, and labor laws are applied differently in different localities. The government subsidizes numerous state-owned enterprises and is committed to price controls for essential goods and services.

OPEN MARKETS



The combined value of exports and imports is equal to 37.8 percent of GDP. The average applied tariff rate is 3.5 percent. As of June 30, 2018, according to the WTO, China had 365 nontariff measures in force. China's restrictive foreign investment approval system shields inefficient state-owned enterprises from competition from private and foreign companies. The government maintains its tight grip on the financial system.

WORLD RANK: **49** | REGIONAL RANK: **8**

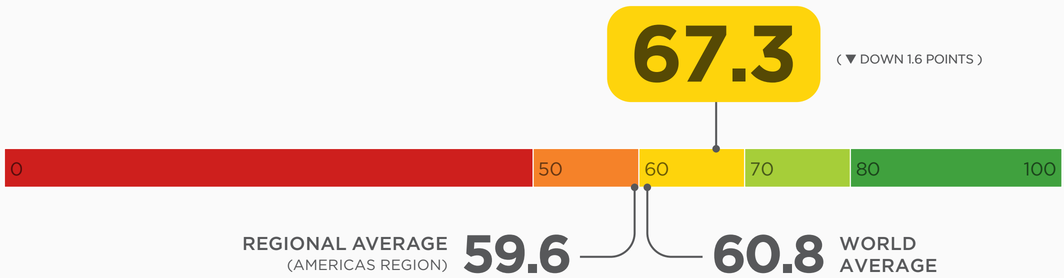
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

COLOMBIA

Colombia's economic freedom score is 67.3, making its economy the 49th freest in the 2019 *Index*. Its overall score has decreased by 1.6 points, with worsening **tax burden**, **business freedom**, and **trade freedom** scores overpowering modest improvements in **labor freedom** and **monetary freedom**. Colombia is ranked 8th among 32 countries in the Americas region, and its overall score is above the regional and world averages. Deeper institutional reforms are needed to strengthen the rule of law and reduce corruption.

Deeper institutional reforms are needed to strengthen the rule of law and reduce corruption. Fiscal reform and constitutional and judicial reforms will be among the key policy goals in the government's efforts to promote entrepreneurship. The Duque administration is likely to follow orthodox economic policies, underpinning macroeconomic stability. Its budgetary priorities stress economic reactivation measures and include incentives for minerals and hydrocarbons exploration and for infrastructure projects as well as tax breaks for investments in innovation.

ECONOMIC FREEDOM SCORE

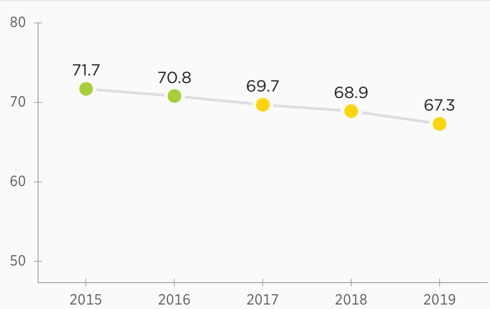


RELATIVE STRENGTHS:
Investment Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.8

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
49.3 million

GDP (PPP):
$714.0 billion
1.8% growth in 2017
5-year compound annual growth 3.2%
$14,485 per capita

UNEMPLOYMENT:
8.9%

INFLATION (CPI):
4.3%

FDI INFLOW:
$14.5 billion

PUBLIC DEBT:
49.4% of GDP

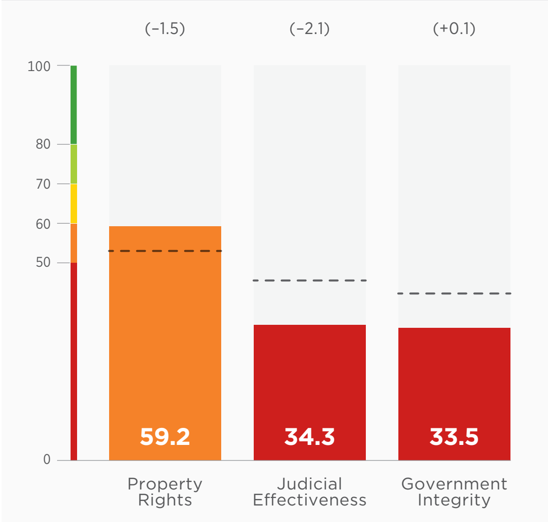
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Colombia is Latin America's oldest democracy and third-largest economy. A five-decade guerrilla insurgency led principally by the narco-funded Revolutionary Armed Forces of Colombia (FARC) caused hundreds of thousands of casualties. Iván Duque, a young center-right protégé of former President Alvaro Uribe, won 54 percent of the vote in the 2018 election on campaign promises of tougher peace negotiations with the FARC, economic growth for job creation, better health care, and anticorruption efforts. Unfortunately, the country Duque inherited is once again the world's largest producer of cocaine. The Colombian economy is heavily dependent on exports of petroleum, coffee, and cut flowers. Colombia is a founding member of the Pacific Alliance and has free-trade agreements with the U.S. and many other nations.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

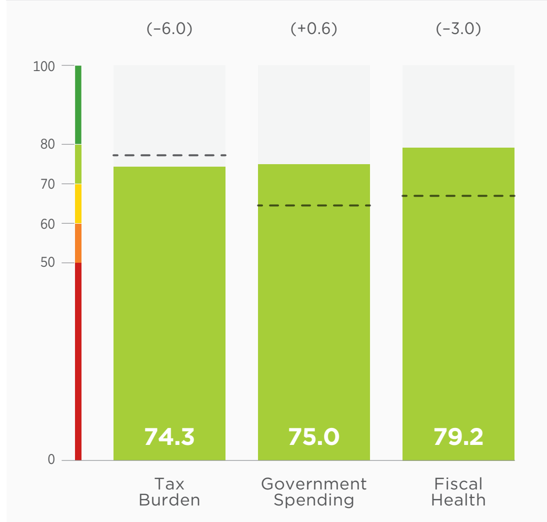
12 ECONOMIC FREEDOMS | COLOMBIA

RULE OF LAW



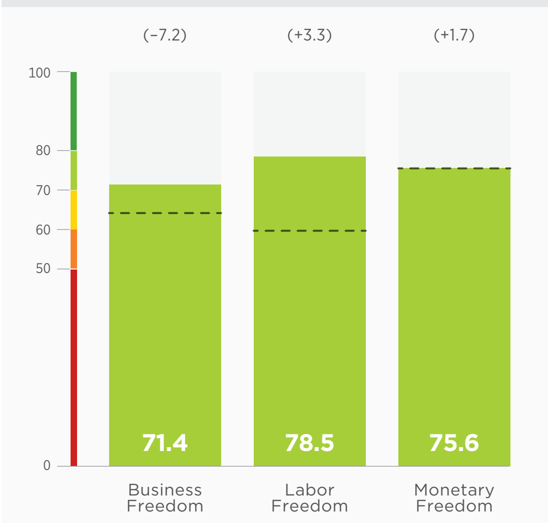
Property rights are generally enforced. The justice system exhibits independence from the executive, but corruption, bribery, influence peddling, and abuse of privileged information persist. Drug trafficking and the violence and corruption that it engenders continue to erode institutions. Colombia was low-ranked on corruption (125th) and security (132nd) in the World Economic Forum's 2017 *Global Competitiveness Index*.

GOVERNMENT SIZE



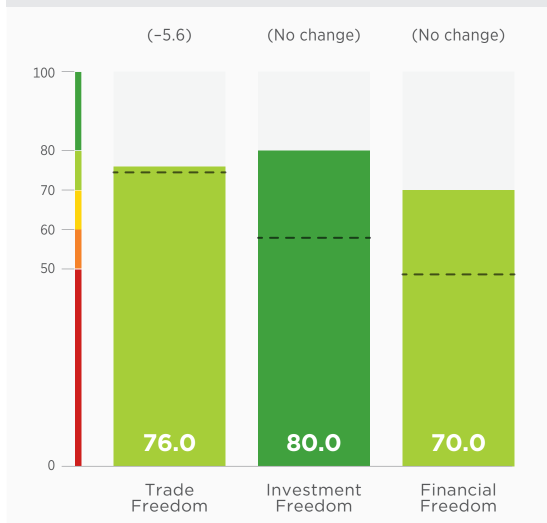
The top individual income and corporate tax rates are 33 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 19.9 percent of total domestic income. Over the past three years, government spending has amounted to 28.9 percent of the country's output (GDP), and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 49.4 percent of GDP.

REGULATORY EFFICIENCY



Simplified procedures for establishing and running a business have improved the efficiency of the overall business environment. The labor regulatory framework is generally conducive to private business activity and job growth, but reforms are needed to lower nonwage costs. In an effort to reduce record levels of cocaine output, the government has offered subsidies to farmers who would agree to shift away from growing coca.

OPEN MARKETS



The combined value of exports and imports is equal to 34.9 percent of GDP. The average applied tariff rate is 7.0 percent. As of June 30, 2018, according to the WTO, Colombia had 149 nontariff measures in force. Foreign investment in some sectors is subject to investment registration and concession agreements with the government. Foreign investors may own 100 percent of financial institutions. Credit is generally allocated on market terms.

WORLD RANK: 124

REGIONAL RANK: 20

ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

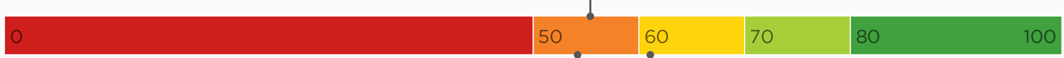
COMOROS

Comoros's economic freedom score is 55.4, making its economy the 124th freest in the 2019 *Index*. Its overall score has decreased by 0.8 point, with declines in **trade freedom**, **fiscal health**, and **government spending** outpacing improvements in scores for **tax burden**, **labor freedom**, and **monetary freedom**. Comoros is ranked 20th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

A burdensome business environment and lack of tourism-related infrastructure undermine economic development. Structural reforms to diversify the economic base of one of the world's poorest countries have produced minimal results, and policies to enhance regulatory efficiency and open markets for the private sector have not advanced. The rule of law remains fragile because of corruption and an inefficient judicial system that is vulnerable to political interference. These deficiencies make Comoros a less attractive tourist destination than some of its neighbors.

ECONOMIC FREEDOM SCORE

55.4 (▼ DOWN 0.8 POINT)



REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) 54.2

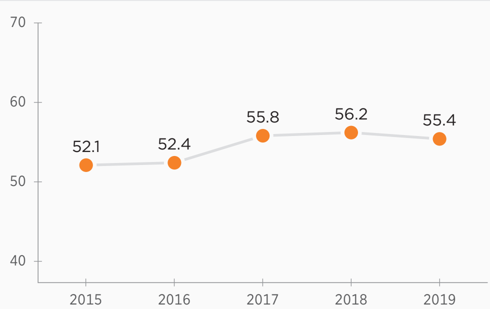
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+12.1

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$1.3 billion
2.5% growth in 2017
5-year compound annual growth 2.2%
$1,588 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
1.0%

FDI INFLOW:
$8.6 million

PUBLIC DEBT:
28.4% of GDP

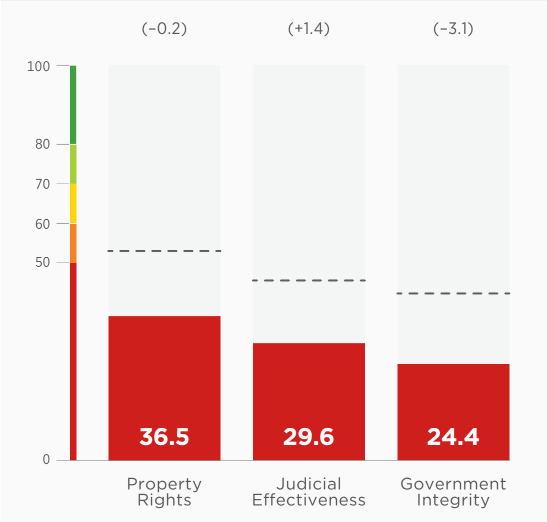
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Union of the Comoros has experienced more than 20 attempted coups since independence in 1975, most recently in 2013. Under a constitution adopted in 2001, the presidency rotates among the country's three islands. In 2016, former coup leader Azali Assoumani won the presidency in a runoff election. In 2018, Assoumani suspended the constitutional court, cracked down on the opposition, and won a referendum to centralize executive power and perhaps remain in office through 2021. As a former colony, Comoros prioritizes its aid and trade relations with France; the French Treasury guarantees the Comorian franc. Comoros is a leading producer of ylang-ylang, cloves, and vanilla. In 2017, it applied for membership in the Southern African Development Community.

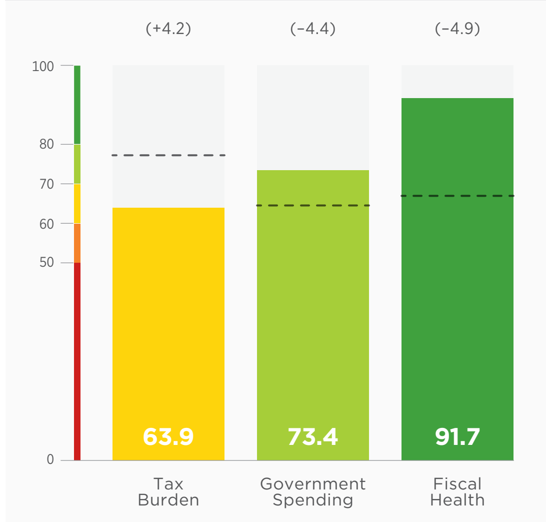
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | COMOROS

RULE OF LAW



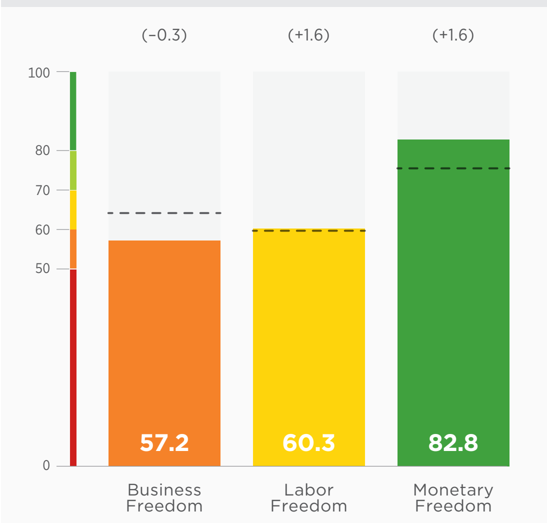
GOVERNMENT SIZE



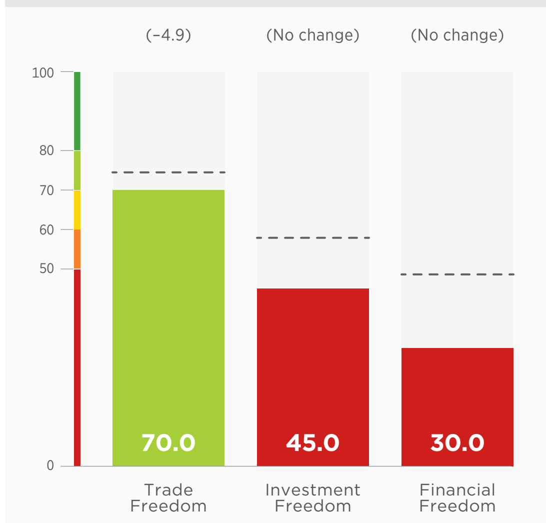
Property rights are not well protected, and enforcement of contracts is weak. The judicial system, based on both the French legal code and Sharia (Islamic law), is weak and subject to political influence. Anticorruption laws are in place but not enforced. Corruption is reported at all levels of government and is driven in part by internal political disputes and competition over resources by the three island administrations.

The top personal income tax rate is 30 percent, and the top corporate tax rate is 50 percent. Other taxes include value-added and insurance taxes. The overall tax burden equals 14.5 percent of total domestic income. Over the past three years, government spending has amounted to 29.8 percent of the country's output (GDP), and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 28.4 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The regulatory environment still imposes significant burdens on entrepreneurs. Minimum capital requirements to launch a company exceed the average level of annual income. With development of a modern labor market lagging, the informal sector accounts for most jobs. The government regulates prices and subsidizes state-owned but poorly managed water, electricity, and oil utilities.

The combined value of exports and imports is equal to 61.9 percent of GDP. The average applied tariff rate is 5.0 percent. Foreign and domestic investors are generally treated equally under the law. The small financial sector still lacks adequate regulation or supervision. Banking is not well established in Comoros, and many people are without bank accounts and rely on informal lending.

DEMOCRATIC REPUBLIC OF CONGO

WORLD RANK: **157**

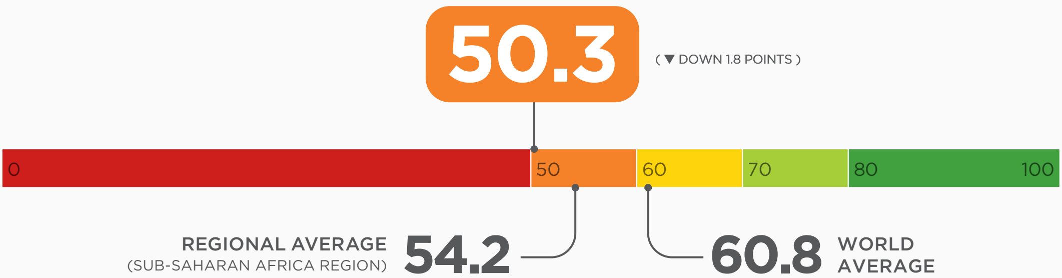
REGIONAL RANK: **34**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

The Democratic Republic of Congo's economic freedom score is 50.3, making its economy the 157th freest in the 2019 *Index*. Its overall score has decreased by 1.8 points, with sharp declines in **monetary freedom**, **business freedom**, and **labor freedom** overwhelming an improvement in **judicial effectiveness**. The Democratic Republic of Congo is ranked 34th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Economic development in the DRC has been severely undermined by decades of instability and violence. Poor economic management aggravated by repeated political crises has constrained economic freedom and trapped much of the population in persistent poverty. Arbitrary taxation, poor infrastructure, marginal enforcement of property rights, and weak rule of law have driven many people and enterprises into the informal sector, which accounts for more than 80 percent of economic activity.

ECONOMIC FREEDOM SCORE

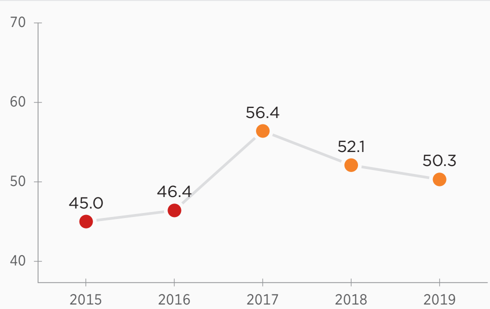


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+8.9

CONCERNS:
Financial Freedom and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
86.7 million

GDP (PPP):
$68.5 billion
3.4% growth in 2017
5-year compound annual growth 6.1%
$790 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
41.5%

FDI INFLOW:
$1.3 billion

PUBLIC DEBT:
15.7% of GDP

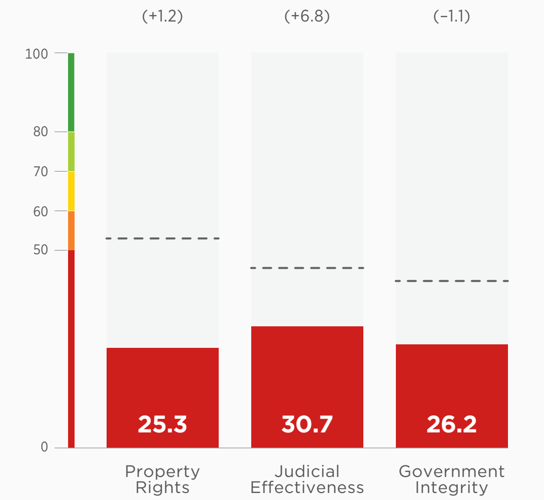
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Joseph Kabila, who won the DRC's first multiparty election in 40 years in 2006, was reelected president in 2011 in a process rife with violence. His schemes to secure a constitutionally prohibited third term delayed 2016 national elections and sparked protests that were often brutally suppressed by state security services. Former Vice President and warlord Jean-Pierre Bemba was expected to run for the presidency in December 2018. Militia groups are active throughout the country. The DRC's immense natural resource wealth includes large deposits of rare earth minerals used in many high-technology products. The DRC is Africa's largest copper producer, but its political instability and high inflation discourage international investors. The country remains among the world's least developed.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

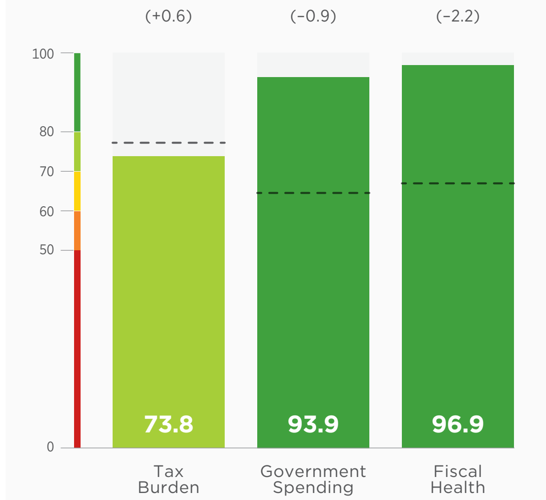
12 ECONOMIC FREEDOMS | DEMOCRATIC REPUBLIC OF CONGO

RULE OF LAW



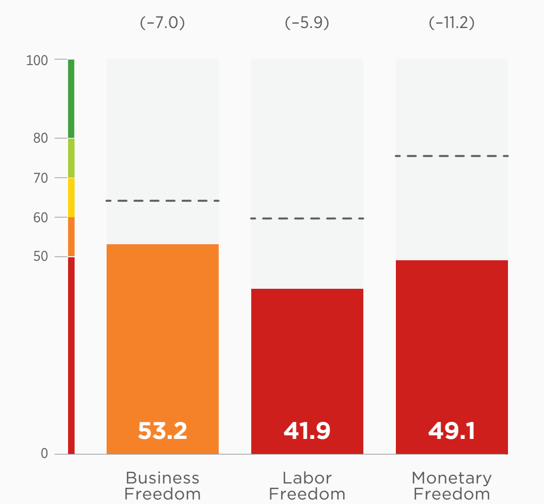
Protection of property rights is weak, and legislation to strengthen it has languished in the parliament since 2015. The judicial system is weak, unreliable, and corrupt. Human rights abuses and banditry deter economic activity. Massive corruption in the government and weak rule of law remain prevalent. Enforcement of anticorruption laws is relatively rare and usually done for political reasons.

GOVERNMENT SIZE



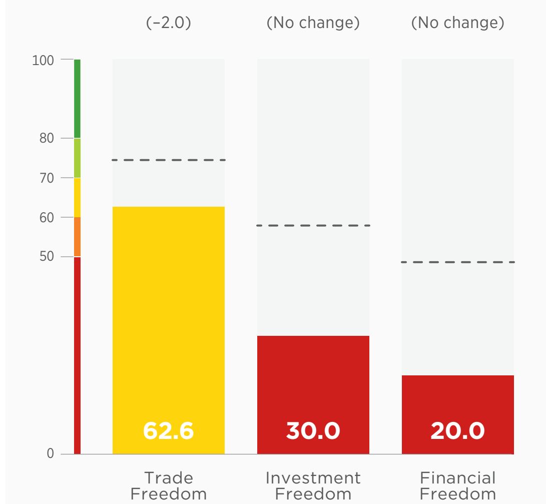
The top personal income tax rate is 30 percent, and the top corporate tax rate is 40 percent. Other taxes include rental and vehicle taxes. The overall tax burden equals 10.8 percent of total domestic income. Over the past three years, government spending has amounted to 14.2 percent of the country's output (GDP), and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 15.7 percent of GDP.

REGULATORY EFFICIENCY



The regulatory system remains unfavorable to private entrepreneurship. Outmoded regulations increase the cost of running businesses and hamper private-sector development. Agriculture is the largest source of employment, and formal-sector employment is not substantial. Prices are controlled and regulated by the government, and heavily subsidized and inefficient state-owned enterprises are a burden on the economy.

OPEN MARKETS



The combined value of exports and imports is equal to 75.0 percent of GDP. The average applied tariff rate is 11.2 percent. As of June 30, 2018, according to the WTO, the Democratic Republic of Congo had one nontariff measure in force, but other barriers to dynamic trade flows persist. About 27 percent of adult Congolese have access to an account with a formal banking institution.

WORLD RANK: **176**

REGIONAL RANK: **46**

ECONOMIC FREEDOM STATUS: **REPRESSED**

REPUBLIC OF CONGO

The Republic of Congo's economic freedom score is 39.7, making its economy the 176th freest in the 2019 *Index*. Its overall score has increased by 0.8 point, with increases in scores for **government spending**, **monetary freedom**, and **business freedom** exceeding drops in **fiscal health** and **trade freedom**. The Republic of Congo is ranked 46th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Repressive governance continues to deprive the Congolese people of economic freedom. The authoritarian socialist government could not furnish basic public goods and infrastructure despite the commodity boom. Although rising oil output and prices are providing relief for Congo's fiscal and external accounts, public debt remains unsustainably high. The weak judiciary undermines the protection of property rights and fuels corruption. Many are trapped in subsistence-level poverty. The large informal economy provides most of Congo's limited private-sector growth.

ECONOMIC FREEDOM SCORE

39.7 (▲ UP 0.8 POINT)

0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

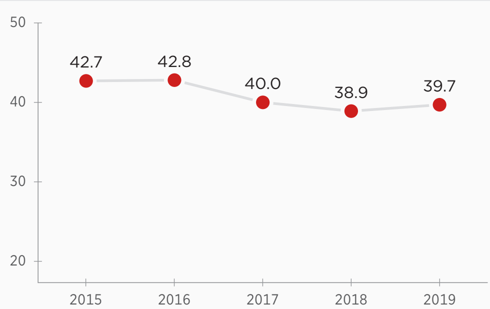
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Monetary Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–0.6

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.3 million

GDP (PPP):
$28.9 billion
–4.6% growth in 2017
5-year compound annual growth 1.1%
$6,642 per Capita

UNEMPLOYMENT:
11.0%

INFLATION (CPI):
0.5%

FDI INFLOW:
$1.2 billion

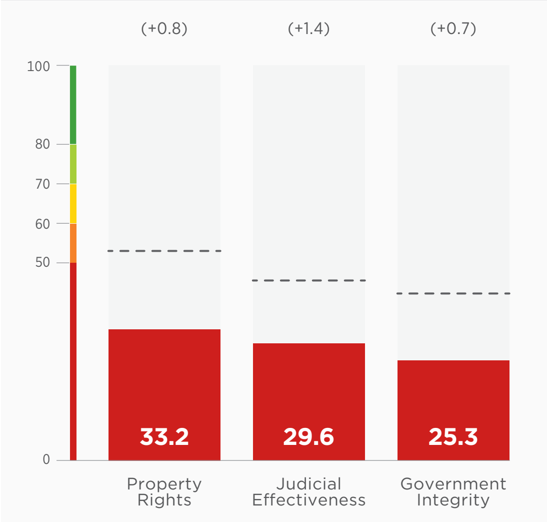
PUBLIC DEBT:
119.1% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Republic of Congo became independent from France in 1960. Denis Sassou-Nguesso seized power in 1979 and ruled until he allowed a multiparty election, which he lost, in 1992. He seized power again following a 1997 civil war and then won flawed elections in 2002, 2009, and 2016. A referendum approved in 2015 modified the constitutional limits to permit Sassou-Nguesso to run again. One of sub-Saharan Africa's largest oil producers, Congo lacks infrastructure to exploit its natural gas reserves and hydropower potential. China plans to build a special economic zone in the port city of Pointe-Noire, and the government also plans to build an oil pipeline from Pointe-Noire to the north.

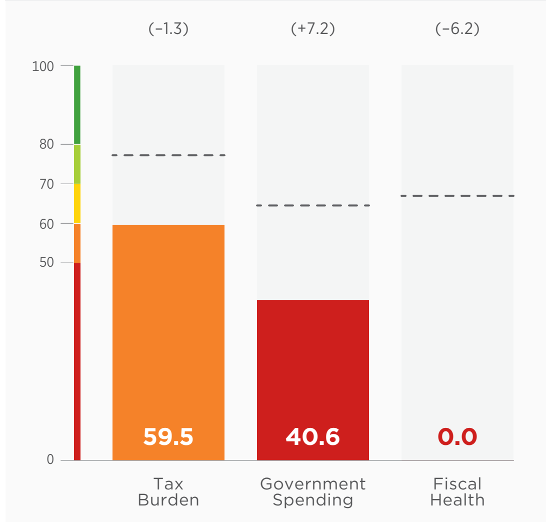
12 ECONOMIC FREEDOMS | REPUBLIC OF CONGO

RULE OF LAW



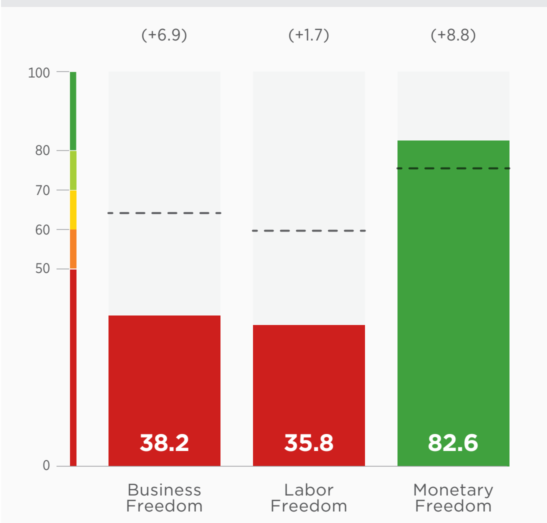
Laws to acquire or dispose of real property are not always followed. Contract terms are not transparent, and "informal" tax collectors regularly solicit bribes. The judiciary is underfunded and crippled by executive intervention, institutional weakness, and a lack of technical capability. Corruption remains pervasive. Deals involving the state oil company negotiated by people close to the president's family have been used as vehicles for graft.

GOVERNMENT SIZE



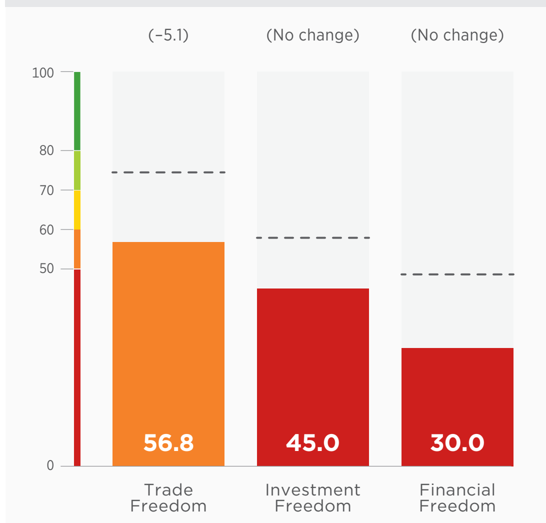
The top individual income tax rate is 45 percent. The top corporate rate is 34 percent. Other taxes include a value-added tax and a tax on rental values. The overall tax burden equals 29.5 percent of total domestic income. Over the past three years, government spending has amounted to 44.5 percent of the country's output (GDP), and budget deficits have averaged 19.0 percent of GDP. Public debt is equivalent to 119.1 percent of GDP.

REGULATORY EFFICIENCY



Many aspects of doing business are subject to inefficient regulations. Bureaucracy and a lack of transparency continue to hinder the entrepreneurial environment. Existing regulations are not enforced effectively. A modern labor market has not been developed, and the public sector remains the largest source of formal employment. The government has dissolved some of its heavily subsidized and loss-making power and water utilities.

OPEN MARKETS



The combined value of exports and imports is equal to 138.6 percent of GDP. The average applied tariff rate is 11.6 percent, and nontariff barriers further impede trade freedom. Diversifying investment beyond the petroleum sector, which accounts for over 90 percent of foreign direct investment inflows, is a key government priority to stimulate development. The financial sector remains underdeveloped, hampered by state interference.

WORLD RANK: **61** | REGIONAL RANK: **11**

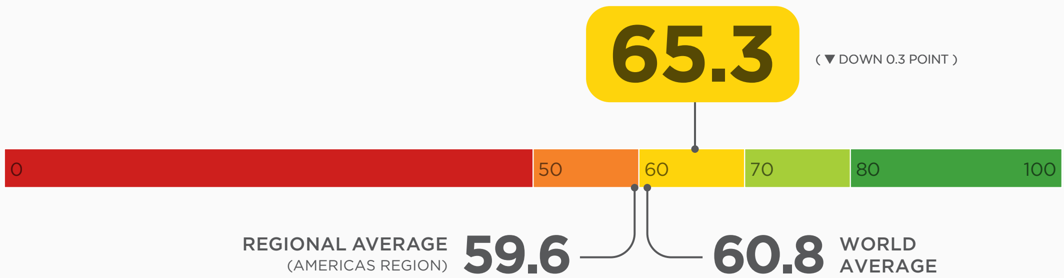
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

COSTA RICA

Costa Rica's economic freedom score is 65.3, making its economy the 61st freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with declines in **fiscal health**, **judicial effectiveness**, and **trade freedom** exceeding improvements in **labor freedom** and **property rights**. Costa Rica is ranked 11th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The new government is expected to continue the policy predictability, support for strong institutions, and favorable attitude toward trade and private foreign direct investment that have created an attractive business environment in Costa Rica. Although the regulatory regime has improved, deeper institutional reforms are needed. Excessive government bureaucracy still discourages dynamic entrepreneurial activity, slowing the pace of privatization and fiscal reform. Widening budget deficits have put public debt on an upward trend. The judicial system, while transparent and not corrupt, remains inefficient.

ECONOMIC FREEDOM SCORE

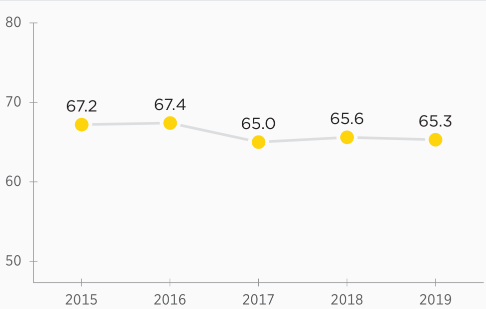


RELATIVE STRENGTHS:
Government Spending and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–2.7

CONCERNS:
Fiscal Health and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.0 million

GDP (PPP):
$83.9 billion
3.2% growth in 2017
5-year compound annual growth 3.4%
$16,877 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
1.6%

FDI INFLOW:
$3.0 billion

PUBLIC DEBT:
49.1% of GDP

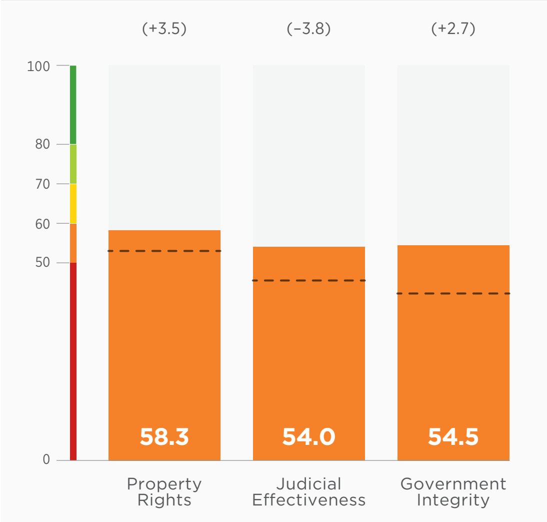
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The most prosperous of the Central American Common Market's five countries, Costa Rica has a long history of democratic stability and one of Latin America's highest levels of foreign direct investment per capita. Center-left Citizens' Action Party (PAC) candidate Carlos Alvarado's victory in the 2018 election, which saw the main center-right Social Christian Unity Party's candidate derailed by a contentious fight over same-sex marriage, maintained the PAC's control of the presidency and the legislature. Traditional agricultural exports of bananas, coffee, sugar, and beef are still the backbone of its commodity-driven export economy, but Costa Rica is also one of Central America's most popular ecotourism destinations and an exporter of medical devices and other high-value-added goods and services.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

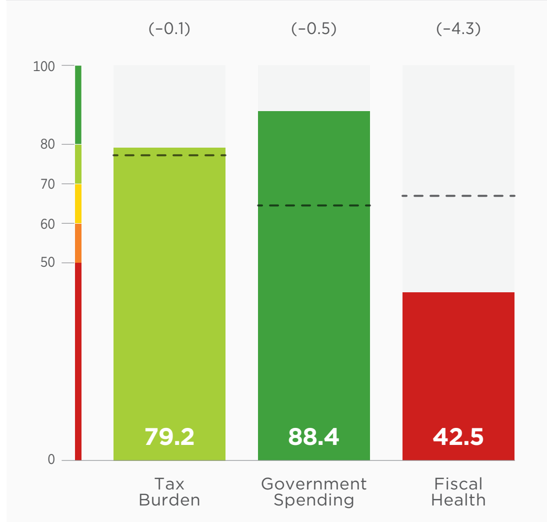
12 ECONOMIC FREEDOMS | COSTA RICA

RULE OF LAW



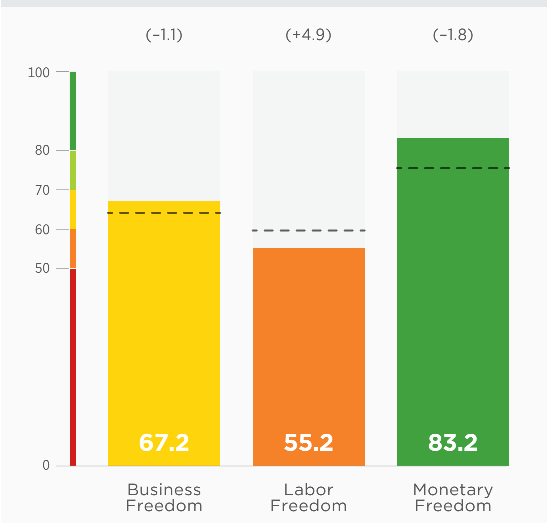
Property rights are secure, and contracts are generally enforced. Despite reforms in 2018, however, land registries remain unreliable. The judicial branch is independent, but its processes are often slow. Drug trafficking and budgetary constraints have undermined the security and justice sectors. A complex bureaucracy slows the pace of capacity-building, and corruption, including among high-ranking officials, remains a problem.

GOVERNMENT SIZE



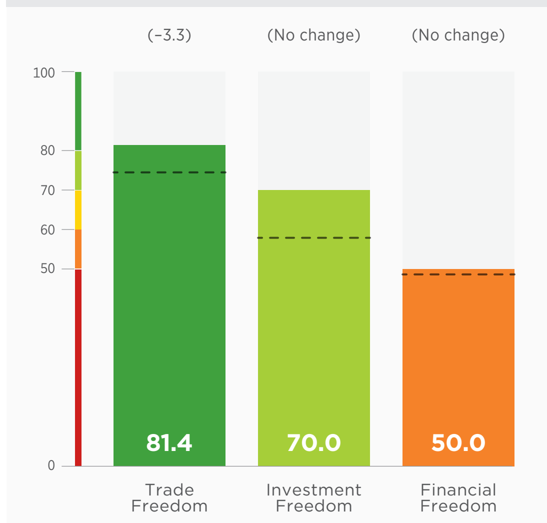
The top personal income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include general sales and real property taxes. The overall tax burden equals 23.6 percent of total domestic income. Over the past three years, government spending has amounted to 19.6 percent of the country's output (GDP), and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 49.1 percent of GDP.

REGULATORY EFFICIENCY



The overall business framework does not adequately support entrepreneurial activity. Licensing requirements have been reduced, but procedures for launching a business remain cumbersome. The nonsalary cost of employing a worker remains high. Hoping to become the world's first decarbonized society, Costa Rica subsidizes hydroelectric power generated by the state-owned electric utility.

OPEN MARKETS



The combined value of exports and imports is equal to 67.6 percent of GDP. The average applied tariff rate is 1.8 percent. As of June 30, 2018, according to the WTO, Costa Rica had 65 nontariff measures in force. The government restricts investment in some sectors of the economy. The growing financial sector functions relatively well. About 68 percent of adult Costa Ricans have access to an account with a formal banking institution.

WORLD RANK: 78

REGIONAL RANK: 5

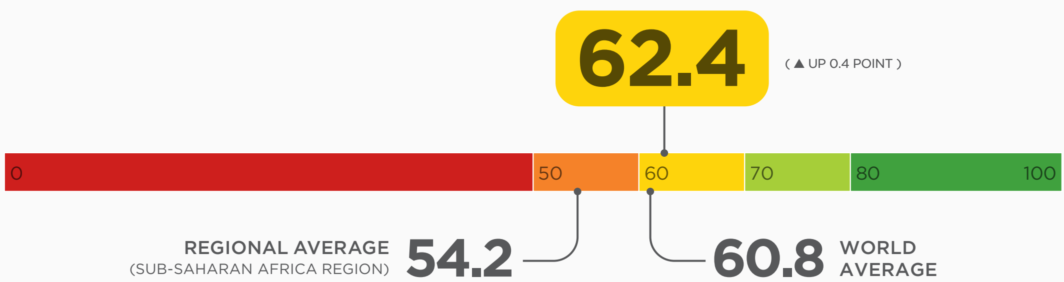
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

CÔTE D'IVOIRE

Côte d'Ivoire's economic freedom score is 62.4, making its economy the 78th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with gains in **labor freedom** and **judicial effectiveness** outpacing a sharp decline in **fiscal health**. Côte d'Ivoire is ranked 5th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Ongoing pro-market and pro-business reforms include measures to streamline bureaucratic procedures, simplify corporate taxes, cut business costs, and support small and medium-sized enterprises. The government intends to increase its efforts to improve access to credit. Improvements underway in transportation links and electricity and water infrastructure should increase productivity. Although progress may slow in advance of the 2020 presidential election, implementation of deeper institutional reforms to strengthen the rule of law, depoliticize the judiciary, fight corruption, and protect property rights will be critical to reinforcing vibrant economic growth.

ECONOMIC FREEDOM SCORE

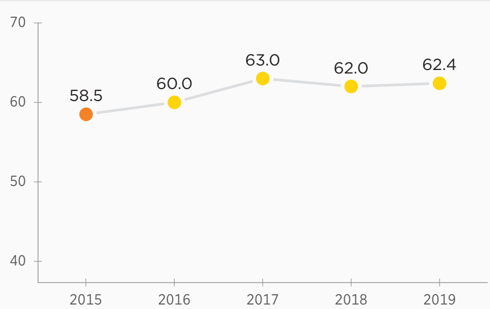


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+9.0

CONCERNS:
Government Integrity and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
25.0 million

GDP (PPP):
$96.9 billion
7.8% growth in 2017
5-year compound annual growth 8.6%
$3,883 per capita

UNEMPLOYMENT:
2.6%

INFLATION (CPI):
0.8%

FDI INFLOW:
$674.7 million

PUBLIC DEBT:
46.4% of GDP

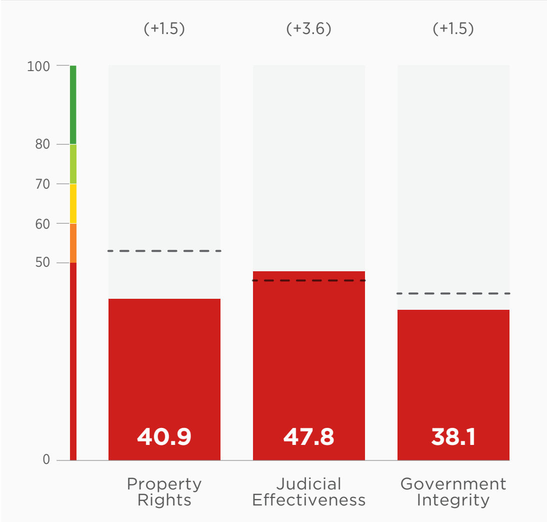
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Following independence in 1960, cocoa and cashew exports made Côte d'Ivoire West Africa's second-largest economy, but prosperity did not prevent political turmoil. After a North–South civil war ended in 2007, rebel leader Guillaume Soro joined former President Laurent Gbagbo's government. U.N. and French forces ensured that the internationally recognized winner of the 2010 election, Alassane Ouattara, took office. Ouattara won a second five-year term in 2015, and the U.N. withdrew its troops in 2017. Ouattara's launch of the ruling coalition's Houphouetist Rally for Democracy and Peace in 2018 was divisive. The government's pro-business reforms and strong private investment in such areas as agriculture, agribusiness, mining, light manufacturing, housing, and services have driven robust economic growth in recent years.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

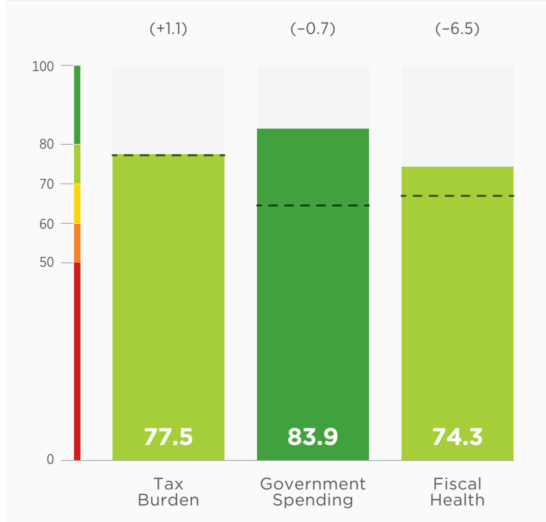
12 ECONOMIC FREEDOMS | CÔTE D'IVOIRE

RULE OF LAW



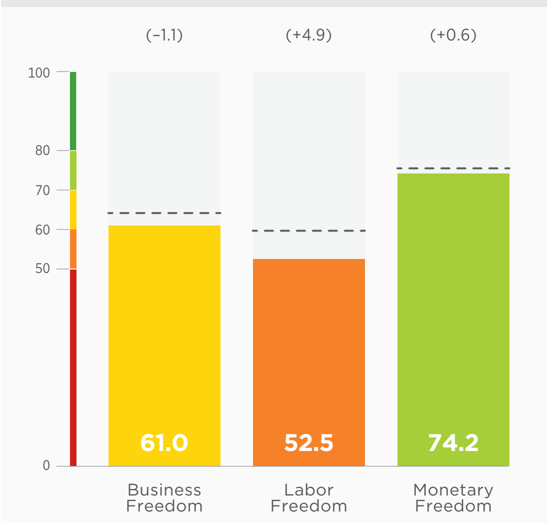
Protection of property rights is fragile, and only 4 percent of land is titled. The judiciary is not independent, and judges are highly susceptible to external interference and bribes. Court cases are frequently postponed for years or decades with no clear explanation. Persistent corruption in the judiciary, police, military, customs, contract awards, tax offices, and other government institutions discourages investment.

GOVERNMENT SIZE



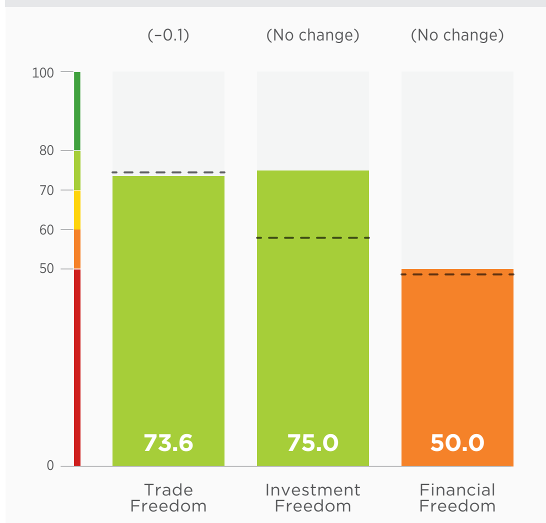
The top individual income tax rate is 36 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 18.2 percent of total domestic income. Over the past three years, government spending has amounted to 23.1 percent of the country's output (GDP), and budget deficits have averaged 3.7 percent of GDP. Public debt is equivalent to 46.4 percent of GDP.

REGULATORY EFFICIENCY

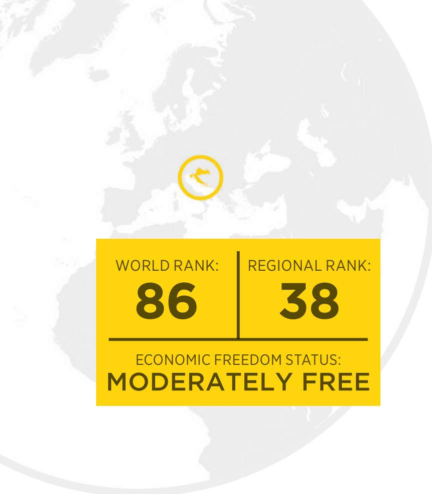


Considerable effort has been made to modernize the regulatory framework. The business start-up process has become more straightforward, and minimum capital requirements have been reduced. The nonsalary cost of employing a worker is relatively low. Price controls exist in the gas, power, and water sectors, and the government subsidizes some agricultural crops to diversify away from dependence on cocoa exports.

OPEN MARKETS



The combined value of exports and imports is equal to 48.6 percent of GDP. The average applied tariff rate is 8.2 percent. As of June 30, 2018, according to the WTO, Côte d'Ivoire had 15 nontariff measures in force. In most sectors, there are no laws that limit foreign investment. Credit allocation is based on market terms and has increased to support the private sector and economic development.



WORLD RANK: **86**

REGIONAL RANK: **38**

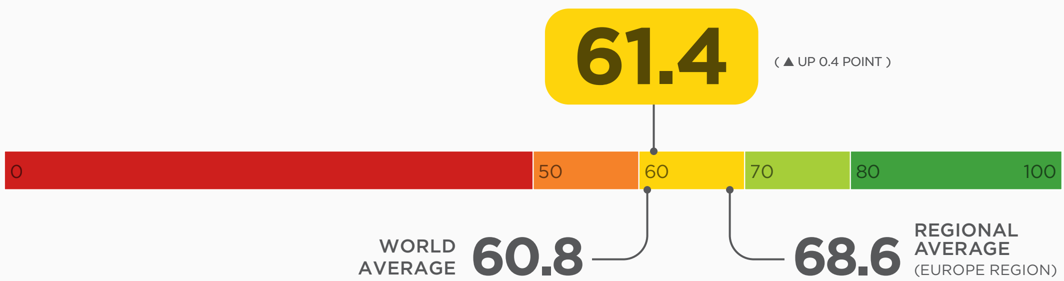
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

CROATIA

Croatia's economic freedom score is 61.4, making its economy the 86th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with a spike in **fiscal health** offsetting a precipitous drop in **judicial effectiveness**. Croatia is ranked 38th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

In 2018, the government announced three main reform goals: improved economic competitiveness, an education system tied to labor market needs, and sustainable public finances. The debt-restructuring process of Agrokor, Croatia's largest company, may add to the fiscal deficit. Significant remaining challenges include political volatility and a level of public-sector debt that makes government spending on health care and pensions fiscally unsustainable. There is a significant risk that the government will struggle to pass far-reaching reforms in other areas. Pervasive corruption undermines the rule of law, and protection of property rights is weak.

ECONOMIC FREEDOM SCORE

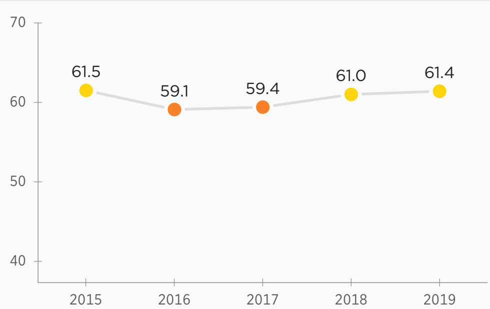


RELATIVE STRENGTHS:
Trade Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+13.4

CONCERNS:
Government Spending and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.1 million

GDP (PPP):
$101.3 billion
2.8% growth in 2017
5-year compound annual growth 1.5%
$24,424 per capita

UNEMPLOYMENT:
11.2%

INFLATION (CPI):
1.1%

FDI INFLOW:
$2.1 billion

PUBLIC DEBT:
78.4% of GDP

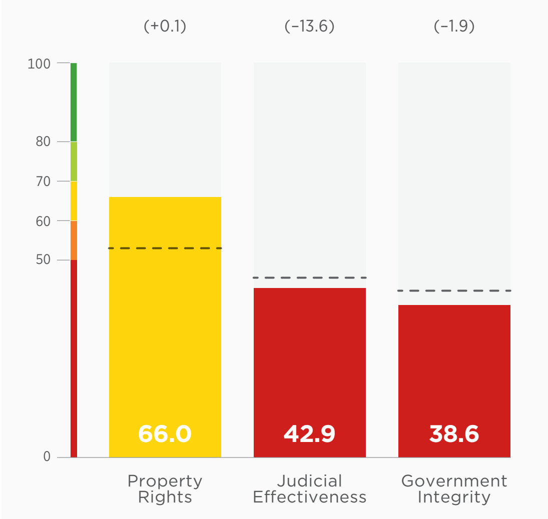
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Croatia's declaration of independence in 1991 contributed to the breakup of Yugoslavia along ethnic and religious lines. Croatia joined NATO in 2009 and the European Union in 2013. Prime Minister Andrej Plenkovic of the center-right HDZ party formed a coalition with the liberal Croatian People's Party and several smaller parties in 2017. Political uncertainty hinders economic progress. Shipbuilding and tourism are major industries. A 2018 agreement to avoid bankruptcy positioned a Russian bank as the largest shareholder in Croatia's largest private company, Agrokor. A weak export base, emigration, and the slow pace of privatization remain significant challenges. The government enacted legislation in 2018 to expedite construction of a liquid natural gas import terminal at Krk Island.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

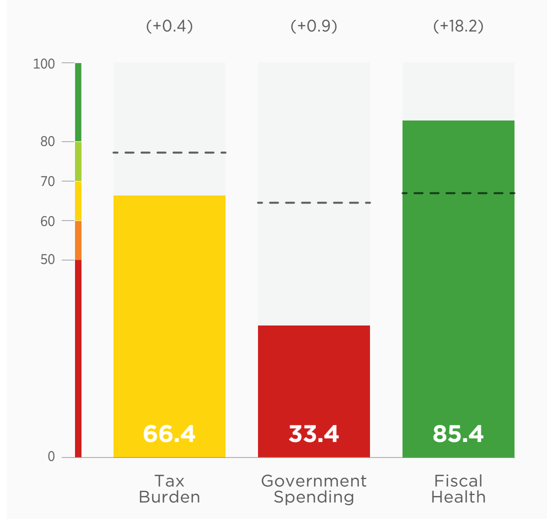
12 ECONOMIC FREEDOMS | CROATIA

RULE OF LAW



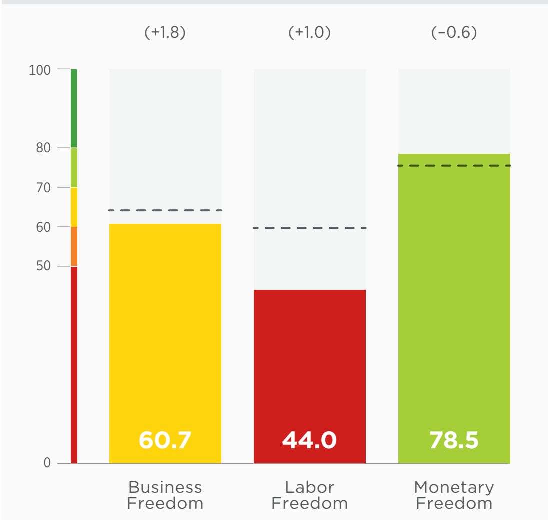
Private property rights are well established, although conflicting claims and legal ambiguity can cloud some title cases. The government has simplified property registration by reducing real estate transfer taxes. Judicial independence is generally respected. Efforts to address case backlog and training concerns continue. According to Transparency International's *Corruption Perceptions Index*, Croatia has made little progress in its anticorruption efforts.

GOVERNMENT SIZE



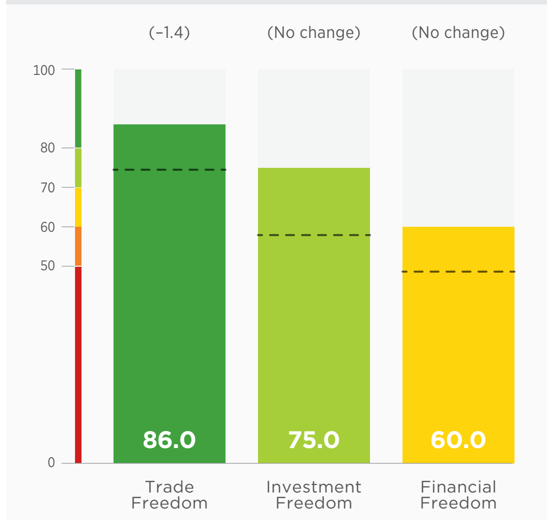
The top personal income tax rate is 40 percent, and the top corporate tax rate has been cut to 18 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 37.9 percent of total domestic income. Over the past three years, government spending has amounted to 47.1 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 78.4 percent of GDP.

REGULATORY EFFICIENCY



Despite reforms to streamline the procedures for establishing a business, the overall regulatory environment remains burdensome and inefficient. A new labor law has been implemented in an attempt to make the labor market flexible and dynamic. Progress is slow on structural reforms to reduce subsidies and privatize state-owned enterprises, as required by the European Commission's Excessive Deficit Procedure.

OPEN MARKETS



The combined value of exports and imports is equal to 100.4 percent of GDP. The average applied tariff rate is 2.0 percent. Croatia implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Inbound foreign investment faces no screening mechanisms. Croatia's financial markets are open to foreign investment, and over 90 percent of the banking sector is foreign-owned.

CUBA

WORLD RANK: **178**

REGIONAL RANK: **31**

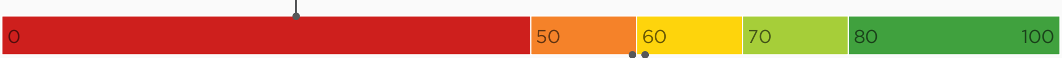
ECONOMIC FREEDOM STATUS: **REPRESSED**

Cuba's economic freedom score is 27.8, making its economy the 178th freest in the 2019 *Index*. Its overall score has decreased by 4.1 points, precipitated by a steep plunge in **fiscal health**. Cuba is ranked 31st among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

State control of the economy by the nearly bankrupt Cuban government is both pervasive and economically inefficient in one of the world's last Communist dictatorships. Liberalizing pro-market reforms were adopted nearly a decade ago to raise productivity. They remain in effect, at least in theory, but no serious effort has been made to implement them. Much of the labor force performs low-productivity functions in Cuba's bloated government sector. All courts are subject to political interference, and private property is strictly regulated. Excessive bureaucracy and the lack of regulatory transparency continue to limit trade and investment.

ECONOMIC FREEDOM SCORE

27.8 (▼ DOWN 4.1 POINTS)

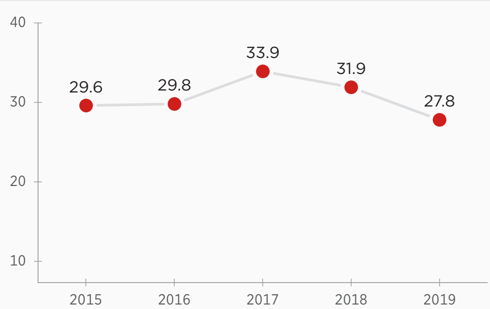


REGIONAL AVERAGE (AMERICAS REGION) **59.6**

60.8 WORLD AVERAGE

RELATIVE STRENGTHS:	HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):	CONCERNS:
Monetary Freedom and Trade Freedom	0.0	Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
$148.0 billion
0.9% growth in 2017
5-year compound annual growth 1.9%
$12,920 per capita

UNEMPLOYMENT:
2.6%

INFLATION (CPI):
5.5%

FDI INFLOW: n/a

PUBLIC DEBT:
47.7% of GDP

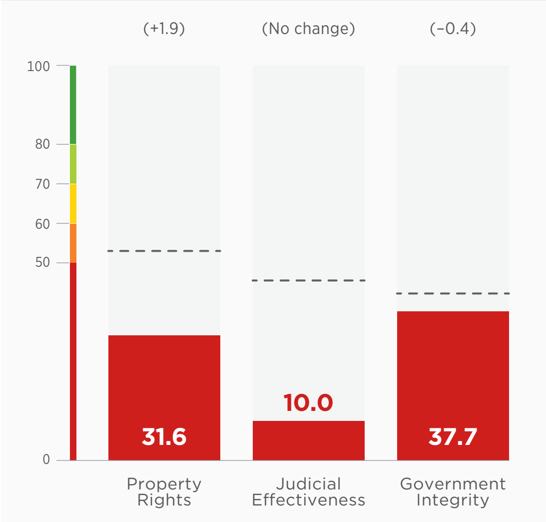
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Miguel Díaz-Canel was named president when the late Fidel Castro's 87-year-old brother Raúl stepped down in February 2018, but Díaz-Canel is merely a figurehead: Raúl retains the real power as head of the Communist Party and the Cuban military, and his family controls much of the economy. The Cuban people remain disillusioned, and diplomatic relations with the U.S. have soured. Without significant supplies of subsidized oil from nearly bankrupt Venezuela, Cuba's dysfunctional economy is even more dependent on foreign exchange inflows from emigrants' remittances and the tourism-generated foreign currency that the regime needs to survive. Low, state-dictated wages trap many workers below the poverty line. The agriculture sector is starved for investment, and the banking system is primitive.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

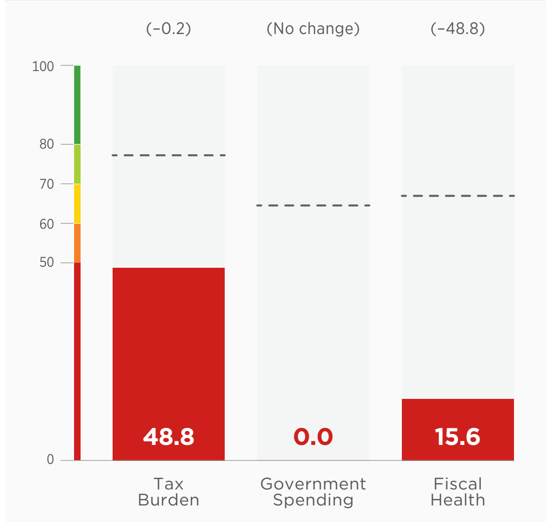
12 ECONOMIC FREEDOMS | CUBA

RULE OF LAW



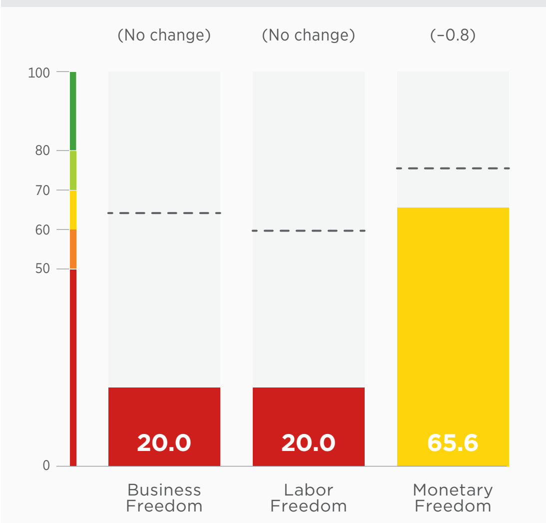
Most means of production are owned by the state. Property seizures by police without legal justification are common. There is practically no separation among the judiciary, the National Assembly, and the Communist Party, which can appoint or remove judges at any time. Corruption is a serious problem that remains unaddressed. Widespread illegality permeates Cuba's few private enterprises and vast state-controlled economy.

GOVERNMENT SIZE



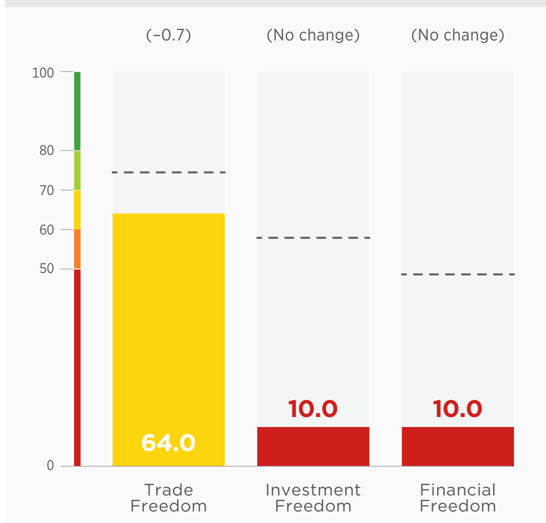
The top income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include property transfer and sales taxes. The overall tax burden equals 41.5 percent of total domestic income. Over the past three years, government spending has amounted to 64.2 percent of the country's output (GDP), and budget deficits have averaged 7.1 percent of GDP. Public debt is equivalent to 47.7 percent of GDP.

REGULATORY EFFICIENCY

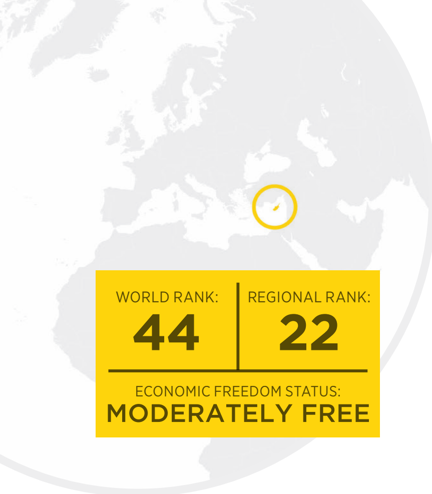


Only limited private economic activity is permitted. Inconsistent and nontransparent application of regulations impedes entrepreneurship. State control of the formal labor market has led to the creation of a large informal economy. Prices are tightly controlled and regulated to contain inflation. Cuba has been very dependent on subsidized oil from Venezuela and Russia.

OPEN MARKETS



The combined value of exports and imports is equal to 31.6 percent of GDP. The average applied tariff rate is 8.0 percent. As of June 30, 2018, according to the WTO, Cuba had 50 nontariff measures in force. State-owned enterprises significantly distort the economy. Access to credit for private-sector activity is severely impeded by the shallow financial market. Despite a decade of incremental changes, the state remains firmly in control.



WORLD RANK: **44**

REGIONAL RANK: **22**

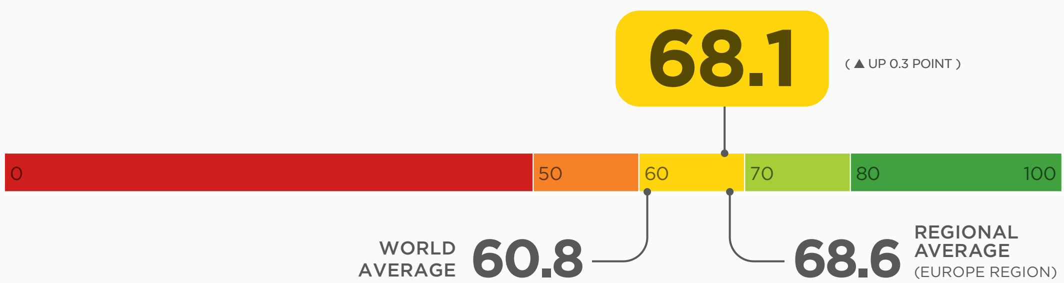
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

CYPRUS

Cyprus's economic freedom score is 68.1, making its economy the 44th freest in the 2019 *Index*. Its overall score has increased by 0.3 point, with improvements in **labor freedom**, **government integrity**, and **government spending** offsetting a steep decline in **judicial effectiveness**. Cyprus is ranked 22nd among 44 countries in the Europe region, and its overall score is just below the regional average but well above the world average.

Although the post–financial crisis economic recovery is firmly entrenched, progress has slowed on reforms undertaken by the government to improve fiscal discipline and such other structural reforms as the sale of state assets to improve the efficiency of state-owned enterprises and raise funds to reduce government debt. Inefficient bankruptcy court procedures have impeded liquidation of some nonperforming loans. Cyprus does particularly well in trade freedom and monetary freedom. The regulatory framework is relatively transparent and efficient, and the financial sector has stabilized.

ECONOMIC FREEDOM SCORE

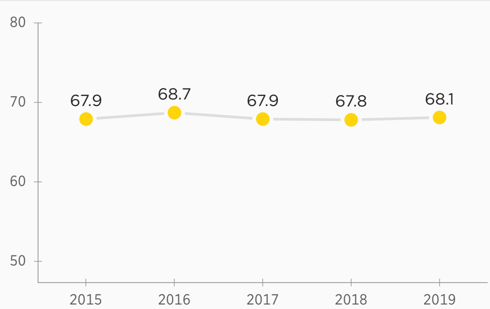


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+0.4

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.9 million

GDP (PPP):
$31.6 billion
3.9% growth in 2017
5-year compound annual growth 0.3%
$37,023 per capita

UNEMPLOYMENT:
11.0%

INFLATION (CPI):
0.7%

FDI INFLOW:
$6.3 billion

PUBLIC DEBT:
99.3% of GDP

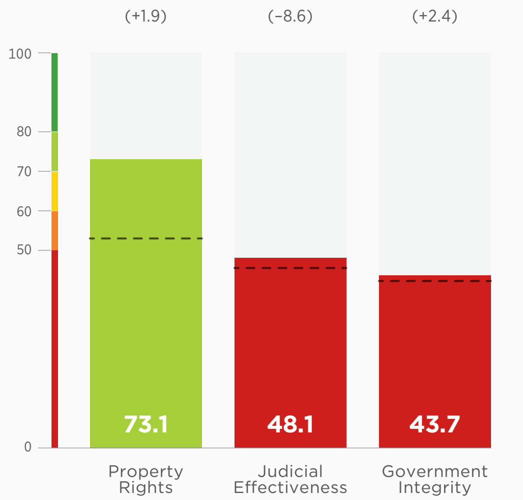
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Cyprus gained independence from the United Kingdom in 1960. Tensions between the Greek majority and Turkish minority have led to repeated episodes of violence, and a U.N. buffer zone has separated the Greek Cypriot Republic of Cyprus from the Turkish Republic of Northern Cyprus since 1974. The Republic of Cyprus joined the European Union in 2004. U.N.-brokered reunification talks have yet to resume after collapsing in 2017. Center-right Cyprus President Nicos Anastasiades, who has served as head of state and head of government since 2013, won a second five-year term in 2018. Services such as tourism, finance, shipping, and real estate account for more than 80 percent of GDP. Development of offshore hydrocarbon resources is a priority.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

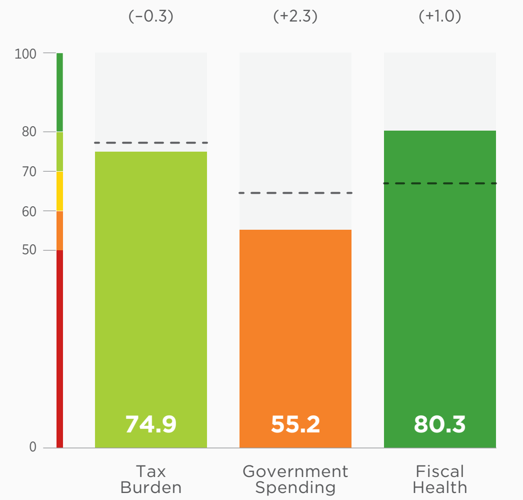
12 ECONOMIC FREEDOMS | CYPRUS

RULE OF LAW



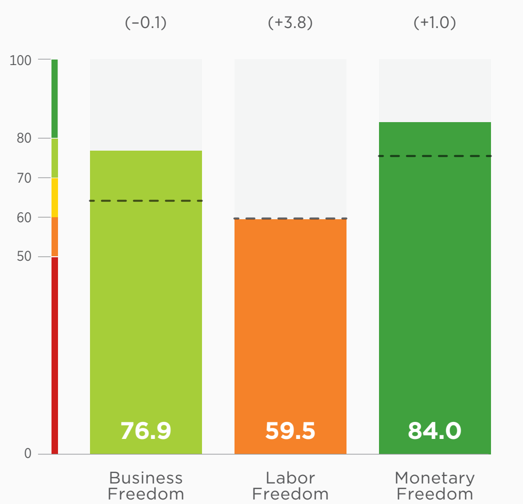
There are significant restrictions on ownership of real estate by non-EU residents. An independent and impartial judiciary that operates under British traditions and upholds due process rights retains high levels of public trust in the Republic of Cyprus, although long court delays tend to undermine that trust. Corruption, patronage, and a lack of transparency are endemic in the Turkish-controlled area.

GOVERNMENT SIZE



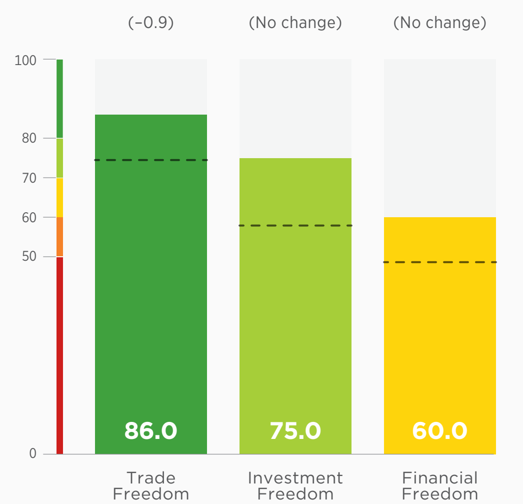
The top personal income tax rate is 35 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 33.6 percent of total domestic income. Over the past three years, government spending has amounted to 38.7 percent of the country's output (GDP), and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 99.3 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework generally facilitates entrepreneurial activity. With no minimum capital requirement, it takes six procedures to launch a company. Relatively flexible labor regulations facilitate employment and productivity growth, although union power is quite strong. The government is committed to privatization of its heavily subsidized state-owned enterprises and the Cyprus Cooperative Bank.

OPEN MARKETS



The combined value of exports and imports is equal to 131.6 percent of GDP. The average applied tariff rate is 2.0 percent. Cyprus implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment. The banking sector has regained stability in recent years. More than 90 percent of adult Cypriots have access to a formal banking institution.

CZECH REPUBLIC

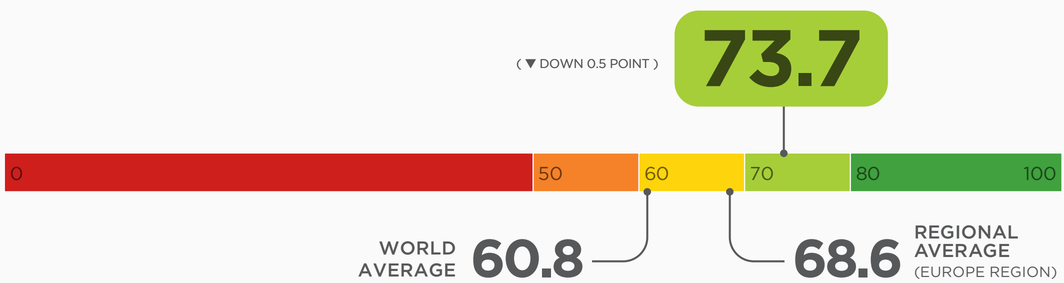
WORLD RANK: **23** | REGIONAL RANK: **13**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The Czech Republic's economic freedom score is 73.7, making its economy the 23rd freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with lower scores for **judicial effectiveness** and **monetary freedom** overwhelming modest improvements in **government spending** and **property rights**. The Czech Republic is ranked 13th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Amid rising populism and political polarization, the government has been pulled slightly to the left by its Communist and other left-leaning coalition partners but is expected to continue pro-EU, pro-business, and fiscally prudent policies. Implementation of critical reforms by previous administrations streamlined business start-up procedures, embedded a relatively efficient tax regime to facilitate entrepreneurial growth, and institutionalized an openness to global trade and investment. Contributing to overall stability and competitiveness, a relatively sound legal framework sustains judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE

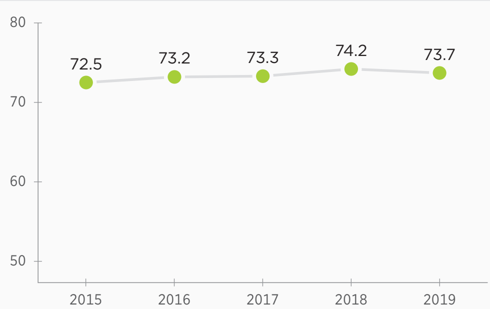


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+5.9

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
10.6 million

GDP (PPP):
$375.7 billion
4.3% growth in 2017
5-year compound annual growth 2.9%
$35,512 per capita

UNEMPLOYMENT:
2.9%

INFLATION (CPI):
2.4%

FDI INFLOW:
$7.4 billion

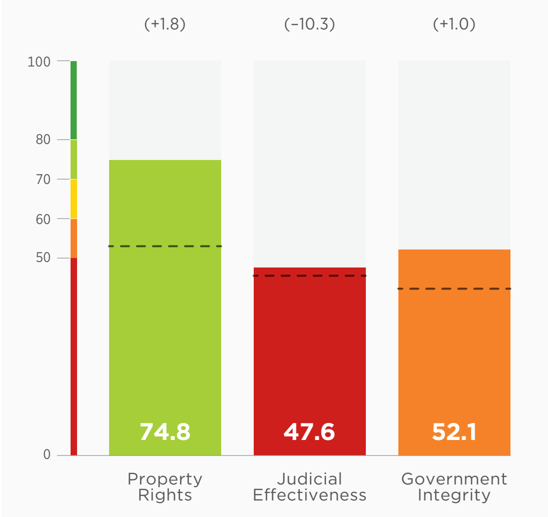
PUBLIC DEBT:
34.7% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The "Velvet Revolution" ended Czechoslovakia's Communist dictatorship in 1989, and the Czech Republic became independent from Slovakia in 1993. President Miloš Zeman of the center-left Czech Social Democrat Party won a second term in 2018. Prime Minister Andrej Babis of the populist ANO movement, a billionaire former finance minister, formed a fragile minority coalition government in 2018 with the Social Democrats but relies on the support of the Communist Party. The return of the Communists to political power set off large protests in many cities. The Czech Republic's prosperous market economy, led by automobile exports, boasts one of the European Union's highest GDP growth rates, one of its lowest unemployment levels, and a rising standard of living.

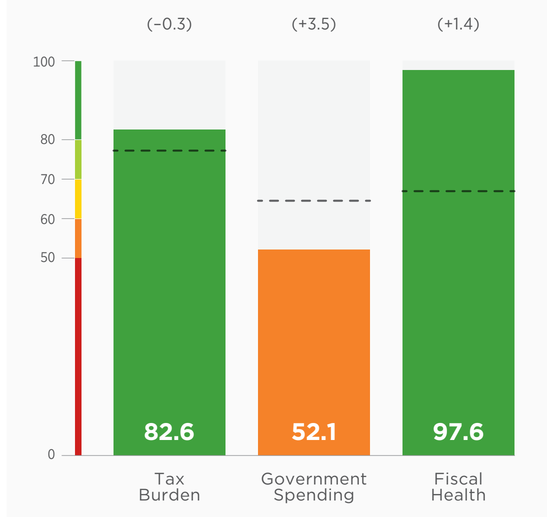
12 ECONOMIC FREEDOMS | CZECH REPUBLIC

RULE OF LAW



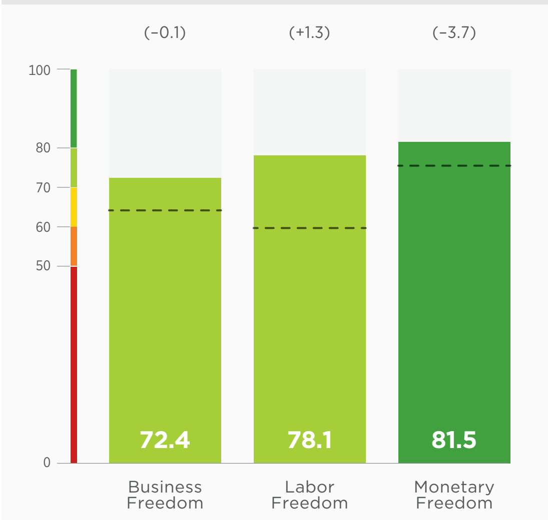
Property rights are relatively well protected, and contracts are generally secure. The independence of the judiciary is largely respected, although its complexity and multilayered composition delays the delivery of judgments and acts as a drag on investment. While corruption and political pressures still threaten law enforcement agencies, the Office of the Public Prosecutor has become more independent in recent years.

GOVERNMENT SIZE



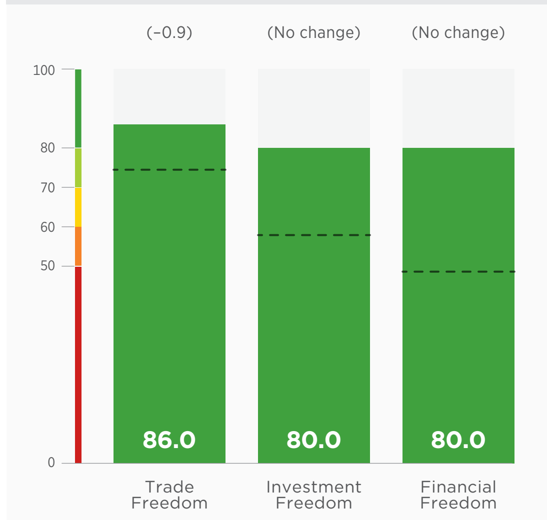
The individual income tax rate is a flat 15 percent, and the standard corporate tax rate is 19 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 34.0 percent of total domestic income. Over the past three years, government spending has amounted to 40.0 percent of the country's output (GDP), and budget surpluses have averaged 0.5 percent of GDP. Public debt is equivalent to 34.7 percent of GDP.

REGULATORY EFFICIENCY



Businesses can be formed and operated without bureaucratic interference, and no minimum capital is required. Recent reforms have reduced the cost and number of procedures required to launch a company. The labor market is relatively flexible, and the unemployment rate continues to decline. Monetary policy continues toward gradual normalization following the removal of an exchange rate floor to permit market forces to determine currency prices.

OPEN MARKETS



The combined value of exports and imports is equal to 151.7 percent of GDP. The average applied tariff rate is 2.0 percent. The Czech Republic implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The government has gradually reduced bureaucratic barriers to investment. The financial sector remains resilient. Banks are well capitalized and stable.

WORLD RANK: **14**

REGIONAL RANK: **6**

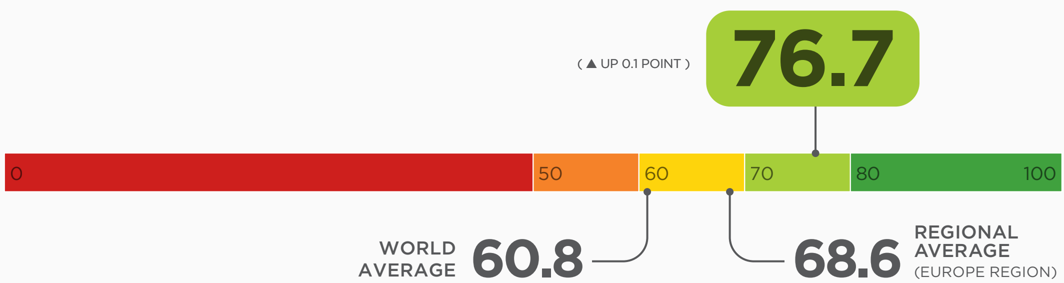
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

DENMARK

Denmark's economic freedom score is 76.7, making its economy the 14th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with improvements in scores for **government spending** and **labor freedom** countering declines in **judicial effectiveness** and **monetary freedom**. Denmark is ranked 6th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Despite political polarization over immigration issues, Denmark's economy continues to perform notably well in regulatory efficiency. Open-market policies sustain flexibility, competitiveness, and large trade and investment flows. A transparent and efficient legal system buoys robust entrepreneurial activity. Banking regulations are sensible, and lending practices are prudent. Monetary stability is well maintained, and the judicial system provides strong protection for property rights. Regulatory flexibility and strong institutionalization of exceptional business efficiency have counterbalanced some of the shortcomings of heavy social spending.

ECONOMIC FREEDOM SCORE

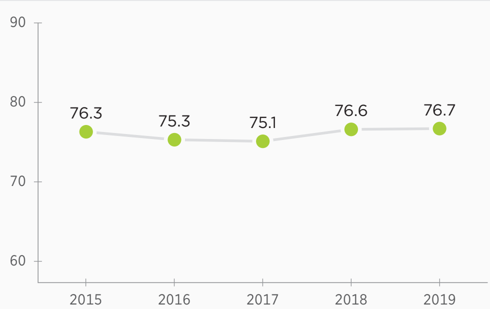


RELATIVE STRENGTHS:
Fiscal Health and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+9.4

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
5.7 million

GDP (PPP):
$286.8 billion
2.1% growth in 2017
5-year compound annual growth 1.6%
$49,883 per capita

UNEMPLOYMENT:
5.7%

INFLATION (CPI):
1.1%

FDI INFLOW:
–$3,114.7 million

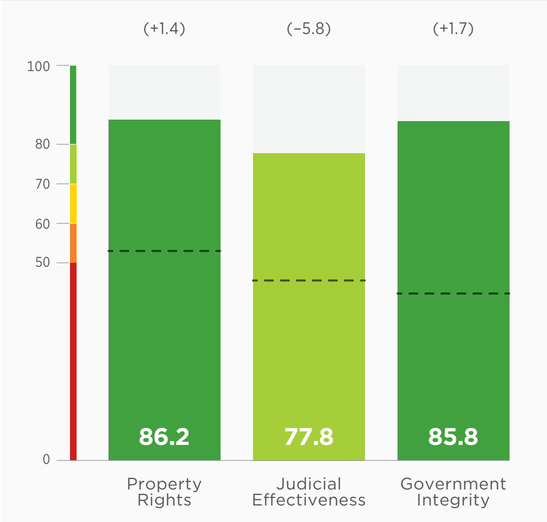
PUBLIC DEBT:
36.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Denmark, a modern economy well integrated into the global marketplace, has been a member of the European Union since 1973. Lars Løkke Rasmussen of the center-right Liberal Party formed a minority government to become prime minister for a second time after parliamentary elections in 2015. The libertarian Liberal Alliance and the Conservative People's Party joined in 2016 to shore up the minority government. The government has introduced longer waiting periods for family reunification and temporary border controls to reduce migrant arrivals while also ending automatic acceptance of mandatory U.N. refugee resettlement quotas. The economy depends heavily on foreign trade, and the private sector includes many small and medium-size companies and world-leading firms in pharmaceuticals, maritime shipping, and processed foods.

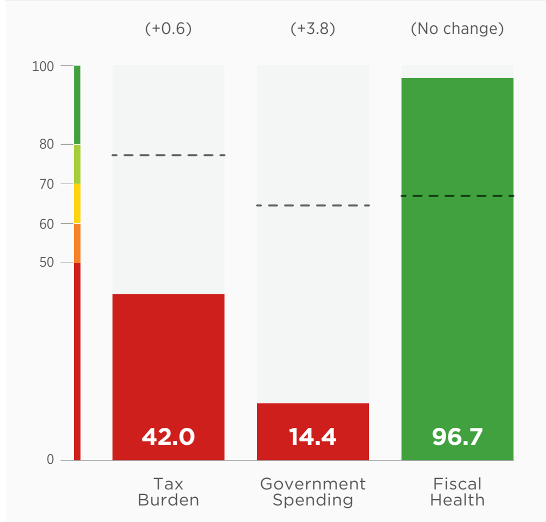
12 ECONOMIC FREEDOMS | DENMARK

RULE OF LAW



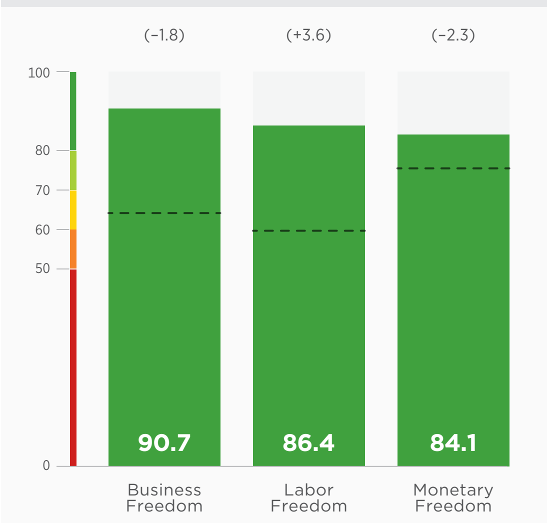
Protection of property rights is strongly enforced, with a trusted, independent, and fair judicial system institutionalized throughout the economy. Intellectual property rights are respected, and enforcement is consistent with world standards. Denmark enjoys a reputation as one of the world's least corrupt nations and was ranked 2nd out of 180 countries in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE



The top personal income tax rate is 56 percent, and the top corporate tax rate is 23.5 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 45.9 percent of total domestic income. Over the past three years, government spending has amounted to 53.4 percent of the country's output (GDP), and budget deficits have averaged 0.7 percent of GDP. Public debt is equivalent to 36.4 percent of GDP.

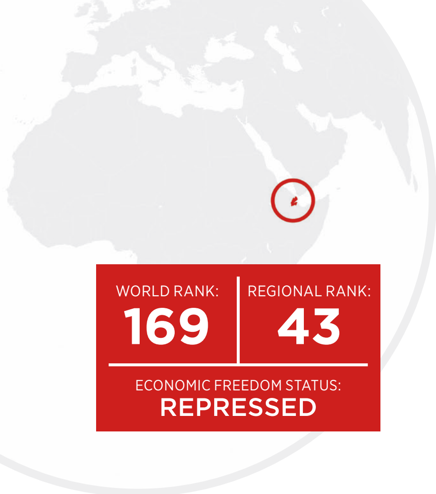
REGULATORY EFFICIENCY



Denmark has one of the world's most attractive business environments, although an increase in the cost of building permits in 2017 has made running a business more expensive. Unemployment is low, and a shortage of skilled workers in some sectors, including construction, has led to labor bottlenecks. Monetary stability is well established, and the government hopes to phase out subsidies on renewable energy by 2030.

OPEN MARKETS

The combined value of exports and imports is equal to 103.4 percent of GDP. The average applied tariff rate is 2.0 percent. Denmark implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The financial system is resilient. The banking sector, characterized by relatively prudent lending in a sound regulatory framework, has regained its stability after a period of uncertainty.



WORLD RANK: **169** | REGIONAL RANK: **43**

ECONOMIC FREEDOM STATUS: **REPRESSED**

DJIBOUTI

Djibouti's economic freedom score is 47.1, making its economy the 169th freest in the 2019 *Index*. Its overall score has increased by 2.0 points, with significant spikes in scores for **property rights** and the **tax burden** far outpacing a decline in **trade freedom**. Djibouti is ranked 43rd among 47 countries in the Sub-Saharan Africa region, and its overall score remains well below the regional and world averages.

Djibouti's economy depends heavily on port services, and the government's 2018 cancellation of a long-term contract with DP World in favor of a China-backed free-trade zone threatens to undermine the country's overall investment climate. The government's contempt for court rulings in DP World's favor will erode confidence in the already weak legal system. Institutional weaknesses such as poor governance and lack of a sound judicial framework severely undercut economic expansion and constrain long-term economic development. Corruption continues to increase the cost of doing business.

ECONOMIC FREEDOM SCORE

47.1 (▲ UP 2.0 POINTS)

0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

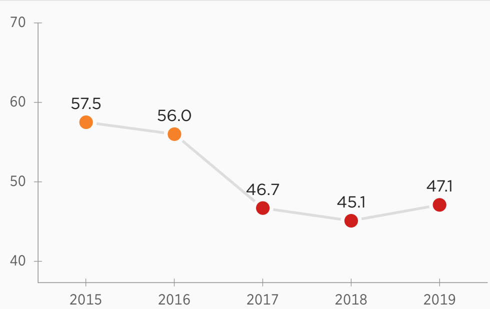
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Investment Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
–7.4

CONCERNS:
Judicial Effectiveness and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
1.0 million

GDP (PPP):
$3.6 billion
6.7% growth in 2017
5-year compound annual growth 6.1%
$3,559 per capita

UNEMPLOYMENT:
5.8%

INFLATION (CPI):
0.7%

FDI INFLOW:
$165.0 million

PUBLIC DEBT:
30.6% of GDP

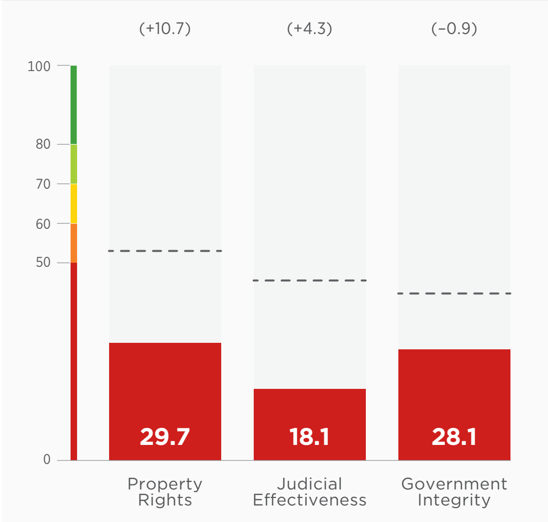
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The French Territory of the Afars and the Issas became Djibouti in 1977. President Ismael Omar Guelleh won a fourth five-year term in 2016 after parliament eliminated a constitutional two-term limit. Djibouti is home to the only permanent U.S. base in Africa, along with bases maintained by China, France, Italy, Germany, and Japan, and is seeking U.N. mediation of a festering border dispute with Eritrea. Djibouti has few natural resources and imports most of its food. Its service-based economy depends on commerce related to Djibouti's strategic location at the mouth of the Red Sea, which makes its deep-water port facilities and railway key assets. In 2018, Djibouti launched Africa's biggest free-trade zone, which will be managed by Chinese companies.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

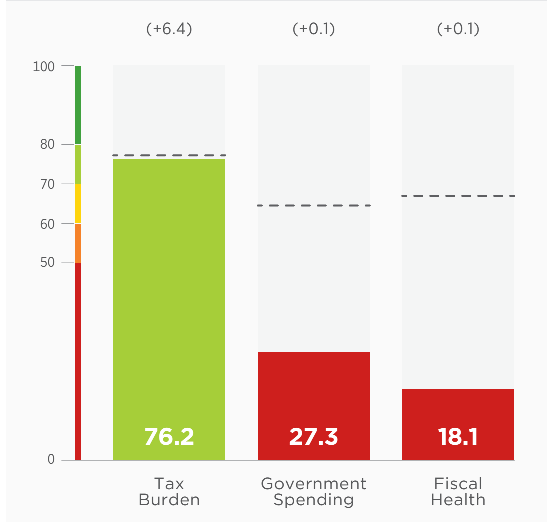
12 ECONOMIC FREEDOMS | DJIBOUTI

RULE OF LAW



Accountability and property rights remain well below global standards. Judicial proceedings and trials are time-consuming, prone to corruption, and politically manipulated. Sharia law prevails in family matters. Power remains heavily concentrated in the hands of the president, and repression of the political opposition is common. Corruption is a serious problem, and institutions lack authority to implement meaningful reforms.

GOVERNMENT SIZE

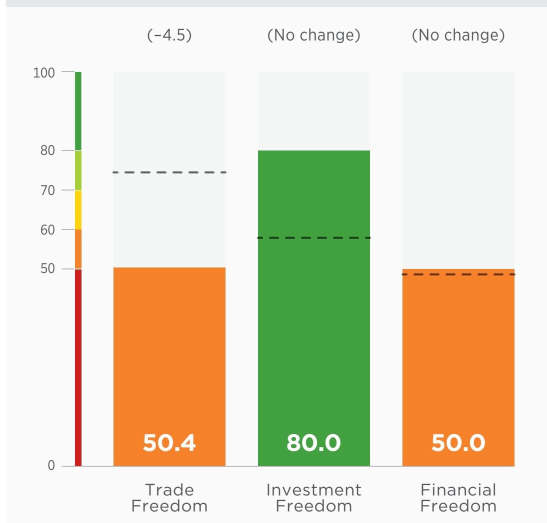


The top personal income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include property and excise taxes. The overall tax burden equals 29.2 percent of total domestic income. Over the past three years, government spending has amounted to 49.2 percent of the country's output (GDP), and budget deficits have averaged 14.4 percent of GDP. Public debt is equivalent to 30.6 percent of GDP.

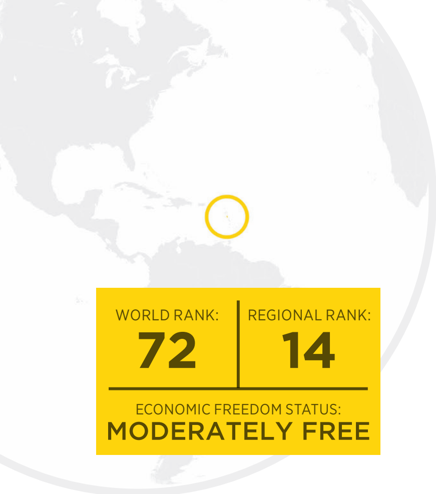
REGULATORY EFFICIENCY

Djibouti passed several positive business reforms in 2017. Starting a business was made more affordable, and obtaining construction permits was made easier. However, the overall regulatory framework's lack of transparency and clarity injects considerable uncertainty into entrepreneurial decision-making. A modern labor market has not been fully developed. The government increased subsidies ahead of the 2018 elections.

OPEN MARKETS



The combined value of exports and imports is equal to 108.5 percent of GDP. The average applied tariff rate is 17.3 percent. State-owned enterprises distort the economy, preventing much-needed dynamic private investment from taking place. Credit is generally allocated on market terms, but credit for entrepreneurial activity is still limited by high costs and lack of access to the full range of financing instruments.



WORLD RANK: 72

REGIONAL RANK: 14

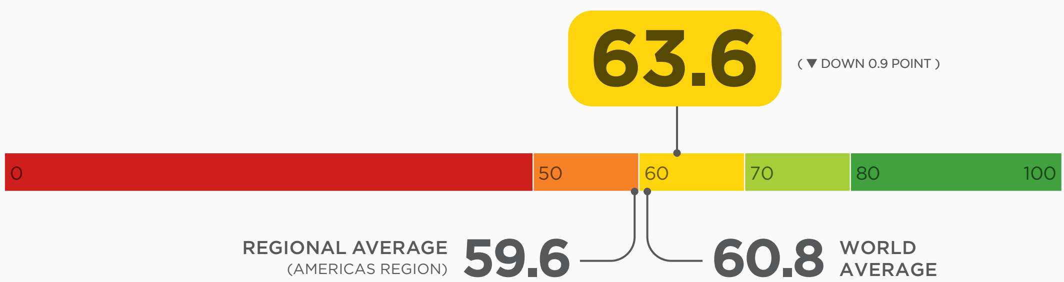
ECONOMIC FREEDOM STATUS: MODERATELY FREE

DOMINICA

Dominica's economic freedom score is 63.6, making its economy the 72nd freest in the 2019 *Index*. Its overall score has decreased by 0.9 point, with sharp drops in scores for **government spending**, **investment freedom**, and **judicial effectiveness** outpacing increases in **trade freedom** and **government integrity**. Dominica is ranked 14th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Since Hurricane Maria, the government has focused on repairing infrastructure to restore service to cruise ships. Because government services are historically inefficient, reconstruction has required heavy public spending and external aid. However, gradual reform has improved the overall investment framework, and this should help the rebuilding process. Dominica's independent legal system generally adjudicates business disputes effectively and encourages a relatively low level of corruption, sustaining judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE

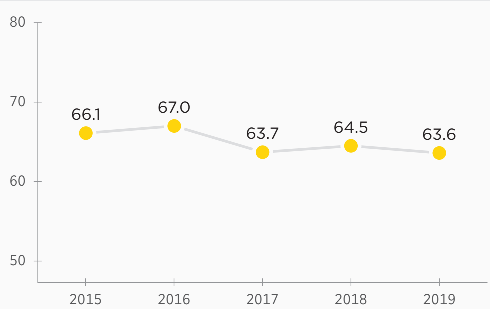


RELATIVE STRENGTHS:
Monetary Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+1.0

CONCERNS:
Financial Freedom and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.8 billion
–4.2% growth in 2017
5-year compound annual growth 0.0%
$11,102 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
0.6%

FDI INFLOW:
$18.9 million

PUBLIC DEBT:
87.6% of GDP

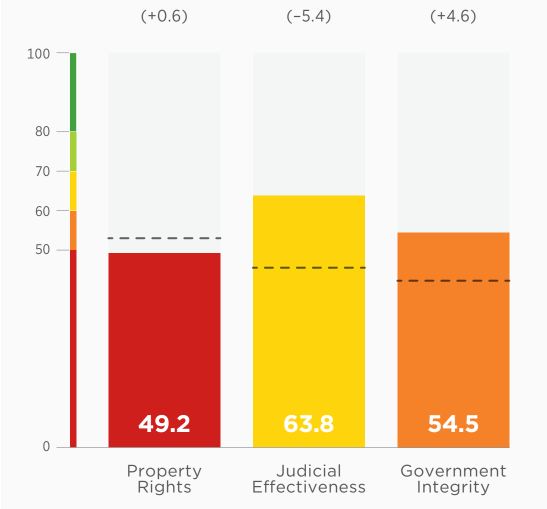
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A small and mountainous island in the Lesser Antilles, Dominica is a member of the Organization of Eastern Caribbean States (OECS). Prime Minister Roosevelt Skerrit of the Dominica Labour Party has been in office since 2004 and may run for a fourth term in 2019. Historically, the economy has depended on agriculture (primarily bananas) and tourism. The government's efforts to promote diversification have led to creation of an offshore medical education sector and have encouraged investments in such agricultural exports as coffee, patchouli, aloe vera, exotic fruits, and cut flowers. Devastation from Hurricane Maria, which destroyed much of the country's agricultural sector and damaged its transportation and physical infrastructure in 2017, has stressed the government's already fragile finances.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

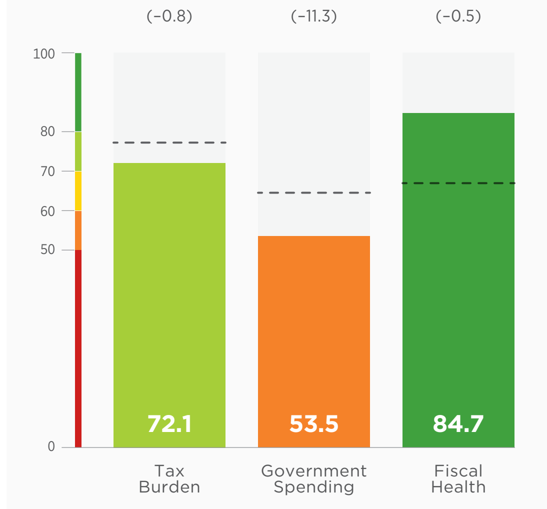
12 ECONOMIC FREEDOMS | DOMINICA

RULE OF LAW



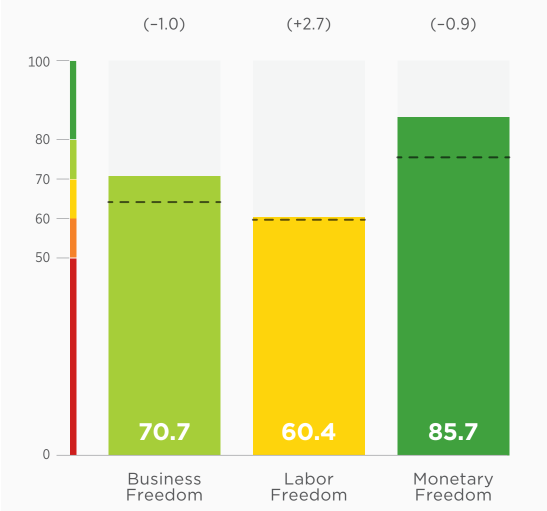
Private property rights are generally respected, although enforcement of intellectual property rights remains weak. The judiciary is independent and based on English common law, but there are severe case backlogs. Corruption is not a major problem, despite the sometimes ineffective implementation of anticorruption statutes. Nonbank financial institutions are monitored to combat money laundering and the financing of terrorism.

GOVERNMENT SIZE



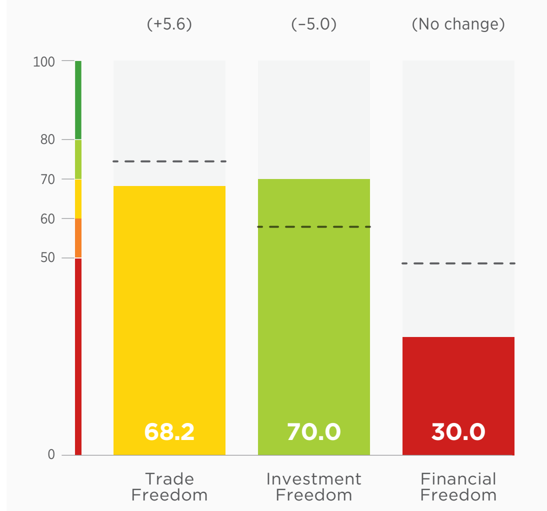
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 25.8 percent of total domestic income. Over the past three years, government spending has amounted to 39.4 percent of the country's output (GDP), and budget surpluses have averaged 3.8 percent of GDP. Public debt is equivalent to 87.6 percent of GDP.

REGULATORY EFFICIENCY

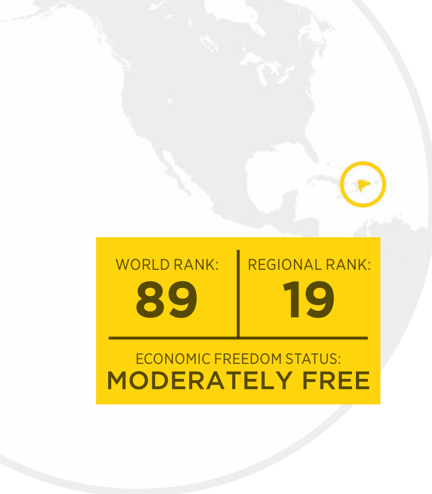


Dominica has made progress in eliminating regulatory bottlenecks and reducing the overall cost of conducting business. The nonsalary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. As part of its post-hurricane assistance package from the World Bank and other lenders, the government will need to implement structural reforms and eliminate price controls.

OPEN MARKETS



The combined value of exports and imports is equal to 100.4 percent of GDP. The average applied tariff rate is 8.4 percent. As of June 30, 2018, according to the WTO, Dominica had two nontariff measures in force. Foreign investment may be screened by the government. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.



WORLD RANK: 89

REGIONAL RANK: 19

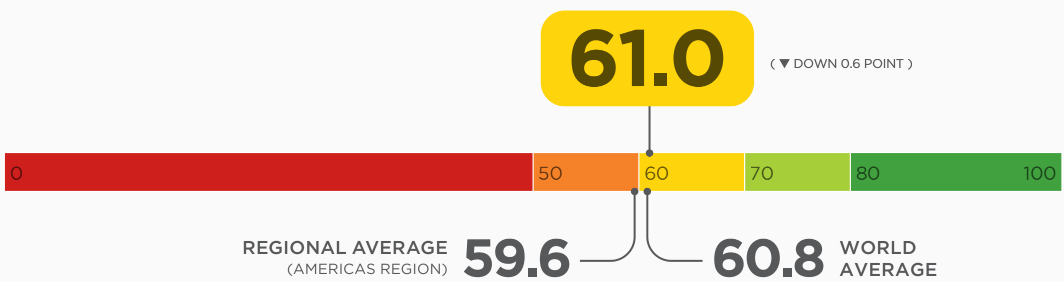
ECONOMIC FREEDOM STATUS: MODERATELY FREE

DOMINICAN REPUBLIC

The Dominican Republic's economic freedom score is 61.0, making its economy the 89th freest in the 2019 *Index*. Its overall score has decreased by 0.6 point, with lower scores for **judicial effectiveness** and **investment freedom** exceeding improvements in **trade freedom**, **labor freedom**, and **monetary freedom**. The Dominican Republic is ranked 19th among 32 countries in the Americas region, and its overall score is just above the regional and world averages.

The National Development Strategy requires buy-ins from civil society groups, making advances on politically difficult fiscal, electricity, and labor reforms possible but time-consuming. Diversification has strengthened the economy's resilience, and regulatory efficiency has improved. Relatively high openness to global trade and strong economic growth have improved the business climate. However, nontransparency and institutional weaknesses have undermined competitiveness, and the rule of law is not strongly sustained by the judicial system. Corruption and political patronage are the main complicating factors in doing business.

ECONOMIC FREEDOM SCORE

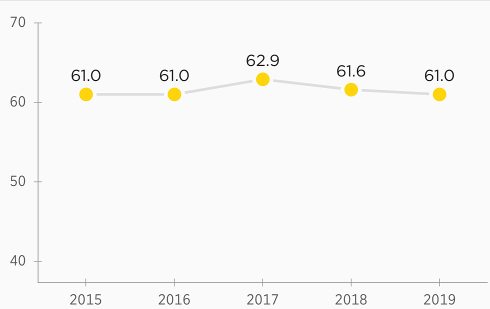


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+5.2

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
10.2 million

GDP (PPP):
$172.4 billion
4.6% growth in 2017
5-year compound annual growth 6.1%
$16,944 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
3.3%

FDI INFLOW:
$3.6 billion

PUBLIC DEBT:
37.7% of GDP

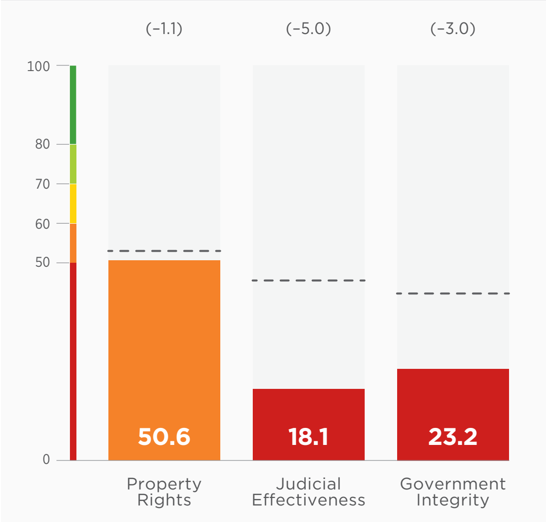
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Dominican Republic occupies the more verdant and arable eastern side of the island of Hispaniola. President Danilo Medina of the center-right Dominican Liberation Party (PLD) won a second four-year term in 2016. Medina's efforts to extend his presidency past the limit of two consecutive terms have been blocked by former president and PLD party rival Leonel Fernández. The PLD's dominance of government contributes to political stability but also risks undermining checks and balances and weakening the country's multiparty democracy. Long viewed primarily as an exporter of sugar, coffee, and tobacco, the economy has been the Caribbean's most vibrant in recent years, driven by mining activity and strong growth in such service-based sectors as tourism and finance.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

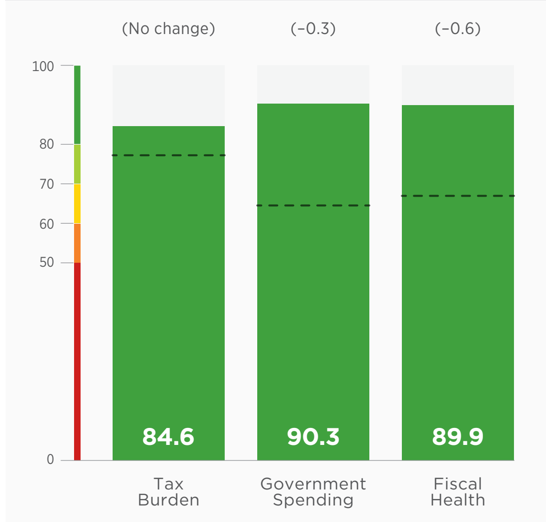
12 ECONOMIC FREEDOMS | DOMINICAN REPUBLIC

RULE OF LAW



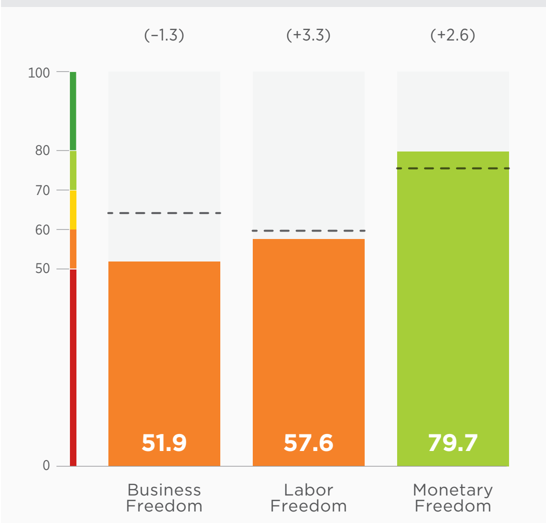
A persistently insecure investment climate is undermined by government expropriation, institutional weaknesses, and inadequate enforcement of land tenure laws. Protection of intellectual property rights is poor. Judicial decisions are subject to widespread political influence. Corruption is found at all levels of the government, the judiciary, the security forces, and the private sector. Institutionalized graft is linked to significant levels of narco-trafficking.

GOVERNMENT SIZE



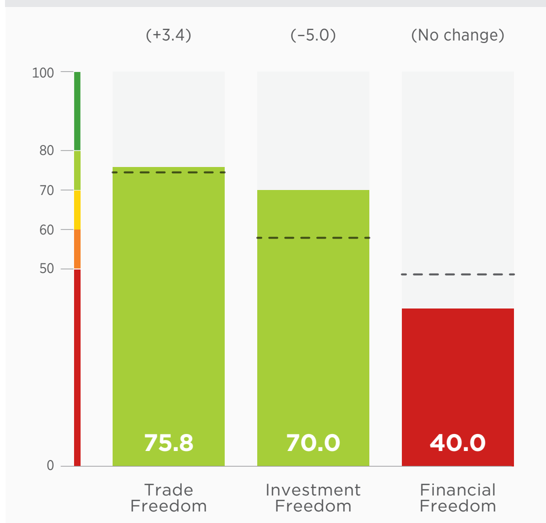
The top individual income tax rate is 25 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added, estate, and net wealth taxes. The overall tax burden equals 13.6 percent of total domestic income. Over the past three years, government spending has amounted to 17.9 percent of the country's output (GDP), and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 37.7 percent of GDP.

REGULATORY EFFICIENCY



The cost of completing licensing requirements has been reduced, and the process for launching a business has been streamlined. The nonsalary cost of employing a worker is moderate, but restrictions on work hours are rigid. Electricity subsidies were reduced from 2 percent to 0.6 percent of GDP in the 2018 budget, but preferential fuel subsidies, real estate deductions, and corporate tax incentives remain in effect.

OPEN MARKETS



The combined value of exports and imports is equal to 52.9 percent of GDP. The average applied tariff rate is 4.6 percent. As of June 30, 2018, according to the WTO, the Dominican Republic had 89 nontariff measures in force. In general, the government does not discriminate against or screen foreign investment. About 62 percent of adult Dominicans have access to an account with a formal banking institution.

ECUADOR

WORLD RANK: **170** | REGIONAL RANK: **29**

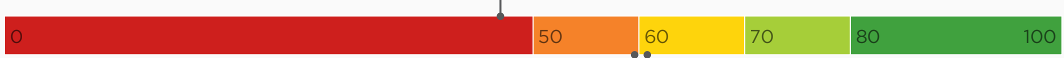
ECONOMIC FREEDOM STATUS: **REPRESSED**

Ecuador's economic freedom score is 46.9, making its economy the 170th freest in the 2019 *Index*. Its overall score has decreased by 1.6 points, with a steep drop in **fiscal health** and lower scores for **government integrity** and **judicial effectiveness** far exceeding gains in **labor freedom** and **monetary freedom**. Ecuador is ranked 29th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Ecuador's primary economic policy challenge is to reduce the large fiscal deficit in order to curb rising public debt but avoid stifling the ongoing economic recovery. The government took an important but politically difficult step in that direction in 2018 by cutting fuel subsidies. Another challenge will be to reduce the hugely bloated public sector, which has imposed a restrictive entrepreneurial environment on the struggling private sector. Pervasive corruption undermines the rule of law and weakens property rights.

ECONOMIC FREEDOM SCORE

46.9 (▼ DOWN 1.6 POINTS)



REGIONAL AVERAGE (AMERICAS REGION) **59.6**

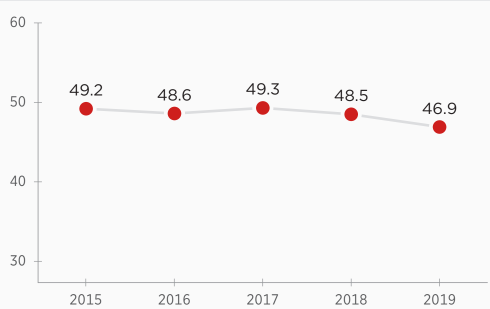
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–10.8

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
16.8 million

GDP (PPP):
$192.6 billion
2.7% growth in 2017
5-year compound annual growth 2.0%
$11,482 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
0.4%

FDI INFLOW:
$606.4 million

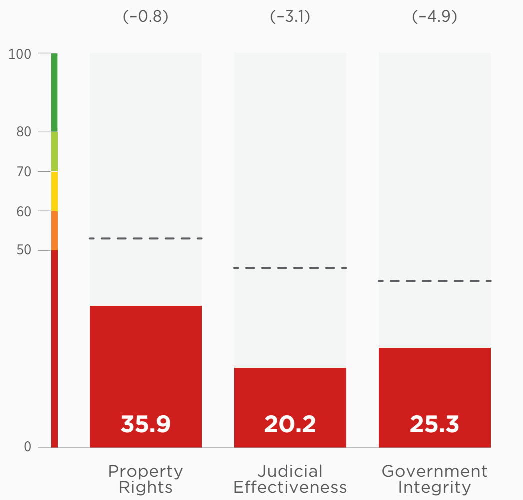
PUBLIC DEBT:
45.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The "Republic of the Equator" initially gained independence from Spain in 1830. Lenín Moreno of the Alianza País (AP) was narrowly elected in 2017 to succeed former two-term President Rafael Correa amid widespread charges of electoral fraud. Surprising his critics, Moreno moderated the populist Correa's hard-left and anti-market policies and promoted a successful 2018 referendum to bar Correa from seeking another presidential term in 2021. The world's largest banana exporter, Ecuador also remains a major transit country for narco-trafficking. Its dollarized economy depends substantially on petroleum, which accounts for more than half of export earnings and approximately 25 percent of public-sector revenues. More than 25 percent of the population still lives below the poverty line.

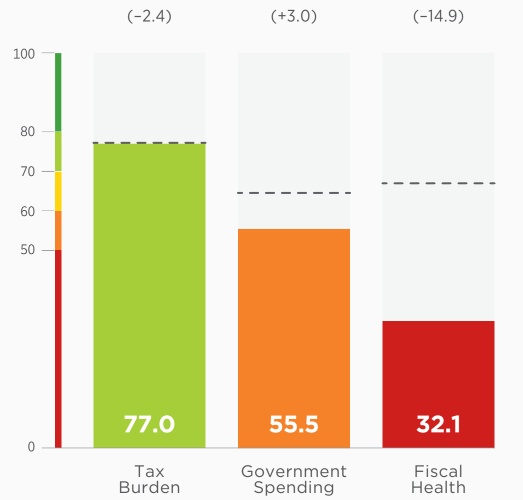
12 ECONOMIC FREEDOMS | ECUADOR

RULE OF LAW



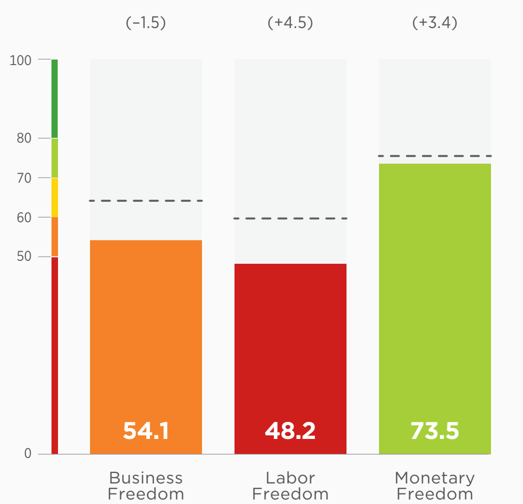
Protection of property rights and enforcement of contracts are weak despite recently reinstated penalties for the theft of intellectual property. The judiciary's lack of independence and investigative capacity contributes to a climate of impunity. Some judges accept bribes for favorable decisions and faster resolution of cases. Corruption is pervasive, and anticorruption laws are enforced poorly. Bribery and facilitation payments are widespread.

GOVERNMENT SIZE



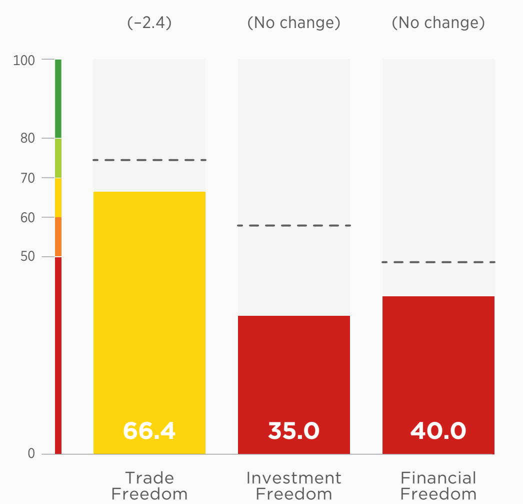
The top personal income tax rate is 35 percent, and the corporate tax rate has been raised to 25 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 21.2 percent of total domestic income. Over the past three years, government spending has amounted to 38.5 percent of the country's output (GDP), and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 45.0 percent of GDP.

REGULATORY EFFICIENCY



Regulatory complexity increases the cost of conducting business, which has been raised further by a new "solidarity" contribution paid by employers and employees. Cumbersome labor regulations inhibit dynamic expansion of employment opportunities and foster the informal labor market. Dollarization generates a modicum of monetary stability, but subsidies for diesel, gasoline, and propane are a drain on the budget.

OPEN MARKETS



The combined value of exports and imports is equal to 42.0 percent of GDP. The average applied tariff rate is 6.8 percent. As of June 30, 2018, according to the WTO, Ecuador had 282 nontariff measures in force. The overall investment climate remains uncertain. The underdeveloped and state-controlled financial sector limits access to credit. About 57 percent of adult Ecuadorians have access to an account with a formal banking institution.

WORLD RANK: **144**

REGIONAL RANK: **11**

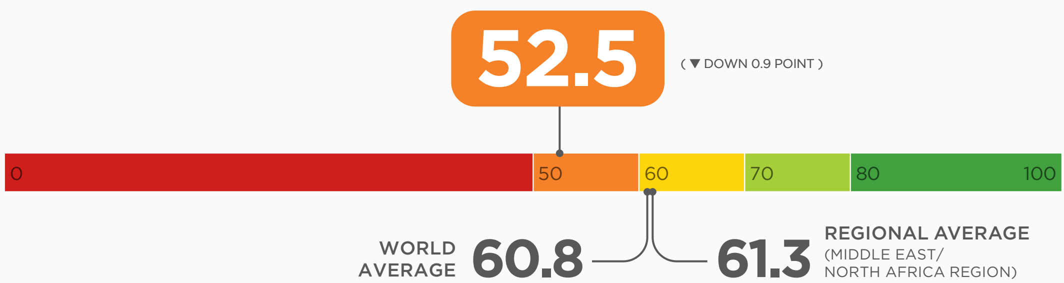
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

EGYPT

Egypt's economic freedom score is 52.5, making its economy the 144th freest in the 2019 *Index*. Its overall score has decreased by 0.9 point, with declines in scores for **monetary freedom**, **business freedom**, and **judicial effectiveness** overwhelming improvements in **property rights** and **government spending**. Egypt is ranked 11th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Economic policy remains focused on fiscal and business-related structural reforms to restore financial stability and improve the business environment after years of political turmoil. Growing confidence in the availability of hard currency has raised investor confidence. Although fuel and electricity subsidies have been reduced, they are still substantial. Progress on improvements in investment and bankruptcy laws has been slow. Weak institutional capacity and stiff opposition from interest groups continue to block needed economic reforms.

ECONOMIC FREEDOM SCORE

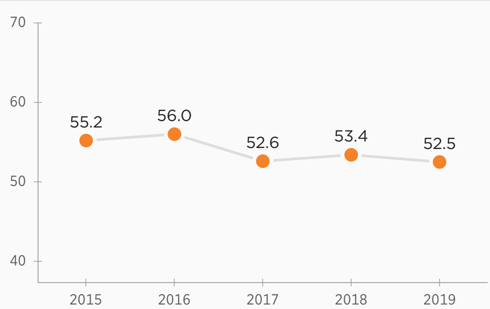


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+6.8

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
94.8 million

GDP (PPP):
$1.2 trillion
4.2% growth in 2017
5-year compound annual growth 3.8%
$12,671 per capita

UNEMPLOYMENT:
12.1%

INFLATION (CPI):
23.5%

FDI INFLOW:
$7.4 billion

PUBLIC DEBT:
103.3% of GDP

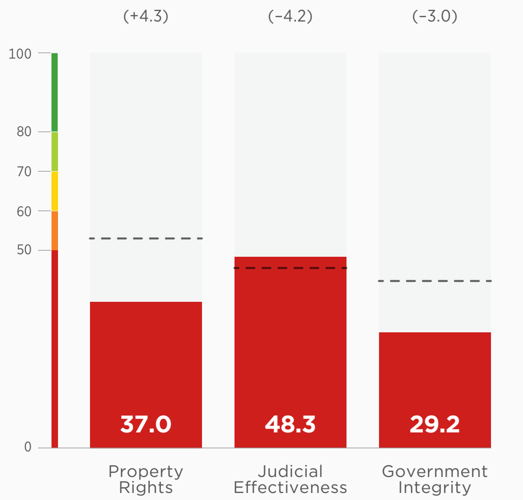
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In 2011, the army deposed longtime President Hosni Mubarak amid the Arab Spring protests. The ensuing political instability led to the election of a new parliament and president, recurring street demonstrations, and an army coup that ousted Mubarak's unpopular successor, Mohamed Morsi of the Muslim Brotherhood's Freedom and Justice Party, in 2013. Under a new constitution, President Abdel Fattah el-Sisi was elected to a four-year term in 2014 and reelected in 2018. Most economic activity takes place in the highly fertile Nile Valley. Despite sporadic terrorist attacks, the vital tourism industry has rebounded, but economic growth continues to lag, and Cairo has become more dependent on aid from Saudi Arabia and international financial institutions.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

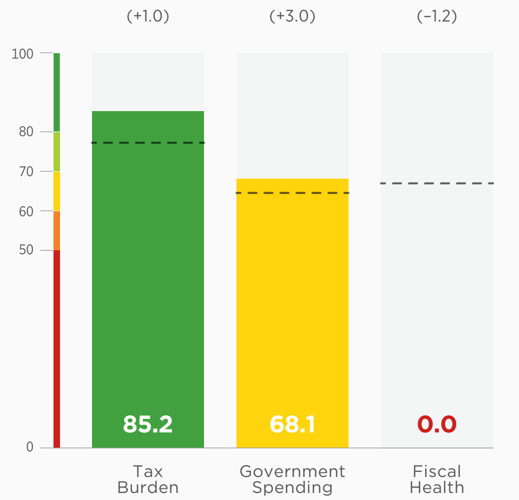
12 ECONOMIC FREEDOMS | EGYPT

RULE OF LAW



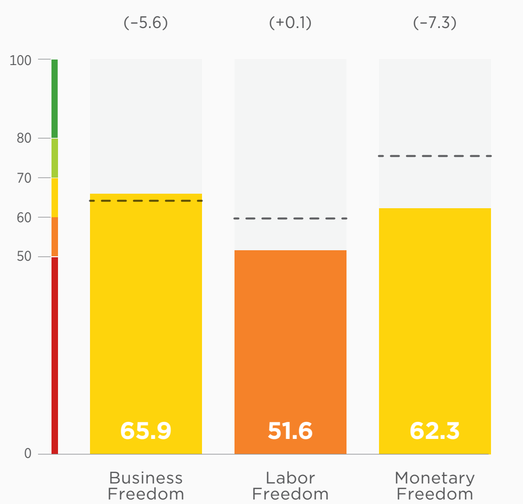
Property rights are recognized, but legal complexity often causes enforcement to be delayed. The rule of law remains unstable because of the judicial system's increasing politicization under the authoritarian government. Corruption is pervasive at all levels of government, and official mechanisms for investigating and punishing it are very weak. Approximately half of the population surveyed reported paying a bribe in 2017.

GOVERNMENT SIZE



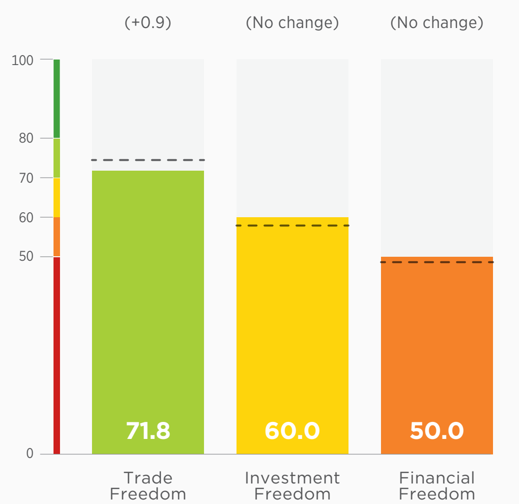
The top individual income tax rates is 25 percent, and the top corporate income tax rate is 23 percent. Other taxes include property and general sales taxes. The overall tax burden equals 18.0 percent of total domestic income. Over the past three years, government spending has amounted to 32.6 percent of the country's output (GDP), and budget deficits have averaged 11.0 percent of GDP. Public debt is equivalent to 103.3 percent of GDP.

REGULATORY EFFICIENCY

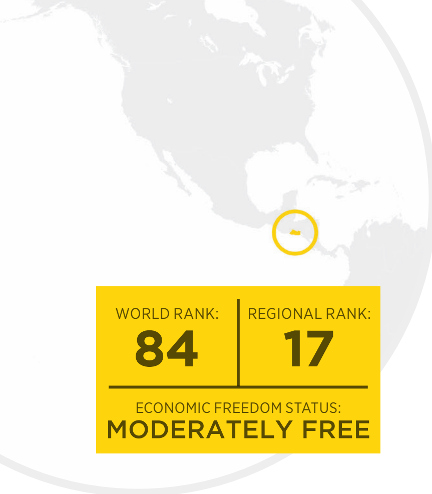


Ongoing regulatory reforms have made starting a business less time-consuming, but registering property has become more expensive. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. The government continues to reduce electricity subsidies and plans to suspend all petroleum product subsidies by 2019 in an effort to control the debt.

OPEN MARKETS



The combined value of exports and imports is equal to 44.8 percent of GDP. The average applied tariff rate is 6.6 percent. As of June 30, 2018, according to the WTO, Egypt had 156 nontariff measures in force. Foreign investment in several sectors of the economy is restricted, and numerous state-owned enterprises distort the economy. About 40 percent of adult Egyptians have access to an account with a formal banking institution.



WORLD RANK: **84**

REGIONAL RANK: **17**

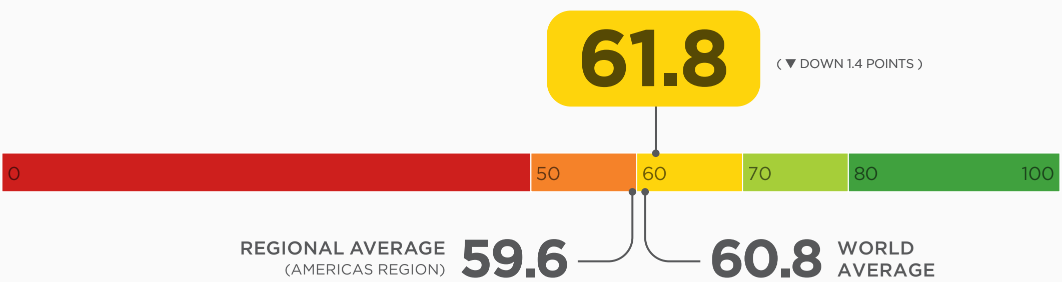
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

EL SALVADOR

El Salvador's economic freedom score is 61.8, making its economy the 84th freest in the 2019 *Index*. Its overall score has decreased by 1.4 points, with declines in **judicial effectiveness**, **trade freedom**, and **investment freedom** far outweighing an increase in **fiscal health**. El Salvador is ranked 17th among 32 countries in the Americas region, and its overall score is slightly above the regional and world averages.

Economic freedom has declined steadily in El Salvador after almost a decade of statism. The Sánchez Cerén government has made some regulatory improvements, most notably by cutting red tape in tax payment and compliance systems, but cumbersome bureaucracy and institutional weaknesses continue to slow development. Improving the business climate will be a challenge for the next government, especially in light of fiscal pressures for tax increases. Judicial independence and the rule of law have eroded in recent years.

ECONOMIC FREEDOM SCORE

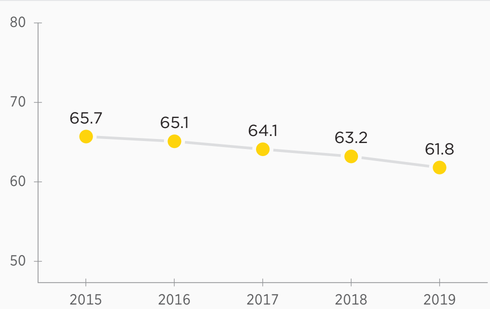


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–7.3

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
6.4 million

GDP (PPP):
$57.0 billion
2.4% growth in 2017
5-year compound annual growth 2.1%
$8,948 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
1.0%

FDI INFLOW:
$791.9 million

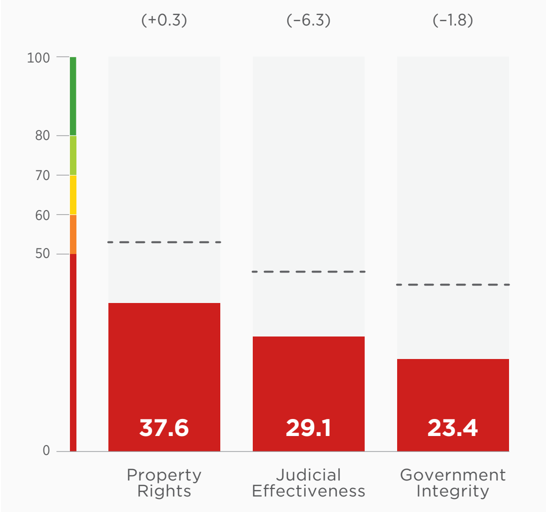
PUBLIC DEBT:
59.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After its 12-year civil war ended in 1992, El Salvador enjoyed strong economic growth under pro-market, center-right National Republican Alliance (ARENA) presidents. Since 2009, leftist Farabundo Martí National Liberation Front (FMLN) governments have increased the state's role in the economy. ARENA regained a plurality in the legislature in 2012, and presidential elections are scheduled for February 2019. Outgoing FMLN President Salvador Sánchez Cerén leaves a legacy of anemic economic growth; weak government effectiveness; and a surge in violence, homicides, and drug trafficking. The economy relies on exports of coffee, sugar, textiles and apparel, gold, ethanol, chemicals, electricity, and intermediate manufactured goods. Remittances account for nearly one-fifth of GDP, and one-third of the population lives below the poverty line.

12 ECONOMIC FREEDOMS | EL SALVADOR

RULE OF LAW

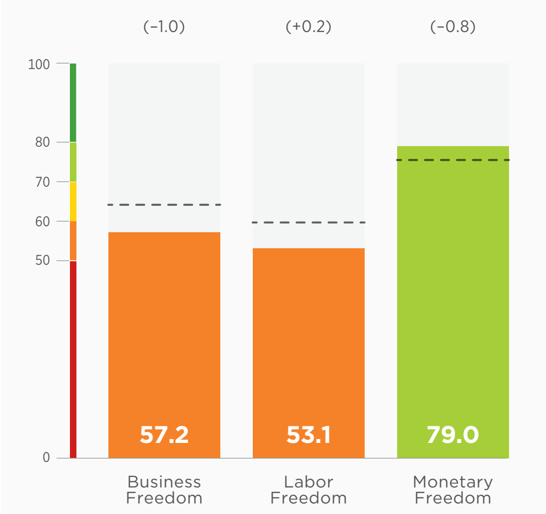


Property rights are not strongly respected, and enforcement efforts are uneven. No single natural or legal person can own more than 605 acres of land. The judicial system is so slow, costly, and riddled with corruption that it undermines public trust and the rule of law. Narco-related corruption remains a serious problem, bribery and off-the-books payments are common, and anticorruption laws are weak.

GOVERNMENT SIZE

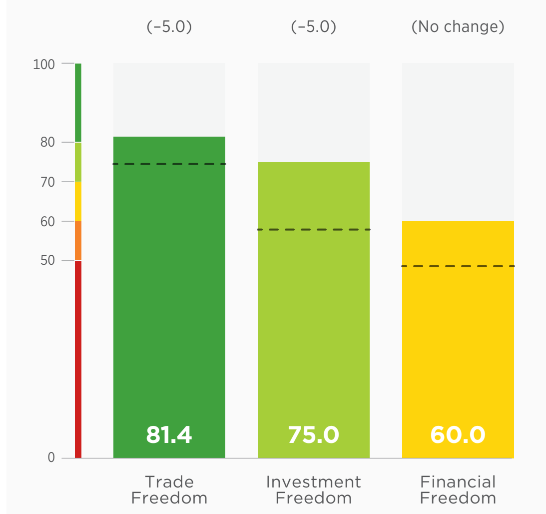
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 19.7 percent of total domestic income. Over the past three years, government spending has amounted to 21.4 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 59.3 percent of GDP.

REGULATORY EFFICIENCY



Despite some progress, regulations are enforced inconsistently. The inefficient labor market lacks flexibility, and imbalances persist in the demand for and supply of skilled workers. Less than 30 percent of Salvadorans work in the formal economy. Government-imposed price controls on a range of goods and services contributed to a fiscal deficit of about 2.2 percent of GDP in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 72.5 percent of GDP. The average applied tariff rate is 1.8 percent. As of June 30, 2018, according to the WTO, El Salvador had seven nontariff measures in force. In general, foreign and domestic investors are treated equally, and there is no screening of foreign investment. Banking is highly concentrated, and four private banks account for over 70 percent of total assets.

EQUATORIAL GUINEA

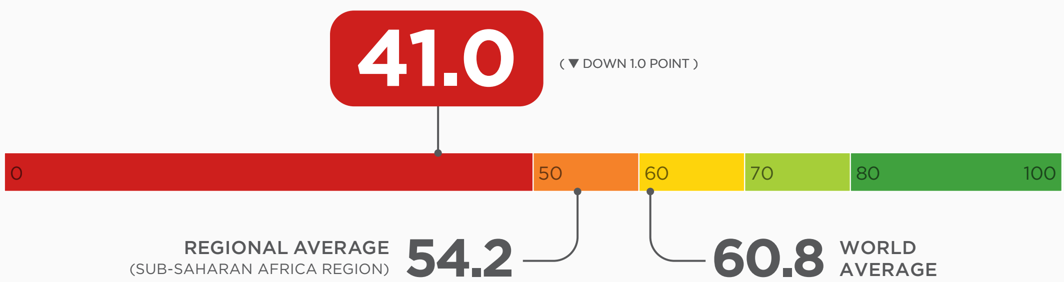
WORLD RANK: **174** | REGIONAL RANK: **44**

ECONOMIC FREEDOM STATUS: **REPRESSED**

Equatorial Guinea's economic freedom score is 41.0, making its economy the 174th freest in the 2019 *Index*. Its overall score has decreased by 1.0 point, with sharp drops in **government integrity** and **business freedom** outweighing an increase in the score for **government spending**. Equatorial Guinea is ranked 44th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Declining proven reserves and production of oil, the major economic driver during the hydrocarbons boom years, have reduced the government's ability to use debt-financed investment to support growth. Development is uneven, and poverty remains daunting. Persistent institutional weaknesses impede private-sector development. The rule of law is weak. Pervasive corruption and onerous regulations are major hurdles for foreign and domestic investment. The government has been criticized for lack of transparency in its use and misuse of oil revenues.

ECONOMIC FREEDOM SCORE

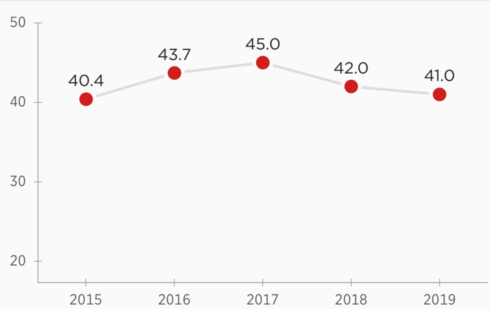


RELATIVE STRENGTHS:
Monetary Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999):
–4.1

CONCERNS:
Government Integrity and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$30.4 billion
–4.4% growth in 2017
5-year compound annual growth –5.6%
$36,017 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
0.7%

FDI INFLOW:
$304.1 million

PUBLIC DEBT:
42.7% of GDP

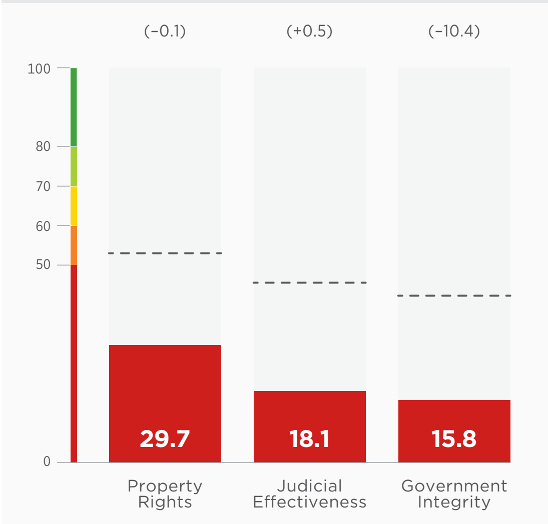
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Equatorial Guinea gained independence from Spain in 1968. President Teodoro Obiang seized power in a 1979 coup and won reelection to another seven-year term in 2016 with 93 percent of the vote. The opposition protested the result as fraudulent. The ruling party controls 99 of 100 parliamentary seats. In 2018, the Supreme Court approved the dissolution of the main opposition party and 30-year prison sentences for nearly two dozen opposition members; Obiang later declared a total amnesty for political prisoners. Equatorial Guinea was once one of Africa's fastest-growing economies and sub-Saharan Africa's third-largest oil producer, but its economy is now in decline. In 2017, Obiang's son (and vice president) Teodorín was convicted in absentia of corruption-related charges in France.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

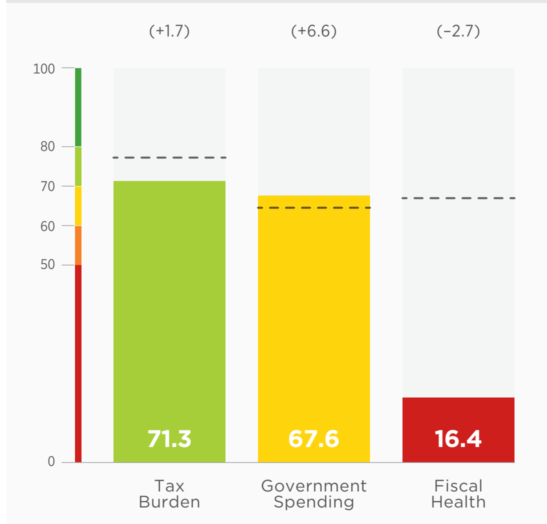
12 ECONOMIC FREEDOMS | EQUATORIAL GUINEA

RULE OF LAW



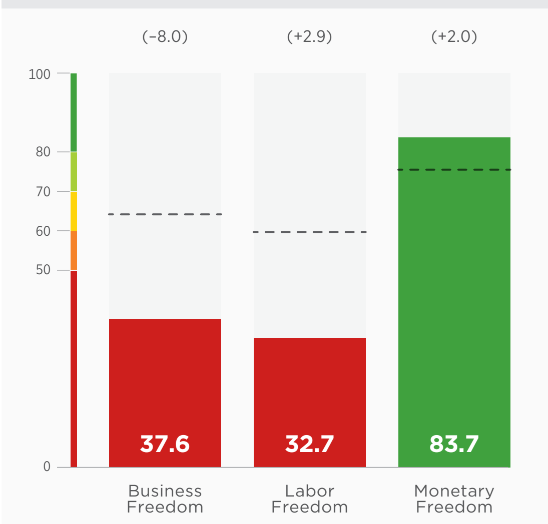
Property rights are enforced selectively, and the government can seize land with little or no due process. The judicial system is not independent, as the president is also the chief magistrate. Graft and nepotism are rampant. Foreign companies must guard against the taint of money laundering that often occurs through cross-border currency transactions and illegal international cash transfers by local companies or corrupt individuals.

GOVERNMENT SIZE



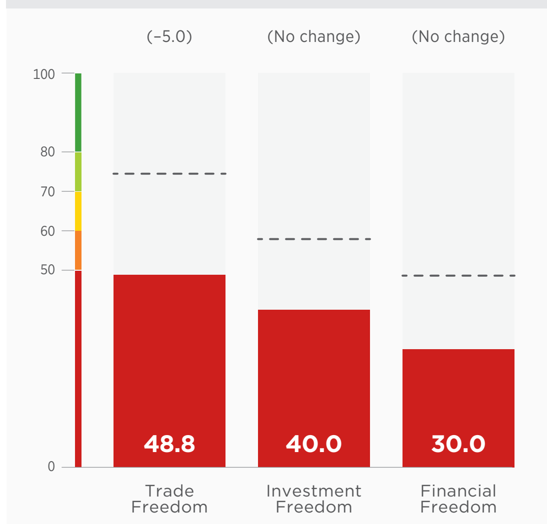
The top personal income and corporate tax rates are 35 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 20.4 percent of total domestic income. Over the past three years, government spending has amounted to 32.8 percent of the country's output (GDP), and budget deficits have averaged 10.4 percent of GDP. Public debt is equivalent to 42.7 percent of GDP.

REGULATORY EFFICIENCY

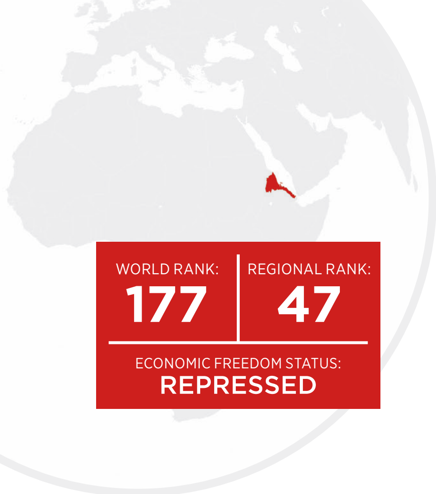


Persistent regulatory shortcomings impede development of a more vibrant private sector. Cumbersome procedures and high compliance costs slow licensing and make starting a business more difficult. Existing labor regulations are outmoded and create challenging barriers to hiring. The government continues efforts to stabilize fiscally by reducing fuel subsidies but has increased other public spending.

OPEN MARKETS



The combined value of exports and imports is equal to 94.4 percent of GDP. The average applied tariff rate is 15.6 percent. Pervasive corruption and onerous regulations are impediments to foreign and domestic investment in Equatorial Guinea. Credit costs are high, and access to financing is limited. The government controls long-term lending through the state-owned development bank.



WORLD RANK: **177**

REGIONAL RANK: **47**

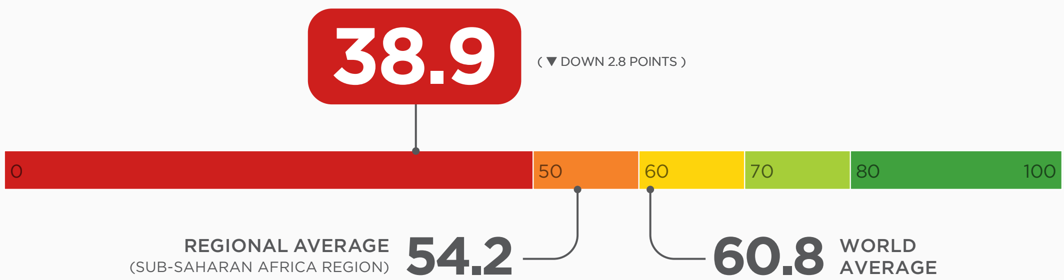
ECONOMIC FREEDOM STATUS: **REPRESSED**

ERITREA

Eritrea's economic freedom score is 38.9, making its economy the 177th freest in the 2019 *Index*. Its overall score has decreased by 2.8 points, with a steep plunge in **business freedom** completely overwhelming increases in scores for **judicial effectiveness** and **labor freedom**. Eritrea is ranked 47th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Eritrea remains one of the world's most difficult places to do business. Poor governance and lack of commitment to reform hamper economic freedom and drive many Eritreans into the informal sector. Mismanagement of public finances, underdeveloped legal and regulatory frameworks, and structural anomalies severely undermine private-sector development and impede productivity growth, dynamism, and overall economic growth. Monetary stability remains fragile, and inflation is very high, largely reflecting excessive money creation to fund fiscal deficits. Enforcement of property rights is marginal, and the rule of law is weak.

ECONOMIC FREEDOM SCORE

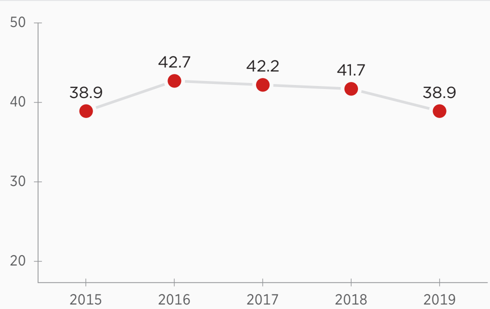


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+0.4

CONCERNS:
Fiscal Health and Business Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.9 million

GDP (PPP):
$9.4 billion
5.0% growth in 2017
5-year compound annual growth 3.4%
$1,581 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
9.0%

FDI INFLOW:
$55.5 million

PUBLIC DEBT:
131.2% of GDP

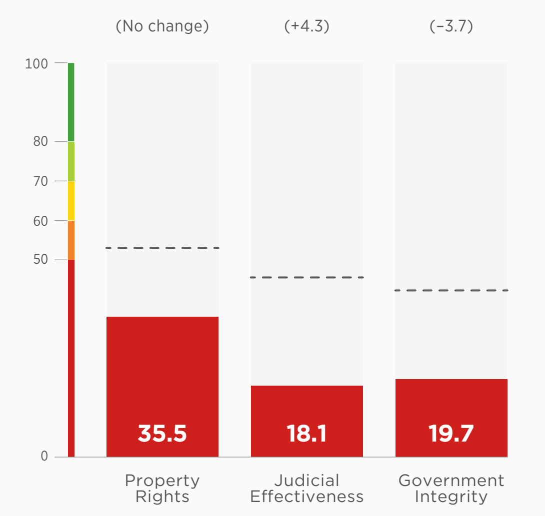
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Ethiopia's annexation of Eritrea as a province sparked a violent 30-year struggle for independence that ended in 1991 with Eritrean rebels defeating government forces. The autocratic and repressive rule of Isaias Afewerki has created a rigidly militarized society. Mandatory conscription can be for indefinite periods. Eritrea and Ethiopia normalized relations in 2018, but Eritrea remains under U.N. sanctions for allegedly supporting armed groups in the Horn of Africa, for occupying disputed territory of Djibouti, and for violating sanctions against North Korea. The government has expanded military-owned and party-owned businesses to complete the president's development agenda. Copper and gold are important exports, but military spending drains resources needed for the construction of public infrastructure.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

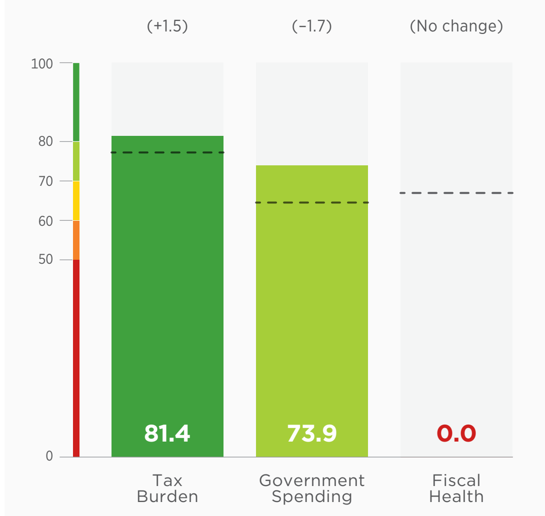
12 ECONOMIC FREEDOMS | ERITREA

RULE OF LAW



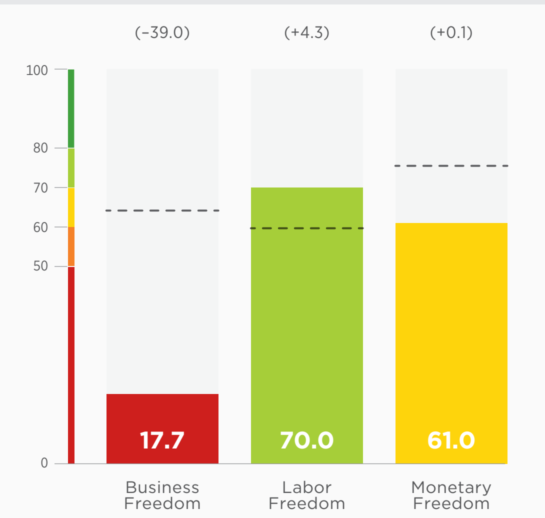
All land is considered state-owned, and property rights are nearly nonexistent. The little private property that does exist can be expropriated without due process or compensation. The politicized judiciary is understaffed, underfunded, and unprofessional. The autocratic one-party state, widely considered to be one of the world's most repressive, is ruled by the president and his inner circle. Corruption is a major problem.

GOVERNMENT SIZE



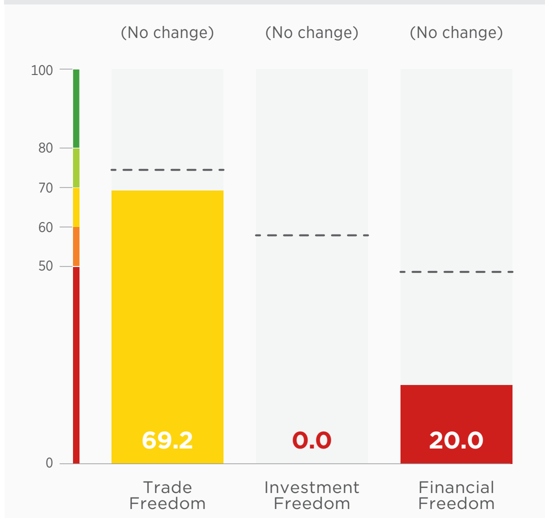
The top personal income and corporate tax rates are 30 percent. The overall tax burden equals 8.0 percent of total domestic income. Over the past three years, government spending has amounted to 29.5 percent of the country's output (GDP), and budget deficits have averaged 14.7 percent of GDP. Public debt is equivalent to 131.2 percent of GDP.

REGULATORY EFFICIENCY



The regulatory regime is not conducive to entrepreneurial activity, and procedures for running a business are opaque and costly. Greater delays in completing certain procedures have made it harder to start a business. The vast majority of the population is involved in subsistence agriculture, and formal employment is rare. Monetary stability is weak, and subsidies and price controls are core features of the command economy.

OPEN MARKETS



The combined value of exports and imports is equal to 37.5 percent of GDP. The average applied tariff rate is 5.4 percent. Foreign investment in several sectors of the economy is restricted, and state-owned enterprises distort markets. Eritrea's financial system remains very underdeveloped. Capital markets are nonexistent, and long-term financing is hard to obtain.

ESTONIA

Estonia's economic freedom score is 76.6, making its economy the 15th freest in the 2019 *Index*. Its overall score has decreased by 2.2 points, with significant drops in scores for **financial freedom**, **judicial effectiveness**, and **monetary freedom** outweighing a small gain in **labor freedom**. Estonia is ranked 7th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

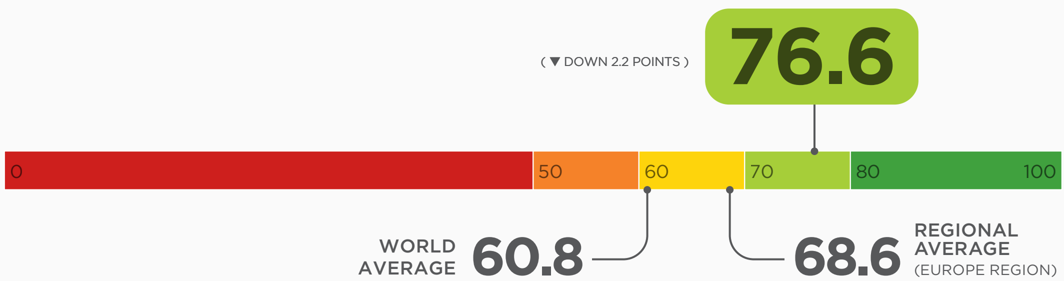
WORLD RANK: 15

REGIONAL RANK: 7

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The current government continues to pursue its predecessors' free-market, pro-business economic agenda and sound fiscal policies, which have led to balanced budgets, low public debt, and greater economic freedom. The rule of law is strongly buttressed and enforced by an independent and efficient judicial system, but a massive money-laundering scheme has eroded confidence in the banking sector. A simplified tax system with flat rates and low indirect taxation, openness to foreign investment, and a liberal trade regime support a resilient and well-functioning economy. Management of public finance has been notably prudent and sound.

ECONOMIC FREEDOM SCORE

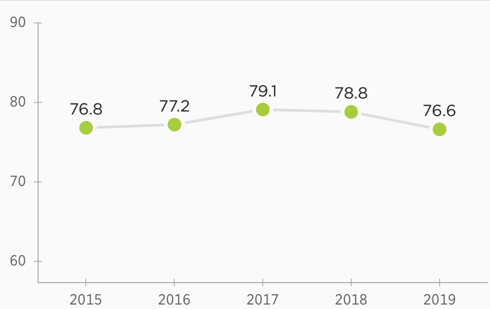


RELATIVE STRENGTHS:
Fiscal Health and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+11.4

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
$41.6 billion
4.9% growth in 2017
5-year compound annual growth 2.7%
$31,750 per capita

UNEMPLOYMENT:
5.8%

INFLATION (CPI):
3.7%

FDI INFLOW:
$784.4 million

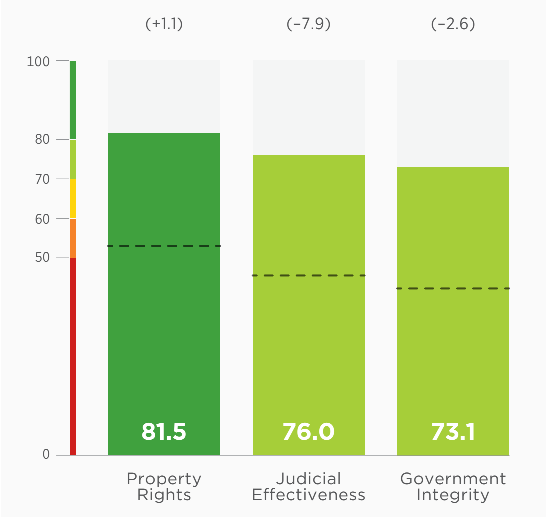
PUBLIC DEBT:
8.8% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Estonia, independent since 1991, is a stable multiparty democracy. It joined NATO and the European Union in 2004 and the Organisation for Economic Co-operation and Development in 2010. In 2011, it became the first former Soviet state to adopt the euro. In 2014, the government began issuing "E-Residency" status to noncitizens to facilitate business. Jüri Ratas, leader of the left-leaning Centre Party, became prime minister in 2016 after his party's coalition in parliament narrowly defeated the center-right, pro-market Reform Party of former Prime Minister Taavi Rõivas. The economy relies on robust electronics and telecommunications sectors and strong regional trade ties. The government is upgrading border security infrastructure along its nearly 183-mile land boundary with Russia.

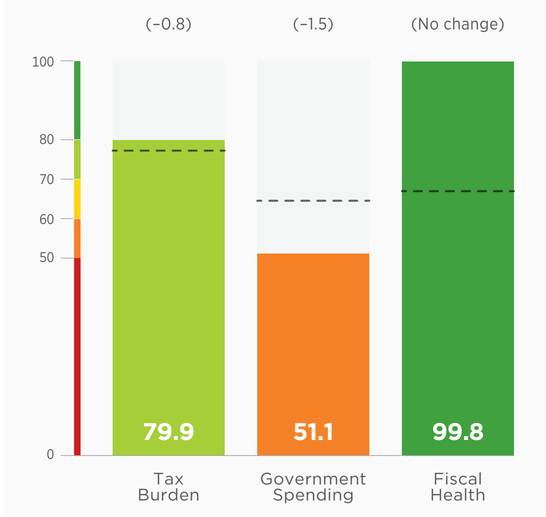
12 ECONOMIC FREEDOMS | ESTONIA

RULE OF LAW



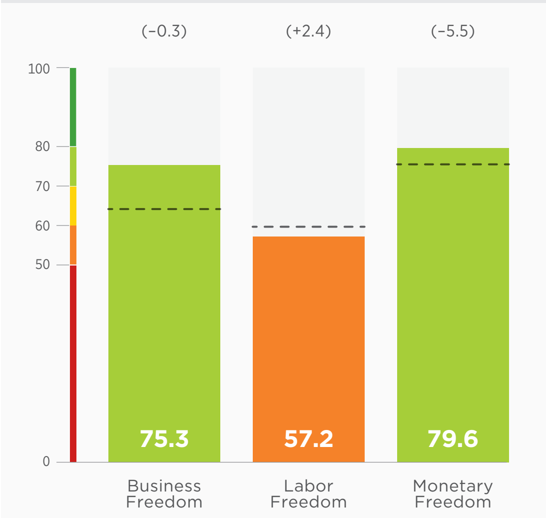
Property rights and contracts are recognized, secure, and well enforced. Expropriations are permitted for the public interest, and compensation is provided based on market value. Commercial codes are applied consistently. The judiciary is independent and well insulated from political influence. Mechanisms to investigate and punish abuse and isolated incidents of corruption are effective. High levels of integrity and transparency characterize most public institutions.

GOVERNMENT SIZE



The top personal income and corporate tax rates are 20 percent. Undistributed profits are not taxed. Other taxes include value-added and excise taxes. The overall tax burden equals 34.7 percent of total domestic income. Over the past three years, government spending has amounted to 40.4 percent of the country's output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 8.8 percent of GDP.

REGULATORY EFFICIENCY



The business start-up process is straightforward, and the cost of completing licensing requirements has been substantially reduced. Enhancing labor productivity and employment growth has been a key goal in ongoing efforts to reform the labor market. Estonia continues to subsidize energy and transportation heavily and is fighting the EU's proposal to reduce post-Brexit subsidy spending.

OPEN MARKETS

The combined value of exports and imports is equal to 151.6 percent of GDP. Estonia implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The average applied tariff rate is 2.0 percent. Estonia is very open to foreign investment. Exposure of a massive money-laundering scheme involving Russian assets has seriously undermined confidence in the banking sector.

WORLD RANK: **132**

REGIONAL RANK: **23**

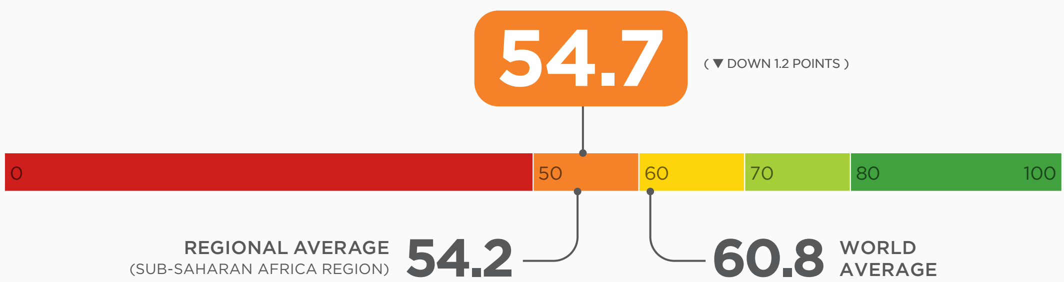
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ESWATINI

Eswatini's economic freedom score is 54.7, making its economy the 132nd freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with plunging scores for **fiscal health** and **property rights** overwhelming increases in **government integrity**, **trade freedom**, and **judicial effectiveness**. Eswatini is ranked 23rd among 47 countries in the Sub-Saharan Africa region, and its overall score is just above the regional average but below the world average.

Popular discontent with chronic mismanagement of public finances, abysmal labor conditions, and resistance by the elites to demands for democratic reform were not mitigated by the king's unilateral decision to change the country's name. Eswatini needs structural reforms to improve infrastructure, boost agricultural productivity, and increase economic diversification to attract investment. Bureaucratic inefficiency and corruption affect many aspects of the economy. Judicial enforcement of contracts and property rights is vulnerable to political interference.

ECONOMIC FREEDOM SCORE

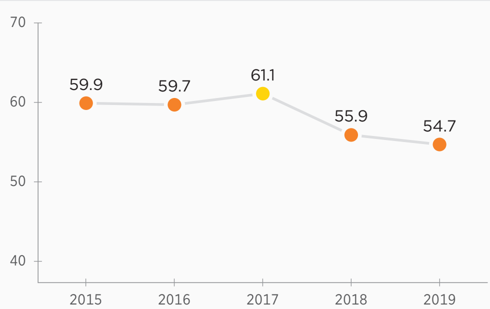


RELATIVE STRENGTHS:
Trade Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–8.6

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
1.1 million

GDP (PPP):
$11.3 billion
0.2% growth in 2017
5-year compound annual growth 2.0%
$9,884 per capita

UNEMPLOYMENT:
26.4%

INFLATION (CPI):
6.3%

FDI INFLOW:
–$136.8 million

PUBLIC DEBT:
29.2% of GDP

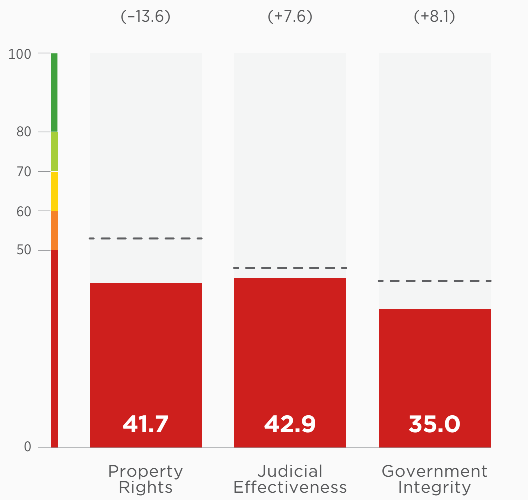
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Eswatini (formerly Swaziland) gained independence from the United Kingdom in 1968. King Mswati III, who changed the country's name in April 2018, is Africa's last absolute monarch. Political parties are banned, and rights groups accuse the government of imprisoning journalists and pro-democracy activists. Chiefs loyal to the king pick parliamentary candidates, and international observers declared the 2018 elections to be not credible. Eswatini has the world's highest HIV/AIDS rate, but the rate of new infections has declined. The country depends on South Africa for the vast majority of its trade. Approximately 70 percent of the population works in subsistence agriculture, and unemployment is high. Manufacturing was diversified in the 1980s and 1990s but has grown little in the past decade.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

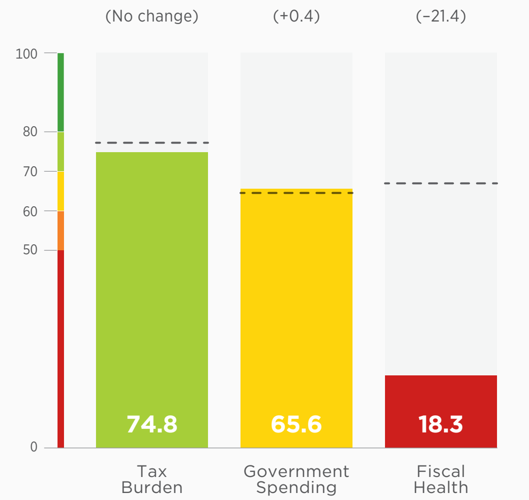
12 ECONOMIC FREEDOMS | ESWATINI

RULE OF LAW



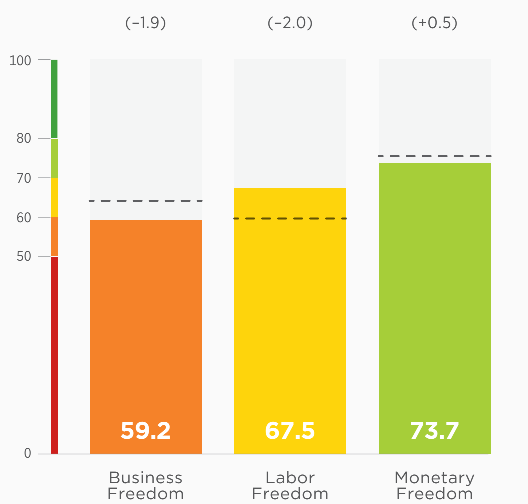
The right to own property is protected by law, but most Swazis reside on Swazi Nation Land that is not covered by this constitutional protection. The constitution provides for an independent judiciary, but the king's absolute power to appoint judges limits judicial independence. Corruption is a major problem. The legal and regulatory environments are underdeveloped, opaque, and inconsistent.

GOVERNMENT SIZE



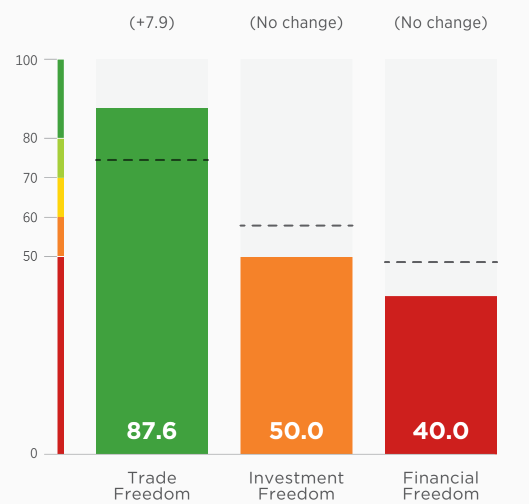
The top individual income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include fuel and sales taxes. The overall tax burden equals 25.5 percent of total domestic income. Over the past three years, government spending has amounted to 33.9 percent of the country's output (GDP), and budget deficits have averaged 7.6 percent of GDP. Public debt is equivalent to 29.2 percent of GDP.

REGULATORY EFFICIENCY



Saddled with an inefficient regulatory environment, Eswatini's private sector faces considerable challenges. Various regulatory requirements increase the cost of carrying out sustainable entrepreneurial activity, undercutting development of dynamic private activity. A formal labor market has not been fully developed. Although the IMF has recommended reductions in subsidies and transfers, significant economic reform appears unlikely.

OPEN MARKETS



The combined value of exports and imports is equal to 102.2 percent of GDP. The average applied tariff rate is 1.2 percent, but nontariff barriers persist and deter development of more dynamic trade activity. Foreign investment is screened, and state-owned enterprises distort the economy. Overall supervision of Eswatini's banking sector is weak, and the sector remains subject to government influence.

ETHIOPIA

WORLD RANK: **137**

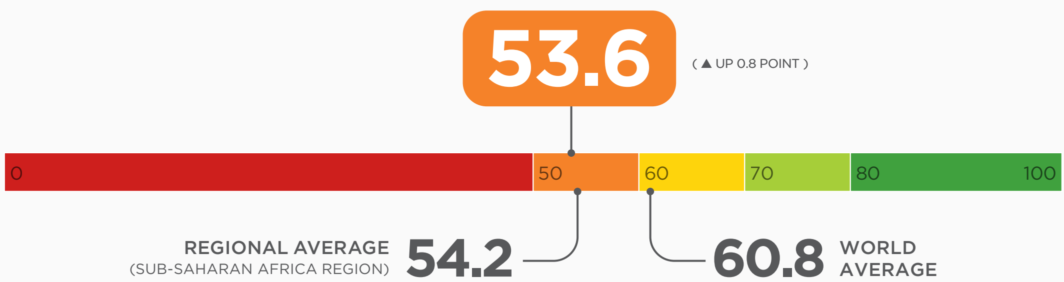
REGIONAL RANK: **26**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Ethiopia's economic freedom score is 53.6, making its economy the 137th freest in the 2019 *Index*. Its overall score has increased by 0.8 point, with significant increases in scores for **business freedom** and **labor freedom** outpacing a decline in **monetary freedom**. Ethiopia is ranked 26th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

The prime minister is encouraging greater private-sector involvement to support the government's plan to transform Ethiopia from an agriculture-based economy into a manufacturing hub, a plan that hinges on improved transport and energy infrastructure and greater agricultural-sector productivity. To achieve these goals, reforms are needed to improve the burdensome and opaque business and investment regime. The poor quality and efficiency of government services are made worse by weak rule of law and pervasive corruption. State distortions in prices and interest rates undermine monetary stability.

ECONOMIC FREEDOM SCORE

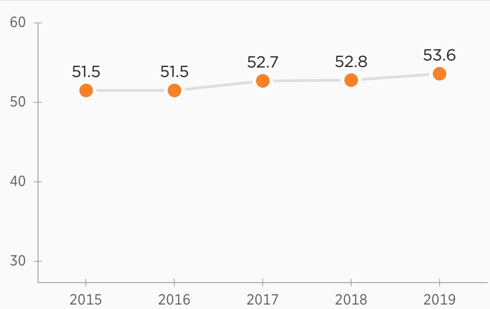


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+11.0

CONCERNS:
Financial Freedom and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
92.7 million

GDP (PPP):
$200.2 billion
10.9% growth in 2017
5-year compound annual growth 9.9%
$2,161 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
9.9%

FDI INFLOW:
$3.6 billion

PUBLIC DEBT:
56.2% of GDP

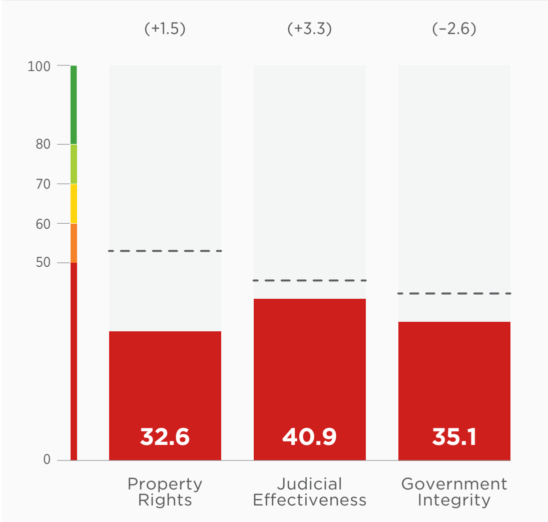
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A military junta deposed Emperor Haile Selassie in 1974 and created a socialist state. The Ethiopian People's Revolutionary Democratic Front (EPRDF) overthrew the junta in 1991 and established a repressive one-party state. Protests by Ethiopia's marginalized Oromo tribe led in April 2018 to the surprise ascension of Prime Minister Abiy Ahmed, who released political prisoners and launched ambitious reforms to increase the role of women in government, partially privatize state-owned enterprises, and seek rapprochement with longtime rival Eritrea. Tensions over Ethiopia's almost-completed Nile River dam eased after a water-sharing agreement was concluded with Egypt and Sudan. The economy's strong growth has reduced poverty.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

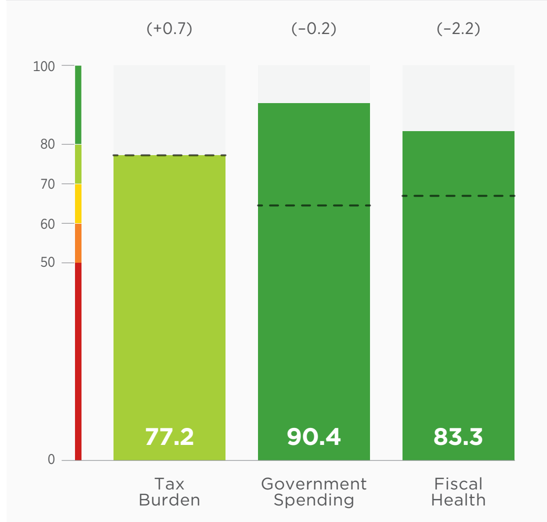
12 ECONOMIC FREEDOMS | ETHIOPIA

RULE OF LAW



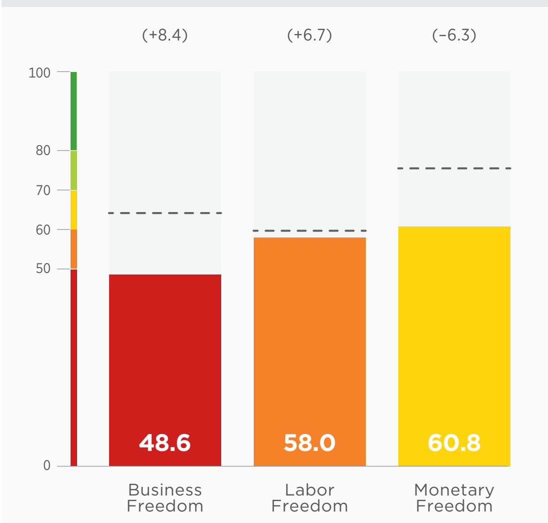
Ownership of all land remains in the hands of the state, with use rights granted to landholders. The judiciary is officially independent, but its judgments rarely deviate from government policy. Government officials and state institutions reportedly enjoy preferential access to credit, land leases, and jobs. Corruption and bribery remain significant problems, although the new prime minister has a reformist agenda.

GOVERNMENT SIZE



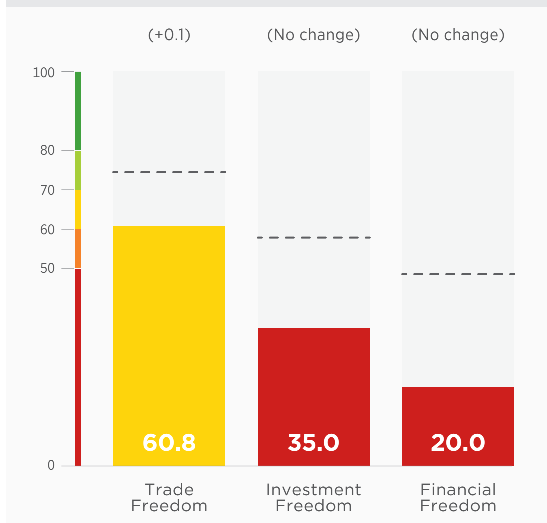
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 12.4 percent of total domestic income. Over the past three years, government spending has amounted to 17.9 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 56.2 percent of GDP.

REGULATORY EFFICIENCY

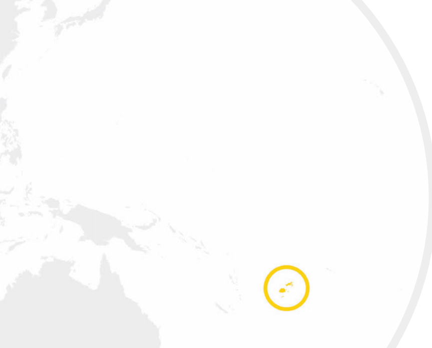


Ethiopia has made starting a business easier by removing the requirement to open a bank account for company registration and eliminating the paid-in minimum capital requirement. The underdeveloped labor market hinders employment growth, trapping much of the labor force in the informal economy. The government intends to reform fuel subsidies but also has offered tax breaks and subsidies to foreign investors.

OPEN MARKETS



The combined value of exports and imports is equal to 31.5 percent of GDP. The average applied tariff rate is 12.1 percent. Ethiopia is not a member of the World Trade Organization. The state has allowed the private sector to participate in banking, but it restricts foreign ownership. About 38 percent of adult Ethiopians have access to an account with a formal banking institution.



WORLD RANK: **81** | REGIONAL RANK: **18**

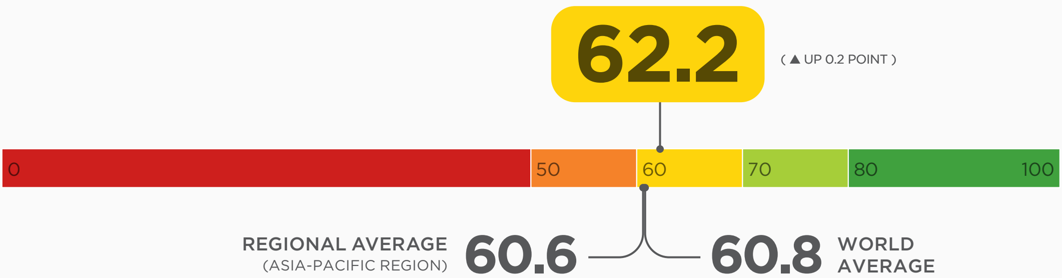
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

FIJI

Fiji's economic freedom score is 62.2, making its economy the 81st freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with a spike in **fiscal health** exceeding a sharp drop for **government integrity** and a lower score for **trade freedom**. Fiji is ranked 18th among 43 countries in the Asia–Pacific region, and its overall score is just above the regional and world averages.

After a series of cyclones in the past few years that caused widespread damage to housing, infrastructure, and crops, the government's goal is to develop Fiji's physical infrastructure both to improve resilience to tropical storms and to support economic growth. The cost of reconstruction has weighed heavily on public finances. Recovery is further hampered by underperforming institutions, structural and policy weaknesses, and weak rule of law. To enhance regulatory efficiency, the government has implemented a series of pro-business reforms.

ECONOMIC FREEDOM SCORE

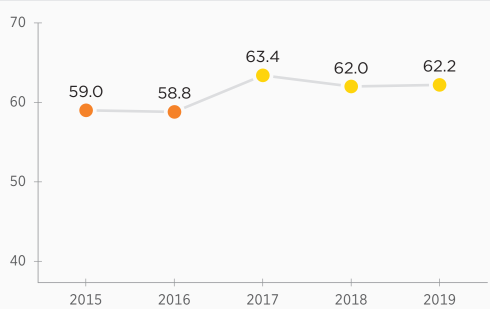


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+7.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.9 million

GDP (PPP):
$8.7 billion
3.8% growth in 2017
5-year compound annual growth 3.7%
$9,777 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
3.4%

FDI INFLOW:
$299.0 million

PUBLIC DEBT:
46.6% of GDP

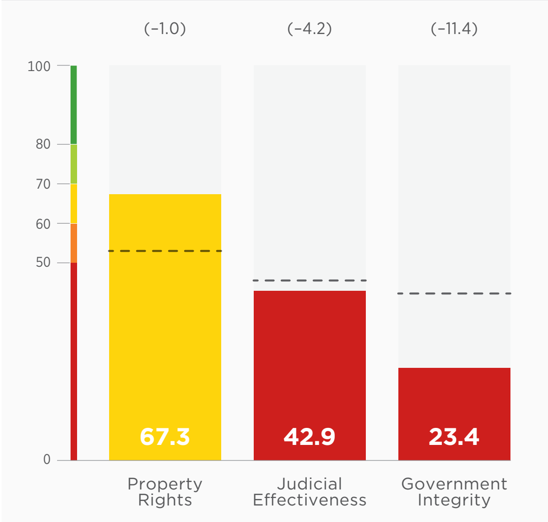
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former British colony of Fiji gained independence in 1970. Military strongman Commodore Frank Bainimarama has ruled the Pacific island nation for more than a decade, and his FijiFirst party retained its parliamentary majority in November 2018 elections. There is a long history of ethnic tension between the indigenous, mostly Christian population and a large minority of Hindu and Muslim Indo-Fijians. Sanctions imposed in 2006 by Fiji's main trading partners, including the European Union and Australia, in reaction to the coup that installed Bainimarama hurt vital agriculture, apparel, and fishing industries. The sanctions were lifted after Bainimarama was elected prime minister in 2014. Fiji's economy relies heavily on tourism, remittances, and the sugar industry.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

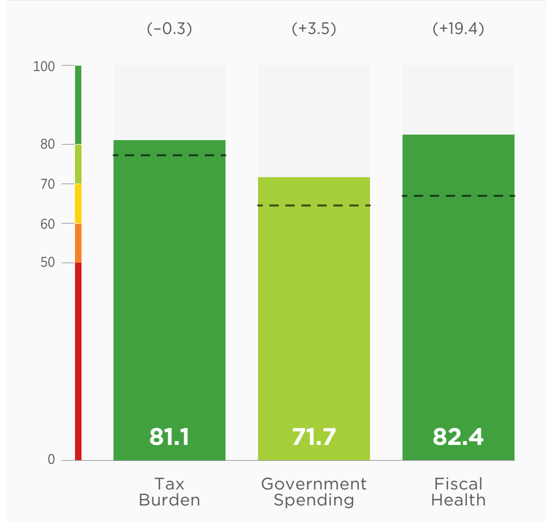
12 ECONOMIC FREEDOMS | FIJI

RULE OF LAW



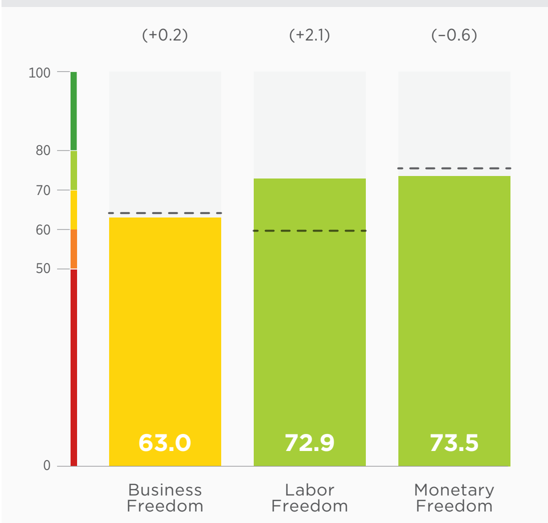
Protection of property is highly uncertain. Obtaining land titles is difficult and time-consuming. Constitutional provisions meant to improve the quality and protection of land leases have unintentionally weakened the legal structure surrounding leases. The judiciary is constitutionally independent but subject to executive influence, and the constitution restricts the jurisdiction of the courts. Enforcement of anticorruption statutes is ineffective.

GOVERNMENT SIZE



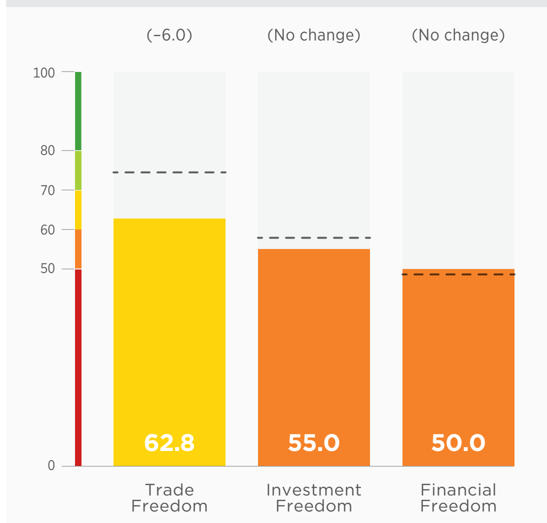
The top individual income tax rate is 29 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and land sales taxes. The overall tax burden equals 25.5 percent of total domestic income. Over the past three years, government spending has amounted to 30.7 percent of the country's output (GDP), and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 46.6 percent of GDP.

REGULATORY EFFICIENCY



Despite some progress, procedures for establishing and running a private enterprise are still time-consuming and costly. Businesses in Fiji must cope with increasing bureaucratic interference and a complex land ownership system. Labor regulations remain rigid, and an efficient labor market has not been developed. The government has increased sugarcane subsidies and launched a program to subsidize electronic transactions.

OPEN MARKETS



The combined value of exports and imports is equal to 78.0 percent of GDP. The average applied tariff rate is 11.1 percent. Foreign investment is screened, and investment in land is restricted. State-owned enterprises distort the economy. The government of Fiji has withdrawn from commercial banking, and foreign participation is significant. Foreign exchange controls have been eased.

WORLD RANK: **20** | REGIONAL RANK: **11**

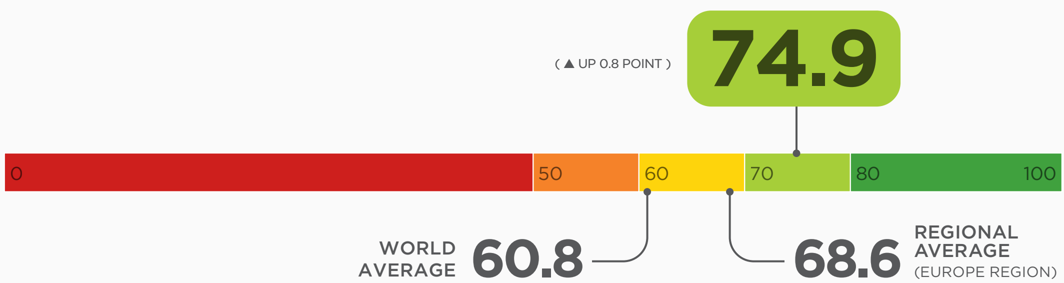
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

FINLAND

Finland's economic freedom score is 74.9, making its economy the 20th freest in the 2019 *Index*. Its overall score has increased by 0.8 point, with higher scores for **fiscal health** and **government spending** outpacing small declines in **judicial effectiveness** and **monetary freedom**. Finland is ranked 11th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The government must maintain fiscal sustainability as public finances come under increasing pressure from a rapidly aging population, reduce high labor costs, boost productivity in traditional industries, and increase demand for exports. The quality of the legal framework is among the world's highest, providing effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimum tolerance for corruption continues. Absent extraordinarily high levels of government spending, Finland would likely rank among the world's 10 freest economies.

ECONOMIC FREEDOM SCORE

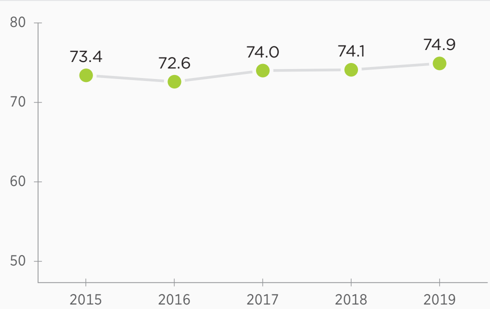


RELATIVE STRENGTHS:
Government Integrity and Property Rights

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+11.2

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.5 million

GDP (PPP):
$244.0 billion
3.0% growth in 2017
5-year compound annual growth 0.8%
$44,333 per capita

UNEMPLOYMENT:
8.6%

INFLATION (CPI):
0.8%

FDI INFLOW:
$1.3 billion

PUBLIC DEBT:
61.4% of GDP

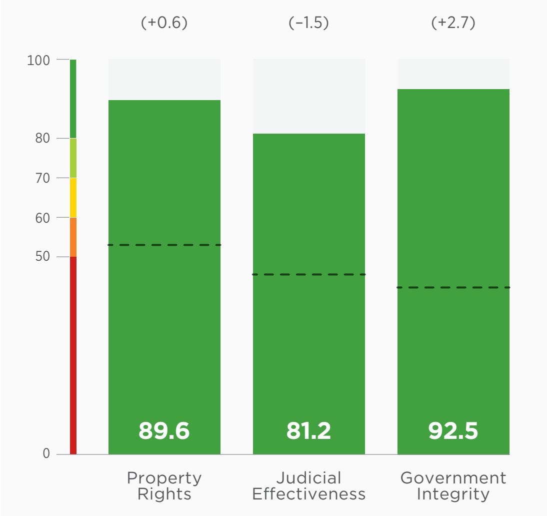
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Formerly part of Sweden and later the Russian Empire, Finland gained independence in 1917, joined the European Union in 1995, and adopted the euro in 1999. Prime Minister Juha Sipilä of the Center Party formed a coalition in 2017 with the center-right National Coalition Party and the newly formed and conservative Blue Reform party. President Sauli Niinistö of the National Coalition Party won a second term in 2018. The export-led economy is centered on manufacturing, principally in the wood, metals, telecommunications, and electronics industries, and has enjoyed steady growth. Heavily dependent on Russian energy, Finland cut tariffs on Russian electricity imports in June 2018 and has approved construction of the controversial Nord Stream II pipeline inside its exclusive economic zone.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

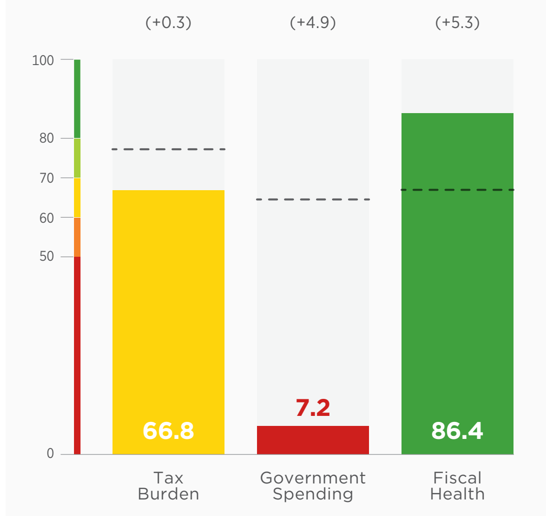
12 ECONOMIC FREEDOMS | FINLAND

RULE OF LAW



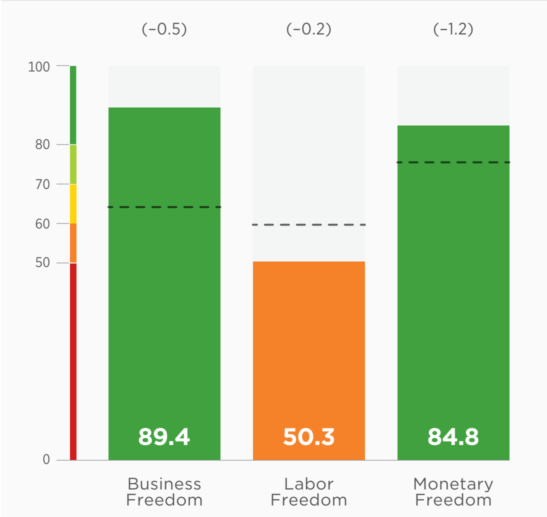
Finland maintains one of the world's strongest property rights protection regimes and adheres to many international agreements that aim to protect intellectual property. Contractual agreements are strictly honored. The quality of the judiciary is generally high. Corruption is not a significant problem in Finland, which was ranked 3rd out of 180 countries surveyed in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE



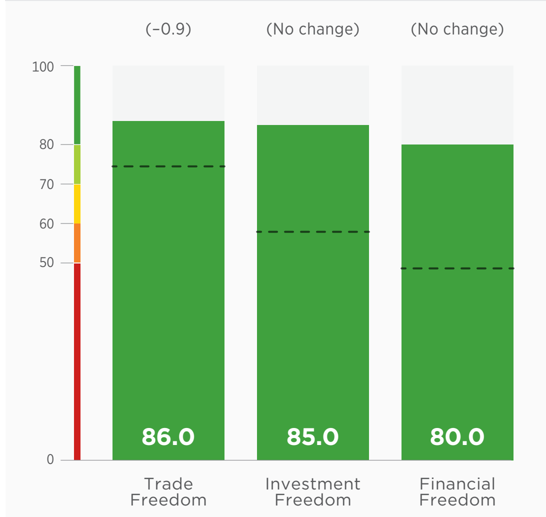
The top personal income tax rate is 31.25 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and capital income taxes. The overall tax burden equals 44.1 percent of total domestic income. Over the past three years, government spending has amounted to 55.6 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 61.4 percent of GDP.

REGULATORY EFFICIENCY



Finland's efficient business framework facilitates robust innovation and growth in productivity. In 2017, Finland increased the maximum length of the probationary period for permanent employees. The government also recently took some actions aimed at making unemployment less attractive. The EU has increased subsidies to Finland while the government considers reforms in its green-energy subsidy program.

OPEN MARKETS



The combined value of exports and imports is equal to 76.7 percent of GDP. Finland implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The average applied tariff rate is 2.0 percent. Finland welcomes foreign investment. The financial sector, with sound regulations, provides a wide range of services.

WORLD RANK: 71

REGIONAL RANK: 35

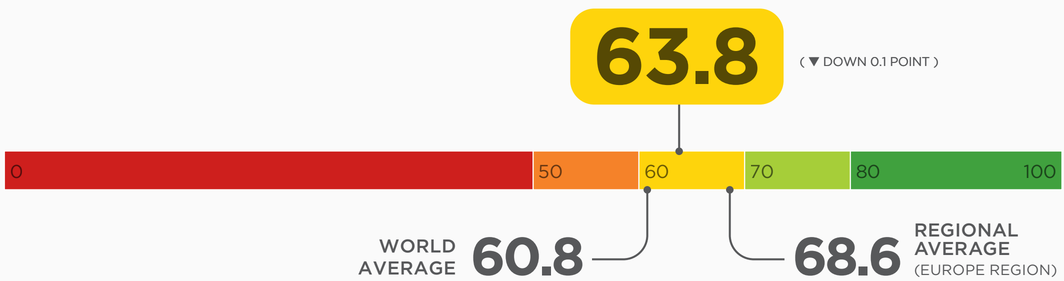
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

FRANCE

France's economic freedom score is 63.8, making its economy the 71st freest in the 2019 *Index*. Its overall score has decreased by 0.1 point, with a sharp drop in the score for **judicial effectiveness** exceeding improvements in **fiscal health** and **government integrity**. France is ranked 35th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

The main policy challenges in France are to boost economic growth; lower high unemployment (especially among youth); increase competitiveness; improve public finances; and mitigate foreign investors' negative views of the labor market. To do so, the government will have to rely on traditionally resilient French entrepreneurs and such institutional strengths as strong protection of property rights and a fairly efficient regulatory regime. Government spending accounts for more than half of total domestic output. The budget has been chronically in deficit and will have to be cut.

ECONOMIC FREEDOM SCORE

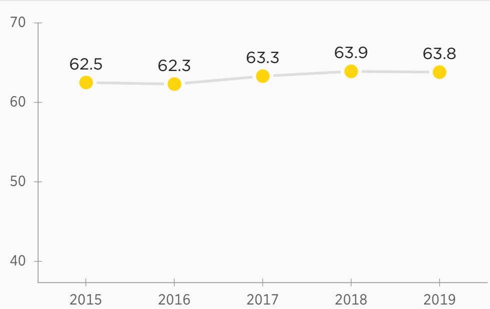


RELATIVE STRENGTHS:
Property Rights and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–0.6

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
64.8 million

GDP (PPP):
$2.8 trillion
1.8% growth in 2017
5-year compound annual growth 1.1%
$43,761 per capita

UNEMPLOYMENT:
9.4%

INFLATION (CPI):
1.2%

FDI INFLOW:
$49.8 billion

PUBLIC DEBT:
97.0% of GDP

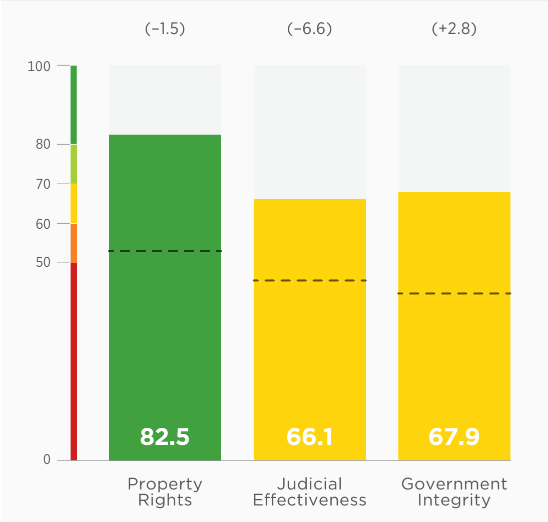
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: France is one of the world's most modern countries and sees itself as a leader among European nations. President Emmanuel Macron, founder of the center-left La République en Marche (REM) and elected in 2017, is France's youngest president since the establishment of the Fifth Republic. His party's coalition won a majority of seats in 2017 parliamentary elections that were marked by a record-low turnout. French troops have been deployed to patrol city streets after a series of horrific terrorist attacks by Islamist militants. France's diversified economy is led by tourism, manufacturing, and pharmaceuticals. The government has partially or fully privatized many large companies but maintains a strong presence in such sectors as power, public transport, and defense.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

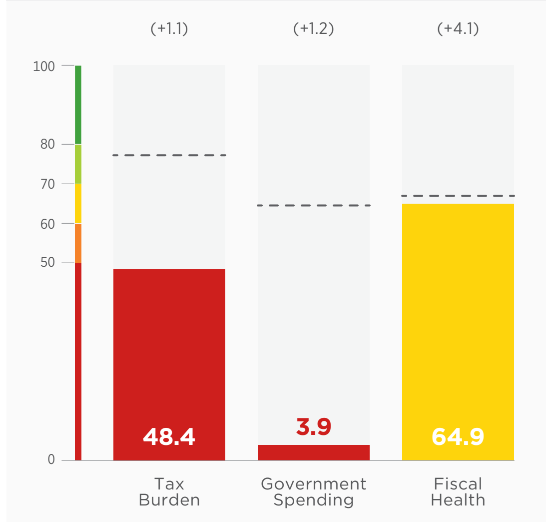
12 ECONOMIC FREEDOMS | FRANCE

RULE OF LAW



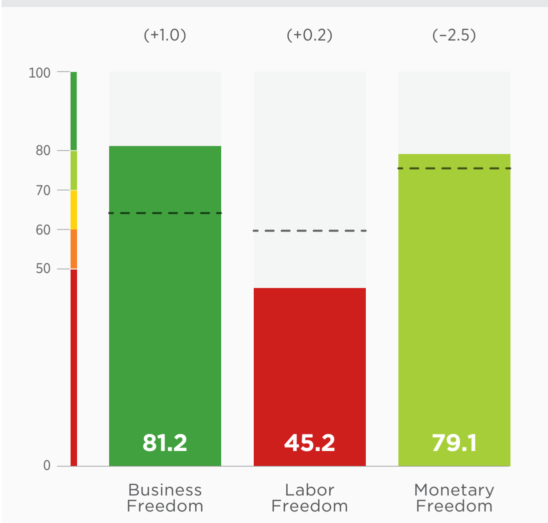
Property rights and contract enforcement are secure, although real estate regulation is complex and inefficient. France has robust laws protecting intellectual property rights. An independent judiciary and the rule of law are firmly established. The government actively promotes a strong anticorruption legal framework, but corruption remains a problem in such sectors as public works, defense, and wherever business and politics overlap.

GOVERNMENT SIZE



The top individual income tax rate is 45 percent, and the top corporate tax rate is 33 percent. Other taxes include a value-added tax. The overall tax burden equals 45.3 percent of total domestic income. Over the past three years, government spending has amounted to 56.6 percent of the country's output (GDP), and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 97.0 percent of GDP.

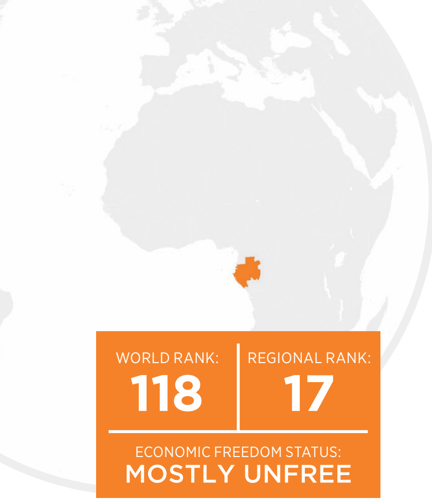
REGULATORY EFFICIENCY



The overall regulatory framework remains relatively efficient, but the labor market is burdened with rigid regulations and lacks the capacity to generate more vibrant employment growth. The government maintains an extensive system of subsidies and price controls, especially for agriculture and clean energy, and opposes moves to reduce EU Common Agricultural Program subsidies.

OPEN MARKETS

The combined value of exports and imports is equal to 62.9 percent of GDP. The average applied tariff rate is 2.0 percent. France implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Investment in some sectors is restricted. The banking sector is mostly in private hands, but the state still owns several important institutions.



WORLD RANK: **118** | REGIONAL RANK: **17**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GABON

Gabon's economic freedom score is 56.3, making its economy the 118th freest in the 2019 *Index*. Its overall score has decreased by 1.7 points, with sharp drops in **fiscal health**, **trade freedom**, and **labor freedom** outweighing modestly higher scores for **judicial effectiveness** and **government integrity**. Gabon is ranked 17th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The government knows it must rebuild financial buffers that were eroded during the global oil price slump. This year's lower economic freedom scores, however, reflect pressure from an unhappy public to maintain unsustainable levels of subsidies. Major structural reforms, such as an overhaul of the tax system, are needed to promote diversification, improve the business climate, and generate economic growth. The regulatory structure remains highly bureaucratic, and the rule of law is weak.

ECONOMIC FREEDOM SCORE

56.3 (▼ DOWN 1.7 POINTS)

0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

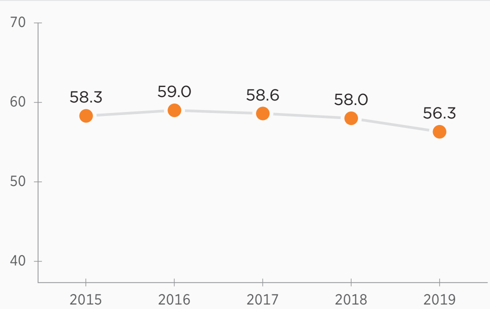
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–1.2

CONCERNS:
Property Rights and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
1.9 million

GDP (PPP):
$36.7 billion
0.8% growth in 2017
5-year compound annual growth 3.4%
$19,254 per capita

UNEMPLOYMENT:
19.7%

INFLATION (CPI):
3.0%

FDI INFLOW:
$1.5 billion

PUBLIC DEBT:
61.1% of GDP

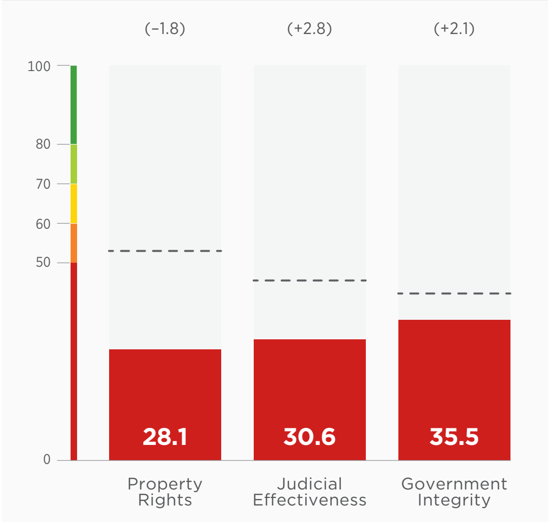
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Gabon gained independence from France in 1960 and was ruled by Omar Bongo for more than 40 years until his son, Ali Bongo Ondimba, became president in 2009. Opposition leaders accused the Bongo family of electoral fraud to ensure dynastic succession. After Bongo secured his second seven-year term in disputed 2016 elections, the government cracked down on the political opposition. In 2018, the parliament passed constitutional changes that critics say centralized executive power. Despite abundant natural wealth, poor fiscal management and overreliance on oil have stifled the economy. Power cuts and water shortages are frequent. Gabon has one of Africa's highest average per capita incomes, but oil wealth is held by few, and most Gabonese are poor.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

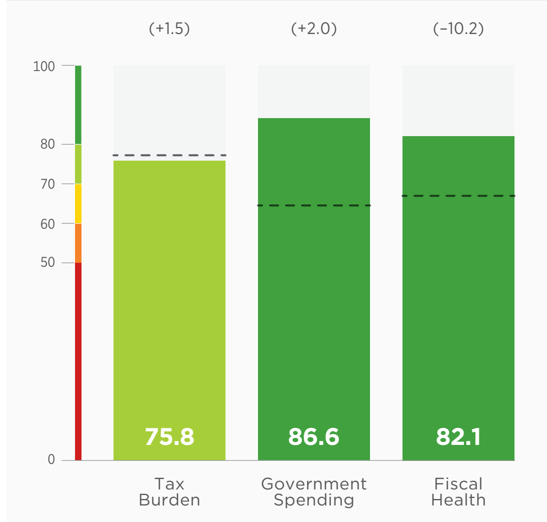
12 ECONOMIC FREEDOMS | GABON

RULE OF LAW



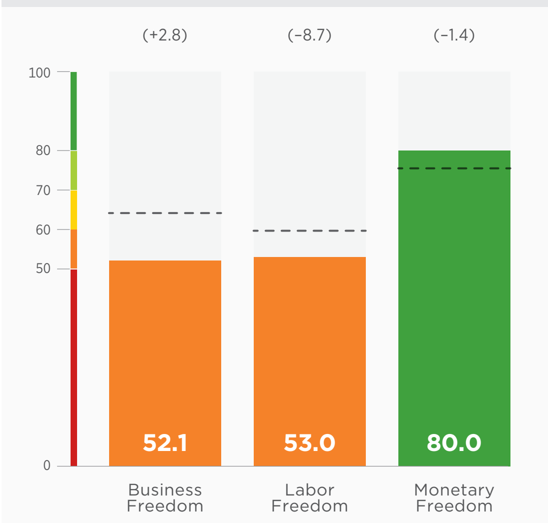
Protection of property rights is weak, and contracts are not strongly enforced. The judiciary is inefficient and not independent. The law is not applied consistently, and bureaucratic delays often undermine the delivery of justice. Dispute resolution takes nearly three years on average. Anticorruption laws are not enforced, and bribery is widespread in commerce and business and particularly in the energy sector.

GOVERNMENT SIZE



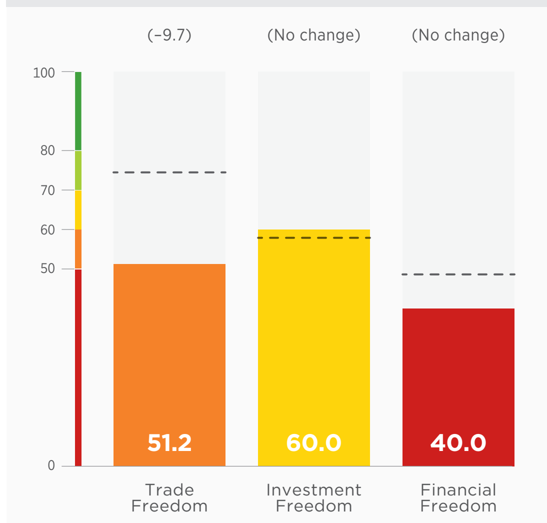
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 17.3 percent of total domestic income. Over the past three years, government spending has amounted to 21.1 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 61.1 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework still confronts potential entrepreneurs with significant bureaucratic and procedural hurdles. Labor regulations are outdated and applied inconsistently. The government has slowed IMF-recommended efforts to reduce spending and subsidies. It continues to influence prices through subsidies to state-owned enterprises and direct control of the prices of other products.

OPEN MARKETS



The combined value of exports and imports is equal to 70.5 percent of GDP. The average applied tariff rate is 16.9 percent. As of June 30, 2018, according to the WTO, Gabon had two nontariff measures in force. The government screens foreign investment, and investment is discouraged by inefficient regulatory regimes. The underdeveloped financial sector remains state-controlled. Credit costs are high, and access to financing is scarce.

WORLD RANK: **146**

REGIONAL RANK: **30**

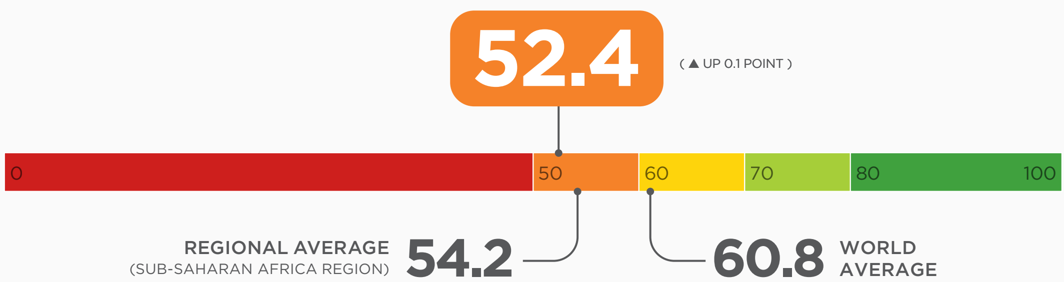
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

THE GAMBIA

The Gambia's economic freedom score is 52.4, making its economy the 146th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with gains in scores for **government integrity**, **judicial effectiveness**, and **labor freedom** exceeding losses on **government spending**, **investment freedom**, and **trade freedom**. The Gambia is ranked 30th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

The economic revival sparked by transition to democratic rule has been reflected in higher agricultural output, recovery in trade and tourism, strengthened investor interest, and a resumption of aid inflows. After decades of economic mismanagement, new policy initiatives such as regulatory reform, lower corporate taxes, and easing access to land are planned with the aim of rebuilding investor confidence. Pervasive corruption has been a critical problem, and weak protection of property rights has undermined the rule of law.

ECONOMIC FREEDOM SCORE

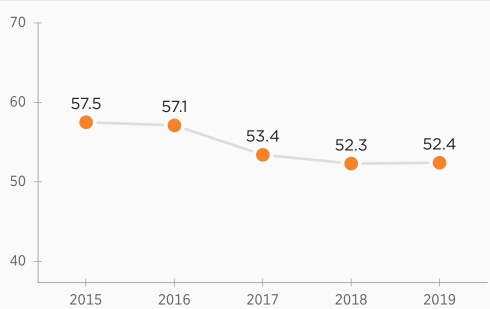


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
–0.5

CONCERNS:
Fiscal Health and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$3.6 billion
3.5% growth in 2017
5-year compound annual growth 3.1%
$1,713 per capita

UNEMPLOYMENT:
9.5%

INFLATION (CPI):
8.0%

FDI INFLOW:
$87.5 million

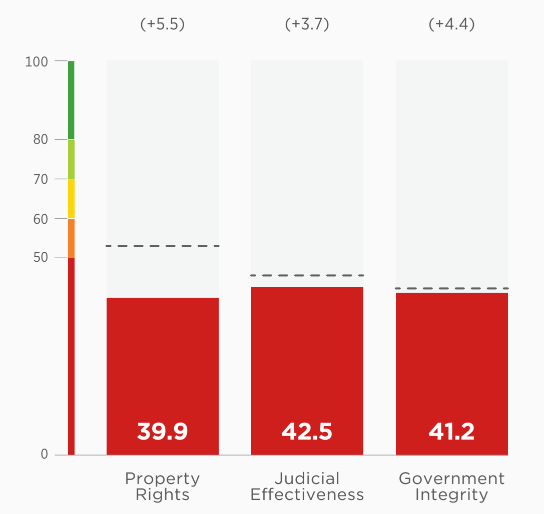
PUBLIC DEBT:
123.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Geographically surrounded by Senegal, The Gambia gained independence from the United Kingdom in 1965. Longtime dictator Yahya Jammeh took power in 1994 and won a fourth term in 2011 in flawed elections. Adama Barrow defeated Jammeh in the 2016 presidential election. After Jammeh refused to step down, Economic Community of West African States (ECOWAS) member countries intervened militarily early in 2017 and forced him to leave the country. ECOWAS later extended the mandate of its approximately 500 troops remaining in The Gambia for another year. The new government is courting Chinese investment and has signed a duty-free trade agreement with China. Revenue depends heavily on peanut exports, leaving the economy vulnerable to price fluctuations and market shocks.

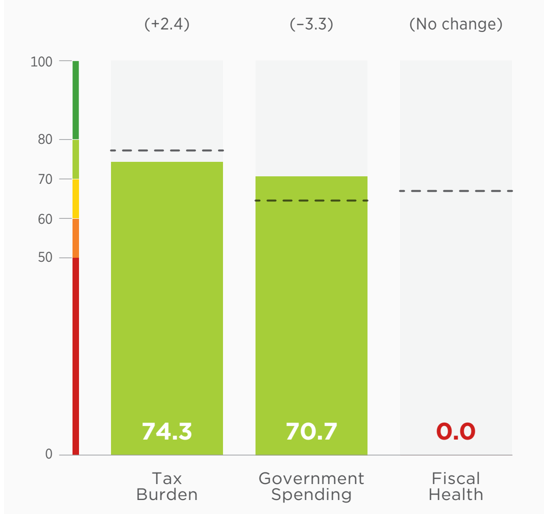
12 ECONOMIC FREEDOMS | THE GAMBIA

RULE OF LAW



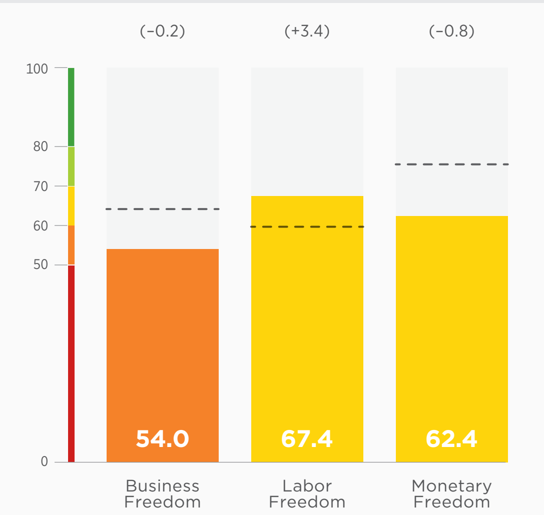
Protection of property rights is weak. Multiple overlapping land tenure systems are complex and lead to inadequate enforcement of titles. Historically, the judiciary has suffered from executive interference, but the Barrow administration has taken steps to restore judicial independence. The judicial system recognizes customary law and Sharia (Islamic law). Anticorruption laws are ineffective, and legal institutions are not yet fully developed.

GOVERNMENT SIZE



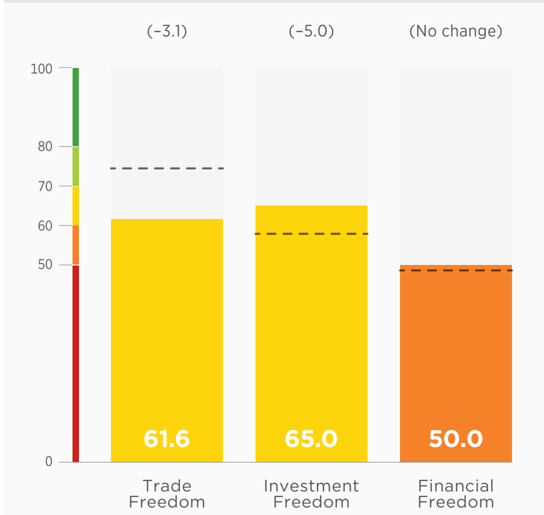
The top personal income tax rate is 35 percent, and the top corporate tax rate is 32 percent. Other taxes include capital gains and sales taxes. The overall tax burden equals 17.9 percent of total domestic income. Over the past three years, government spending has amounted to 31.3 percent of the country's output (GDP), and budget deficits have averaged 7.3 percent of GDP. Public debt is equivalent to 123.2 percent of GDP.

REGULATORY EFFICIENCY



Regulatory inefficiency continues to hamper the business environment. Chronically high unemployment and underemployment persist in the inefficient labor market. The large financial deficits of the state-owned National Water and Electricity Company (NAWEC) and other public enterprises are a particularly acute problem. Growing debt leaves little room to stimulate economic growth.

OPEN MARKETS



The combined value of exports and imports is equal to 60.8 percent of GDP. The average applied tariff rate is 14.2 percent. As of June 30, 2018, according to the WTO, The Gambia had one nontariff measure in force. Foreign and domestic investors are generally treated equally under the law. Credit to the private sector has increased, but the overall banking and financial system remains underdeveloped. There is no stock exchange.

WORLD RANK: **16** | REGIONAL RANK: **8**

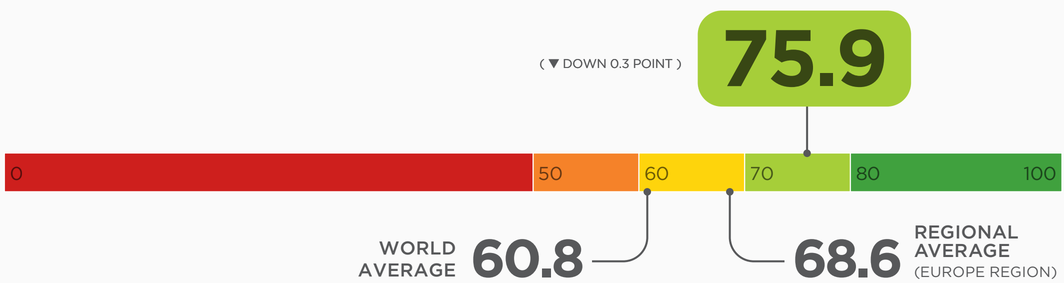
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

GEORGIA

Georgia's economic freedom score is 75.9, making its economy the 16th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with a sharp drop in **judicial effectiveness** and lower scores on **government integrity** and **monetary freedom** exceeding a big gain in **financial freedom**. Georgia is ranked 8th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Since the 2003 "Rose Revolution," reforms by successive administrations have reduced petty corruption, cut regulation, simplified taxes, opened markets, and developed transport and energy infrastructure. The government hopes that further reductions in regulation, taxes, and corruption will attract foreign investment and stimulate growth. Its maintenance of monetary stability and overall sound fiscal health has fostered macroeconomic resilience. Nonetheless, deeper and more rapid institutional reforms to enhance judicial independence and effectiveness are still needed to ensure dynamic and lasting economic development.

ECONOMIC FREEDOM SCORE



RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+31.8

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND

QUICK FACTS

POPULATION:
3.7 million

GDP (PPP):
$39.7 billion
4.8% growth in 2017
5-year compound annual growth 3.7%
$10,747 per capita

UNEMPLOYMENT:
11.6%

INFLATION (CPI):
6.0%

FDI INFLOW:
$1.9 billion

PUBLIC DEBT:
44.9% of GDP

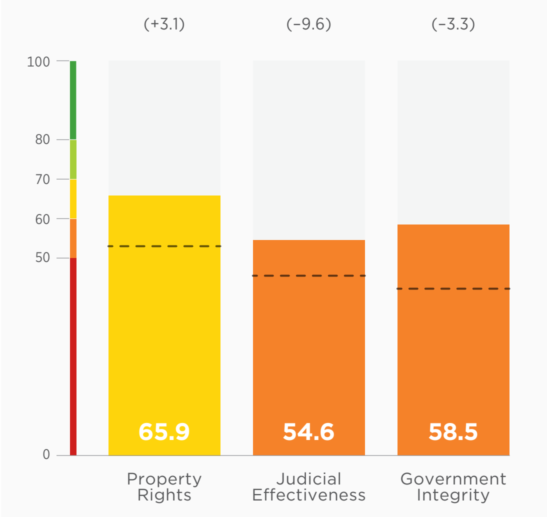
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Georgia was forcibly incorporated into the Soviet Union in 1921 and regained its independence in 1991. Russia invaded in 2008 and continues to occupy territory in Georgia's South Ossetia and Abkhazia regions. In 2018, Prime Minister Giorgi Kvirikashvili resigned, citing disagreements with billionaire Bidzina Ivanishvili and his Georgian Dream coalition, and was replaced briefly by former Finance Minister Mamuka Bakhtadze. Salome Zurabishvili of Georgian Dream won a full term in fall 2018 elections. Georgia's economy has improved noticeably after years of economic downturn. Agriculture or related industries employ over half of the workforce. Georgia signed an Association Agreement with the European Union in 2014 and is an official aspirant for NATO membership.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

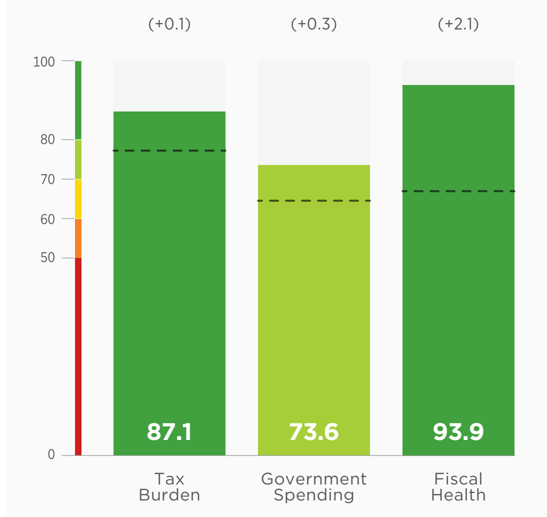
12 ECONOMIC FREEDOMS | GEORGIA

RULE OF LAW



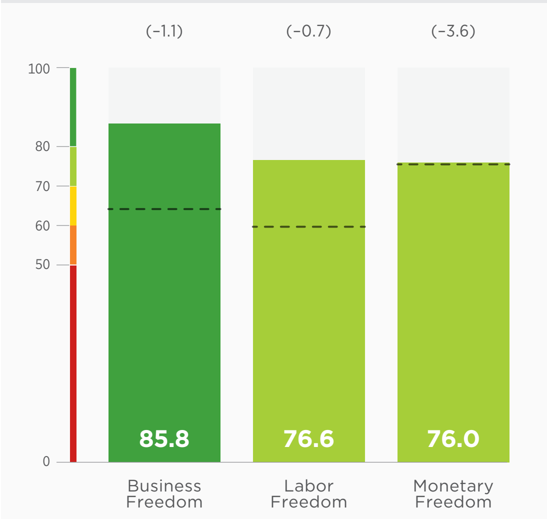
Property rights are recognized, and the government has made property registration easier. Only a quarter of private landowners hold clear title to their property. Although the constitution and laws provide for an independent judiciary, political pressure threatens impartiality. Georgia has made great progress in fighting petty corruption, but high-level corruption by public officials remains a problem.

GOVERNMENT SIZE



The flat income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include value-added and dividends taxes. The overall tax burden equals 25.8 percent of total domestic income. Over the past three years, government spending has amounted to 29.6 percent of the country's output (GDP), and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 44.9 percent of GDP.

REGULATORY EFFICIENCY



Georgia's economy has maintained strong momentum in liberalizing economic activity. It takes only two procedures and two days to start a business, and no minimum capital is required. The nonsalary cost of hiring a worker is not burdensome, but the labor market lacks dynamism. The government is increasing subsidies for green energy and transport projects.

OPEN MARKETS

The combined value of exports and imports is equal to 112.6 percent of GDP. The average applied tariff rate is 0.7 percent. As of June 30, 2018, according to the WTO, Georgia had 66 nontariff measures in force. There are some restrictions on foreign ownership of agricultural land. With the banking sector growing, access to financing has improved. Capital markets continue to evolve, but the stock exchange remains small.

WORLD RANK: **24**

REGIONAL RANK: **14**

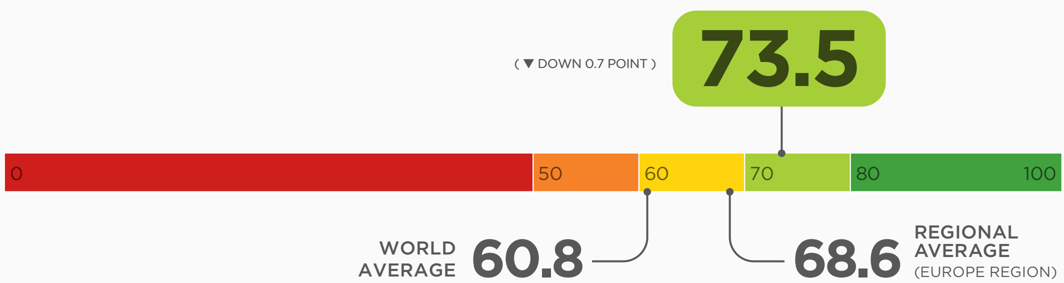
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

GERMANY

Germany's economic freedom score is 73.5, making its economy the 24th freest in the 2019 *Index*. Its overall score has decreased by 0.7 point, with declines in **monetary freedom** and **business freedom** outpacing an increase in **government integrity**. Germany is ranked 14th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Business freedom and investment freedom remain strong overall in Germany. Long-term competitiveness and entrepreneurial growth are supported by openness to global commerce, well-protected property rights, and a sound regulatory environment. The current political coalition agreement suggests that a slight loosening of fiscal policy can be expected through increased public investment in infrastructure and digital technologies, greater spending on child care, and implementation of a lower income tax rate. Government spending on subsidies has reached record levels.

ECONOMIC FREEDOM SCORE

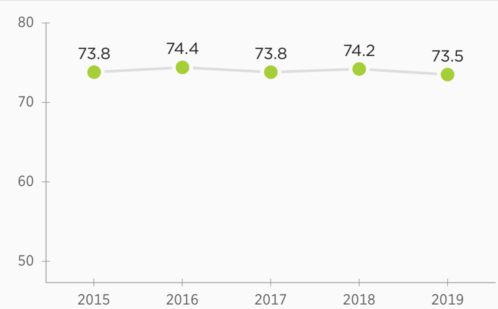


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.7

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
82.7 million

GDP (PPP):
$4.2 trillion
2.5% growth in 2017
5-year compound annual growth 1.7%
$50,425 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
1.7%

FDI INFLOW:
$34.7 billion

PUBLIC DEBT:
64.1% of GDP

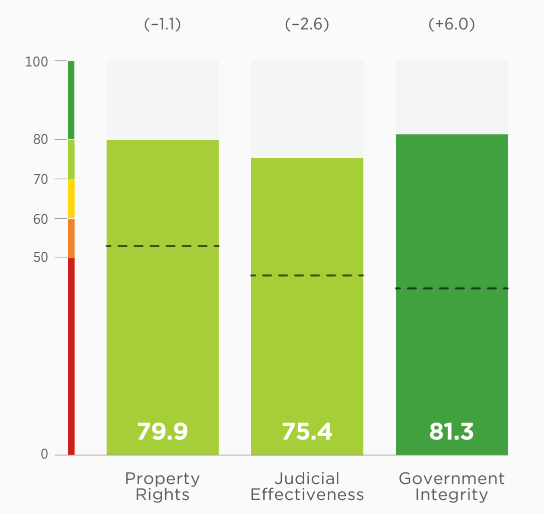
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Germany remains the European Union's most politically and economically influential member nation. Chancellor Angela Merkel has been in office since 2005. After long negotiations, Merkel secured a fourth term in March 2018 when her centrist Christian Democratic Union and its junior partner, the Bavaria-based conservative Christian Social Union, formed a tenuous coalition with the Social Democratic Party after failing to secure an outright parliamentary majority in the September 2017 elections. Political tensions over the issue of migration remain high. Germany's solid economy, the world's fourth largest and Europe's biggest, is based on exports of high-quality manufactured goods. Plans to build a second natural gas pipeline between Russia and Germany have come under fire from the U.S. and other European countries.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

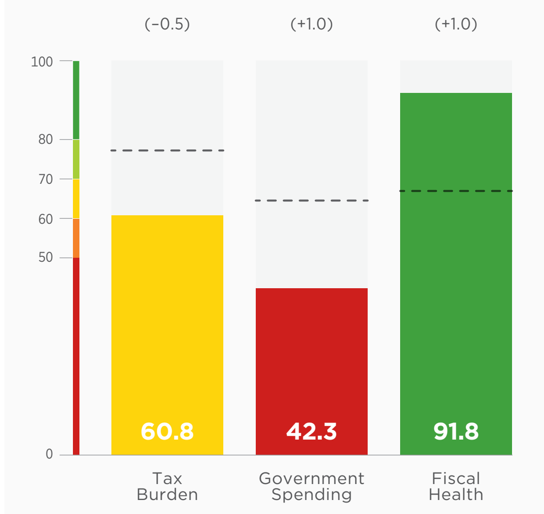
12 ECONOMIC FREEDOMS | GERMANY

RULE OF LAW



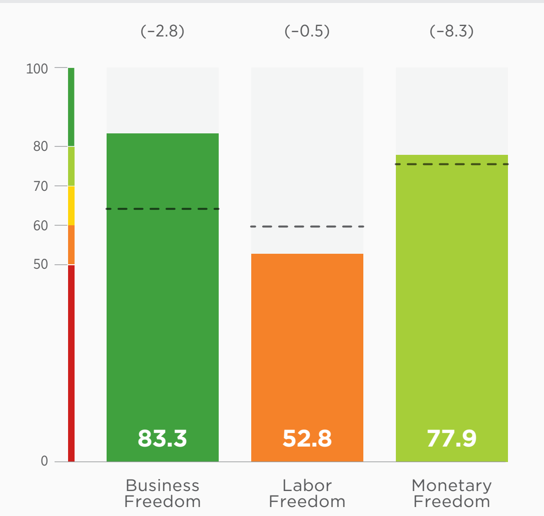
German law fully protects property rights for German citizens and foreigners. Secured interests in property, both chattel and real, are recognized and enforced. Germany boasts a robust regime to protect intellectual property rights. The judiciary is independent, and the rule of law prevails. Rare cases of public corruption occur (for example, in the construction sector), but corrupt acts are typically prosecuted and punished.

GOVERNMENT SIZE



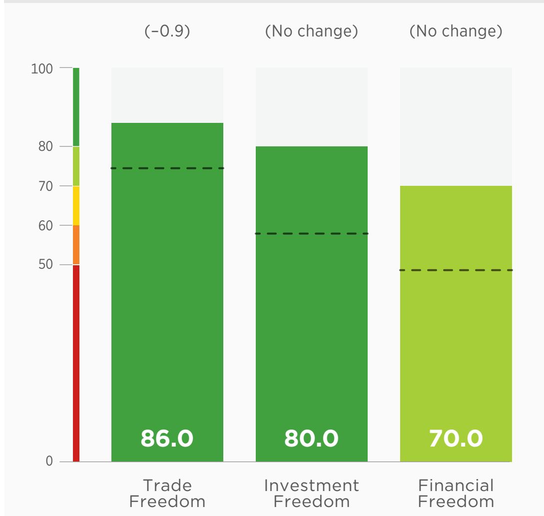
The top personal income tax rate is 47.5 percent (including a 5.5 percent surcharge). The federal corporate rate is 15.8 percent (effectively above 30 percent with other taxes). The overall tax burden equals 37.6 percent of total domestic income. Over the past three years, government spending has amounted to 43.9 percent of the country's output (GDP), and budget surpluses have averaged 0.9 percent of GDP. Public debt is equivalent to 64.1 percent of GDP.

REGULATORY EFFICIENCY



The efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business operation to be as dynamic as anywhere else in the world. The national minimum hourly wage, introduced in 2015, has been increasing. A 2017 regulatory change introduced restrictions on temporary employment. Monetary stability is well maintained. Subsidies hit an all-time high in 2018, and subsidy expenditures continue to expand.

OPEN MARKETS



The combined value of exports and imports is equal to 86.9 percent of GDP. The average applied tariff rate is 2.0 percent. Germany implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Long-term competitiveness and investment are supported by openness to global commerce. The well-functioning and modern financial sector offers a full range of services.

WORLD RANK: 109

REGIONAL RANK: 13

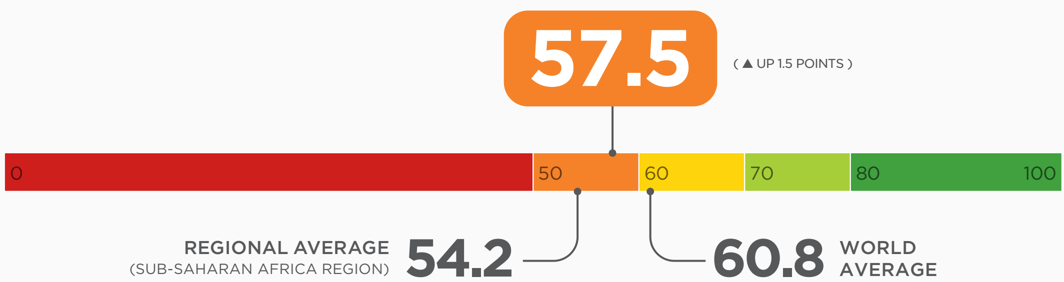
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

GHANA

Ghana's economic freedom score is 57.5, making its economy the 109th freest in the 2019 *Index*. Its overall score has increased by 1.5 points, with a gain in **fiscal health** and higher scores for **labor freedom** and **monetary freedom** more than offsetting declines in the **tax burden** and **business freedom** scores. Ghana is ranked 13th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Although it has prioritized industrialization to create jobs and spur economic growth, the government faces fiscal constraints. The economy thrived for decades under relatively sound governance and a competitive business environment, but it has suffered in recent years as a consequence of loose fiscal policy, high budget and current account deficits, and a depreciating currency. Heavy-handed regulation, cumbersome bureaucracy, corruption, and political favoritism undermine overall competitiveness and dissuade potential entrepreneurs.

ECONOMIC FREEDOM SCORE

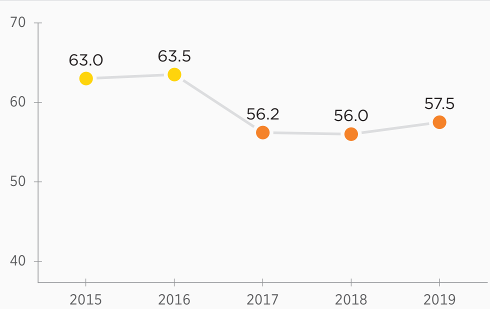


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.9

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
28.3 million

GDP (PPP):
$133.7 billion
8.4% growth in 2017
5-year compound annual growth 5.5%
$4,729 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
12.4%

FDI INFLOW:
$3.3 billion

PUBLIC DEBT:
71.8% of GDP

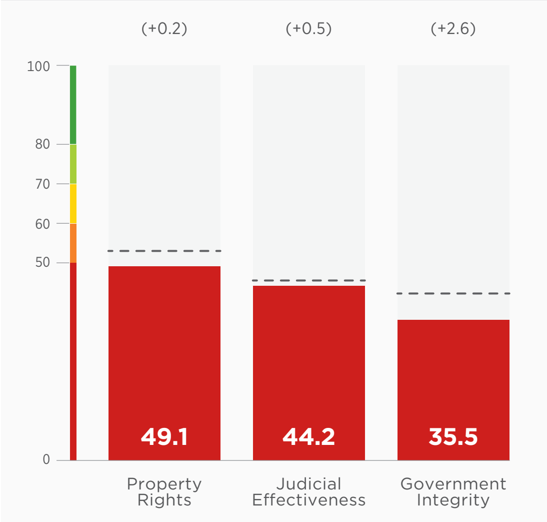
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Formed from the British colony of Gold Coast and the Togoland trust territory in 1957, Ghana became the first sub-Saharan country to gain its independence. It has been a stable democracy since 1992. In 2016, President John Dramani Mahama of the National Democratic Congress lost his bid for reelection to Nana Akufo-Addo of the New Patriotic Party, marking the third time that the presidency has changed parties since the return to democracy. Long-running conflict between farmers and herders in Ghana's North is escalating, mirroring a trend in other parts of West Africa. A border dispute with Côte d'Ivoire over offshore oil fields continues. Africa's second-biggest gold producer and second-largest cocoa producer, Ghana is also rich in diamonds and oil.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

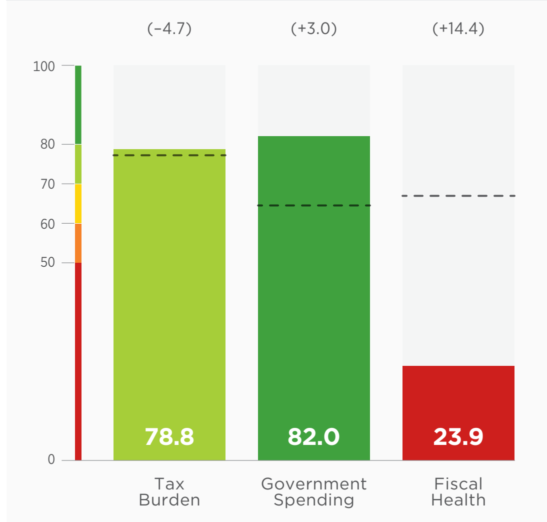
12 ECONOMIC FREEDOMS | GHANA

RULE OF LAW



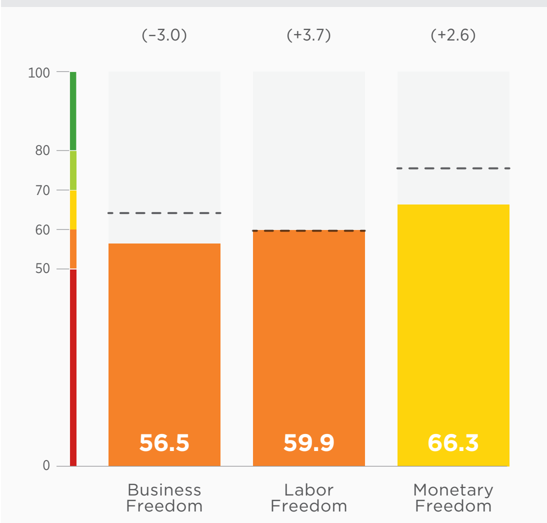
Property rights are recognized and enforced, but the process to get clear title over land is often difficult, complicated, and lengthy. Scarce resources compromise and delay the judicial process, and poorly paid judges are tempted by bribes. Despite a robust anticorruption legal framework, enforcement remains a major challenge, as civil servants are often bribed with gifts and other gratuities.

GOVERNMENT SIZE



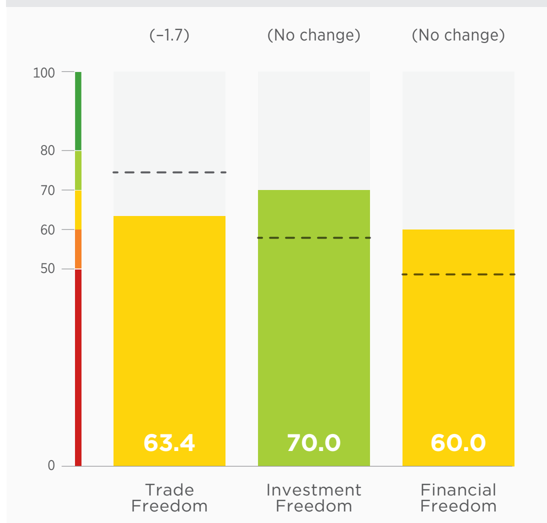
The top personal income tax rate has been raised to 35 percent. The top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 16.5 percent of total domestic income. Over the past three years, government spending has amounted to 24.5 percent of the country's output (GDP), and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 71.8 percent of GDP.

REGULATORY EFFICIENCY



Recent years' reforms have yielded reductions in the number of bureaucratic procedures, but the overall process for establishing and running a private enterprise is cumbersome. Labor regulations remain restrictive and outmoded. The government was forced to end expensive cocoa subsidies in 2018, but progress in restructuring the debt-ridden, subsidized, and state-dominated energy sector has slowed.

OPEN MARKETS



The combined value of exports and imports is equal to 90.6 percent of GDP. The average applied tariff rate is 10.8 percent. As of June 30, 2018, according to the WTO, Ghana had three nontariff measures in force, but other barriers to trade persist. Foreign investment in several sectors is restricted. The financial system has undergone restructuring, and the supervisory framework is relatively strong. Bank credit to the private sector has increased.

WORLD RANK: **106** | REGIONAL RANK: **43**

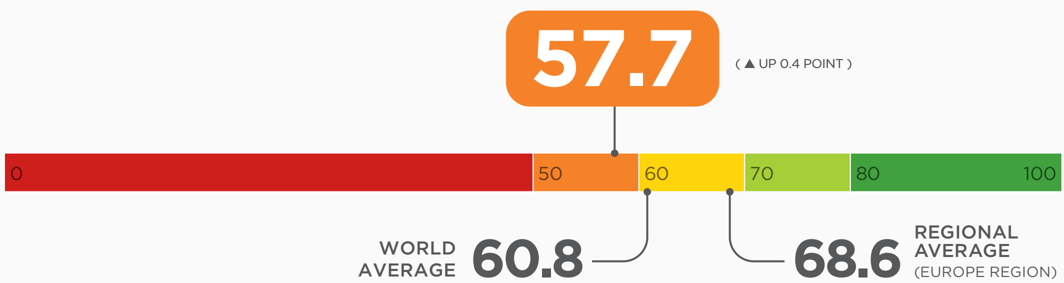
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GREECE

Greece's economic freedom score is 57.7, making its economy the 106th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with strong improvements in **financial freedom** and **fiscal health** exceeding a significant decline in **judicial effectiveness**. Greece is ranked 43rd among 44 countries in the Europe region, and its overall score remains below the regional and world averages.

Despite exiting its latest economic adjustment program in 2018, the government is subject to huge policy constraints and faces an enormous level of general government debt. Competitiveness has been severely eroded. Greece has made progress in restoring macroeconomic stability and implementing much-needed initial fiscal adjustments, but the public sector still consumes too much GDP, and a rigid labor market impedes productivity and job growth. Corruption remains a problem. The economy is hostage to powerful public unions, and the government's statist model undermines entrepreneurs.

ECONOMIC FREEDOM SCORE

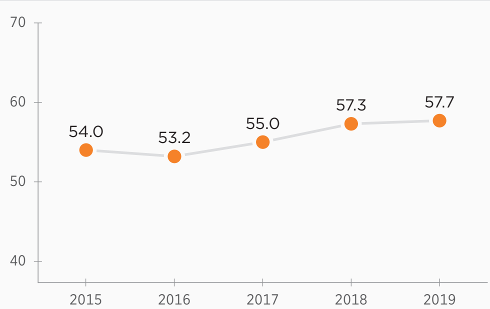


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.5

CONCERNS:
Government Spending and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
10.8 million

GDP (PPP):
$298.7 billion
1.4% growth in 2017
5-year compound annual growth –0.3%
$27,737 per capita

UNEMPLOYMENT:
21.5%

INFLATION (CPI):
1.1%

FDI INFLOW:
$4.0 billion

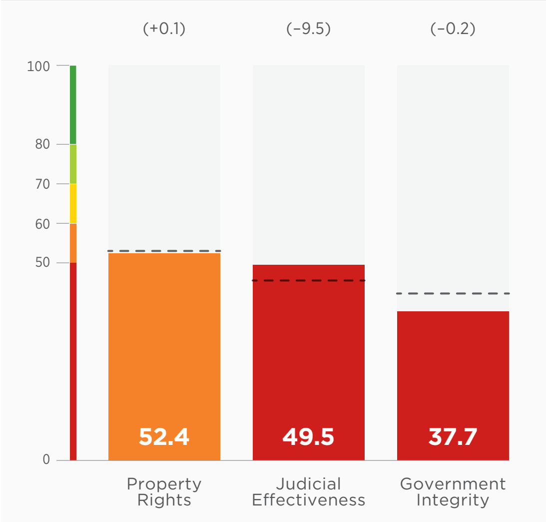
PUBLIC DEBT:
181.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Independent from the Ottoman Empire since 1830, Greece joined NATO in 1952 and the European Union in 1981 and entered the eurozone in 2002. Prime Minister Alexis Tsipras of the Coalition of the Radical Left (Syriza) forged another coalition government following snap elections in 2015. Greece exited an eight-year bailout program in August 2018 after a $370 billion international rescue package conditioned on economic reforms and deeply unpopular austerity measures. Economic growth has resumed, led by shipping and tourism, but unemployment and public debt remain high. Significant Chinese investment is exemplified by state-owned COSCO's controlling stake in the port of Piraeus. The government has alleged Russian interference in negotiations that would permit neighboring Macedonia to join the EU.

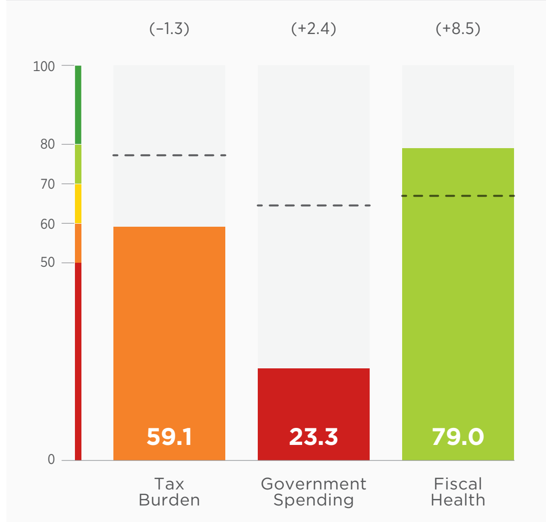
12 ECONOMIC FREEDOMS | GREECE

RULE OF LAW



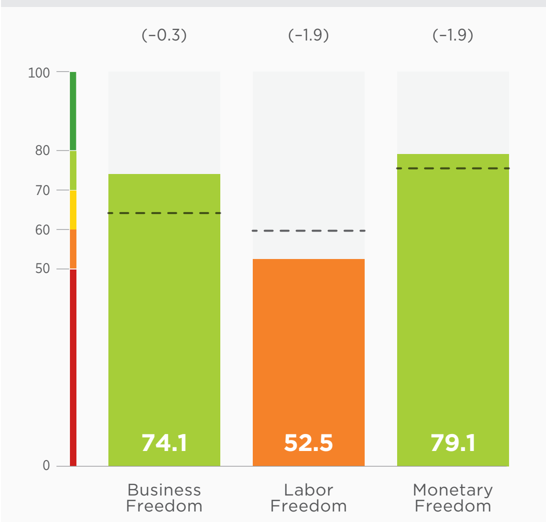
Greek laws extend protection of property rights to both foreign and Greek nationals, but enforcement is inadequate because of delays in the judicial system. Although independent, the judiciary is inefficient, slow, and understaffed. Corruption remains a problem in Greece. While tax enforcement efforts have become more robust in recent years, authorities have largely failed to prosecute tax evasion by economic elites.

GOVERNMENT SIZE



The top personal income tax rate is 42 percent. The top corporate tax rate is 29 percent. The overall tax burden equals 38.6 percent of total domestic income. Over the past three years, government spending has amounted to 50.6 percent of the country's output (GDP), and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 181.9 percent of GDP.

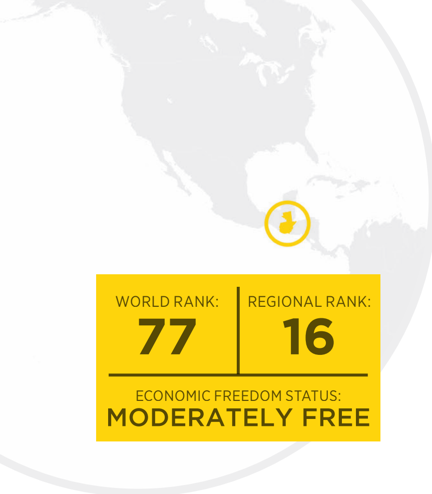
REGULATORY EFFICIENCY



Sporadic efforts to enhance the business environment have been undermined by insufficient political commitment. Labor regulations are restrictive, and the economy lacks labor mobility. The eight-year Greek debt crisis formally ended in 2018, but much more progress is needed to privatize heavily subsidized and loss-making state-owned enterprises that cover everything from ports to oil-producing companies and electricity-generation utilities.

OPEN MARKETS

The combined value of exports and imports is equal to 67.5 percent of GDP. The average applied tariff rate is 2.0 percent. Greece implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Foreign and domestic investors are generally treated equally, but bureaucratic barriers may discourage investment. The banking sector has the highest ratio of bad loans in Europe.



WORLD RANK: **77**

REGIONAL RANK: **16**

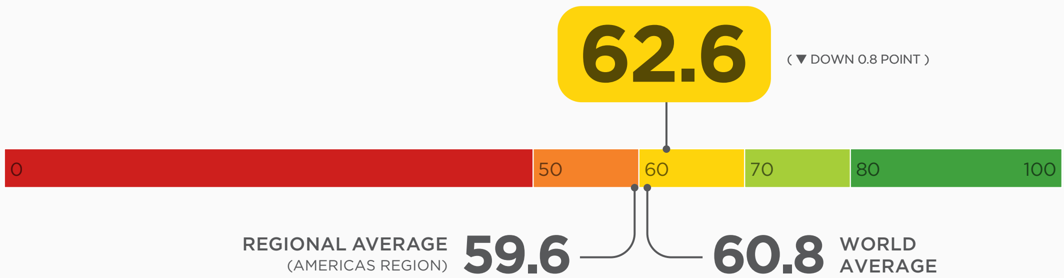
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

GUATEMALA

Guatemala's economic freedom score is 62.6, making its economy the 77th freest in the 2019 *Index*. Its overall score has decreased by 0.8 point, with declines in **trade freedom** and **business freedom** outweighing slight improvements in **fiscal health** and **government spending**. Guatemala is ranked 16th among 32 countries in the Americas region, and its overall score is just above the regional and world averages.

Although the government has pursued orthodox economic policies to support growth while preserving macroeconomic stability, economic development is hindered by a low-skilled workforce, widespread corruption, a weak institutional framework, poor energy infrastructure, and fiscal constraints. These major challenges continue to dampen economic performance and competitiveness, making it even harder to tackle the fiscal deficit or improve public-sector efficiency. Protection of property rights is hampered by weak rule of law. Lack of access to long-term financing is a significant impediment to business development and job growth.

ECONOMIC FREEDOM SCORE

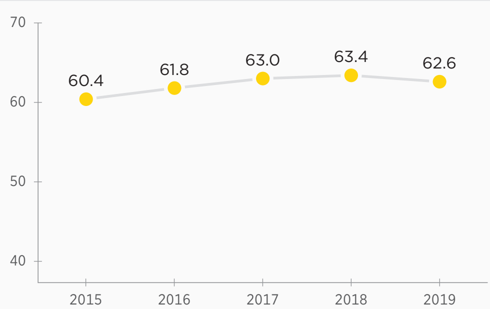


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+0.6

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
16.9 million

GDP (PPP):
$137.8 billion
2.8% growth in 2017
5-year compound annual growth 3.6%
$8,145 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
4.4%

FDI INFLOW:
$1.1 billion

PUBLIC DEBT:
24.4% of GDP

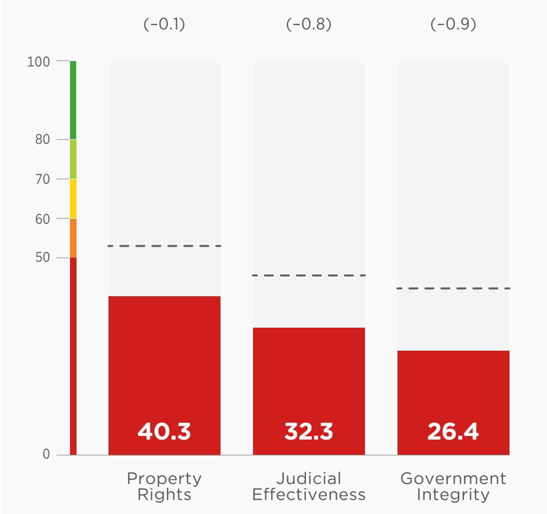
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After a multidecade guerrilla war that killed more than 200,000 ended in 1996, macroeconomic and political reforms attracted foreign investment in Guatemala. Instability spiked anew in 2015, however, when rightist President Otto Pérez Molina became embroiled in a corruption scandal. He was removed from office and later imprisoned. Political neophyte Jimmy Morales began a five-year term as president in 2016 but has made little progress on promised improvements in health care, education, and security. In 2018, Congress extended immunity to Morales to shield him from investigation by the U.N.-backed International Commission Against Impunity in Guatemala (CICIG). More than half of Guatemala's population lives below the national poverty line. Corruption and narco-related violence continue to impede economic development.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

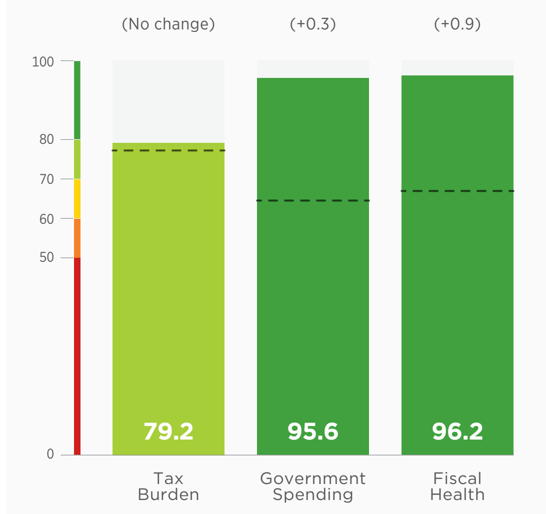
12 ECONOMIC FREEDOMS | GUATEMALA

RULE OF LAW



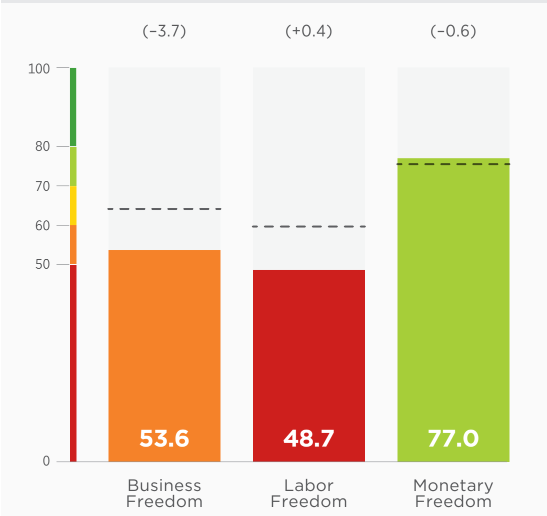
Property rights are defined in statutes, but protecting them is difficult. When rightful ownership is in dispute, it can be almost impossible to obtain and subsequently enforce eviction notices. The judiciary is hobbled by corruption, inefficiency, capacity shortages, and the intimidation of judges and prosecutors. Widespread corruption and mismanagement persist, especially in the customs and tax agencies.

GOVERNMENT SIZE



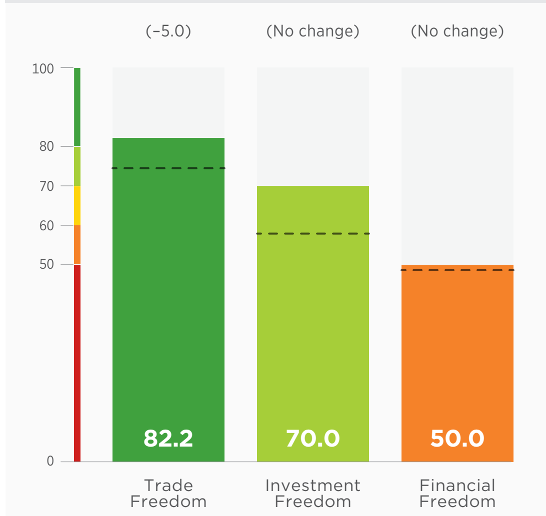
The top individual income and corporate tax rates are 31 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 12.6 percent of total domestic income. Over the past three years, government spending has amounted to 12.1 percent of the country's output (GDP), and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 24.4 percent of GDP.

REGULATORY EFFICIENCY



Bureaucratic hurdles, including lengthy processes for launching a business and obtaining necessary permits, continue to undermine overall business freedom. High-level corruption remains a problem. Outmoded labor regulations are rigid. A large portion of the workforce is employed in the informal sector. The state maintains few price controls, but poorly targeted subsidies (for example, for electricity) continue.

OPEN MARKETS



The combined value of exports and imports is equal to 45.7 percent of GDP. The average applied tariff rate is 1.4 percent. As of June 30, 2018, according to the WTO, Guatemala had 30 nontariff measures in force. The inefficient judicial and regulatory systems discourage investment. The foreign bank presence is small. About 45 percent of adult Guatemalans have access to an account with a formal banking institution.

GUINEA

WORLD RANK: 120

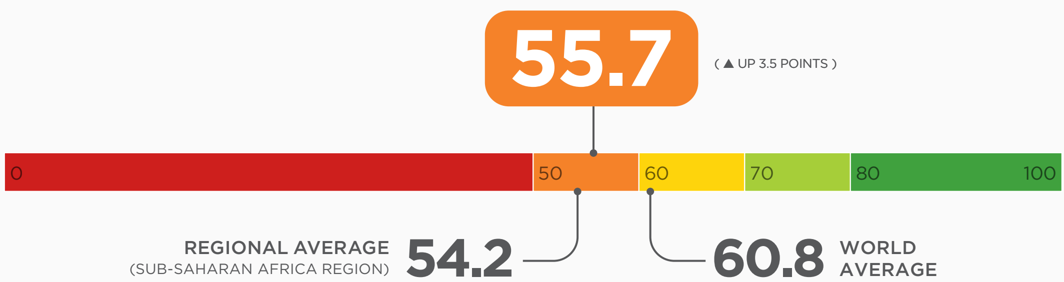
REGIONAL RANK: 19

ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

Guinea's economic freedom score is 55.7, making its economy the 120th freest in the 2019 *Index*. Its overall score has increased by 3.5 points, with a sharp spike in **fiscal health** and higher scores for **government spending** and **judicial effectiveness** far outpacing a decline in **monetary freedom**. Guinea is ranked 19th among 47 countries in the Sub-Saharan Africa region, and its overall score is now above the regional average but below the world average.

With living costs high and public frustration growing, the government's efforts to curtail public spending sparked nationwide strikes in 2018 that complicated efforts to establish macroeconomic stability, improve budget management, and enhance economic growth. The lack of a consistent commitment to structural reform in the past has prevented new investment in the mining sector. Corruption and the judicial system's vulnerability to political interference have weakened the rule of law and the protection of property rights.

ECONOMIC FREEDOM SCORE

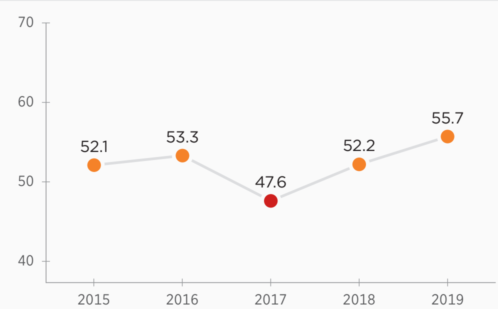


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.7

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
13.0 million

GDP (PPP):
$26.5 billion
6.7% growth in 2017
5-year compound annual growth 4.9%
$2,041 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
8.9%

FDI INFLOW:
$576.5 million

PUBLIC DEBT:
39.7% of GDP

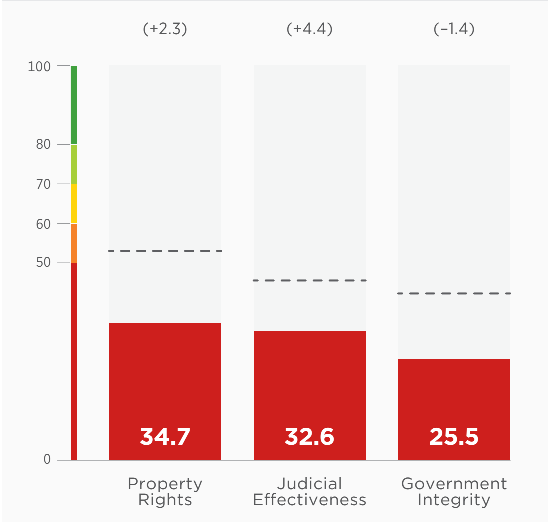
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In 2010, Alpha Condé won Guinea's first presidential election since independence from France in 1958, but the election was marred by irregularities and political violence. Condé easily won a second five-year term in 2015 as the opposition boycotted the elections. His Rally of the Guinean People coalition lost its slim parliamentary majority in 2017, but Condé still enjoys relatively wide support. In 2018, about 10 protesters died in riots amid accusations of local election fraud and fear that Condé will amend the constitution to run again. Guinea has huge bauxite reserves and large deposits of iron ore, gold, and diamonds. Despite this great mineral wealth, many Guineans face a dearth of jobs, power cuts, and a lack of drinking water.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

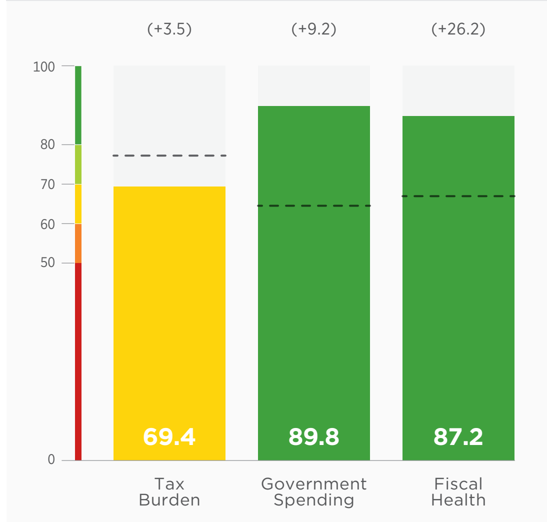
12 ECONOMIC FREEDOMS | GUINEA

RULE OF LAW



As with ownership of business enterprises, both foreign and national individuals have the right to own property. However, enforcement of these rights depends on Guinea's corrupt and inefficient legal and administrative system. Land sales and business contracts generally lack transparency, and land often has overlapping deeds. There is a pervasive culture of impunity and corruption within public institutions.

GOVERNMENT SIZE

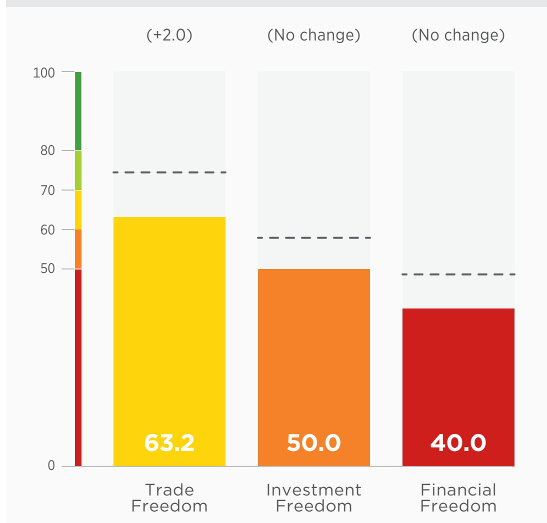


The top personal income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 15.3 percent of total domestic income. Over the past three years, government spending has amounted to 18.4 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 39.7 percent of GDP.

REGULATORY EFFICIENCY

Private enterprises find it hard to incorporate and operate because of numerous bureaucratic and regulatory hurdles. The government has adopted a measure to make it easier for businesses to resolve insolvency, but the cost of acquiring necessary permits has increased. The labor market is underdeveloped, and the public sector still accounts for most formal employment. The government increased fuel and electricity subsidies in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 146.8 percent of GDP. The average applied tariff rate is 10.9 percent. Nontariff barriers prevent more dynamic trade from taking place. The judicial and regulatory systems may impede foreign investment. Guinea's underdeveloped financial sector continues to provide a very limited range of services. Many people still rely on informal lending and have no bank accounts.

WORLD RANK: **135**

REGIONAL RANK: **25**

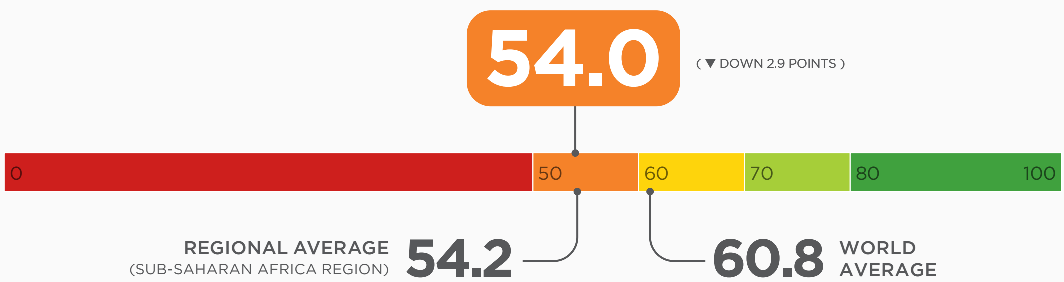
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GUINEA–BISSAU

Guinea–Bissau's economic freedom score is 54.0, making its economy the 135th freest in the 2019 *Index*. Its overall score has decreased by 2.9 points, with a sharp drop in scores for **judicial effectiveness**, **business freedom**, and **trade freedom** far exceeding a modest increase in the **tax burden** score. Guinea–Bissau is ranked 25th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Political stability has improved since the formation of the new government in April 2018, somewhat strengthening weak governance ahead of the 2019 presidential election. The main power brokers, including the military, will likely continue to reform management of public finances and tighten spending controls to sustain economic growth. The judicial system remains inefficient and vulnerable to political interference, and corruption is perceived as widespread. The overall regulatory framework is not conducive to starting businesses and discourages broad-based employment growth.

ECONOMIC FREEDOM SCORE

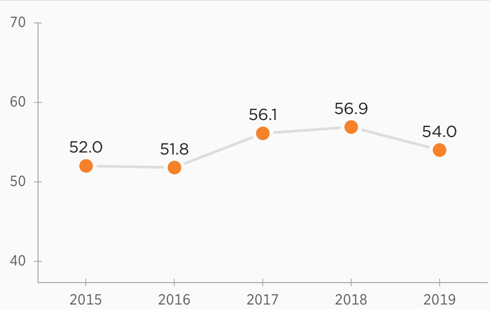


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999):
+20.5

CONCERNS:
Government Integrity and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
1.7 million

GDP (PPP):
$3.1 billion
5.5% growth in 2017
5-year compound annual growth 4.3%
$1,845 per capita

UNEMPLOYMENT:
6.1%

INFLATION (CPI):
1.1%

FDI INFLOW:
$16.6 million

PUBLIC DEBT:
42.0% of GDP

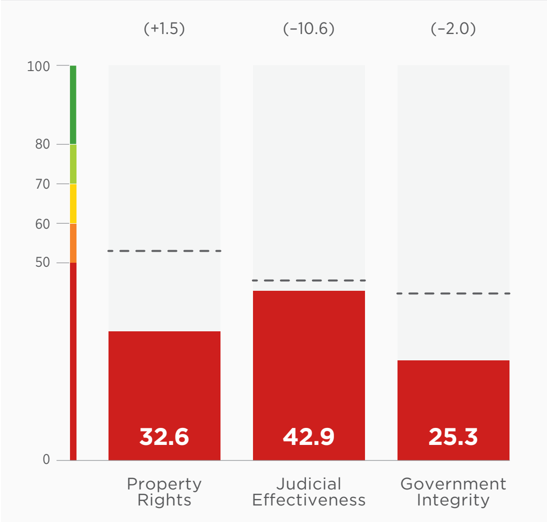
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Conflict has wracked Guinea–Bissau almost continuously since independence from Portugal in 1974. José Mário Vaz was elected president in 2014. In 2015, he sparked a political crisis by firing Prime Minister Domingos Simões Pereira, head of the ruling African Party for the Independence of Guinea and Cape Verde. Vaz also quickly dismissed several successor governments and by April 2018 had named Aristides Gomes to be the country's sixth prime minister within a three-year period. Guinea–Bissau is highly dependent on subsistence agriculture, the export of cashew nuts, and foreign assistance, which normally accounts for approximately 80 percent of its budget. The incomes of approximately two-thirds of the population are below the extreme poverty line.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

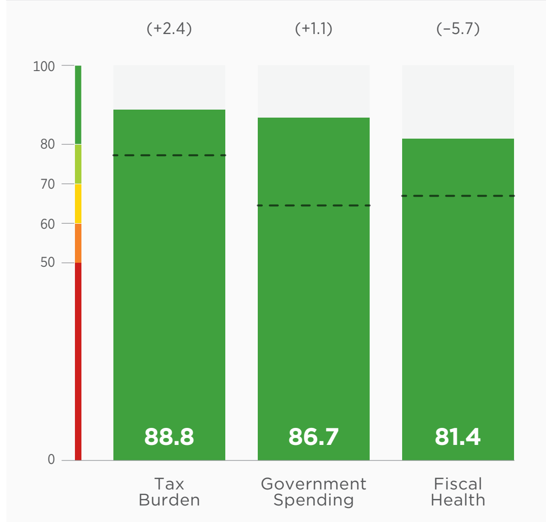
12 ECONOMIC FREEDOMS | GUINEA–BISSAU

RULE OF LAW



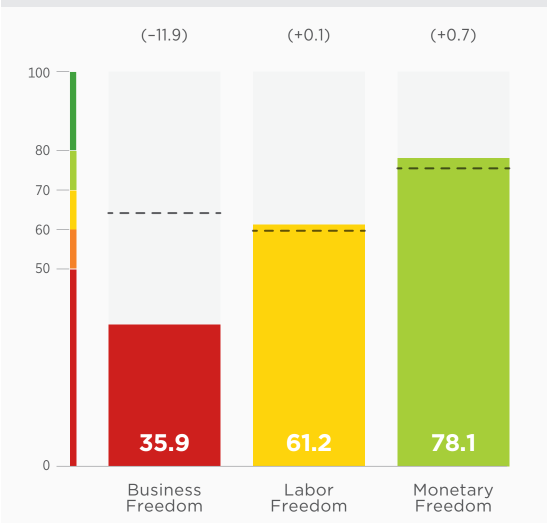
Because the legal system is weak and painfully slow, protection of property rights is generally weak, and enforcement of contracts is difficult. The judiciary has little independence and is barely operational. Judges are poorly trained, inadequately and irregularly paid, and subject to corruption. Guinea–Bissau's status as a transit hub for cocaine trafficking from South America to Europe exacerbates its endemic corruption.

GOVERNMENT SIZE



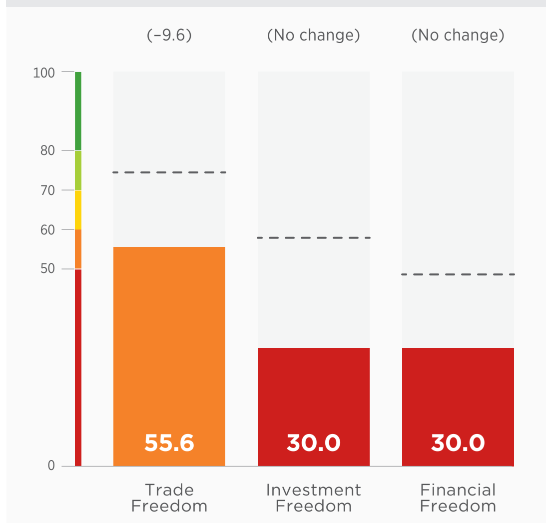
The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax is 10 percent on certain commodities. The overall tax burden equals 9.6 percent of total domestic income. Over the past three years, government spending has amounted to 21.0 percent of the country's output (GDP), and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 42.0 percent of GDP.

REGULATORY EFFICIENCY

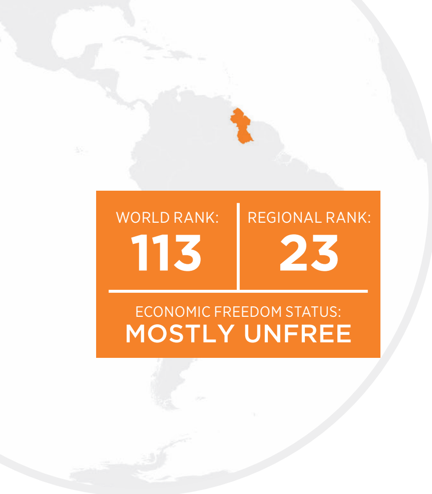


The opaque regulatory environment discourages entrepreneurial activity, virtually precluding any significant private-sector development. Much of the labor force is employed in the public sector or the informal economy. The IMF has criticized Guinea–Bissau's "indiscriminate" electricity subsidies and urged it to review its fuel pricing mechanism to ensure that international prices are fully passed through.

OPEN MARKETS



The combined value of exports and imports is equal to 59.0 percent of GDP. The average applied tariff rate is 12.2 percent. Nontariff barriers continue to impede trade. The law treats foreign and domestic investment equally, but government openness to foreign investment is below average. High credit costs and scarce access to financing impede entrepreneurial activity in Guinea–Bissau, although bank credits to the private sector have increased.



WORLD RANK: **113**

REGIONAL RANK: **23**

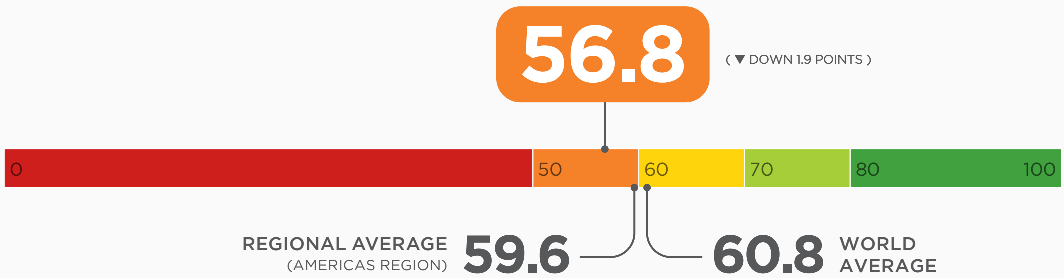
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

GUYANA

Guyana's economic freedom score is 56.8, making its economy the 113th freest in the 2019 *Index*. Its overall score has decreased by 1.9 points, with declines in **labor freedom**, **investment freedom**, and **trade freedom** outweighing an increase in the score for **fiscal health**. Guyana is ranked 23rd among 32 countries in the Americas region, and its overall score is below the regional and world averages.

The government is pinning its hopes for economic transformation on an oil boom that is projected to make Guyana the region's fastest-growing economy in 2020. For the business climate to be improved, however, long-standing constraints on economic freedom such as inefficient bureaucracy, nontransparent procurement, widespread corruption, fragile protection of property rights, and weak rule of law must be removed. The government may jeopardize its healthy balance sheet if it borrows in advance of expected oil revenues to expand public investment to improve the country's deficient infrastructure.

ECONOMIC FREEDOM SCORE

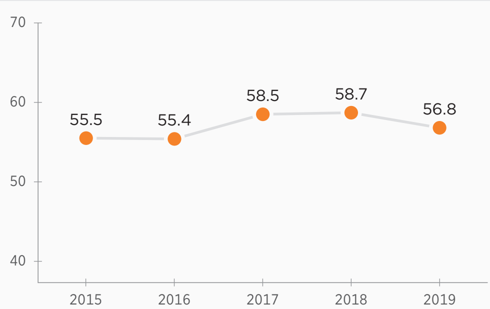


RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+11.1

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$6.3 billion
2.1% growth in 2017
5-year compound annual growth 3.5%
$8,161 per capita

UNEMPLOYMENT:
12.0%

INFLATION (CPI):
2.1%

FDI INFLOW:
$212.2 million

PUBLIC DEBT:
50.7% of GDP

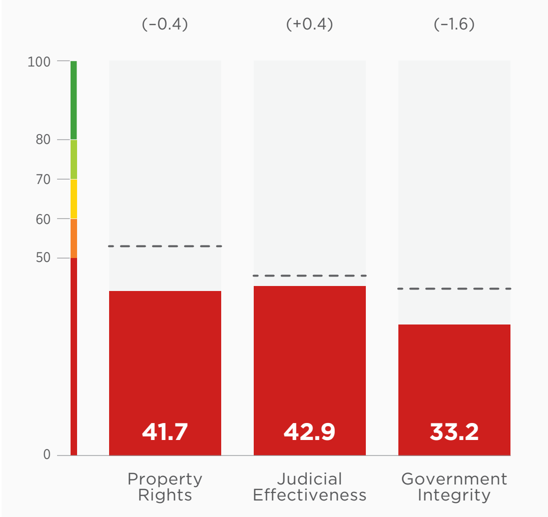
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The abolition of slavery in British Guyana led to urban settlements of former slaves and recruitment of indentured servants from India to work on plantations. The resulting ethno-cultural divide has led to turbulent politics. Endemic violent crime and drug trafficking have been aggravated by the collapse of neighboring Venezuela. Independent since 1966, Guyana has had mostly socialist-oriented governments. President David Granger's multiracial coalition holds a one-seat legislative majority. Although Granger has pushed for greater transparency and anticorruption reforms, he has been criticized for lack of transparency as his government increases infrastructure spending ahead of an expected windfall from offshore oil reserves. Exports of sugar, gold, bauxite, shrimp, timber, and rice represent nearly 60 percent of formal GDP.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

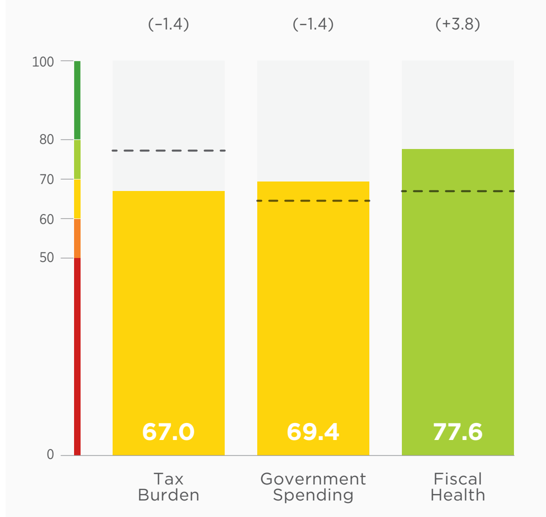
12 ECONOMIC FREEDOMS | GUYANA

RULE OF LAW



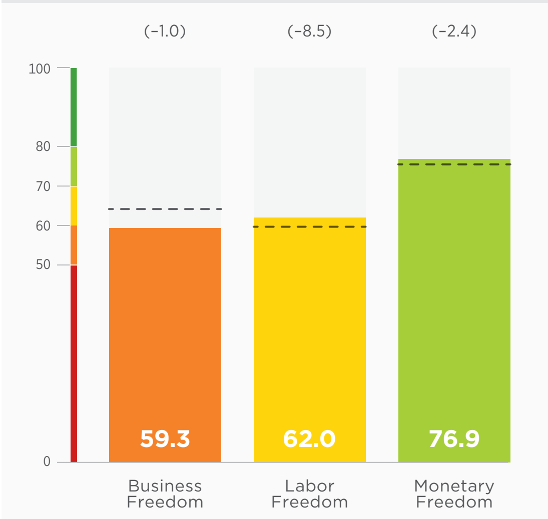
Guyana's property rights system is overly bureaucratic and complex, with regulations that are overlapping and competing, overloaded, and nontransparent. Personnel shortages, delays, and inefficiencies undermine the judicial system. Courts are slow and ineffective in enforcing contracts or resolving disputes. There is a widespread public perception of corruption involving officials at all levels, and compliance with legislation is uneven.

GOVERNMENT SIZE



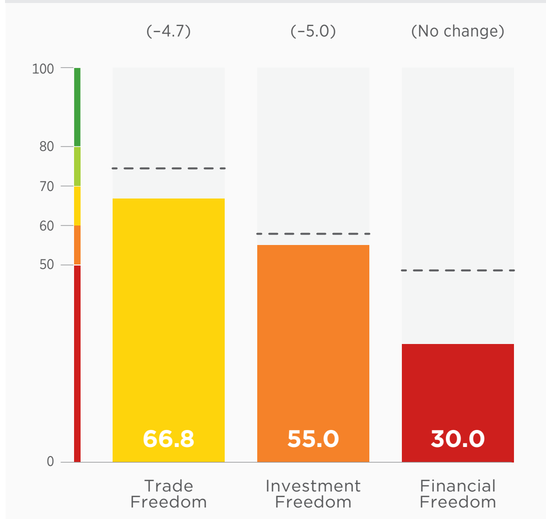
The top personal income tax rate is 33.3 percent, and the top corporate tax rate is 40 percent. Other taxes include property and value-added taxes. The overall tax burden equals 24.4 percent of total domestic income. Over the past three years, government spending has amounted to 32.0 percent of the country's output (GDP), and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 50.7 percent of GDP.

REGULATORY EFFICIENCY



Enforcement of existing regulations is not always consistent, and a lack of regulatory certainty often increases the cost of doing business. High electricity costs also limit business profits. Labor regulations are relatively flexible, but the size of the public sector has prevented the emergence of an efficient labor market. The government expanded subsidies for electricity, transportation, and water in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 100.8 percent of GDP. The average applied tariff rate is 6.6 percent. As of June 30, 2018, according to the WTO, Guyana had one nontariff measure in force. In general, foreign and domestic investors are treated equally under the law. The underdeveloped financial sector suffers from a poor institutional framework. Scarce access to financing is a barrier to entrepreneurial activity.

HAITI

WORLD RANK: **143** | REGIONAL RANK: **25**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Haiti's economic freedom score is 52.7, making its economy the 143rd freest in the 2019 *Index*. Its overall score has decreased by 3.1 points because of sharp declines in scores for **judicial effectiveness**, **business freedom**, **property rights**, and **government integrity**. Haiti is ranked 25th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Poor economic management and crippling natural disasters have taken a terrible human and economic toll in Haiti. Years of political volatility have severely undermined the effectiveness of public finance and the rule of law. Under the supervision of international donors, the government is working to increase domestic revenues and gradually eliminate fuel subsidies to fund reconstruction after hurricane damage, as well as to improve public institutional capacity, upgrade infrastructure and public services, and support agriculture and rural development through better provision of credit and more carefully targeted subsidies.

ECONOMIC FREEDOM SCORE

52.7 (▼ DOWN 3.1 POINTS)

REGIONAL AVERAGE (AMERICAS REGION) **59.6**

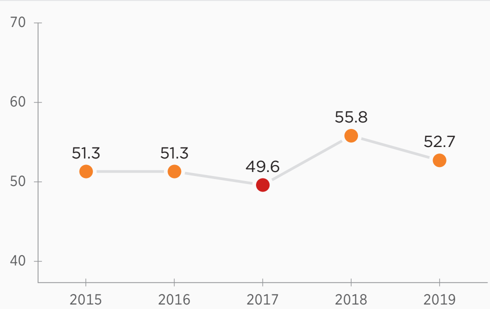
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+9.7

CONCERNS:
Property Rights and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
11.0 million

GDP (PPP):
$19.9 billion
1.2% growth in 2017
5-year compound annual growth 2.2%
$1,815 per capita

UNEMPLOYMENT:
14.0%

INFLATION (CPI):
14.7%

FDI INFLOW:
$374.9 million

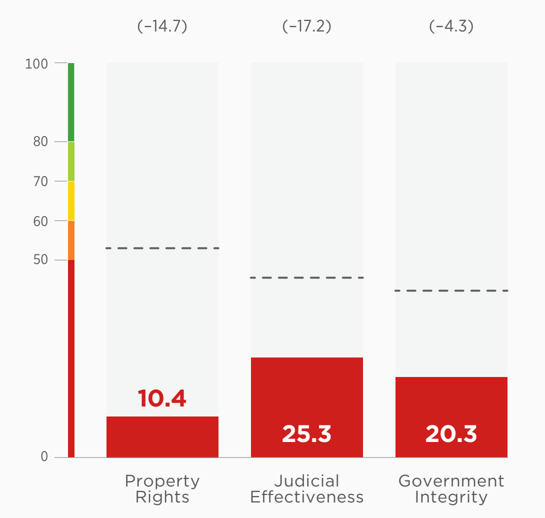
PUBLIC DEBT:
31.1% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Western Hemisphere's poorest country, Haiti is plagued by widespread corruption, gang violence, drug trafficking, and organized crime. Democratic order was restored when President Jovenel Moïse of the center-right PHTK party took office in 2017 after a protracted period of political instability. Moïse's flagship reform program, The Change Caravan, has made some improvements in health care, education, and infrastructure. Instability flared anew in 2018, however, when violent protests against reduced fuel subsidies forced Prime Minister Jack Guy Lafontant to resign and exposed the security vacuum left by the October 2017 departure of U.N. peacekeepers. Challenges include ongoing reconstruction from storm damage and continued recovery from 2010's devastating earthquake. One-quarter of Haiti's people live in extreme poverty.

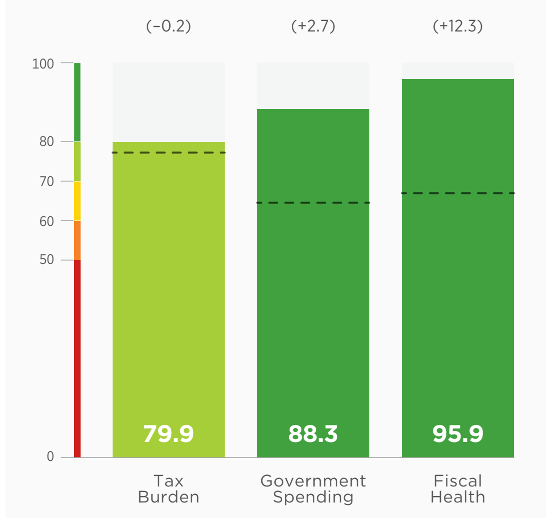
12 ECONOMIC FREEDOMS | HAITI

RULE OF LAW



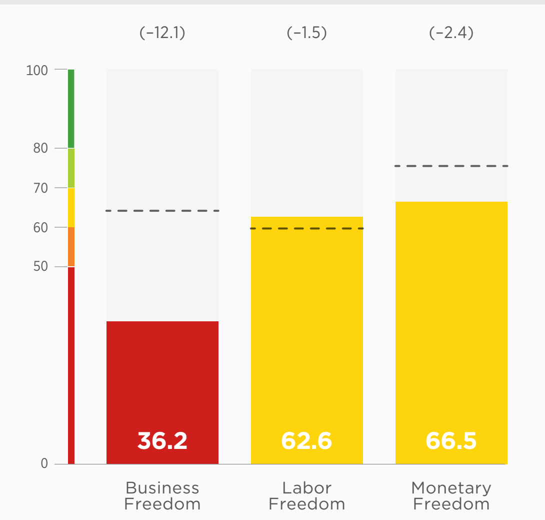
Real property interests are impaired by the absence of a comprehensive civil registry. Bona fide property titles are often nonexistent. Bureaucratic red tape impedes the functioning of the judicial system, as do an antiquated penal code, opaque court proceedings, lack of judicial oversight, and widespread corruption. To date, there has never been a conviction on drug trafficking or corruption-related charges in a Haitian court.

GOVERNMENT SIZE



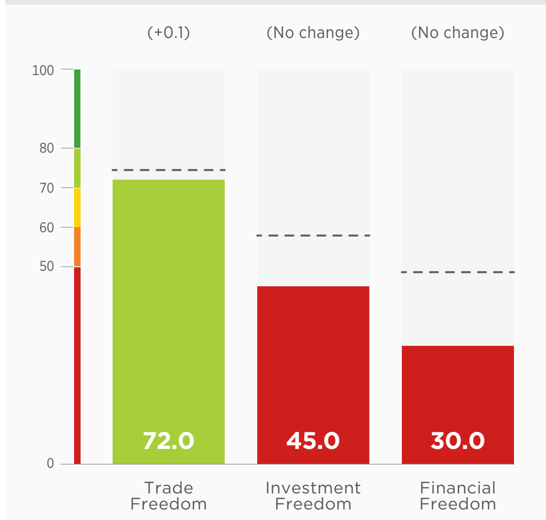
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 14.5 percent of total domestic income. Over the past three years, government spending has amounted to 19.7 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 31.1 percent of GDP.

REGULATORY EFFICIENCY



The overall business environment remains burdensome, and political uncertainty further undercuts already poor regulatory efficiency. Reforms to improve the business climate have had little effect. A large portion of the workforce is unemployed or dependent on informal activity. The government has attempted to reform subsidies but faced violent protests in 2018 against reductions in fuel subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 75.3 percent of GDP. The average applied tariff rate is 6.5 percent. As of June 30, 2018, according to the WTO, Haiti had one nontariff measure in force. Bureaucratic barriers discourage foreign investment. The strained financial infrastructure remains fragile. Many economic transactions are conducted outside of the formal banking sector.

WORLD RANK: **93** | REGIONAL RANK: **20**

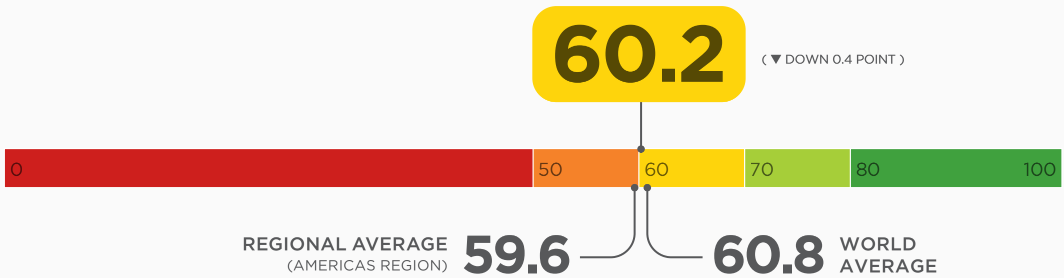
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

HONDURAS

Honduras's economic freedom score is 60.2, making its economy the 93rd freest in the 2019 *Index*. Its overall score has decreased by 0.4 point, with declines in scores for **trade freedom**, **judicial effectiveness**, and **government integrity** exceeding a significant increase in **fiscal health**. Honduras is ranked 20th among 32 countries in the Americas region, and its overall score is just above the regional average but below the world average.

Although policymaking is hampered by legislative gridlock, the government continues to prioritize fiscal consolidation and implementation of structural reforms to improve tax collection and streamline public-sector institutions. These and other reforms are needed to spark more self-sustained economic growth. Although steps have been taken to open the domestic market and facilitate engagement in global commerce, the business environment still suffers from weak protection of property rights and political instability. Systemic corruption erodes the rule of law and public trust.

ECONOMIC FREEDOM SCORE

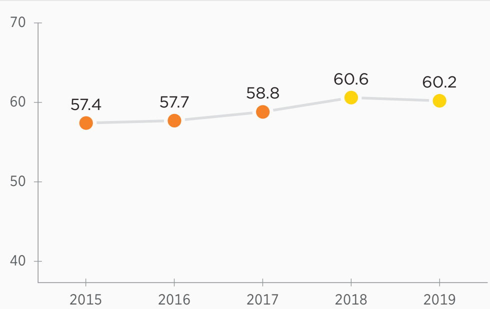


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.2

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
8.3 million

GDP (PPP):
$46.2 billion
4.8% growth in 2017
5-year compound annual growth 3.6%
$5,562 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
3.9%

FDI INFLOW:
$1.2 billion

PUBLIC DEBT:
43.9% of GDP

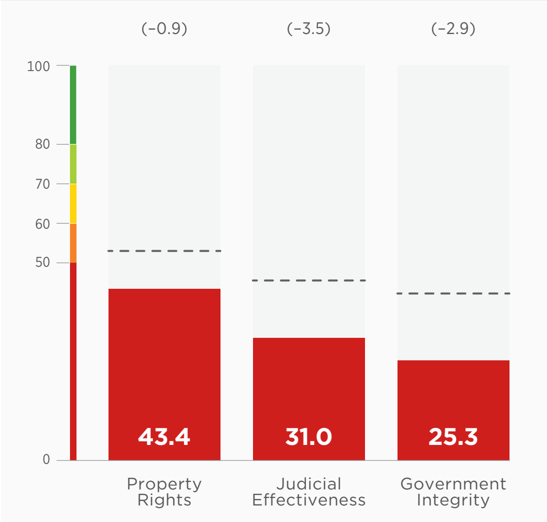
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Honduras is Central America's second-poorest country and has one of the world's highest homicide rates. Gangs and transnational criminal networks prey on communities, often in collusion with authorities. The country's location leaves it vulnerable to money laundering and narco-trafficking. Juan Orlando Hernández of the center-right National Party was reelected president in November 2017. Although credible allegations of fraud provoked a crisis in the weeks after the election, political stability eventually returned. Historically dependent on exports of bananas and coffee, Honduras has diversified its export base to include apparel and automobile wire harnessing, but the economy remains heavily dependent on U.S. trade and remittances.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

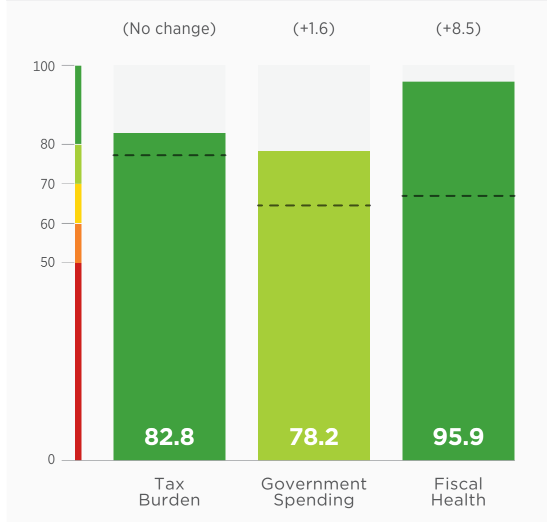
12 ECONOMIC FREEDOMS | HONDURAS

RULE OF LAW



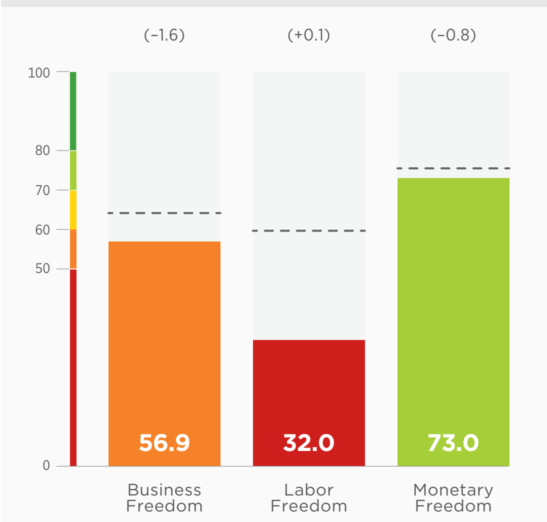
Approximately 80 percent of the privately held land in Honduras is either untitled or improperly titled. Because the judicial system is weak and politicized, it often takes years to resolve title disputes. Rampant corruption and weak state institutions make it virtually impossible to combat threats posed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

GOVERNMENT SIZE



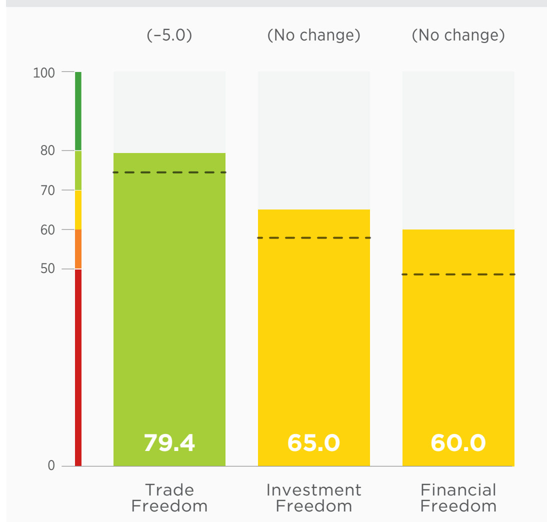
The top individual income and corporate tax rates are 25 percent (27.5 percent for corporations with an added social contribution tax). The overall tax burden equals 21.6 percent of total domestic income. Over the past three years, government spending has amounted to 27.0 percent of the country's output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 43.9 percent of GDP.

REGULATORY EFFICIENCY

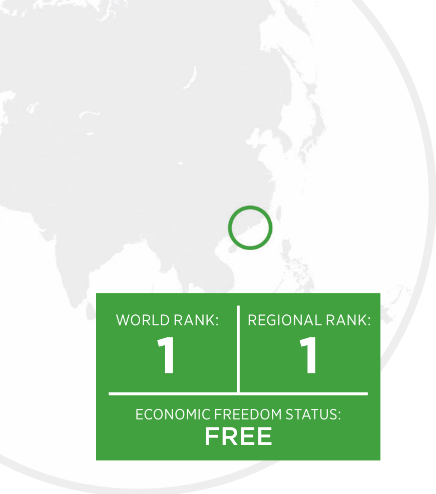


The inefficient regulatory environment does not encourage dynamic entrepreneurship, and the cost of forming a business is burdensome. Labor regulations are outmoded, and a large proportion of the labor force works in the informal sector. The government maintains price controls for basic food items, fuel, water, telecommunications, and ports and often imposes temporary price controls on other basic goods.

OPEN MARKETS



The combined value of exports and imports is equal to 102.4 percent of GDP. The average applied tariff rate is 2.8 percent. Additional barriers impede imports of certain agricultural goods. The regulatory systems may act as barriers to foreign investment. The financial sector remains relatively stable and continues to expand. About 51 percent of adult Hondurans have access to an account with a formal banking institution.



WORLD RANK: **1**

REGIONAL RANK: **1**

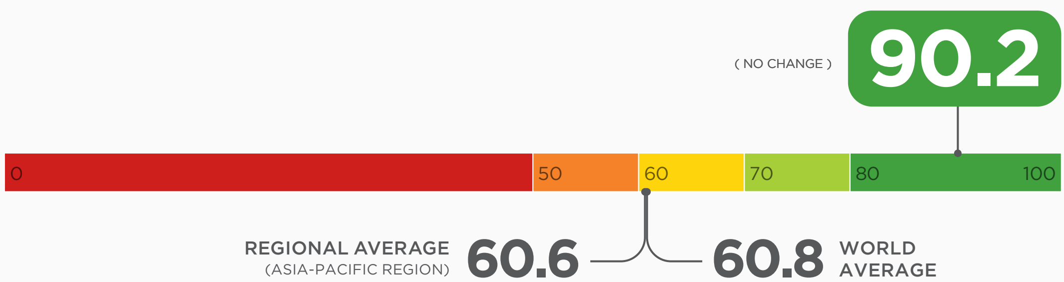
ECONOMIC FREEDOM STATUS: **FREE**

HONG KONG

Hong Kong's economic freedom score is 90.2, sustaining its status as the world's freest economy in the 2019 *Index*. Its overall score is unchanged from 2018, with increases in scores for **trade freedom**, **monetary freedom**, and **government integrity** countered by a decline in **judicial effectiveness**. Hong Kong is ranked 1st among 43 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Moderately looser fiscal policy encouraged economic growth in 2018, but U.S.–China trade frictions could have significant negative repercussions. An exceptionally competitive financial and business hub, Hong Kong remains one of the world's most resilient economies. A high-quality legal framework provides effective protection of property rights and strongly supports the rule of law. There is little tolerance for corruption, and a high degree of transparency enhances government integrity. Regulatory efficiency and openness to global commerce undergird a vibrant entrepreneurial climate.

ECONOMIC FREEDOM SCORE

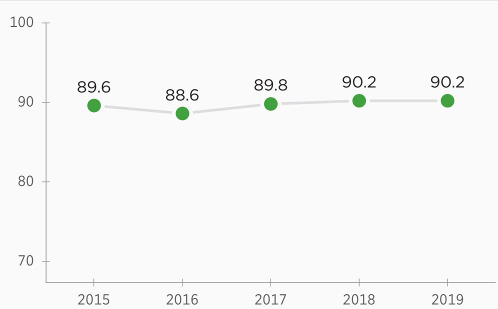


RELATIVE STRENGTHS:
Fiscal Health and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.6

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
7.4 million

GDP (PPP):
$454.9 billion
3.8% growth in 2017
5-year compound annual growth 2.8%
$61,393 per capita

UNEMPLOYMENT:
3.1%

INFLATION (CPI):
1.5%

FDI INFLOW:
$104.3 billion

PUBLIC DEBT: 0.1% of GDP

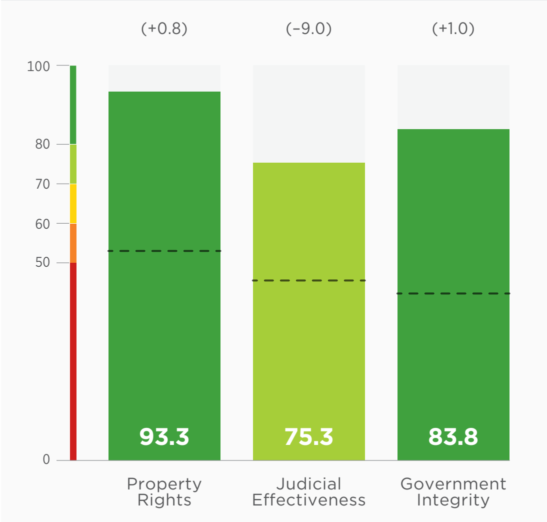
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Hong Kong became a Special Administrative Region of the People's Republic of China in 1997. Carrie Lam began a five-year term as chief executive in 2017. Under the "one country, two systems" agreement, China granted Hong Kong a high degree of autonomy in all matters except foreign and defense policy for 50 years. This policy has been strained by PRC political interference in recent years, and the Hong Kong government's decision in 2018 to ban a pro-independence party led to protests and raised concerns about future prospects for freedom of speech and association in the SAR. Despite the political unrest, Hong Kong's open and market-driven economy continues to flourish, increasingly integrated with the mainland through trade, tourism, and financial links.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

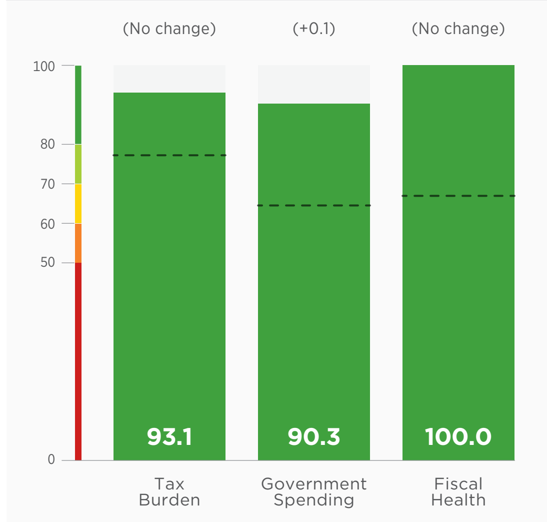
12 ECONOMIC FREEDOMS | HONG KONG

RULE OF LAW



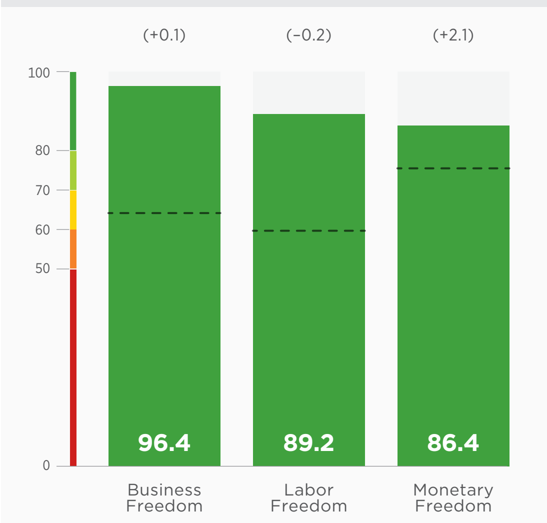
Property rights are effectively enforced and enshrined in the Basic Law, which serves in effect as the SAR's constitution. Commercial and company laws uphold the sanctity of contracts. The judiciary is independent, but Beijing reserves the right to make final interpretations of the Basic Law, effectively limiting the power of Hong Kong's Court of Final Appeal. Hong Kong has an excellent record of combatting corruption.

GOVERNMENT SIZE



The standard income tax rate is 15 percent, and the top corporate tax rate is 16.5 percent. The tax system is simple and efficient. The overall tax burden equals 14.0 percent of total domestic income. Over the past three years, government spending has amounted to 17.9 percent of the country's output (GDP), and budget surpluses have averaged 3.4 percent of GDP. Public debt is equivalent to 0.1 percent of GDP.

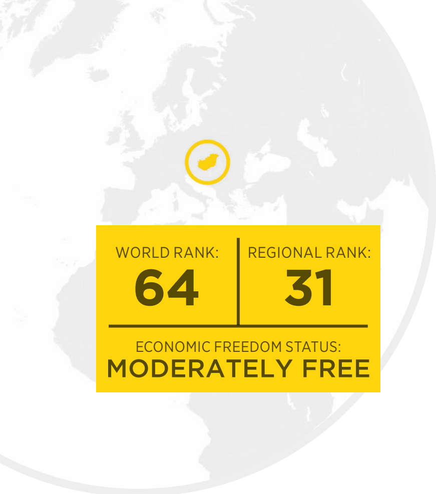
REGULATORY EFFICIENCY



Business freedom is well protected within an efficient regulatory framework. Transparency encourages entrepreneurship, and the overall environment is conducive to the start-up of businesses. The labor code is strictly enforced but not burdensome. Very few price controls are in place, but the government regulates residential rents and prices for telecommunications and in 2018 announced that it will study possible increases in transportation subsidies.

OPEN MARKETS

The combined value of exports and imports is equal to 375.1 percent of GDP. The average applied tariff rate is 0.0 percent. As of June 30, 2018, according to the WTO, Hong Kong had 149 nontariff measures in force. Hong Kong is very open to global trade and investment. The financial regulatory environment focuses on ensuring transparency and enforcing prudent minimum standards. There are no restrictions on foreign banks.



WORLD RANK: 64

REGIONAL RANK: 31

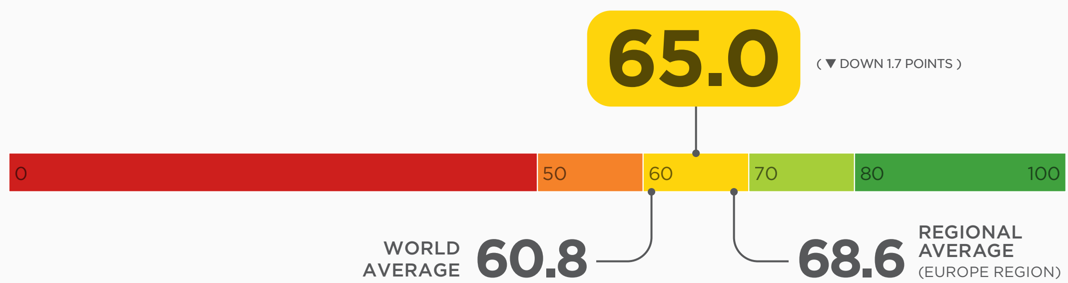
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

HUNGARY

Hungary's economic freedom score is 65.0, making its economy the 64th freest in the 2019 *Index*. Its overall score has decreased by 1.7 points, with declines in scores for **judicial effectiveness**, **monetary freedom**, and **labor freedom** overwhelming increases in **fiscal health** and **government spending**. Hungary is ranked 31st among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Hungary made important reforms to transition from a centrally planned to a market-driven economy, but the government has become more interventionist in recent years. The government plans to use sectoral taxes to manage the budget deficit and public debt to avoid renewed European Union sanctions under the EU's excessive-deficit procedure. Systemic economic challenges include pervasive corruption, labor shortages driven by demographic declines and migration, widespread poverty in rural areas, vulnerabilities to changes in demand for exports, and a heavy reliance on imports of Russian energy.

ECONOMIC FREEDOM SCORE

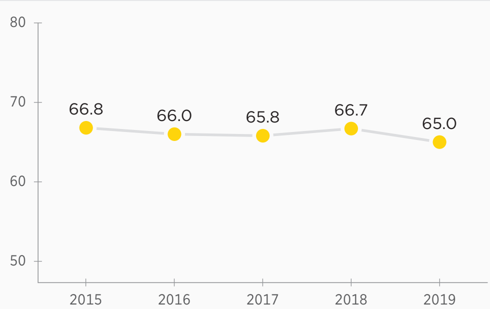


RELATIVE STRENGTHS:
Trade Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+9.8

CONCERNS:
Government Spending and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
9.8 million

GDP (PPP):
$289.0 billion
4.0% growth in 2017
5-year compound annual growth 3.2%
$29,474 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
2.4%

FDI INFLOW:
$2.5 billion

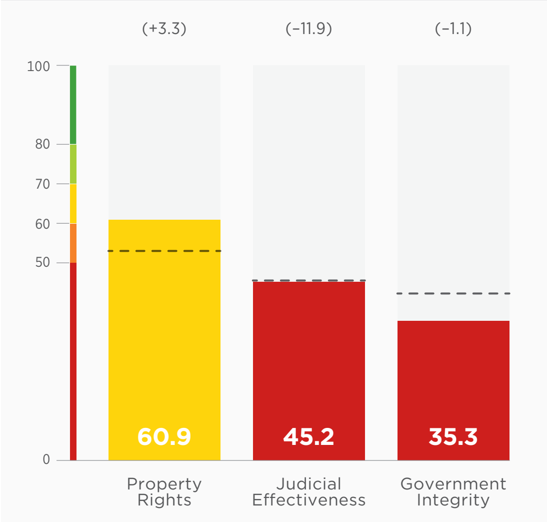
PUBLIC DEBT:
69.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Once part of the Austro–Hungarian Empire, Hungary emerged from 45 years of Communist rule to become fully independent in 1990. It joined NATO in 1999 and became a member of the European Union in 2004. Prime Minister Viktor Orbán, in office since 2010, won reelection to a third term in April 2018 elections. His center-right Fidesz-Hungarian Civic Alliance won two-thirds of the seats in parliament. Orbán's government has clashed repeatedly with the EU, particularly over migration issues. Economic growth is led by exports, domestic demand, and the construction industry. Unemployment is low. The government's more nationalist and populist approach to economic management has set the country somewhat apart from its neighbors.

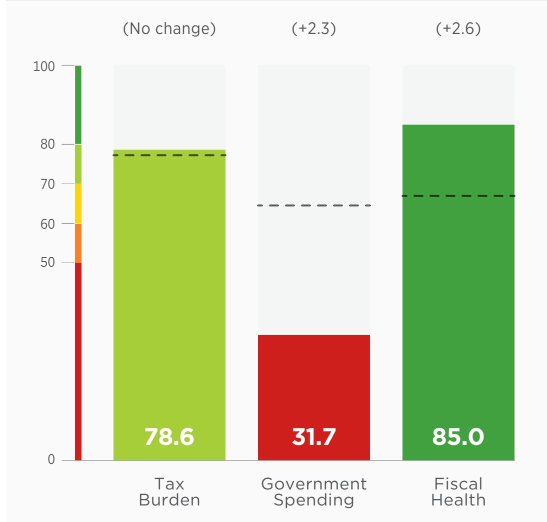
12 ECONOMIC FREEDOMS | HUNGARY

RULE OF LAW



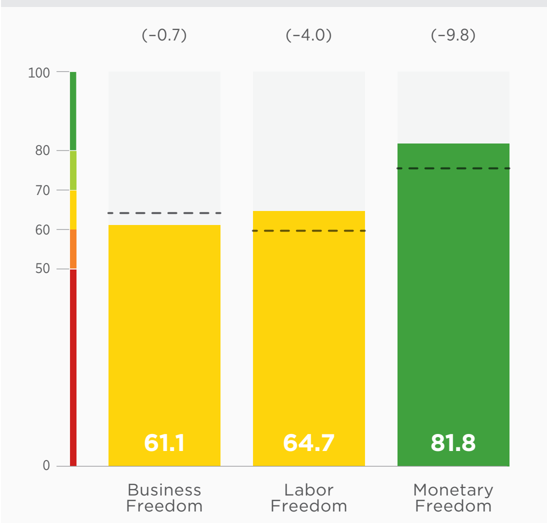
Hungary maintains a reliable land registry, and citizens have the right to own property and establish private businesses. Limits on the Constitutional Court constitute a growing threat to judicial independence. Cronyism plagues the public sector, and the government is often accused of granting privileges to certain economic allies. State institutions are reluctant to prosecute cases that involve high-level political officials.

GOVERNMENT SIZE



The personal income tax rate is a flat 15 percent. The top corporate tax rate is 19 percent. The overall tax burden equals 39.4 percent of total domestic income. Over the past three years, government spending has amounted to 47.7 percent of the country's output (GDP), and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 69.9 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework allows business formation and operation to be efficient and dynamic. Bankruptcy proceedings are relatively straightforward. Labor regulations lack flexibility. Most prices are set by the market, but the government administers prices on tobacco and pharmaceuticals; surcharges in the state-run mobile payment system; and fees on the connections to district heating systems, telecoms, and electric companies.

OPEN MARKETS

The combined value of exports and imports is equal to 172.4 percent of GDP. The average applied tariff rate is 2.0 percent. Hungary implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment. About 77 percent of adult Hungarians have access to an account with a formal banking institution.

ICELAND

WORLD RANK: **11**

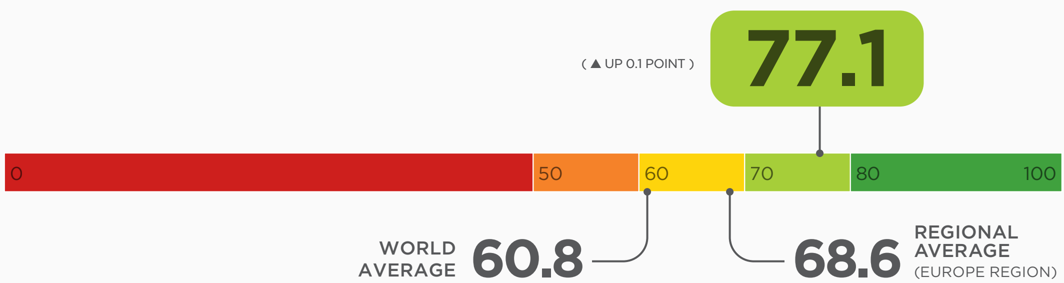
REGIONAL RANK: **4**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Iceland's economic freedom score is 77.1, making its economy the 11th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with increases in scores for **government integrity**, **fiscal health**, and **labor freedom** exceeding a sharp drop in **judicial effectiveness**. Iceland is ranked 4th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Abundant geothermal and hydropower sources have attracted substantial foreign investment in the aluminum sector. Improving and expanding the country's civil infrastructure, including the road system, public transport, and airports, will help to address capacity constraints that have arisen from the booming tourism industry. In a 2018 report, the Council of Europe recommended strengthening systems against corruption and improper conduct. The government aims to make Iceland carbon neutral by 2040 and to provide tax incentives to promote innovation and improve the competitive position of Iceland's industries.

ECONOMIC FREEDOM SCORE

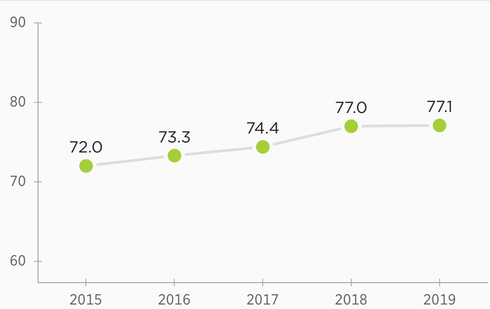


RELATIVE STRENGTHS:
Fiscal Health and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
+6.6

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$17.6 billion
3.6% growth in 2017
5-year compound annual growth 4.4%
$51,842 per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
1.8%

FDI INFLOW:
–$5.4 million

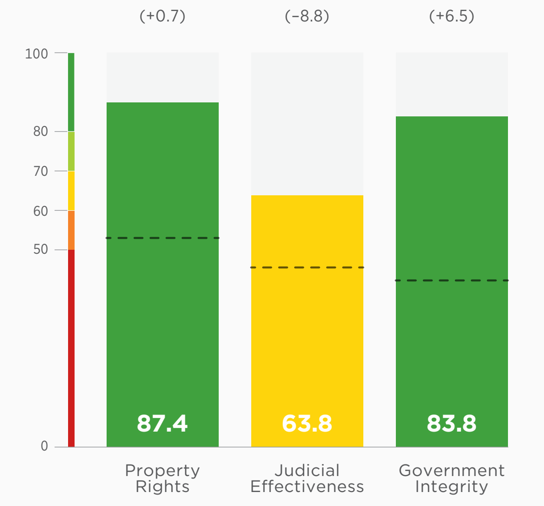
PUBLIC DEBT:
40.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Iceland is one of the world's oldest democracies. Guðni Jóhannesson, an independent historian, was elected to the largely ceremonial presidency in 2016. Katrin Jakobsdottir of the Left-Green Movement became the country's sixth prime minister since 2009 after forming a coalition with the center-right Independence Party and the populist Progressive Party in November 2017. The continuing uncertainty generated by the fragility of this coalition has contributed to a slowing of recent breakneck economic growth driven by the technology sector and tourism. Although Iceland officially withdrew its application for membership in the European Union in 2015, it enjoys free trade and movement of capital, labor, goods, and services with the EU.

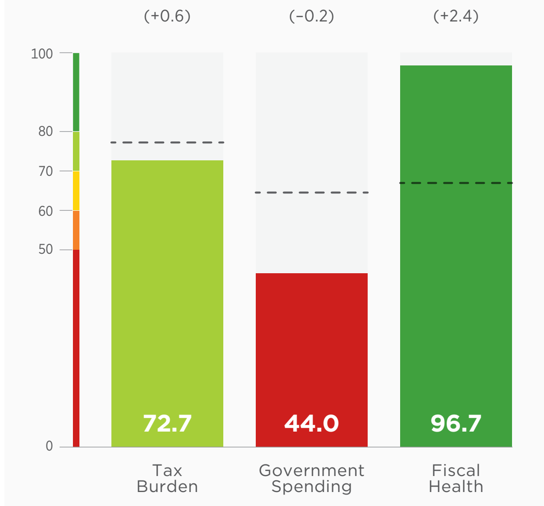
12 ECONOMIC FREEDOMS | ICELAND

RULE OF LAW



Private property is well protected, but real property rights are mostly reserved to Icelandic citizens. Iceland has a solid legal institutional framework to enforce laws protecting intellectual property. The judiciary is independent, and accountability and transparency are well institutionalized. Corruption is effectively controlled. Iceland is ranked 13th out of 180 countries in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE

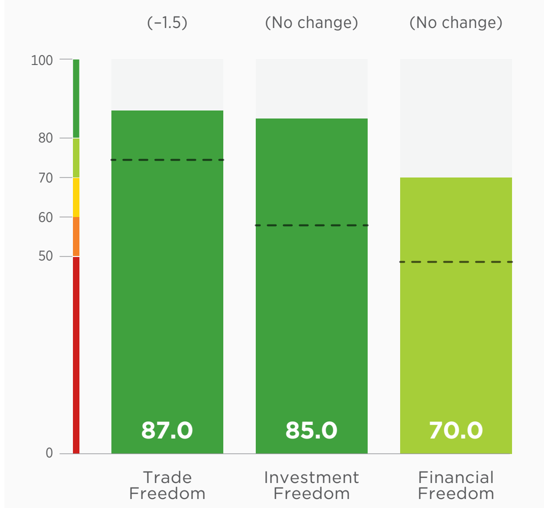


The top personal income tax rate is 31.8 percent, and the flat corporate tax rate is 20 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 36.4 percent of total domestic income. Over the past three years, government spending has amounted to 43.2 percent of the country's output (GDP), and budget surpluses have averaged 4.5 percent of GDP. Public debt is equivalent to 40.9 percent of GDP.

REGULATORY EFFICIENCY

The transparent regulatory environment supports commercial activity, allowing efficient business formation and operation. The labor market, characterized by broad wage settlements and high unionization, lacks flexibility. Although it continues to remove capital controls, the government introduced temporary subsidies in 2018 to encourage the production of films and television programs in Iceland.

OPEN MARKETS



The combined value of exports and imports is equal to 89.8 percent of GDP. The average applied tariff rate is 1.5 percent. As of June 30, 2018, according to the WTO, Iceland had 89 nontariff measures in force. Transparent and efficient regulations, applied evenly in most cases, encourage investment. Companies have access to regular commercial banking services. The state owns two of the three largest commercial banks.

WORLD RANK: **129**

REGIONAL RANK: **31**

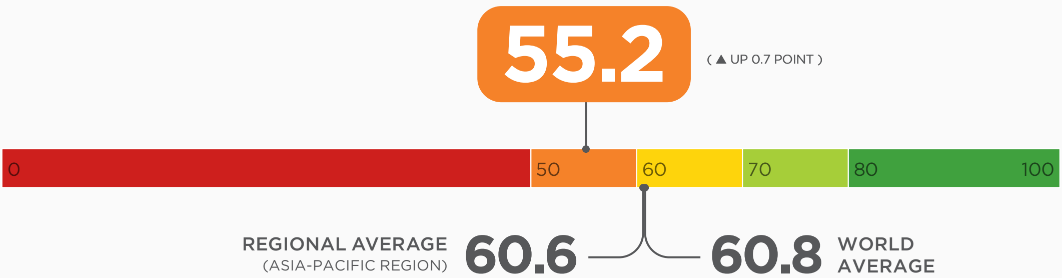
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

INDIA

India's economic freedom score is 55.2, making its economy the 129th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with a strong increase in the score for **judicial effectiveness** outpacing a decline in **monetary freedom**. India is ranked 31st among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The government is expected to shift from efforts to improve the business climate to adoption of populist measures as the 2019 election approaches. India is developing into an open-market economy, but traces of its past autarkic policies remain. Economic liberalization measures that began in the early 1990s, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, have accelerated growth. Corruption, underdeveloped infrastructure, a restrictive and burdensome regulatory environment, and poor financial and budget management continue to undermine overall development.

ECONOMIC FREEDOM SCORE

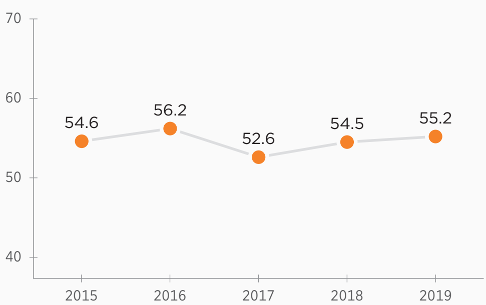


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+10.1

CONCERNS:
Fiscal Health and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 billion

GDP (PPP):
$9.5 trillion
6.7% growth in 2017
5-year compound annual growth 7.2%
$7,183 per capita

UNEMPLOYMENT:
3.5%

INFLATION (CPI):
3.6%

FDI INFLOW:
$39.9 billion

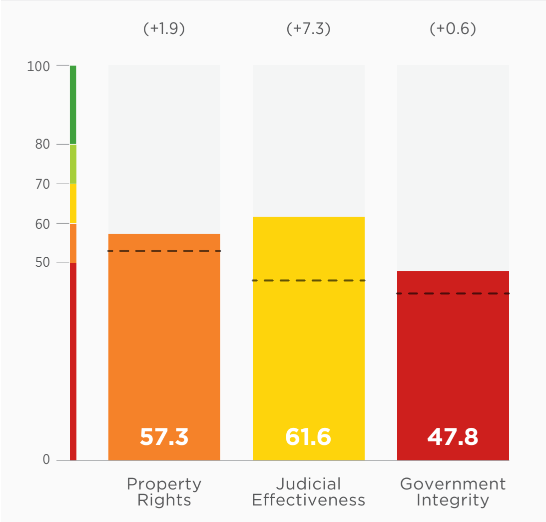
PUBLIC DEBT:
70.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: India is a stable democracy. Its population is 80 percent Hindu, but it is also home to one of the world's largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party, took office in 2014 and is credited with reinvigorating India's foreign policy, in part to balance China's growing influence in South Asia and the Indian Ocean. Modi promised sweeping economic reforms, but results thus far have been modest. The diverse economy encompasses traditional village farming, modern agriculture, handicrafts, and a wide range of modern industries. Capitalizing on its large, educated English-speaking population, India has become a major exporter of information technology services, business outsourcing services, and software workers.

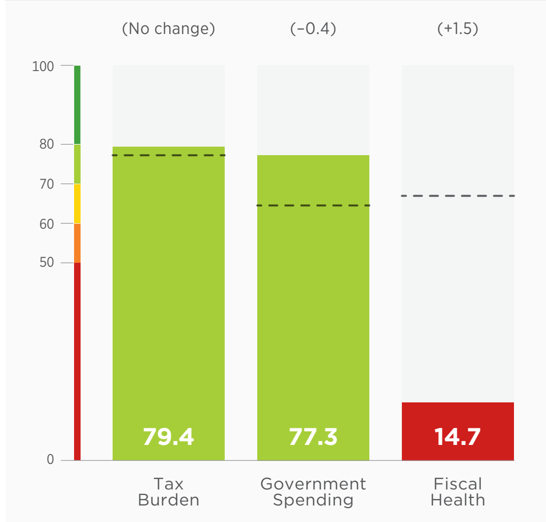
12 ECONOMIC FREEDOMS | INDIA

RULE OF LAW



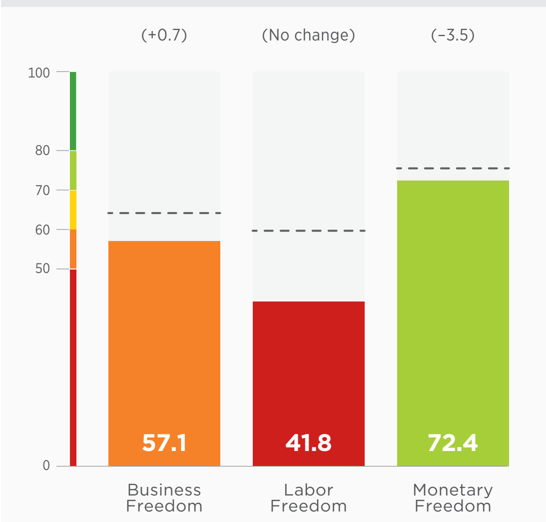
Real property rights are enforced in metropolitan areas, but titling remains unclear in some other urban and rural areas. Although the judiciary is independent, India's courts are understaffed and lack the technology necessary to clear an enormous backlog. Corruption is an obstacle to growth and remains a serious problem, and there is little evidence to suggest that anticorruption laws are effective.

GOVERNMENT SIZE



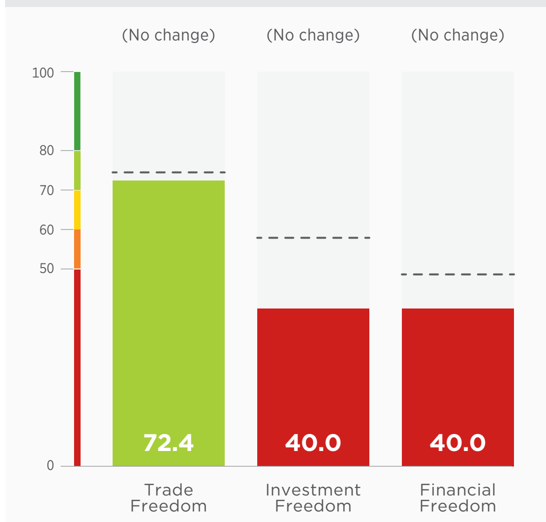
The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 32.4 percent. The overall tax burden equals 7.2 percent of total domestic income. Over the past three years, government spending has amounted to 27.5 percent of the country's output (GDP), and budget deficits have averaged 6.9 percent of GDP. Public debt is equivalent to 70.2 percent of GDP.

REGULATORY EFFICIENCY

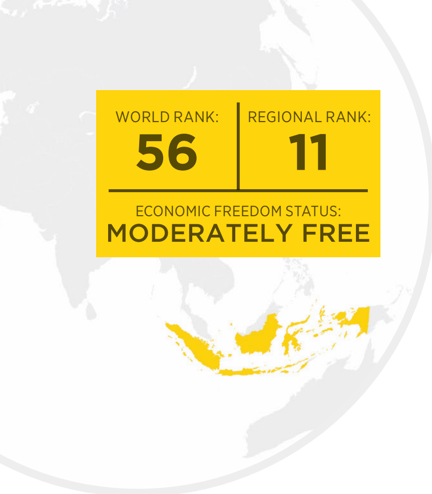


A burdensome regulatory environment discourages the entrepreneurship that could provide broader private-sector growth. The state maintains an extensive presence in many areas through public-sector enterprises. Labor regulations continue to evolve, and the informal economy is an important source of employment. The government has drastically expanded subsidies and imposed minimum prices to bail out the failing sugar industry.

OPEN MARKETS



The combined value of exports and imports is equal to 40.6 percent of GDP. The average applied tariff rate is 6.3 percent. As of June 30, 2018, according to the WTO, India had 369 nontariff measures in force. Foreign investment is screened, but ownership restrictions in some economic sectors have been reduced. The government has recapitalized state-owned banks, and the number of their nonperforming loans is increasing.



WORLD RANK: 56

REGIONAL RANK: 11

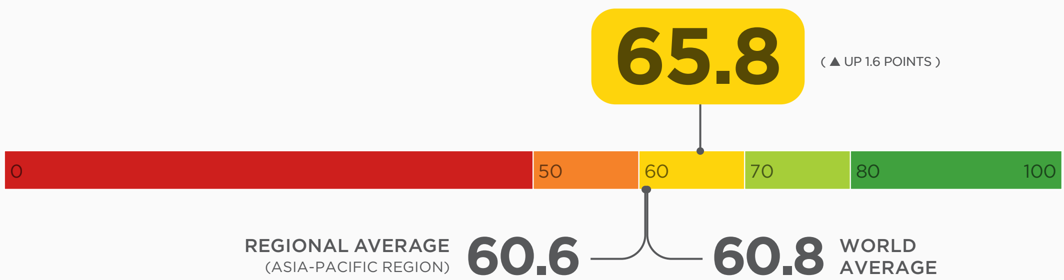
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

INDONESIA

Indonesia's economic freedom score is 65.8, making its economy the 56th freest in the 2019 *Index*. Its overall score has increased by 1.6 points, with sharp increases in **business freedom**, **investment freedom**, and **judicial effectiveness** outpacing declines in **monetary freedom** and **labor freedom**. Indonesia is ranked 11th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

The government's efforts to improve Indonesia's business environment and attract foreign direct investment by upgrading power and other infrastructure, prosecuting corruption cases more aggressively, and taking other steps to improve the regulatory environment are aimed at sustaining economic development and diversification. Remaining constraints include an inflexible labor market, long-standing protectionist rules governing trade and foreign investment in extractive sectors, and subsidies to numerous state-owned enterprises. Improvements in the legal and regulatory framework would strengthen the rule of law.

ECONOMIC FREEDOM SCORE

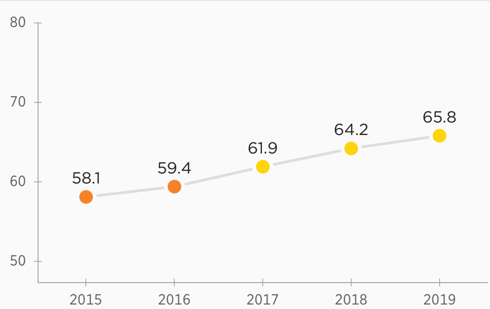


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+10.9

CONCERNS:
Government Integrity and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
262.0 million

GDP (PPP):
$3.2 trillion
5.1% growth in 2017
5-year compound annual growth 5.1%
$12,377 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
3.8%

FDI INFLOW:
$23.1 billion

PUBLIC DEBT:
28.9% of GDP

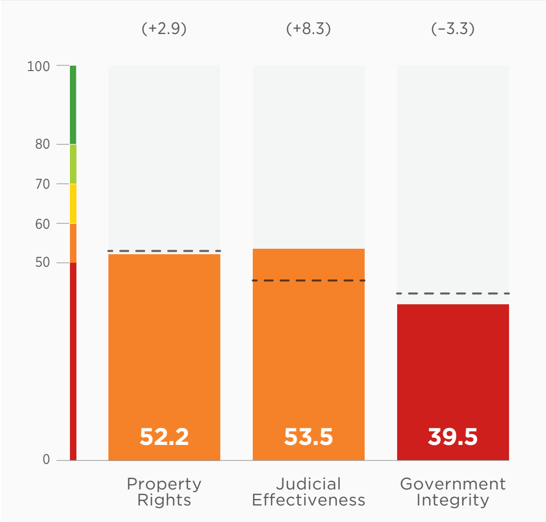
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Indonesia is the world's most populous Muslim-majority country. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 262 million people have enjoyed a wide range of political freedoms, and participation in the political process is high. Joko Widodo, former businessman and governor of Jakarta, won a five-year presidential term in 2014. Indonesia is Southeast Asia's largest economy. Key exports include mineral fuels, animal or vegetable fat, electrical machinery, rubber, machinery, and mechanical appliance parts. Continued improvements in infrastructure should help to reduce high transport and logistical costs. Indonesia has significant untapped maritime resources that could spur future development, but barriers to international trade and investment undermine prospects for growth.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

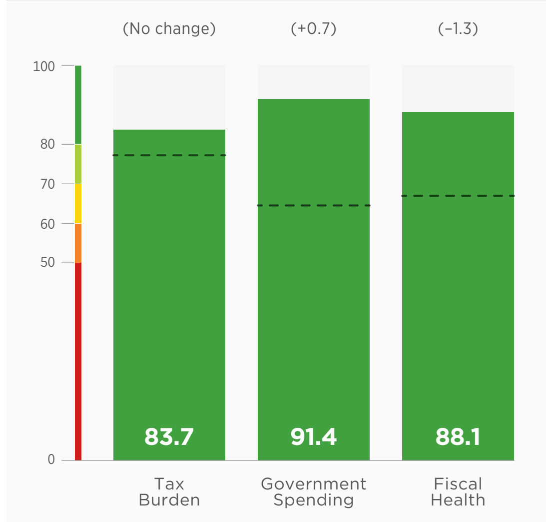
12 ECONOMIC FREEDOMS | INDONESIA

RULE OF LAW



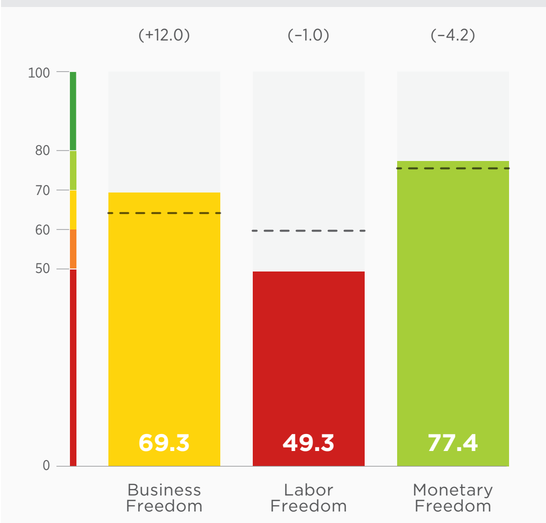
Property rights are generally respected. Enforcement is uneven, and property is sometimes difficult to register, although the government recently reduced the transfer tax to make registration easier. The judiciary is independent but subject to corruption and outside influence. Despite reforms, endemic corruption remains a problem. Anticorruption efforts are resisted from within the government itself and lack widespread public support.

GOVERNMENT SIZE



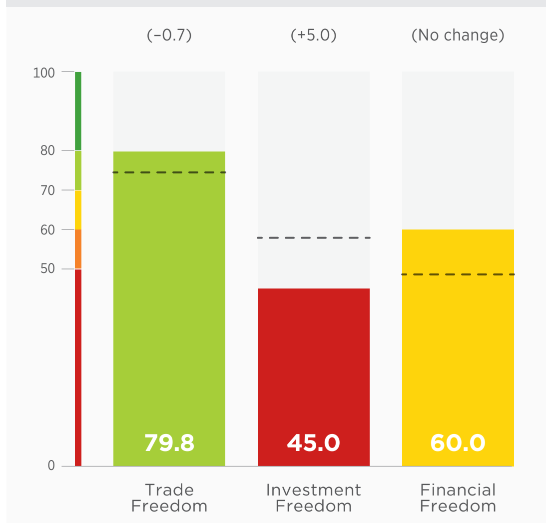
The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 10.4 percent of total domestic income. Over the past three years, government spending has amounted to 16.9 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 28.9 percent of GDP.

REGULATORY EFFICIENCY



Indonesia has improved its regulatory environment over the past year, implementing measures to reduce the cost of launching a business, but a lack of transparency remains an impediment. The labor market is not overly rigid, but minimum wages have been rising in recent years. Although it earned praise in 2016 for fuel subsidy reforms, the government announced a freeze on further fuel subsidy cuts in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 39.5 percent of GDP. The average applied tariff rate is 2.6 percent. As of June 30, 2018, according to the WTO, Indonesia had 110 nontariff measures in force. The reform-minded government has moved to dismantle some of the previously imposed barriers to foreign investment. Overall, the financial system's efficiency has increased. The state still owns several banks.

WORLD RANK: **155**

REGIONAL RANK: **13**

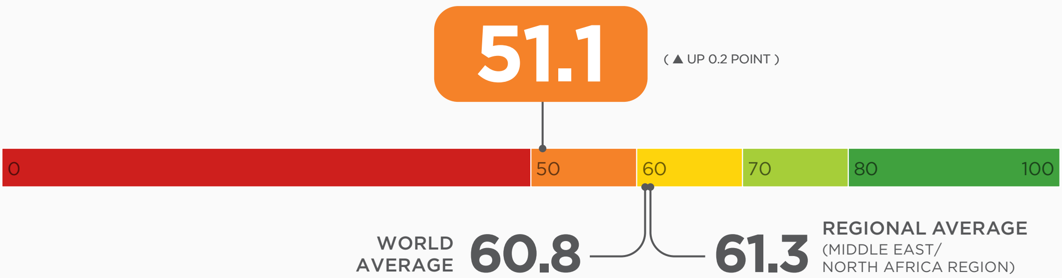
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

IRAN

Iran's economic freedom score is 51.1, making its economy the 155th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with higher scores for **judicial effectiveness** and **investment freedom** exceeding declines in **labor freedom** and **business freedom**. Iran is ranked 13th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

U.S. decertification of the JCPOA nuclear deal in 2017 and reimposition of U.S. economic sanctions in 2018 caused inflation to soar and led to rapid currency depreciation. The sanctions will also hamper much-needed investment flows into the country. Powerful interest groups, mostly linked to the security and religious establishments, are opposed to the pursuit of economic liberalization and reengagement with the global economy. Given Iran's excessive reliance on the oil sector, sustainable economic growth will remain a long-term rather than short-term objective.

ECONOMIC FREEDOM SCORE

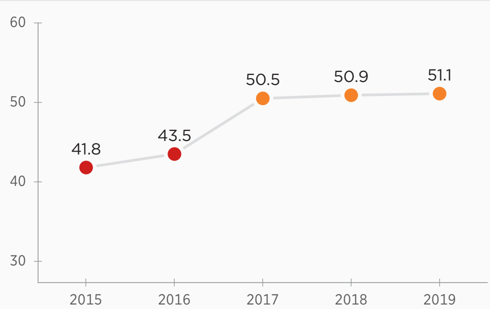


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+15.0

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
81.4 million

GDP (PPP):
$1.6 trillion
4.3% growth in 2017
5-year compound annual growth 3.6%
$20,200 per capita

UNEMPLOYMENT:
12.5%

INFLATION (CPI):
9.9%

FDI INFLOW:
$5.0 billion

PUBLIC DEBT:
40.9% of GDP

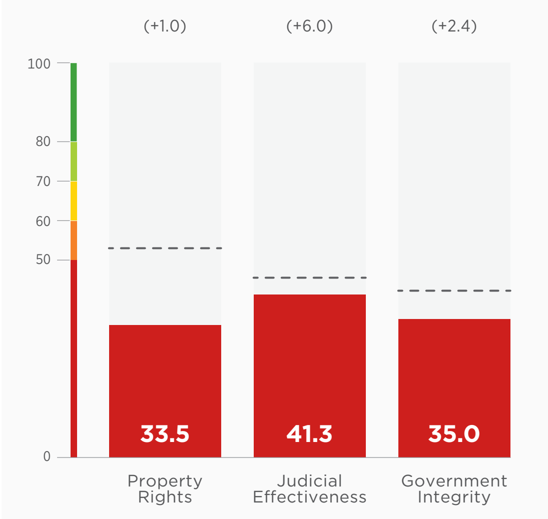
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Iran's economy, one of the Middle East's most advanced before 1979, has been plagued by mismanagement, international sanctions, and systematic graft. The repressive Islamic government is dominated by Shiite religious authorities. President Hassan Rouhani, reelected in 2017, has reportedly tried to steer a more pragmatic path, but Supreme Leader Ayatollah Ali Khamenei continues to promote radical policies. Iran has the world's second-largest reserves of natural gas and fourth-largest reserves of crude oil. Although the 2015 nuclear agreement briefly allowed Tehran to expand its oil exports, attract greater foreign investment, and increase trade, that economic boost did not help many Iranians. Falling living standards, high unemployment, lack of freedom, and outrage over pervasive corruption have prompted widespread ongoing protests.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

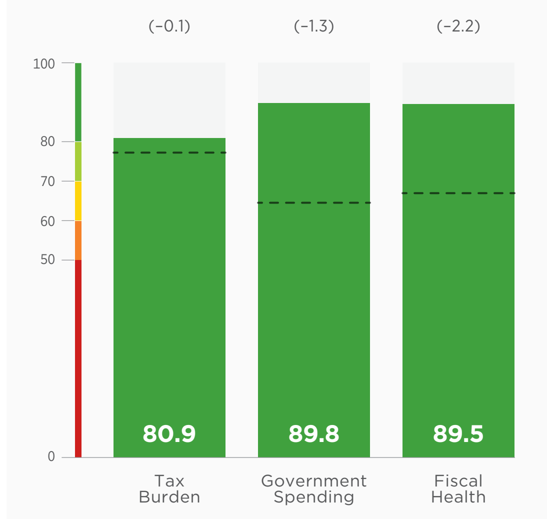
12 ECONOMIC FREEDOMS | IRAN

RULE OF LAW



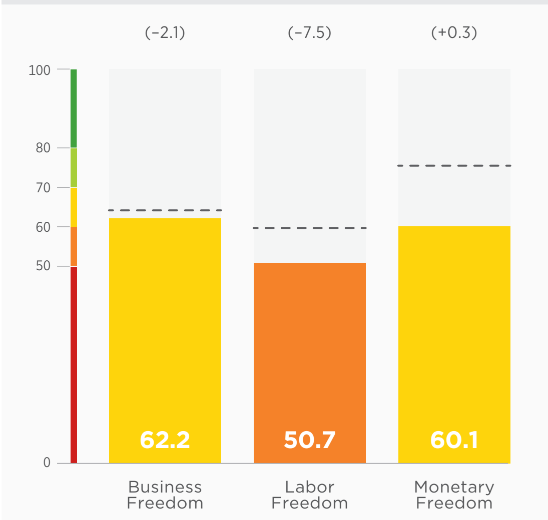
The government has confiscated property belonging to religious minorities. The judicial system is not independent; the supreme leader directly appoints the head of the judiciary, who in turn appoints senior judges. Corruption is pervasive, and the government applies criminal penalties for corruption subjectively, often pursuing religious minorities or political opposition. The government long ago abolished independent financial watchdogs.

GOVERNMENT SIZE



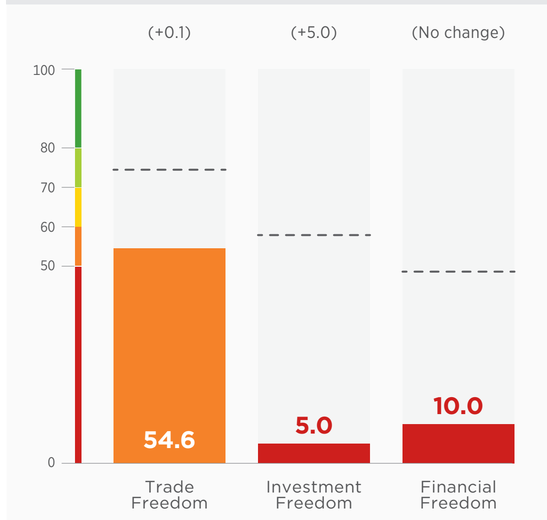
The top personal income tax rate is 35 percent. The top corporate tax rate is 25 percent. All property transfers are subject to a standard tax. The overall tax burden equals 8.0 percent of total domestic income. Over the past three years, government spending has amounted to 18.5 percent of the country's output (GDP), and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 40.9 percent of GDP.

REGULATORY EFFICIENCY



A tight regulatory environment, exacerbated by excessive bureaucracy, continues to impede private investment and production. Labor regulations are restrictive, and the labor market remains stagnant. Iran's government has maintained economically deleterious price controls and applied subsidies since the early years of the Islamic Revolution, although fiscally ruinous fuel subsidies were cut at the end of 2017.

OPEN MARKETS



The combined value of exports and imports is equal to 46.1 percent of GDP. The average applied tariff rate is 15.2 percent. Iran's intrusive state continues to hold back more broadly based economic development, undermining trade and investment flows. 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

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**

ECONOMIC FREEDOM STATUS: **NOT GRADED**

Iraq is not ranked in the 2019 *Index* because of the lack of reliable relevant data. Iraqi forces have territorially defeated the Islamic State, but ISIS remains a terrorist threat. The outlook for the country depends mainly on whether the government is able to reduce social unrest, resolve its dispute with the Kurds, and prevent the return of Islamic State influence.

Economic policy priorities include reining in fiscal spending, curbing corruption, improving fiscal management, and strengthening the financial sector. Rising prices should boost the economy, which is largely dependent on the oil sector, but production will remain constrained by lack of investment. Combatting corruption and reducing government spending will be politically challenging; civil service positions are used to reward loyal political allies. Diversification, key to Iraq's long-term economic development, will require a strengthened investment climate to bolster private-sector engagement, which in turn will require improving the security environment and restoring the rule of law.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)

0 | 50 | 60 | 70 | 80 | 100

WORLD AVERAGE **60.8**

61.3 REGIONAL AVERAGE (MIDDLE EAST/ NORTH AFRICA REGION)

RELATIVE STRENGTHS:
Monetary Freedom and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
0.0

CONCERNS:
Judicial Effectiveness and Fiscal Health

FREEDOM TREND

QUICK FACTS

POPULATION:
38.9 million

GDP (PPP):
$658.8 billion
–0.8% growth in 2017
5-year compound annual growth 4.7%
$16,954 per capita

UNEMPLOYMENT:
8.2%

INFLATION (CPI):
0.1%

FDI INFLOW:
–$5,032.4 million

PUBLIC DEBT:
58.0% of GDP

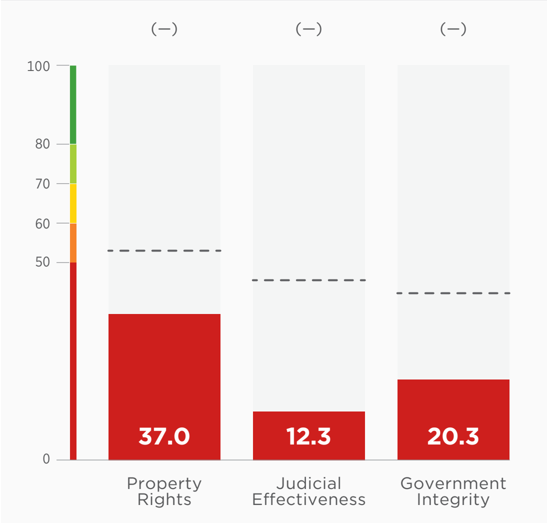
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Iraq is slowly recovering from the traumatic 2014 war against the Islamic State (ISIS) in Western Iraq. Prime Minister Haider al-Abadi, who replaced the discredited Nuri al-Maliki in 2014, received much of the credit for defeating ISIS, but his party did poorly in the May 2018 parliamentary election, and he may not be included in the next government. That election increased the power of populist firebrand and Shia cleric Moqtada al-Sadr. Iraq's state-dominated economy is led by the oil sector, which provides about 85 percent of government revenue. The war against the Islamic State imposed a high cost on the economy, which also has been hurt by rampant corruption, sluggish oil prices, and war-damaged infrastructure.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

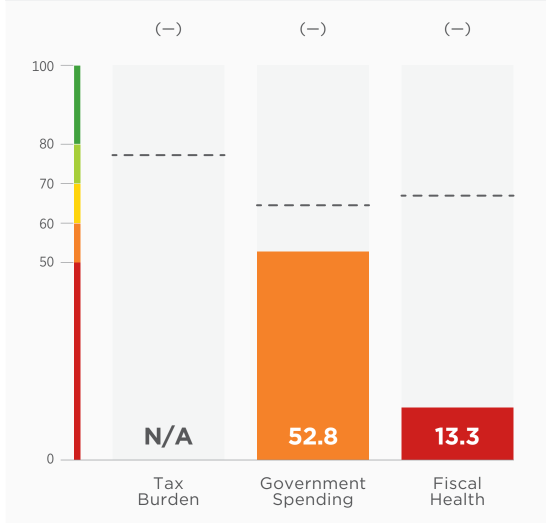
12 ECONOMIC FREEDOMS | IRAQ

RULE OF LAW



The state's limited administrative capacity leaves property rights unprotected. 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 efforts to combat corruption are met with resistance and threats. Bribery, money laundering, nepotism, and misappropriation of public funds are common.

GOVERNMENT SIZE

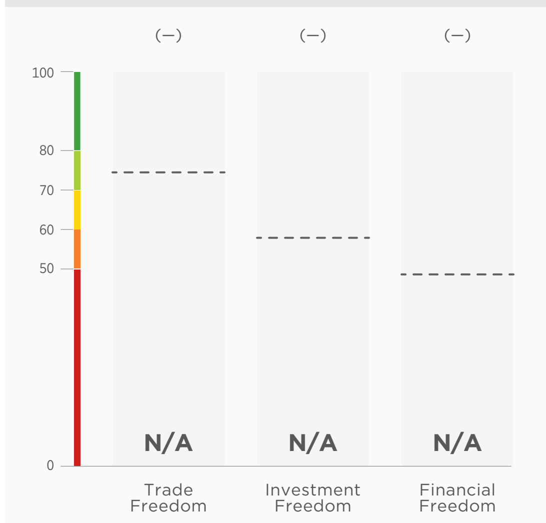


Individual and corporate income tax rates are capped at 15 percent. Because of high levels of evasion and lax enforcement, tax revenue as a percentage of GDP is negligible. Over the past three years, government spending has amounted to 39.7 percent of the country's output (GDP), and budget deficits have averaged 9.5 percent of GDP. Public debt is equivalent to 58.0 percent of GDP.

REGULATORY EFFICIENCY

The absence of efficient regulatory policies makes development of a much-needed dynamic private sector extremely difficult. 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. Iraq has some of the world's highest subsidy rates, with subsidies amounting to about 40 percent of GDP.

OPEN MARKETS



The combined value of exports and imports is equal to 73.9 percent of GDP. Judicial and regulatory system problems deter foreign trade and investment. 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 frameworks have not strengthened enough to deepen financial intermediation.

IRELAND

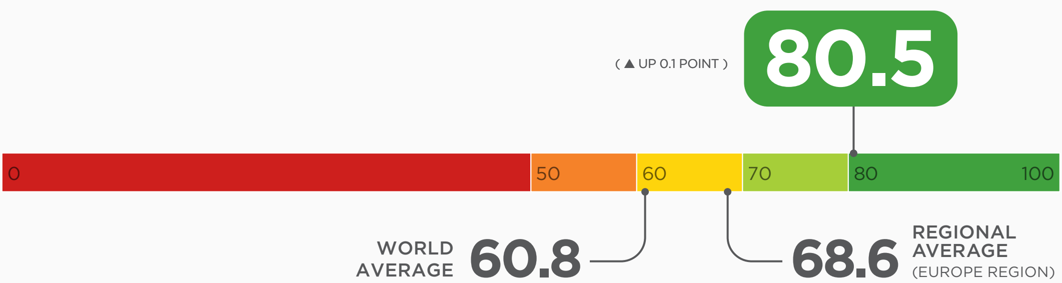
WORLD RANK: **6** | REGIONAL RANK: **2**

ECONOMIC FREEDOM STATUS: **FREE**

Ireland's economic freedom score is 80.5, making its economy the 6th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with improvements in **fiscal health** and **government spending** offsetting a sharp drop in **judicial effectiveness**. Ireland is ranked 2nd among 44 countries in the Europe region, and its overall score is well above the regional and world averages.

The Irish economy has registered impressive growth, but the government faces many economic policy challenges. As a small, open economy, it has responded effectively to global fluctuations. Government debt is high, and the banking system is still burdened with hefty residential property mortgage arrears and impaired loans to small and medium-size enterprises. However, low corporate taxes and a talented high-technology labor pool attract foreign multinationals, and Ireland's strong economic fundamentals are undergirded by solid protection of property rights and an independent judiciary that safeguards the rule of law.

ECONOMIC FREEDOM SCORE

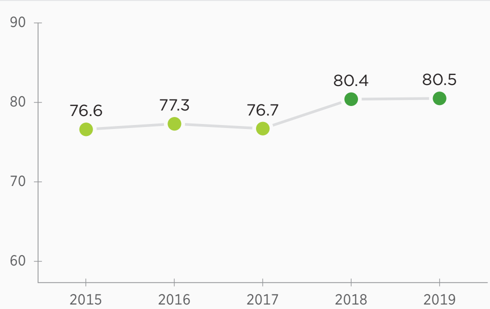


RELATIVE STRENGTHS:
Investment Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+12.0

CONCERNS:
Judicial Effectiveness and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
4.7 million

GDP (PPP):
$357.2 billion
7.8% growth in 2017
5-year compound annual growth 9.7%
$75,538 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
0.3%

FDI INFLOW:
$29.0 billion

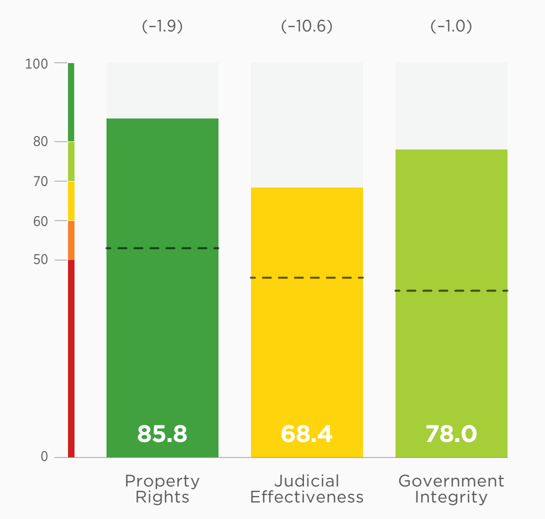
PUBLIC DEBT:
68.5% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Leo Varadkar succeeded Enda Kenny in 2017 as leader of the center-right Fine Gael and became the youngest prime minister in Irish history. Fine Gael lost its parliamentary majority in 2016, however, so he heads a minority government. A 2018 vote ending a strict constitutional ban on abortion reflected an increasingly secular and socially liberal electorate. The small, modern, and trade-dependent economy has performed extraordinarily well for decades and was among the first in the European Union to recover from the 2008 financial crisis. Foreign multinationals dominate the export sector, led by machinery and equipment, computers, chemicals, medical devices, pharmaceuticals, foodstuffs, and animal products. Post-Brexit trade and border arrangements with the United Kingdom are key issues.

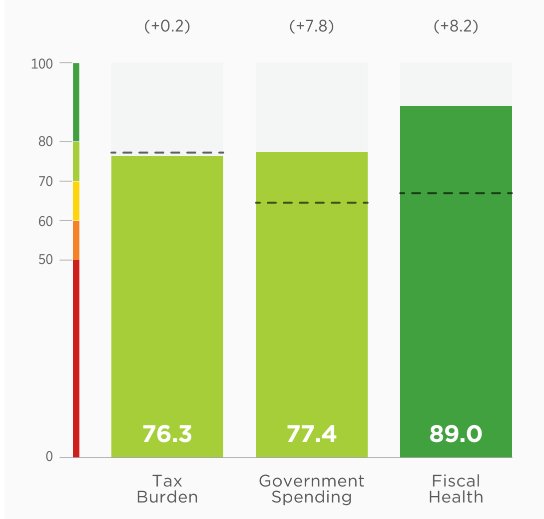
12 ECONOMIC FREEDOMS | IRELAND

RULE OF LAW



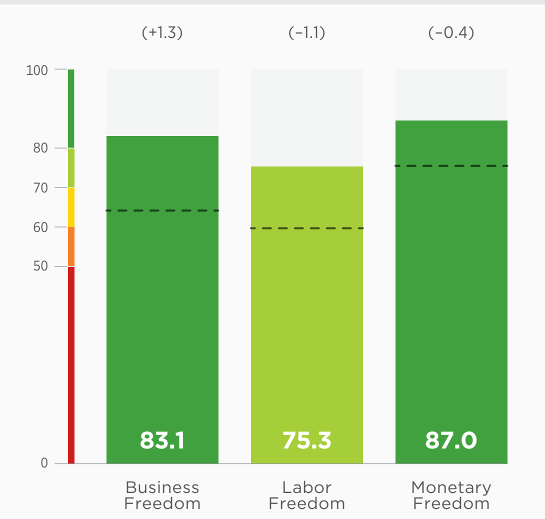
Property rights are well protected, and secured interests in property, both chattel and real estate, are recognized and enforced. Contracts are secure, and expropriation is rare. Ireland's legal system is based on common law, and the judiciary is independent. Outright public corruption is rare and is investigated and prosecuted. Legislation combatting cronyism was recently signed into law but has not yet been implemented.

GOVERNMENT SIZE



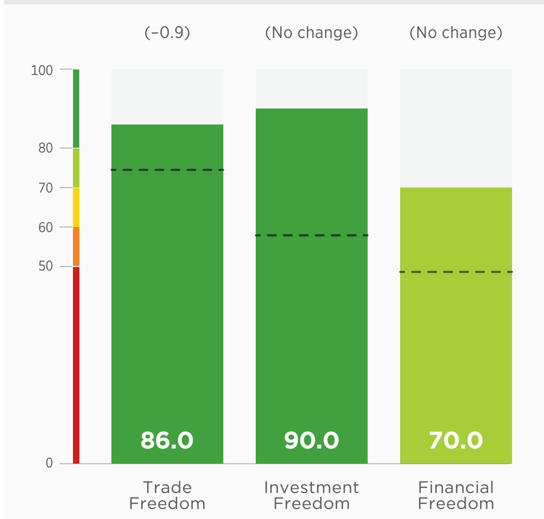
The top personal income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 23.0 percent of total domestic income. Over the past three years, government spending has amounted to 27.4 percent of the country's output (GDP), and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 68.5 percent of GDP.

REGULATORY EFFICIENCY



The streamlined regulatory process is very conducive to dynamic investment and supports business decisions that enhance productivity. The nonsalary cost of employing a worker is low, and the severance payment system is not overly burdensome. Public opinion polls indicate strong support for agricultural subsidies in advance of Brexit in 2019 as well as ongoing support for rent controls.

OPEN MARKETS



The combined value of exports and imports is equal to 207.9 percent of GDP. The average applied tariff rate is 2.0 percent. Ireland implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. A commitment to facilitation of global investment flows is well institutionalized. Recapitalization and restructuring have restored banking-sector stability.

WORLD RANK: 27

REGIONAL RANK: 2

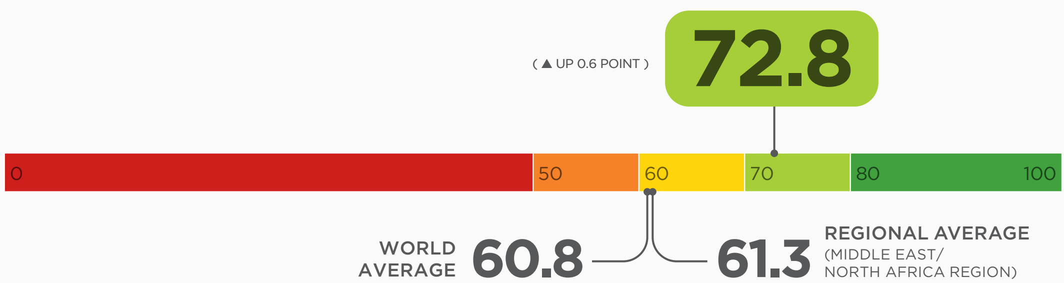
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

ISRAEL

Israel's economic freedom score is 72.8, making its economy the 27th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with improvements in **government integrity** and **fiscal health** outpacing a sharp decline in the score for **judicial effectiveness**. Israel is ranked 2nd among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The Israeli government will likely continue to liberalize and deregulate but also defer fiscal consolidation in favor of populist spending and tax measures demanded by the governing coalition. More positively, lower customs duties should encourage greater competition and lower prices. Strong trade and investment ties outside of the Middle East insulate Israel's technologically advanced free-market economy from regional political instability. Competitiveness is enhanced by strong protection of property rights, efficient coordination of regulatory processes, and a sound judicial framework that sustains the rule of law.

ECONOMIC FREEDOM SCORE

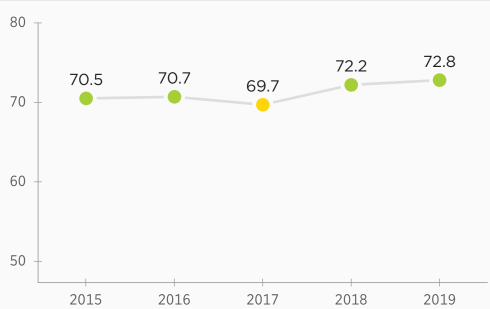


RELATIVE STRENGTHS:
Monetary Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+11.3

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
8.7 million

GDP (PPP):
$316.5 billion
3.3% growth in 2017
5-year compound annual growth 3.5%
$36,340 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
0.2%

FDI INFLOW:
$19.0 billion

PUBLIC DEBT:
61.0% of GDP

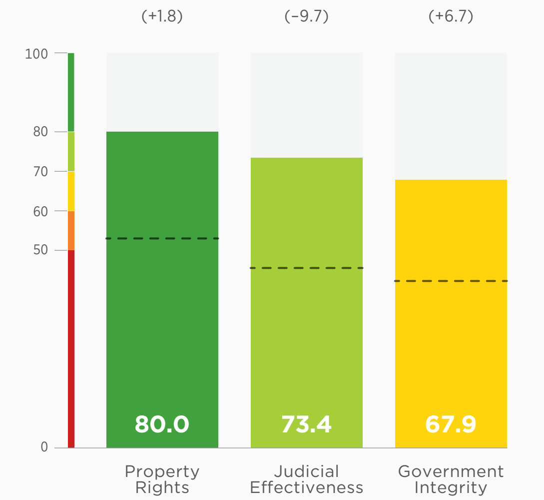
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Israel fought a war to gain independence in 1948 after Arab states rejected a U.N.-proposed partition of Great Britain's Palestinian Mandate. Subsequent military defeats of Arab armies have deepened tensions. Israel's vibrant democracy remains unique in the region. Prime Minister Benjamin Netanyahu, reelected in 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 discovery of large offshore natural gas deposits has improved its energy security and balance-of-payments prospects. Despite the 2006 war against Hezbollah in Lebanon and frequent military campaigns against Hamas in Gaza, as well as the constant threat of terrorism, Israel's economy remains fundamentally sound and dynamic.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

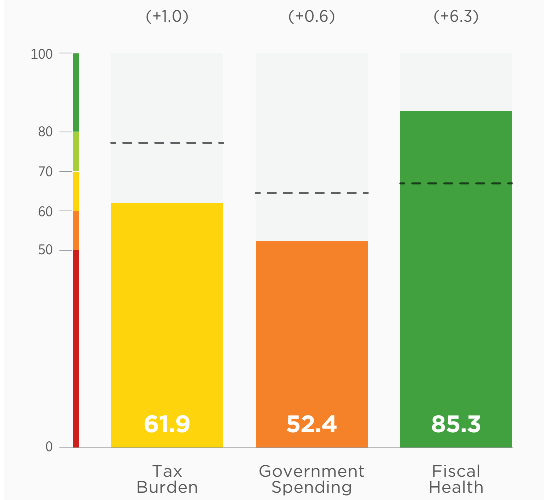
12 ECONOMIC FREEDOMS | ISRAEL

RULE OF LAW



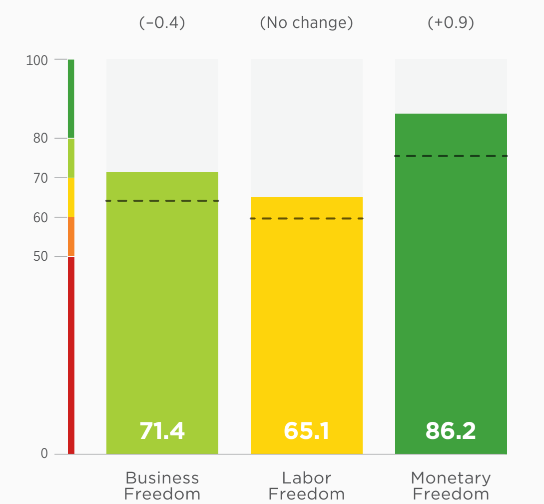
Property rights are recognized and protected, and contracts are enforced, but the judicial process can be very time-consuming. Israel's modern judicial system is independent and based on British common law. Bribery and other forms of corruption are illegal. A strong societal intolerance for graft extends to government corruption in all its forms and has strengthened the foundations of economic freedom.

GOVERNMENT SIZE



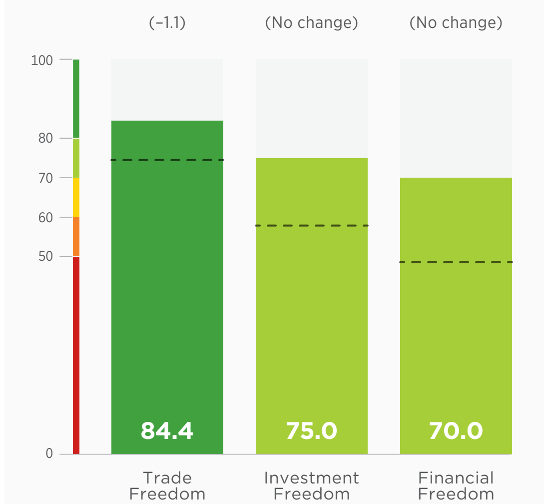
The top personal income tax rate is 48 percent. The corporate tax rate has been cut to 23 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 31.2 percent of total domestic income. Over the past three years, government spending has amounted to 39.8 percent of the country's output (GDP), and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 61.0 percent of GDP.

REGULATORY EFFICIENCY



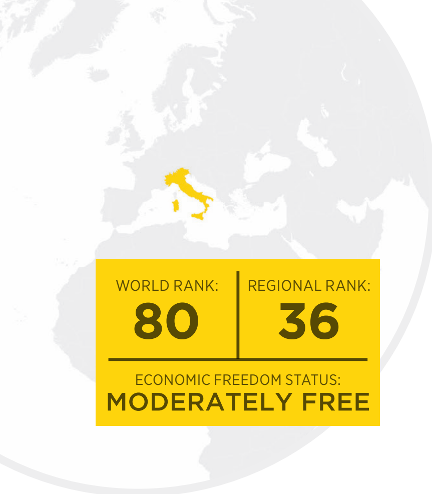
The overall regulatory framework promotes efficiency and entrepreneurial activity. The labor market needs more flexibility to accommodate the rapidly transforming economy, but the nonsalary cost of employing a worker is relatively low. Since widespread demonstrations in 2011 related to the cost of living, price controls have been applied to many basic foods, medicine, gasoline, and basic banking services.

OPEN MARKETS



The combined value of exports and imports is equal to 58.4 percent of GDP. The average applied tariff rate is 2.8 percent. As of June 30, 2018, according to the WTO, Israel had 88 nontariff measures in force. Economic competitiveness has been facilitated by openness to foreign investment in general. Banking remains concentrated, but commercial banks offer a range of financial services that support private-sector development.

ITALY



WORLD RANK: **80**

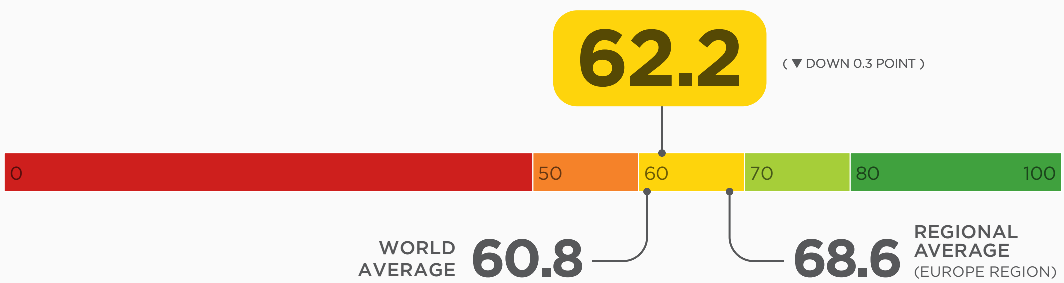
REGIONAL RANK: **36**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Italy's economic freedom score is 62.2, making its economy the 80th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with a sharp drop in **judicial effectiveness** and a lower score for **monetary freedom** overwhelming improvements in **government integrity**, **government spending**, and **fiscal health**. Italy is ranked 36th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Despite political and economic volatility, Italy continues to register moderate growth. The eurozone's third-largest economy is hobbled by political interference; corruption; poor management of public finances; exceptionally high public debt; and such structural impediments to growth as labor market inefficiencies, a sluggish judicial system, and a weak banking sector. A complex regulatory framework and the high cost of conducting business drive a considerable amount of economic activity to the informal sector.

ECONOMIC FREEDOM SCORE

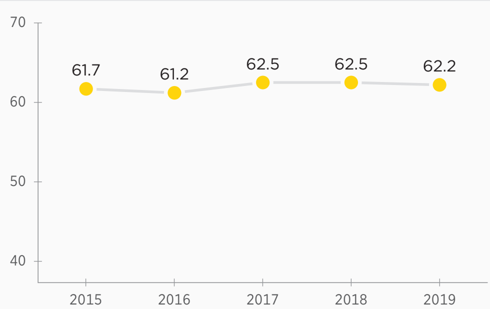


RELATIVE STRENGTHS:
Trade Freedom and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.0

CONCERNS:
Government Spending and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
60.6 million

GDP (PPP):
$2.3 trillion
1.5% growth in 2017
5-year compound annual growth 0.3%
$38,140 per capita

UNEMPLOYMENT:
11.2%

INFLATION (CPI):
1.3%

FDI INFLOW:
$17.1 billion

PUBLIC DEBT:
131.5% of GDP

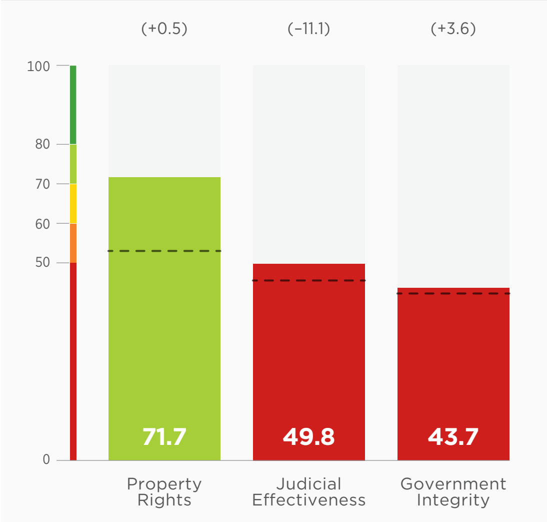
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Italy is a charter member of NATO and the European Union. In a rebuke to establishment political parties, the Five Star Movement and the anti-immigrant League Party won more than half of the vote in March 2018 elections. Prime Minister Giuseppe Conte, a politically independent law professor, was the compromise pick to lead a populist government. Attempts by tens of thousands of migrants to enter Italy from the Mediterranean and Adriatic Seas generated a backlash, and the new government claims a mandate for stricter border control. Italy's diversified economy is bifurcated between the highly developed industrial North, dominated by private companies, and a less-developed, highly subsidized agricultural South, where unemployment is higher.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

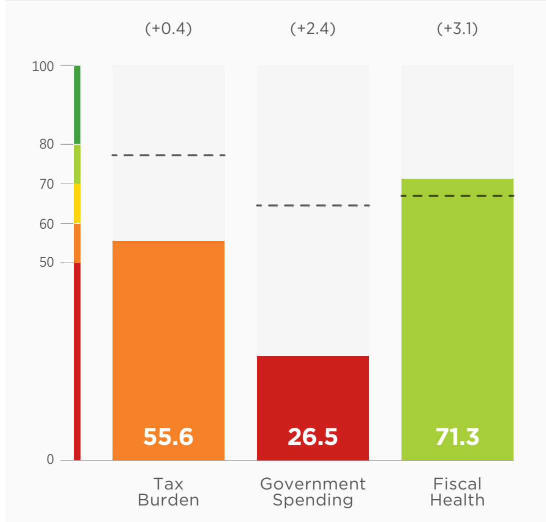
12 ECONOMIC FREEDOMS | ITALY

RULE OF LAW



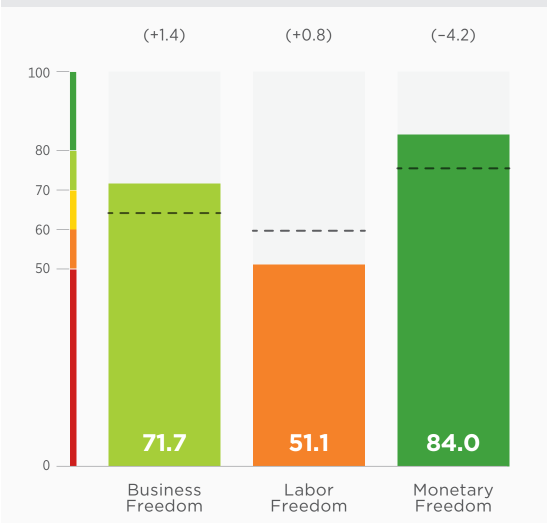
Property rights and contracts are secure, but court procedures are notoriously slow. The legal system is cumbersome and vulnerable to political interference. Corruption and organized crime are significant impediments to investment and economic growth, costing an estimated €60 billion annually in wasted public resources. A bloated and self-interested bureaucracy slows efforts to enforce anticorruption laws.

GOVERNMENT SIZE



The top personal income tax rate is 43 percent, and the top corporate rate is 27.5 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 42.9 percent of total domestic income. Over the past three years, government spending has amounted to 49.5 percent of the country's output (GDP), and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 131.5 percent of GDP.

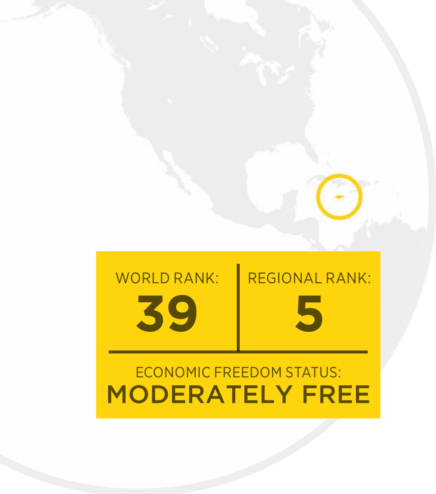
REGULATORY EFFICIENCY



Organizing new investment and production remains a cumbersome and bureaucratic process. Inefficient public administration increases the cost of entrepreneurial activity. Systemic deficiencies in the labor market continue to hamper job growth. The government has the legal right to regulate prices but allows most to be set by the market except for electricity, transportation, pharmaceuticals, telecommunications, water, and gas networks.

OPEN MARKETS

The combined value of exports and imports is equal to 59.5 percent of GDP. The average applied tariff rate is 2.0 percent. Italy implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment, and most sectors of the economy are open. Bank recapitalization has been underway, but nonperforming loans remain problematic.



WORLD RANK: **39**

REGIONAL RANK: **5**

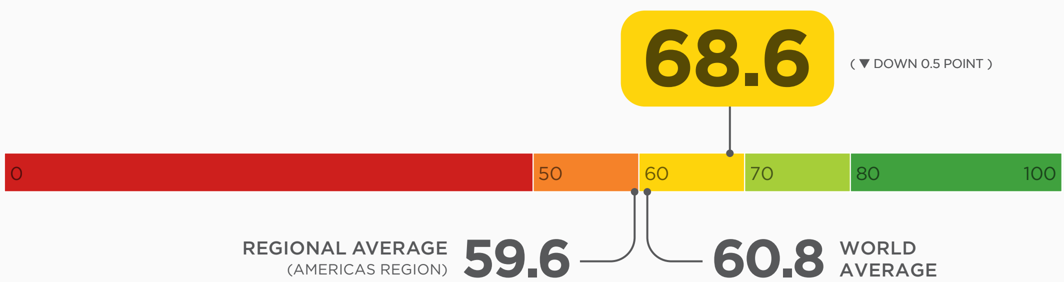
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

JAMAICA

Jamaica's economic freedom score is 68.6, making its economy the 39th freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with a drop in the score for **judicial effectiveness** outpacing an improvement in **government integrity**. Jamaica is ranked 5th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

After three decades of economic growth that has averaged less than 1 percent a year, Jamaica's economy revived somewhat in 2018. Growth has been impeded by a bloated public sector, high crime and corruption, red tape, weak rule of law, and a high debt-to-GDP ratio. The government's main policy objectives are public-sector reforms, including wage restraint and budget austerity measures, the merger of public-sector agencies, and a workforce reduction plan, all of which risk igniting social and political opposition. A rise in violent crime has dampened the growth of tourism.

ECONOMIC FREEDOM SCORE

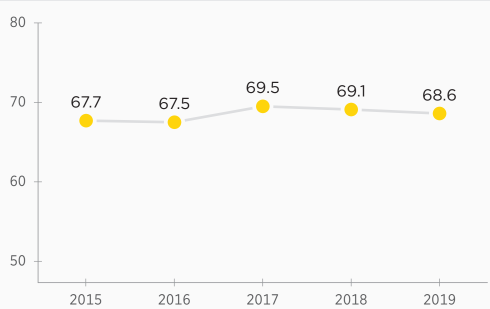


RELATIVE STRENGTHS:
Monetary Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+4.2

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
$26.1 billion
1.0% growth in 2017
5-year compound annual growth 0.8%
$9,163 per capita

UNEMPLOYMENT:
12.5%

INFLATION (CPI):
4.4%

FDI INFLOW:
$888.0 million

PUBLIC DEBT:
104.1% of GDP

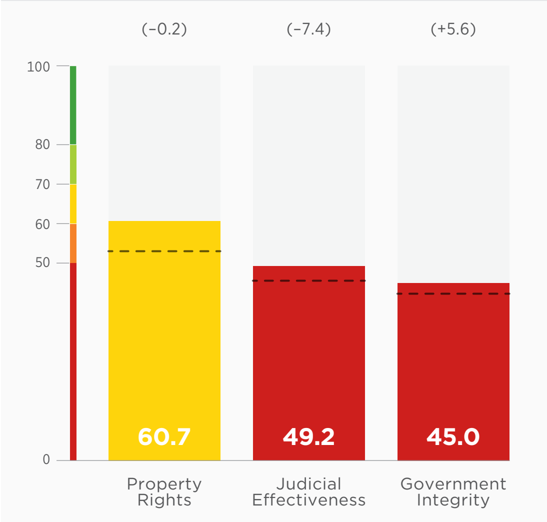
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: English planters seized Jamaica from Spain in 1655 and established a plantation economy based on slave labor. The island gained independence from the United Kingdom in 1962. Long-standing recurrent violence among powerful organized crime networks that are involved in international drug smuggling and money laundering and are affiliated with major political parties remains an ongoing problem. Prime Minister Andrew Holness's center-left Jamaica Labour Party maintained a majority in a March 2018 by-election, boosting his chances for reelection in 2021. Once a major sugar producer, Jamaica is now a net sugar importer, and services account for more than 70 percent of GDP. The economy is diverse, but industries lack investment and modernization. Remittances, tourism, and bauxite generate most foreign exchange.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

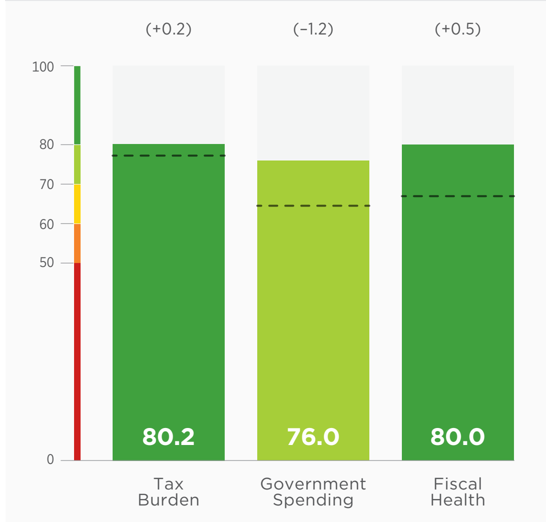
12 ECONOMIC FREEDOMS | JAMAICA

RULE OF LAW



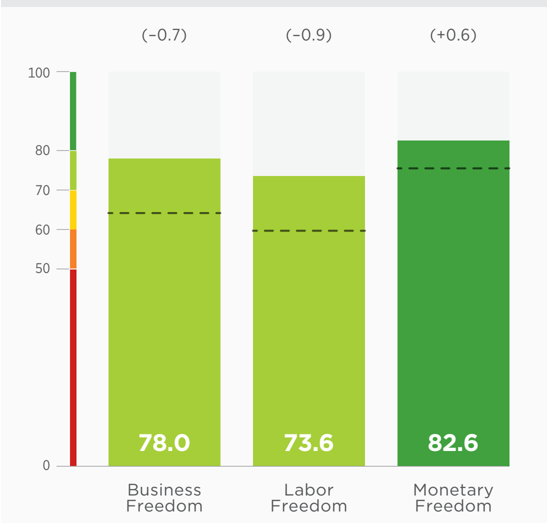
Bureaucratic red tape makes it difficult to register property. Although more than half of the land is registered, a large percentage of properties lack a current title. The inefficient legal system weakens the security of property rights and the rule of law. Long-standing ties between elected representatives and organized criminals contribute to pervasive corruption and the country's high crime rate.

GOVERNMENT SIZE



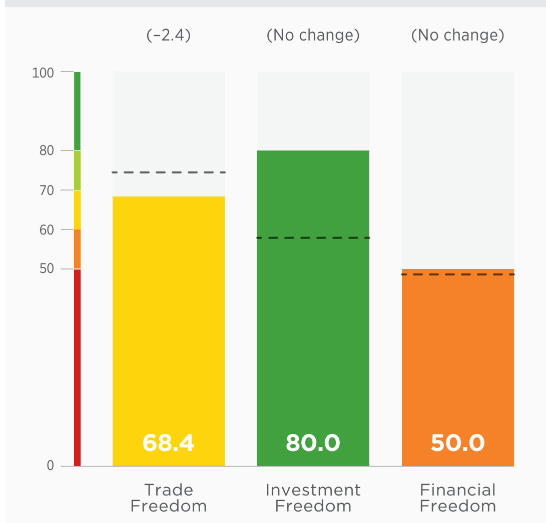
Jamaica's top individual and corporate income tax rates are 25 percent. Other taxes include property transfer and general consumption taxes. The overall tax burden equals 27.1 percent of total domestic income. Over the past three years, government spending has amounted to 28.3 percent of the country's output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 104.1 percent of GDP.

REGULATORY EFFICIENCY



The overall process for obtaining licenses and starting a business has been streamlined, and enforcement of the commercial code is relatively strong. The nonsalary cost of employing a worker is moderate, but dismissing an employee is costly. Regulations on work hours are flexible. Despite significant cuts in fuel and electricity subsidies in 2016, the government continues to subsidize medicine heavily and has increased sugar cane subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 77.1 percent of GDP. The average applied tariff rate is 10.8 percent. As of June 30, 2018, according to the WTO, Jamaica had five nontariff measures in force. Jamaica is relatively open to foreign investment, but state-owned enterprises distort the economy. High financing costs hamper private-sector growth. About 80 percent of adult Jamaicans have an account with a formal banking institution.

JAPAN

WORLD RANK: **30**

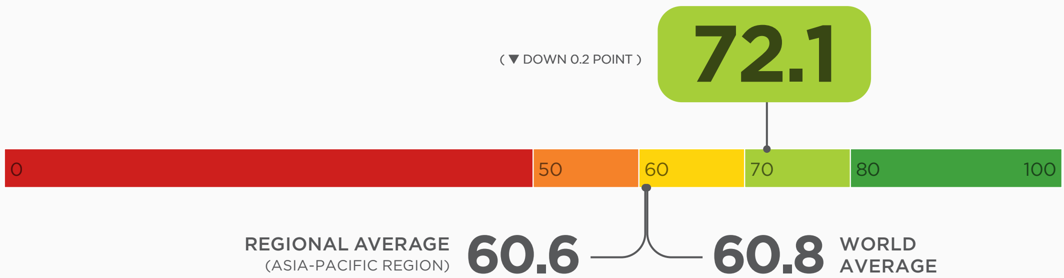
REGIONAL RANK: **8**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Japan's economic freedom score is 72.1, making its economy the 30th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with a decline in scores for **judicial effectiveness** and **trade freedom** exceeding an improvement in **fiscal health**. Japan is ranked 8th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

"Abenomics" has contributed to a mild economic recovery that, if maintained until 2020, will be Japan's longest period of economic recovery since the 1980s. The revitalization agenda combines bold monetary and flexible fiscal policies as well as structural reforms. Trade liberalization is also a goal, but it has been overshadowed by rising tensions in global commerce. Japan has one of the world's heaviest government debt burdens. Political stability and a well-maintained rule of law strengthen its economic freedom.

ECONOMIC FREEDOM SCORE

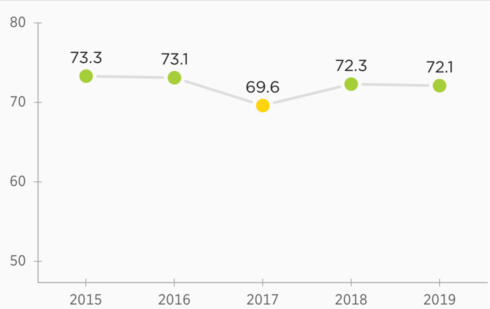


RELATIVE STRENGTHS:
Monetary Freedom and Property Rights

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–2.9

CONCERNS:
Government Spending and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
126.7 million

GDP (PPP):
$5.4 trillion
1.7% growth in 2017
5-year compound annual growth 1.3%
$42,832 per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
0.5%

FDI INFLOW:
$10.4 billion

PUBLIC DEBT:
236.4% of GDP

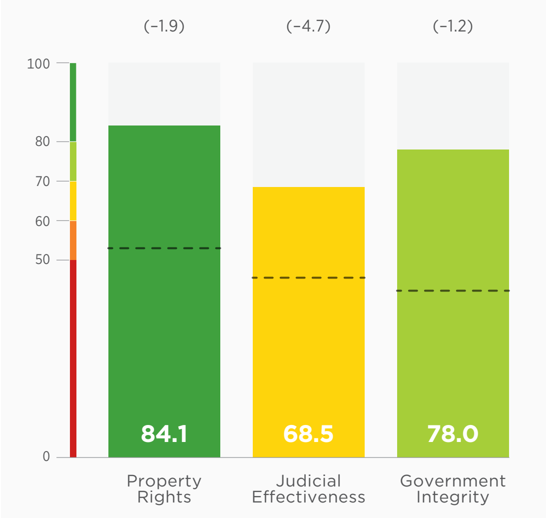
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A longtime global economic power and Western ally, Japan has had a history of revolving-door leadership in recent years. Prime Minister Shinzo Abe, in office since 2012 and elected to a historic third term in October 2017, has provided much-needed political stability but has been hampered by political scandals. The public wants deeper reforms to remedy Japan's endemic economic problems but fears the upheaval that such measures would cause. The government's "Abenomics" policy has made a dent in deflation, but demographic decline caused by a low birth rate and an aging, shrinking population poses a major long-term economic challenge. Security concerns include North Korea's nuclear and missile threats and China's claims of sovereignty in the East and South China Seas.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

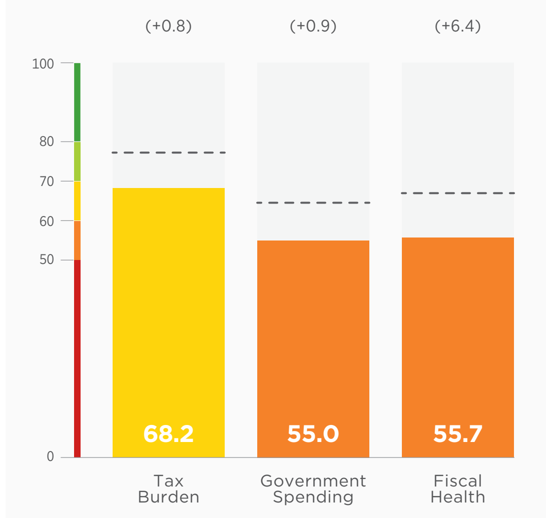
12 ECONOMIC FREEDOMS | JAPAN

RULE OF LAW



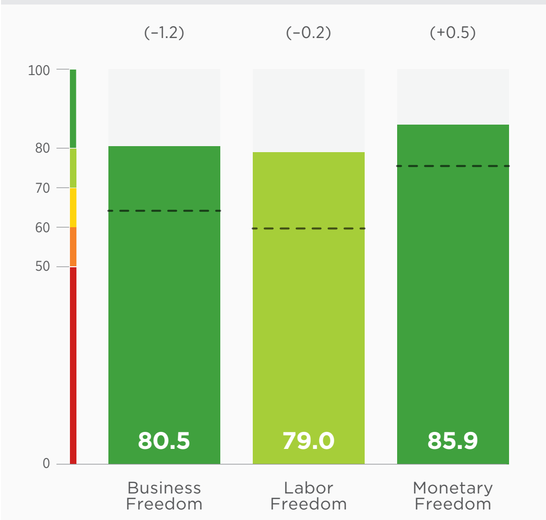
Japan's judiciary is independent and fair. It enforces contracts and provides secure protection of real and intellectual property. Levels of corruption are low, but close relationships among companies, politicians, and government agencies foster an inwardly cooperative business climate conducive to corruption. The traditional practice of *amakudari* (granting retired government officials top positions within Japanese companies) is common in several sectors.

GOVERNMENT SIZE



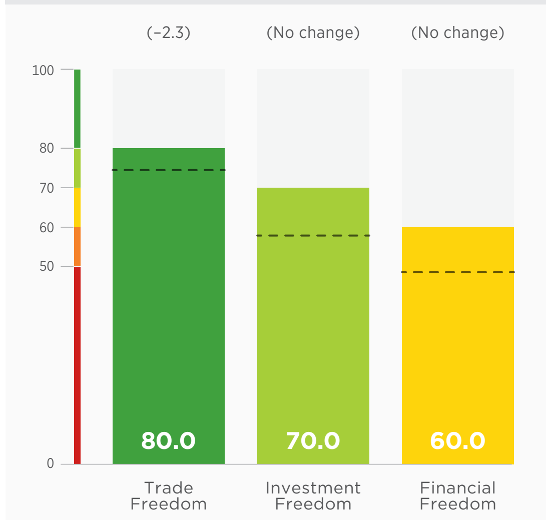
The top personal income tax rate is 40.8 percent. The top corporate rate is 23.9 percent, which local taxes and an enterprise tax can increase significantly. The overall tax burden equals 30.7 percent of total domestic income. Over the past three years, government spending has amounted to 38.7 percent of the country's output (GDP), and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 236.4 percent of GDP.

REGULATORY EFFICIENCY



The process for establishing a business is relatively streamlined, but bureaucracy is sometimes stifling. A propensity for lifetime employment guarantees and seniority-based wages impedes the development of a dynamic and flexible labor market. Although the government modified some energy subsidies in 2018, heavy subsidies continue in infant care, education, elderly care, and environmental protection.

OPEN MARKETS



The combined value of exports and imports is equal to 31.3 percent of GDP. The average applied tariff rate is 2.5 percent. As of June 30, 2018, according to the WTO, Japan had 381 nontariff measures in force. Japan has lagged behind other countries in pursuing bilateral trade agreements. The government screens foreign investment in some sectors. The financial sector is competitive, but state involvement persists.

WORLD RANK: **53**

REGIONAL RANK: **4**

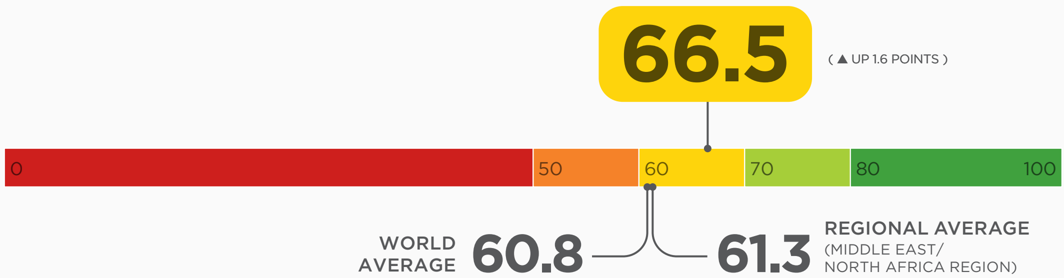
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

JORDAN

Jordan's economic freedom score is 66.5, making its economy the 53rd freest in the 2019 *Index*. Its overall score has increased by 1.6 points, with a surge in the score for **fiscal health** far surpassing declines in **labor freedom**, **monetary freedom**, and **judicial effectiveness**. Jordan is ranked 4th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The government is trying to balance its goals of economic modernization, higher growth, and job creation with the need to consolidate public finances and maintain political stability. The Economic Policy Council has launched a range of economic reforms and infrastructure projects, funded by both the government and the private sector, to improve the business environment. There has been little progress on labor market reform, and economic freedom is further constricted by corruption and the judicial system's vulnerability to political influence.

ECONOMIC FREEDOM SCORE

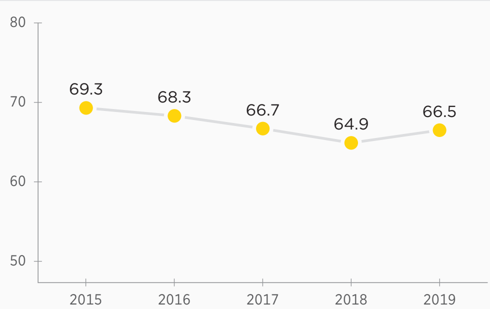


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.8

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
7.1 million

GDP (PPP):
$89.1 billion
2.3% growth in 2017
5-year compound annual growth 2.5%
$12,494 per capita

UNEMPLOYMENT:
14.9%

INFLATION (CPI):
3.3%

FDI INFLOW:
$1.7 billion

PUBLIC DEBT:
95.6% of GDP

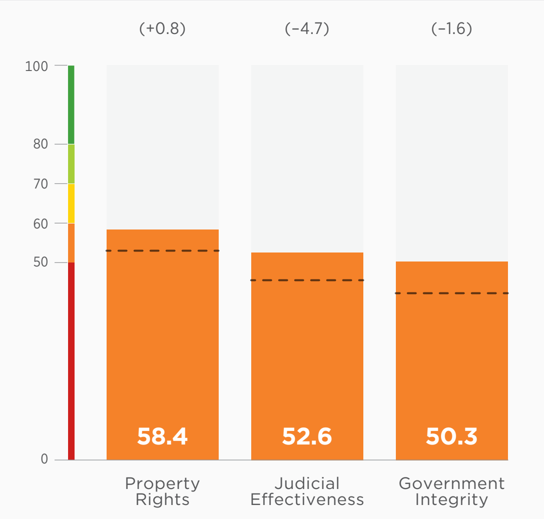
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Independent from the United Kingdom since 1946, the Hashemite Kingdom of Jordan is a constitutional monarchy with relatively few natural resources. King Abdullah II assumed the throne in 1999 with an ambitious reform agenda. The economy, one of the region's smallest, is supported by foreign loans, international aid, and remittances from expatriate workers. In 2000, Jordan joined the World Trade Organization and signed a free trade agreement with the United States. In June 2018, the king appointed Omar al-Razzaz prime minister to defuse popular protests over tax hikes. Ongoing conflicts in Iraq and Syria have severely disrupted Jordan's economy and regional trade, and more than 1.3 million Syrian and Iraqi refugees have strained its limited resources.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

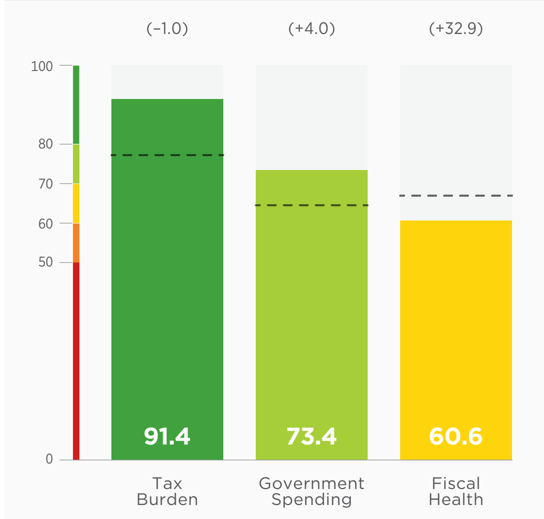
12 ECONOMIC FREEDOMS | JORDAN

RULE OF LAW



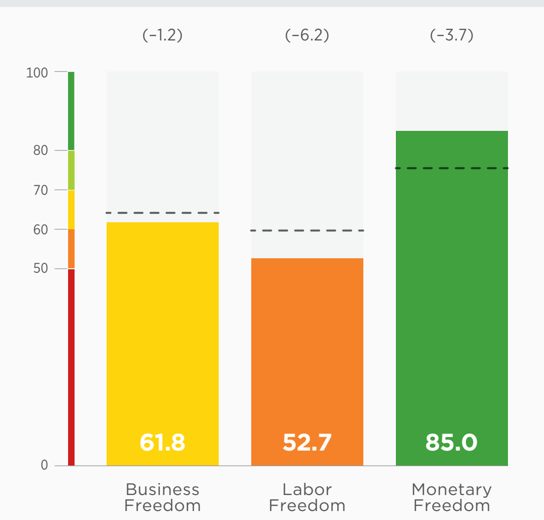
Property rights are largely respected. The judiciary is generally independent, but the king has ultimate authority. A large case backlog delays justice. The use of family, business, and other connections to advance business and individual interests is endemic in Jordan. Weak investigative journalism, limited access to information, and limited institutional jurisdiction undermine efforts to combat widespread corruption.

GOVERNMENT SIZE



The top individual income tax rate is 14 percent. The standard corporate tax rate is 20 percent. The overall tax burden equals 16.3 percent of total domestic income. Over the past three years, government spending has amounted to 29.8 percent of the country's output (GDP), and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 95.6 percent of GDP.

REGULATORY EFFICIENCY



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. The government tried to remove subsidies on bread in 2018 but backed down after a public outcry and imposed price controls on bread instead.

OPEN MARKETS

The combined value of exports and imports is equal to 92.6 percent of GDP. The average applied tariff rate is 4.3 percent. As of June 30, 2018, according to the WTO, Jordan had 20 nontariff measures in force. In general, foreign and local investors are treated equally under the law. Banking regulations generally conform to international standards. About 51 percent of adult Jordanians have an account with a formal banking institution.

KAZAKHSTAN

WORLD RANK: **59**

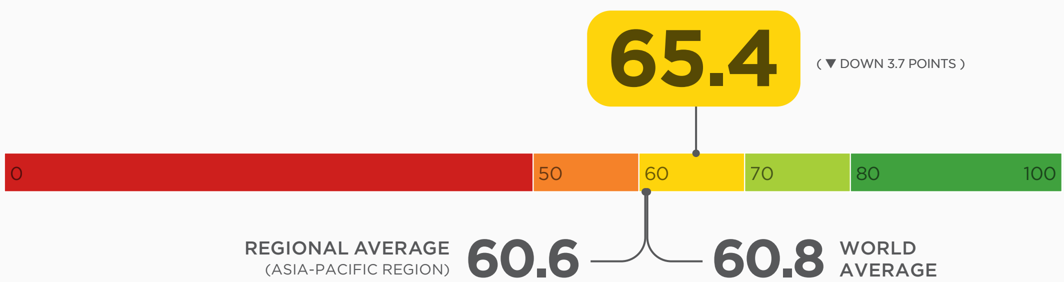
REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kazakhstan's economic freedom score is 65.4, making its economy the 59th freest in the 2019 *Index*. Its overall score has decreased by 3.7 points because of a steep decline in the score for **fiscal health**. Kazakhstan is ranked 12th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Kazakhstan has a growing labor force and considerable development potential, but the poor business environment, weak competition in some sectors, and long distances to global markets remain significant constraints. Growth in recent years has been driven largely by expansion of the extractive sector and high commodity prices, which have supported growth in consumption and government spending. The government has made little progress on its policy priority of diversifying industrial production away from mining. Investors remain concerned about corruption, bureaucracy, and arbitrary law enforcement, especially at the regional and municipal levels.

ECONOMIC FREEDOM SCORE

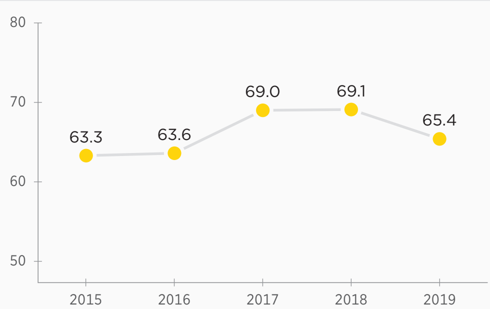


RELATIVE STRENGTHS:
Tax Burden and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+23.7

CONCERNS:
Government Integrity and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
18.2 million

GDP (PPP):
$477.6 billion
4.0% growth in 2017
5-year compound annual growth 3.3%
$26,252 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
7.4%

FDI INFLOW:
$4.6 billion

PUBLIC DEBT:
21.2% of GDP

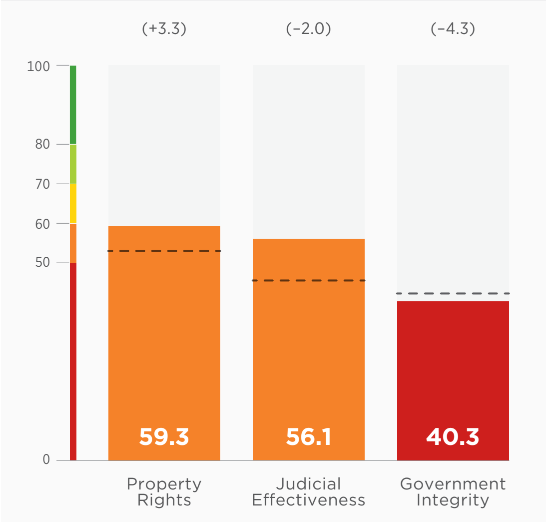
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A vast semi-arid steppe, Kazakhstan was once the largest Soviet Republic. President Nursultan Nazarbayev, whose rule began in 1989 when Kazakhstan was still in the Soviet Union, won a sixth five-year term in 2015. Kazakhstan joined the Russia-backed Eurasian Economic Union in 2015 and has been gradually recovering from a 2014–2015 economic slowdown. Kazakhstan's vast hydrocarbon and mineral reserves, especially in the Caspian Basin, form the backbone of its economy. Kazakhstan is the world's largest producer of uranium and also has a large agricultural sector featuring livestock and grain.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

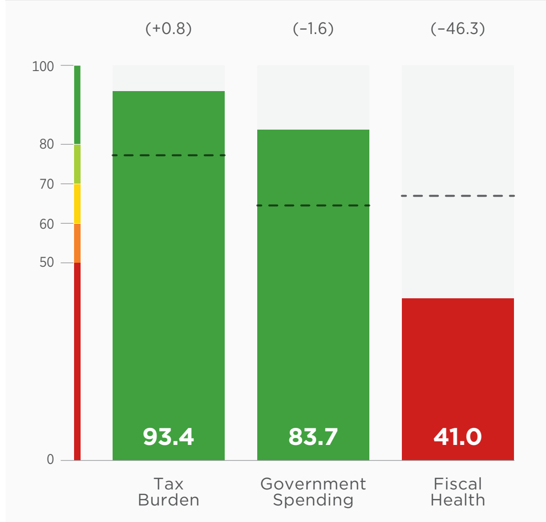
12 ECONOMIC FREEDOMS | KAZAKHSTAN

RULE OF LAW



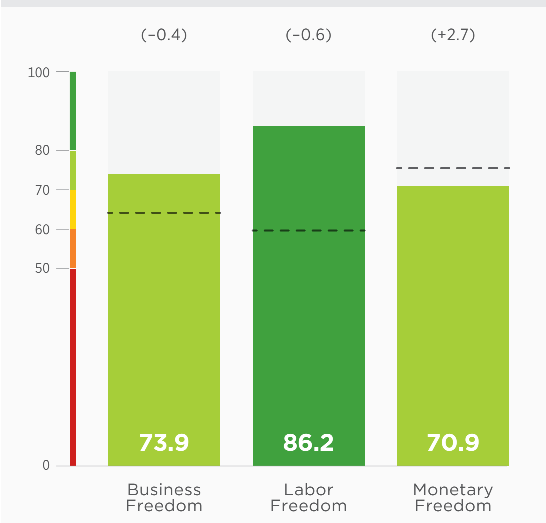
Property rights are not protected effectively, although the government has somewhat improved contract enforcement by introducing suggested time limits for court proceedings and improving the system for resolution of property disputes. The judicial system is subject to political influence. Corruption is widespread, political opponents are subject to arrest, and the politically well-connected are sometimes able to act with impunity.

GOVERNMENT SIZE



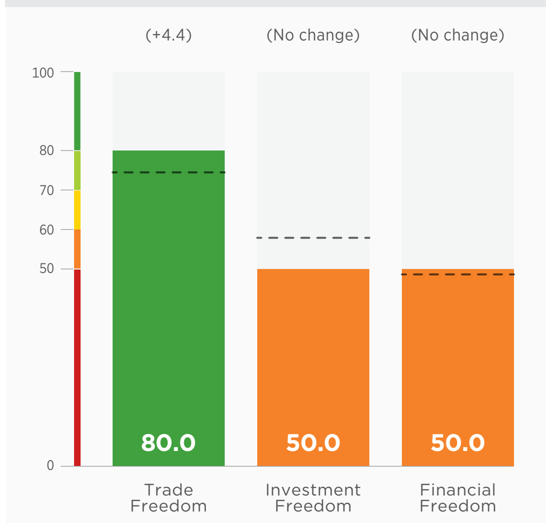
The flat personal income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. The overall tax burden equals 12.8 percent of total domestic income. Over the past three years, government spending has amounted to 23.3 percent of the country's output (GDP), and budget deficits have averaged 6.0 percent of GDP. Public debt is equivalent to 21.2 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework has undergone a series of reforms. The private sector faces fewer constraints, although there is still much room for reform. Labor regulations are relatively flexible, facilitating the development of a more dynamic labor market. Kazakhstan is subsidizing renewable energy with the goal of meeting 10 percent of its needs by 2030 and continues to subsidize water, agriculture, wheat transportation, and electricity.

OPEN MARKETS



The combined value of exports and imports is equal to 60.3 percent of GDP. The average applied tariff rate is 2.5 percent. As of June 30, 2018, according to the WTO, Kazakhstan had 35 nontariff measures in force. Foreign investment in some sectors is restricted, and state-owned enterprises distort the economy. About 66 percent of adult Kazakhstanis have access to an account with a formal banking institution. Nonperforming loans remain a problem.

WORLD RANK: **130**

REGIONAL RANK: **22**

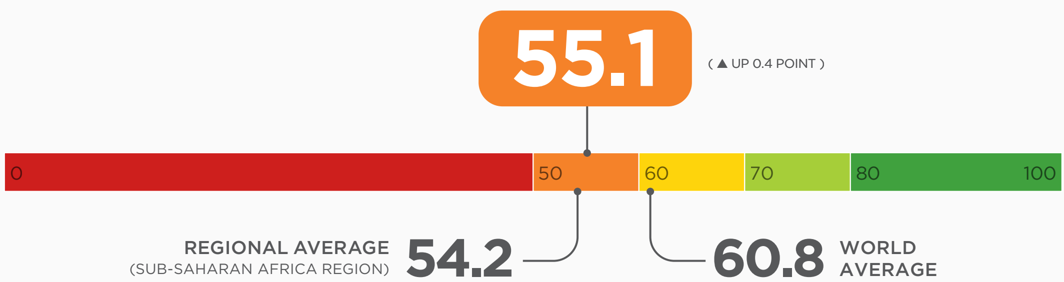
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

KENYA

Kenya's economic freedom score is 55.1, making its economy the 130th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with higher scores on **property rights**, **government integrity**, and **judicial effectiveness** offsetting declines in **trade freedom** and **monetary freedom**. Kenya is ranked 22nd among 47 countries in the Sub-Saharan Africa region, and its overall score is just above the regional average but below the world average.

With political stability improving, the government hopes to alleviate structural obstacles and boost economic growth. The country has a growing entrepreneurial middle class and has enjoyed steady growth, but its economic and development trajectory is impaired by weak governance, ineffective rule of law, and corruption. The government has successfully courted foreign direct investment for infrastructure development and is promoting regional trade liberalization. A system created in 2013 has gradually devolved state revenues and responsibilities to counties throughout the country.

ECONOMIC FREEDOM SCORE

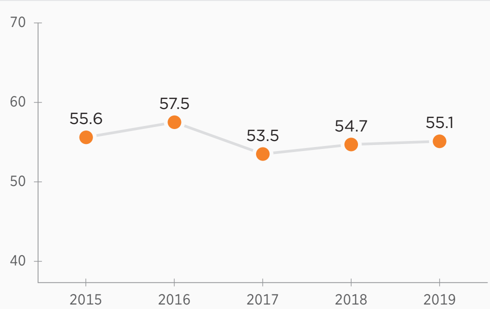


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+0.6

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
46.7 million

GDP (PPP):
$163.1 billion
4.8% growth in 2017
5-year compound annual growth 5.5%
$3,491 per capita

UNEMPLOYMENT:
11.5%

INFLATION (CPI):
8.0%

FDI INFLOW:
$671.7 million

PUBLIC DEBT:
55.6% of GDP

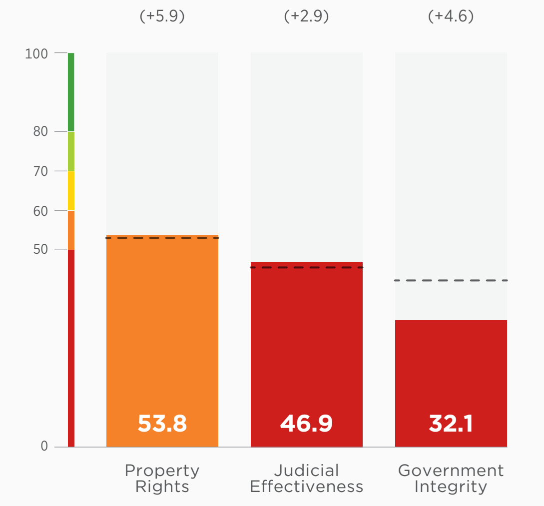
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In 2013, Uhuru Kenyatta, the son of Kenya's inaugural president, won the first presidential election conducted under a 2010 constitution that added checks on executive power. Kenyatta was declared winner of a high-turnout August 2017 presidential election, but the Supreme Court annulled it and upheld main opposition challenger Raila Odinga's claim of irregularities. Kenyatta won an October 2017 revote in an election marred by low turnout and lack of a clear mandate. Kenyatta and Odinga appeared to reconcile in 2018. Kenya is East Africa's economic, financial, and transport hub, and its real GDP growth has been robust in recent years. Kenya owes China $5.3 billion, which is about 72 percent of its bilateral debt and a tenfold increase since 2013.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

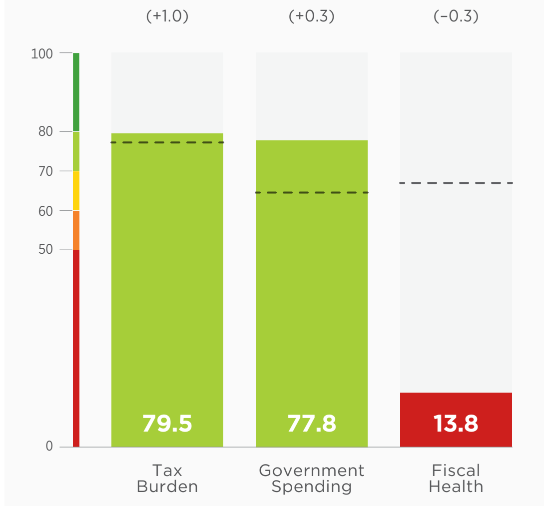
12 ECONOMIC FREEDOMS | KENYA

RULE OF LAW



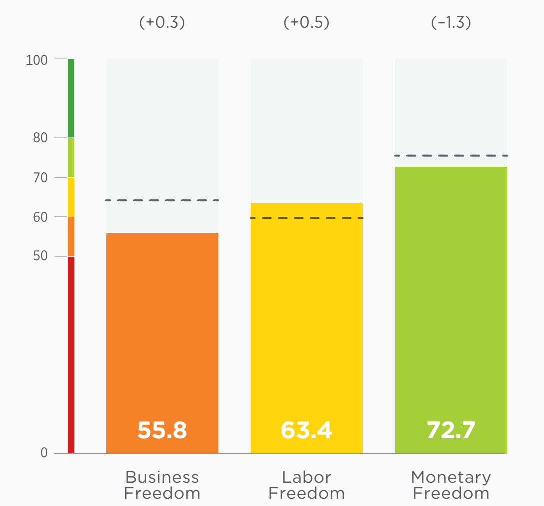
The land titling process remains difficult, and titles are insecure. Property rights are poorly enforced. The judiciary is generally independent, impartial, and free from corruption, but courts are undermined by weak institutional capacity. In general, corruption is pervasive and entrenched. Some anticorruption reforms have been instituted, but their effects are limited. Transparency International ranks Kenya among the world's most corrupt countries.

GOVERNMENT SIZE



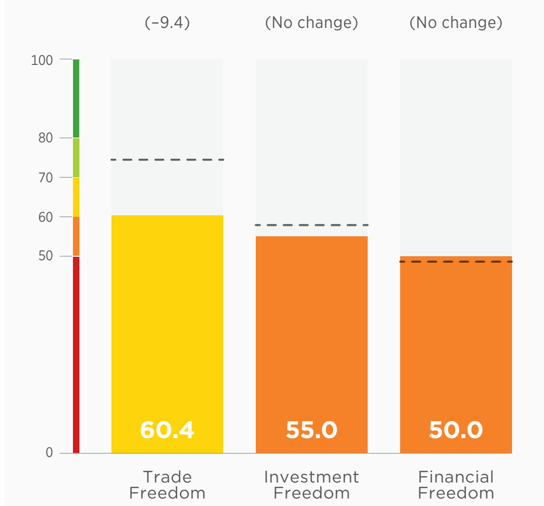
The top income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a tax on interest. The overall tax burden equals 15.7 percent of total domestic income. Over the past three years, government spending has amounted to 27.2 percent of the country's output (GDP), and budget deficits have averaged 8.3 percent of GDP. Public debt is equivalent to 55.6 percent of GDP.

REGULATORY EFFICIENCY

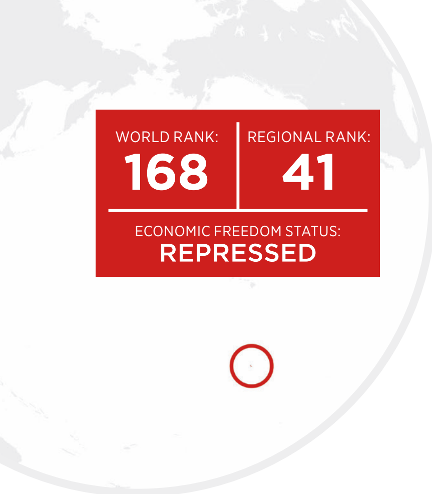


The entrepreneurial environment has become more streamlined, and no minimum capital is required for launching a business. Other reform efforts continue in several areas. The nonsalary cost of employing a worker is relatively low, but dismissing an employee can be costly. The government continues to regulate prices through subsidies (for example, for electricity and maize), agricultural marketing boards, and state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 39.4 percent of GDP. The average applied tariff rate is 12.3 percent. As of June 30, 2018, according to the WTO, Kenya had 53 nontariff measures in force. Foreign ownership in some sectors is restricted, and state-owned enterprises distort the economy. The growing financial sector has become more open to competition, and its overall stability is relatively well maintained.



WORLD RANK: **168**

REGIONAL RANK: **41**

ECONOMIC FREEDOM STATUS: **REPRESSED**

KIRIBATI

Kiribati's economic freedom score is 47.3, making its economy the 168th freest in the 2019 *Index*. Its overall score has decreased by 3.5 points, marked by steep drops in scores for **labor freedom**, **business freedom**, and **trade freedom**. Kiribati is ranked 41st among 43 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

A shortage of skilled workers, weak infrastructure, and remoteness from international markets constrain development in Kiribati. The public sector dominates economic activity through ongoing infrastructure projects and inefficient state-owned enterprises. Foreign aid contributes as much as one-third of the government's finances. Economic growth is undermined by regulations that hinder private-sector development. Government efforts to decentralize economic activity from the main islands have yielded only limited progress. The financial sector remains underdeveloped, leaving much of the population without formal access to banking services.

ECONOMIC FREEDOM SCORE

47.3 (▼ DOWN 3.5 POINTS)

REGIONAL AVERAGE (ASIA-PACIFIC REGION) **60.6**

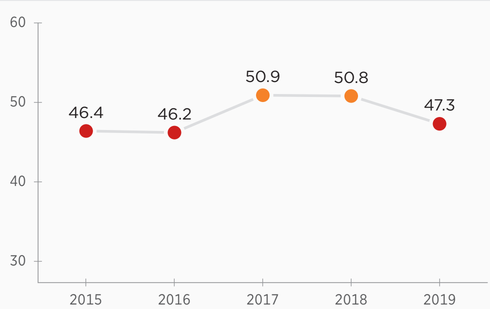
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+1.6

CONCERNS:
Government Spending and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.2 billion
3.1% growth in 2017
5-year compound annual growth 3.6%
$1,976 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
2.2%

FDI INFLOW:
$1.4 million

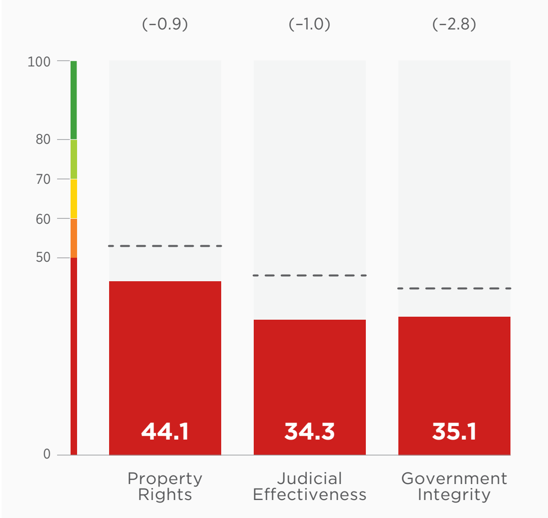
PUBLIC DEBT:
26.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Comprised of 33 scattered coral atolls, Kiribati has few natural resources and is one of the least-developed Pacific Island countries. Kiribati gained independence from the United Kingdom in 1979, and its government functions democratically. Taneti Maamau of the Tobwaan Kiribati Party was elected president in 2016 after 12 years of rule by Anote Tong of the Boutokaan Te Koaua. Economic activity once centered on the mining of phosphates, but those deposits have been exhausted. A $500 million fund created with mining revenues continues to provide significant budget support. Kiribati relies on foreign assistance, emigrants' remittances, fishing, coconut exports, and tourism. Crippling algae in the corals are a serious threat to the fishing industry.

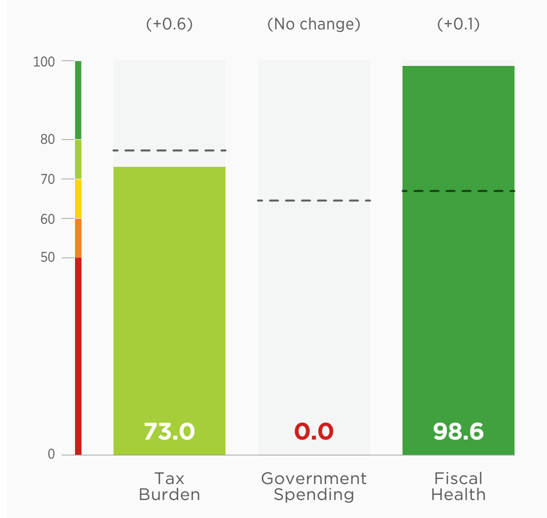
12 ECONOMIC FREEDOMS | KIRIBATI

RULE OF LAW



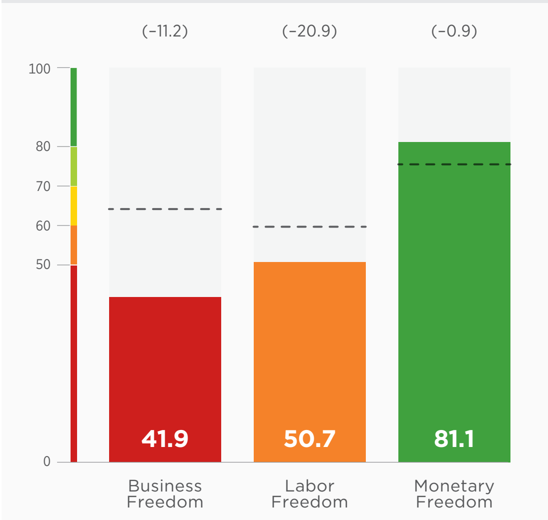
Property rights are weak. The judicial system, modeled on English common law, provides adequate due process rights, but the rule of law remains uneven across the country. Contracts are weakly enforced, and courts are relatively inexperienced in commercial litigation. Official corruption, nepotism, and other abuses of privilege are serious problems. Government institutions responsible for implementing anticorruption measures are underresourced and ineffective.

GOVERNMENT SIZE



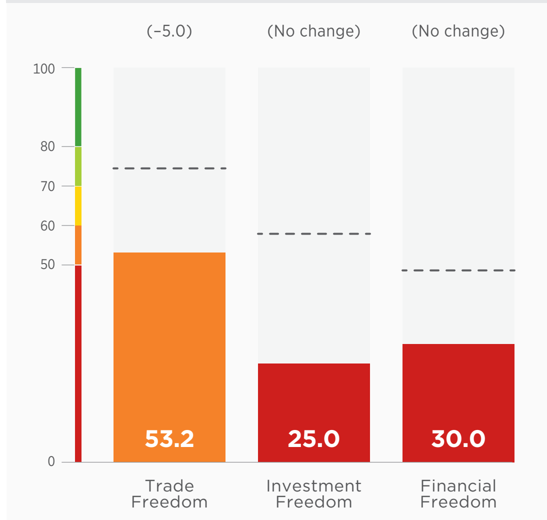
The top individual income and corporate tax rates are 35 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 15.7 percent of total domestic income. Over the past three years, government spending has amounted to 117.9 percent of the country's output (GDP), and budget surpluses have averaged 20.6 percent of GDP. Public debt is equivalent to 26.3 percent of GDP.

REGULATORY EFFICIENCY



Kiribati's regulatory environment is quite rudimentary. Existing commercial regulations are not enforced consistently. The government is the major source of formal employment, providing jobs in public service and state-owned enterprises. Although monetary instability is mitigated by use of the Australian dollar as the official currency, the government funds price-distorting subsidies for some agricultural products such as coconut oil.

OPEN MARKETS



The combined value of exports and imports is equal to 105.3 percent of GDP. The average applied tariff rate is 15.9 percent, and nontariff barriers persist. Much-needed investment continues to be undermined by inefficient state-owned enterprises and regulations that hinder private-sector development. High credit costs impede development of Kiribati's private sector. Much of the population remains outside the formal banking system.

NORTH KOREA

WORLD RANK: **180**

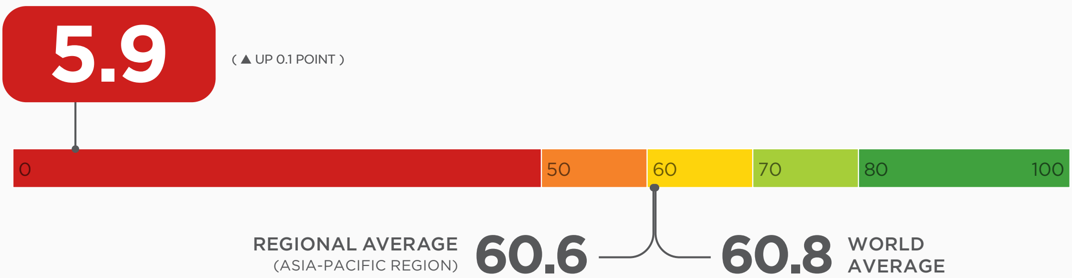
REGIONAL RANK: **43**

ECONOMIC FREEDOM STATUS: **REPRESSED**

North Korea's economic freedom score is 5.9, making it the least free of the 180 economies measured in the 2019 *Index*. Its overall score has increased by 0.1 point, with few indicators of economic freedom showing any change at all. North Korea is ranked last among the 43 countries in the Asia–Pacific region, and its overall score is the lowest in the *Index*.

Beset by chronic structural problems as one of the world's most centrally commanded and least open economies, North Korea's despotic military regime has tolerated modest development of markets and limited private entrepreneurship in order to boost government revenue. While certain industries are permitted to sell some of their output in the marketplace and seek private investment from the "new rich," or *donju*, a middle class enriched from quasi-private enterprises, the country lacks even the most basic policy infrastructure of a free-market economy.

ECONOMIC FREEDOM SCORE

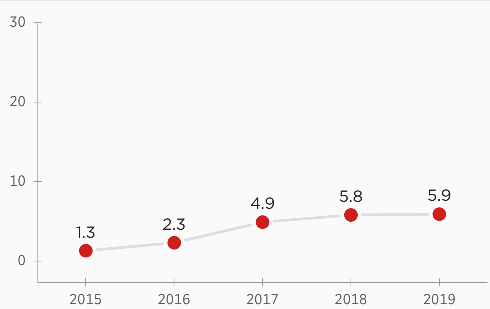


RELATIVE STRENGTHS:
None

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.0

CONCERNS:
Rule of Law and Open Markets

FREEDOM TREND



QUICK FACTS

POPULATION: 25.4 million (2017 Estimate)

GDP (PPP): $40.0 billion (2015 Estimate)
1.1% growth in 2017 (2017 Estimate)
5-year compound annual growth n/a
$1,700 per capita (2015 Estimate)

UNEMPLOYMENT: 4.8%

INFLATION (CPI): n/a

FDI INFLOW: $63.4 million

PUBLIC DEBT: n/a

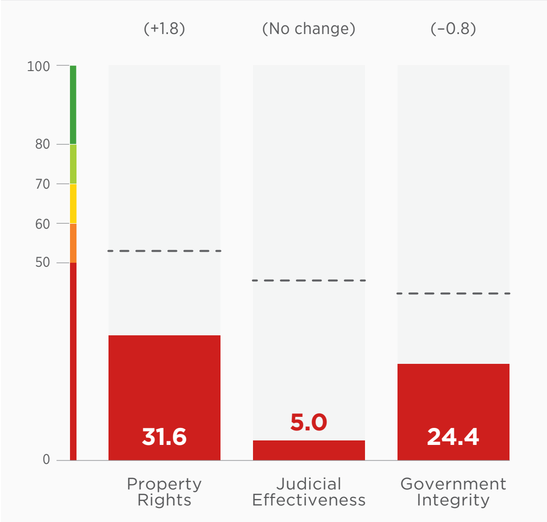
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Founding president Kim Il-sung's family has ruled the Democratic People's Republic of Korea with an iron fist since 1948. Kim Il-sung's grandson, Kim Jong-un, has strengthened the DPRK's position as a self-contained and self-reliant nuclear power. After years of self-imposed isolation, Kim burst onto the international diplomatic stage in 2018, initiating summits with South Korea and China and an historic first meeting between North Korean and U.S. leaders. Although Kim's offer to discuss denuclearization raised hopes for a long-sought diplomatic solution, they were dashed when Pyongyang made clear its refusal to abandon nuclear and missile programs as required under U.N. resolutions. After decades of economic mismanagement and resource misallocation, the DPRK has faced chronic food shortages since the mid-1990s.

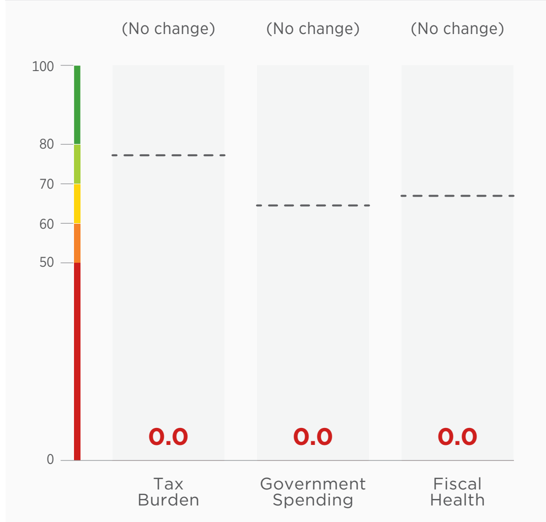
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | NORTH KOREA

RULE OF LAW



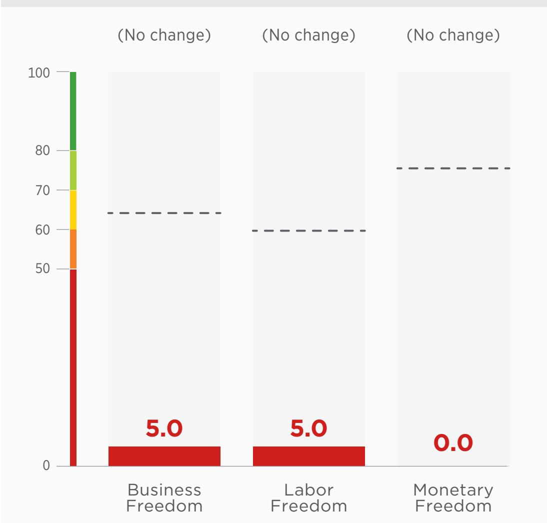
GOVERNMENT SIZE



Almost all property belongs to the state. Government control extends even to chattel property. No functioning judiciary exists, and the rule of law is weak. Corruption and bribery are rampant throughout the government, and state institutions are opaque. The ruling Workers' Party, the Korean People's Army, and members of the cabinet run all companies earning foreign exchange.

The government commands almost every part of the economy and directs all significant economic activity. The military runs its own extensive underground economy, taking the bulk of scarce resources. No effective fiscal policy is in place. The state sets production levels for most products, and state-owned industries account for nearly all GDP. The impoverished population is heavily dependent on food rations and government housing subsidies.

REGULATORY EFFICIENCY



OPEN MARKETS

North Korea is a strictly controlled autocratic state in which the regime dominates all business activities. In recent years, however, the government has had to tolerate the emergence of limited markets and informal entrepreneurship to stave off economic collapse. The country's monetary regime is completely controlled, leading to price distortions.

Trade and investment flows are controlled by the government and negatively affected by multilateral economic sanctions. The regime may be attempting to start modest economic opening by encouraging limited foreign direct investment, but the dominant influence of the military establishment makes any meaningful near-term change unlikely. Access to financing is very limited and constrained by the repressive economic system.

WORLD RANK: **29**

REGIONAL RANK: **7**

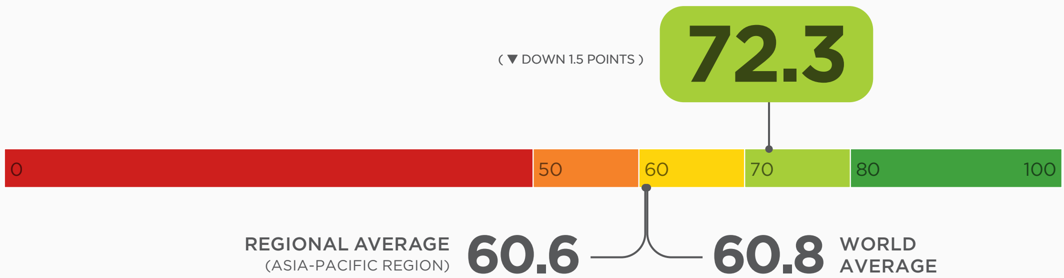
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

SOUTH KOREA

South Korea's economic freedom score is 72.3, making its economy the 29th freest in the 2019 *Index*. Its overall score has decreased by 1.5 points because of sharply lower scores for **judicial effectiveness** and the **tax burden** and declines in **monetary freedom** and **labor freedom**. South Korea is ranked 7th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Touting "income-led growth" to create a "people-centered economy," the government has increased its intervention in the economy with measures to alleviate household debt pressures, increase corporate taxes and marginal income tax rates, and raise the minimum wage. No new high-profile corruption scandals have emerged since the former president's impeachment, but public trust and confidence in the government have not been strengthened. The rule of law is fairly well institutionalized, supporting such other pillars of economic freedom as regulatory efficiency and market openness.

ECONOMIC FREEDOM SCORE

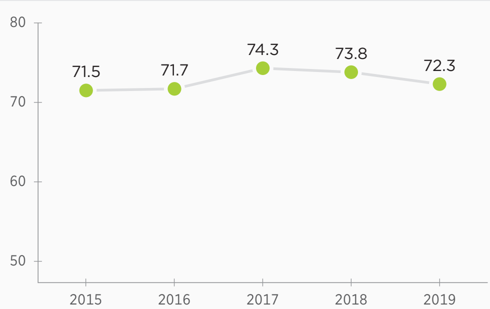


RELATIVE STRENGTHS:
Fiscal Health and Business Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+0.3

CONCERNS:
Government Integrity and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
51.5 million

GDP (PPP):
$2.0 trillion
3.1% growth in 2017
5-year compound annual growth 3.0%
$39,434 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
1.9%

FDI INFLOW:
$17.1 billion

PUBLIC DEBT:
39.8% of GDP

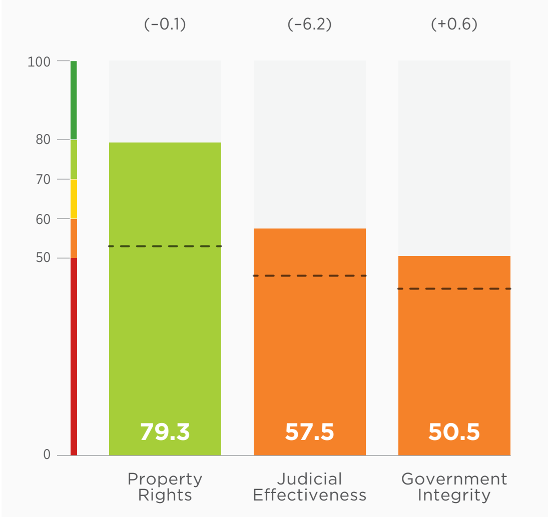
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In May 2017, liberal candidate Moon Jae-in became president following the impeachment of Park Geun-hye. Moon promised a resumption of economic benefits to North Korea to reduce tensions on the peninsula and quickly embraced a diplomatic outreach by Kim Jong-un in 2018. Although Moon hopes to use economic largesse to induce more moderate behavior by Pyongyang, such efforts are constrained by U.N. and U.S. sanctions. After decades of rapid economic growth and global integration, South Korea has become a high-technology, industrialized, trillion-dollar economy, but President Moon faces daunting challenges that include an aging population, low worker productivity, and the need to implement a structural shift away from overreliance on an export-led growth model.

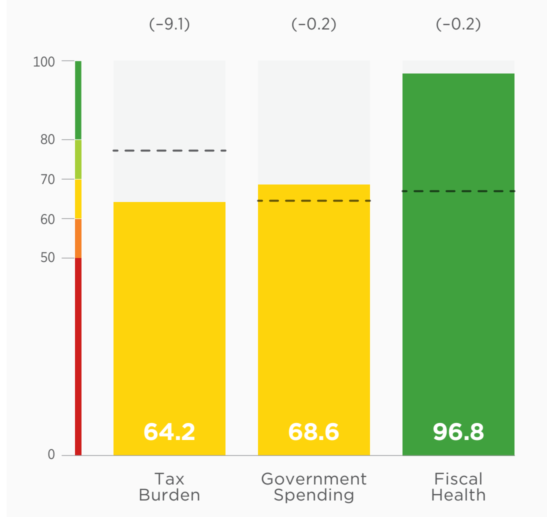
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | SOUTH KOREA

RULE OF LAW



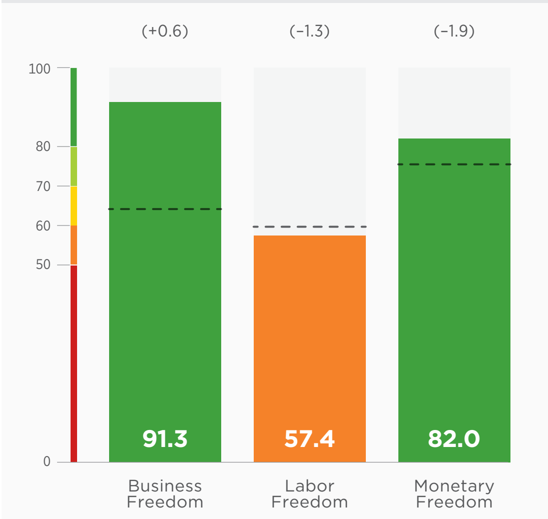
GOVERNMENT SIZE



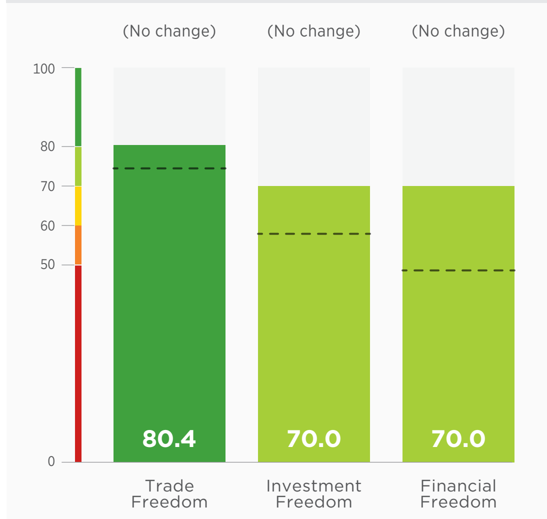
Private property rights are protected, and the judicial system is independent and efficient, but the judiciary is not completely free from political pressure despite the government's anticorruption efforts. Laws and regulations are often framed in vague terms and are subject to differing interpretations by rotating government officials. Nepotism, especially when securing contracts and tax favors, is still frequently encountered.

The top personal income tax rate has been raised to 42 percent, and the top corporate tax rate has been raised to 25 percent. Both rates are subject to a 10 percent surtax. The overall tax burden equals 26.3 percent of total domestic income. Over the past three years, government spending has amounted to 32.4 percent of the country's output (GDP), and budget surpluses have averaged 1.4 percent of GDP. Public debt is equivalent to 39.8 percent of GDP.

REGULATORY EFFICIENCY

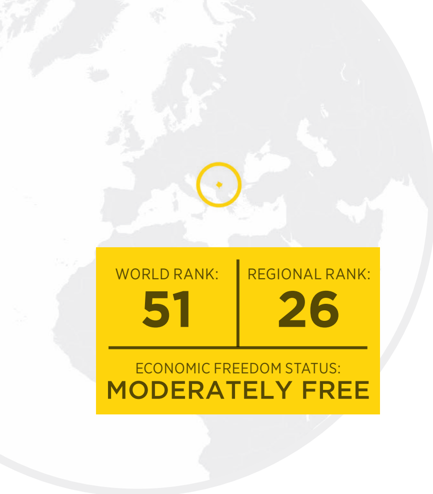


OPEN MARKETS



The competitive regulatory framework generally facilitates entrepreneurial activity. Business formation and operating rules are relatively efficient. There are lingering regulatory rigidities, and powerful trade unions add to the cost of doing business. The minimum wage has been significantly increased. Monetary stability has been well maintained, and the government reduced electric vehicles subsidies in 2018, although it also introduced shipbuilding subsidies.

The combined value of exports and imports is equal to 80.8 percent of GDP. The average applied tariff rate is 4.8 percent. As of June 30, 2018, according to the WTO, South Korea had 394 nontariff measures in force. Foreign investment in some sectors remains restricted, and decisive policy reforms to facilitate greater investment flows have been absent. The financial sector is competitive, but business start-ups still struggle to obtain financing.



WORLD RANK: **51**

REGIONAL RANK: **26**

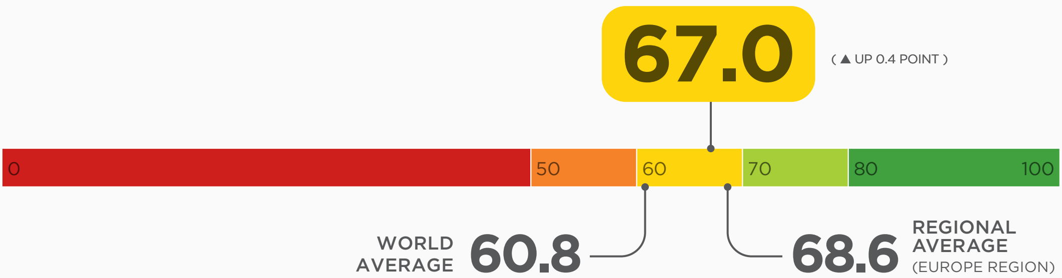
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

KOSOVO

Kosovo's economic freedom score is 67.0, making its economy the 51st freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with improvements for **property rights**, **labor freedom**, and **fiscal health** exceeding declines in **judicial effectiveness** and **monetary freedom**. Kosovo is ranked 26th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Kosovo is Europe's youngest country and one of its poorest. Although growth has been positive, it has not significantly reduced high unemployment; provided formal jobs, particularly for women and youth; or reversed large-scale outmigration. The economy is characterized by extremely limited regional or global economic integration, political instability, corruption, unreliable energy supply, a large informal economy, and a tenuous rule of law, including a lack of contract enforcement. Resolution of residential, agricultural, and commercial property claims remains a serious and contentious issue.

ECONOMIC FREEDOM SCORE

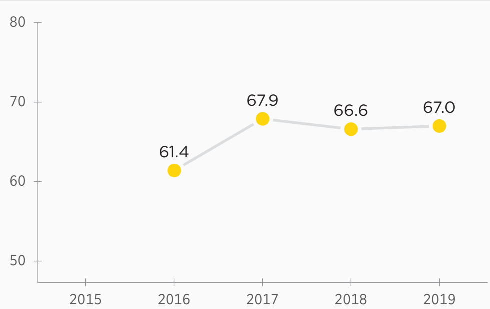


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2016):
+5.6

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
1.9 million
(2017 estimated)

GDP (PPP):
$19.6 billion
4.1% growth in 2017
5-year compound annual growth 3.4%
$10,515 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
1.5%

FDI INFLOW:
$3.59 billion

PUBLIC DEBT:
20.9% of GDP

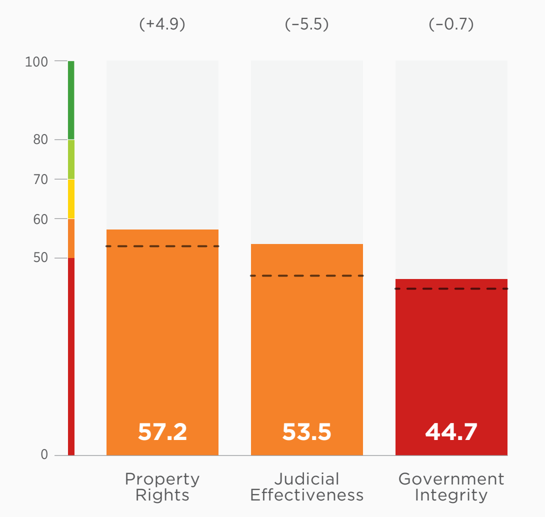
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Kosovo gained independence from Serbia in 2008, and its sovereignty has been recognized by most members of the European Union, although NATO continues to maintain a peacekeeping force in the country. Hashim Thaci was elected president in 2016. Ramush Haradinaj, a former guerrilla fighter, began a second nonconsecutive term as prime minister in September 2017 after his center-right Alliance for the Future of Kosovo formed a coalition government following inconclusive snap parliamentary elections. Kosovo ratified a border demarcation agreement with Montenegro in March 2018. Kosovo's economy has shown some progress in transitioning to a market-based system and maintaining macroeconomic stability but is still highly dependent on remittances and financial and technical assistance from Western donors and the diaspora.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

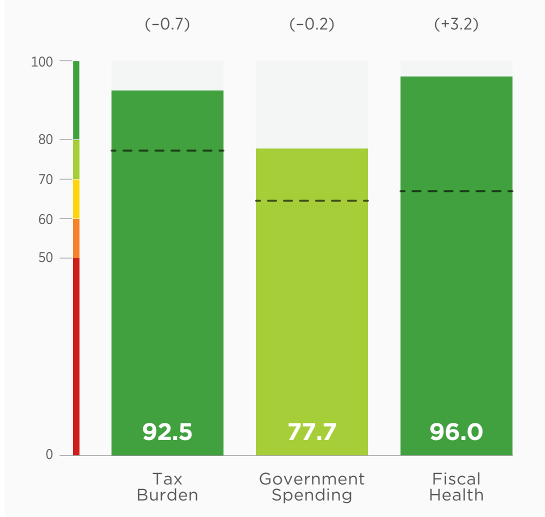
12 ECONOMIC FREEDOMS | KOSOVO

RULE OF LAW



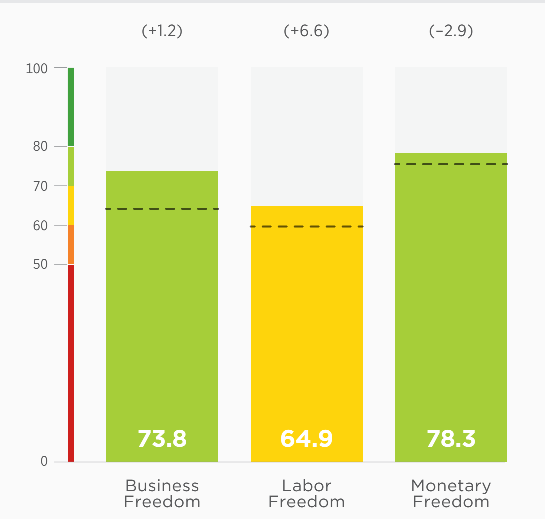
There are numerous property disputes between Kosovar Albanians and the Serb minority. The constitution provides for an independent judiciary but does not always ensure due process. The administration of justice is slow, and there is insufficient accountability for judicial officials, who are prone to political interference. The efficiency of case resolution has improved, but a backlog remains. Weak rule of law fails to constrain endemic corruption.

GOVERNMENT SIZE



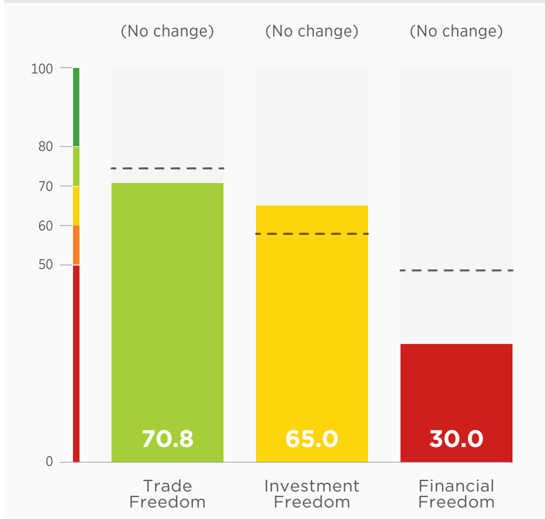
The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 23.5 percent of total domestic income. Over the past three years, government spending has amounted to 27.2 percent of the country's output (GDP), and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 20.9 percent of GDP.

REGULATORY EFFICIENCY



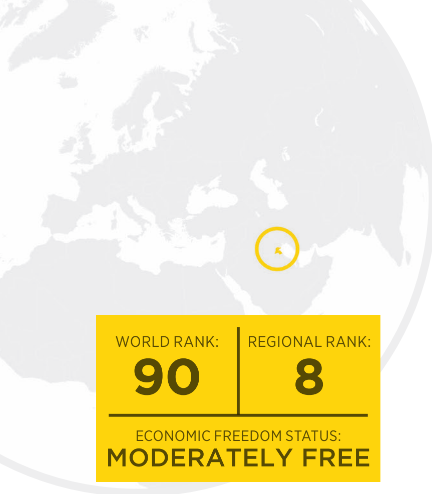
Launching a business no longer requires minimum capital, and the government has introduced a streamlined legal framework for corporate insolvency. The formal labor market is not fully developed, and informal labor activity remains substantial. Large agricultural and energy-related subsidies provided by the government and international donors amount to more than one-third of Kosovo's GDP.

OPEN MARKETS



The combined value of exports and imports is equal to 79.9 percent of GDP. The average applied tariff rate is 7.1 percent. Efforts to dismantle lingering nontariff barriers continue. In general, foreign and domestic investors are treated equally under the law. State-owned enterprises distort the economy. The financial system continues to evolve. About 59 percent of adult Kosovans have access to an account with a formal banking institution.

KUWAIT



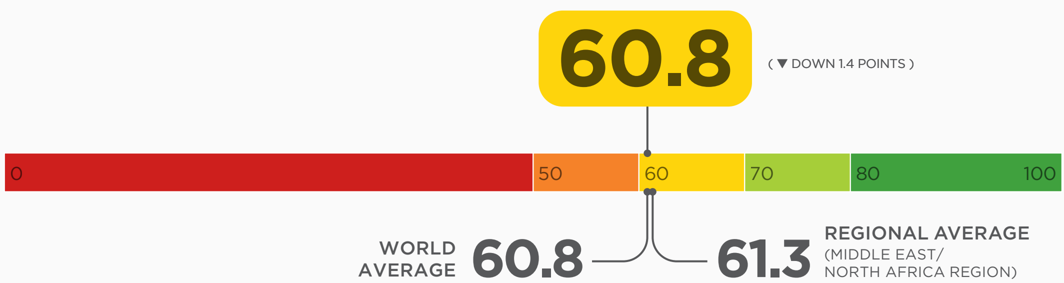
WORLD RANK: **90** | REGIONAL RANK: **8**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kuwait's economic freedom score is 60.8, making its economy the 90th freest in the 2019 *Index*. Its overall score has decreased by 1.4 points, the result of a steep drop in the score for **judicial effectiveness** and declining scores for **government spending** and **monetary freedom**. Kuwait is ranked 8th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional average and exactly at the world average.

Although the government routinely pledges reforms to reduce reliance on hydrocarbons, Kuwait's failure to diversify its economy or bolster the private sector stems from an entitlement culture that stifles economic dynamism, as well as from a poor business climate, institutional deficiencies, a large and inefficient public sector that employs three-quarters of the workforce, and friction between the legislative and executive branches that has stymied most reforms. The judicial system is subject to political influence and lacks transparency.

ECONOMIC FREEDOM SCORE

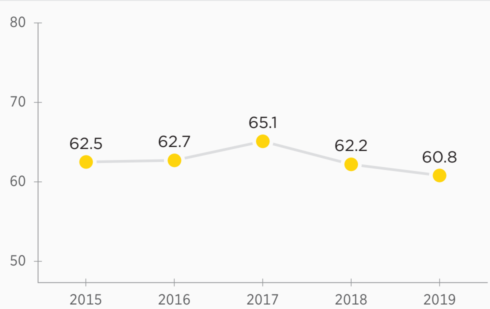


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–5.3

CONCERNS:
Government Spending and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.4 million

GDP (PPP):
$291.5 billion
–2.5% growth in 2017
5-year compound annual growth –0.1%
$66,163 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
1.5%

FDI INFLOW:
$300.5 million

PUBLIC DEBT:
20.6% of GDP

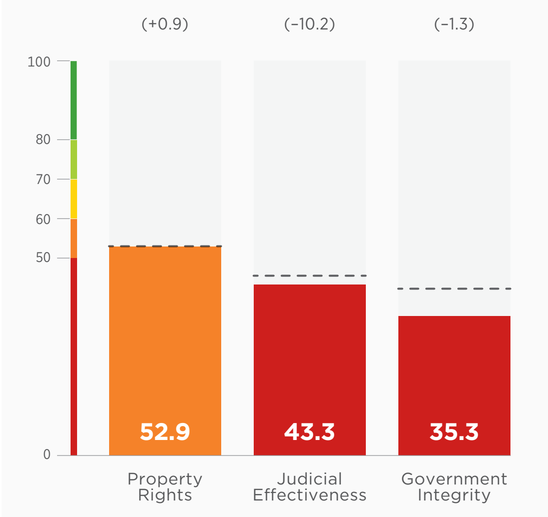
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former British protectorate of Kuwait is a constitutional monarchy and has been ruled by the al-Sabah dynasty since the 18th century. Islamists scored major gains in 2012 parliamentary elections, and Emir Sabah al-Ahmad al-Jabr al-Sabah's efforts since then to repress growing opposition from Islamists and tribal populists have sparked protests. In the 2016 parliamentary elections, opposition candidates won almost half of the seats, complicating economic reform efforts. Kuwait controls approximately 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and about 92 percent of export revenues. The government saves at least 10 percent of revenue annually to cushion itself against the possible impact of lower oil prices.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

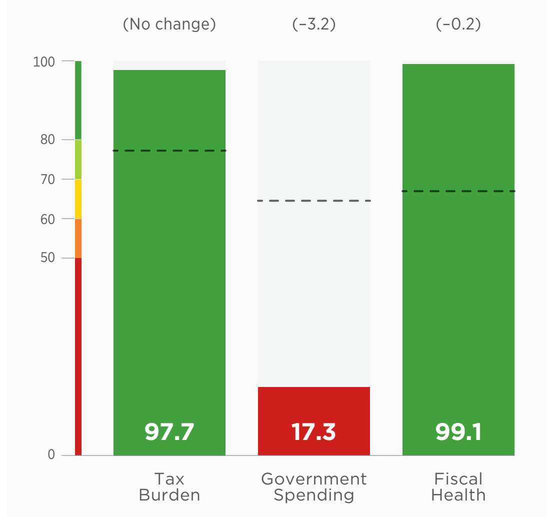
12 ECONOMIC FREEDOMS | KUWAIT

RULE OF LAW



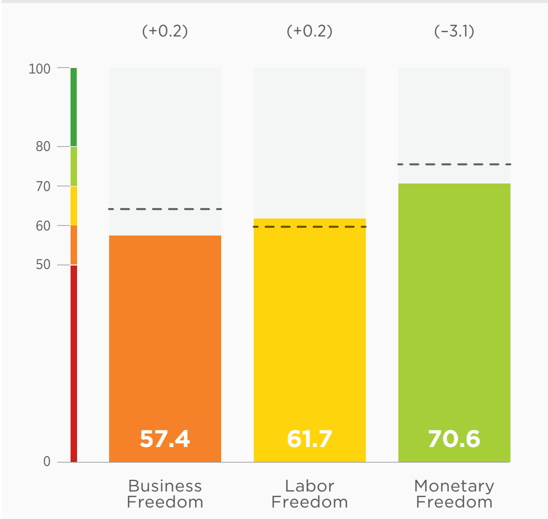
Noncitizens of Gulf Cooperation Council countries may not own land without special permission; they also face additional hurdles in the poorly developed legal system. The emir appoints all judges. There were several reports of corruption in 2018, but the ruling family blocked attempts by the parliamentary opposition to investigate them. Government opacity is exacerbated by the weakness of the rule of law.

GOVERNMENT SIZE



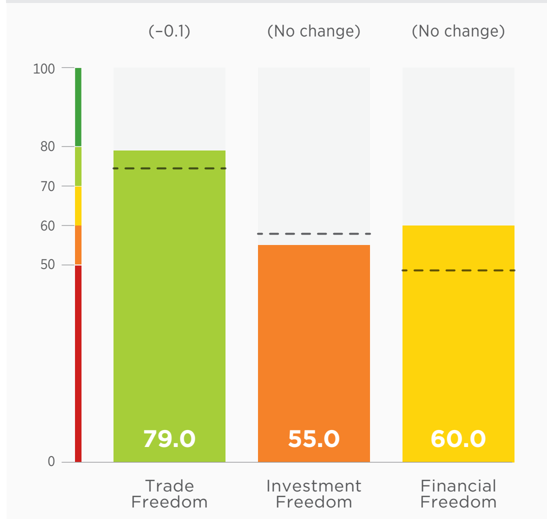
Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.6 percent of total domestic income. Over the past three years, government spending has amounted to 52.5 percent of the country's output (GDP), and budget surpluses have averaged 3.4 percent of GDP. Public debt is equivalent to 20.6 percent of GDP.

REGULATORY EFFICIENCY



In an effort to enhance 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. Although the government's 2015–2019 development plan committed to a gradual phasing out of Kuwait's extensive system of subsidies, the 2018–2019 budget increased them by more than 12 percent.

OPEN MARKETS



The combined value of exports and imports is equal to 94.7 percent of GDP. The average applied tariff rate is 3.0 percent. As of June 30, 2018, according to the WTO, Kuwait had four nontariff measures in force. The economy benefits from openness to foreign investment, but some sectors are not open. The banking sector remains well capitalized, with nonperforming loans declining. Kuwait's stock exchange has been privatized.

KYRGYZ REPUBLIC

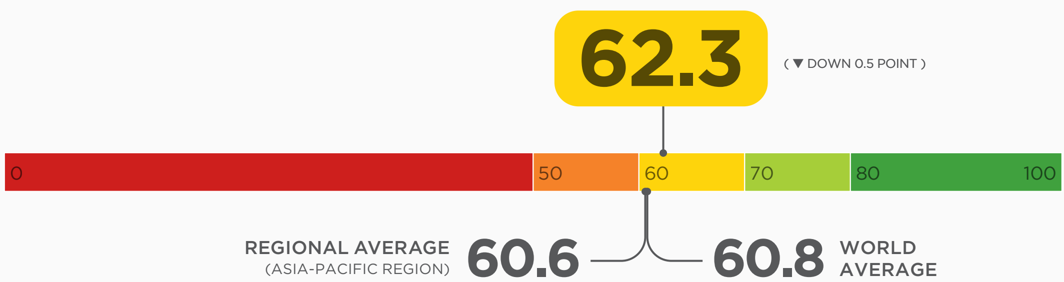
WORLD RANK: **79** | REGIONAL RANK: **17**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

The Kyrgyz Republic's economic freedom score is 62.3, making its economy the 79th freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with higher scores on **judicial effectiveness** and **trade freedom** unable to offset a sharp drop in **fiscal health**. The Kyrgyz Republic is ranked 17th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Despite some reforms, overall improvement in the Kyrgyz Republic's entrepreneurial environment has been slow and uneven. Political turmoil adds to policy volatility and uncertainty, hampering economic development. Political rivalries and powerful special interests hold back implementation of deeper structural reforms. With remnants of the former Communist system evident in many areas, the economy still lacks the institutional foundations of greater economic freedom. Weak rule of law fosters pervasive corruption and ownership insecurity, undermining private-sector investment and business growth.

ECONOMIC FREEDOM SCORE

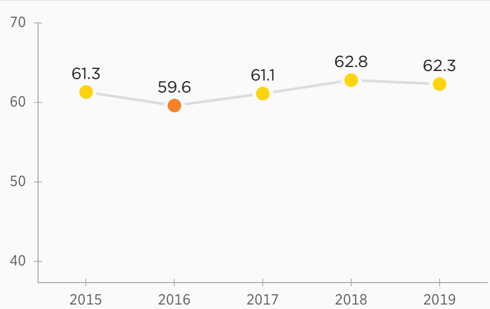


RELATIVE STRENGTHS:
Tax Burden and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+10.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
6.3 million

GDP (PPP):
$23.0 billion
4.5% growth in 2017
5-year compound annual growth 5.4%
$3,667 per capita

UNEMPLOYMENT:
7.3%

INFLATION (CPI):
3.2%

FDI INFLOW:
$93.8 million

PUBLIC DEBT:
59.1% of GDP

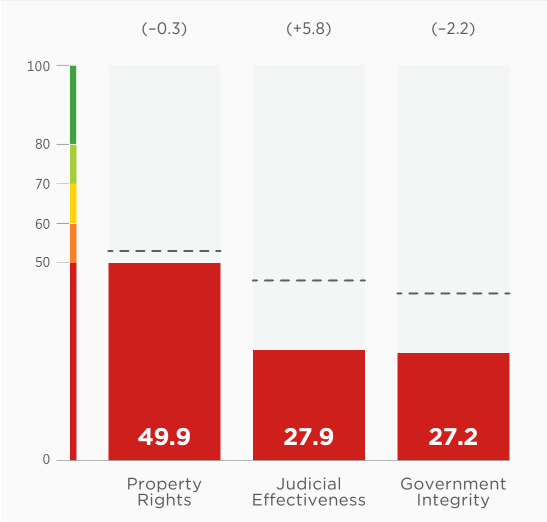
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Kyrgyz Republic is a former Soviet republic that has been plagued since independence by weak governance, organized crime, and corruption. President Sooronbai Jeenbekov, an ally of former President Almazbek Atambayev, was elected to a single six-year term in 2017. The Kyrgyz Republic is a member of the Russia-backed Eurasian Economic Union. Its economy is heavily dependent on gold exports and remittances from Kyrgyzstani migrants working in Russia and Kazakhstan. Cotton, wool, and meat are the main agricultural products, but only cotton is exported in any quantity. Although foreign investment from Russia has been strong, its continuation is far from certain. This has led many of the political elite to question the reliability of Russia as a long-term partner.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

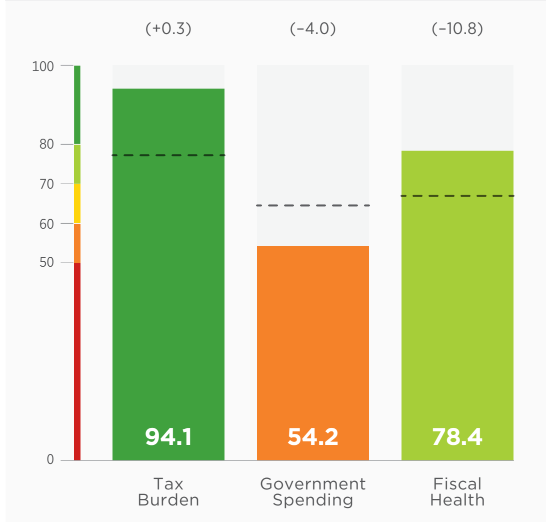
12 ECONOMIC FREEDOMS | KYRGYZ REPUBLIC

RULE OF LAW



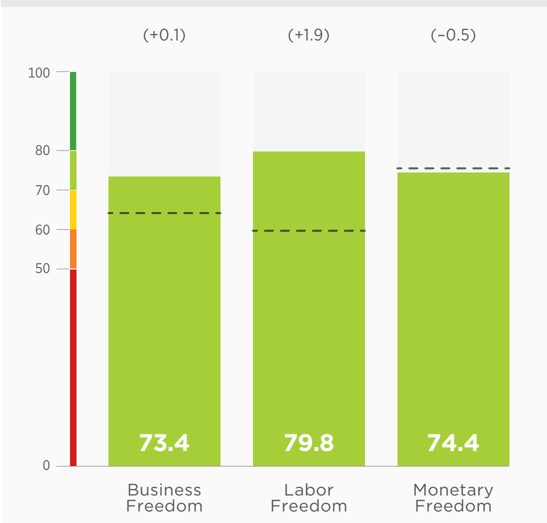
Protection of property rights is weak, and property registration has been made more difficult. The executive branch dominates the judiciary. There are numerous credible reports that judges pay bribes to obtain their positions. Despite some anticorruption efforts, corruption is pervasive, and citizens often must pay bribes to receive government assistance. The institution that investigates corruption remains tethered to the government.

GOVERNMENT SIZE



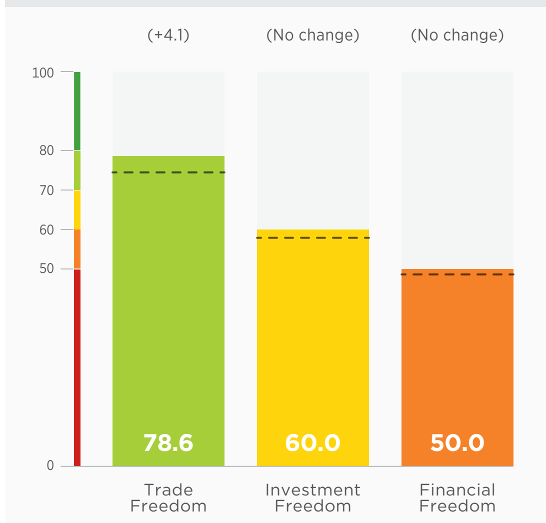
The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 19.7 percent of total domestic income. Over the past three years, government spending has amounted to 39.1 percent of the country's output (GDP), and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 59.1 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory environment is still hampered by bureaucratic impediments to private-sector production and investment. Reforms have not resulted in the structural changes that are necessary to foster efficiency. The formal labor market has not been fully developed. Agricultural sector growth has been financed by subsidized lending, and other subsidies were increased ahead of the 2017 elections.

OPEN MARKETS



The combined value of exports and imports is equal to 102.2 percent of GDP. The average applied tariff rate is 3.2 percent. As of June 30, 2018, according to the WTO, the Kyrgyz Republic had 17 nontariff measures in force. The overall investment climate is subject to considerable risk and uncertainty. Credit costs remain high, and about 46 percent of adult Kyrgyzstanis have access to an account with a formal banking institution.

WORLD RANK: **110** | REGIONAL RANK: **24**

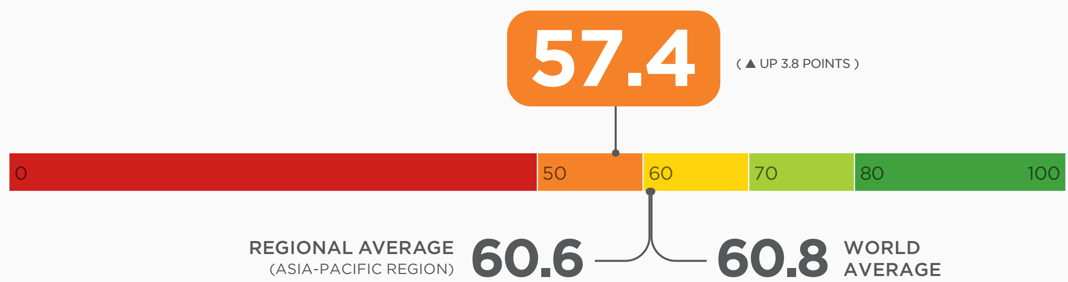
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

LAOS

Laos's economic freedom score is 57.4, making its economy the 110th freest in the 2019 *Index*. Its overall score has increased by 3.8 points, with a significant increase in **trade freedom** and higher scores for **government spending**, **fiscal health**, **labor freedom**, and **property rights** far surpassing a decline in **business freedom**. Laos is ranked 24th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The government professes a desire to achieve upper-middle-income status by 2030, but the business environment remains opaque. Politically connected vested interests block entry into some sectors, and actions to increase state control (for example, by reducing land concession tenures) do not inspire investor confidence. Deeper institutional and systemic reforms are needed to overcome such obstacles to economic freedom as weak property rights, pervasive corruption, burdensome bureaucracy, and government interference and regulatory controls.

ECONOMIC FREEDOM SCORE

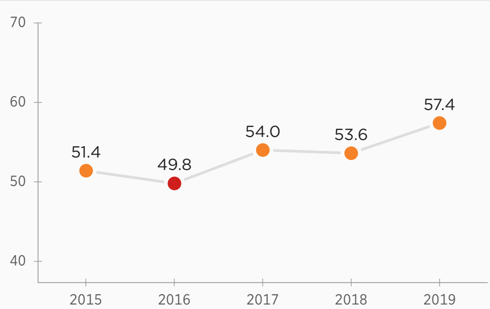


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+18.9

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
6.7 million

GDP (PPP):
$49.2 billion
6.8% growth in 2017
5-year compound annual growth 7.4%
$7,366 per capita

UNEMPLOYMENT:
0.7%

INFLATION (CPI):
0.8%

FDI INFLOW:
$813.0 million

PUBLIC DEBT:
62.8% of GDP

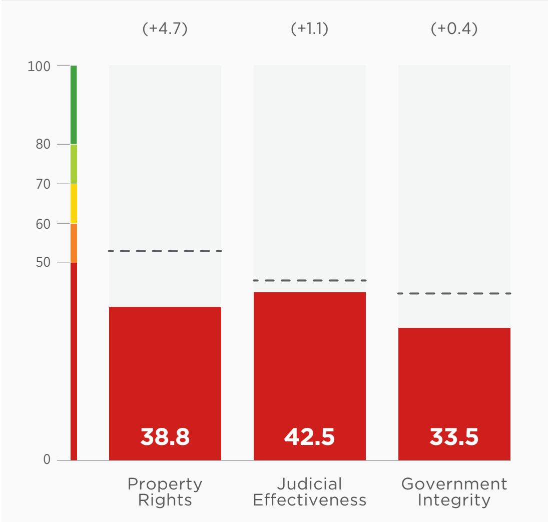
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Laos is a one-party state. The Communist government took power in 1975 and destroyed the economy in the early years of its rule. Minimal liberalization to advance its "state-managed, market-orientated economy," begun in 1986, has yielded some progress, but civil liberties remain heavily restricted. The National Assembly elected 79-year-old Bounnhang Vorachith to a five-year term as president of Laos and general secretary of the Lao People's Revolutionary Party in 2016. Approximately 80 percent of the rural population works in subsistence farming. The economy relies heavily on such capital-intensive natural resource exports as copper, gold, and timber. It also has benefited from high-profile foreign direct investment in hydropower dams along the environmentally sensitive Mekong River.

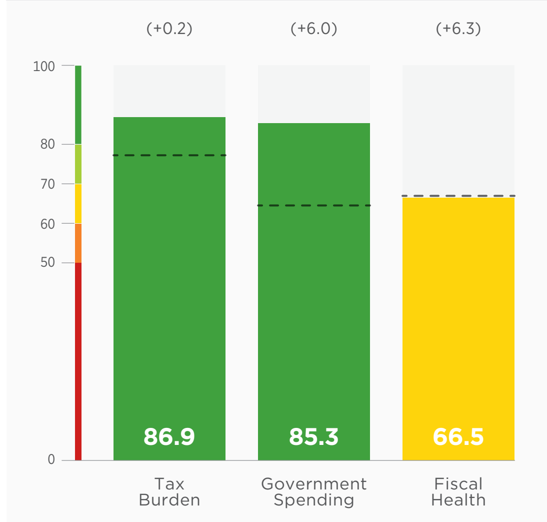
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | LAOS

RULE OF LAW



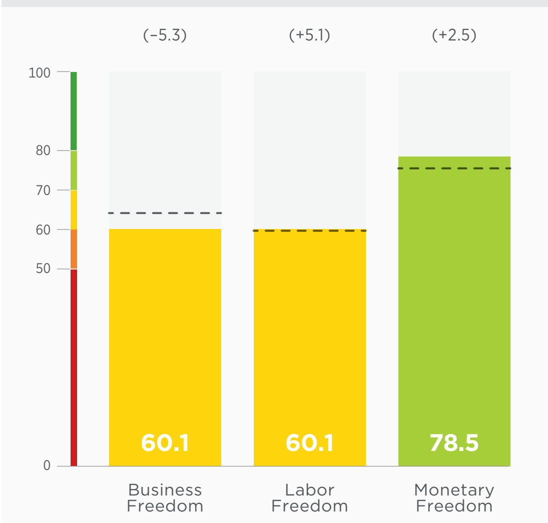
GOVERNMENT SIZE



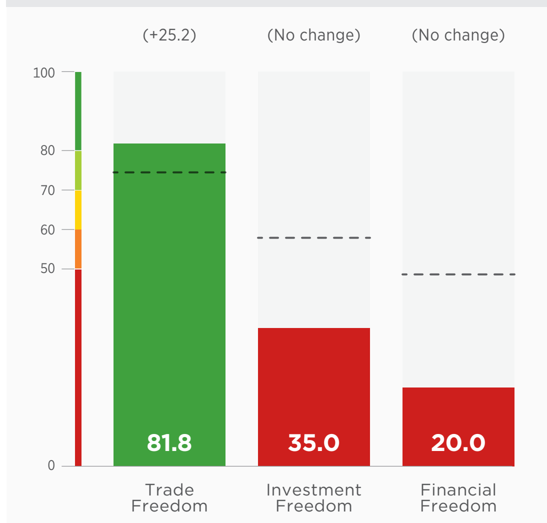
Protections for property rights are weak, titles are unclear, and some areas practice communal titling. The judicial system is inefficient, underdeveloped, corrupt, and controlled by the ruling party. Corruption and graft are often found among government officials in Laos. Despite passage of several anticorruption laws, enforcement remains weak, and no high-profile cases have ever been brought to trial.

The top personal and corporate income tax rates are 24 percent. Other taxes include vehicle and excise taxes. The overall tax burden equals 12.8 percent of total domestic income. Over the past three years, government spending has amounted to 22.1 percent of the country's output (GDP), and budget deficits have averaged 4.0 percent of GDP. Public debt is equivalent to 62.8 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



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

The combined value of exports and imports is equal to 75.8 percent of GDP. The average applied tariff rate is 1.6 percent. As of June 30, 2018, according to the WTO, Laos had 12 nontariff measures in force. State-owned enterprises distort the economy, and foreign investors may not own land. The financial system is hampered by government involvement. About 32 percent of adult Laotians have an account with a formal banking institution.

WORLD RANK: **35** | REGIONAL RANK: **18**

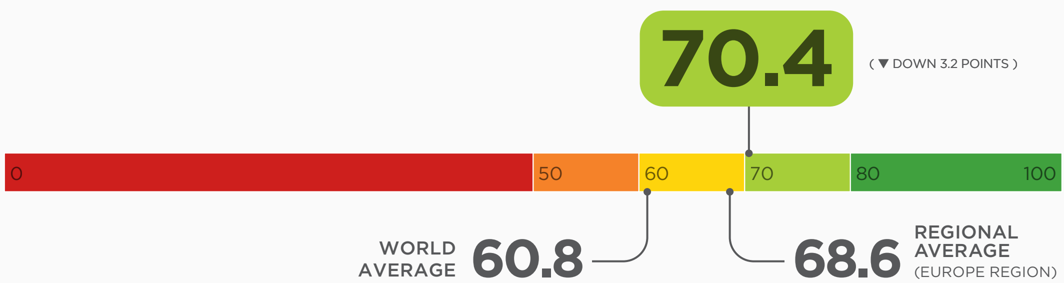
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

LATVIA

Latvia's economic freedom score is 70.4, making its economy the 35th freest in the 2019 *Index*. Its overall score has decreased by 3.2 points, with declines in scores for **judicial effectiveness**, **government integrity**, and the **tax burden** far outweighing an improvement in **fiscal health**. Latvia is ranked 18th among 44 countries in the Europe region, and its overall score remains above the regional and world averages.

The government's fiscal and monetary policies have ended Latvia's dramatic mid-2000s boom-and-bust cycle, improved competitiveness, and returned the country to economic growth. However, they also spurred emigration and expansion of the informal economy, estimated to equal about 25 percent of GDP. Lack of institutional reforms and the prevalence of state-owned enterprises hinder the emergence of a more profitable private sector. Corruption continues to impede the attraction of foreign direct investment, increase the overall cost of doing business, and undermine the rule of law.

ECONOMIC FREEDOM SCORE

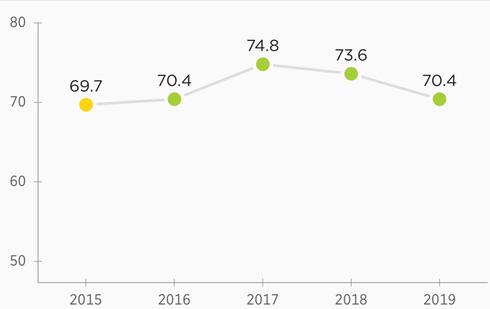


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+15.4

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.0 million

GDP (PPP):
$53.9 billion
4.5% growth in 2017
5-year compound annual growth 2.8%
$27,644 per capita

UNEMPLOYMENT:
8.7%

INFLATION (CPI):
2.9%

FDI INFLOW:
$721.2 million

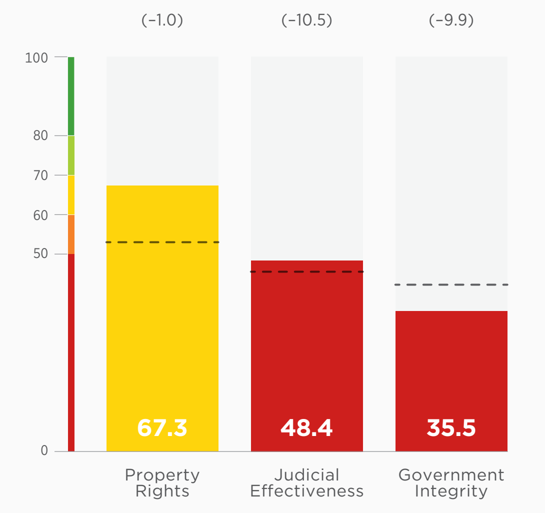
PUBLIC DEBT:
34.8% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Latvia regained its independence from the Soviet Union in 1991, joined the European Union and NATO in 2004, and joined the eurozone in 2014. The incumbent three-party center-right coalition of Prime Minister Maris Kucinskis lost its majority in October 2018 elections. The two new parties that came in second and third, the populist KPV LV and conservative New Conservative Party, have entered coalition talks. The pro-Russian Harmony party remained the largest party in parliament. Latvia's small, open economy relies heavily on exports. Because of its geographical location, transit services are highly developed, as are timber and wood processing, agriculture and food products, and the machinery manufacturing and electronics industries.

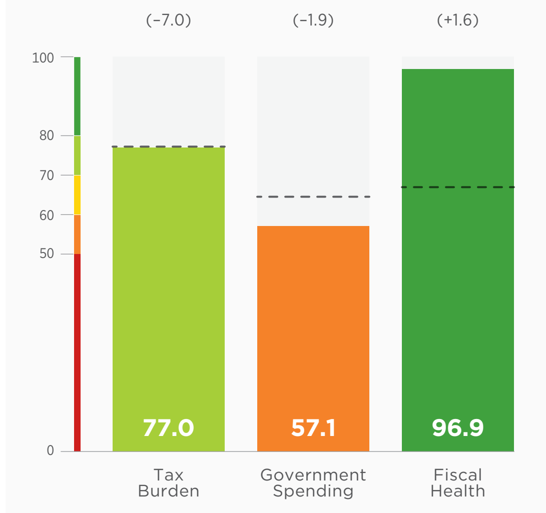
12 ECONOMIC FREEDOMS | LATVIA

RULE OF LAW



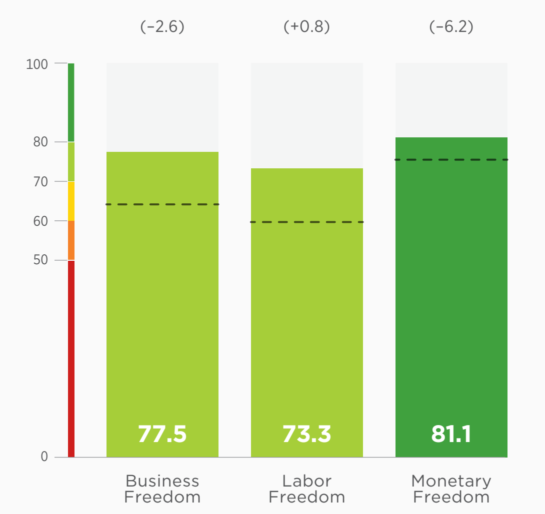
Property rights are recognized, expropriation is rare, and titles are clear. Intellectual property laws have been reformed in line with EU requirements. While judicial independence is generally respected, the public largely distrusts the judicial system, which it views as inefficient, politicized, and corrupt. Despite efforts to improve and enforce anticorruption measures, there are significant concerns regarding public accountability for corruption.

GOVERNMENT SIZE



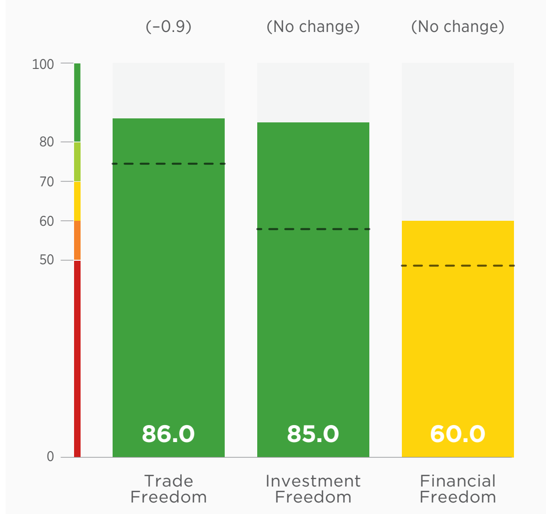
The individual income tax rate has been increased to 31.4 percent, and the corporate tax rate has been raised to 20 percent. The overall tax burden equals 30.2 percent of total domestic income. Over the past three years, government spending has amounted to 37.8 percent of the country's output (GDP), and budget deficits have averaged 0.7 percent of GDP. Public debt is equivalent to 34.8 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory framework is relatively efficient. In general, rules regarding the formation and operation of private enterprises are not burdensome. The nonsalary cost of employing a worker is relatively high, and dismissing an employee can be difficult. The prime minister has been pressured for greater transparency in the allocation of subsidies, and agricultural subsidy standards have been loosened in response to recent drought.

OPEN MARKETS



The combined value of exports and imports is equal to 122.3 percent of GDP. The average applied tariff rate is 2.0 percent. Latvia implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Illicit financial transaction scandals involving Latvia's third-largest bank in 2018 put the banking system under strain. Regulations on money laundering have been strengthened.

WORLD RANK: **154**

REGIONAL RANK: **12**

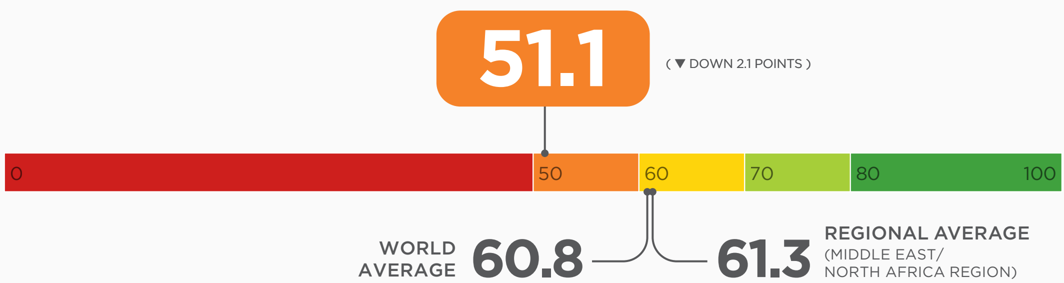
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

LEBANON

Lebanon's economic freedom score is 51.1, making its economy the 154th freest in the 2019 *Index*. Its overall score has decreased by 2.1 points, with declines in scores for **judicial effectiveness**, **trade freedom**, and **investment freedom** far outweighing a modest improvement in **labor freedom**. Lebanon is ranked 12th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Political deadlock in 2018 interrupted policy implementation, delaying all but the most pressing financial legislation. Notwithstanding the stark divisions of different confessional groups' vested interests, Lebanon has a free-market tradition and a strong history of private commercial activity. In addition, legislation on improving the tax and regulatory environment for hydrocarbons development to attract foreign investment and on public–private partnerships to address serious infrastructure shortcomings has been approved. Nevertheless, the economy performs weakly because of ongoing fiscal and current-account deficits.

ECONOMIC FREEDOM SCORE

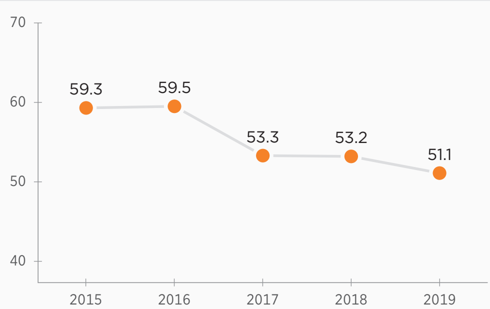


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–12.1

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.5 million

GDP (PPP):
$87.7 billion
1.2% growth in 2017
5-year compound annual growth 1.5%
$19,439 per capita

UNEMPLOYMENT:
6.6%

INFLATION (CPI):
4.5%

FDI INFLOW:
$2.6 billion

PUBLIC DEBT:
152.8% of GDP

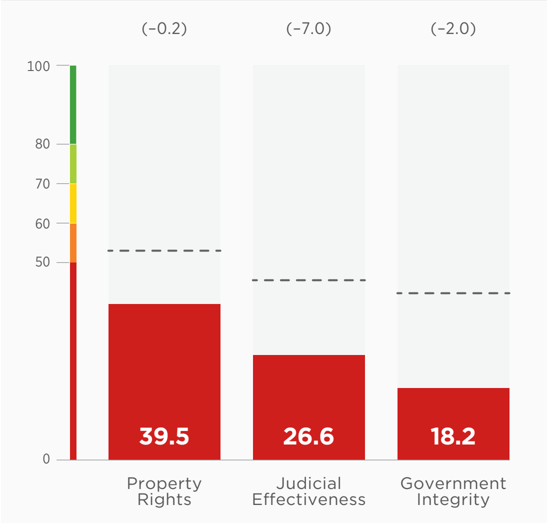
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Prosperity built on Lebanon's position as a regional center for finance and trade has been punctuated by political turmoil. Since 1975, the country has been destabilized by civil war, Syrian occupation, and clashes between Israel and Hezbollah, the powerful Iran-backed Shia Islamist movement. Syria's army withdrew in 2005 after its government was implicated in the assassination of Lebanese Prime Minister Rafiq al-Hariri. Sectarian tensions have hindered political cooperation. In a 2016 compromise to break political deadlock, Saad al-Hariri of the Sunni-dominated Future Movement became prime minister. Elections in May 2018 left Hezbollah's coalition with a majority of parliamentary seats and brought substantial losses for Hariri's party, but contentious negotiations to form a new government dragged on for months.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

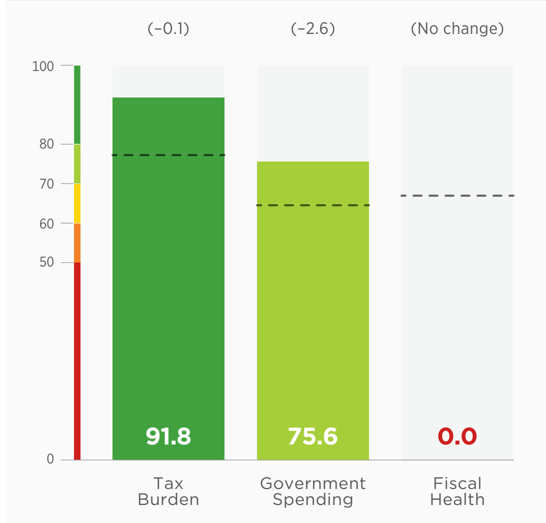
12 ECONOMIC FREEDOMS | LEBANON

RULE OF LAW



Laws to protect real private property are respected, but enforcement of intellectual property rights is weak. The nominally independent judiciary is susceptible to political pressure. The courts are ineffective and struggle to enforce judgments. Corruption is reportedly pervasive in government contracts (primarily in procurement and public works) and in taxation, elections, judicial rulings, and real estate registration. Anticorruption measures are poorly enforced.

GOVERNMENT SIZE

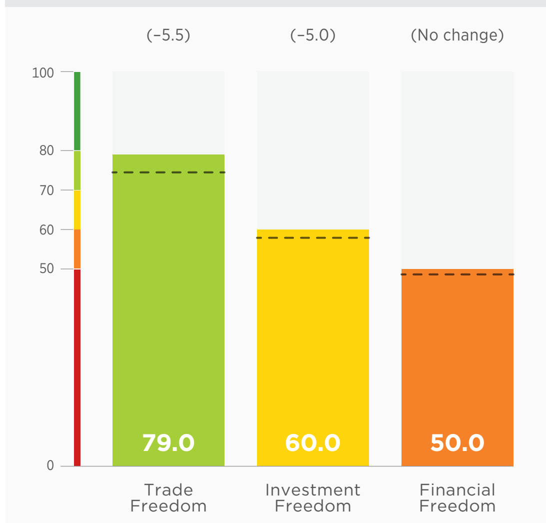


The top personal income tax rate is 20 percent, and the top corporate tax rate is 15 percent. The overall tax burden equals 13.8 percent of total domestic income. Over the past three years, government spending has amounted to 28.5 percent of the country's output (GDP), and budget deficits have averaged 8.0 percent of GDP. Public debt is equivalent to 152.8 percent of GDP.

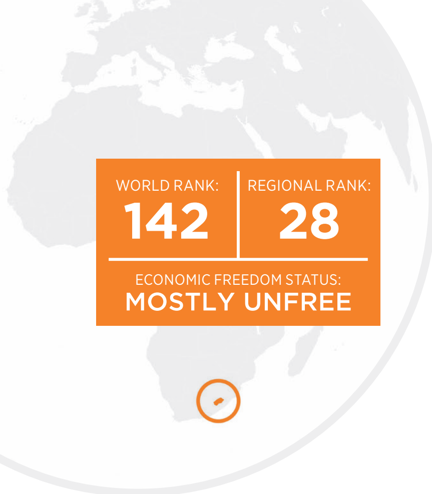
REGULATORY EFFICIENCY

The overall freedom to establish and run a business remains constrained 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. High public debt, deficits, and tightening financial conditions have led the IMF to encourage the government to reform electricity subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 70.0 percent of GDP. The average applied tariff rate is 3.0 percent. The poor regulatory systems discourage dynamic trade and investment flows. Lebanon's financial sector used to be a regional hub, but ongoing political insecurity has subjected it to massive uncertainty and strain. About 50 percent of adult Lebanese have access to an account with a formal banking institution.



WORLD RANK: **142**

REGIONAL RANK: **28**

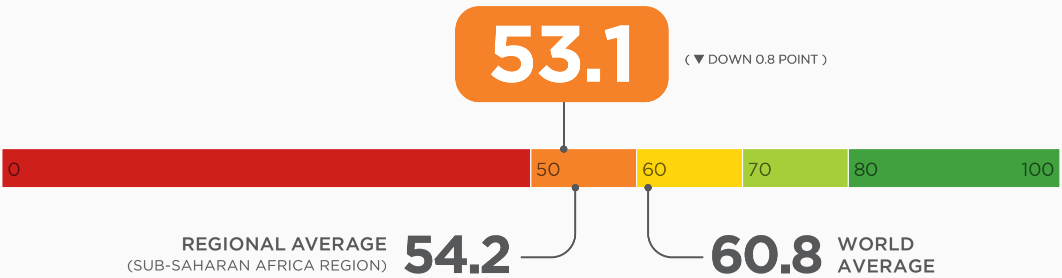
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

LESOTHO

Lesotho's economic freedom score is 53.1, making its economy the 142nd freest in the 2019 *Index*. Its overall score has decreased by 0.8 point, with sharp drops in **fiscal health**, **judicial effectiveness**, and **property rights** outweighing improvements in **trade freedom** and the **tax burden**. Lesotho is ranked 28th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Multiple risks to political stability and possible international sanctions have overshadowed economic policy in Lesotho. Infrastructure projects to facilitate economic diversification have been stymied by political fragmentation, and investment inflows have been constrained. A plan to reduce economic dependence on South Africa by improving the business environment and boosting investment is probably overly ambitious. High levels of government spending prevent the emergence of entrepreneurial dynamism. A burdensome regulatory environment, significant corruption, and poor protection of property rights also add to the cost of doing business.

ECONOMIC FREEDOM SCORE

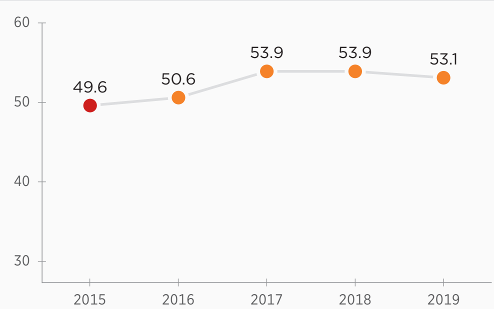


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+6.1

CONCERNS:
Government Integrity and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
1.9 million

GDP (PPP):
$7.0 billion
3.1% growth in 2017
5-year compound annual growth 2.8%
$3,581 per capita

UNEMPLOYMENT:
27.3%

INFLATION (CPI):
5.6%

FDI INFLOW:
$135.0 million

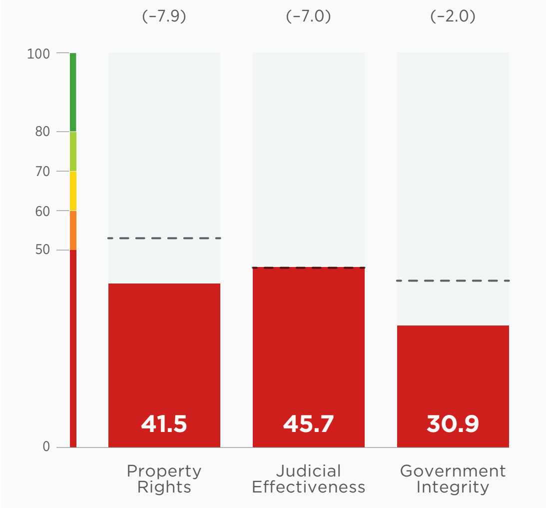
PUBLIC DEBT:
34.7% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Landlocked within a mountainous area of South Africa, Basutoland was renamed the Kingdom of Lesotho upon independence from the United Kingdom in 1966 and is a parliamentary constitutional monarchy, currently headed by King Letsie III. Political power has alternated between former Prime Minister Pakalitha Mosisili and current Prime Minister Thomas Thabane, whose All Basotho Convention won a parliamentary plurality in 2017. Lesotho's narrow economic base consists of textile manufacturing, agriculture, diamond mining, remittances from Basothos working in South Africa, and regional customs revenue. About three-fourths of the people are engaged in animal herding and subsistence agriculture. A large dam and tunnel infrastructure project will divert water to South Africa and provide money and hydropower to Lesotho.

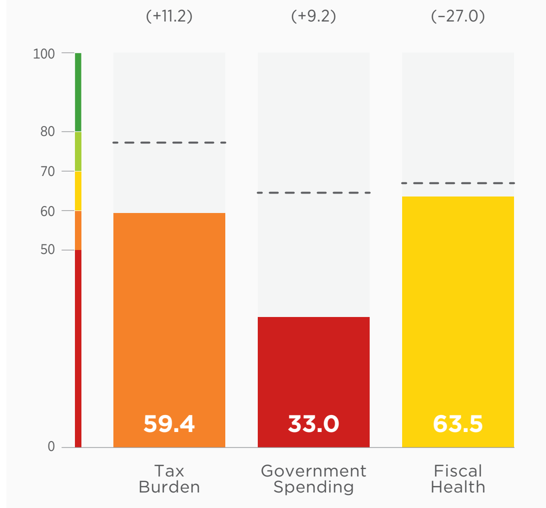
12 ECONOMIC FREEDOMS | LESOTHO

RULE OF LAW



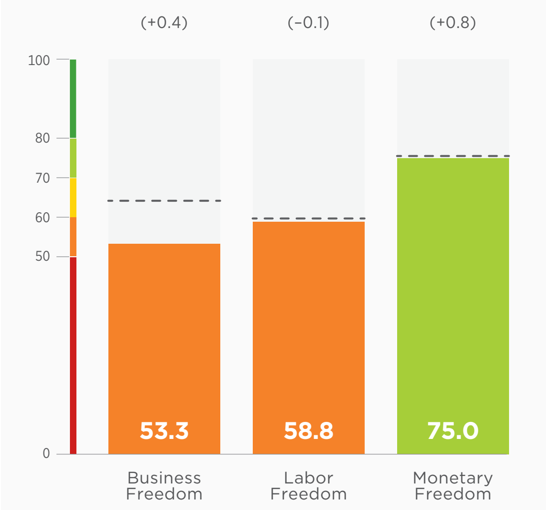
The courts enforce laws to protect the sanctity of contracts as well as real and intellectual private property rights effectively, and expropriation is unlikely. The judiciary is relatively independent but politicized, inefficient, slow, and chronically underfunded. Corruption remains a problem in all sectors of government and public services. Anticorruption laws are poorly enforced, leaving citizens with little recourse.

GOVERNMENT SIZE



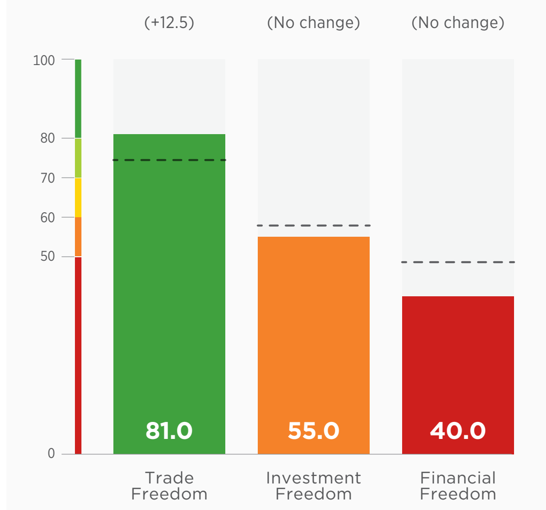
The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. The overall tax burden equals 47.0 percent of total domestic income. Over the past three years, government spending has amounted to 47.3 percent of the country's output (GDP), and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 34.7 percent of GDP.

REGULATORY EFFICIENCY



Red tape and outmoded commercial laws continue to limit the overall efficiency of the regulatory system. The labor market remains rigid and underdeveloped, driving a large share of the labor force into the informal economy. Monetary stability has been affected by the volatility of the South African rand, and the government maintains food subsidies and influences other prices through state-owned enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 125.4 percent of GDP. The average applied tariff rate is 2.0 percent, and customs procedures are gradually improving. Private-sector investment remains limited. The high cost of credit hinders entrepreneurial activity and the development of a vibrant private sector. About 48 percent of adult Basothos have access to an account with a formal banking institution.

LIBERIA

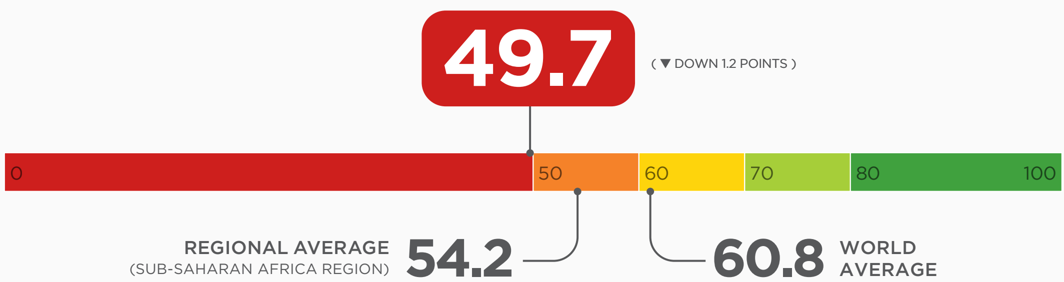
WORLD RANK: 160 | REGIONAL RANK: 37

ECONOMIC FREEDOM STATUS: **REPRESSED**

Liberia's economic freedom score is 49.7, making its economy the 160th freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with sharp drops in **government integrity**, **labor freedom**, and **trade freedom** outweighing a spike in the score for **fiscal health**. Liberia is ranked 37th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The new president is focused on poverty reduction, job creation, critical infrastructure needs, and agricultural development to increase food production. The government hopes that new mining projects and expanded electricity production will spur broad-based economic growth. The rule of law is not enforced effectively, and weak property rights and the judicial system's lack of transparency seriously impede private-sector development. Sustained economic revitalization will depend on diversification, increased investment and trade, higher global commodity prices, remittances, strengthened institutions, action to combat corruption, and political stability.

ECONOMIC FREEDOM SCORE

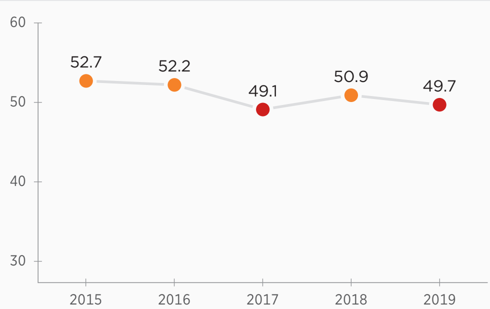


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+1.6

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.5 million

GDP (PPP):
$6.1 billion
2.5% growth in 2017
5-year compound annual growth 2.1%
$1,354 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
12.4%

FDI INFLOW:
$247.8 million

PUBLIC DEBT:
34.4% of GDP

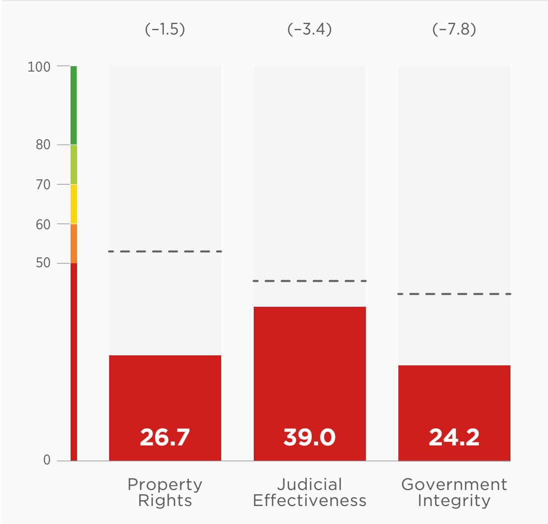
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Settled in the 18th century by freed slaves, predominantly from the United States, Liberia enjoyed relative peace until a long and bloody civil war that ended in 1995. Rebel leader Charles Taylor was forced to step down as president in 2003 and was later convicted of war crimes. Ellen Johnson Sirleaf became president in 2006 and stabilized the country during her two terms. U.N. peacekeepers departed in 2016. Former soccer star George Weah defeated Vice President Joseph Boakai in the 2017 presidential election following delays to investigate allegations of fraud. Liberia is rich in natural resources, including rubber, mineral resources, and iron ore, but suffers from widespread poverty.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

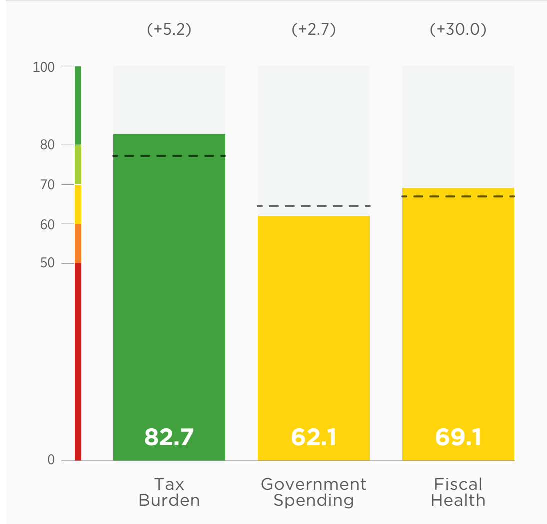
12 ECONOMIC FREEDOMS | LIBERIA

RULE OF LAW



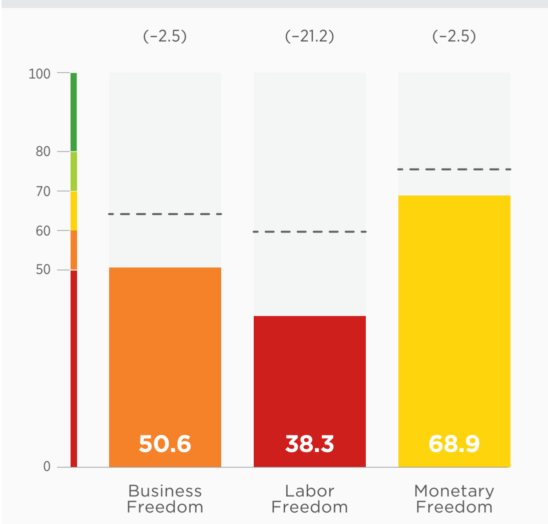
Property rights are not strongly protected, and enforcement of contracts is a lengthy process. The judiciary is independent but weak and underresourced. The government functions poorly because of inadequate administrative capacity and pervasive corruption, although antigraft statutes have been strengthened. Liberia was the first African state to comply with the Extractive Industries Transparency Initiative.

GOVERNMENT SIZE



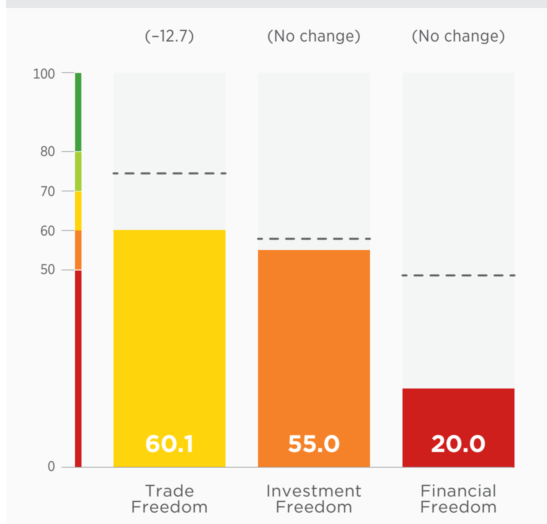
Liberia's top individual and corporate income tax rates are 25 percent. Other taxes include property and goods and services taxes. The overall tax burden equals 21.8 percent of total domestic income. Over the past three years, government spending has amounted to 35.5 percent of the country's output (GDP), and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 34.4 percent of GDP.

REGULATORY EFFICIENCY



Despite some legislative efforts to modernize the regulatory framework, private investment and production remain severely hampered by bureaucratic inefficiency. With the labor market not fully developed, a large portion of the workforce is engaged in the informal sector. Following the Ebola crisis, the government increased subsidies for education and health care and received higher levels of subsidized food aid from international donors.

OPEN MARKETS



The combined value of exports and imports is equal to 121.7 percent of GDP. The most recent average applied tariff rate reported by the World Bank is 12.4 percent. Reforms have dismantled some nontariff barriers to trade, but a lack of transparency persists. Foreign investment in several sectors is restricted, and foreign investors may not own land. A large part of the population remains outside of the formal banking sector.

LIBYA

WORLD RANK: **N/A**

REGIONAL RANK: **N/A**

ECONOMIC FREEDOM STATUS: **NOT GRADED**

Libya is not ranked in the 2019 *Index* because of the lack of reliable comparable data on all facets of the economy. Official government compilations of economic data are inadequate, and data reported by many of the international sources upon which *Index* grading relies remain incomplete.

Political instability, factional clashes, and security threats from domestic and foreign followers of the Islamic State have made economic recovery and development in Libya fragile and uneven. The government faces the daunting challenges of disarming and demobilizing militias, enforcing the rule of law, and reforming the state-dominated economy. Power outages are widespread. Living conditions, including access to clean drinking water, medical services, and safe housing, have declined as more people have been internally displaced by the civil war. These problems will likely persist until a permanent government is in place. U.N.-sponsored parliamentary elections to unite rival eastern and western factions may occur in 2019.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)

WORLD AVERAGE **60.8**

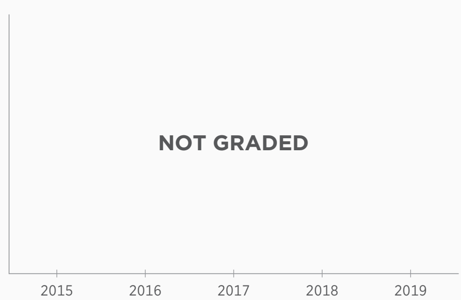
61.3 REGIONAL AVERAGE (MIDDLE EAST/ NORTH AFRICA REGION)

RELATIVE STRENGTHS:
Monetary Freedom and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
0.0

CONCERNS:
Government Spending and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
6.4 million

GDP (PPP): n/a

UNEMPLOYMENT:
17.7%

INFLATION (CPI):
28.0%

FDI INFLOW: n/a

PUBLIC DEBT:
4.7% of GDP

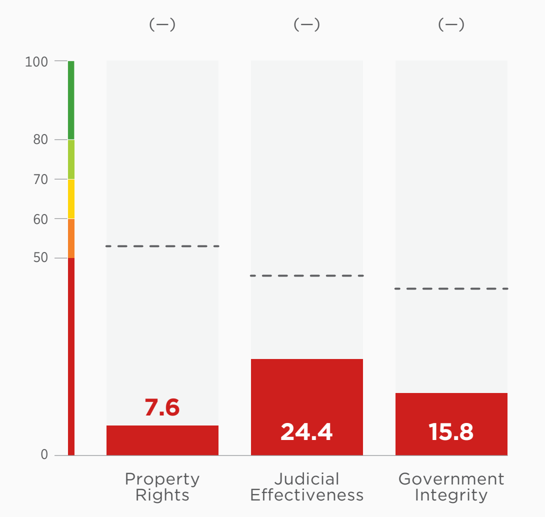
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Muammar Qadhafi seized power in 1969 and ruled as a dictator until he was overthrown and executed in 2011. Since then, the country has been engulfed in bitter factional infighting that has polarized Libyans along political, ethnic, tribal, and regional lines. In 2016, the U.N. brokered the establishment of a national unity government to replace two rival administrations, but little progress has been made in unifying the country. Oil and natural gas dominate the economy and provide almost all export revenues. Various militias, including the Islamic State in 2018, have attacked oilfields and seized oil infrastructure, threatening government control of oil and gas revenues.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

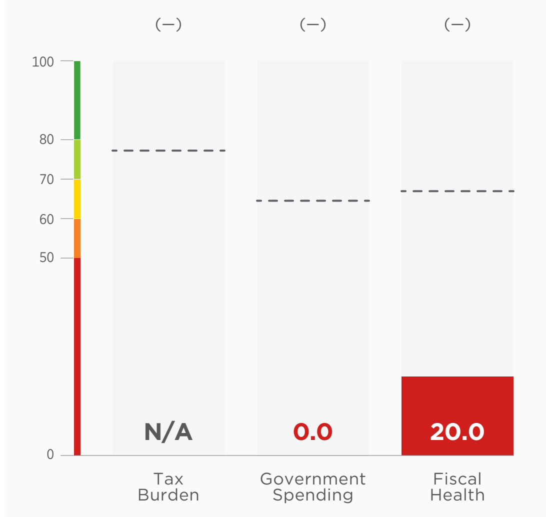
12 ECONOMIC FREEDOMS | LIBYA

RULE OF LAW



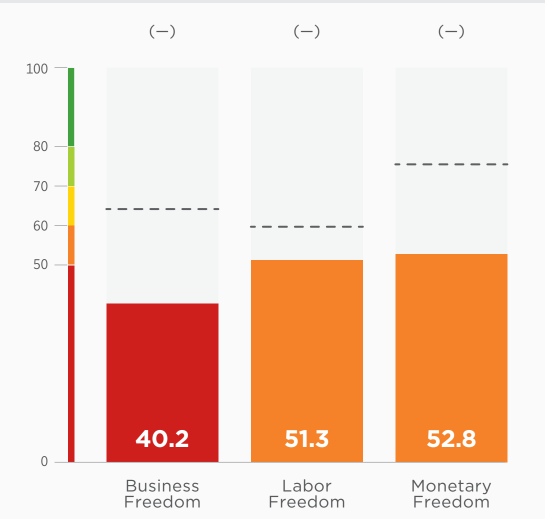
Although Libyans may legally own property and start businesses, property rights are not protected, and contracts are not enforced. Property may be seized arbitrarily. Militants have confiscated businesses and homes in Benghazi and other eastern regions. The role of the judiciary remains unclear without a permanent constitution. Corruption is pervasive, and a general lack of security hinders reforms.

GOVERNMENT SIZE



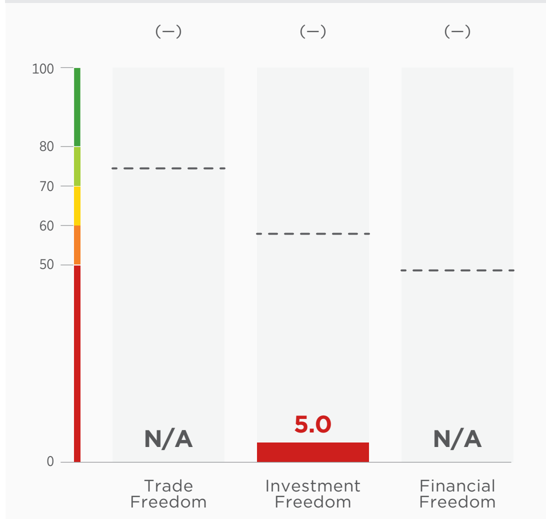
The top income tax rate is 10 percent, but other taxes make the top rate much higher in practice. Taxation has not been enforced effectively for years. Over the past three years, driven primarily by oil and gas revenues, government spending has amounted to 139.2 percent of the country's output (GDP), and budget deficits have averaged 95.8 percent of GDP. Public debt is equivalent to 4.7 percent of GDP.

REGULATORY EFFICIENCY



The existing regulatory framework is severely undermined by ongoing political uncertainty. 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 in the absence of a unified government and prioritizes funding subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 108.7 percent of GDP. Political instability, exacerbated by security threats, is a significant impediment to foreign trade and investment. Libya's financial infrastructure has been significantly degraded by unstable political and economic conditions. Limited access to financing severely impedes any meaningful private business development.

LIECHTENSTEIN

WORLD RANK: N/A | REGIONAL RANK: N/A

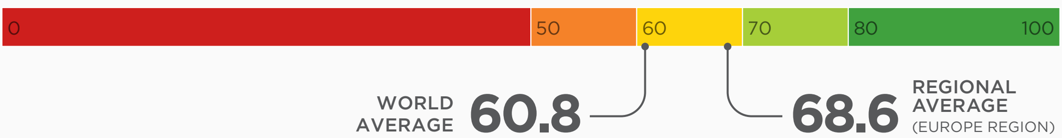
ECONOMIC FREEDOM STATUS: NOT GRADED

Liechtenstein is not graded in the 2019 *Index* because of the unavailability of relevant comparable statistics on some facets of the economy. Despite its small size and lack of natural resources, Liechtenstein has developed into a prosperous, highly industrialized, free-enterprise economy with a vital financial services sector and the world's third-highest per capita income. The country is closely linked to Switzerland, whose currency it shares, and the European Union. Liechtenstein is a member of the European Free Trade Association, the Schengen Area, and the European Economic Area.

Flexibility and openness to global commerce have been the cornerstones of Liechtenstein's modern and widely diversified economy. Minimal barriers to trade and investment foster vibrant economic activity, and a straightforward, transparent, and streamlined regulatory system supports an innovative entrepreneurial sector. Banking has benefited from Liechtenstein's high levels of political and social stability and its sound and transparent judicial system.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)



RELATIVE STRENGTHS:
n/a

HISTORICAL *INDEX* SCORE CHANGE:
n/a

CONCERNS:
n/a

FREEDOM TREND

QUICK FACTS

POPULATION:
37,800

GDP (PPP): 6.1 billion CHF (2014)
1.8% growth in 2012
5-year compound annual growth n/a
$139,100 per capita (2009 estimated)

UNEMPLOYMENT:
2.1% (2016)

INFLATION (CPI):
n/a

FDI INFLOW: n/a

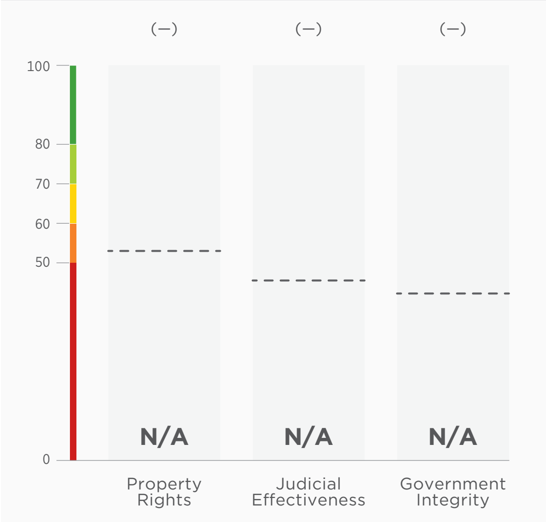
PUBLIC DEBT: n/a

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Prince Hans-Adam II is the head of state in this tiny principality, but his son Prince Alois wields considerable power as regent and can dismiss the government and veto bills. The center-right Progressive Citizens' Party won a reduced share of the vote in 2017 parliamentary elections but still captured the most seats. Prime Minister Adrian Hasler, in office since 2013, remains head of the government. Traditions of strict bank secrecy have helped financial institutions to attract funds as well as interest from block chain and cryptocurrency businesses. The government has signed an agreement with the European Union to allow automatic exchanges of financial account information. In 2018, Liechtenstein and Switzerland entered into a similar agreement to exchange tax information.

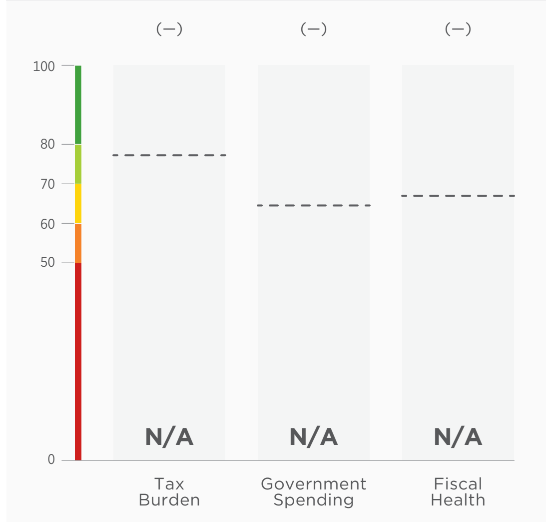
12 ECONOMIC FREEDOMS | LIECHTENSTEIN

RULE OF LAW



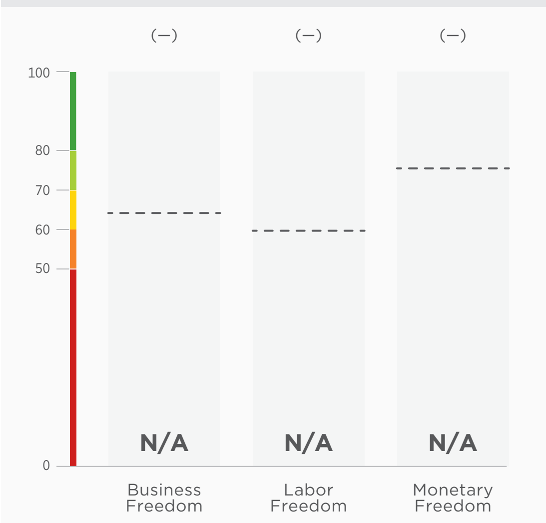
Property rights and contracts are secure. Despite the appointment of judges by the hereditary monarch, the constitutionally independent judiciary is impartial. Liechtenstein is largely free of corruption, and the government enforces anticorruption laws effectively. Although the country is a leading offshore tax haven and has traditionally maintained tight bank secrecy laws, the government has made efforts to increase transparency in banking.

GOVERNMENT SIZE



Liechtenstein imposes relatively low taxes. The national personal income tax rates comprise eight tax bands with a maximum rate of 8 percent. Other taxes include a state tax and a municipal tax that varies. The corporate tax rate is a flat 12.5 percent. The standard value-added tax rate is 7.7 percent. Although the fiscal system lacks transparency, government fiscal management has been relatively sound.

REGULATORY EFFICIENCY



Establishing a business is fairly easy. Administrative procedures are straightforward, and regulations affecting business are transparent and applied consistently. Unemployment has traditionally been very low. In recent years, labor market policies have focused on reducing youth unemployment. Liechtenstein has a de facto monetary union with Switzerland but has no role in determining the Swiss National Bank's monetary policies.

OPEN MARKETS

Minimal barriers to trade and investment foster vibrant economic activity. The combined value of exports and imports is equal to about 125 percent of GDP. The average applied tariff rate is 1.3 percent, and nontariff barriers are relatively minimal. Foreign and domestic investors are generally treated equally. Banking benefits from Liechtenstein's high levels of political stability and its sound and transparent judicial system.

LITHUANIA

WORLD RANK: **21**

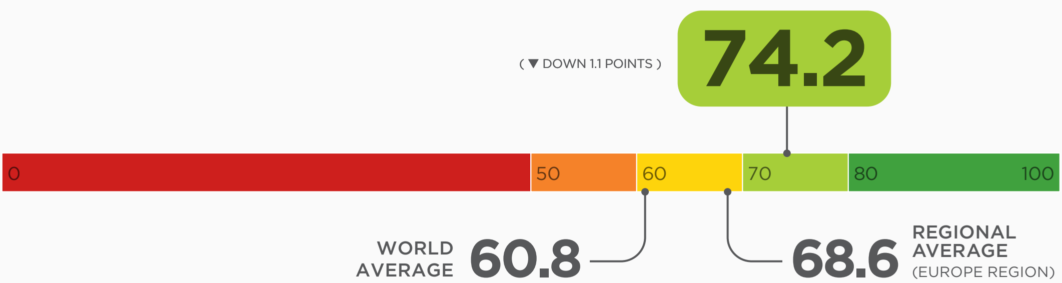
REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Lithuania's economic freedom score is 74.2, making its economy the 21st freest in the 2019 *Index*. Its overall score has decreased by 1.1 points, with declines in **judicial effectiveness**, **monetary freedom**, and **government integrity** exceeding modest improvements in **business freedom** and **government spending**. Lithuania is ranked 12th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Lithuania's economic growth has gained momentum, driven by higher domestic and external demand, but more reforms are needed to improve the business environment and competitiveness. In addition, a steady outflow of young and highly educated people has caused some shortages of skilled labor. However, an improving labor market has spurred private consumption, and investment inflows from the EU have risen. Adoption of the euro has reduced the systemic risks related to euro-denominated debt. The country's relatively sound legal framework generally sustains the rule of law.

ECONOMIC FREEDOM SCORE

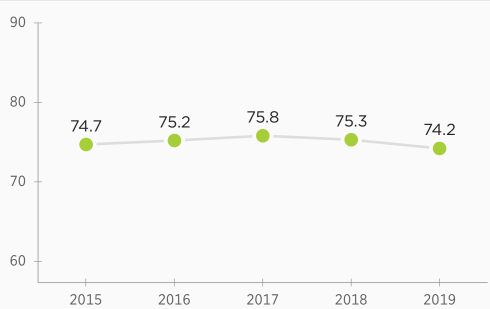


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+24.5

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
$91.2 billion
3.8% growth in 2017
5-year compound annual growth 3.0%
$32,299 per capita

UNEMPLOYMENT:
7.1%

INFLATION (CPI):
3.7%

FDI INFLOW:
$595.4 million

PUBLIC DEBT:
36.5% of GDP

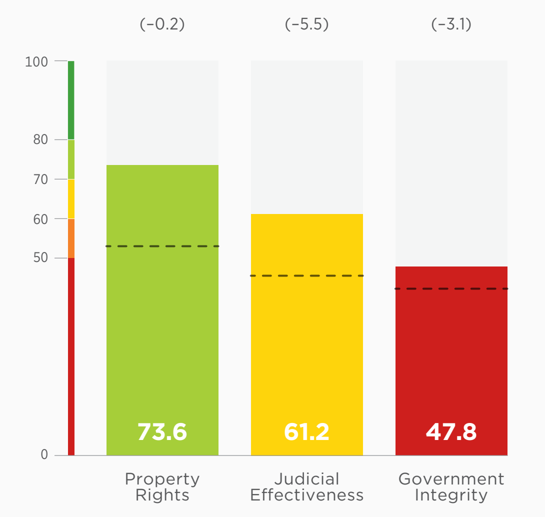
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Lithuania regained independence in 1991, joined the European Union in 2004, and acceded to the Organisation for Economic Co-operation and Development in 2018. President Dalia Grybauskaite was reelected to a final five-year term in 2014. Prime Minister Saulius Skvernelis of the centrist Lithuanian Peasants and Green Union, in office since 2016, heads a minority coalition government with the Lithuanian Social Democratic Labor Party. Privatization of most state-owned enterprises has helped the economy to rebound and become one of the fastest growing in the EU, although many younger workers have emigrated for jobs elsewhere in Europe. Lithuania's reliance on Russian natural gas has declined notably since the opening of an offshore liquefied natural gas terminal at Klaipeda.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

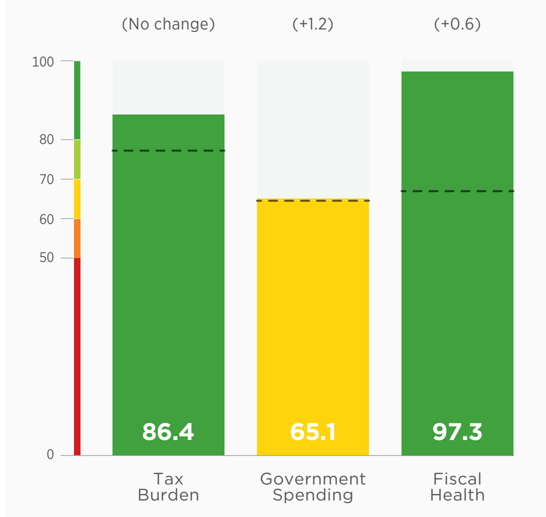
12 ECONOMIC FREEDOMS | LITHUANIA

RULE OF LAW



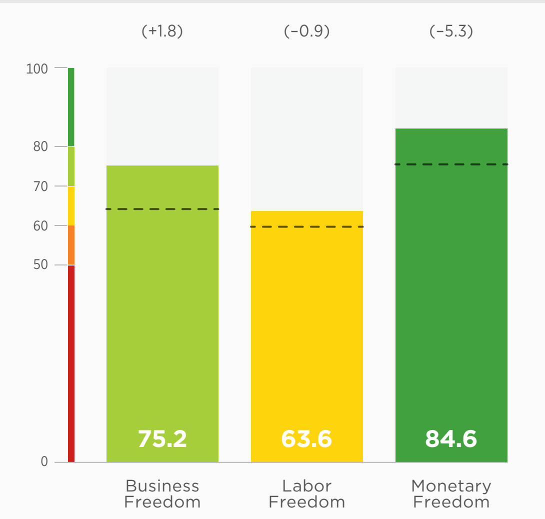
Private property is respected, and protection of intellectual property rights has been upgraded in recent years. EU membership strengthened judicial independence. Anticorruption measures, steadily improved since 2014, were further bolstered when a law was passed in June 2018 making public officials criminally liable in corruption-related crimes. The judiciary reacted swiftly and firmly when a major banking scandal erupted in 2018.

GOVERNMENT SIZE



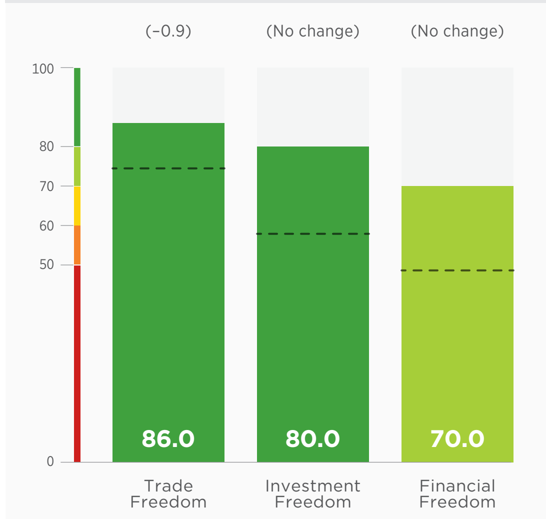
Lithuania's top individual and corporate income tax rates are 15 percent. Other taxes include inheritance and value-added taxes. The overall tax burden equals 30.2 percent of total domestic income. Over the past three years, government spending has amounted to 34.1 percent of the country's output (GDP), and budget surpluses have averaged 0.2 percent of GDP. Public debt is equivalent to 36.5 percent of GDP.

REGULATORY EFFICIENCY



The overall entrepreneurial framework has become fairly streamlined and efficient. Business formation and operation take place without bureaucratic interference. New labor regulations intended to enhance labor market flexibility have come into force. Lithuania scrapped its fuel subsidies after connecting to Poland and Sweden's electric grid to import electricity at a lower cost, saving consumers tens of millions of euros.

OPEN MARKETS



The combined value of exports and imports is equal to 160.6 percent of GDP. The average applied tariff rate is 2.0 percent. Lithuania implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The relatively sound regulatory framework facilitates foreign investment flows. The competitive financial sector offers a full range of services, and the banking system is stable.

WORLD RANK: **17**

REGIONAL RANK: **9**

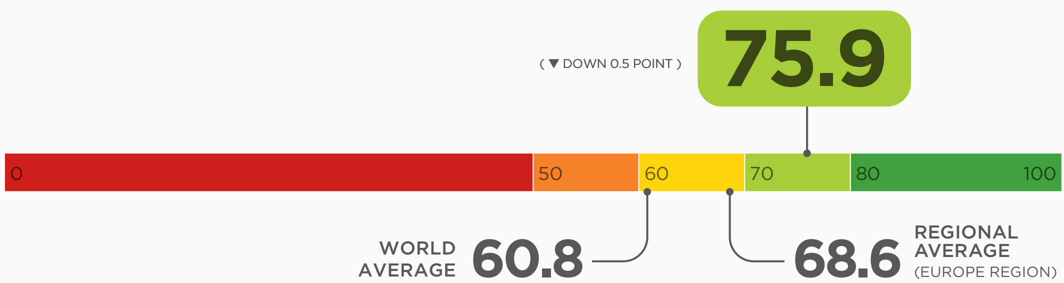
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

LUXEMBOURG

Luxembourg's economic freedom score is 75.9, making its economy the 17th freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with declines in **judicial effectiveness** and **monetary freedom** overwhelming an improvement in **government integrity**. Luxembourg is ranked 9th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Luxembourg is one of the world's wealthiest countries. It has one of the eurozone's highest current-account surpluses as a share of GDP, maintains a healthy budgetary position, and has the region's lowest level of public debt. Economic competitiveness is sustained by the solid institutional foundations of an open-market system. The judiciary, independent and free of corruption, protects property rights and upholds the rule of law. High levels of regulatory transparency and efficiency encourage entrepreneurial activity. The government is seeking to enhance the country's status as an international financial center in 2019.

ECONOMIC FREEDOM SCORE

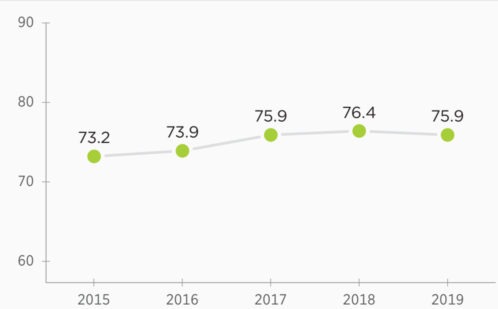


RELATIVE STRENGTHS:
Fiscal Health and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+3.4

CONCERNS:
Labor Freedom and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$62.7 billion
3.5% growth in 2017
5-year compound annual growth 3.8%
$106,374 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
2.1%

FDI INFLOW:
$6.6 billion

PUBLIC DEBT:
23.0% of GDP

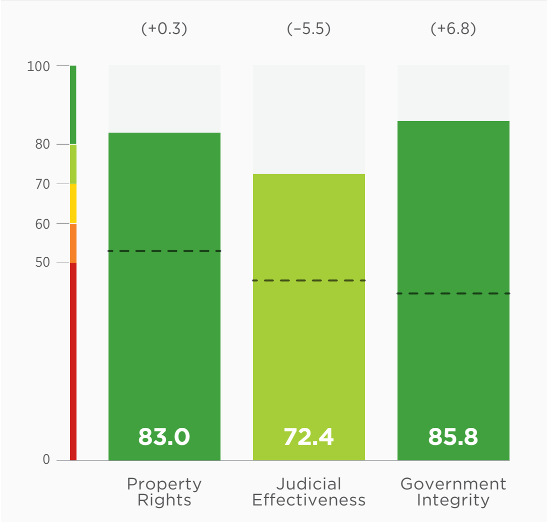
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A founding member of the European Union in 1957 and of the eurozone in 1999, the small Grand Duchy of Luxembourg continues to promote European integration. Democratic Party Prime Minister Xavier Bettel's three-party left-leaning coalition barely held on to power in October 2018 elections. Luxembourgers enjoy high levels of prosperity, although the global economic crisis provoked the first recession in 60 years in 2009. Growth is strong, and unemployment remains below the EU average. During the 20th century, Luxembourg evolved into a mixed manufacturing and services economy with strong financial services. With its low energy costs, reliable electricity grid, and stable governance, the country is attracting interest as a hub for the new information economy of the 21st century.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

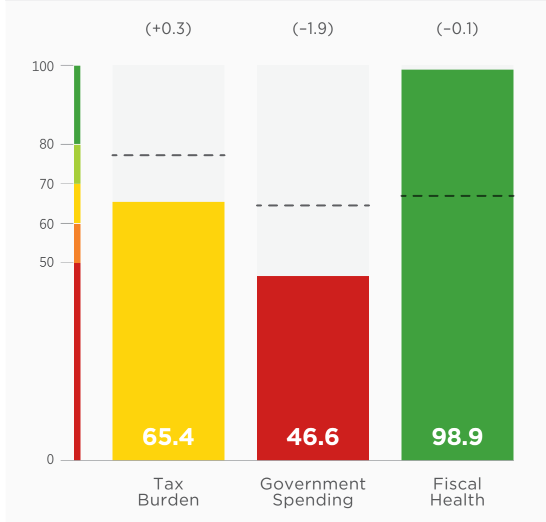
12 ECONOMIC FREEDOMS | LUXEMBOURG

RULE OF LAW



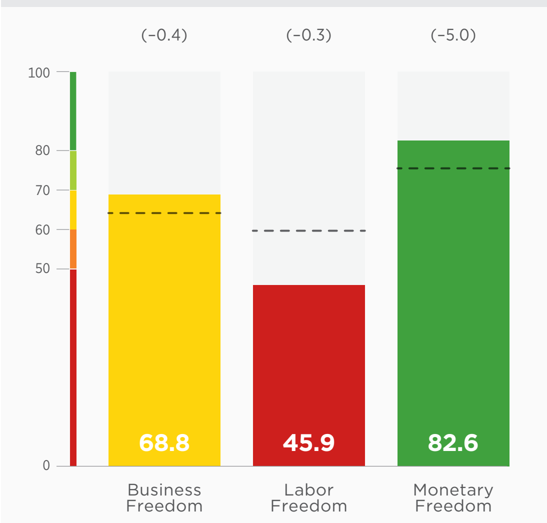
The legal system protects and facilitates the acquisition and disposition of all property rights, such as land and buildings, based on a land registry cadaster. The open and transparent economy has no restrictions on foreign ownership. Contracts are secure. The judiciary is independent, and a well-functioning legal framework strongly supports the rule of law. Laws, regulations, and penalties are enforced impartially to combat corruption.

GOVERNMENT SIZE



The top individual income tax rate is 42 percent, and the top corporate tax rate has been reduced from 19 percent to 18 percent. The overall tax burden equals 37.1 percent of total domestic income. Over the past three years, government spending has amounted to 42.2 percent of the country's output (GDP), and budget surpluses have averaged 1.5 percent of GDP. Public debt is equivalent to 23.0 percent of GDP.

REGULATORY EFFICIENCY



The overall freedom to start, operate, and close a business is relatively well protected under the transparent regulatory environment. However, labor regulations continue to be costly, with quite generous unemployment benefits and high minimum wages. Monetary stability has been well maintained. The agricultural sector is highly subsidized, and the government maintains Europe's highest rate of fuel subsidies per capita.

OPEN MARKETS

The combined value of exports and imports is equal to 424.0 percent of GDP. The average applied tariff rate is 2.0 percent. Luxembourg implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Overall investment activity is sustained by solid institutional foundations for an open-market system. The sophisticated financial sector is well capitalized and competitive.

WORLD RANK: **34** | REGIONAL RANK: **9**

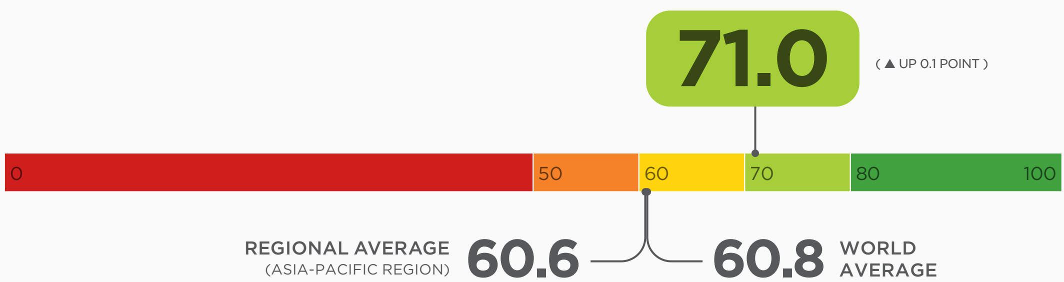
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

MACAU

Macau's economic freedom score is 71.0, making its economy the 34th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with higher scores for **monetary freedom** and **tax burden** exceeding a decline in the score for **government integrity**. Macau is ranked 9th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Challenges related to the country's booming casino industry include money-laundering risks and the need to diversify the economy and reduce dependence on gaming revenues. Macau's currency is pegged to the Hong Kong dollar, which is closely tied to the U.S. dollar. As a free port, Macau has long benefited from global trade and investment. Other growth areas include finance, insurance, and real estate. The entrepreneurial environment is generally efficient and streamlined, and property rights are generally respected. Taxation is low and relatively efficient.

ECONOMIC FREEDOM SCORE

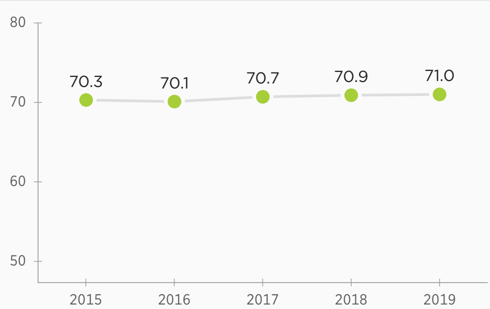


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
–1.0

CONCERNS:
Government Integrity and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$71.8 billion
9.3% growth in 2017
5-year compound annual growth –0.6%
$111,629 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
1.2%

FDI INFLOW:
$2.0 billion

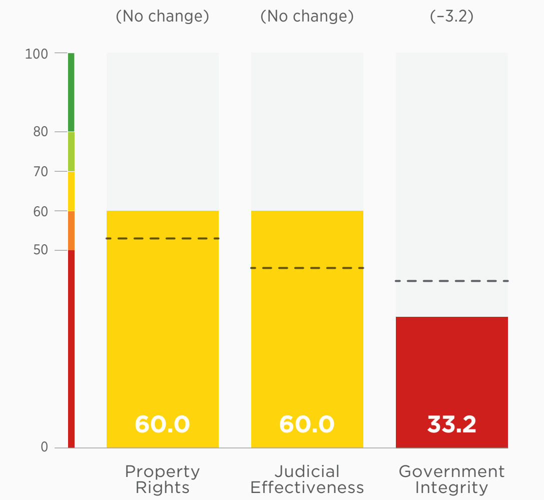
PUBLIC DEBT:
0.0% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Colonized by the Portuguese in the 16th century, Macau became a Special Administrative Region of the People's Republic of China in 1999, and its chief executive is appointed by Beijing. The world's largest gaming center, Macau is the only place in China where casinos are legal. The sector has rebounded since the end of the PRC's high-profile 2013 anticorruption campaign and has fueled a rise in per capita GDP. Gaming-related taxes account for about 80 percent of government revenues. High-end patrons still account for more than half of gambling revenue, but attracting more middle-class visitors is crucial to future growth. There is a paucity of attractions for nongambling tourists, and government efforts to encourage economic diversification face formidable constraints.

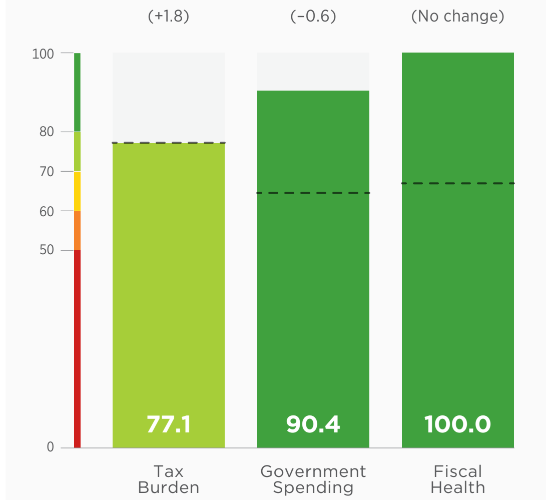
12 ECONOMIC FREEDOMS | MACAU

RULE OF LAW



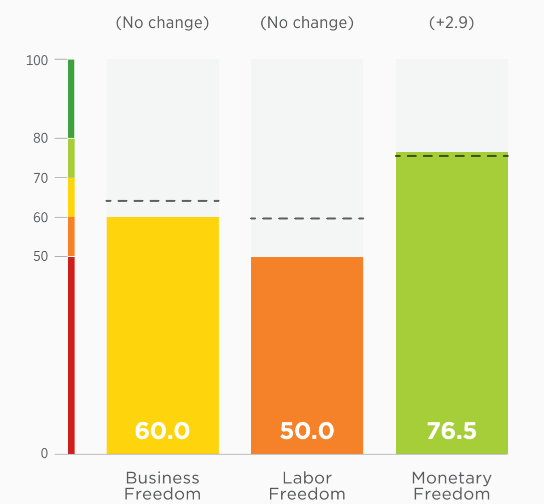
Although private ownership of property and contractual rights are well established, about 20 percent of land lacks clear title. There are no restrictions on foreign ownership. Macau has its own judicial system with a high court, but rapid economic expansion has left the judiciary understaffed. Public protests against a range of issues such as corruption, favoritism, and nepotism have increased in recent years.

GOVERNMENT SIZE



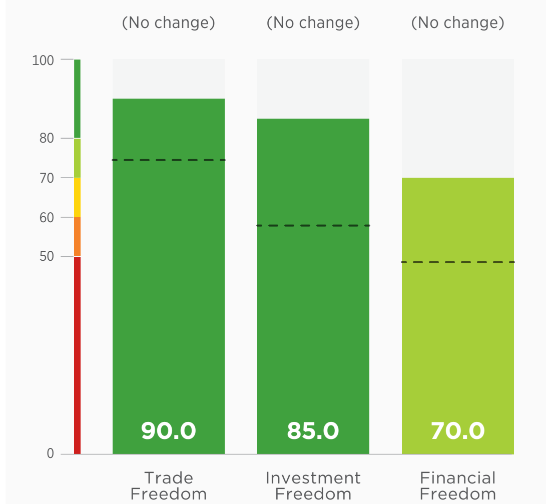
The top personal income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high. The overall tax burden equals 25.0 percent of total domestic income. Over the past three years, government spending has amounted to 17.9 percent of the country's output (GDP), and budget surpluses have averaged 12.6 percent of GDP. Public debt is equivalent to 0.0 percent of GDP.

REGULATORY EFFICIENCY

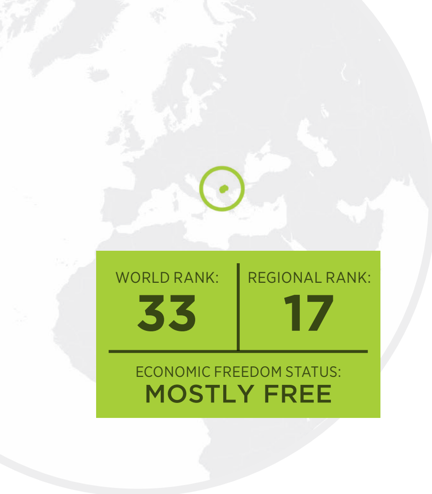


The overall regulatory environment is relatively transparent and efficient, with license requirements varying by type of economic activity. The economy lacks a dynamic and broad-based labor market. The government sets minimum standards for the terms and conditions of employment. Monetary stability has been relatively well maintained, but generous government subsidies to households, students, and the elderly increased in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 111.4 percent of GDP. The average applied tariff rate is 0.0 percent. As of June 30, 2018, according to the WTO, Macau had 31 nontariff measures in force. Macau is relatively open to foreign investment. The small financial system functions without undue government influence. Credit is allocated on market terms, and relatively sound regulation assures free flows of financial resources.



WORLD RANK: 33

REGIONAL RANK: 17

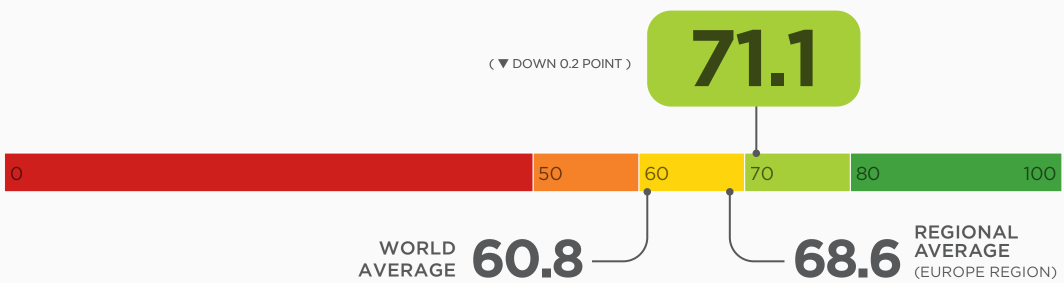
ECONOMIC FREEDOM STATUS: MOSTLY FREE

MACEDONIA

Macedonia's economic freedom score is 71.1, making its economy the 33rd freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with declines in **trade freedom**, **monetary freedom**, and **business freedom** exceeding improvements in **fiscal health**, **labor freedom**, and **judicial effectiveness**. Macedonia is ranked 17th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Macedonia maintained macroeconomic stability after the global financial crisis, but its internal political crisis has hampered economic performance. Fiscal policy has been lax, with unproductive public expenditures, including subsidies and pension increases, and rising guarantees for the debt of state-owned enterprises. Extensive informal economic activity may generate income equivalent to between 20 percent and 45 percent of GDP. Structural reforms are needed to address government corruption and a bloated bureaucracy. The legal framework is sound, but enforcement is slow and weak.

ECONOMIC FREEDOM SCORE

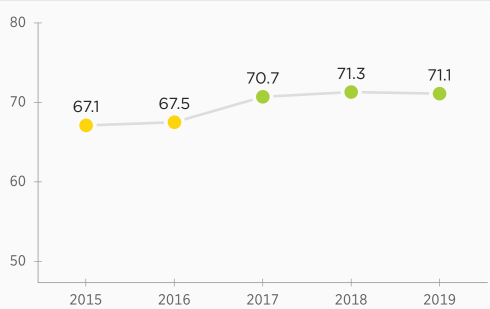


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002):
+13.1

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$31.0 billion
0.0% growth in 2017
5-year compound annual growth 2.7%
$14,914 per capita

UNEMPLOYMENT:
22.4%

INFLATION (CPI):
1.4%

FDI INFLOW:
$256.3 million

PUBLIC DEBT:
39.3% of GDP

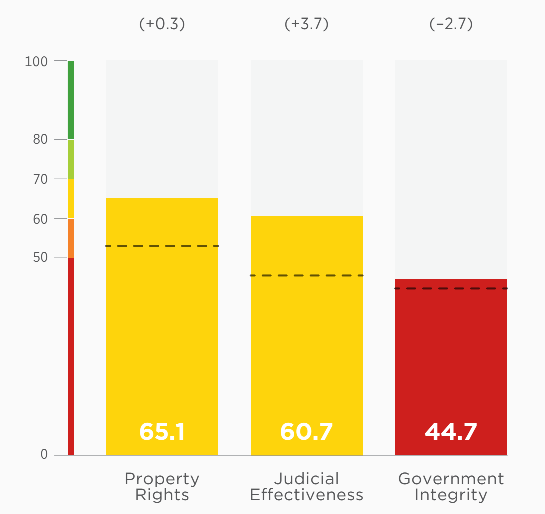
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Macedonia gained independence from the former Yugoslavia in 1991. The center-right VMRO-DPMNE won the most seats in 2016 parliamentary elections but failed to win a majority. Zoran Zaev of the center-left Social Democratic Union became prime minister in 2017 after forging a coalition with two ethnic Albanian parties. The European Union is Macedonia's principal trade and investment partner, and their economies are intertwined. In a low-turnout September 2018 referendum, voters approved changing the country's name to Republic of North Macedonia, which could end a long-running dispute with Greece that has blocked membership in the EU and NATO. Pro-Russia President Gjorge Ivanov sided with opponents who called the change a betrayal of Macedonian identity.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

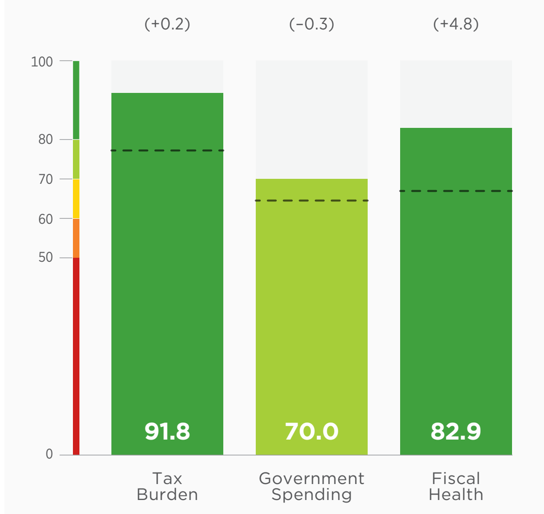
12 ECONOMIC FREEDOMS | MACEDONIA

RULE OF LAW



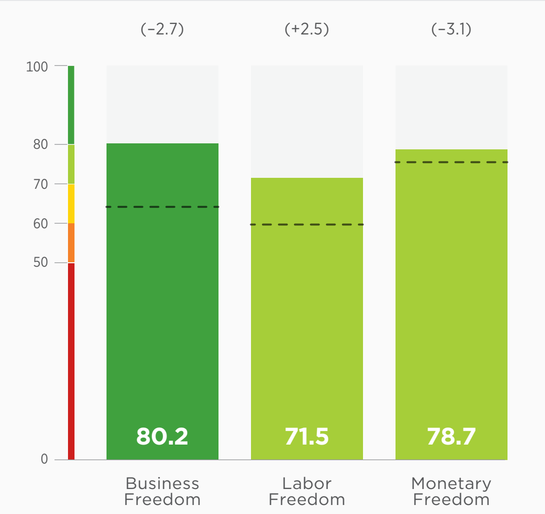
Despite the legal basis for movable, intellectual, and real property protection, enforcement is inadequate. Overall, law enforcement efforts are weak and aimed too often at government critics, undermining public confidence in official willingness to prosecute corrupt officials. The government has introduced some anticorruption measures, but political interference, inefficiency, cronyism and nepotism, prolonged processes, and corruption are pervasive.

GOVERNMENT SIZE



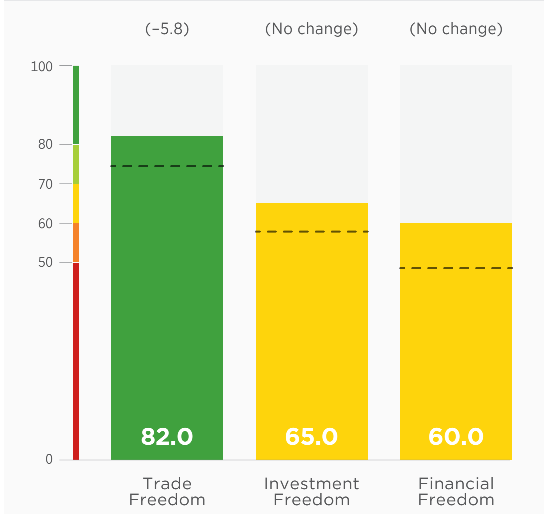
The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 24.8 percent of total domestic income. Over the past three years, government spending has amounted to 31.6 percent of the country's output (GDP), and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 39.3 percent of GDP.

REGULATORY EFFICIENCY



Streamlined processes for business formation and operation provide an environment that is fairly conducive to private investment and production. After years of high unemployment, recent reforms have focused on greater labor market flexibility. Almost half of government spending is allocated to social transfers, and in 2018, the government offered subsidies to low-cost air carriers willing to introduce new service to the country.

OPEN MARKETS



The combined value of exports and imports is equal to 124.0 percent of GDP. The average applied tariff rate is 4.0 percent. As of June 30, 2018, according to the WTO, Macedonia had four nontariff measures in force. A streamlined regulatory framework facilitates investment, but political instability undercuts vibrant growth. Bank competition has increased, and about 82 percent of adult Macedonians have an account with a formal banking institution.

WORLD RANK: 114

REGIONAL RANK: 15

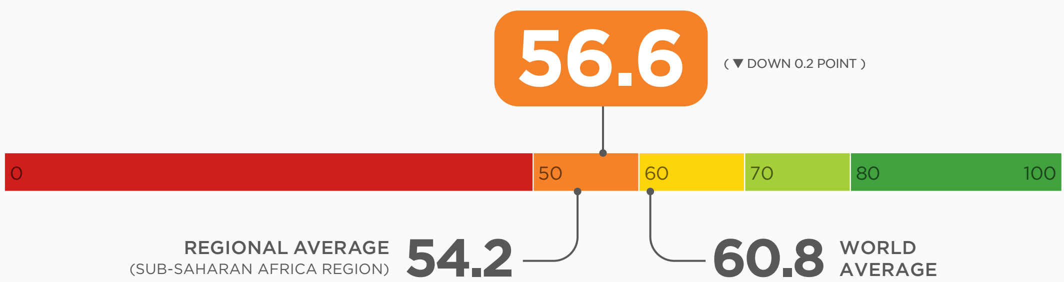
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

MADAGASCAR

Madagascar's economic freedom score is 56.6, making its economy the 114th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with declines in scores for **trade freedom** and **government integrity** exceeding improvements in **judicial effectiveness**, **fiscal health**, and **labor freedom**. Madagascar is ranked 15th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Madagascar is endowed with bountiful untapped natural resources and a mostly market economy, but it has not developed a capital market. The combination of a weak judicial system, convoluted administrative procedures, poor enforcement of contracts, and rampant government corruption impairs the business environment. The judicial system is underdeveloped. Improved financial governance would help the enforcement of laws against money laundering and strengthen supervision of the banking sector.

ECONOMIC FREEDOM SCORE

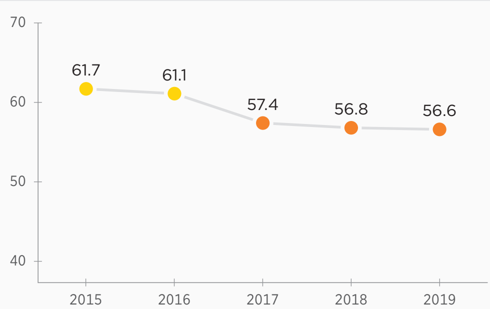


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+5.0

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
25.6 million

GDP (PPP):
$39.7 billion
4.1% growth in 2017
5-year compound annual growth 3.4%
$1,551 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
8.1%

FDI INFLOW:
$389.1 million

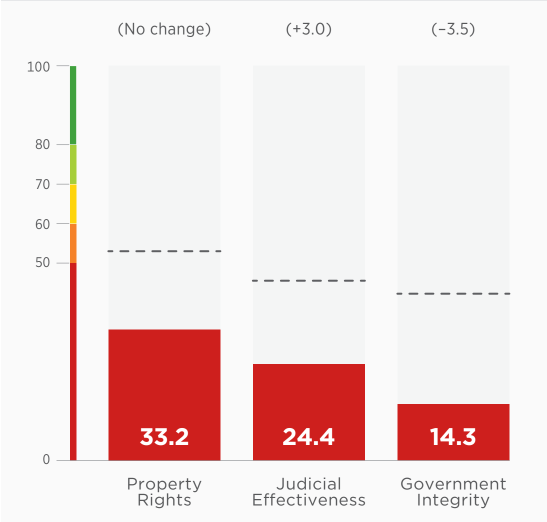
PUBLIC DEBT:
37.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Madagascar, a former French colony, has been rocked by military coups, political violence, and corruption for decades. After years of instability, Hery Rajaonarimampianina was elected president in 2014, and international donor assistance resumed. In 2018, protests against proposed changes in the election law forced Prime Minister Olivier Mahafaly Solonandrasana to resign. Former President Andry Rajoelina, who had overthrown former President Marc Ravalomanana in a 2009 coup, competed with him to succeed Rajoanarimampianina in a December 2018 runoff. Agriculture, forestry, and fishing are economic mainstays, but southern Madagascar is still recovering from sustained drought that brought about widespread hunger in 2016. Interruptions in the power supply caused by deficient infrastructure and natural disasters like cyclones are frequent.

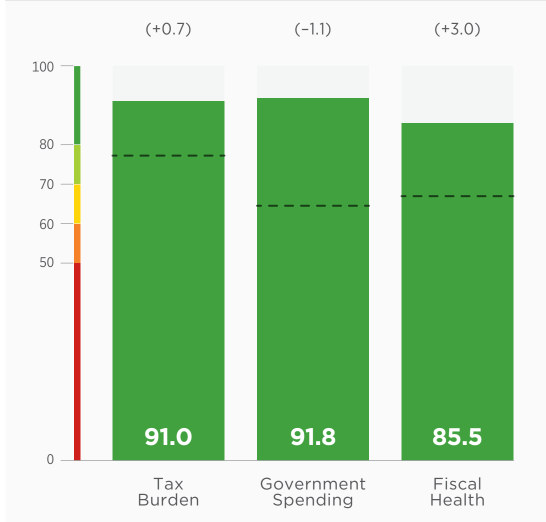
12 ECONOMIC FREEDOMS | MADAGASCAR

RULE OF LAW



Madagascar has continued French colonial land tenure policies, with presumed state ownership of all land and central government control of all land titles. The judiciary is subject to executive influence. It is also corrupt, slow-moving, and inefficient. High levels of corruption exist in nearly all sectors, including the police, tax, customs, land, trade, mining, industry, environment, education, and health care.

GOVERNMENT SIZE

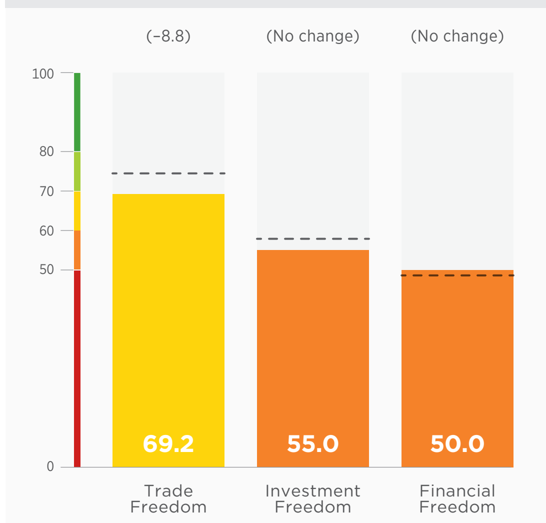


The top individual income and corporate tax rates are 20 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 10.1 percent of total domestic income. Over the past three years, government spending has amounted to 16.6 percent of the country's output (GDP), and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 37.3 percent of GDP.

REGULATORY EFFICIENCY

The overall climate for entrepreneurial activity is held back by a lack of political will for reform. Procedures for setting up a business have been simplified, but other regulatory requirements are generally costly. Labor regulations are outmoded, restrictive, and not conducive to development of a dynamic labor market. Despite some reforms, subsidies to the state-owned Jirama public power utility continue to drain public finances.

OPEN MARKETS



The combined value of exports and imports is equal to 74.5 percent of GDP. The average applied tariff rate is 7.9 percent. As of June 30, 2018, according to the WTO, Madagascar had 11 nontariff measures in force. Judicial and regulatory barriers deter foreign investment. State-owned enterprises distort the economy. About 18 percent of adult Malagasies have access to an account with a formal banking institution.

WORLD RANK: **153**

REGIONAL RANK: **32**

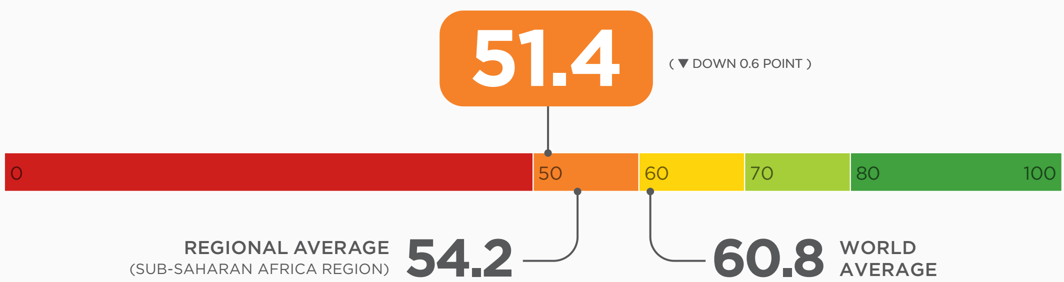
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

MALAWI

Malawi's economic freedom score is 51.4, making its economy the 153rd freest in the 2019 *Index*. Its overall score has decreased by 0.6 point, with big drops in scores for **fiscal health**, **judicial effectiveness**, and **business freedom** exceeding improvements in **monetary freedom**, **labor freedom**, and **trade freedom**. Malawi is ranked 32nd among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Historically, landlocked Malawi's economic performance has been constrained by policy inconsistency, macroeconomic instability, limited connectivity to the region and the rest of the world, poor infrastructure, rampant corruption, high population growth, and poor health and education outcomes that limit labor productivity. The government has run large fiscal deficits in recent years, and the costs of debt service are rising. Pervasive corruption deters foreign investment. The judicial system is independent but also slow and inefficient.

ECONOMIC FREEDOM SCORE

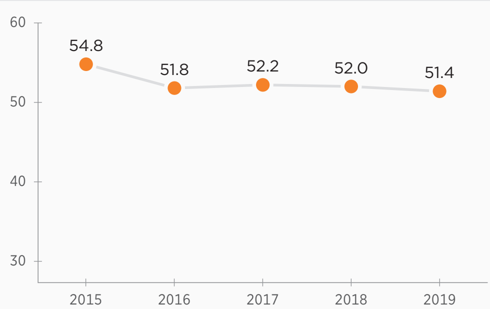


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.3

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
19.2 million

GDP (PPP):
$22.4 billion
4.0% growth in 2017
5-year compound annual growth 4.0%
$1,167 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
11.5%

FDI INFLOW:
$277.1 million

PUBLIC DEBT:
59.3% of GDP

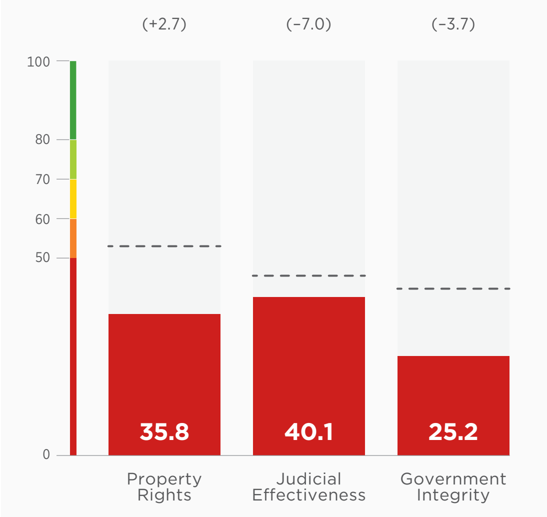
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Malawi achieved independence from the United Kingdom in 1964 and was ruled as a one-party state by Dr. Hastings Kamuzu Banda for 30 years. Arthur Peter Mutharika won the presidency in 2014 in elections of questionable legitimacy. His brother, former President Bingu wa Mutharika, died in office in 2012. In 2018, a leaked report from the country's Anti-Corruption Bureau accused Mutharika of accepting a bribe, and the opposition called for his resignation. General elections are scheduled for May 2019. More than half of the population lives below the poverty line, dependent primarily on subsistence agriculture. Tobacco, tea, and sugar are important exports. A border dispute with Tanzania centers on Lake Malawi and its potentially large oil and gas reserves.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

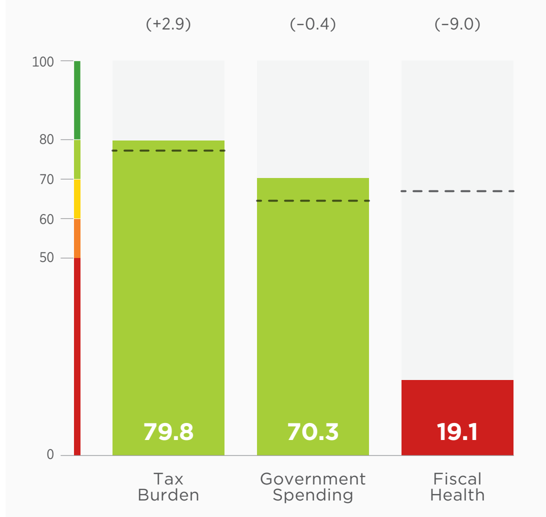
12 ECONOMIC FREEDOMS | MALAWI

RULE OF LAW



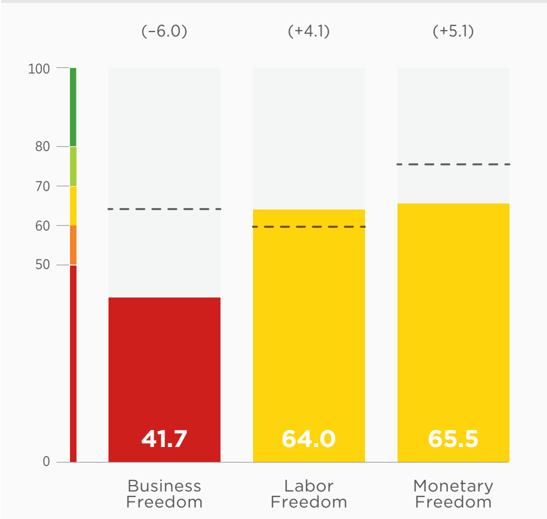
Protection of property rights remains poor. More than half of the arable land is untitled. The judicial system is independent but inefficient and weakened by poor recordkeeping; a shortage of judges, attorneys, and other trained personnel; heavy caseloads; and lack of resources. Red tape increases opportunities for bribery demands. Corruption is alleged to be rampant in the government and afflicts all sectors of the economy.

GOVERNMENT SIZE



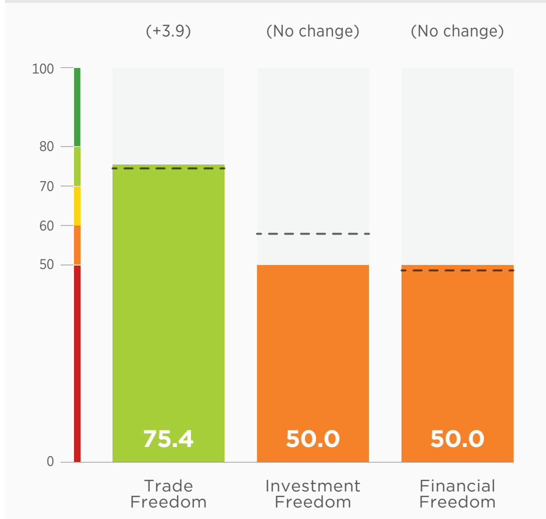
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 14.8 percent of total domestic income. Over the past three years, government spending has amounted to 31.5 percent of the country's output (GDP), and budget deficits have averaged 6.8 percent of GDP. Public debt is equivalent to 59.3 percent of GDP.

REGULATORY EFFICIENCY

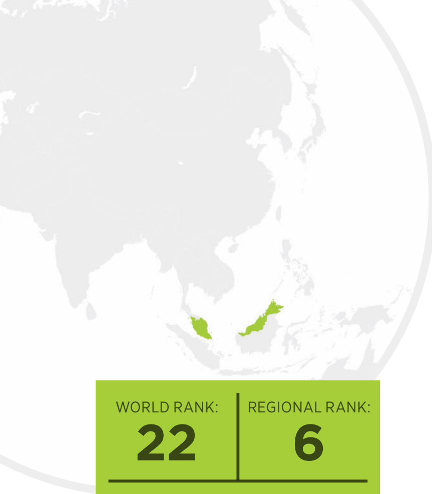


Progress on improving Malawi's regulatory framework has been slow. The public sector is a large employer, but most of the population remains employed outside of the formal sector, primarily in agriculture. Inefficient state-owned enterprises continue to undercut the development of a dynamic private sector. The government has spent nearly $250 million on subsidies each year for the past decade, about half of it for agriculture.

OPEN MARKETS



The combined value of exports and imports is equal to 65.3 percent of GDP. The average applied tariff rate is 4.8 percent. The lack of transparency, often worsened by bureaucratic delays, is a considerable impediment to foreign trade and investment. The lack of access to finance continues to hinder private-sector development. About 35 percent of adult Malawians have access to an account with a formal banking institution.



MALAYSIA

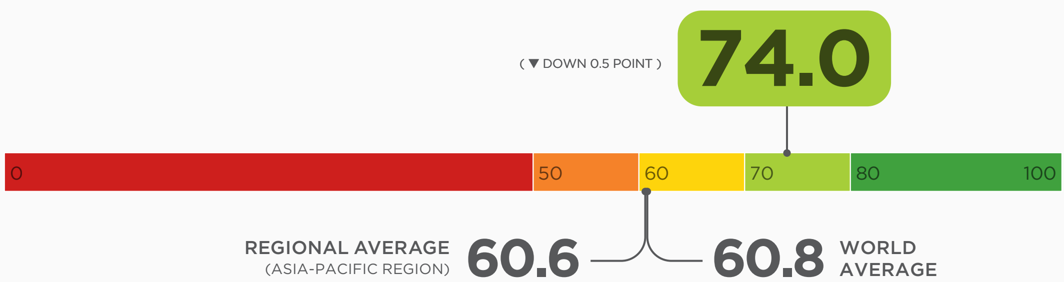
WORLD RANK: **22** | REGIONAL RANK: **6**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Malaysia's economic freedom score is 74.0, making its economy the 22nd freest in the 2019 *Index*. Its overall score has decreased by 0.5 point, with declines in scores for **monetary freedom** and **trade freedom** exceeding improvements in **judicial effectiveness**, **government spending**, and **fiscal health**. Malaysia is ranked 6th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

The trade regime is relatively open. There is no mandated minimum wage, and labor regulations are not rigid. The judicial system's vulnerability to political influence is a significant challenge to the rule of law. Government priorities in 2019 include consolidating high public debt and attracting additional investments in the production of high-technology and knowledge-based goods and services that have made Malaysia an upper-middle-income country. To enhance competitiveness, the government plans further liberalization of some services subsectors, tax reform, and subsidy reductions.

ECONOMIC FREEDOM SCORE

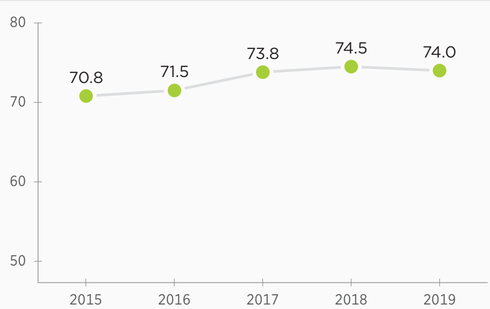


RELATIVE STRENGTHS:
Tax Burden and Property Rights

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.1

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
32.1 million

GDP (PPP):
$930.8 billion
5.9% growth in 2017
5-year compound annual growth 5.2%
$29,041 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
3.8%

FDI INFLOW:
$9.5 billion

PUBLIC DEBT:
54.2% of GDP

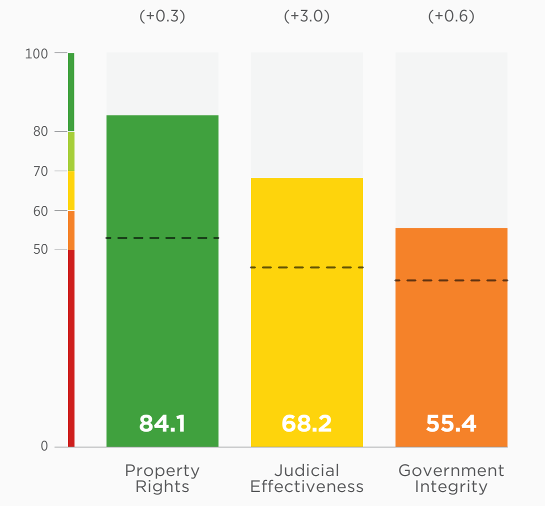
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In 2018 elections, the opposition Alliance for Hope stunned the long-ruling National Front, bringing 93-year-old Prime Minister Mahathir Bin Mohamad back to office for a second time. During his 1981–2003 tenure, Mahathir diversified the economy away from dependence on exports of raw materials and expanded manufacturing, services, and tourism. Running on his economic record, he was able to craft a winning political coalition in the wake of a massive scandal involving the state-run development board. Mahathir has already announced his intent to transfer power to Anwar Ibrahim, a previously imprisoned former deputy prime minister and opposition leader. Malaysia's top exports include electronics, petroleum, chemicals, and palm oil.

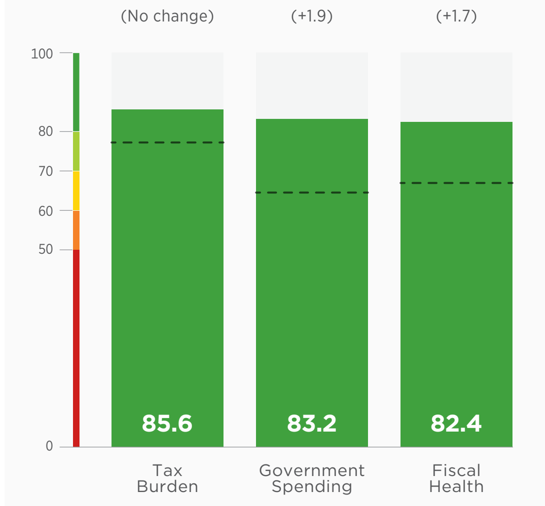
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | MALAYSIA

RULE OF LAW



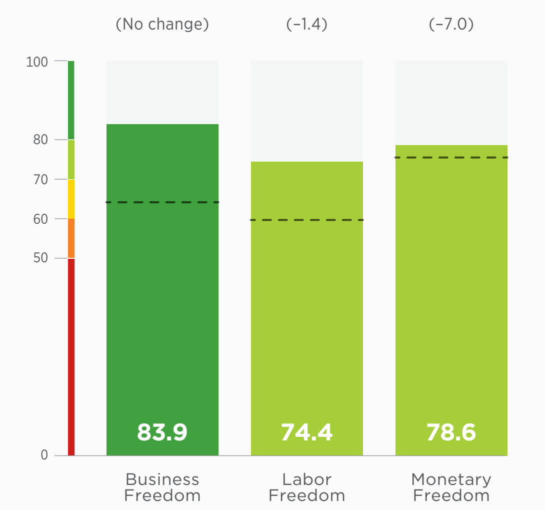
GOVERNMENT SIZE



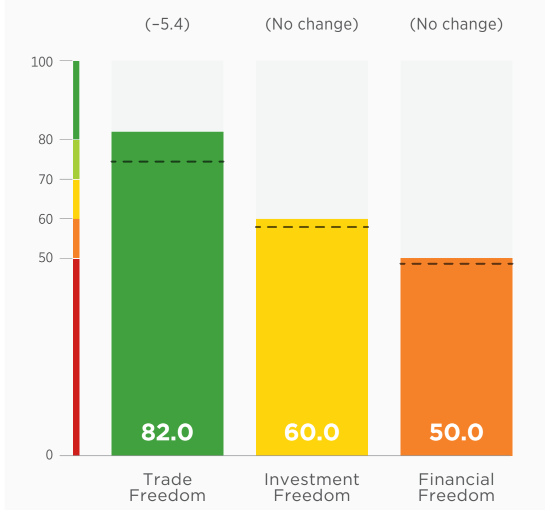
Malaysian courts protect real property ownership rights, but protection of intellectual property rights is weaker. The judiciary is nominally independent but strongly influenced by the executive. Arbitrary or politically motivated verdicts are common. Favoritism and blurred distinctions between public and private enterprises create conditions conducive to corruption. Journalists and opposition politicians have been harassed or prosecuted.

The top individual income tax rate is 25 percent; the top corporate tax rate is also 25 percent. Other taxes include a capital gains tax. The overall tax burden equals 13.8 percent of total domestic income. Over the past three years, government spending has amounted to 23.7 percent of the country's output (GDP), and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 54.2 percent of GDP.

REGULATORY EFFICIENCY

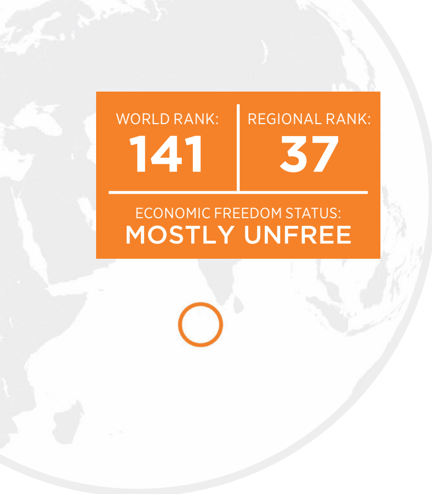


OPEN MARKETS



Steps to introduce greater regulatory efficiency have been implemented in recent years, but the pace of business reform has slowed. With no minimum capital required, it takes fewer than 10 procedures to start a business. There is no national minimum wage, and restrictions on work hours are relatively flexible. The government has allocated $760 million to subsidize gasoline and diesel prices through the end of 2018.

The combined value of exports and imports is equal to 135.9 percent of GDP. The average applied tariff rate is 4.0 percent. As of June 30, 2018, according to the WTO, Malaysia had 69 nontariff measures in force. Domestic equity requirements that restricted foreign investment have been eliminated. The financial sector has undergone regulatory adjustments that include the easing of limits on foreign ownership in financial subsectors.



WORLD RANK: **141**

REGIONAL RANK: **37**

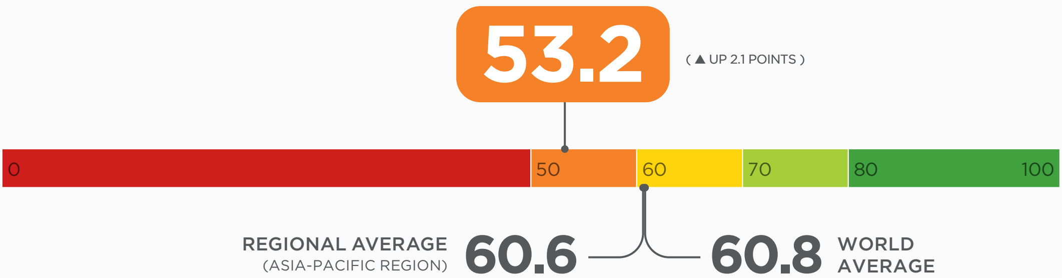
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

MALDIVES

The Maldives' economic freedom score is 53.2, making its economy the 141st freest in the 2019 *Index*. Its overall score has increased by 2.1 points, with leaps in scores for **government spending** and **trade freedom** outpacing declines in **government integrity** and **judicial effectiveness**. Maldives is ranked 37th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Funded in part by revenues from tourist visits, hotel and infrastructure-related construction recently surpassed tourism as the main driver of growth. The Maldives' economy has also benefited from rapid growth in its fisheries sectors and other tourism-related industries. To guard against future boom-and-bust cycles, the economy needs greater diversification to protect it from global slowdowns. Other reforms to improve the business environment are also needed, as are reforms in public finance and stronger efforts against corruption, cronyism, and a growing drug problem.

ECONOMIC FREEDOM SCORE

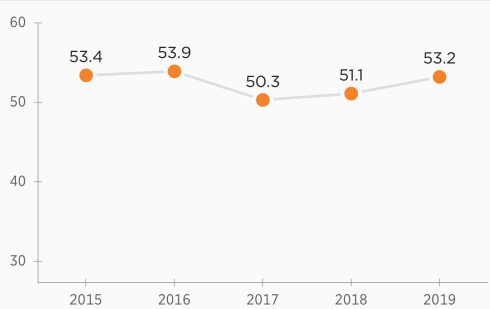


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+1.9

CONCERNS:
Fiscal Health and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$6.9 billion
4.8% growth in 2017
5-year compound annual growth 5.2%
$19,151 per capita

UNEMPLOYMENT:
5.0%

INFLATION (CPI):
2.8%

FDI INFLOW:
$517.5 million

PUBLIC DEBT:
68.1% of GDP

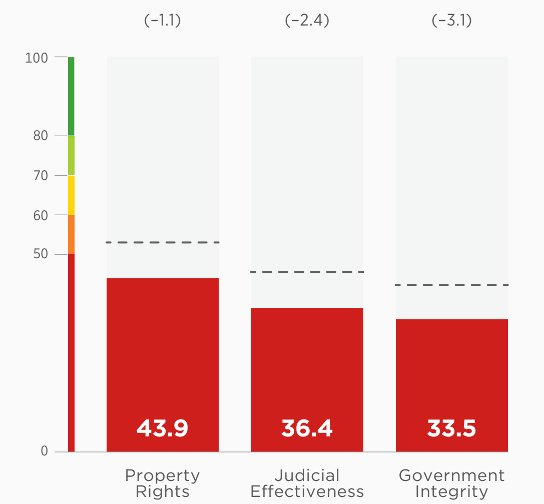
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Opposition politician Ibrahim Mohamed Solih handily defeated incumbent President Abdulla Yameen in the 2018 elections, surprising many and winning 58 percent of the vote. In 2015, Yameen's government had sentenced former President Mohamed Nasheed to 13 years in prison based on dubious allegations, prompting large protests and cancellation of a planned state visit by India's prime minister. Political tensions had continued as Yameen was widely perceived as seeking to weaken democratic institutions and curtail civil liberties and had moved the country closer to China at the expense of relations with India. The Muslim-majority Maldives archipelago lies southwest of India in the Arabian Sea. Driven by the rapid growth of its tourism and fisheries sectors, the Maldives has rapidly become a middle-income country.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

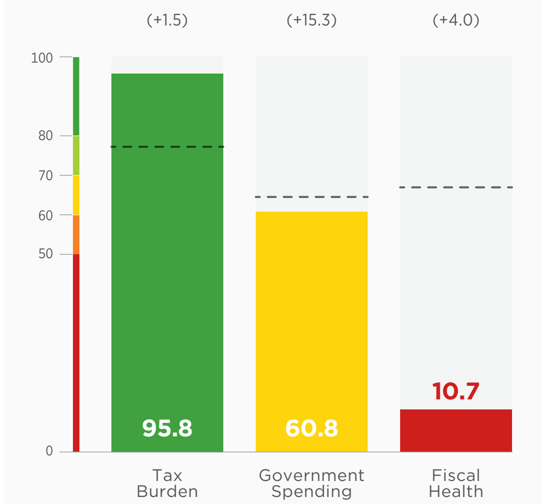
12 ECONOMIC FREEDOMS | MALDIVES

RULE OF LAW



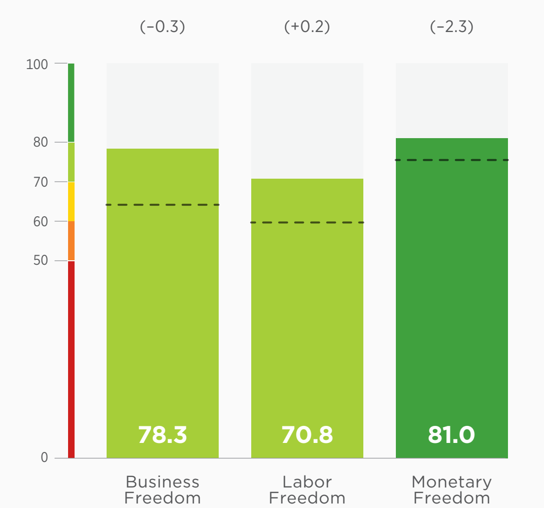
Property rights are generally weak, and most land is owned by the government and leased to private parties. The judiciary is legally independent but subject to executive influence. Laws are inconsistently enforced and sometimes target political opponents. Corruption pervades the government. Outrage at a biggest-ever corruption scandal involving the theft of millions in tourism revenues helped to fuel the opposition's victory in the September 2018 election.

GOVERNMENT SIZE



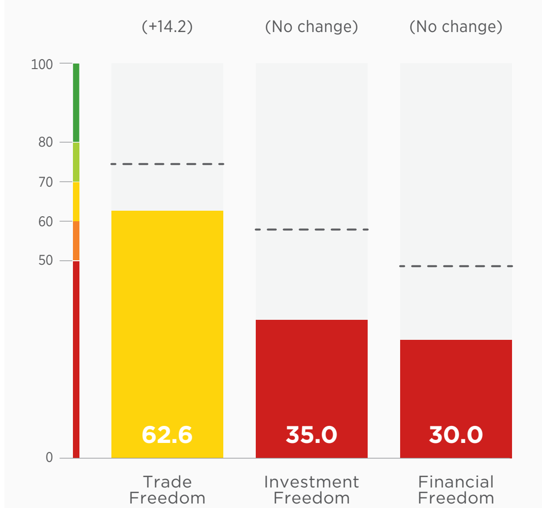
The Maldives' government levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 20.5 percent of total domestic income. Over the past three years, government spending has amounted to 36.1 percent of the country's output (GDP), and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 68.1 percent of GDP.

REGULATORY EFFICIENCY



Impediments to sustained private-sector growth and diversification are considerable, caused in large part by the lack of supportive policies and infrastructure. Reforms to improve the business environment have been uneven. A new approval process has made obtaining a construction permit more difficult. The large public sector employs much of the labor force. The government's budget for 2018 included food and electricity subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 150.4 percent of GDP. The average applied tariff rate is 11.2 percent, and nontariff barriers persist. The government screens foreign investment, and state-owned enterprises undermine investment expansion. The Maldives' shallow financial sector is dominated by banking. Costly credit and limited access to financial services impede development of a vibrant private sector.

WORLD RANK: **103**

REGIONAL RANK: **12**

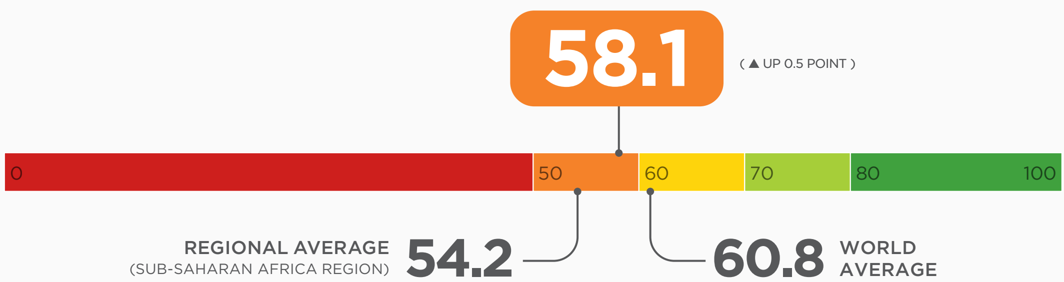
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

MALI

Mali's economic freedom score is 58.1, making its economy the 103rd freest in the 2019 *Index*. Its overall score has increased by 0.5 point, with higher scores on **labor freedom** and **property rights** outpacing a decline in **government integrity**. Mali is ranked 12th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Landlocked Mali's economy is mostly confined to the area irrigated by the Niger River. The government is encouraging diversification, but a fragile security situation, inadequate infrastructure, and financial and governmental capacity constraints hinder progress. Tax administration has been improved, and the cotton markets are moving toward privatization. Restrained public spending and stable monetary policy have stimulated a growing entrepreneurial sector. More efforts are needed to address endemic corruption. Rigid labor regulations hurt job growth, and lack of access to finance deters investment.

ECONOMIC FREEDOM SCORE

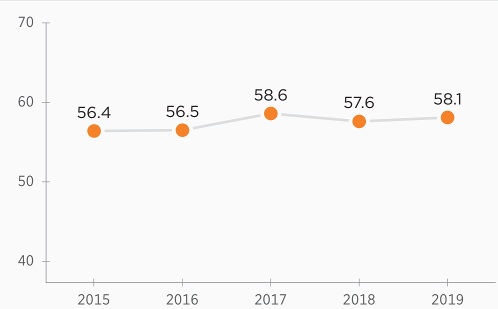


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+5.7

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
18.9 million

GDP (PPP):
$41.0 billion
5.3% growth in 2017
5-year compound annual growth 5.3%
$2,170 per capita

UNEMPLOYMENT:
7.9%

INFLATION (CPI):
1.8%

FDI INFLOW:
$265.6 million

PUBLIC DEBT:
35.6% of GDP

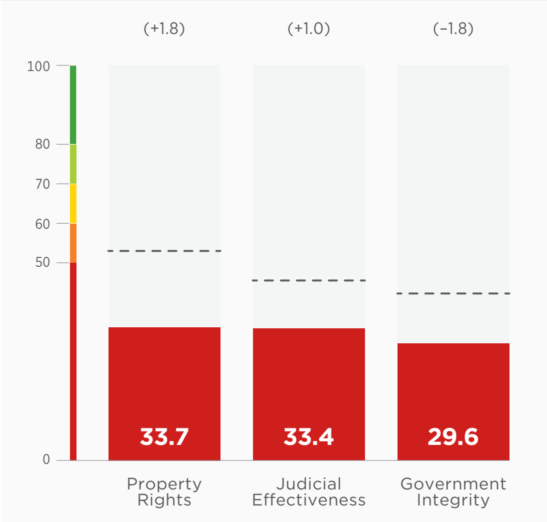
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After decades of French colonial rule and a brief federation with Senegal, the Republic of Mali was established in 1960. Following a 2012 military coup, Tuareg separatists and militants linked to al-Qaeda took control of northern Mali and declared independence. After military intervention by France, Ibrahim Boubacar Keita won a five-year term as president in 2013. In 2015, the government signed a peace accord with an alliance of Tuareg separatist groups, but separatist clashes with pro-government militias soon resumed, requiring the presence of French and U.N. peacekeeping troops. Keita easily won reelection in a low-turnout 2018 vote amid allegations of fraud. Mali is one of the world's 25 poorest countries and depends on gold mining and agricultural exports.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

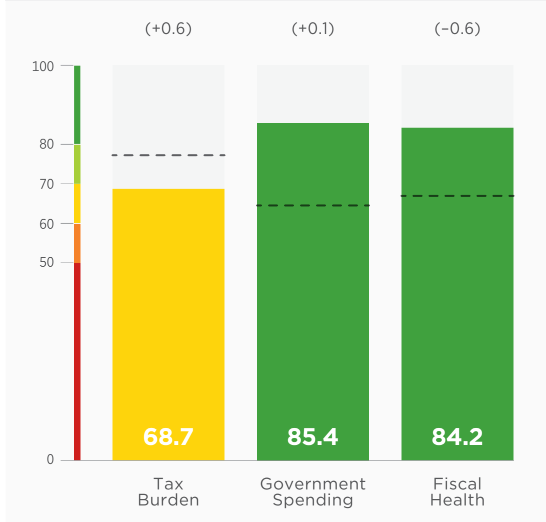
12 ECONOMIC FREEDOMS | MALI

RULE OF LAW



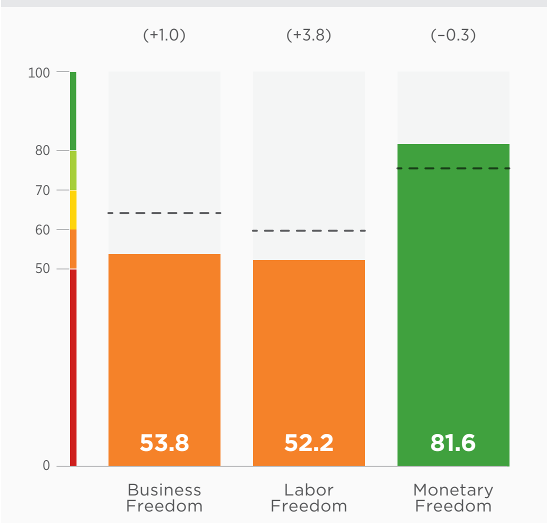
Property rights are not adequately protected. The judicial system is nominally independent but inefficient and vulnerable to political influence. Pervasive government corruption was a factor in the short-lived Islamist takeover in northern Mali. Progress in implementing anticorruption reforms is slow, and corruption remains a problem throughout the government, in public procurement, and in both public and private contracting.

GOVERNMENT SIZE



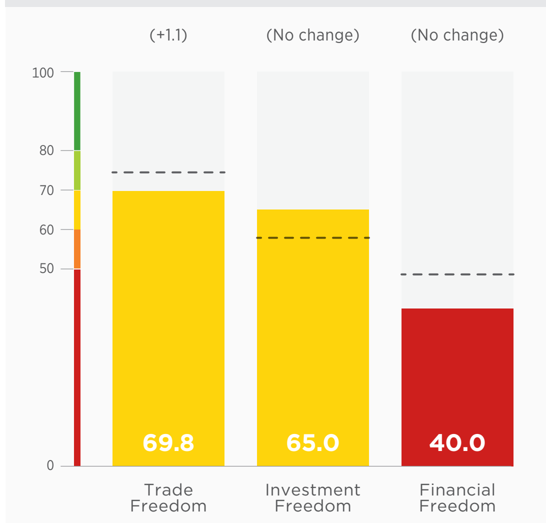
The top individual income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include a value-added tax. The overall tax burden equals 17.6 percent of total domestic income. Over the past three years, government spending has amounted to 22.1 percent of the country's output (GDP), and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 35.6 percent of GDP.

REGULATORY EFFICIENCY



Despite some progress, the regulatory framework is not conducive to much-needed economic diversification or private-sector development. Labor regulations, although not fully enforced, are relatively rigid. The government has eliminated fuel subsidies through market pricing, but it maintains extensive subsidies, and price caps for agriculture and staple goods remain in effect.

OPEN MARKETS



The combined value of exports and imports is equal to 63.1 percent of GDP. The average applied tariff rate is 7.6 percent. As of June 30, 2018, according to the WTO, Mali had 20 nontariff measures in force. In general, Mali encourages foreign investment, but widespread bureaucratic inefficiency hinders dynamic private-sector growth. About 37 percent of adult Malians have access to a bank account.

WORLD RANK: **41**

REGIONAL RANK: **20**

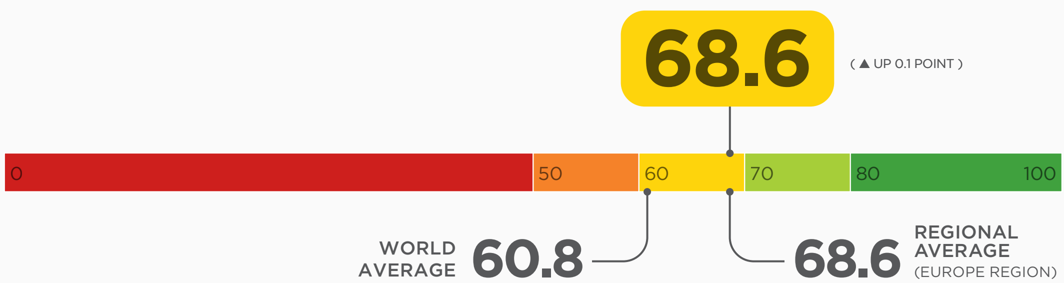
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

MALTA

Malta's economic freedom score is 68.6, making its economy the 41st freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with higher scores on **government spending** and **fiscal health** countering a sharp drop in **judicial effectiveness**. Malta is ranked 20th among 44 countries in the Europe region, and its overall score exactly matches the regional average and is above the world average.

Malta survived the eurozone crisis because of low debt and sound banking but faces unsustainable costs of entitlements promised to an aging population. The country's small, market-oriented economy relies heavily on trade with Europe. The judiciary, fairly independent and efficient, provides strong protection of property rights. Malta is weak in several areas of economic freedom, however, with high tax rates and high levels of government spending. Corruption and rigid labor laws add to business costs. Rapid growth of online gaming has increased criminal money-laundering activity.

ECONOMIC FREEDOM SCORE

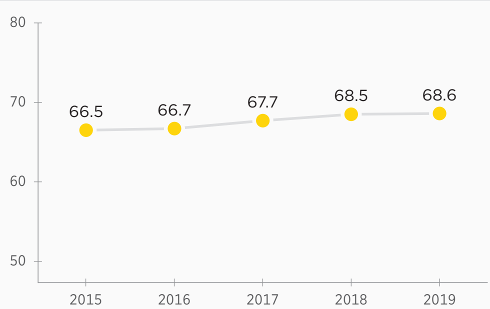


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+12.3

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.5 million

GDP (PPP):
$19.3 billion
6.6% growth in 2017
5-year compound annual growth 6.9%
$41,945 per capita

UNEMPLOYMENT:
4.0%

INFLATION (CPI):
1.3%

FDI INFLOW:
$3.2 billion

PUBLIC DEBT:
52.6% of GDP

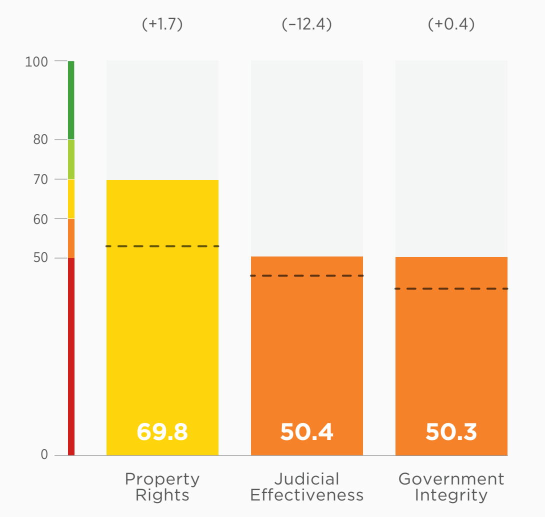
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Malta joined the European Union in 2004 and the eurozone in 2008. Joseph Muscat has been prime minister since 2013, and his center-left Labour Party won an absolute majority in 2017 snap elections. With few natural resources, the tiny island nation imports most of its food and fresh water and 100 percent of its energy. The government maintains a sprawling socialist bureaucracy that oversees heavy entitlement spending, but Malta's unemployment rate is one of the European Union's lowest, and its growth rate is among the EU's strongest. The economy depends on tourism, trade, and manufacturing. Well-trained workers, low labor costs, and EU membership attract foreign investment. Challenges include substantial immigration flows from politically unstable North African neighbors.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

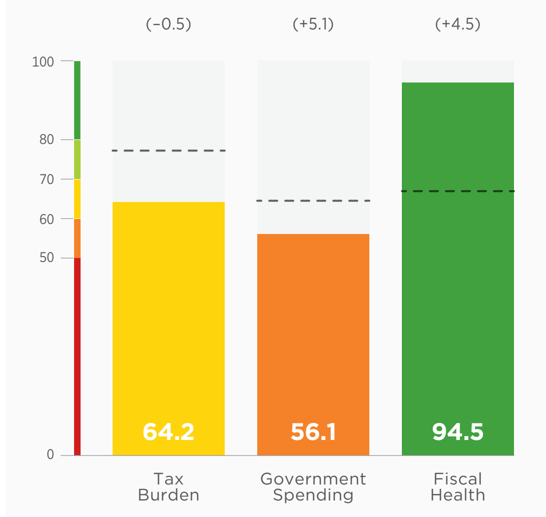
12 ECONOMIC FREEDOMS | MALTA

RULE OF LAW



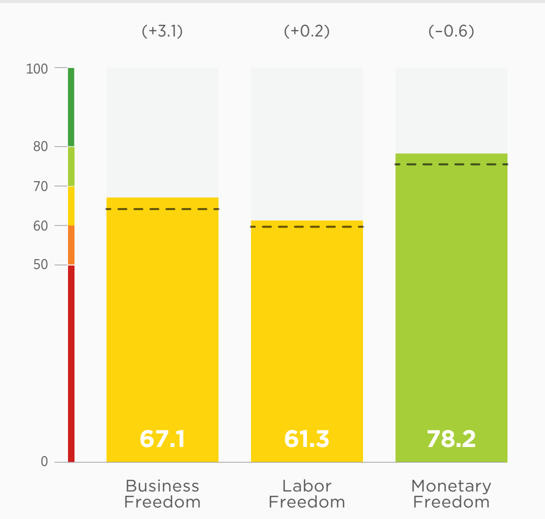
Property rights are protected, and expropriation is unlikely, but foreigners do not have full rights to buy property. The judiciary is independent both constitutionally and in practice. Corrupt officials have been prosecuted, but the government does not make information about such cases public. Authorities have taken control of Pilatus Bank, which is at the center of a scandal exposed by a journalist who was later murdered.

GOVERNMENT SIZE



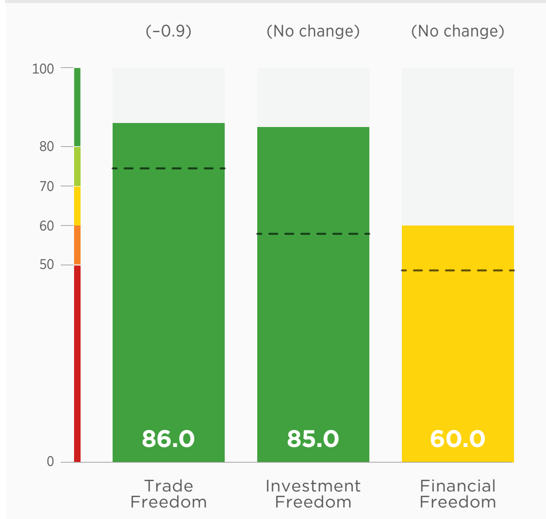
The top individual income and corporate tax rates are 35 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 33.6 percent of total domestic income. Over the past three years, government spending has amounted to 38.3 percent of the country's output (GDP), and budget surpluses have averaged 0.6 percent of GDP. Public debt is equivalent to 52.6 percent of GDP.

REGULATORY EFFICIENCY



Existing regulations are relatively straightforward and applied uniformly most of the time. Transparent and effective regulations have been adopted to foster competition, and the time required for registering a new business has been reduced. Labor regulations are relatively rigid, and there is a minimum wage. The government plans to subsidize solar plants and purchases of hybrid cars to meet green-energy goals.

OPEN MARKETS



The combined value of exports and imports is equal to 261.5 percent of GDP. The average applied tariff rate is 2.0 percent. Malta implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The financial market is small but sound and has become more open to competition. About 97 percent of adult Maltese have access to an account with a formal banking institution.

MAURITANIA

WORLD RANK: **119**

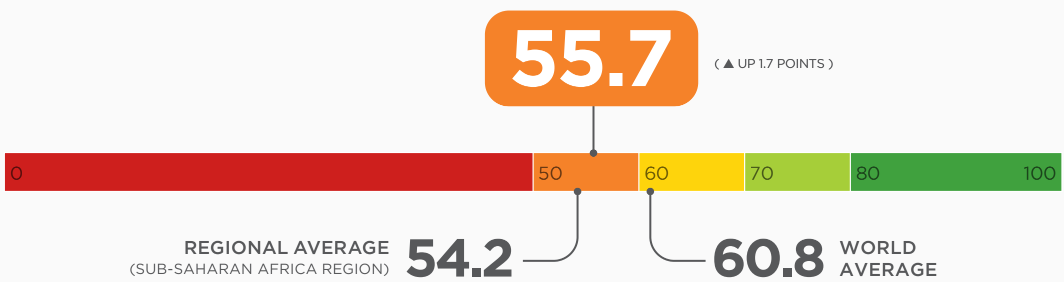
REGIONAL RANK: **18**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Mauritania's economic freedom score is 55.7, making its economy the 119th freest in the 2019 *Index*. Its overall score has increased by 1.7 points, with improved scores for **judicial effectiveness**, **fiscal health**, and **property rights** offsetting declines in **labor freedom**, **business freedom**, and **monetary freedom**. Mauritania is ranked 18th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Although foreign investment in Mauritania's mining and oil sectors has driven recent growth, half of the population still depends on farming and animal husbandry. Institutional weaknesses and political instability undercut regulatory reforms implemented to enhance the entrepreneurial environment. Pervasive corruption undermines the rule of law and is exacerbated by an inefficient and politically vulnerable judicial system. Open-market policies to promote investment are not fully institutionalized, and tariffs and other restrictions prevent entrepreneurs from participating efficiently in the global economy.

ECONOMIC FREEDOM SCORE

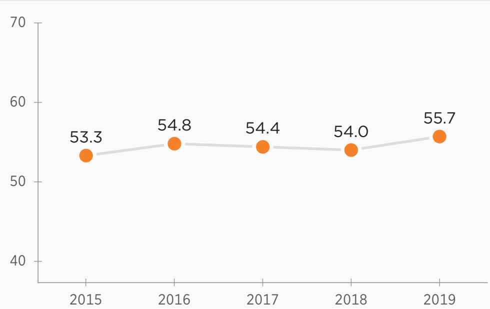


RELATIVE STRENGTHS:
Monetary Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+10.2

CONCERNS:
Property Rights and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.9 million

GDP (PPP):
$17.3 billion
3.2% growth in 2017
5-year compound annual growth 3.5%
$4,444 per capita

UNEMPLOYMENT:
9.9%

INFLATION (CPI):
2.3%

FDI INFLOW:
$329.6 million

PUBLIC DEBT:
91.1% of GDP

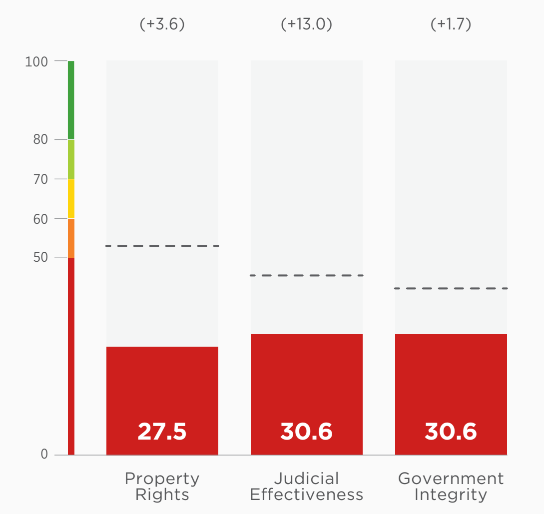
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Amid tensions among Arabic-speaking descendants of slaves, Arabic-speaking "White Moors," and sub-Saharan ethnic groups, a military junta ruled Mauritania until the first multiparty elections, held in 1992. General Mohamed Ould Abdel Aziz was elected president in a 2009 race boycotted by the opposition and reelected to a final five-year term in 2014. In 1981, Mauritania became the last country in the world to outlaw slavery, but as much as 20 percent of the population remains enslaved, and the government has cracked down on antislavery activists. Terrorist groups affiliated with al-Qaeda threaten the mostly desert country. Extractive industries (oil and mines), fisheries, and agriculture dominate the economy, and large offshore fields could become a significant source of natural gas.

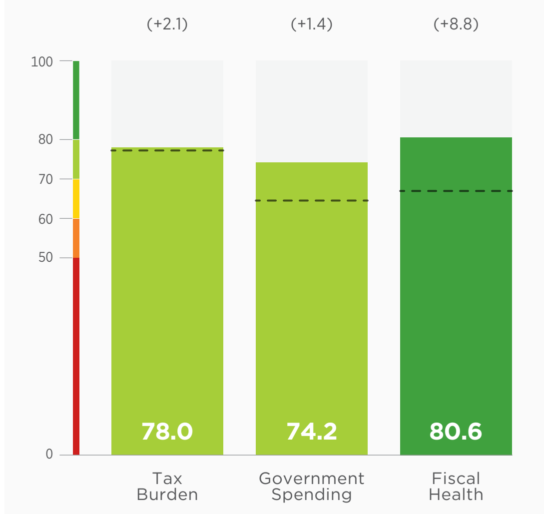
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | MAURITANIA

RULE OF LAW



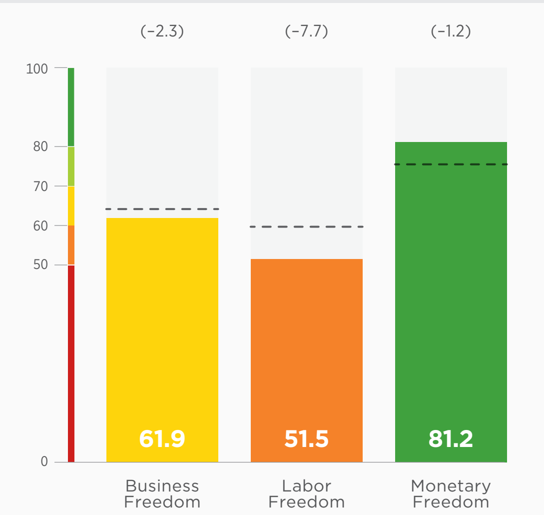
GOVERNMENT SIZE



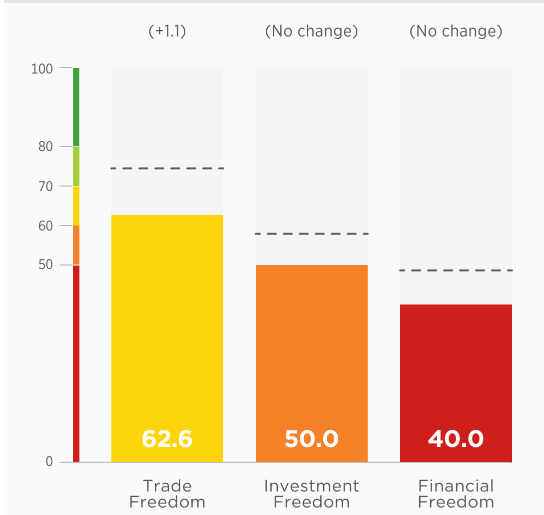
The registration system for real property has been made more efficient, but courts generally do not protect property rights well. Enforcement of contracts has been improved. The judicial system is weak, chaotic, and heavily influenced by the government. Corruption is most pervasive in government procurement but is also common in the distribution of official documents, fishing licenses, land, bank loans, and tax payments.

The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 25.9 percent of total domestic income. Over the past three years, government spending has amounted to 29.3 percent of the country's output (GDP), and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 91.1 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Bureaucratic procedures are complex and lack transparency. Obtaining necessary business licenses is time-consuming and costly. The absence of a well-functioning labor market has led to chronically high unemployment and severe underemployment. The effectiveness of monetary policy is limited by a vast informal grey economy, and the central bank's move to redenominate the local currency has shown little impact.

The combined value of exports and imports is equal to 109.3 percent of GDP. The average applied tariff rate is 8.7 percent. Open-market policies to promote dynamic investment have not been fully institutionalized, and nontariff barriers to trade and other restrictions inhibit entrepreneurs from participating efficiently in the global economy. About 25 percent of adult Mauritanians have access to an account with a formal banking institution.

WORLD RANK: **25**

REGIONAL RANK: **1**

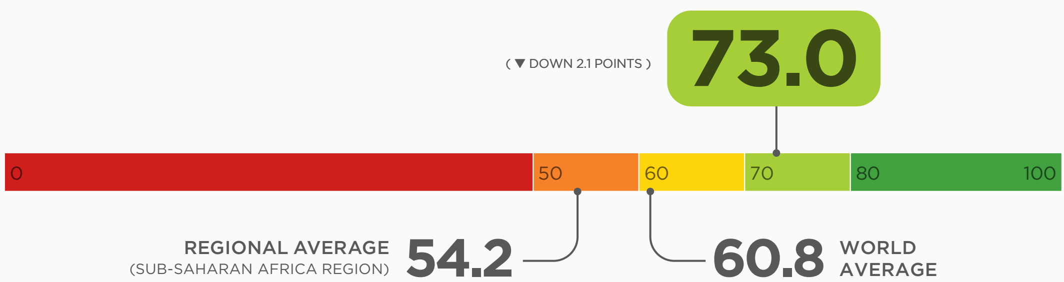
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

MAURITIUS

Mauritius's economic freedom score is 73.0, making its economy the 25th freest in the 2019 *Index*. Its overall score has decreased by 2.1 points, with sharp declines in **government integrity**, **judicial effectiveness**, and **labor freedom** overwhelming improvements in scores for **business freedom** and the **tax burden**. Mauritius is ranked 1st among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Mauritius remains among the Sub-Saharan Africa region's most business-friendly countries, with solid economic policies and prudent banking practices. Its global trade and investment outreach has increased exports of goods and services and tourism, and low oil prices have kept inflation low. An efficient and transparent regulatory regime supports broad-based economic development, and competitive tax rates and a flexible labor code facilitate private-sector growth. A sound legal framework protects property rights. The pace of reform has slipped, suggesting a deterioration in competitiveness.

ECONOMIC FREEDOM SCORE

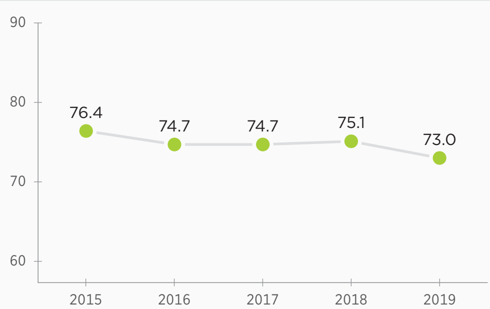


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999):
+4.5

CONCERNS:
Government Integrity and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
$27.5 billion
3.9% growth in 2017
5-year compound annual growth 3.6%
$21,640 per capita

UNEMPLOYMENT:
7.1%

INFLATION (CPI):
3.7%

FDI INFLOW:
$292.7 million

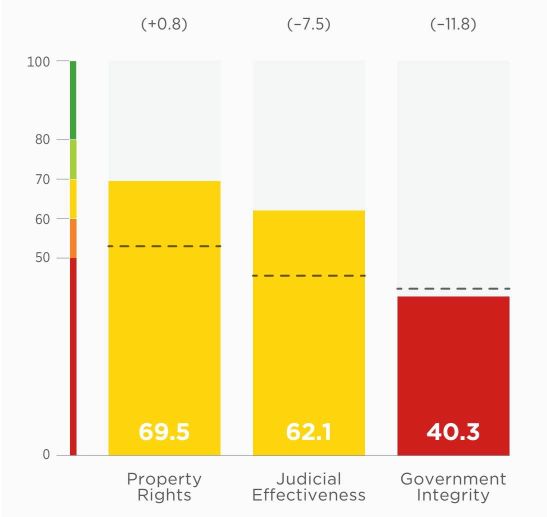
PUBLIC DEBT:
60.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

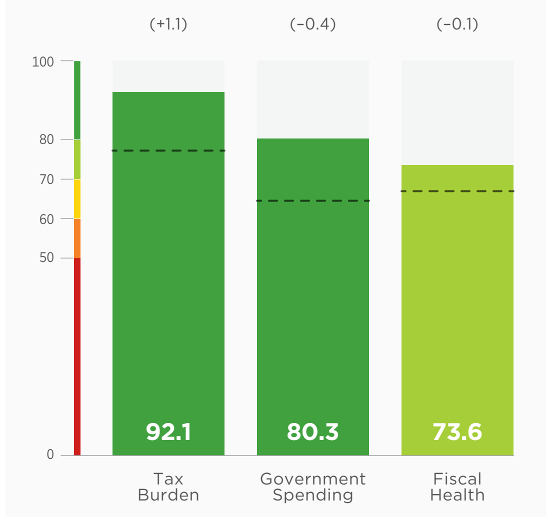
BACKGROUND: Mauritius gained independence from the United Kingdom in 1968. Former President Sir Anerood Jugnauth became prime minister for the third time in 2014 but resigned in 2017 in favor of his son Pravind, creating resentment within both the ruling coalition and the opposition. Mauritius has undergone a remarkable economic transformation from a low-income, agriculturally based economy to a diversified, upper-middle-income country that has attracted considerable foreign investment and has one of the Africa region's highest per capita GDPs. The government is trying to modernize the sugar and textile industries while promoting diversification into such other areas as information technology and financial and business services. Services and tourism remain important economic drivers, and maritime security is a priority.

12 ECONOMIC FREEDOMS | MAURITIUS

RULE OF LAW



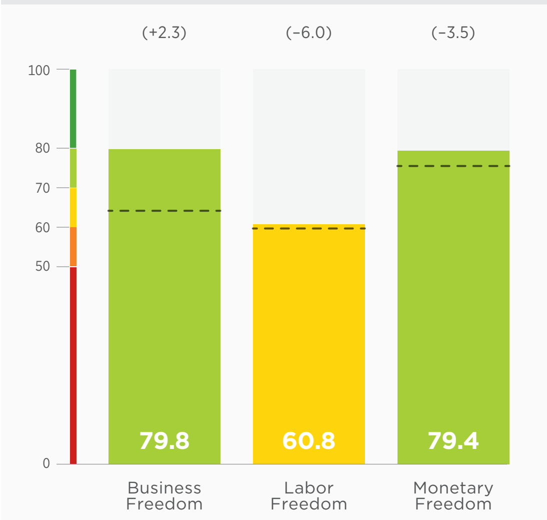
GOVERNMENT SIZE



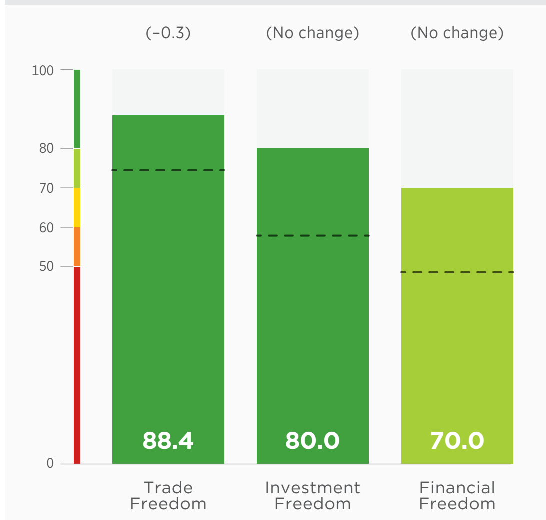
Property rights are respected, but enforcement of intellectual property laws is relatively weak. In 2018, property transfers were simplified by the elimination of transfer taxes and registration duties. The judiciary has maintained its independence. The government prosecutes corruption, albeit inconsistently. The president resigned in March 2018 after a scandal involving improper credit card use.

The personal income and corporate tax rates are a flat 15 percent. Other taxes include a value-added tax. The overall tax burden equals 18.4 percent of total domestic income. Over the past three years, government spending has amounted to 25.6 percent of the country's output (GDP), and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 60.2 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS

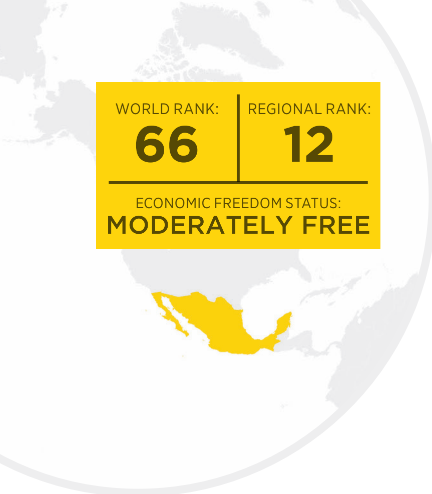


An efficient and transparent business environment supports relatively broad-based economic development in Mauritius. In recent years, the overall regulatory framework has undergone a series of reforms aimed at facilitating entrepreneurial activity. Labor regulations are relatively flexible. Subsidies to state-owned enterprises, poorly targeted welfare benefits, and price controls on petroleum, gas, wheat, rice, and bread continue to consume fiscal resources.

The combined value of exports and imports is equal to 97.1 percent of GDP. The average applied tariff rate is 0.8 percent. As of June 30, 2018, according to the WTO, Mauritius had 12 nontariff measures in force. The open trade and investment regime is underpinned by a nondiscriminatory legal system. Private banks dominate the financial sector, and about 92 percent of adult Mauritians have access to an account with a formal banking institution.

WORLD RANK: **66** | REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**



MEXICO

Mexico's economic freedom score is 64.7, making its economy the 66th freest in the 2019 *Index*. Its overall score has decreased by 0.1 point, with declines in **judicial effectiveness**, **trade freedom**, **monetary freedom**, and **labor freedom** overwhelming a significantly higher score for **fiscal health**. Mexico is ranked 12th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Mexico's $2 trillion GDP reflects the benefits of regional trade, so the U.S.–Mexico–Canada Agreement signed in 2018 is vital. The new government is likely to continue reforms in the energy, financial, fiscal, and telecommunications sectors with the long-term aim of improving competitiveness and economic growth across the economy. Growth in 2019 should be aided by higher oil prices, but the economy is still constrained by low productivity, a still-large informal sector that employs over half of the workforce, weak rule of law, and corruption.

ECONOMIC FREEDOM SCORE

64.7 (▼ DOWN 0.1 POINT)

REGIONAL AVERAGE (AMERICAS REGION) **59.6**

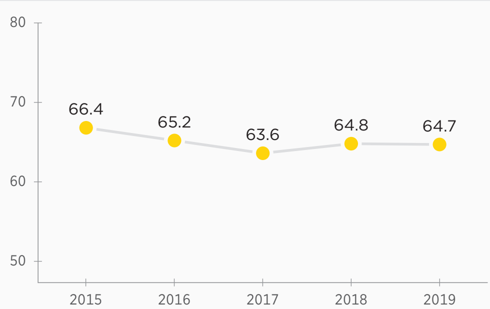
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.6

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
123.5 million

GDP (PPP):
$2.5 trillion
2.0% growth in 2017
5-year compound annual growth 2.5%
$19,903 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
6.0%

FDI INFLOW:
$29.7 billion

PUBLIC DEBT:
54.2% of GDP

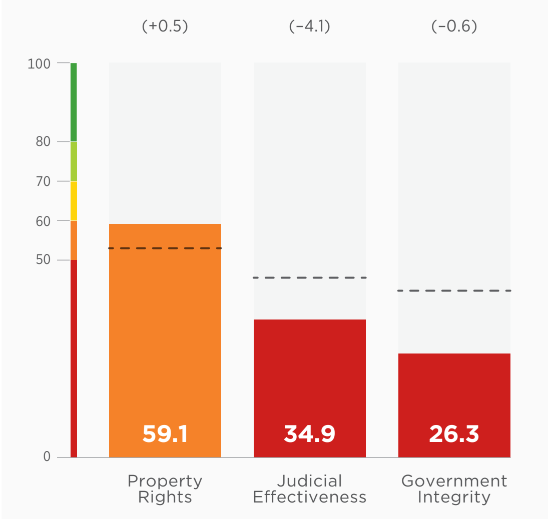
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Institutional Revolutionary Party (PRI) ruled Mexico for 70 years until its defeat by the center-right National Action Party in 2000. Although the PRI regained the presidency in 2012 under former President Enrique Peña Nieto, it was greatly weakened in the July 2018 landslide victory of populist Andrés Manuel López Obrador, whose MORENA party also won a substantial majority in Congress. López Obrador has promised to fight corruption. His post-election support of a renewed North American Free Trade Agreement signaled a more pragmatic approach to governance and a welcoming attitude toward badly needed foreign investment, but López Obrador must prevail over Mexico's powerful drug cartels to reverse surging homicide rates.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

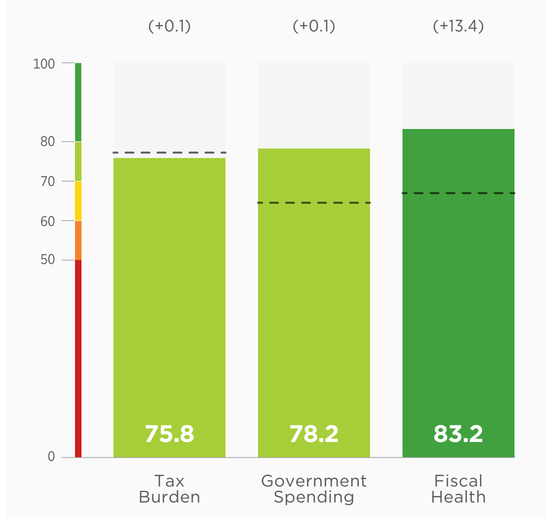
12 ECONOMIC FREEDOMS | MEXICO

RULE OF LAW



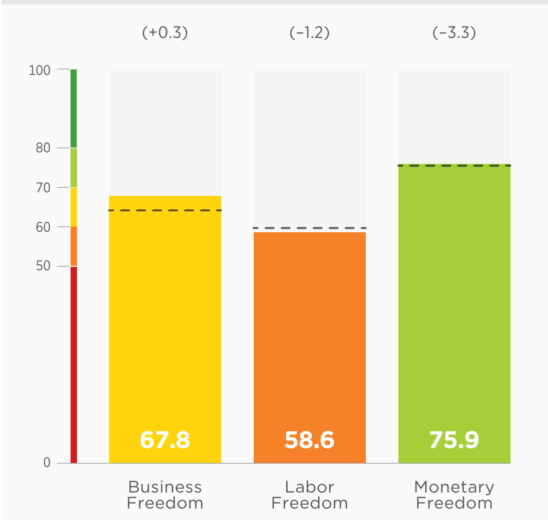
Property rights are protected, but the government has made the property registration process more expensive. The judicial system is weak. Frequent solicitation of bribes by bureaucrats and officials, widespread impunity, and the high incidence of criminal extortion undermine the rule of law. Corruption is pervasive and fed by billions of narco-dollars. More than 100 politicians were murdered in 2018.

GOVERNMENT SIZE



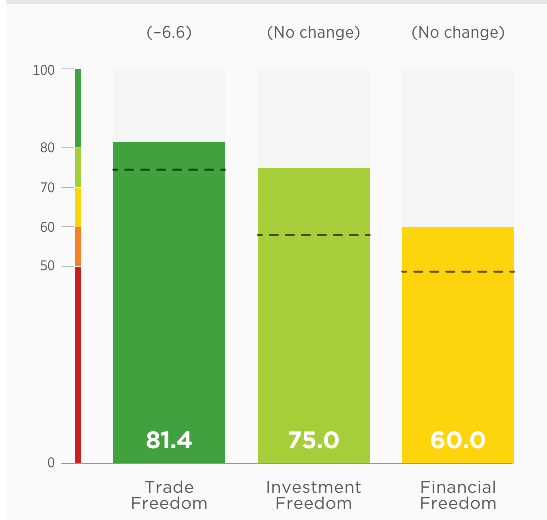
The top individual income tax rate is 35 percent, and the corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 17.2 percent of total domestic income. Over the past three years, government spending has amounted to 26.9 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 54.2 percent of GDP.

REGULATORY EFFICIENCY



There is no minimum capital requirement for launching a business, but completing necessary licensing requirements remains costly. Rigid labor laws that make the hiring and dismissing of employees costly provide an incentive for small companies to operate outside of the formal sector. The government began the liberalization of its energy market by deregulating gasoline prices in 2017.

OPEN MARKETS



The combined value of exports and imports is equal to 77.6 percent of GDP. The average applied tariff rate is 4.3 percent. As of June 30, 2018, according to the WTO, Mexico had 236 nontariff measures in force. The banking system remains relatively well capitalized, and foreign participation has grown. About 38 percent of adult Mexicans have access to an account with a formal banking institution.

MICRONESIA

WORLD RANK: **149**

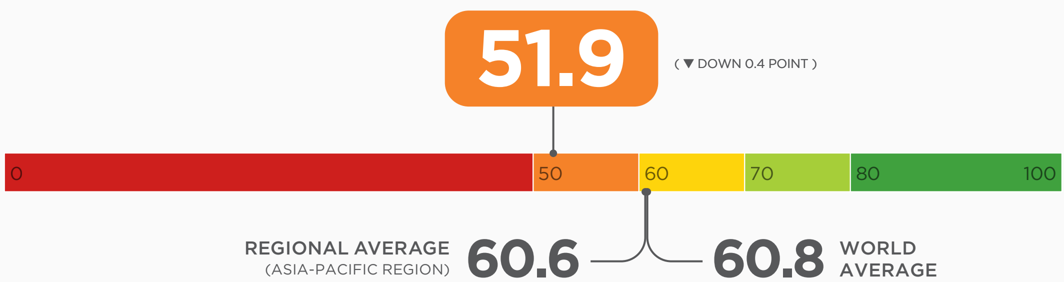
REGIONAL RANK: **38**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Micronesia's economic freedom score is 51.9, making its economy the 149th freest in the 2019 *Index*. Its overall score has decreased by 0.4 point, with declines in scores for **government spending** and **trade freedom** exceeding improvements in **labor freedom** and **property rights**. Micronesia is ranked 38th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The public sector is Micronesia's largest employer, and relatively few jobs could be created by exploiting the few commercially valuable mineral deposits. Geographic isolation and other challenges minimize the potential for tourism. The business environment does not encourage entrepreneurial activity, and poor policy choices in critical areas of economic freedom have further retarded growth. Tariff barriers are relatively low, but nontariff barriers and inadequate infrastructure limit trade freedom. The overall regulatory and legal framework remains inefficient and lacking in transparency.

ECONOMIC FREEDOM SCORE

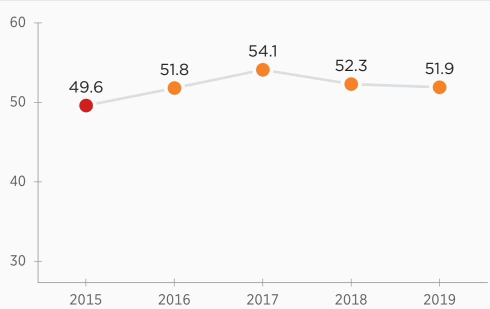


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+0.2

CONCERNS:
Government Spending and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.3 billion
2.0% growth in 2017
5-year compound annual growth 0.7%
$3,393 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
0.5%

FDI INFLOW: n/a

PUBLIC DEBT:
24.5% of GDP

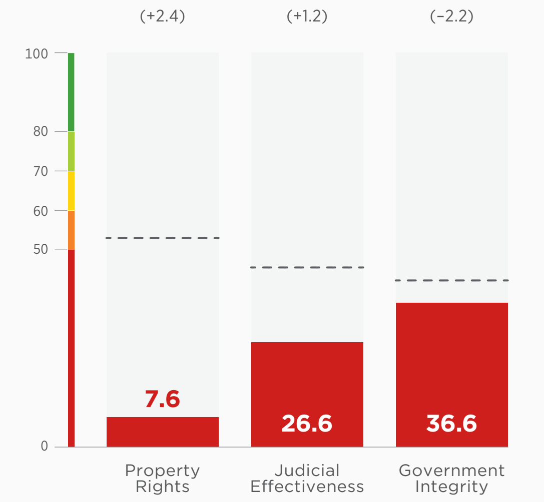
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The widely scattered Caroline Islands in the southwestern Pacific Ocean were part of a U.N. Trust Territory under U.S. administration after World War II. The eastern four island groups (Pohnpei, Chuuk, Yap, and Kosrae) adopted a constitution in 1979 and became the Federated States of Micronesia. The 607-island archipelago's central government has limited powers. The most recent parliamentary election for the small unicameral legislature took place in March 2015; in May 2015, the legislature's at-large members elected President Peter Christian to a four-year term. Under a Compact of Free Association signed in 1986, the U.S. is responsible for defense and currently provides about $130 million annually in economic assistance. Economic activity consists largely of subsistence farming and fishing.

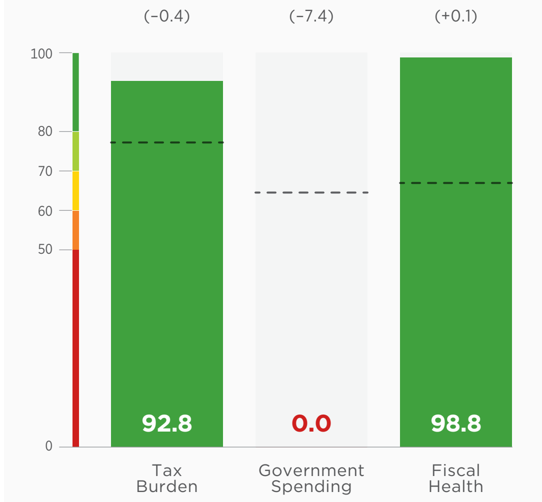
— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | MICRONESIA

RULE OF LAW



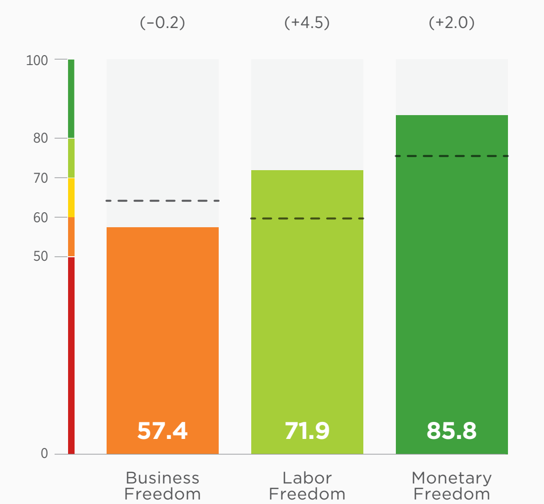
GOVERNMENT SIZE



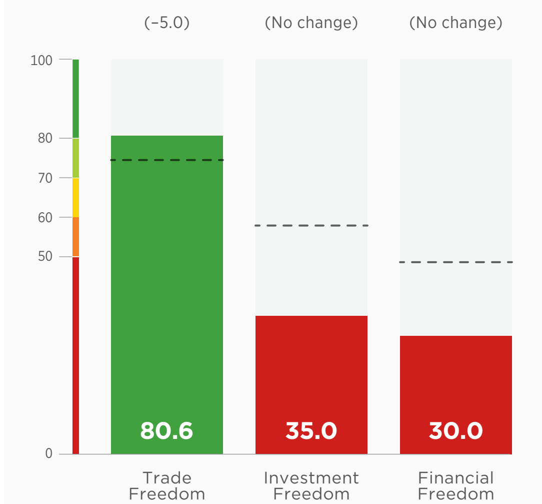
Private property rights are protected for citizens and (to a much lesser degree) foreign nationals who have more than five years' residence in the country. The government generally respects the constitutionally independent judiciary, but the judicial system is chronically underfunded, weak, and slow. Civilian authorities investigate and punish corruption, but government funds are frequently misused and misappropriated.

Tax laws are administered and enforced erratically. The personal income tax rate is 10 percent, and the corporate tax rate is 21 percent. The overall tax burden equals 13.2 percent of total domestic income. Over the past three years, government spending has amounted to 59.2 percent of the country's output (GDP), and budget surpluses have averaged 9.4 percent of GDP. Public debt is equivalent to 24.5 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Given the poor development of the physical and regulatory infrastructure, the formation and operation of private businesses are not easy. The overall entrepreneurial framework remains inefficient and lacking in transparency. A large share of the workforce is employed in the informal sector. The government has monopolies in fuel, telecommunications, and copra production and is heavily dependent on U.S. subsidies.

The combined value of exports and imports is equal to 99.0 percent of GDP. The average applied tariff rate is a relatively low 2.2 percent, but overall trade freedom is limited by nontariff barriers and poor trade infrastructure. Numerous impediments discourage foreign and domestic investment. High credit costs and scarce access to financing constrain the small private sector. Much of the population does not use formal banking.

WORLD RANK: **97** | REGIONAL RANK: **40**

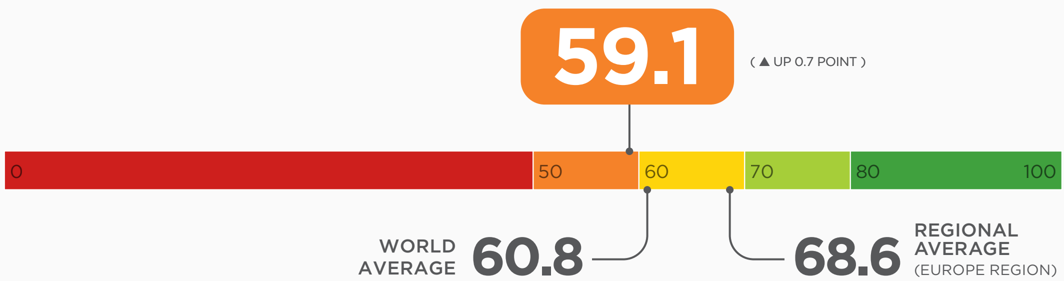
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

MOLDOVA

Moldova's economic freedom score is 59.1, making its economy the 97th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with improvements in **judicial effectiveness**, **government spending**, and **fiscal health** outpacing a decline in **labor freedom**. Moldova is ranked 40th among 44 countries in the Europe region, and its overall score is below the regional and world averages.

Blessed with a moderate climate and productive farmland, Moldova's economy in theory should be more prosperous. The domestic political impasse caused in part by Russia undercuts structural reform and realization of the country's potential. The government has tried to address weaknesses in the financial sector, but growth is hampered by endemic corruption and a Russian ban on imports of Moldova's agricultural products. The economy remains vulnerable to weak administrative capacity, vested bureaucratic interests, higher fuel prices, Russian political and economic pressure, and unresolved separatism in the Transnistria region.

ECONOMIC FREEDOM SCORE

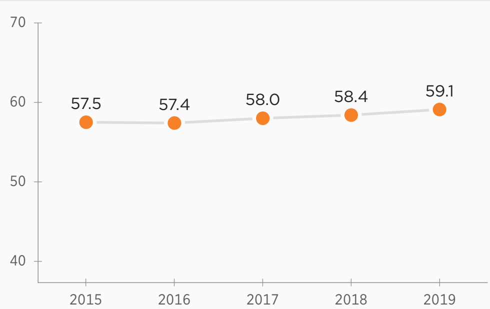


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+26.1

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$20.1 billion
4.0% growth in 2017
5-year compound annual growth 4.4%
$5,661 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
6.6%

FDI INFLOW:
$213.8 million

PUBLIC DEBT:
37.7% of GDP

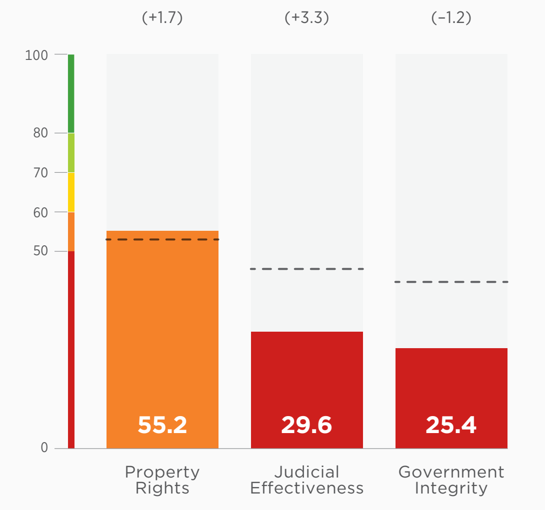
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: President Igor Dodon of the pro-Russia Party of Socialists of the Republic of Moldova (PSRM) was elected to a four-year term in 2016. Moldova gained independence after the collapse of the Soviet Union in 1991 but is vulnerable to economic pressure from Russia and faces a secessionist pro-Russian movement in its Transnistria region, currently home to about 1,000 Russian troops. The PSRM won a narrow plurality in 2014 parliamentary elections but was blocked from forming a government by a pro-European integration coalition led by the center-left Democratic Party of current Prime Minister Pavel Filip. Moldova's economy, dependent on emigrants' remittances and agricultural products like fruits, vegetables, wine, and tobacco, is one of the weakest in Europe.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

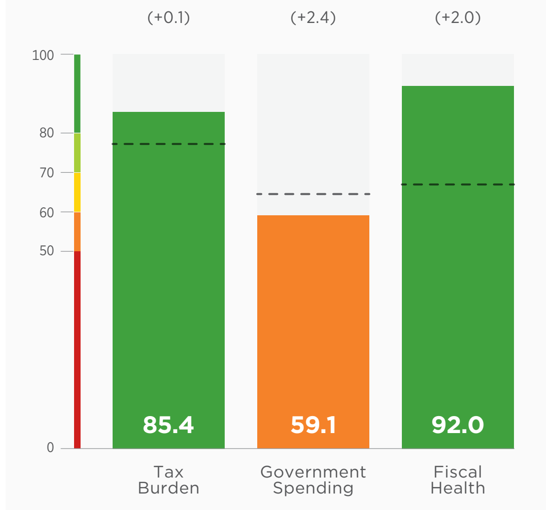
12 ECONOMIC FREEDOMS | MOLDOVA

RULE OF LAW



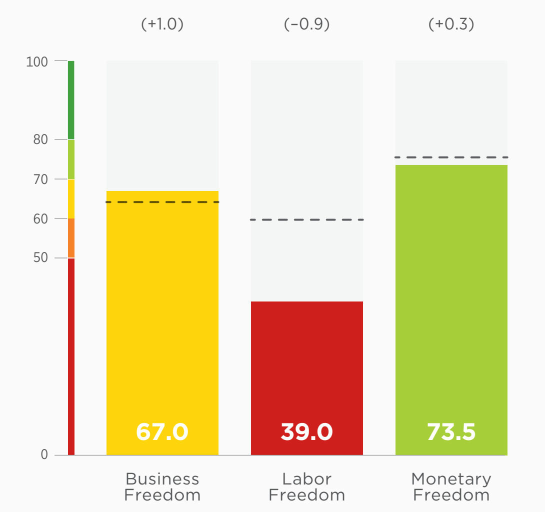
Laws are in place to protect property rights and to record titles and mortgages. The constitution provides for an independent judiciary, but the legal framework is ineffective, and courts are underresourced. In the face of organized crime and persistent corruption, the EU is pressuring the government for more reform of the judicial system and steps to harmonize anticorruption statutes.

GOVERNMENT SIZE



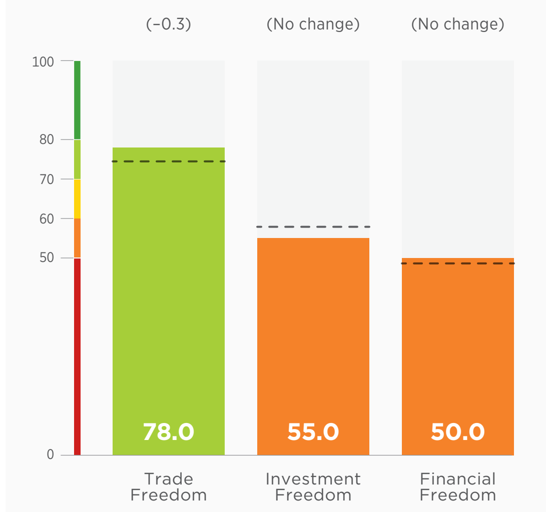
The top personal income tax rate is 18 percent, and the top corporate tax rate is 12 percent. Other taxes include a value-added tax. The overall tax burden equals 31.5 percent of total domestic income. Over the past three years, government spending has amounted to 36.9 percent of the country's output (GDP), and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 37.7 percent of GDP.

REGULATORY EFFICIENCY



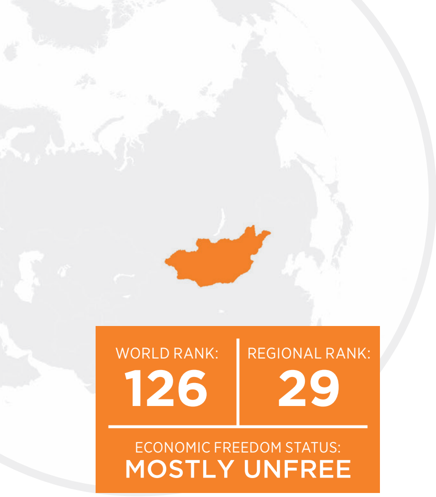
Lingering bureaucracy and a lack of transparency often make formation and operation of private enterprises costly and burdensome. Labor regulations are rigid. The nonsalary cost of employing a worker is high, and restrictions on work hours remain inflexible. Government expenditures have risen, driven in part by increased agricultural subsidies and price controls on food.

OPEN MARKETS



The combined value of exports and imports is equal to 113.2 percent of GDP. The average applied tariff rate is 3.5 percent. As of June 30, 2018, according to the WTO, Moldova had eight nontariff measures in force. In general, foreign and domestic investors are treated equally under the law. Long-term financing remains difficult. About 45 percent of adult Moldovans have access to an account with a formal banking institution.

MONGOLIA



WORLD RANK: **126**

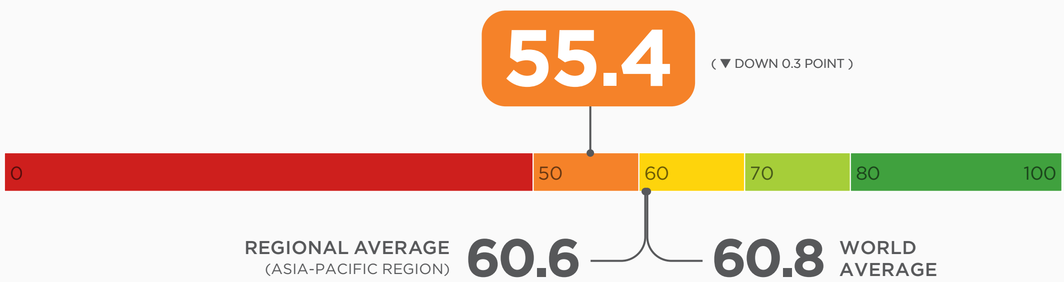
REGIONAL RANK: **29**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Mongolia's economic freedom score is 55.4, making its economy the 126th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with lower scores for **judicial effectiveness** and **government integrity** exceeding improvements in **government spending** and **investment freedom**. Mongolia is ranked 29th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

After the collapse of the Soviet Union, landlocked Mongolia undertook market reforms and extensively privatized its formerly state-run economy. Foreign direct investments to exploit substantial mineral resources transformed the economy, but they also generated a political backlash. The current government has tried to restore investor confidence, which has been weakened by the persistence of large budget deficits and sizeable government debt. Weak rule of law and lingering corruption are additional drags on the economy.

ECONOMIC FREEDOM SCORE

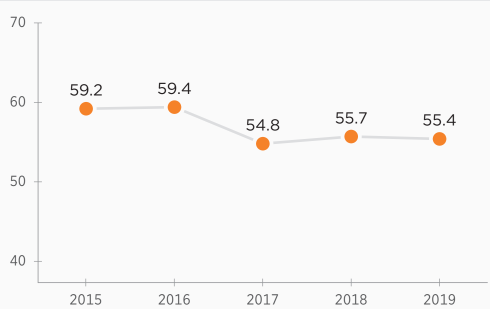


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+7.6

CONCERNS:
Fiscal Health and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.1 million

GDP (PPP):
$39.7 billion
5.1% growth in 2017
5-year compound annual growth 5.7%
$12,979 per capita

UNEMPLOYMENT:
7.0%

INFLATION (CPI):
4.6%

FDI INFLOW:
$1.5 billion

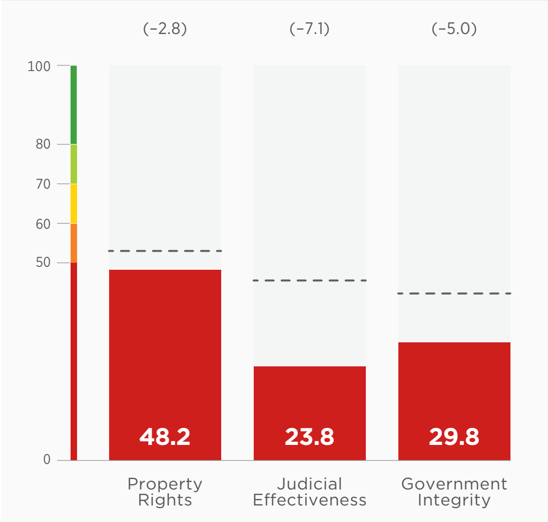
PUBLIC DEBT:
83.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After adopting a new constitution in 1992, Mongolia was transformed from a closed single-party Communist state to a dynamic multiparty democracy. This transition has been accompanied by the gradual introduction of free-market reforms and relatively well-maintained political stability. Nevertheless, the Soviet-era Mongolian People's Party (MPP) won a parliamentary majority in 2016, and the MPP's Khaltmaagiin Battulga was elected president in 2017. Economic issues figured prominently in both elections. Agriculture and mining remain the most important sectors of the economy. Internationally, Mongolia has been granted observer status in the Shanghai Cooperation Organization and is being considered for membership in the Asia–Pacific Economic Cooperation (APEC) forum.

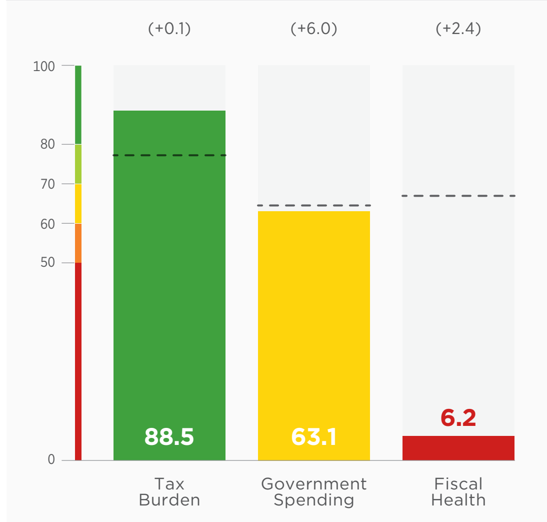
12 ECONOMIC FREEDOMS | MONGOLIA

RULE OF LAW



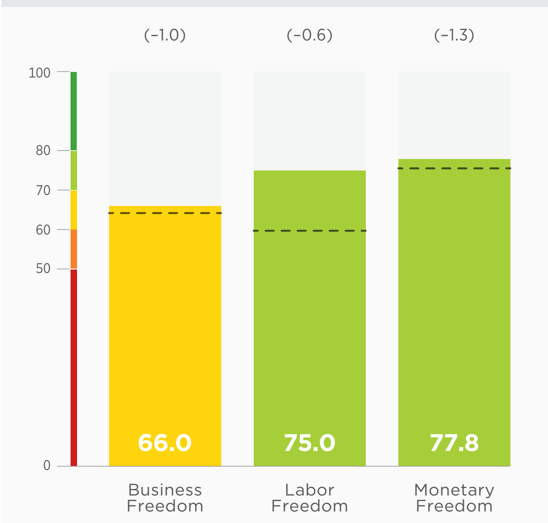
Property and contractual rights are recognized but poorly enforced. The government lacks the capacity to enforce intellectual property rights laws. The judiciary is independent but inefficient and subject to political interference. Pervasive corruption is rooted in a political culture that holds democracy in low esteem. Mongolia's weak institutions do not enforce anticorruption measures effectively, and both petty and high-level corruption are common.

GOVERNMENT SIZE



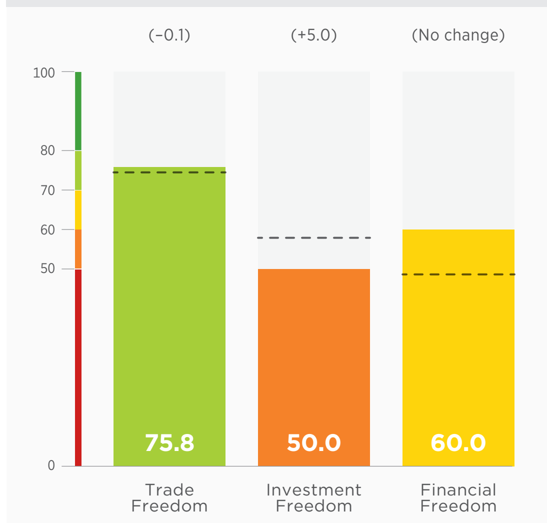
The individual income tax rate is a flat 10 percent. The top corporate tax rate is 25 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 20.7 percent of total domestic income. Over the past three years, government spending has amounted to 35.1 percent of the country's output (GDP), and budget deficits have averaged 9.2 percent of GDP. Public debt is equivalent to 83.2 percent of GDP.

REGULATORY EFFICIENCY



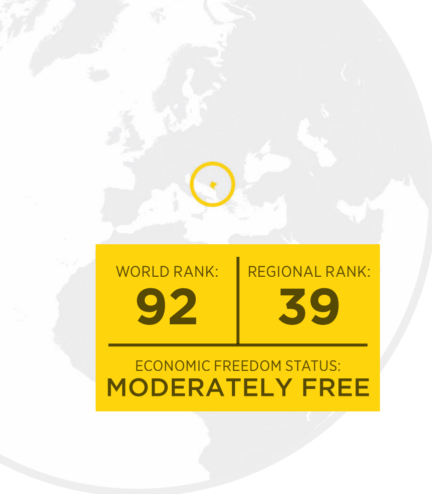
The evolving regulatory framework remains relatively opaque, injecting uncertainty into business decisions. The pace of business reform has been sluggish. Labor regulations are relatively flexible, and the nonsalary cost of employing a worker is moderate, but the labor market lacks dynamism. Deficit spending finances subsidies for government-backed mortgages, health care, and energy.

OPEN MARKETS



The combined value of exports and imports is equal to 116.6 percent of GDP. The average applied tariff rate is 4.6 percent. As of June 30, 2018, according to the WTO, Mongolia had three nontariff measures in force. In an effort to attract more dynamic investment, Mongolia is pursuing measures to liberalize markets and develop the financial sector. About 96 percent of adult Mongolians have access to an account with a formal banking institution.

MONTENEGRO



WORLD RANK: **92**

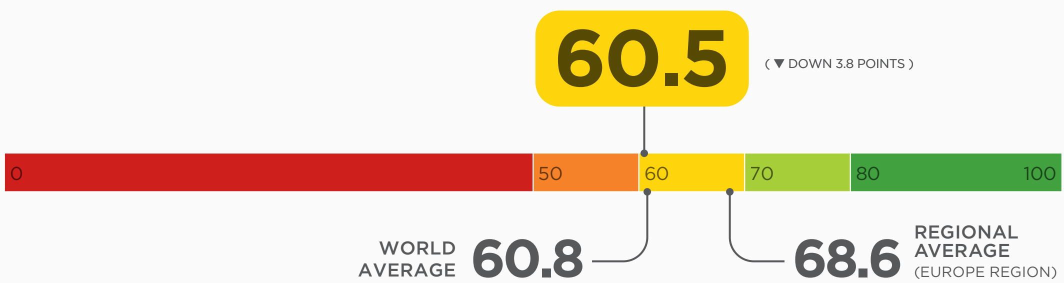
REGIONAL RANK: **39**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Montenegro's economic freedom score is 60.5, making its economy the 92nd freest in the 2019 *Index*. Its overall score has decreased by 3.8 points, with a steep plunge in **fiscal health** overwhelming modestly higher scores for **labor freedom**, **government integrity**, and **property rights**. Montenegro is ranked 39th among 44 countries in the Europe region, and its overall score is now below the regional and world averages.

The economy is growing, but future prospects are uncertain in the absence of major policy reforms. Privatization of state-owned enterprises has slowed, and institutional commitment to strong protection of property rights or effective measures against corruption remains weak. The government needs to strengthen public-sector finances and rein in the large current-account deficit, but the combined effects of large public infrastructure investments and several expensive new social programs have directly challenged fiscal sustainability. The court system remains vulnerable to political interference and inefficiency.

ECONOMIC FREEDOM SCORE

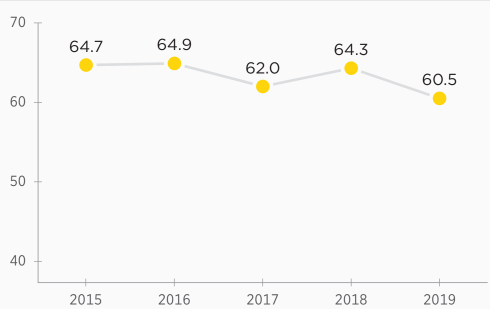


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002):
+13.9

CONCERNS:
Fiscal Health and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$11.0 billion
4.2% growth in 2017
5-year compound annual growth 3.2%
$17,736 per capita

UNEMPLOYMENT:
16.1%

INFLATION (CPI):
2.4%

FDI INFLOW:
$545.9 million

PUBLIC DEBT:
67.5% of GDP

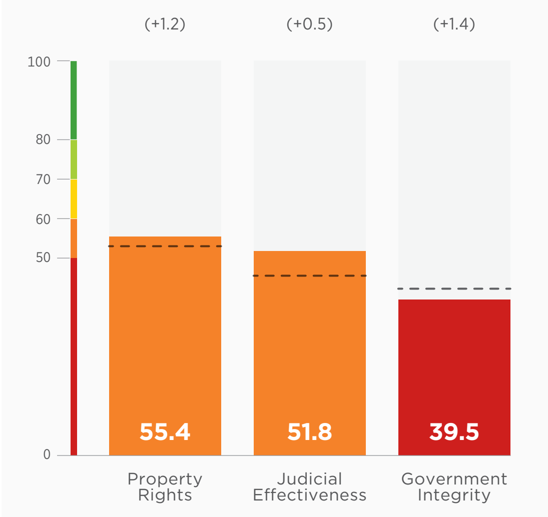
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Montenegro declared its independence from Serbia in 2006, introduced significant privatization, and adopted the euro despite not being a member of the eurozone. It joined NATO in 2017. Milo Đukanovic won election to the presidency in April 2018; it is the second time he has held the position. Đukanovic has served as president or prime minister for nearly all of the past 25 years and has generally steered the country in a pro-Western direction. Although his Democratic Party of Socialists won the most seats in 2016 parliamentary elections, it failed to secure a majority, and Đukanovic's longtime ally Duško Markovic became prime minister in a coalition government. Tourism has been growing, generating jobs and investment.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

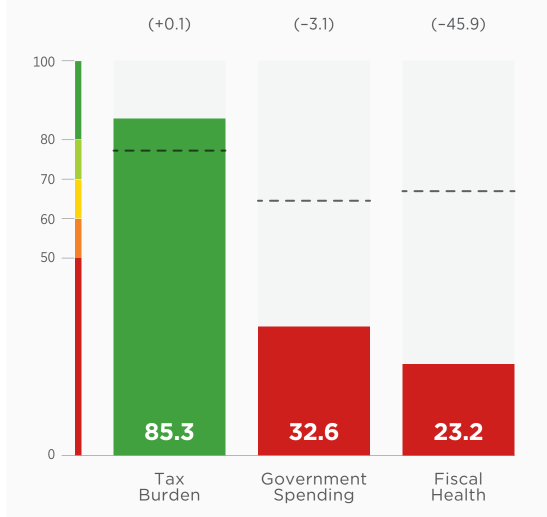
12 ECONOMIC FREEDOMS | MONTENEGRO

RULE OF LAW



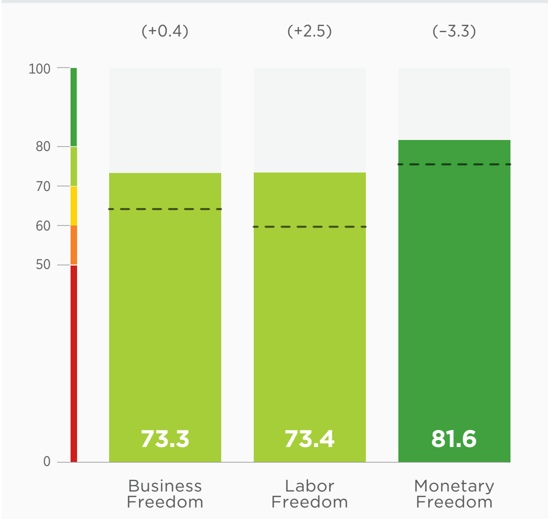
Foreigners may own real property. Trademark and copyright violations are a significant problem; unlicensed software is easily found on the general market. The judiciary has long been politicized. Corruption is pervasive in health care and education and at all levels of government including law enforcement. Impunity, political favoritism, nepotism, and selective prosecutions are common. The official anticorruption agency lacks independence.

GOVERNMENT SIZE



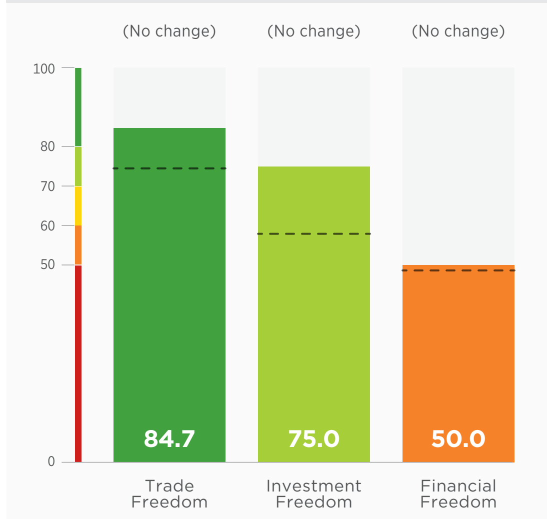
The personal income and corporate tax rates are a flat 9 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 36.1 percent of total domestic income. Over the past three years, government spending has amounted to 47.4 percent of the country's output (GDP), and budget deficits have averaged 6.5 percent of GDP. Public debt is equivalent to 67.5 percent of GDP.

REGULATORY EFFICIENCY



Procedures for setting up a business have been streamlined, and the number of licensing requirements has been reduced. Previous reforms reduced some of the labor market's rigidities, but there is room for further improvement. The government continues to privatize and sell money-losing state-owned assets, but finding buyers for them has proven to be difficult.

OPEN MARKETS



The combined value of exports and imports is equal to 106.2 percent of GDP. The average applied tariff rate is 6.3 percent. The regulatory and legal frameworks governing investment generally facilitate the development of a growing private sector. The financial sector is small, but the level of foreign banks' participation and investment is significant. About 74 percent of adult Montenegrins use a formal bank account.

WORLD RANK: **75**

REGIONAL RANK: **6**

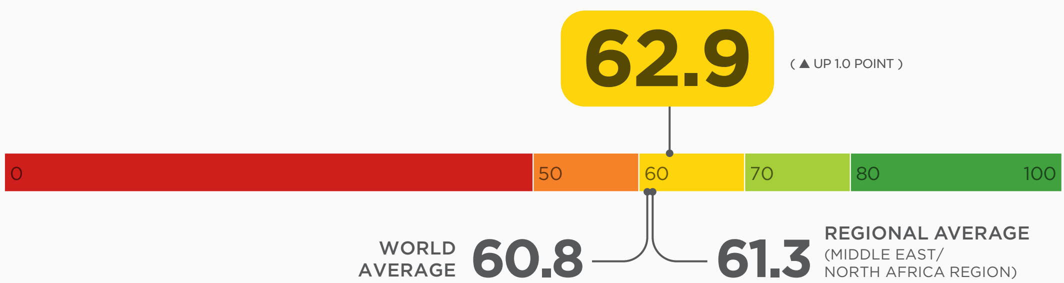
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

MOROCCO

Morocco's economic freedom score is 62.9, making its economy the 75th freest in the 2019 *Index*. Its overall score has increased by 1.0 point, with improvements in **fiscal health**, **property rights**, and **judicial effectiveness** outpacing lower scores for **government integrity**, **labor freedom**, and **trade freedom**. Morocco is ranked 6th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Low labor costs and proximity to Europe have helped Morocco to build a diversified and market-oriented economy. The government is taking additional fiscal consolidation measures to boost growth and improve private-sector competitiveness by strengthening public finances and introducing a more flexible exchange-rate regime. A large part of the labor force remains marginalized by inflexible labor laws, and the government has yet to confront other long-standing challenges that require deeper reforms, particularly in connection with ensuring the evenhanded rule of law.

ECONOMIC FREEDOM SCORE

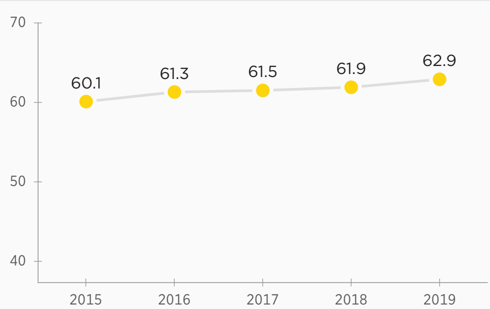


RELATIVE STRENGTHS:
Monetary Freedom and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+0.1

CONCERNS:
Labor Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
34.9 million

GDP (PPP):
$298.6 billion
4.2% growth in 2017
5-year compound annual growth 3.4%
$8,567 per capita

UNEMPLOYMENT:
9.3%

INFLATION (CPI):
0.8%

FDI INFLOW:
$2.7 billion

PUBLIC DEBT:
64.4% of GDP

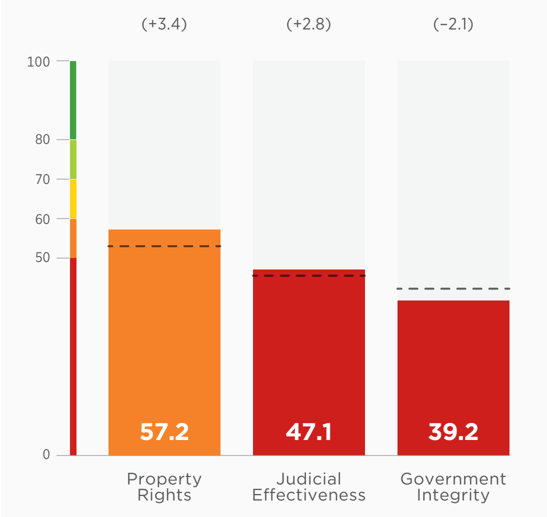
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Morocco's Alaouite royal family dates from the 17th century. A constitutional monarchy with an elected parliament, Morocco has been a key Western ally in the fight against Islamist terrorism. Following popular protests in 2011, King Mohammed VI authorized a commission that proposed constitutional amendments, later approved by referendum, to increase the prime minister's power and independence and provide greater civil liberties. The king retains significant power as chief executive. In addition to a large tourism industry and a growing manufacturing sector, a nascent aeronautics industry has attracted foreign investment. The United Nations has monitored a cease-fire between Morocco and the Polisario Front in the resource-rich and phosphate-rich Western Sahara since 1991, but peace talks have been deadlocked since 2008.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

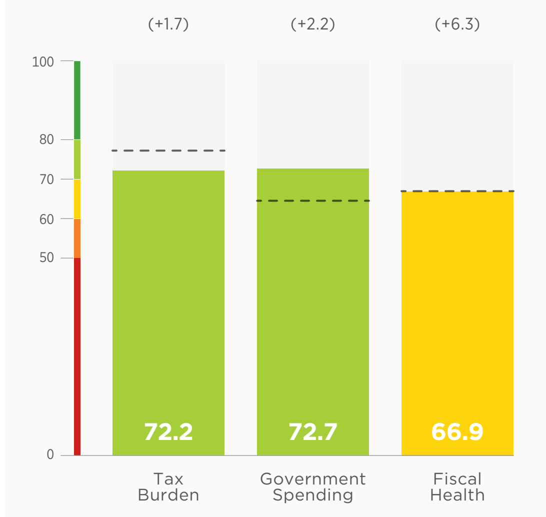
12 ECONOMIC FREEDOMS | MOROCCO

RULE OF LAW



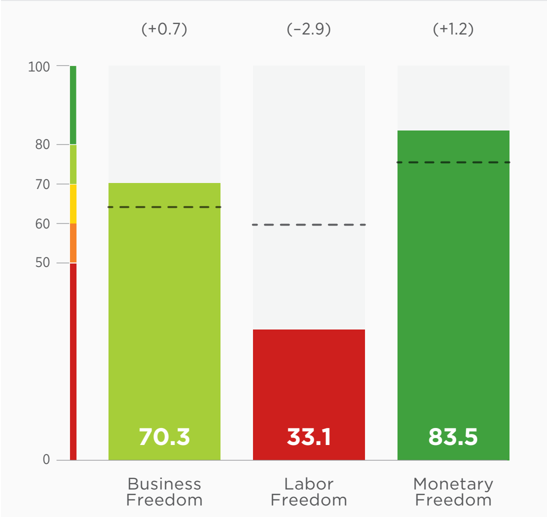
The rates of land titling and land rights registration are low, and the World Bank's 2018 *Doing Business* survey reported that the government has made property registration more expensive. The judiciary is not independent of the palace, and the courts are regularly used to punish opponents of the government. Officials engage in corrupt practices with impunity, and anticorruption laws are not implemented effectively.

GOVERNMENT SIZE



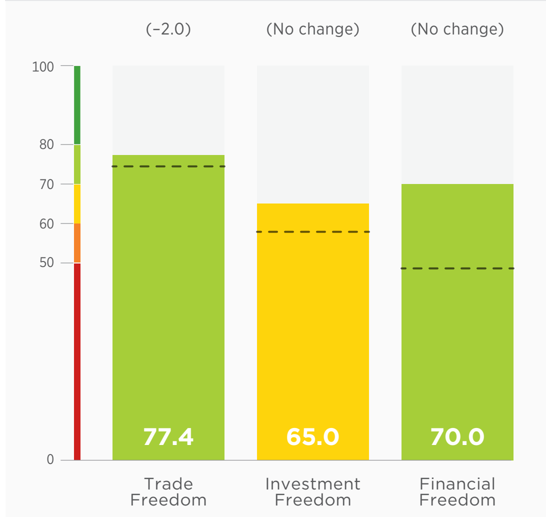
The top individual income tax rate is 38 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and gift taxes. The overall tax burden equals 20.9 percent of total domestic income. Over the past three years, government spending has amounted to 30.2 percent of the country's output (GDP), and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 64.4 percent of GDP.

REGULATORY EFFICIENCY



Procedures for setting up and registering a private business have been streamlined in recent years. The process of launching a company has become easier with reduced registration fees. Despite some improvement, labor market rigidity continues to discourage dynamic employment growth. The government is determined to continue phasing out subsidies for butane gas, fuel, sugar, and flour but will increase targeted subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 83.5 percent of GDP. The average applied tariff rate is 3.8 percent. As of June 30, 2018, according to the WTO, Morocco had 38 nontariff measures in force. Foreign and domestic investors are generally treated equally under the law. The financial sector is competitive and offers a range of financing options. The Casablanca Stock Exchange does not restrict foreign participation.

WORLD RANK: **163**

REGIONAL RANK: **40**

ECONOMIC FREEDOM STATUS: **REPRESSED**

MOZAMBIQUE

Mozambique's economic freedom score is 48.6, making its economy the 163rd freest in the 2019 *Index*. Its overall score has increased by 2.3 points, with a surge in **fiscal health** and higher scores for **government spending** and the **tax burden** far surpassing small declines in **property rights** and **monetary freedom**. Mozambique is ranked 40th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Mozambique has an unsustainable external debt burden, and macroeconomic stability is threatened by a sharp drop in capital inflows and relatively weak economic growth. The government borrowed $2 billion in 2012–2014 without parliamentary approval, leading the IMF to suspend lending and allowing China to increase its influence through opaque loans. The ongoing "hidden debt" scandal vividly illustrates the substantial institutional shortcomings, such as corruption and political influence on the judiciary, that are damaging long-term economic development.

ECONOMIC FREEDOM SCORE

48.6 (▲ UP 2.3 POINTS)

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

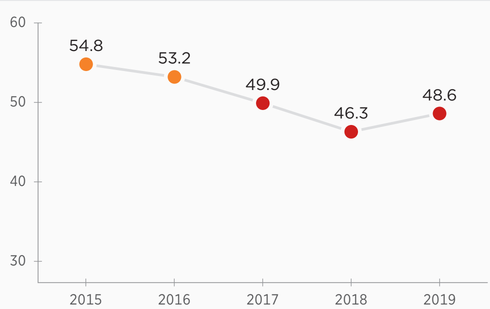
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Trade Freedom and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.1

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
29.5 million

GDP (PPP):
$36.7 billion
3.0% growth in 2017
5-year compound annual growth 5.6%
$1,244 per capita

UNEMPLOYMENT:
25.0%

INFLATION (CPI):
15.3%

FDI INFLOW:
$2.3 billion

PUBLIC DEBT:
102.2% of GDP

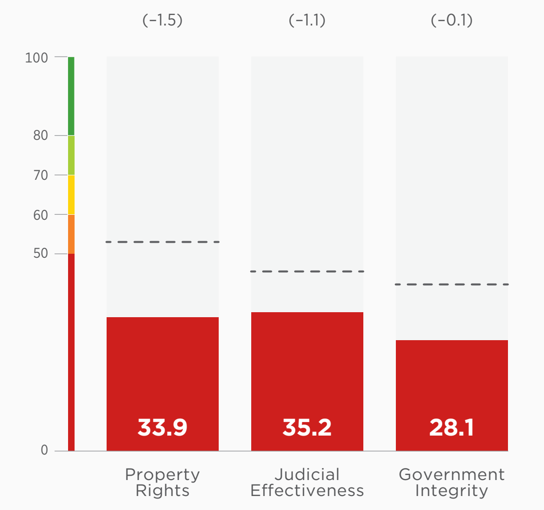
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Mozambique Liberation Front (FRELIMO), headed since 2015 by President Filipe Nyusi, has been in power since independence from Portugal in 1975. A 16-year civil war between FRELIMO and the rebel Mozambican National Resistance (RENAMO) ended with a peace agreement in 1992. After several armed clashes with FRELIMO in 2013, RENAMO pulled out of the peace accord, and sporadic violence has followed. RENAMO head Afonso Dhlakama died in 2018 and was replaced by Ossufo Momade. An Islamist group in Mozambique's marginalized and impoverished North escalated its attacks in 2018. The buildup of unauthorized debt has prompted aid donors to suspend budgetary support. More than half of the population remains below the poverty line and reliant on subsistence agriculture.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

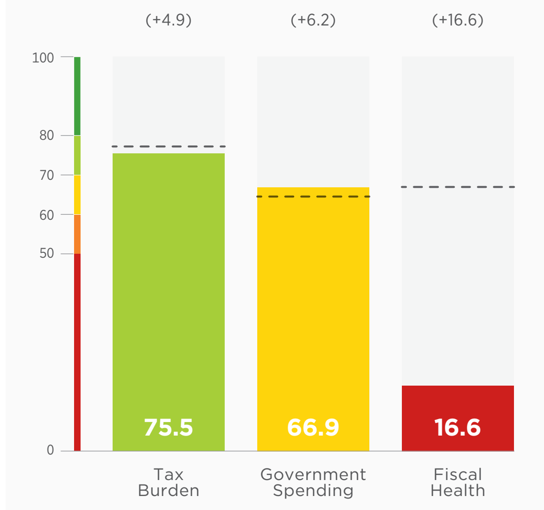
12 ECONOMIC FREEDOMS | MOZAMBIQUE

RULE OF LAW



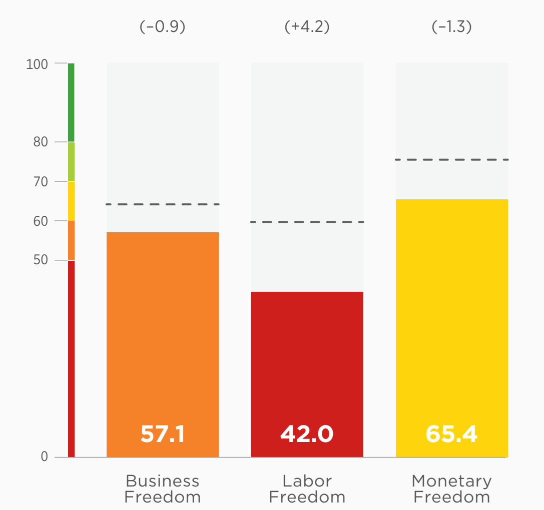
Although the government recognizes private property rights, they are not strongly respected, and private land ownership is prohibited. The judiciary is generally independent and impartial. Corruption and extortion by police are widespread, and impunity remains a serious problem. Senior government officials often have conflicts of interest related to their private business interests. A legal framework to combat corruption exists but is rarely used.

GOVERNMENT SIZE



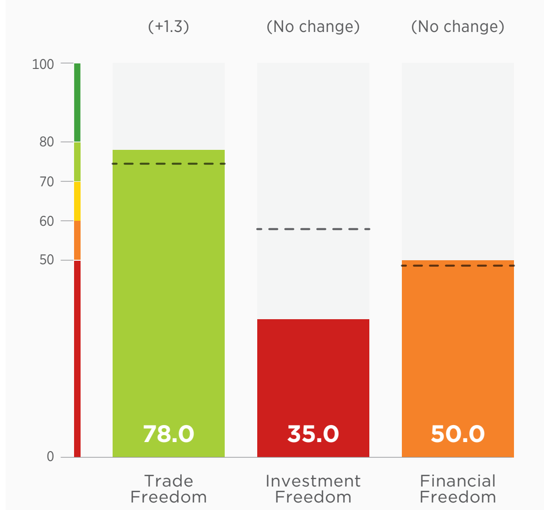
The top individual income and corporate tax rates are 32 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 20.2 percent of total domestic income. Over the past three years, government spending has amounted to 33.2 percent of the country's output (GDP), and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 102.2 percent of GDP.

REGULATORY EFFICIENCY

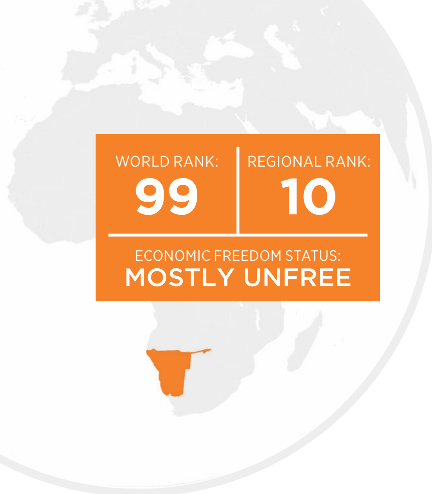


Mozambique remains a challenging place to do business. Despite some improvement, the overall business environment continues to restrain economic growth. A recently passed law that was intended to make the labor market more flexible also increased overtime restrictions. Badly targeted fuel subsidies have increased government debt, but reductions in subsidies and further reforms of state-owned enterprises will face political resistance.

OPEN MARKETS



The combined value of exports and imports is equal to 108.9 percent of GDP. The average applied tariff rate is 3.5 percent. As of June 30, 2018, according to the WTO, Mozambique had three nontariff measures in force. Lingering institutional and regulatory shortcomings undermine the expansion of vibrant long-term investment. About 40 percent of adult Mozambicans have access to an account with a formal banking institution.



WORLD RANK: **99** | REGIONAL RANK: **10**

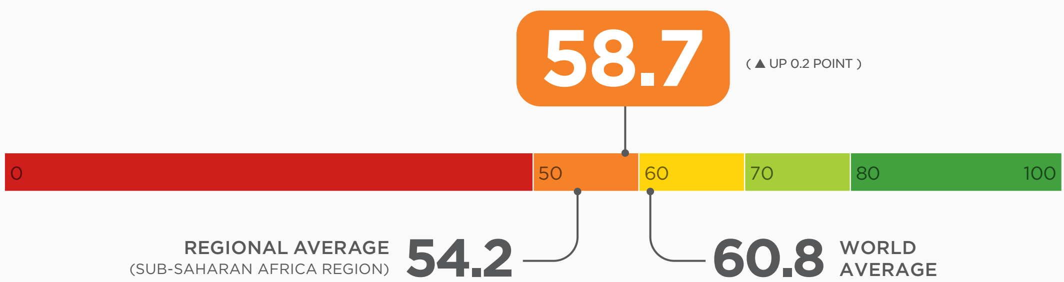
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

NAMIBIA

Namibia's economic freedom score is 58.7, making its economy the 99th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with higher scores for **government integrity** and the **tax burden** outpacing declines in **business freedom** and the score for **government spending**. Namibia is ranked 10th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Namibia has benefited significantly from relative openness to trade and investment and from global commerce. Economic policy tilted back toward promotion of private-sector investment in 2018 when the government scrapped plans for drastic steps to redress inequality that could have increased investor uncertainty and disrupted the business climate. Ongoing popular demand for expropriations will likely lead to some restrictions on foreign land tenure. Economic freedom is constrained by long-standing institutional weaknesses and the absence of commitment to deeper reforms.

ECONOMIC FREEDOM SCORE

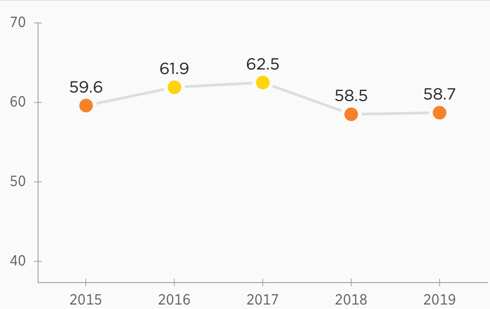


RELATIVE STRENGTHS:
Labor Freedom and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
–2.9

CONCERNS:
Fiscal Health and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
2.3 million

GDP (PPP):
$26.5 billion
–1.2% growth in 2017
5-year compound annual growth 3.6%
$11,312 per capita

UNEMPLOYMENT:
23.3%

INFLATION (CPI):
6.1%

FDI INFLOW:
$416.0 million

PUBLIC DEBT:
46.1% of GDP

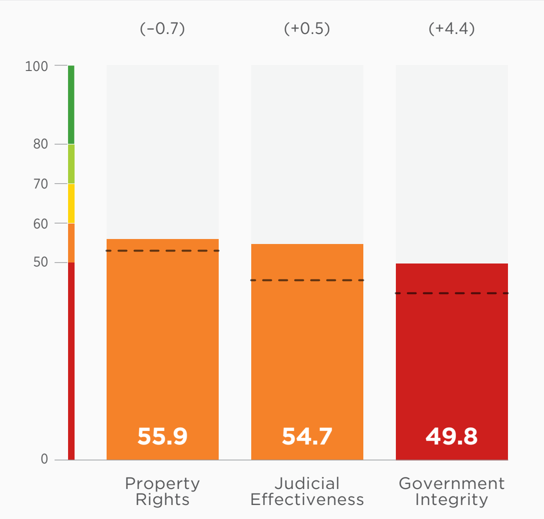
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Namibia has been politically stable since gaining independence from South Africa in 1990. President Hage Geingob was elected to a five-year term in 2014. The ruling South West Africa People's Organization (SWAPO) has won every election by large majorities since 1990. The mining sector brings in more than 50 percent of foreign exchange earnings, and Namibia is projected to become the world's third-largest uranium producer once a Chinese-run mine is fully online. Namibia's economy is closely linked to South Africa's, and its credit rating is one of the highest in the region. Namibia is holding a series of conferences to examine possible reforms of land ownership, including the expropriation of land with "fair compensation" for redistribution to the black majority.

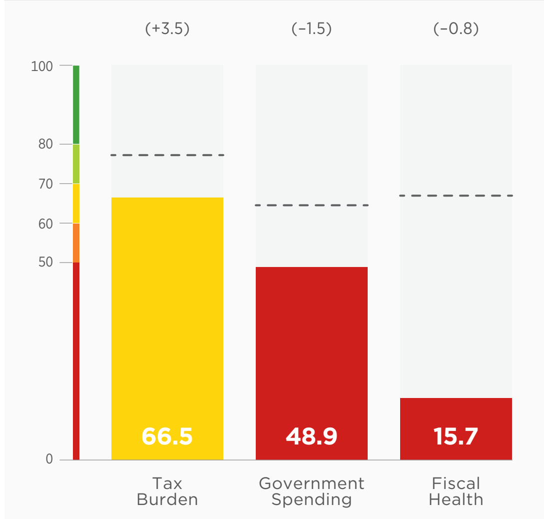
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | NAMIBIA

RULE OF LAW



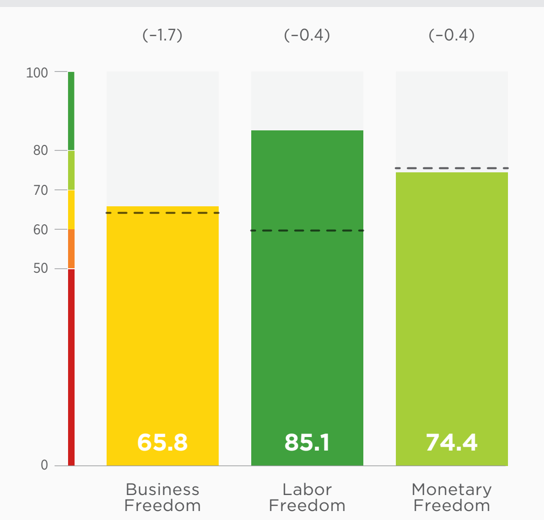
GOVERNMENT SIZE



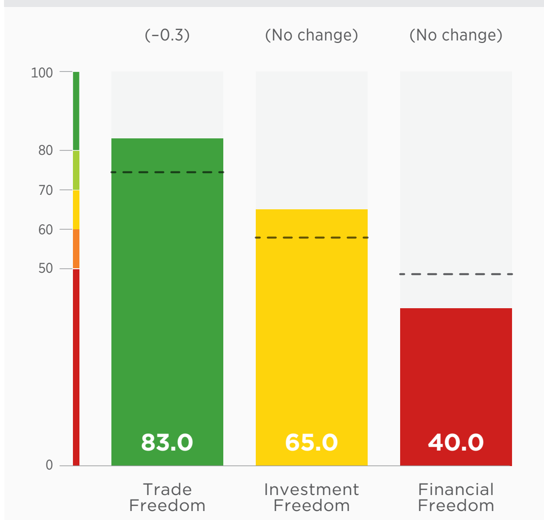
Property rights are constitutionally guaranteed, but the parliament may expropriate property and regulate the property rights of foreign nationals. The judiciary is impartial and independent, but it is also understaffed, and judges are poorly trained. A strong anticorruption drive by the president, backed by exemplary action, has helped the fight against graft, but significant weaknesses in transparency and government accountability remain.

The top individual income tax rate is 37 percent, and the top corporate tax rate is 34 percent. Other taxes include a value-added tax. The overall tax burden equals 28.6 percent of total domestic income. Over the past three years, government spending has amounted to 41.3 percent of the country's output (GDP), and budget deficits have averaged 7.8 percent of GDP. Public debt is equivalent to 46.1 percent of GDP.

REGULATORY EFFICIENCY

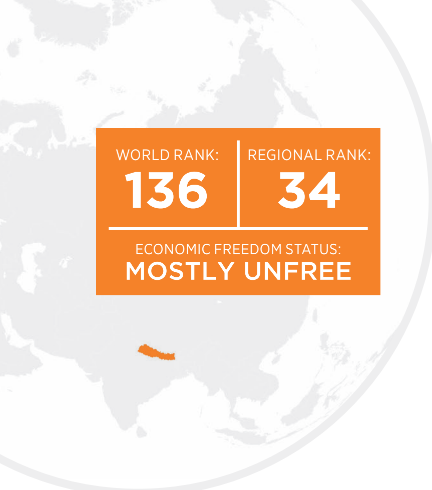


OPEN MARKETS



The overall regulatory framework has become more efficient and streamlined, but the pace of reform has slowed. Enforcement of commercial regulations is fairly effective and consistent. Labor regulations are relatively flexible, but the labor market lacks dynamism. Growth is slow because of the government-dependent services sector and subsidies for education, medical care, roads and infrastructure, and agriculture.

The combined value of exports and imports is equal to 84.2 percent of GDP. The average applied tariff rate is a low 1.0 percent, but nontariff barriers, exacerbated by other institutional shortcomings, undermine overall trade freedom. The Competition Commission can review any potential mergers and acquisitions that might adversely affect Namibia's economy. Despite some progress, financial intermediation remains uneven across the country.



WORLD RANK: 136

REGIONAL RANK: 34

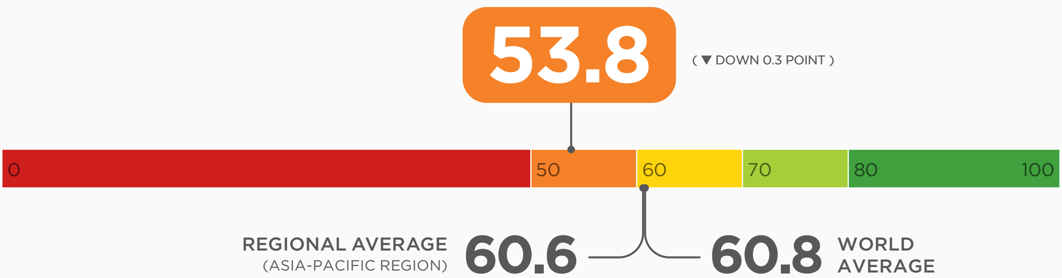
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

NEPAL

Nepal's economic freedom score is 53.8, making its economy the 136th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with lower scores for **trade freedom** and **government spending** exceeding improvements in **labor freedom** and **monetary freedom**. Nepal is ranked 34th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

There is a fundamental lack of entrepreneurial dynamism in landlocked and isolated Nepal that holds back long-term development. Although the government signed a trade and investment deal with India to increase Nepal's hydropower potential, foreign investment has been hampered by political uncertainty, a history of statism, and a difficult business climate. Cronyism, a burdensome approval process, and a lack of transparency are other impediments. Property rights are undermined by an inefficient judicial system that is subject to substantial corruption and political influence.

ECONOMIC FREEDOM SCORE

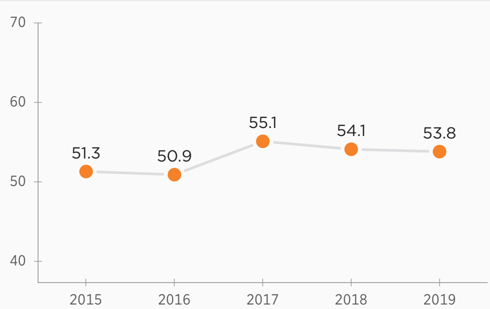


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+3.5

CONCERNS:
Investment Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
29.3 million

GDP (PPP):
$78.6 billion
7.5% growth in 2017
5-year compound annual growth 4.3%
$2,679 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
4.5%

FDI INFLOW:
$198.0 million

PUBLIC DEBT:
27.1% of GDP

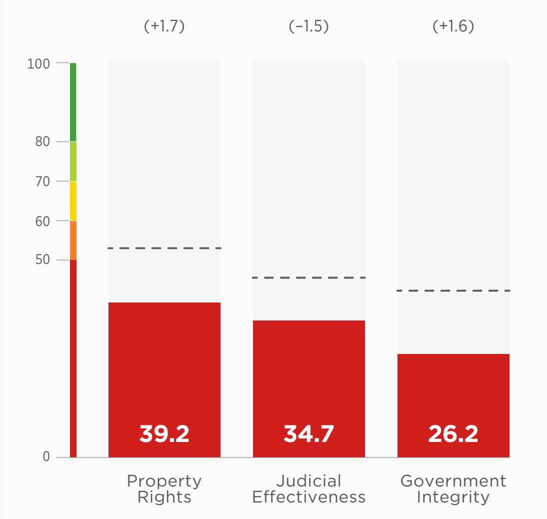
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Kingdom of Nepal, a small Hindu-majority nation wedged between India and China in the Himalayas, became a multiparty federal republic in 2008. In the decade since then, Nepal has faced nearly continuous political instability, and it remains one of the world's poorest and least-developed countries. Khadga Prasad Oli of the Maoist-leaning Communist Party became the country's 41st prime minister in 2018, reflecting the decade-long expansion of Chinese influence. In 2018, China and Nepal agreed to establish a rail link and signed a deal to boost Chinese investments in Nepal's power grid. China's growing footprint has become a source of contention with India, which traditionally has enjoyed outsized influence over Nepal's foreign and economic policies.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

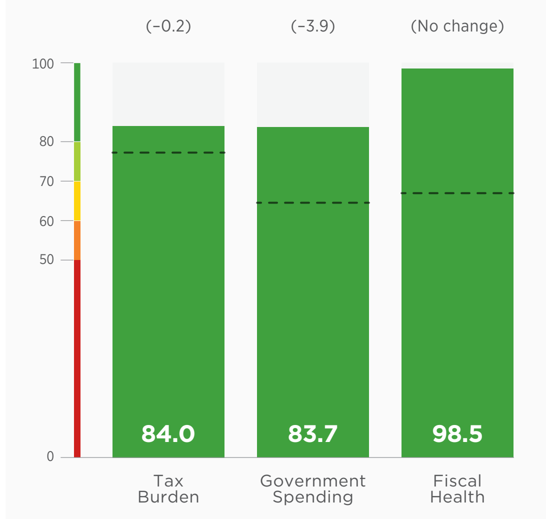
12 ECONOMIC FREEDOMS | NEPAL

RULE OF LAW



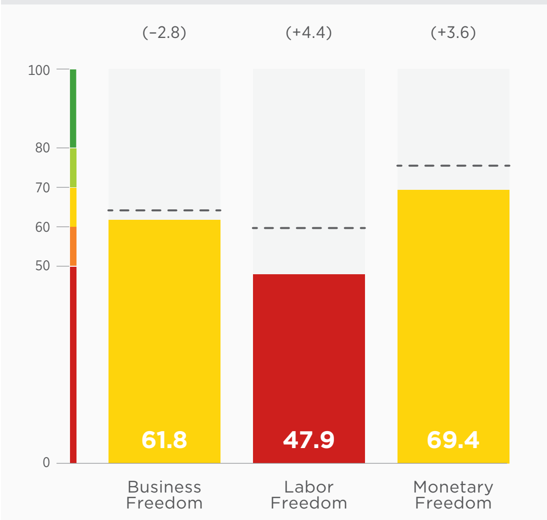
Property rights are not protected effectively, and it can take years to resolve property disputes. The law provides for an independent judiciary, and the courts are generally reliable, but they remain vulnerable to political pressure, bribery, and intimidation. There are numerous reports of corrupt practices undertaken with impunity by government officials, law enforcement officers, and political parties that undermine the rule of law.

GOVERNMENT SIZE



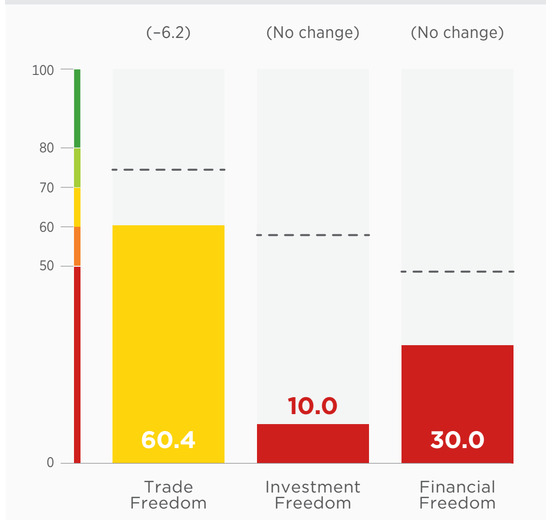
The top individual income and corporate tax rates are 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.7 percent of total domestic income. Over the past three years, government spending has amounted to 23.3 percent of the country's output (GDP), and budget surpluses have averaged 0.2 percent of GDP. Public debt is equivalent to 27.1 percent of GDP.

REGULATORY EFFICIENCY



The economy lacks the entrepreneurial dynamism needed for stronger economic growth and long-term development. Despite some streamlining of the process for launching a business, other time-consuming requirements reduce the regulatory system's efficiency. Labor regulations remain obsolete, and underemployment persists. The government has expanded its renewable energy subsidy to private developers of smaller hydropower minigrids.

OPEN MARKETS



The combined value of exports and imports is equal to 51.8 percent of GDP. The average applied tariff rate is 12.3 percent. As of June 30, 2018, according to the WTO, Nepal had nine nontariff measures in force. Nepal's statist approach to economic management and development has been a serious drag on trade and investment activities. About half of adult Nepali have access to an account with a formal banking institution.

WORLD RANK: 13

REGIONAL RANK: 5

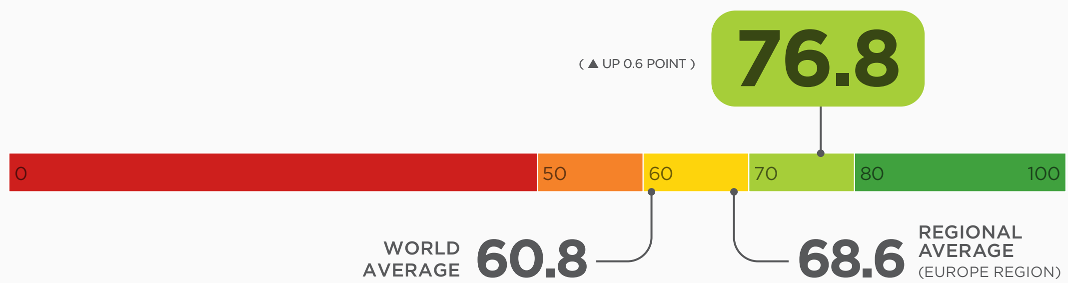
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

NETHERLANDS

The Netherlands' economic freedom score is 76.8, making its economy the 13th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with gains in **fiscal health** and **government integrity** outpacing small declines in **monetary freedom**, **labor freedom**, and **trade freedom**. The Netherlands is ranked 5th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The Netherlands' economy flourishes through openness to global trade and investment and an independent judicial system that provides strong protection of property rights and fosters the rule of law. The most recent government's priorities have been fiscal consolidation and implementation of some structural reforms, including reform of the labor market. The official retirement age will rise gradually by 2021. This will help to put public finances on a broadly sustainable medium-term to long-term path, provided policies are not changed by a new government.

ECONOMIC FREEDOM SCORE

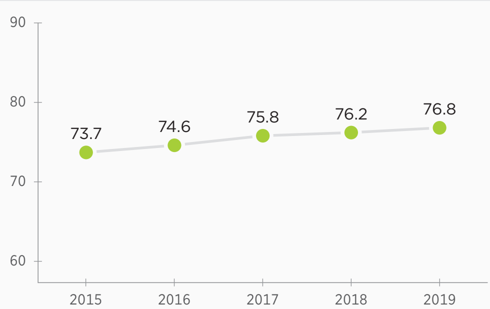


RELATIVE STRENGTHS:
Fiscal Health and Investment Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+7.1

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
17.1 million

GDP (PPP):
$916.1 billion
3.1% growth in 2017
5-year compound annual growth 1.8%
$53,635 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
1.3%

FDI INFLOW:
$58.0 billion

PUBLIC DEBT:
56.7% of GDP

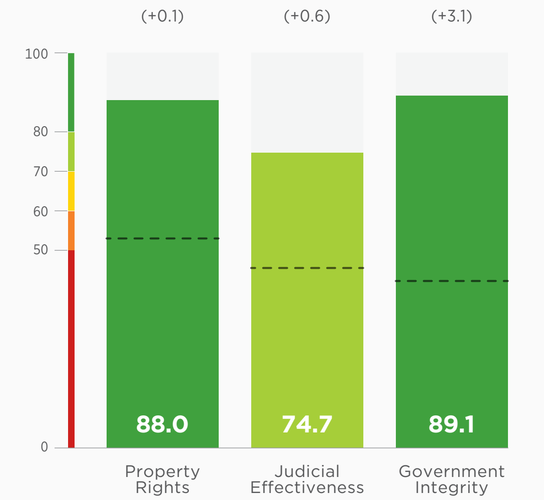
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Prime Minister Mark Rutte has been in office since 2010. His center-right People's Party for Freedom and Democracy (VVD) won the most seats in the March 2017 parliamentary elections. After a lengthy deadlock, the VVD formed a narrow governing coalition with the center-right Christian Democrat Appeal, center-left Democrats 66, and center-right Christian Union Party. Geert Wilders' populist Party for Freedom, despite receiving the second-highest vote in 2017, remains out of government. Rutte has been outspoken in supporting the return of power to European Union member states. A European transportation hub, the Netherlands has the EU's sixth-largest economy, supported by exports of chemicals, refined petroleum, and electrical machinery, as well as by a highly mechanized and profitable agricultural sector.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

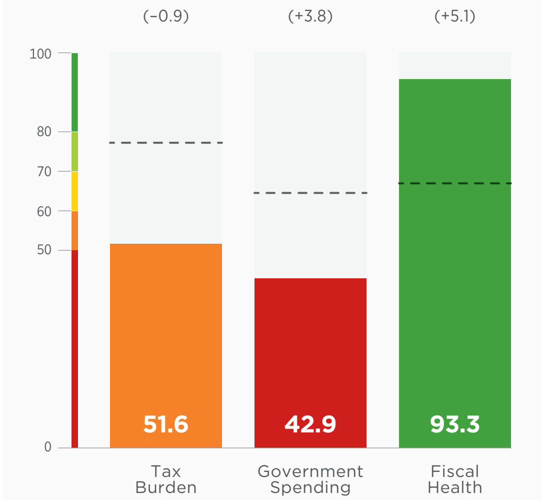
12 ECONOMIC FREEDOMS | NETHERLANDS

RULE OF LAW



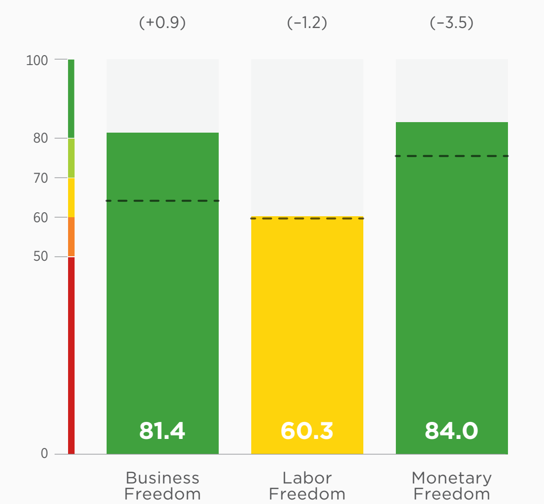
Private property rights are strongly protected, and contracts are reliably enforced. The judiciary is independent of political interference and provides impartial adjudication of disputes. The Dutch do not tolerate political corruption, and the cases that do arise are prosecuted expeditiously. Anticorruption laws are effective and promote government integrity. The Netherlands is signatory to major international anticorruption conventions.

GOVERNMENT SIZE



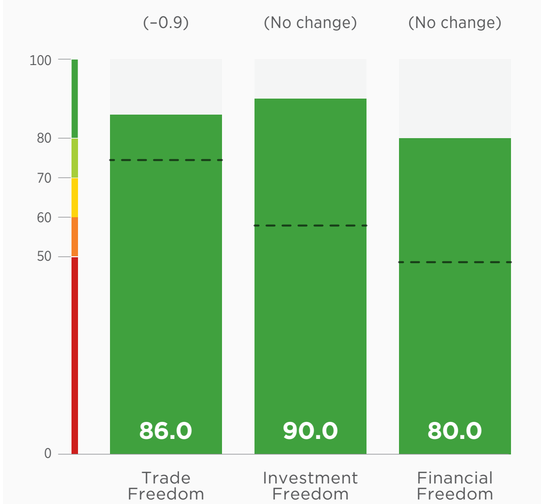
The top personal income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.8 percent of total domestic income. Over the past three years, government spending has amounted to 43.6 percent of the country's output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory framework is transparent and competitive. The efficient business framework is conducive to innovation and productivity growth. Labor regulations are relatively rigid. The nonsalary cost of employing a worker is high, and dismissing an employee is relatively costly. In 2018, the government allocated €4 billion for environmental subsidies, to be funded by higher fuel taxes.

OPEN MARKETS



The combined value of exports and imports is equal to 161.2 percent of GDP. The average applied tariff rate is 2.0 percent. The Netherlands implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. There is no general screening of foreign investment, and investment in most sectors is not restricted. Sensible banking regulations facilitate entrepreneurial growth.

WORLD RANK: **3**

REGIONAL RANK: **3**

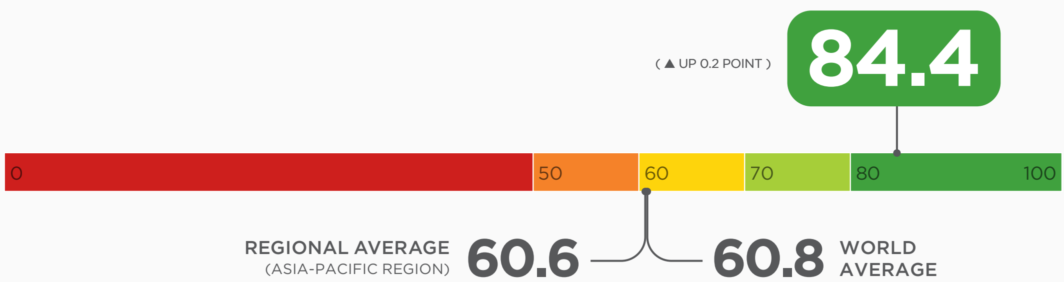
ECONOMIC FREEDOM STATUS: **FREE**

NEW ZEALAND

New Zealand's economic freedom score is 84.4, making its economy the 3rd freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with higher scores for **trade freedom** and **labor freedom** narrowly exceeding declines in **judicial effectiveness** and **monetary freedom**. New Zealand is ranked 3rd among 43 countries in the Asia–Pacific region, and its overall score is far above the regional and world averages.

A global leader in economic freedom, New Zealand has generally followed a long-term market-oriented policy framework that fosters economic resilience and growth. The new government shook business confidence in 2018 with plans for a higher minimum wage, union-friendly labor code reforms, fewer immigrant visas, a ban on housing purchases by foreigners, and higher taxes. A series of settlements after public-sector union strikes will likely push wage demands higher in the private sector. The rule of law is well maintained, and the judiciary is generally independent.

ECONOMIC FREEDOM SCORE

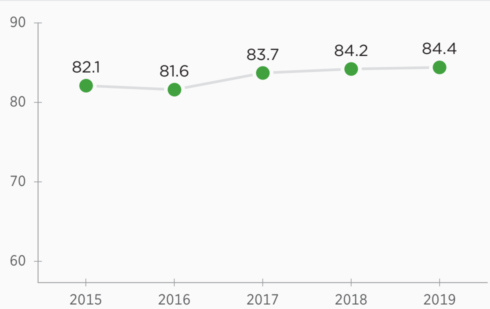


RELATIVE STRENGTHS:
Fiscal Health and Government Integrity

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+6.3

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
4.8 million

GDP (PPP):
$188.6 billion
3.0% growth in 2017
5-year compound annual growth 3.3%
$38,934 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
1.9%

FDI INFLOW:
$3.6 billion

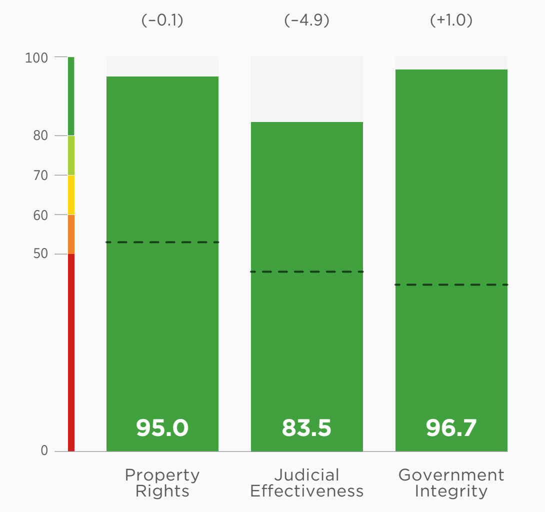
PUBLIC DEBT:
26.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former British colony of New Zealand is one of the Asia–Pacific region's more prosperous countries. The center-right National Party, led by Prime Minister John Key, returned to power in 2008 and won reelection in 2011 and 2014. When Key resigned, his deputy, Bill English, succeeded him in late 2016. Elections in September 2017 resulted in a hung parliament, with the "kingmaker" and populist New Zealand First party subsequently forming a minority coalition, enabling new Prime Minister Jacinda Ardern's Labor Party to return to power. Far-reaching deregulation and privatization since the 1980s have largely liberated the economy. Agriculture is important, as are manufacturing, tourism, and a strong geothermal energy resource base. The economy has been expanding since 2010.

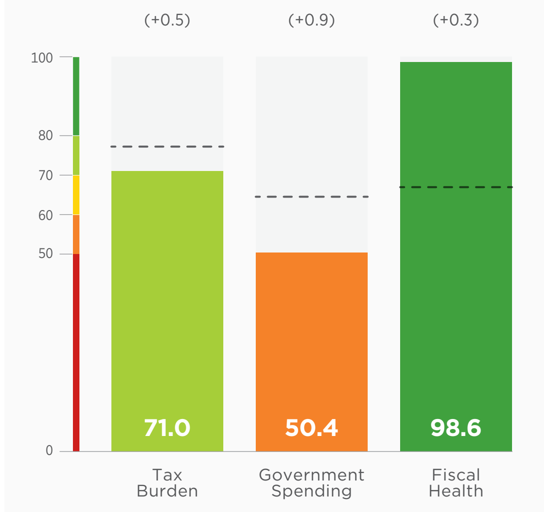
12 ECONOMIC FREEDOMS | NEW ZEALAND

RULE OF LAW



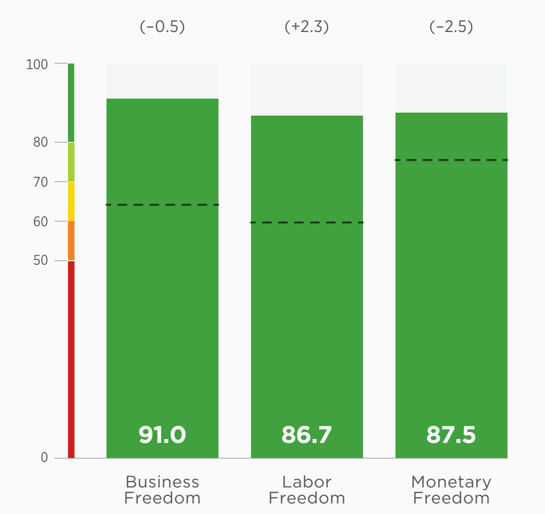
Private property rights are strongly protected, and New Zealand ranks among the world's top countries for contract security. The judicial system is independent and functions well. New Zealand ranked first out of 180 countries surveyed in Transparency International's 2017 *Corruption Perceptions Index*. The country is renowned for its efforts to ensure a transparent, competitive, and corruption-free government procurement system.

GOVERNMENT SIZE



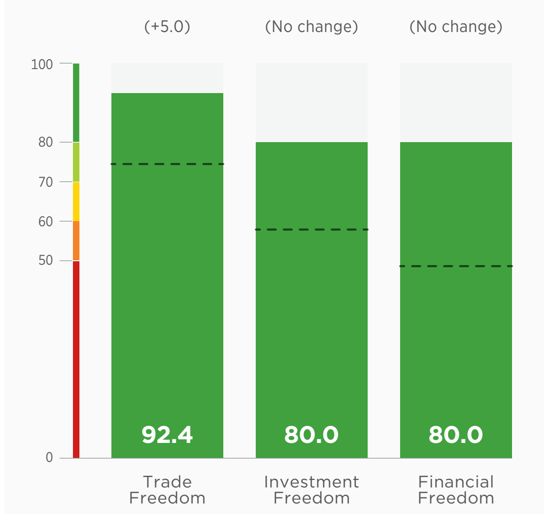
The top income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include goods and services and environmental taxes. The overall tax burden equals 32.1 percent of total domestic income. Over the past three years, government spending has amounted to 40.7 percent of the country's output (GDP), and budget surpluses have averaged 1.2 percent of GDP. Public debt is equivalent to 26.4 percent of GDP.

REGULATORY EFFICIENCY



Policies that support a high degree of regulatory efficiency are in place. The entrepreneurial environment is one of the most competitive, with start-up companies benefiting from great flexibility in licensing and other regulatory frameworks. The labor regulations facilitate a dynamic labor market. New Zealand has a vibrant agriculture sector with the lowest subsidies of any OECD country.

OPEN MARKETS



The combined value of exports and imports is equal to 51.3 percent of GDP. The average applied tariff rate is 1.3 percent. As of June 30, 2018, according to the WTO, New Zealand had 242 nontariff measures in force. Overall, openness to global trade and investment is firmly institutionalized. Banking is well established and competitive.

WORLD RANK: **107** | REGIONAL RANK: **21**

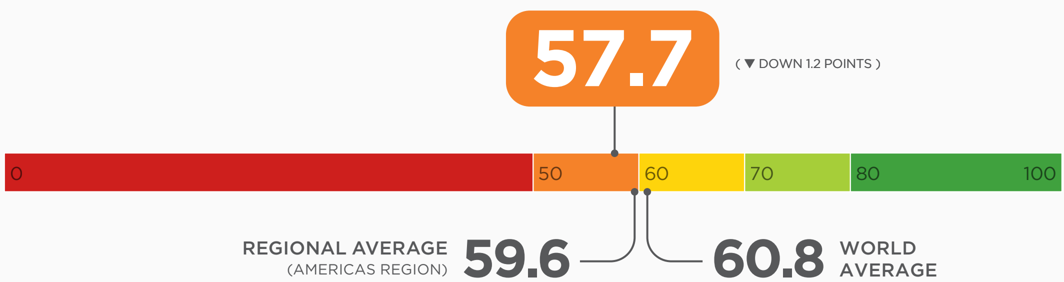
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

NICARAGUA

Nicaragua's economic freedom score is 57.7, making its economy the 107th freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with lower scores for **trade freedom**, **business freedom**, and **government integrity** outweighing an improvement in **property rights**. Nicaragua is ranked 21st among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Investor confidence was badly shaken by the deadly violence deployed by the authoritarian Ortega regime in 2018 against peaceful protestors opposed to perceived undemocratic rule. Land-grabs of farms by pro-government groups, although limited in scope, appear to have been aimed at undermining political opponents. The business environment has deteriorated, and state-owned enterprises have continued to receive favored treatment. Government revenues have fallen in parallel with continuing declines in assistance from Venezuela. Institutional weaknesses and an inefficient judicial system fail to protect property rights and combat corruption.

ECONOMIC FREEDOM SCORE

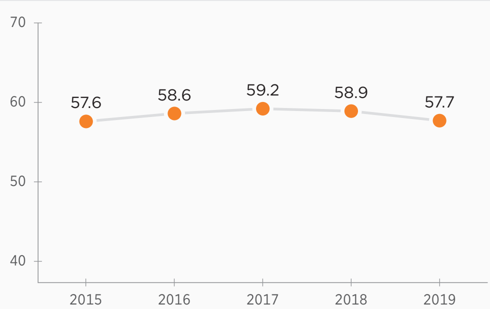


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+15.2

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
6.2 million

GDP (PPP):
$36.4 billion
4.9% growth in 2017
5-year compound annual growth 4.8%
$5,849 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
3.9%

FDI INFLOW:
$896.6 million

PUBLIC DEBT:
33.6% of GDP

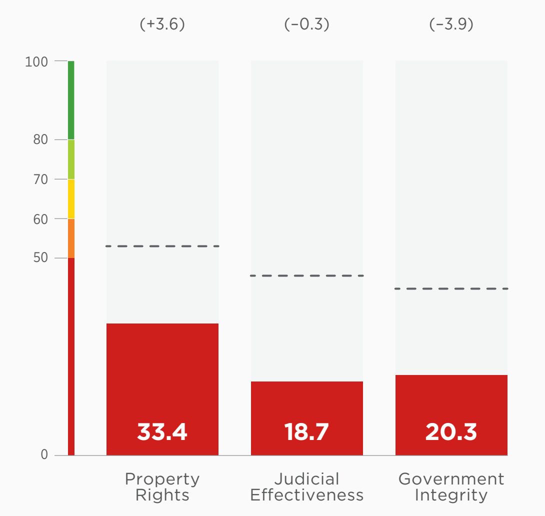
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In the late 1970s, Sandinista National Liberation Front (FSLN) leader Daniel Ortega overthrew the authoritarian Somoza political dynasty and headed a provisional FSLN-led government until he lost several free and fair elections. Finally elected president in 2006, he was reelected for a third time in a 2016 election that international observers deemed neither free nor fair. Ortega has severely weakened democratic institutions and fully controls the government, security forces, and key sectors of the economy. In 2018, the government responded to student-led protests against Ortega family control with lethal violence, killing hundreds and paralyzing the country. Agricultural goods and textile production account for 50 percent of exports. Nicaragua remains Central America's poorest nation.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

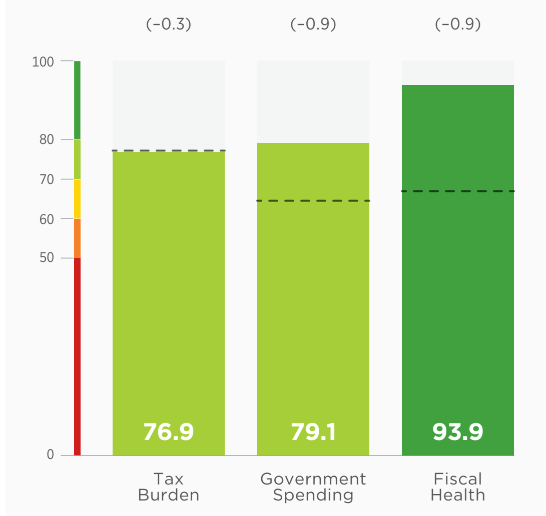
12 ECONOMIC FREEDOMS | NICARAGUA

RULE OF LAW



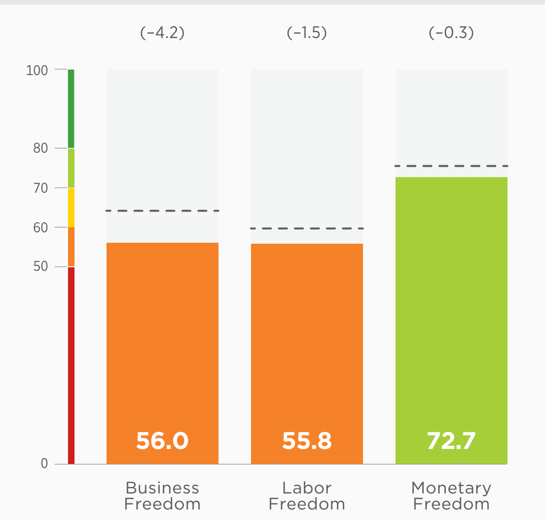
Private property rights are not protected effectively, especially for foreign investors. Contracts are not always secure. The judicial system suffers from corruption and long delays, and the government controls the politicized Supreme Court. Public-sector corruption and bribery of public officials are major challenges. The Ortega family's authoritarian rule is the greatest threat to the evenhanded rule of law.

GOVERNMENT SIZE



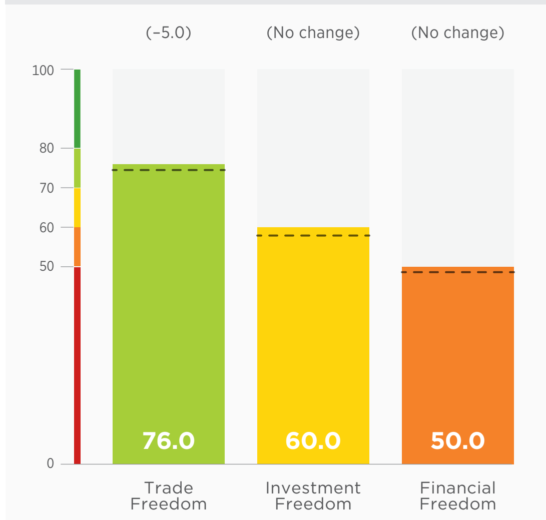
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.6 percent of total domestic income. Over the past three years, government spending has amounted to 26.4 percent of the country's output (GDP), and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 33.6 percent of GDP.

REGULATORY EFFICIENCY



Nicaragua's structural reform effort has been sluggish. Significant state interference in the economy through state-owned enterprises and inconsistent regulatory administration introduce uncertainty into the market. The lack of employment opportunities has caused chronic underemployment. The government controls prices of butane gas, electricity for households, and pharmaceuticals while heavily subsidizing fuel and water.

OPEN MARKETS



The combined value of exports and imports is equal to 96.7 percent of GDP. The average applied tariff rate is 2.0 percent. As of June 30, 2018, according to the WTO, Nicaragua had 54 nontariff measures in force. The judicial and regulatory systems impede foreign investment. The low level of financial intermediation undermines private-sector growth. About 33 percent of adult Nicaraguans have an account with a formal banking institution.

WORLD RANK: **151**

REGIONAL RANK: **31**

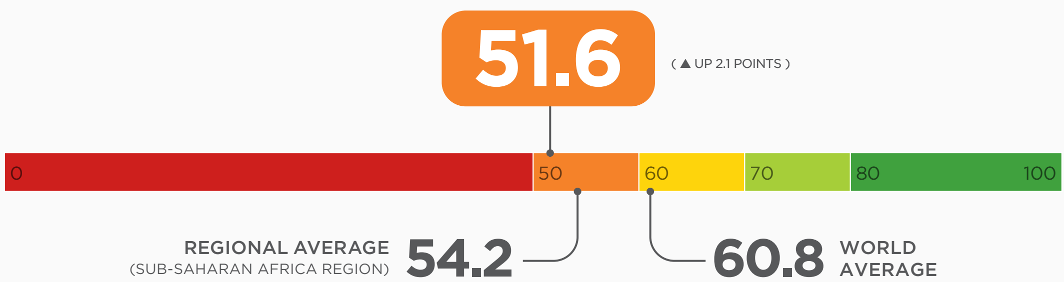
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

NIGER

Niger's economic freedom score is 51.6, making its economy the 151st freest in the 2019 *Index*. Its overall score has increased by 2.1 points, with a large gain in **business freedom** and smaller gains in six other factors outpacing a drop in the **monetary freedom** score. Niger is ranked 31st among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Although landlocked Niger has enjoyed robust growth led by minerals exports, the lack of entrepreneurial dynamism will likely undermine development in the longer term. Efforts to scale up public investment, particularly investment related to infrastructure, and increased security spending have caused public debt to increase. The financial system remains underdeveloped, weak, and fragmented, reflecting the small size of the formal economy. Outmoded labor regulations and an inefficient regulatory and legal environment constrain commercial operations and investment.

ECONOMIC FREEDOM SCORE

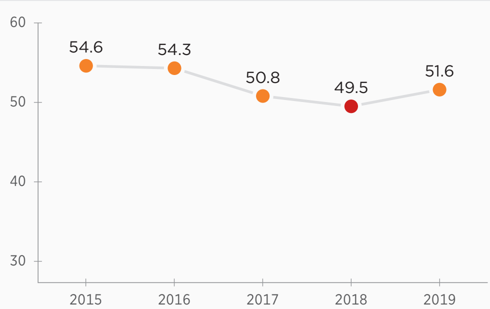


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+5.8

CONCERNS:
Fiscal Health and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
18.8 million

GDP (PPP):
$21.8 billion
5.2% growth in 2017
5-year compound annual growth 5.4%
$1,164 per capita

UNEMPLOYMENT:
0.4%

INFLATION (CPI):
2.4%

FDI INFLOW:
$334.3 million

PUBLIC DEBT:
46.5% of GDP

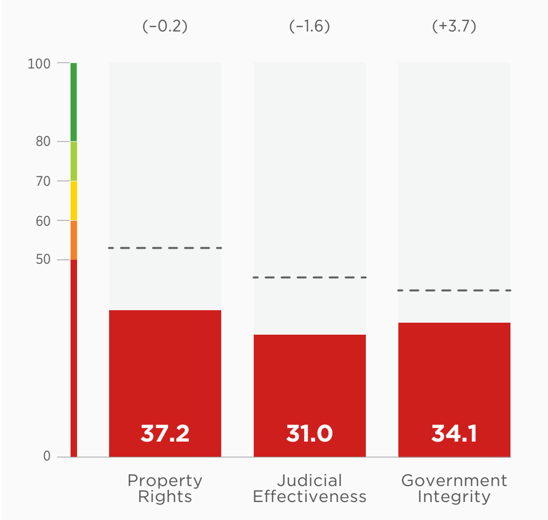
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After independence from France in 1960, a single-party military regime governed Niger for three decades until elections that led to democratic government in 1993. The military overthrew President Mamadou Tandja in 2010 after he tried to extend his rule beyond the constitutional two-term limit. Mahamadou Issoufou of the Nigerien Party for Democracy and Socialism was elected in 2011 and reelected to a second five-year term in 2016 after his chief rival was imprisoned. Ongoing challenges include a restive Tuareg population in the North, spillover violence from conflicts in Libya and Mali, and terrorist groups linked to al-Qaeda and the Islamic State. Niger has some of the world's largest uranium deposits, but its economy is centered on subsistence crops and livestock.

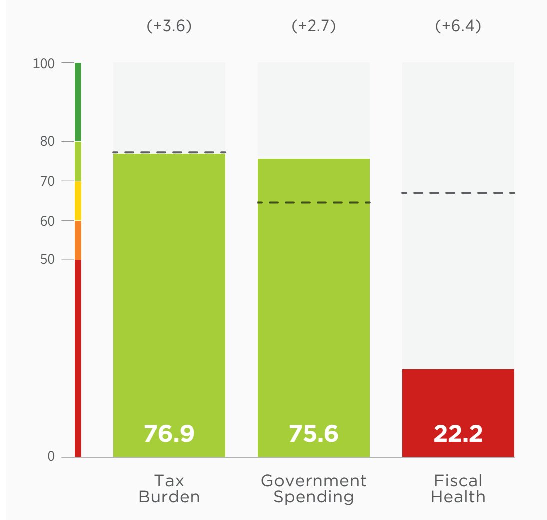
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | NIGER

RULE OF LAW



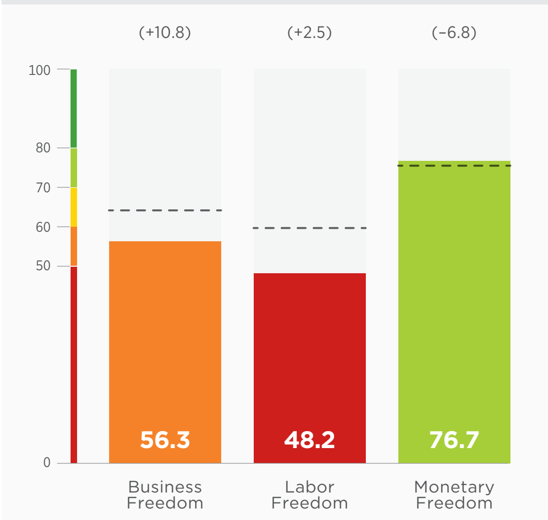
GOVERNMENT SIZE



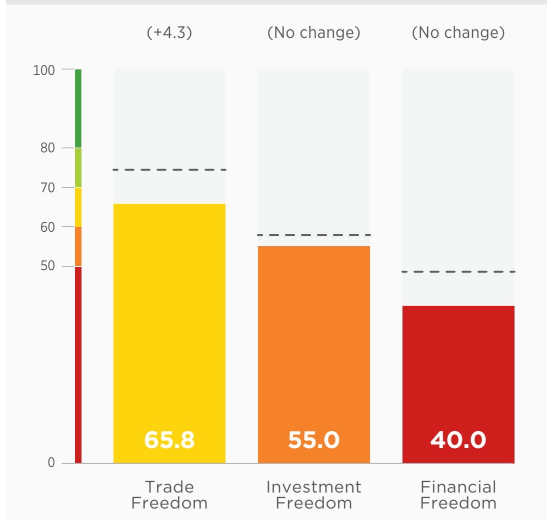
Interests in property are enforced when the landholder is known, but property disputes are common. Registering property was made easier in 2018 when transfer taxes were reduced. The judicial framework is ineffective, and the court system is weak and vulnerable to political pressure. High rates of illiteracy among the semi-nomadic Nigeriens contribute to a political culture that is overly tolerant of widespread corruption.

The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include interest and capital gains taxes. The overall tax burden equals 13.5 percent of total domestic income. Over the past three years, government spending has amounted to 28.5 percent of the country's output (GDP), and budget deficits have averaged 6.8 percent of GDP. Public debt is equivalent to 46.5 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Much-needed private-sector development has been hampered by the inadequate regulatory framework. Outmoded and inconsistent regulations impose substantial costs on business operations. The labor market is poorly developed, and much of the labor force works in the informal sector. Monetary stability has been relatively well sustained, but the government continues to subsidize food, fuel, and other basic goods.

The combined value of exports and imports is equal to 49.6 percent of GDP. The average applied tariff rate is 9.6 percent. Niger's inefficient regulatory and legal environment constrains trade and investment. The underdeveloped, weak, and fragmented financial system reflects the small size of the formal economy. About 19 percent of adult Nigeriens have access to an account with a formal banking institution.

WORLD RANK: 111

REGIONAL RANK: 14

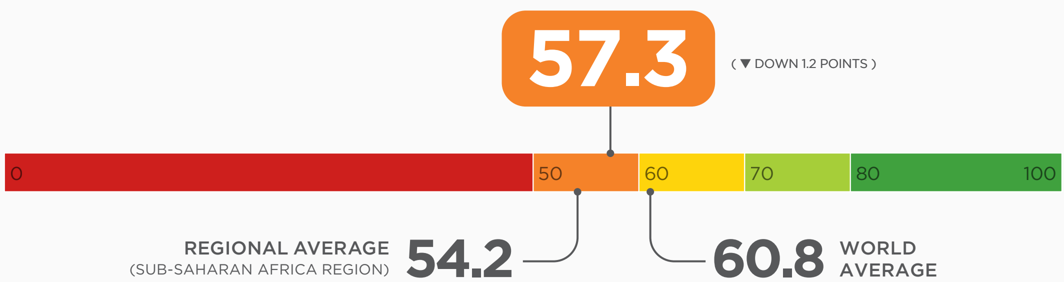
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

NIGERIA

Nigeria's economic freedom score is 57.3, making its economy the 111th freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with a steep drop in **fiscal health** and lower scores on **judicial effectiveness** and **trade freedom** outweighing improvements in **government integrity**, **business freedom**, and **labor freedom**. Nigeria is ranked 14th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Although Nigerian governments often pledge to enlarge the private sector through free-market reforms, even sometimes proposing liberalization of the oil sector, the implementation of such policies has been very slow. State management of scarce resources has empowered political elites who fear that reforms will push up consumer prices, stoke political instability, and antagonize the middle classes, who rely on government-subsidized goods, and private-sector companies that depend on state handouts and protectionist policies.

ECONOMIC FREEDOM SCORE

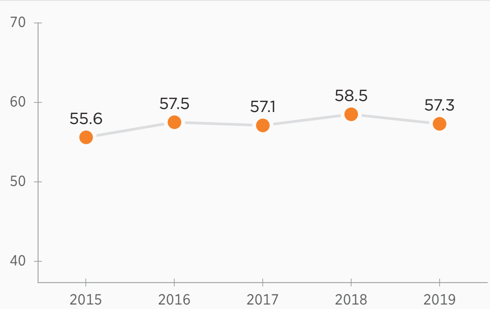


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+10.0

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
188.7 million

GDP (PPP):
$1.1 trillion
0.8% growth in 2017
5-year compound annual growth 2.7%
$5,929 per capita

UNEMPLOYMENT:
7.0%

INFLATION (CPI):
16.5%

FDI INFLOW:
$3.5 billion

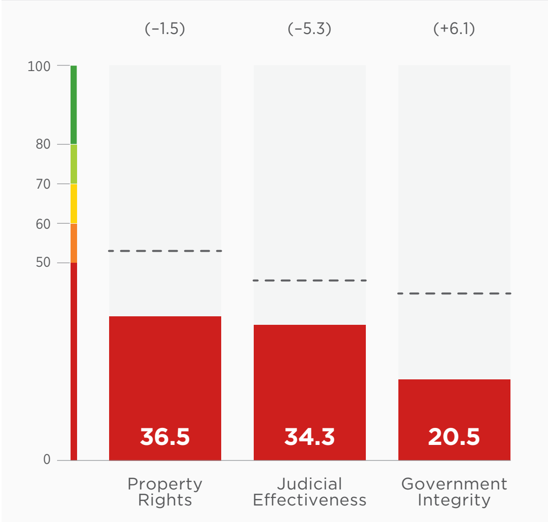
PUBLIC DEBT:
23.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A former British colony, Nigeria is Africa's most populous country. A new constitution established civilian government in 1999. In 2015, power transferred peacefully when former military ruler Muhammadu Buhari defeated incumbent President Goodluck Jonathan. The next elections are scheduled for February 2019. Although a multinational coalition has expelled the Islamist terrorist organization Boko Haram from many of its strongholds in northeast Nigeria, frequent attacks continue. There also have been lethal outbreaks of violence between herders and farmers in the Middle Belt region. Low global oil prices have battered the petroleum-based economy. Agriculture, telecommunications, and services are contributing to modest economic growth, but more than 60 percent of Nigeria's 170 million people still live in extreme poverty.

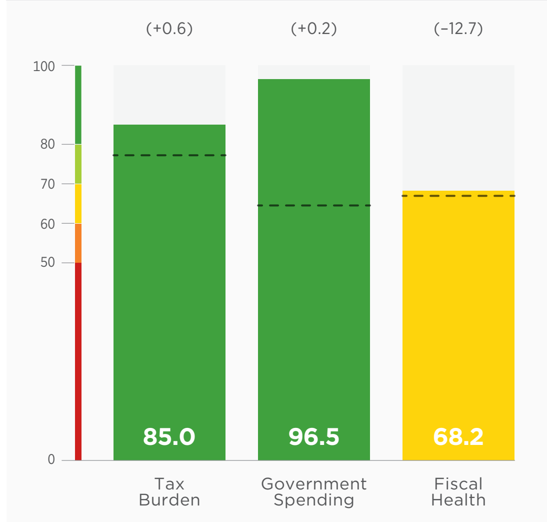
12 ECONOMIC FREEDOMS | NIGERIA

RULE OF LAW



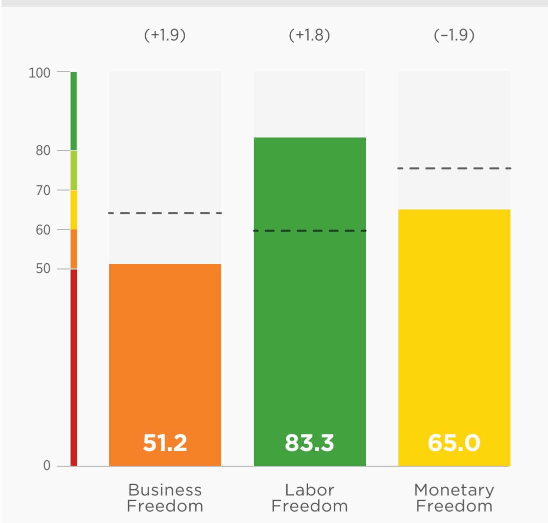
Although protection of property rights is weak, the World Bank's 2018 *Doing Business* survey reported that transparency increased for property transfers. The judiciary has some independence but is hobbled by political interference, corruption, and a lack of resources. Corruption is rarely investigated or prosecuted, and impunity remains widespread at all levels of government. The president and other high-ranking officials are immune from prosecution.

GOVERNMENT SIZE



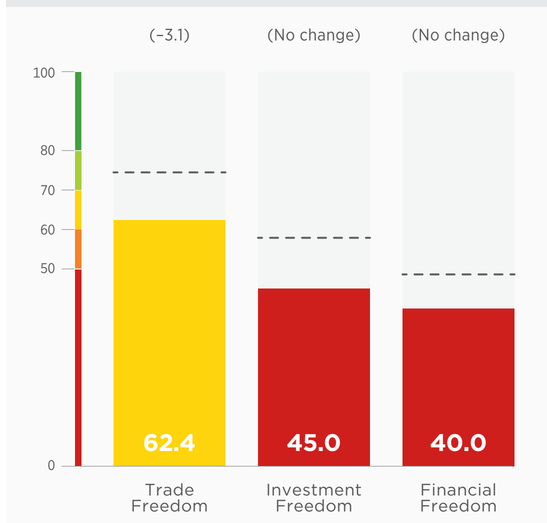
The top individual income tax rate is 24 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 5.2 percent of total domestic income. Over the past three years, government spending has amounted to 10.8 percent of the country's output (GDP), and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 23.4 percent of GDP.

REGULATORY EFFICIENCY



Despite recent reforms, the structural changes that are needed to develop a more vibrant private sector have not emerged, and the oil sector still dominates overall economic activity. In the absence of dynamic nonenergy growth, a more vibrant labor market also has not emerged. The government subsidizes electricity and has struggled with chronic fuel shortages caused by inconsistently applied gasoline subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 20.7 percent of GDP. The average applied tariff rate is 11.3 percent. As of June 30, 2018, according to the WTO, Nigeria had one nontariff measure in force. Lingering barriers to trade and investment in the form of bureaucratic delays persist. About 44 percent of adult Nigerians have access to an account with a formal banking institution. Nonperforming loans remain a problem.

NORWAY

WORLD RANK: **26**

REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Norway's economic freedom score is 73.0, making its economy the 26th freest in the 2019 *Index*. Its overall score has decreased by 1.3 points, with lower scores for **judicial effectiveness**, **trade freedom**, and **government spending** outweighing modest improvements in **monetary freedom** and the **tax burden**. Norway is ranked 15th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Norway's rich endowment of natural resources and vibrant private sector have funded a large state sector and extensive social safety net without disrupting economic stability. Although oil prices are recovering, the drop in investment after the global oil shock underscored the need for economic diversification. The government has identified the aluminum industry, health care, fisheries, and green technology as potential areas for growth. Norway's business environment benefits from monetary stability and an independent judicial system that provides strong protection of property rights.

ECONOMIC FREEDOM SCORE

(▼ DOWN 1.3 POINTS) **73.0**

WORLD AVERAGE **60.8**

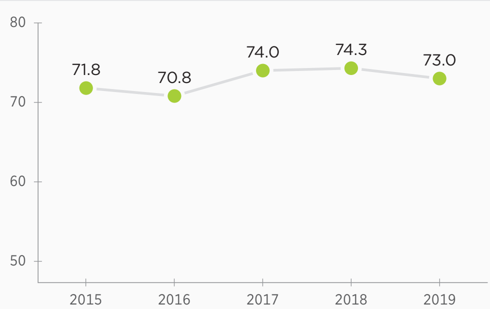
68.6 REGIONAL AVERAGE (EUROPE REGION)

RELATIVE STRENGTHS:
Fiscal Health and Government Integrity

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+7.6

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.3 million

GDP (PPP):
$380.0 billion
1.8% growth in 2017
5-year compound annual growth 1.6%
$71,831 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
1.9%

FDI INFLOW:
–$8.3 billion

PUBLIC DEBT:
36.7% of GDP

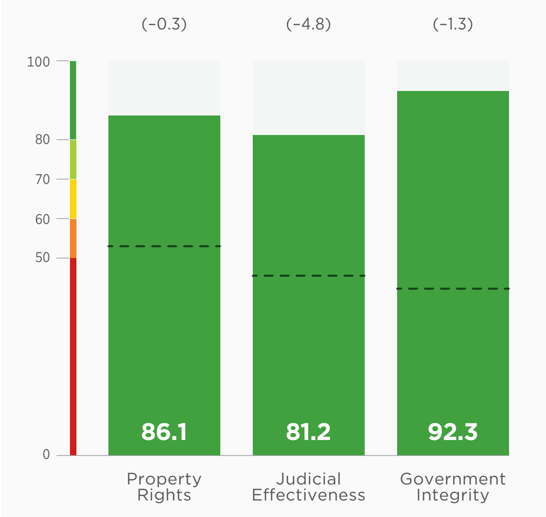
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Norway abandoned its traditional neutrality and became a charter member of NATO in 1949. Although voters have twice rejected membership in the European Union, Norway did join the European Free Trade Association. Prime Minister Erna Solberg of the Conservative Party, first elected in 2013, was reelected by a narrow margin in 2017 and heads a center-right coalition minority government. Norway is one of the world's most prosperous countries, and oil and gas production account for 20 percent of its economy. Other important sectors include hydropower, fish, forests, and minerals. State revenues from petroleum are deposited in the world's largest sovereign wealth fund. Unemployment is low, but an aging population could prove challenging in the future.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

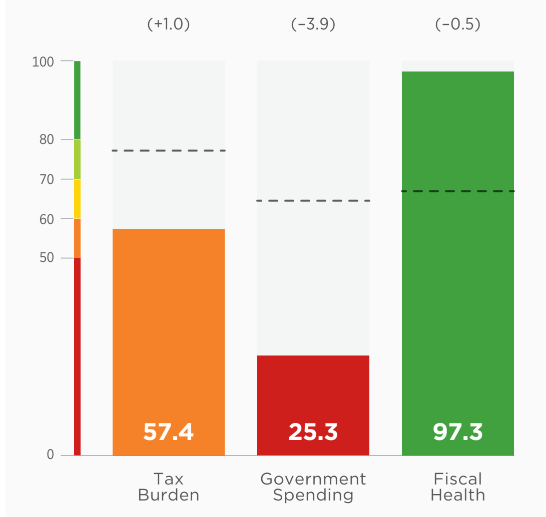
12 ECONOMIC FREEDOMS | NORWAY

RULE OF LAW



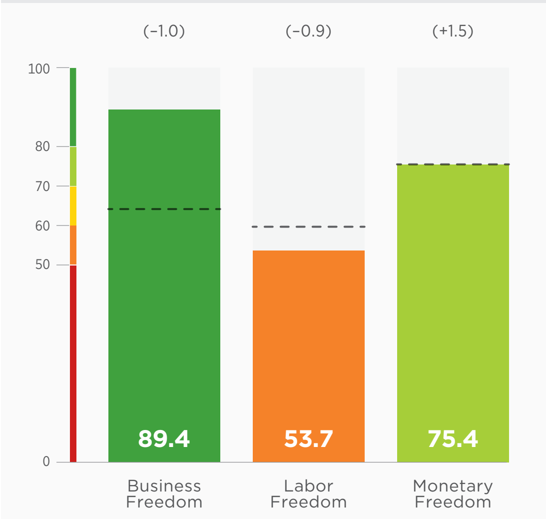
Private property rights are securely protected. Introduction of an electronic filing system in 2018 improved the enforcement of contracts. The judiciary is independent, and the court system operates fairly. Norway is one of the world's least corrupt countries, ranking third out of 180 countries in Transparency International's 2017 *Corruption Perceptions Index*. Well-established anticorruption measures reinforce a cultural emphasis on government integrity.

GOVERNMENT SIZE



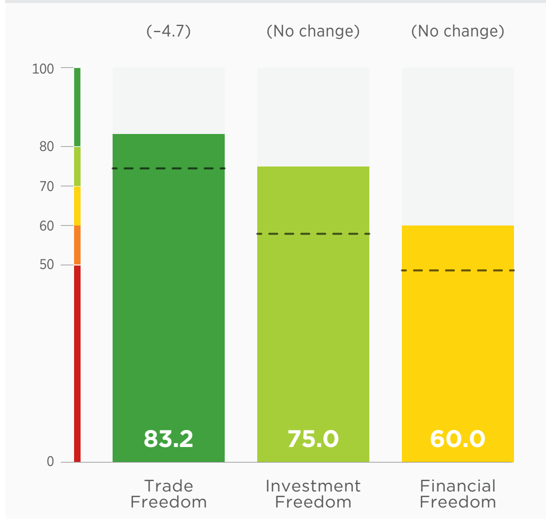
The top personal income tax rate is 47.8 percent, and the corporate tax rate has been cut to 23 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.0 percent of total domestic income. Over the past three years, government spending has amounted to 49.9 percent of the country's output (GDP), and budget surpluses have averaged 4.9 percent of GDP. Public debt is equivalent to 36.7 percent of GDP.

REGULATORY EFFICIENCY

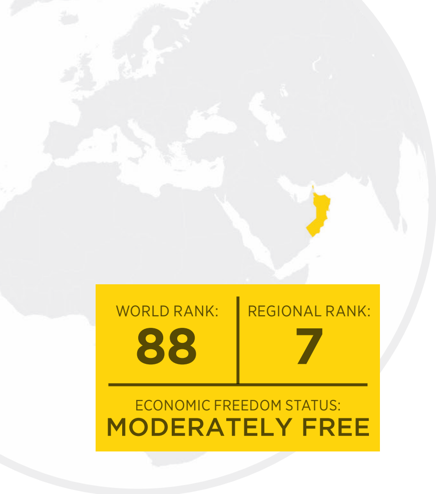


The transparent and efficient regulatory framework facilitates entrepreneurial activity and innovation. The labor market lacks flexibility, but the nonsalary cost of employment is not high in comparison to other countries in the region. Monetary stability has been well maintained, although generous tax incentives and subsidies to encourage home ownership have contributed to high and rising house prices.

OPEN MARKETS



The combined value of exports and imports is equal to 68.5 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, Norway had 236 nontariff measures in force. The economy benefits from openness to foreign investment. The financial sector is open, but the government retains ownership of the largest financial institution. Credit is allocated on market terms, and banks offer an array of services.



WORLD RANK: **88**

REGIONAL RANK: **7**

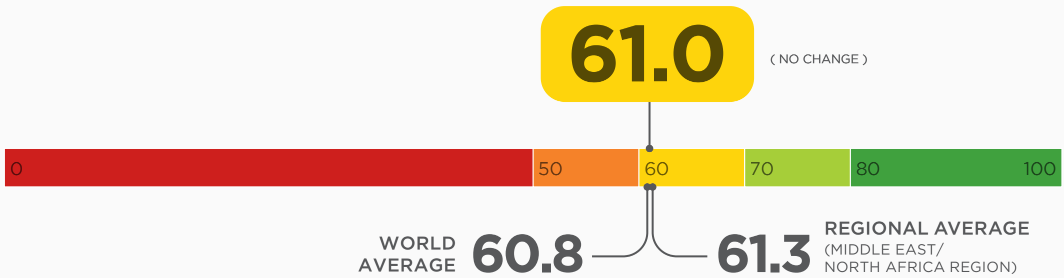
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

OMAN

Oman's economic freedom score is 61.0, making its economy the 88th freest in the 2019 *Index*. Its overall score remained the same as in 2018, with higher scores for **government spending**, **government integrity**, **trade freedom**, and **labor freedom** matched by declines in scores for **judicial effectiveness** and five other factors. Oman is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is slightly below the regional and world averages.

The government is using enhanced oil recovery techniques to boost production as oil reserves dwindle and is focusing on economic diversification to reduce reliance on hydrocarbons. With businesses complaining frequently about bureaucracy and a cumbersome regulatory environment, the government is cutting red tape to attract investors. A weak legal framework, subsidies, and other forms of favoritism to state-owned enterprises, however, continue to obstruct greater economic freedom.

ECONOMIC FREEDOM SCORE

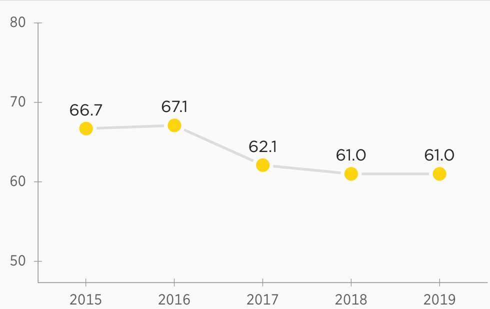


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–9.2

CONCERNS:
Fiscal Health and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
4.1 million

GDP (PPP):
$186.6 billion
–0.3% growth in 2017
5-year compound annual growth 2.7%
$45,157 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
1.6%

FDI INFLOW:
$1.9 billion

PUBLIC DEBT:
44.2% of GDP

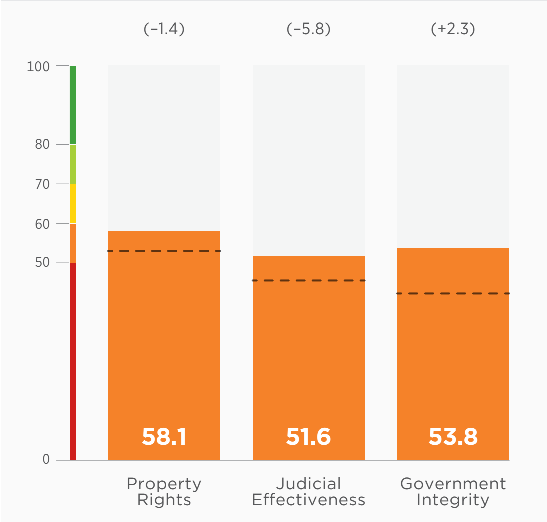
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Oman, a relatively small oil-producing kingdom that prospered from Indian Ocean trade, is one of the least populous Arab countries. It has been ruled by Sultan Qaboos bin Said Al-Said since 1970. After the Arab Spring protests in 2011, the sultan changed cabinet ministers and implemented reforms by expanding government regulatory and legislative powers. As part of its efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in 2012. Oman joined the World Trade Organization in 2000 and is heavily dependent on its dwindling oil resources, which generate about four-fifths of government revenue. Tourism, shipping, mining, manufacturing, and gas-based industries are key components of the government's diversification strategy.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

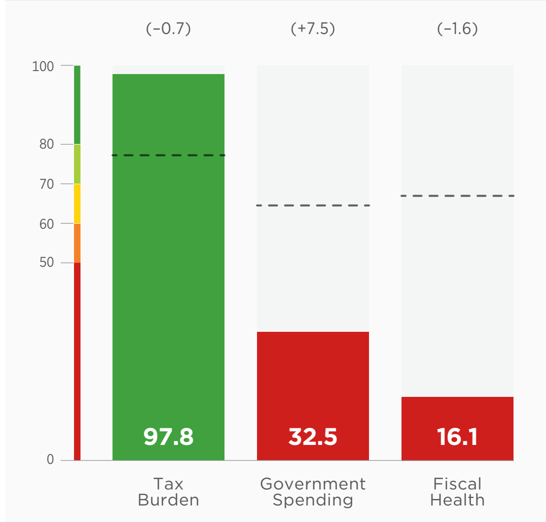
12 ECONOMIC FREEDOMS | OMAN

RULE OF LAW



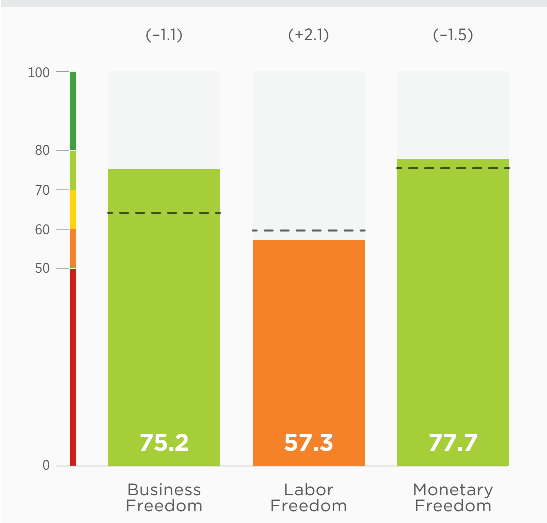
Property rights are well protected, although the judiciary remains subordinate to the sultan and the Ministry of Justice. Anticorruption laws are enforced effectively, but corruption remains a persistent issue. Several high-profile corruption cases involving government officials and state-owned oil company executives have been prosecuted, and many influential government officials have conflicts of interest because of their continued engagement in private business.

GOVERNMENT SIZE



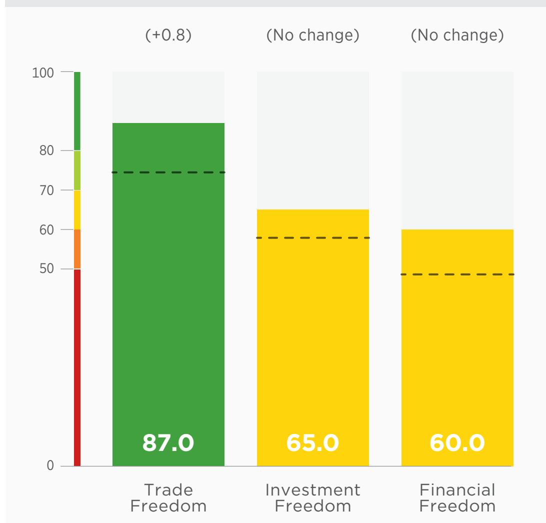
There is no individual income tax, and the top corporate tax rate is 12 percent. There are no consumption or value-added taxes. The overall tax burden equals 8.5 percent of total domestic income. Over the past three years, government spending has amounted to 47.4 percent of the country’s output (GDP), and budget deficits have averaged 16.2 percent of GDP. Public debt is equivalent to 44.2 percent of GDP.

REGULATORY EFFICIENCY



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. Although the government maintains electricity subsidies, cuts in subsidies for petroleum products have led to fuel price increases and rising inflation.

OPEN MARKETS



The combined value of exports and imports is equal to 76.8 percent of GDP. The average applied tariff rate is 1.5 percent. As of June 30, 2018, according to the WTO, Oman had 17 nontariff measures in force. There is no general screening of foreign investment. 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.

WORLD RANK: **131**

REGIONAL RANK: **32**

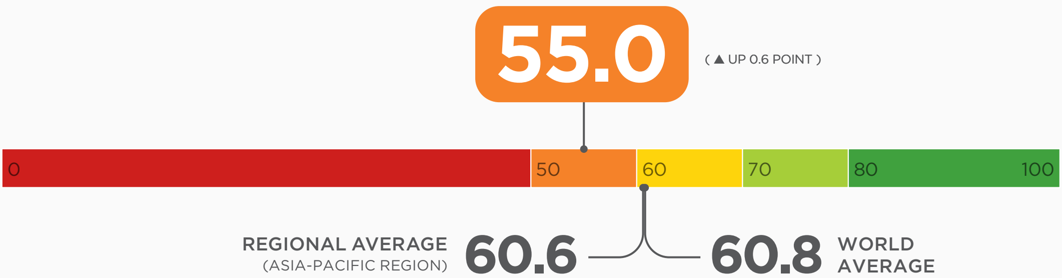
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

PAKISTAN

Pakistan's economic freedom score is 55.0, making its economy the 131st freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with higher scores for **judicial effectiveness** and **property rights** outpacing declines in **monetary freedom** and **fiscal health**. Pakistan is ranked 32nd among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Although some aspects of economic freedom have advanced modestly in Pakistan in recent years, decades of internal political disputes and low levels of foreign investment have led to erratic growth and underdevelopment. Excessive state involvement in the economy and inefficient but omnipresent regulatory agencies inhibit private business formation. Lack of access to bank credit undermines entrepreneurship, and the financial sector's isolation from the outside world slows innovation. The judicial system suffers from a serious backlog and poor security, and corruption continues to taint the judiciary and civil service.

ECONOMIC FREEDOM SCORE

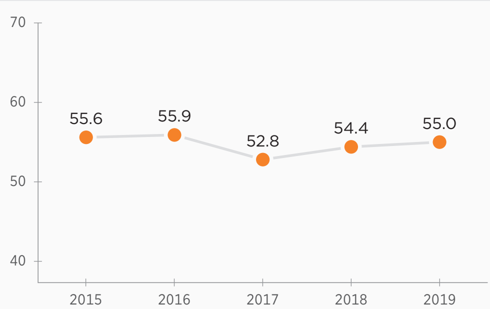


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–2.6

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
197.3 million

GDP (PPP):
$1.1 trillion
5.3% growth in 2017
5-year compound annual growth 4.3%
$5,358 per capita

UNEMPLOYMENT:
4.0%

INFLATION (CPI):
4.1%

FDI INFLOW:
$2.8 billion

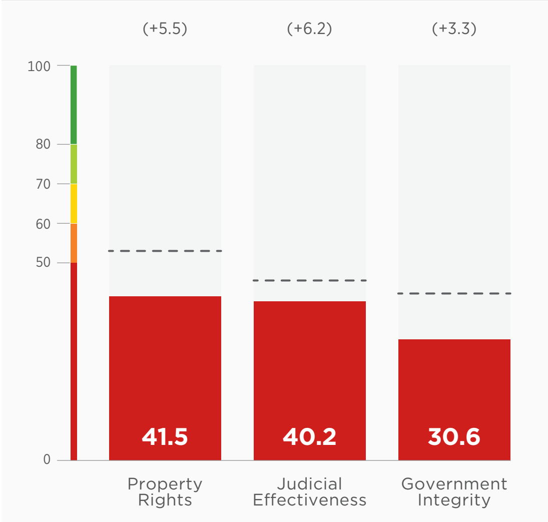
PUBLIC DEBT:
67.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Created during the partition of India in 1947, Pakistan remains a relatively unstable democracy threatened by sectarian and terrorist violence. Former cricket star Imran Khan became prime minister after his Pakistan Tehreek-e-Insaf (PTI) party won a plurality in the July 2018 election on promises of job creation, new housing, and economic reforms. Tensions with India increased after Pakistan-based militants attacked an Indian air base in 2016 just after a goodwill visit by Indian Prime Minister Narendra Modi. Political and social instability hinders economic development. Textiles and apparel account for most export earnings, but much of the economy is informal, and underemployment remains high. China has pledged over $60 billion in infrastructure and energy investments in a "China–Pakistan Economic Corridor."

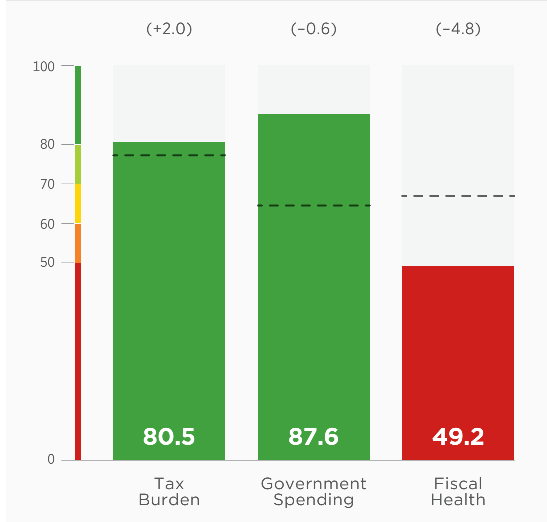
12 ECONOMIC FREEDOMS | PAKISTAN

RULE OF LAW



Protection of property rights is weak. Although technically independent, the judiciary is subject to influence from extremist groups and high-ranking political officials. Courts are slow, outdated, and inefficient. Corruption, including bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement, is so pervasive in politics, government, and law enforcement that the public has come to regard it as normal.

GOVERNMENT SIZE

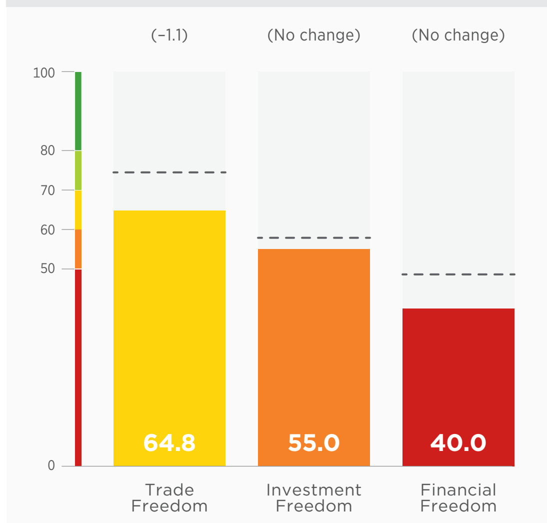


The tax system is complex despite reforms to cut rates and broaden the tax base. The top personal income tax rate is 30 percent, and the top corporate tax rate has been cut to 30 percent. The overall tax burden equals 12.4 percent of total domestic income. Over the past three years, government spending has amounted to 20.3 percent of the country's output (GDP), and budget deficits have averaged 5.1 percent of GDP. Public debt has risen to 67.2 percent of GDP.

REGULATORY EFFICIENCY

Progress in improving the entrepreneurial environment has been modest. The cost of completing licensing requirements is still burdensome. A large portion of the workforce is underemployed in the informal sector. The government's 2018–2019 budget increased spending on subsidies for the construction sector and for such items as food (especially sugar), power, water, and textiles by 36 percent.

OPEN MARKETS



The combined value of exports and imports is equal to 25.8 percent of GDP. The average applied tariff rate is 10.1 percent. As of June 30, 2018, according to the WTO, Pakistan had 66 nontariff measures in force. Excessive state involvement in the economy and restrictions on foreign investment are serious drags on economic dynamism. About 25 percent of adult Pakistanis have access to an account with a formal banking institution.

WORLD RANK: **50** | REGIONAL RANK: **9**

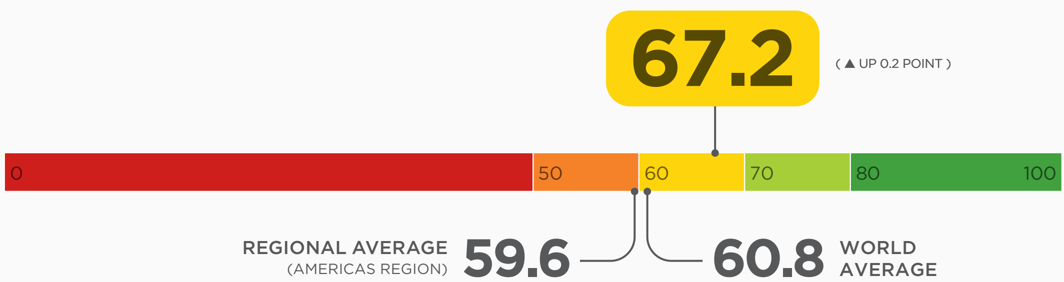
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PANAMA

Panama's economic freedom score is 67.2, making its economy the 50th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with a higher score for **fiscal health** exceeding a decline in **government integrity**. Panama is ranked 9th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Panama's economy has depended on transportation and logistics services, along with debt-financed public works infrastructure projects. Despite the potentially negative long-term effects of several nontransparent deals between China and the Varela government under China's "One Belt, One Road" program, the short-term rise in foreign direct investment inflows has kept growth rates above 5 percent. International pressure over governance of Panama's offshore banking continues, and the government has reaffirmed its commitment to implementing anti–money laundering reforms, but persistent corruption still undermines the rule of law.

ECONOMIC FREEDOM SCORE

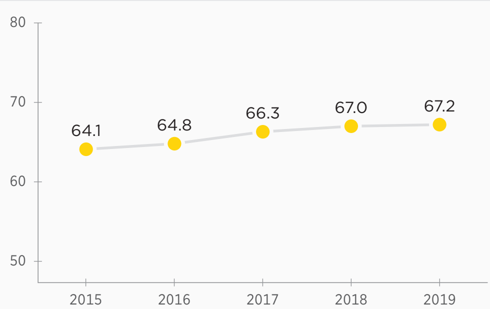


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–4.4

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
4.1 million

GDP (PPP):
$103.9 billion
5.4% growth in 2017
5-year compound annual growth 5.8%
$25,351 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
0.9%

FDI INFLOW:
$5.3 billion

PUBLIC DEBT:
38.2% of GDP

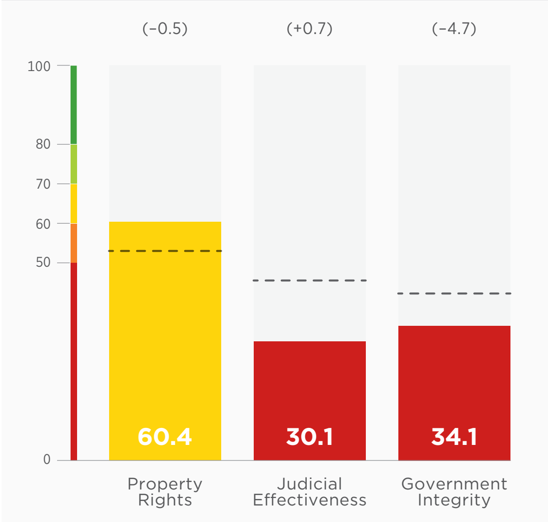
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Panama's isthmian canal connecting the Caribbean Sea and Pacific Ocean has been a vital conduit for global commerce ever since it opened in 1914. An ambitious expansion project was completed in 2016. President Juan Carlos Varela's single five-year term ends in 2019. His predecessor, Ricardo Martinelli, was arrested in Miami in 2017 and extradited to face corruption charges in Panama. Panama's U.S. dollar–based economy has been among the fastest growing in the region, encouraged by the canal's expansion and other public infrastructure-improvement projects. It is based primarily on a well-developed services sector that accounts for more than 75 percent of GDP. A longtime money-laundering hub, Panama recognized China diplomatically in 2017 and began negotiations on a free-trade agreement.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

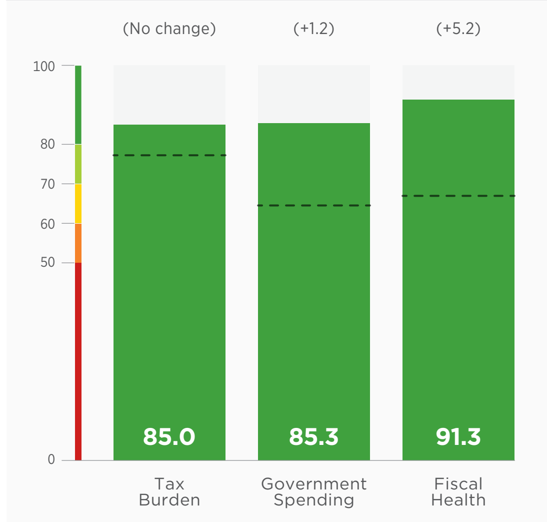
12 ECONOMIC FREEDOMS | PANAMA

RULE OF LAW



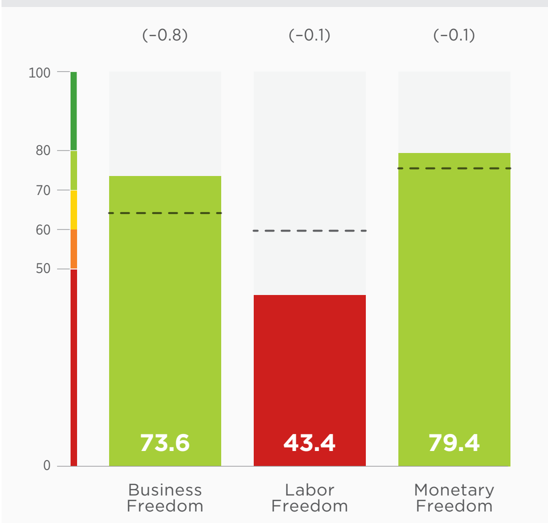
The majority of land in Panama is not titled. Laws to address the lack of titled land have proved ineffective because of institutional deficiencies. Contracts are not strongly enforced. The judiciary is weak, inefficient, and subject to manipulation by the executive branch. Corruption is widespread, and the government lacks the systemic checks and balances needed to support the rule of law adequately.

GOVERNMENT SIZE



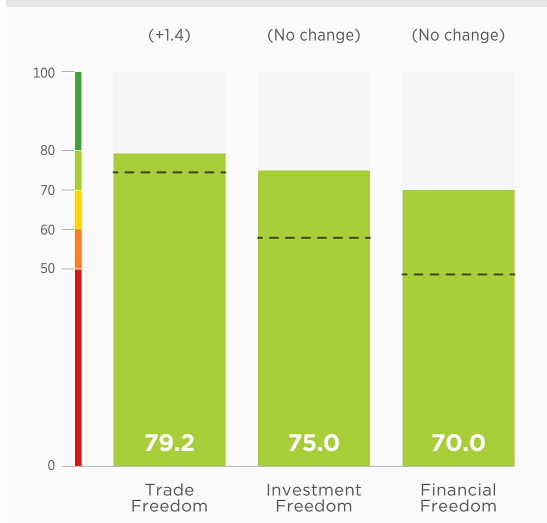
The top personal income and corporate tax rates are 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 15.8 percent of total domestic income. Over the past three years, government spending has amounted to 22.2 percent of the country's output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 38.2 percent of GDP.

REGULATORY EFFICIENCY



The overall freedom to form and operate a business is relatively well protected within an efficient regulatory environment. The labor market lacks flexibility, and the nonsalary cost of hiring a worker is relatively high. Monetary stability has been sustained in recent years. However, about 75 percent of Panama's energy-sector subsidies are untargeted, and electricity subsidies have been increasing.

OPEN MARKETS



The combined value of exports and imports is equal to 87.3 percent of GDP. The average applied tariff rate is 5.4 percent. As of June 30, 2018, according to the WTO, Panama had 20 nontariff measures in force. In general, the government does not screen or discriminate against foreign investment. The financial sector provides a wide range of services. About 50 percent of adult Panamanians have access to an account with a formal banking institution.

WORLD RANK: **101**

REGIONAL RANK: **21**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

PAPUA NEW GUINEA

Papua New Guinea's economic freedom score is 58.4, making its economy the 101st freest in the 2019 *Index*. Its overall score has increased by 2.7 points, with a significant increase in **fiscal health** far surpassing declines in **judicial effectiveness** and **trade freedom**. Papua New Guinea is ranked 21st among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Exploitation of Papua New Guinea's extensive natural resource wealth is hindered by daunting topography, property rights issues, and a lack of adequate infrastructure. The government intrudes in many aspects of the economy through state ownership and regulation, not only raising the costs of conducting entrepreneurial activity, but also discouraging broader-based development of the private sector. The private business environment is also held back by an inefficient legal system and the lack of institutionalized open-market policies.

ECONOMIC FREEDOM SCORE

58.4 (▲ UP 2.7 POINTS)

REGIONAL AVERAGE (ASIA-PACIFIC REGION) **60.6**

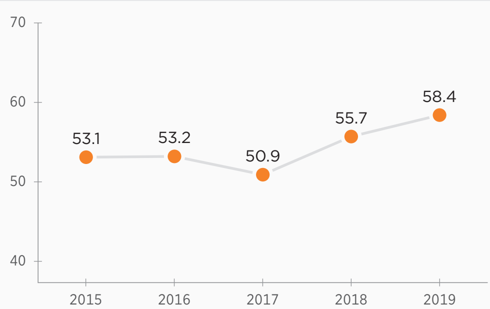
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Government Spending and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–0.2

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
8.3 million

GDP (PPP):
$30.3 billion
2.5% growth in 2017
5-year compound annual growth 5.8%
$3,675 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
5.2%

FDI INFLOW:
–$200.5 million

PUBLIC DEBT:
32.6% of GDP

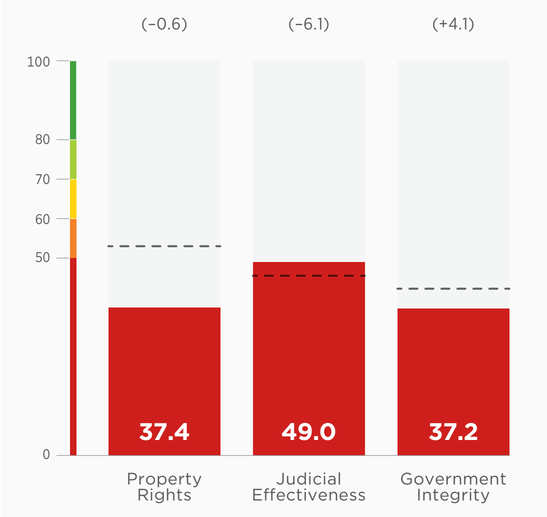
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Formerly administered by Australia, Papua New Guinea became an independent parliamentary democracy in 1975. Its nearly 7.5 million people speak over 840 different languages. Elections held in July 2017 were marred by violence and other electoral problems. The leader of the People's National Congress, Peter O'Neill, was sworn in for a second term as prime minister in August 2017, but his party's slimmer parliamentary majority could complicate the implementation of policy. Papua New Guinea is richly endowed with natural resources, and its economy's small formal sector is focused on exports of such commodities as gold, copper, oil, and natural gas. The vast majority of the population works informally in subsistence agriculture.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

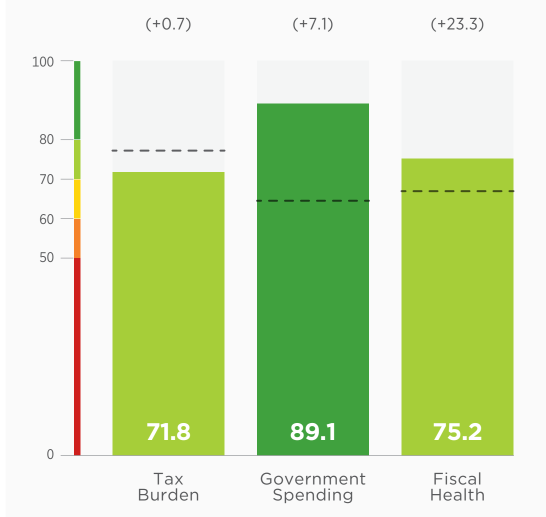
12 ECONOMIC FREEDOMS | PAPUA NEW GUINEA

RULE OF LAW



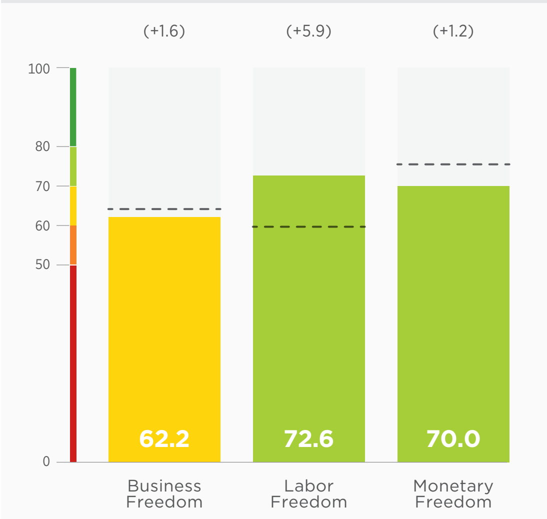
PNG law does not permit direct foreign ownership of land, and there are substantial delays in the government's issuance of long-term leases and in other legal system processes to facilitate the acquisition and disposition of property rights. The judicial framework is underresourced and underdeveloped. Pervasive corruption and nepotism often go unpunished because of bureaucracy, limited financial and human capacity, and lack of political will.

GOVERNMENT SIZE



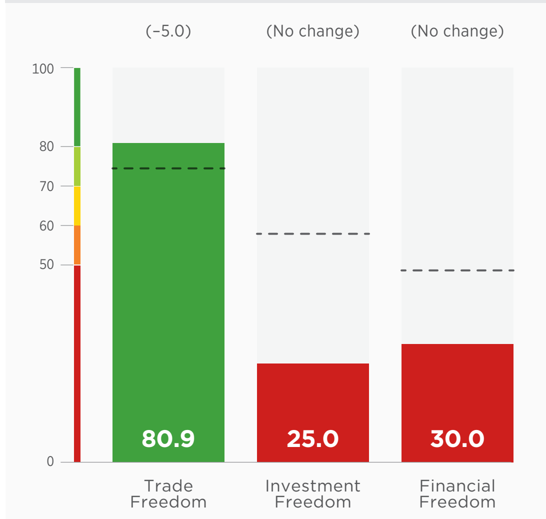
The top individual income tax rate is 42 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 12.5 percent of total domestic income. Over the past three years, government spending has amounted to 19.1 percent of the country's output (GDP), and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 32.6 percent of GDP.

REGULATORY EFFICIENCY



The government intrudes in many aspects of the economy through state ownership and regulation, raising the costs of entrepreneurial activity. Labor regulations are relatively flexible, but the formal labor market is not fully developed. Heavily subsidized state-owned enterprises provide substandard services for power, water, banking, telecommunications, air travel, and seaports, but the government has cancelled a number of fishing subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 61.6 percent of GDP. The average applied tariff rate is relatively low at 2.0 percent, but numerous nontariff barriers undercut trade flows. Foreign investors may not own land, and investment in several other sectors is restricted. Financial intermediation varies across the country, and a large part of the population remains unconnected to the banking system.

WORLD RANK: **85**

REGIONAL RANK: **18**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PARAGUAY

Paraguay's economic freedom score is 61.8, making its economy the 85th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with lower scores for **government spending** and **government integrity** outweighing improvements in **judicial effectiveness** and **property rights**. Paraguay is ranked 18th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The new government is expected to maintain orthodox macroeconomic policies, but further attempts at reform of the inefficient public sector or greater private participation in state-run enterprises are unlikely because of resistance from unions, the leftist opposition, and some traditional elements of the Colorado Party. The agriculture, retail, and construction sectors continue to be driving forces for economic growth. One of the region's lowest tax burdens enhances competitiveness. However, the informal economy remains large, and private-sector growth is hindered by institutional weaknesses that undermine the rule of law.

ECONOMIC FREEDOM SCORE

61.8 (▼ DOWN 0.3 POINT)

0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (AMERICAS REGION) **59.6**

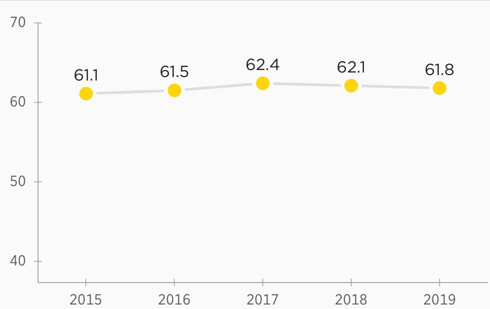
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–4.1

CONCERNS:
Government Integrity and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
$68.3 billion
4.3% growth in 2017
5-year compound annual growth 6.0%
$9,826 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
3.6%

FDI INFLOW:
$355.8 million

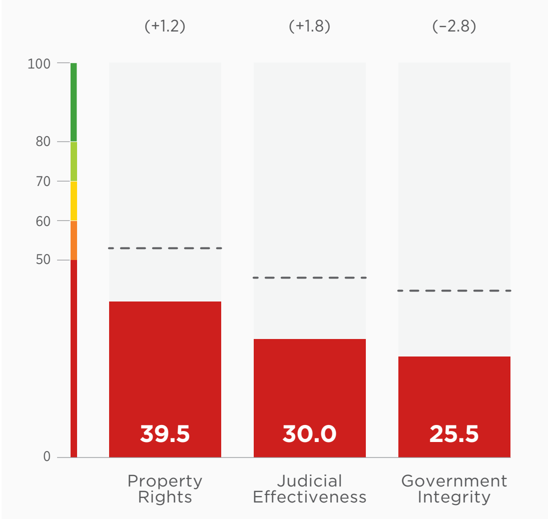
PUBLIC DEBT:
25.6% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Paraguay was established in the 19th century, along with Bolivia and Uruguay, as a buffer state between regional powers Brazil and Argentina. It is a global leader in hydroelectricity production, one-quarter of which is generated by the state-owned Itaipú dam, one of the world's largest and co-owned by Brazil. In the April 2018 elections, Mario Abdo of the Colorado Party (PC) was elected to succeed former President Horacio Cartes and retain PC control of the presidency. Abdo's effectiveness will hinge on whether the PC is able to form a durable legislative coalition. Economic growth depends on exports of electricity and such agricultural goods as soybeans, beef, and rice, as well as attractiveness to foreign direct investment.

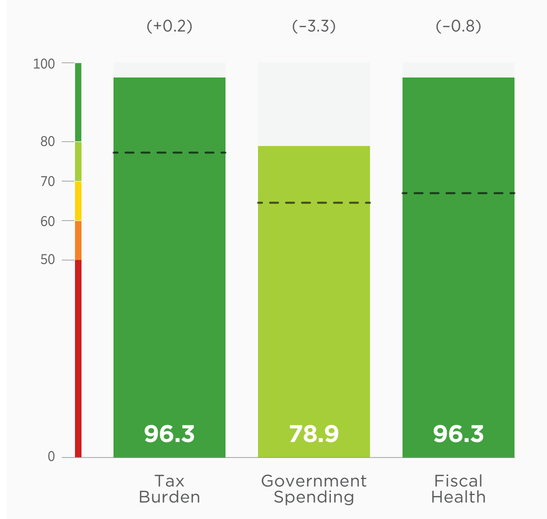
12 ECONOMIC FREEDOMS | PARAGUAY

RULE OF LAW



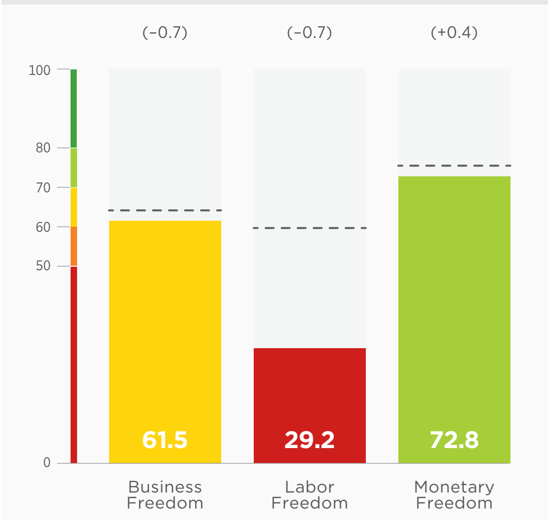
A lack of consistent property surveys and registries often makes it difficult to acquire title documents for land, leaving property rights and contracts insecure. The judiciary is slow, and offenses often go unpunished because of political influence. Corruption is widespread at all levels of government, but steps such as the creation of an Internet-based government procurement system have improved transparency.

GOVERNMENT SIZE



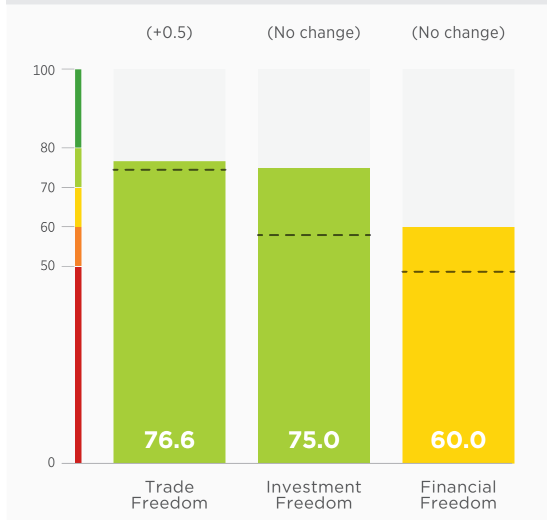
The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.0 percent of total domestic income. Over the past three years, government spending has amounted to 26.5 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 25.6 percent of GDP.

REGULATORY EFFICIENCY

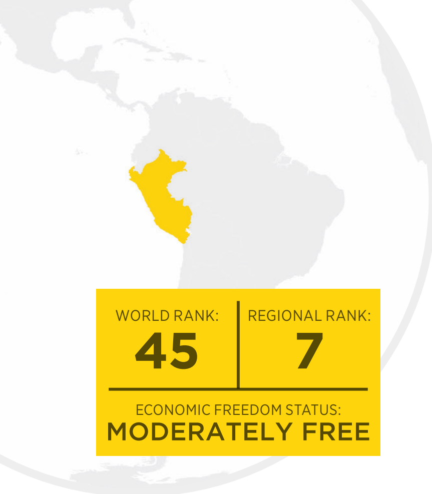


The overall regulatory framework is only weakly supportive of dynamic entrepreneurial activity. Labor regulations are outmoded. The difficulty of dismissing long-term full-time employees encourages the hiring of more "temporary" workers with periodically renewed contracts. The government sets electricity rates and subsidizes major state-owned entities, from public transport utilities to fuel distribution and telecommunications.

OPEN MARKETS



The combined value of exports and imports is equal to 84.6 percent of GDP. The average applied tariff rate is 4.2 percent. As of June 30, 2018, according to the WTO, Paraguay had 16 nontariff measures in force. Foreign investment is not subject to screening, and foreign entities may own property. About 55 percent of adult Paraguayans have access to an account with a formal banking institution.



WORLD RANK: **45**

REGIONAL RANK: **7**

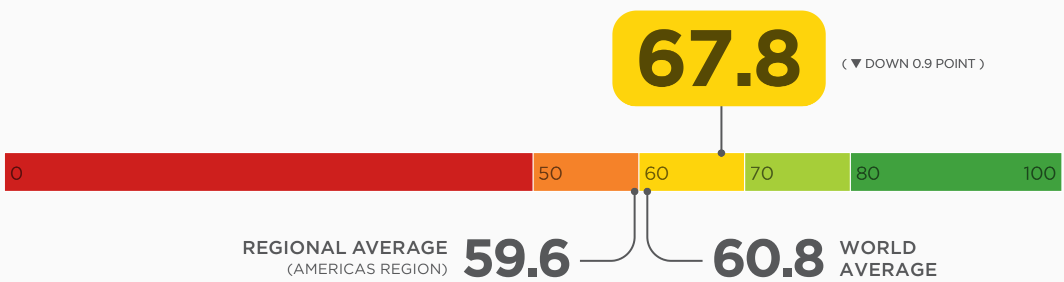
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PERU

Peru's economic freedom score is 67.8, making its economy the 45th freest in the 2019 *Index*. Its overall score has decreased by 0.9 point, with declines in **fiscal health** and **government integrity** exceeding modest improvements in **labor freedom** and **monetary freedom**. Peru is ranked 7th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Vizcarra government's policy priorities include antigraft reform, pro-competition policy reform, infrastructure development, modernization of the state, and fiscal consolidation. Institutional reform efforts are expected to center on legislation to promote transparency in the public sector (for example, by mandating the publication of visitor records for public officials) and the private sector (for instance, by strengthening protections for whistle-blowers). Government corruption remains a serious problem, limiting foreign investors' confidence in the economy. State-owned enterprises remain very active, especially in the petroleum sector.

ECONOMIC FREEDOM SCORE

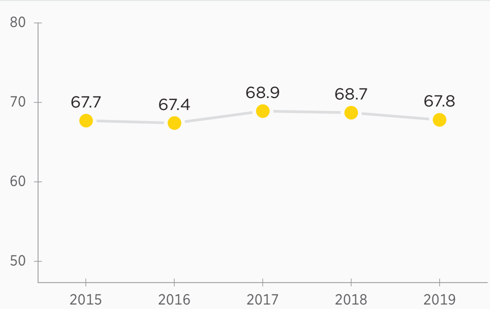


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+10.9

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
31.8 million

GDP (PPP):
$424.4 billion
2.5% growth in 2017
5-year compound annual growth 3.6%
$13,334 per capita

UNEMPLOYMENT:
3.6%

INFLATION (CPI):
2.8%

FDI INFLOW:
$6.8 billion

PUBLIC DEBT:
25.5% of GDP

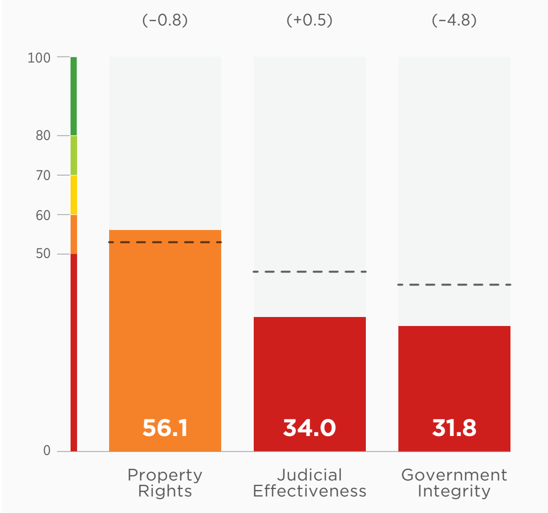
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Peru alternated between military rule and democracy in the last third of the 20th century. A violent multidecade guerilla insurgency was largely defeated in the 1990s by the government of Alberto Fujimori, an authoritarian who nevertheless implemented a liberal economic reform agenda. President Pedro Pablo Kuczynski, a center-right former World Bank economist, resigned in March 2018 under the threat of impeachment after mounting allegations of corruption. Vice President Martín Vizcarra assumed office, but political fragmentation in Congress will delay additional structural reforms. A founding member of the Pacific Alliance, Peru is rich in natural resources and has focused on implementing free-trade agreements to promote export-led growth. Peru remains the world's second-largest producer of cocaine.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

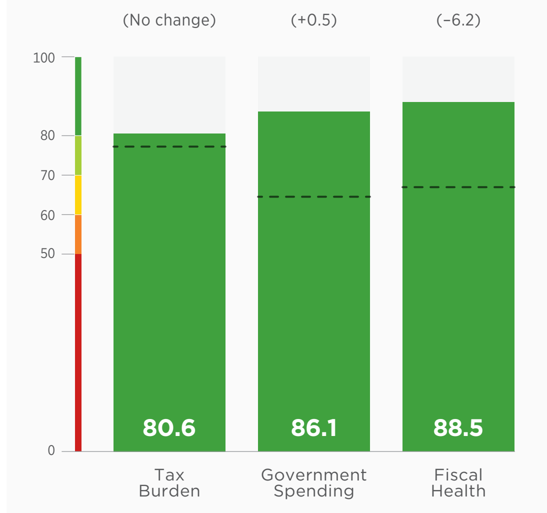
12 ECONOMIC FREEDOMS | PERU

RULE OF LAW



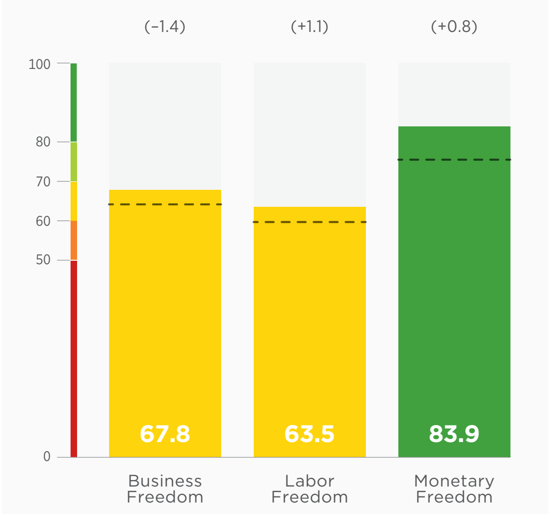
Although Peruvian law recognizes secured interests in both movable and immovable property, the judicial system is slow to hear cases and issue decisions and is prone to corruption. According to the World Bank's *Doing Business* survey, it takes an average of 426 days to settle a contractual dispute. Corruption remains a problem, particularly in public procurement. The influence of drug traffickers in local governments has increased.

GOVERNMENT SIZE



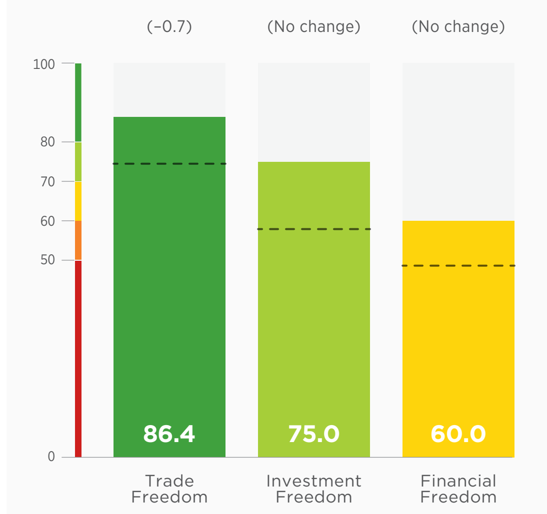
The top personal income tax rate is 30 percent. The top corporate tax rate is 28 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 16.0 percent of total domestic income. Over the past three years, government spending has amounted to 21.5 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 25.5 percent of GDP.

REGULATORY EFFICIENCY



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

OPEN MARKETS



The combined value of exports and imports is equal to 46.9 percent of GDP. The average applied tariff rate is 1.8 percent. As of June 30, 2018, according to the WTO, Peru had 383 nontariff measures in force. The economy is relatively open to most foreign investment, but a lack of regulatory predictability impedes more dynamic investment. About 47 percent of adult Peruvians have access to an account with a formal banking institution.

WORLD RANK: **70** | REGIONAL RANK: **15**

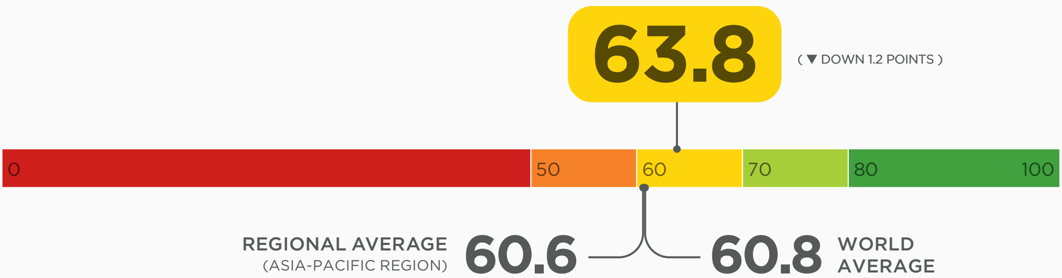
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

PHILIPPINES

The Philippines' economic freedom score is 63.8, making its economy the 70th freest in the 2019 *Index*. Its overall score has decreased by 1.2 points, with drops in scores for **monetary freedom**, **government integrity**, and the **tax burden** outweighing a higher score for **property rights**. The Philippines is ranked 15th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Continued strong economic growth, driven in part by ambitious state-funded infrastructure projects, has allowed the government to prioritize domestic law-and-order issues over economic policy concerns. Investors remain concerned about President Duterte's heavy-handed rule, although Duterte has consolidated support from Congress. The absence of entrepreneurial dynamism thwarts development. Despite the adoption of some fiscal reforms, deeper institutional reforms are needed in interrelated areas: business freedom, investment freedom, and the rule of law. The judicial system remains weak and vulnerable to political influence.

ECONOMIC FREEDOM SCORE

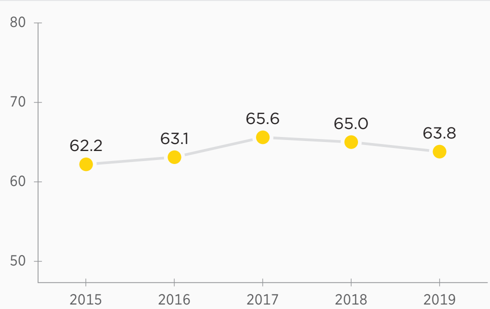


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+8.8

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
105.3 million

GDP (PPP):
$875.6 billion
6.7% growth in 2017
5-year compound annual growth 6.6%
$8,315 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
3.2%

FDI INFLOW:
$9.5 billion

PUBLIC DEBT:
37.8% of GDP

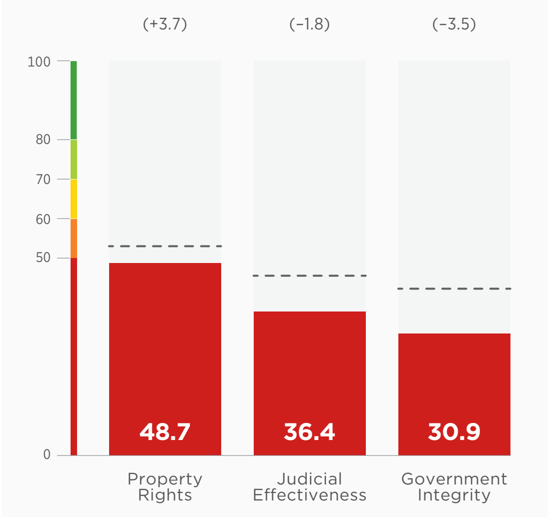
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A former colony of Spain and then of the United States, the Philippines became a self-governing commonwealth in 1935. Its diverse population speaks more than 80 languages and dialects and is spread over 7,000 islands in the Western Pacific. Longtime Davao City Mayor Rodrigo Duterte succeeded President Benigno Aquino III in 2016. Duterte has consolidated power by marginalizing his opponents, and his brutal crackdown on illegal drugs reflects authoritarian tendencies. To improve economic relations, Duterte has downplayed tensions with China. Agriculture is still a significant part of the economy, but industrial production in such areas as electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to nearly 10 percent of GDP.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

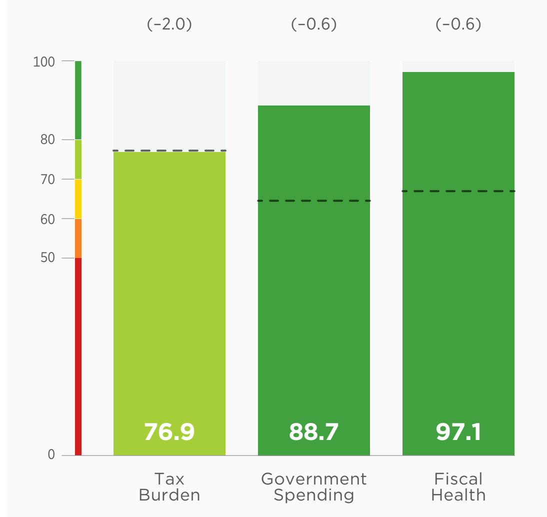
12 ECONOMIC FREEDOMS | PHILIPPINES

RULE OF LAW



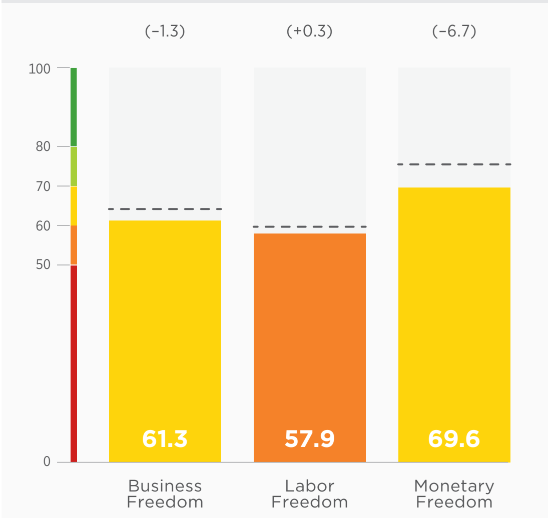
Laws protecting property rights are weakly implemented. Judicial independence is strong, but the rule of law is generally ineffective. Courts are inefficient, biased, corrupt, slow, and hampered by low pay, intimidation, and complex procedures. Corruption and cronyism are pervasive. A few dozen leading families hold a disproportionate share of land, corporate wealth, and political power. Anticorruption measures are not enforced.

GOVERNMENT SIZE



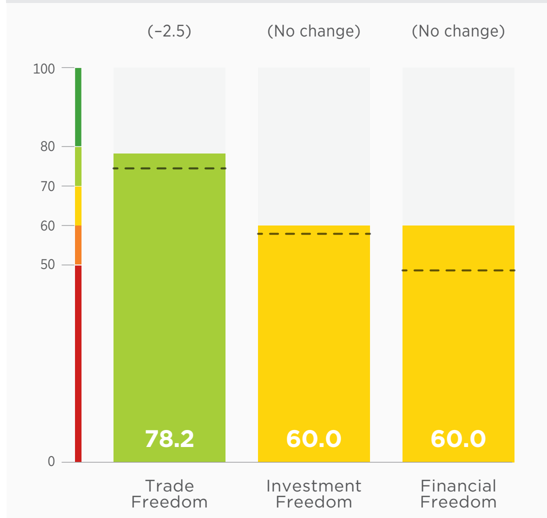
The top individual income tax rate has increased to 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 13.7 percent of total domestic income. Over the past three years, government spending has amounted to 19.4 percent of the country's output (GDP), with budgets effectively in balance. Public debt is equivalent to 37.8 percent of GDP.

REGULATORY EFFICIENCY

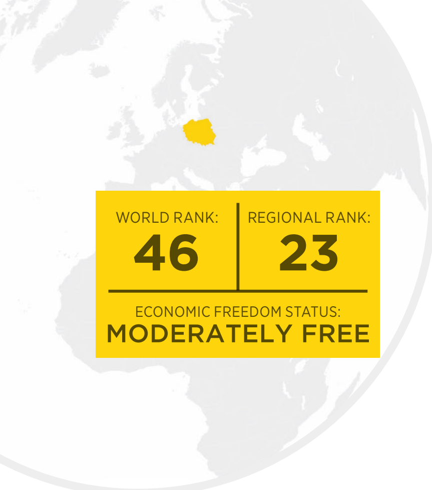


A series of reforms has been pursued to enhance the entrepreneurial environment. Gradual improvement of the regulatory environment includes reduction of the time and cost involved in fulfilling licensing requirements. The labor market remains structurally rigid, but existing regulations are not particularly burdensome. The government budgeted a record $3.03 billion in subsidies to state-owned enterprises in 2018 but decided to scrap agricultural subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 70.7 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, the Philippines had 286 nontariff measures in force. Many agricultural imports face additional barriers. Investment in several economic sectors is restricted. About 39 percent of adult Filipinos have access to an account with a formal banking institution.



WORLD RANK: **46**

REGIONAL RANK: **23**

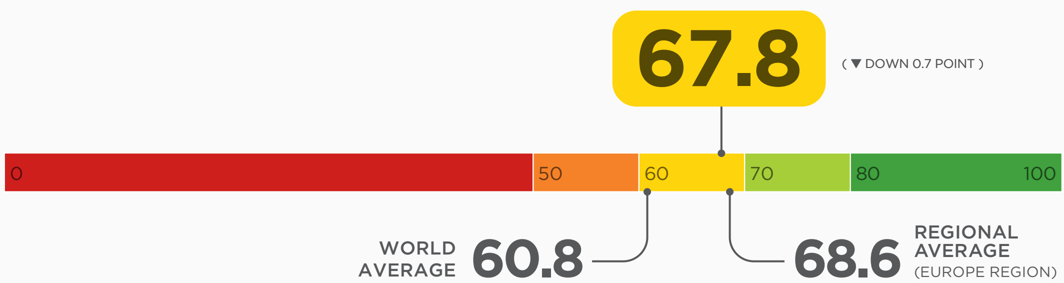
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

POLAND

Poland's economic freedom score is 67.8, making its economy the 46th freest in the 2019 *Index*. Its overall score has decreased by 0.7 point, with a plunge in the score for **judicial effectiveness** not fully offset by improvements in **investment freedom** and **fiscal health**. Poland is ranked 23rd among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Poland's positive economic reputation was earned through structural reforms: trade liberalization, low taxes, and business-friendly regulations. Enthusiasm for reform has waned in recent years amid political and policy uncertainty that has contributed to currency volatility and weakened rates of investment. Challenges include deficiencies in road and rail infrastructure, a rigid labor code, a weak commercial court system, government red tape, and a burdensome tax system for entrepreneurs. Reforms are also needed to buttress the independence of the judiciary and reduce opportunities for corruption.

ECONOMIC FREEDOM SCORE

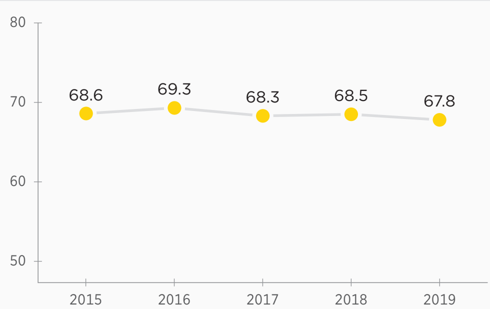


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+17.1

CONCERNS:
Judicial Effectiveness and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
38.0 million

GDP (PPP):
$1.1 trillion
4.6% growth in 2017
5-year compound annual growth 3.2%
$29,521 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
2.0%

FDI INFLOW:
$6.4 billion

PUBLIC DEBT:
51.4% of GDP

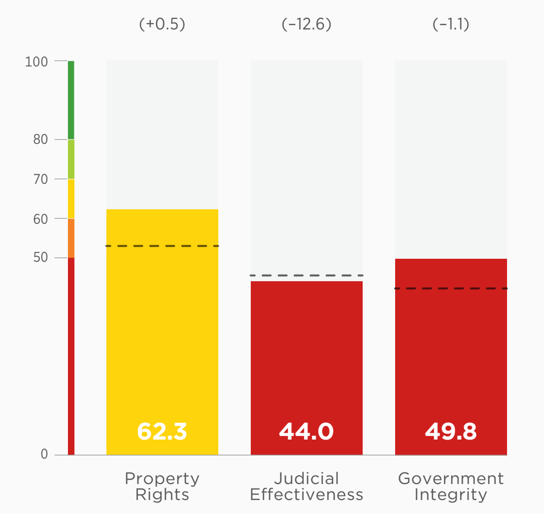
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Poland helped to bring down the Soviet Union in 1989, joined NATO in 1999, and became a member of the European Union in 2004. The conservative and Euroskeptic Law and Justice Party won a parliamentary majority in 2015, and former Minister of Finance Mateusz Morawiecki became prime minister in 2017. The government continues to clash with the EU over mandatory migrant quotas. Encouraged by a strong manufacturing sector and infrastructure investment, Poland has become the EU's eighth-largest economy, although it is somewhat constrained by labor shortages in such key sectors as construction and information technology. Tensions exist between the poorer and rural eastern region of the country and the more prosperous and industrialized western region.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

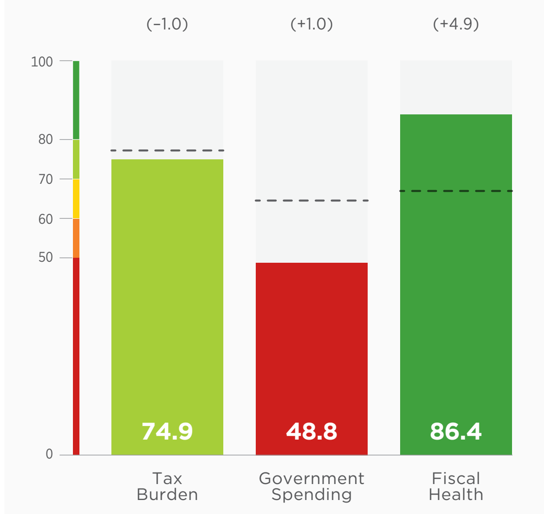
12 ECONOMIC FREEDOMS | POLAND

RULE OF LAW



The right to acquire and dispose of property is protected by law, and the judiciary is independent, but frequent complaints about the slow and sometimes politicized judiciary have diminished confidence in the government's ability to uphold property rights. Allegations of corruption occur most frequently in government procurement, where regulations or permits are alleged to have been issued to benefit particular companies.

GOVERNMENT SIZE

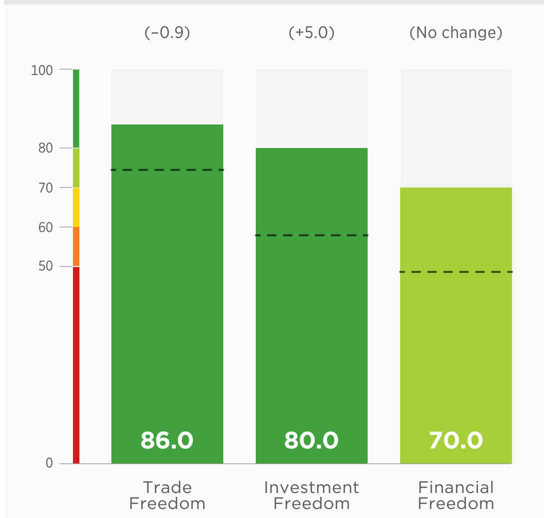


The top income tax rate is 32 percent, and the corporate tax rate is a flat 19 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.6 percent of total domestic income. Over the past three years, government spending has amounted to 41.3 percent of the country's output (GDP), and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 51.4 percent of GDP.

REGULATORY EFFICIENCY

Modernization of the regulatory environment has facilitated the transition to a market-oriented economy. The nonsalary cost of employing a worker is relatively high. Unions exercise considerable influence on contract termination and other labor issues. Poland has been the largest recipient of EU subsidies, but the European Commission has threatened to freeze its subsidies unless Poland cooperates with the "founding values of the EU."

OPEN MARKETS



The combined value of exports and imports is equal to 102.8 percent of GDP. The average applied tariff rate is 2.0 percent. Poland implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. A new investment promotion law was adopted in 2018. The financial sector continues to expand. FTSE Russell has upgraded the Polish stock market to "developed market" status.

WORLD RANK:	REGIONAL RANK:
62	30

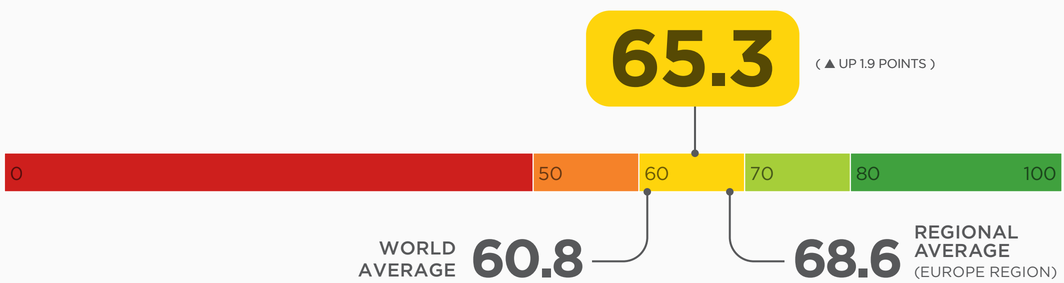
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

PORTUGAL

Portugal's economic freedom score is 65.3, making its economy the 62nd freest in the 2019 *Index*. Its overall score has increased by 1.9 points, with an improvement in **fiscal health** far outweighing declines in **judicial effectiveness** and **business freedom**. Portugal is ranked 30th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Over the years, despite sound institutions that contribute to an efficient business framework and independent judicial system, Portugal's indebted and inefficient public sector has worn away the private sector's dynamism and reduced the economy's overall competitiveness. The current center-left government has done little to stop this deterioration, leaving many right-leaning and classical liberal voters disenchanted. With growth rates now stabilizing in low but positive territory, there are opportunities for freedom-enhancing reforms that can increase foreign investment and create new jobs.

ECONOMIC FREEDOM SCORE

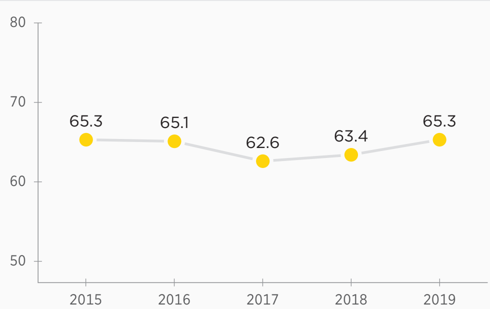


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.9

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
10.3 million

GDP (PPP):
$313.4 billion
2.7% growth in 2017
5-year compound annual growth 1.2%
$30,417 per capita

UNEMPLOYMENT:
8.9%

INFLATION (CPI):
1.6%

FDI INFLOW:
$6.9 billion

PUBLIC DEBT:
125.6% of GDP

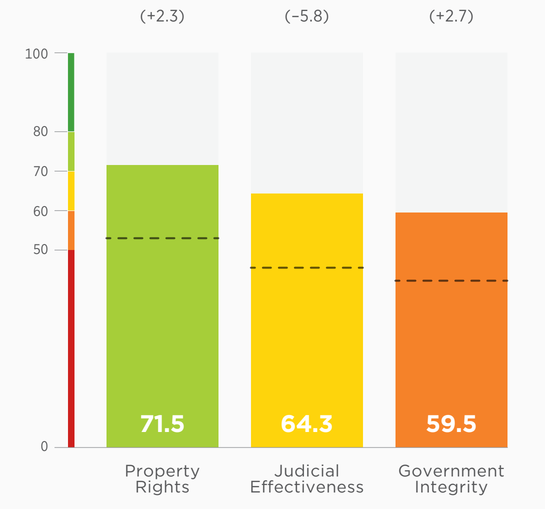
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Portugal returned to democracy in 1976 and joined the European Union in 1986. Former Lisbon Mayor António Costa, a Socialist, has been prime minister since his leftist coalition defeated the previous center-right coalition in 2015 parliamentary elections. Terminating many of his predecessor's austerity reforms increased his popularity at the expense of rivals. Portugal's increasingly services-based economy continues to recover from the European financial crisis. Leading sectors include financial services, telecommunications, and a buoyant tourism industry. Chinese investments have increased steadily, and a Chinese state-owned enterprise launched a €9 billion takeover bid for Portugal's largest utility and main energy provider in 2018. Unemployment has reached its lowest point since 2002, but joblessness among youth remains persistently high.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

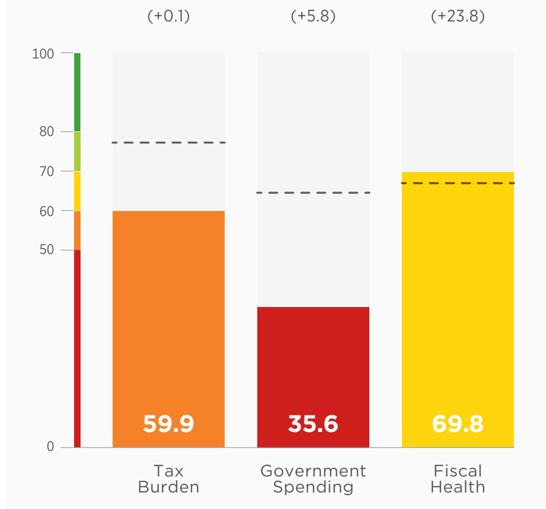
12 ECONOMIC FREEDOMS | PORTUGAL

RULE OF LAW



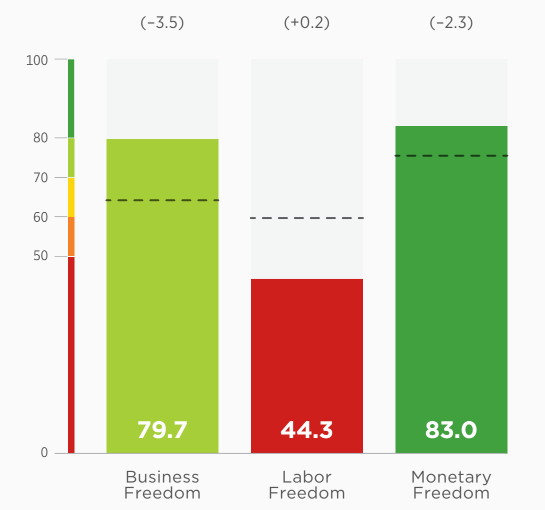
It is fairly easy to register property online. According to the World Bank's 2018 *Doing Business* report, registration involves just one procedure and takes only one day on average to complete. The constitution provides for the independence of the judiciary, which is generally respected by the executive branch. The country continues to struggle with corruption, and legal safeguards to counter it appear to be ineffective.

GOVERNMENT SIZE



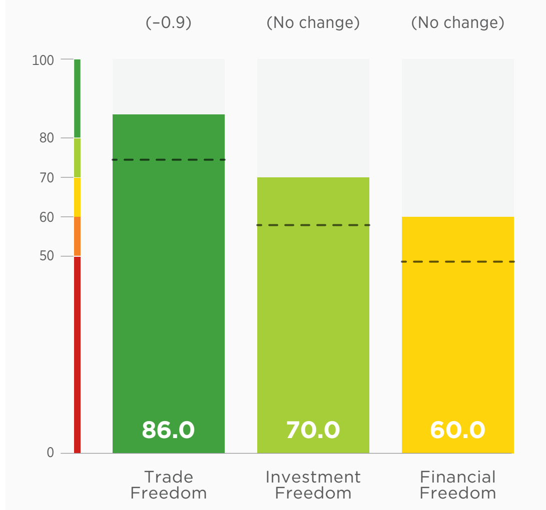
The top personal income tax rate is 48 percent, and the top corporate tax rate is 23 percent. Other taxes include a value-added tax. The overall tax burden equals 34.4 percent of total domestic income. Over the past three years, government spending has amounted to 46.3 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 125.6 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory framework is efficient. Rules regarding the formation and operation of private enterprises are relatively straightforward. Despite reform efforts, labor regulations on dismissals and the use of temporary contracts remain burdensome and costly. Although some state-owned enterprises have been privatized in recent years, the continuing inefficient operation of remaining SOEs such as transport and water requires ongoing subsidization.

OPEN MARKETS



The combined value of exports and imports is equal to 85.2 percent of GDP. The average applied tariff rate is 2.0 percent. Portugal implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. In general, the government does not discriminate against foreign investment. About 94 percent of adult Portuguese have access to an account with a formal banking institution.

WORLD RANK: 28

REGIONAL RANK: 3

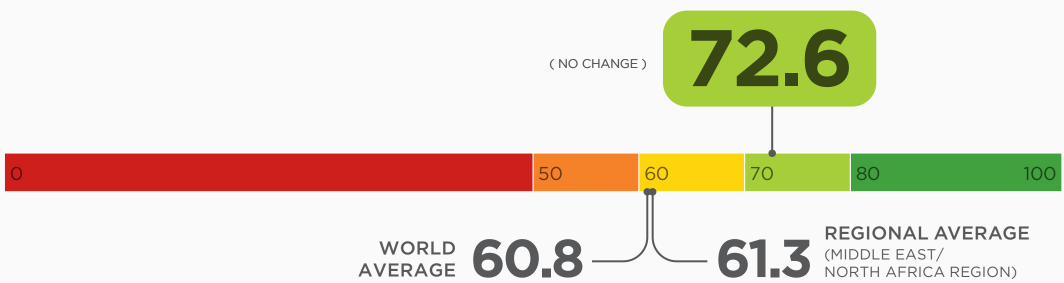
ECONOMIC FREEDOM STATUS: MOSTLY FREE

QATAR

Qatar's economic freedom score is 72.6, making its economy the 28th freest in the 2019 *Index*. Its overall score is unchanged this year, with higher scores for **government integrity** and **monetary freedom** offsetting declines in **property rights** and the score for **government spending**. Qatar is ranked 3rd among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The 2017 decision by other Gulf States and Egypt to shut down transport links to the peninsula continues to dampen Qatar's growth prospects and has dealt a serious blow to business sentiment. The boycott derails further fiscal consolidation. The government has had to increase subsidies and raise wages to offset boycott-induced price increases and bolster public support for the regime. Deeper structural reforms and sounder management of public finances are critical to enhancing competitiveness in the longer term.

ECONOMIC FREEDOM SCORE

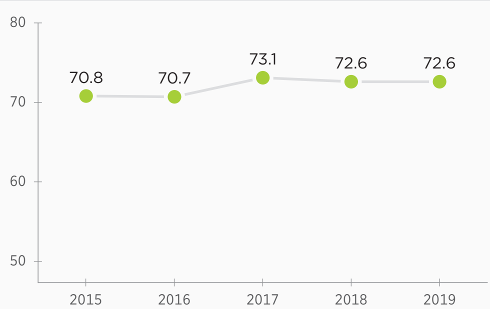


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999):
+10.6

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.7 million

GDP (PPP):
$340.6 billion
2.1% growth in 2017
5-year compound annual growth 3.3%
$124,529 per capita

UNEMPLOYMENT:
0.1%

INFLATION (CPI):
0.4%

FDI INFLOW:
$986.0 million

PUBLIC DEBT:
54.0% of GDP

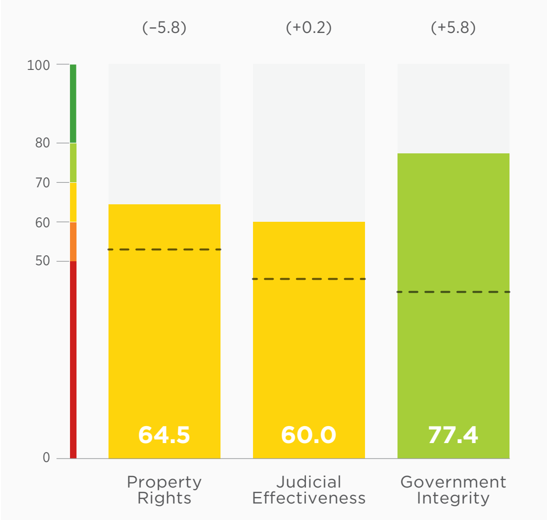
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Once a poor British protectorate noted mainly for pearling, Qatar gained independence in 1971 and has become one of the world's richest countries because of its massive reserves of oil and natural gas. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has promoted improvements in infrastructure, health care, and education, as well as expansion of Qatar's manufacturing, construction, and financial services sectors. In 2017, Saudi Arabia, Bahrain, Egypt, and the United Arab Emirates broke diplomatic relations with Qatar, citing its support for Islamist extremists and friendly relations with Iran. After winning its controversial 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.

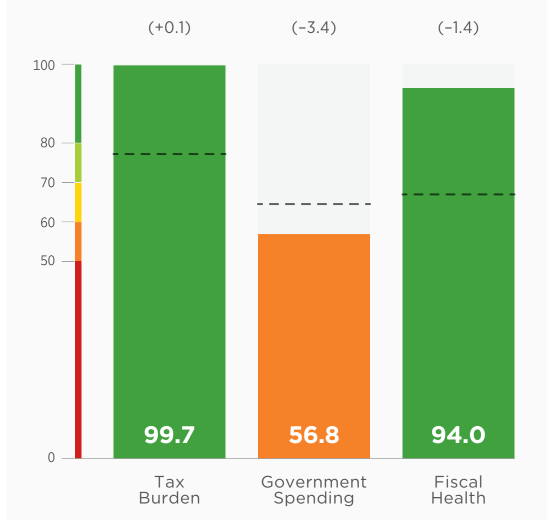
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | QATAR

RULE OF LAW



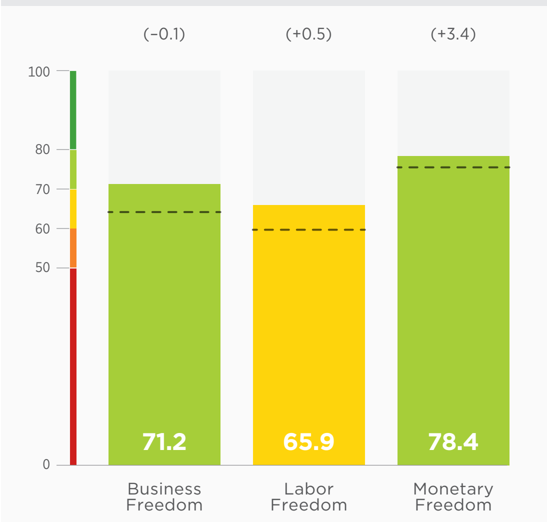
GOVERNMENT SIZE



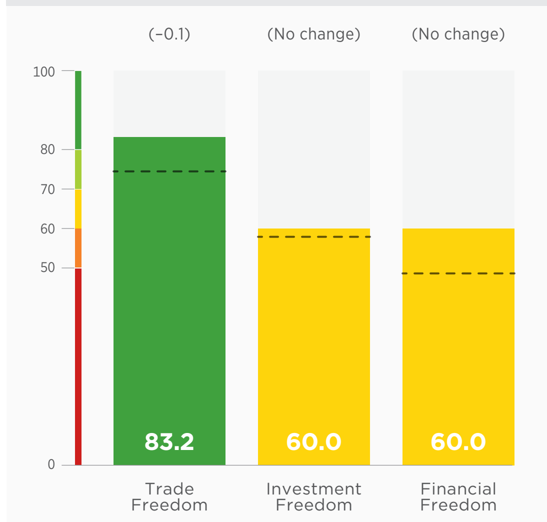
Property rights for non-Qataris are limited, although restrictions were eased somewhat in 2018. The judiciary is not independent in practice. The judicial system is divided between Sharia (Islamic law) courts for family law and civil law courts for criminal, commercial, and civil cases. Qatar is one of the least corrupt countries in the Middle East, but personal connections play a major role in the business world.

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 5.7 percent of total domestic income. Over the past three years, government spending has amounted to 37.9 percent of the country's output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 54.0 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The process for launching a business and obtaining licenses has become more streamlined. The labor force consists primarily of expatriate workers, and employment rules are relatively flexible. Monetary stability is well maintained. Gasoline subsidies were eliminated in 2018, and the government denies allegations that it provides hundreds of millions of dollars in annual subsidies to state-owned Qatar Airways.

The combined value of exports and imports is equal to 89.1 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, Qatar had two nontariff measures in force. Foreign investment in several sectors of the economy is capped. Qatar's stable banking sector remains competitive. Growth in financial services has contributed to economic diversification.

WORLD RANK: **42**

REGIONAL RANK: **21**

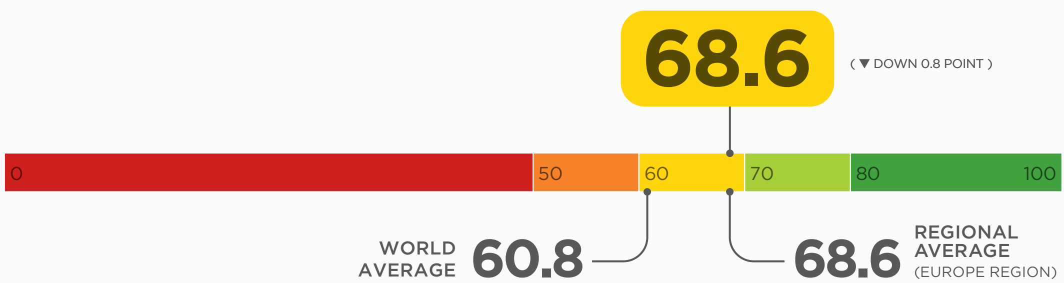
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

ROMANIA

Romania's economic freedom score is 68.6, making its economy the 42nd freest in the 2019 *Index*. Its overall score has decreased by 0.8 point, with declines in **judicial effectiveness** and **investment freedom** exceeding improvements in **property rights**, the **tax burden**, and **government spending**. Romania is ranked 21st among 44 countries in the Europe region, and its overall score exactly matches the regional average and is above the world average.

Putting at risk the country's hard-won macroeconomic stability, the government has yielded to political pressure to relax fiscal policy, raise the minimum wage, and delay additional structural reforms. Efforts to privatize state-owned enterprises have stalled, and progress on improving the business environment has been uneven. Significant tax evasion further jeopardizes the fiscal deficit and public debt burden. Foreign investors find the unpredictable regulatory system discouraging. Corruption is endemic at all levels of government and undermines the rule of law.

ECONOMIC FREEDOM SCORE

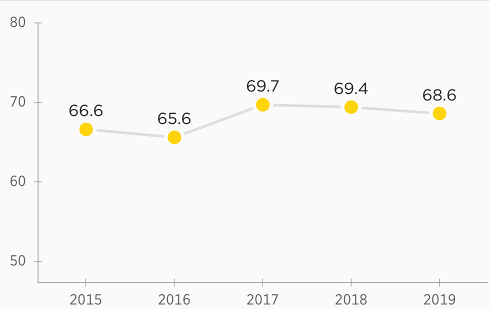


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+25.7

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
19.6 million

GDP (PPP):
$481.5 billion
7.0% growth in 2017
5-year compound annual growth 4.5%
$24,508 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
1.3%

FDI INFLOW:
$4.9 billion

PUBLIC DEBT:
36.9% of GDP

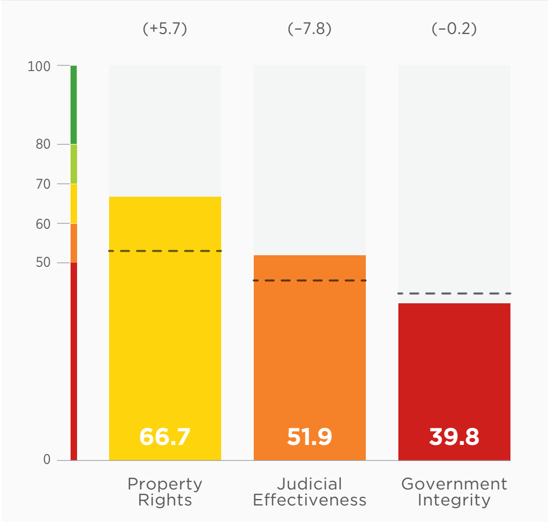
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Romania's transition to a free-market economy began with its new constitution in 1991, followed by membership in NATO in 2004 and the European Union in 2007. Viorica Dăncilă of the center-left Social Democratic Party (PSD) became Romania's first female prime minister in January 2018 after a party power struggle prompted by allegations of corruption against PSD leader Liviu Dragnea forced the resignation of fellow Social Democrat Mihai Tudose. In addition to its strategic position on the Black Sea, Romania has extensive natural resources and a productive agriculture sector. Leading economic sectors include manufacturing, auto assembly, textiles and footwear, petroleum refining, mining, and timber. Labor shortages and political instability pose the greatest risks to one of Europe's fastest-growing economies.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

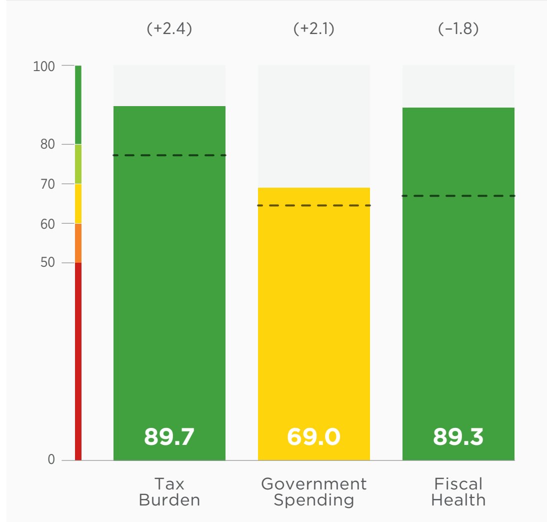
12 ECONOMIC FREEDOMS | ROMANIA

RULE OF LAW



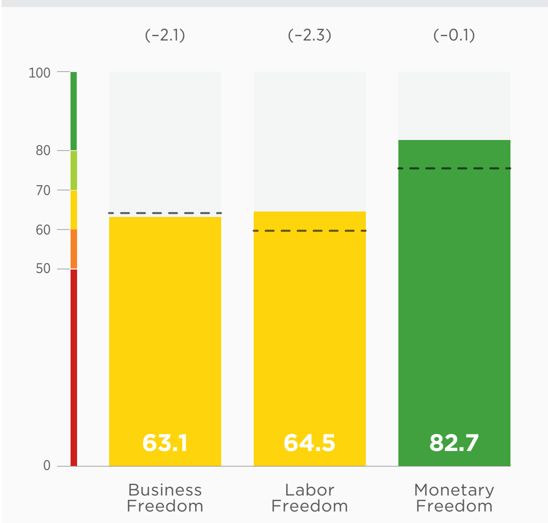
The Romanian constitution guarantees the right to ownership of private property. The government has made property registration easier by digitizing ownership and land records. The courts are subject to political influence and suffer from a lack of expertise. Efforts to fight both petty and high-level corruption have become more credible as more public officials have been prosecuted, but judicial corruption remains a problem.

GOVERNMENT SIZE



The personal income tax rate has been cut to a flat 10 percent, and the corporate tax rate is a flat 16 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 26.0 percent of total domestic income. Over the past three years, government spending has amounted to 32.1 percent of the country's output (GDP), and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 36.9 percent of GDP.

REGULATORY EFFICIENCY



Progress on improving the business environment has been uneven. Enforcement of commercial regulations is not always consistent, and efficient procedures for bankruptcy have not been fully implemented. Labor regulations remain rigid, although several amendments to improve the flexibility of the labor code have been adopted. The government opposes the EU's move to reduce farm subsidies and continues to subsidize the energy sector.

OPEN MARKETS

The combined value of exports and imports is equal to 85.0 percent of GDP. The average applied tariff rate is 2.0 percent. Romania implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The uneven regulatory system tends to discourage foreign investment. About 59 percent of adult Romanians have access to an account with a formal banking institution.

WORLD RANK: **98**

REGIONAL RANK: **41**

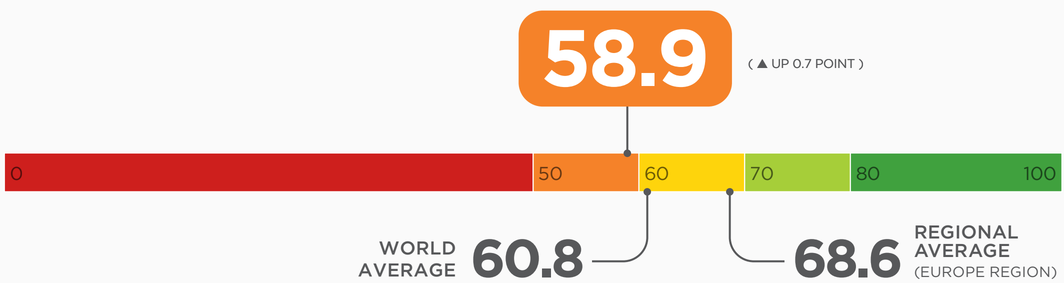
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

RUSSIA

Russia's economic freedom score is 58.9, making its economy the 98th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with higher scores for **monetary freedom** and **property rights** outpacing declines in **judicial effectiveness** and **trade freedom**. Russia is ranked 41st among 44 countries in the Europe region, and its overall score is below the regional and world averages.

The government's standoff with the West has strengthened statist, nationalist, and protectionist trends, delaying Russia's transition from a centrally planned economy to a more market-based system. Reforms have been subordinated to the imperatives of political stability and government longevity. The private sector has been marginalized by structural and institutional constraints caused by ever-growing government encroachment into the marketplace. Large state-owned institutions and an inefficient public sector dominate the economy. The judiciary is vulnerable to corruption, and weak protection of property rights undermines prospects for optimal long-term economic development.

ECONOMIC FREEDOM SCORE

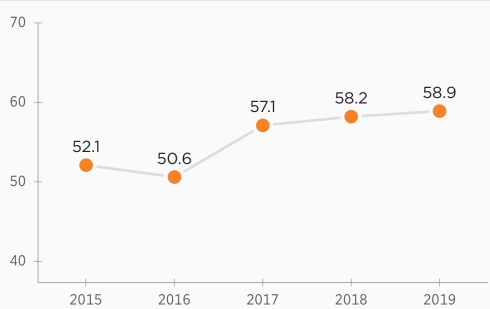


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+7.8

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
144.0 million

GDP (PPP):
$4.0 trillion
1.5% growth in 2017
5-year compound annual growth 0.3%
$27,834 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
3.7%

FDI INFLOW:
$25.3 billion

PUBLIC DEBT:
17.4% of GDP

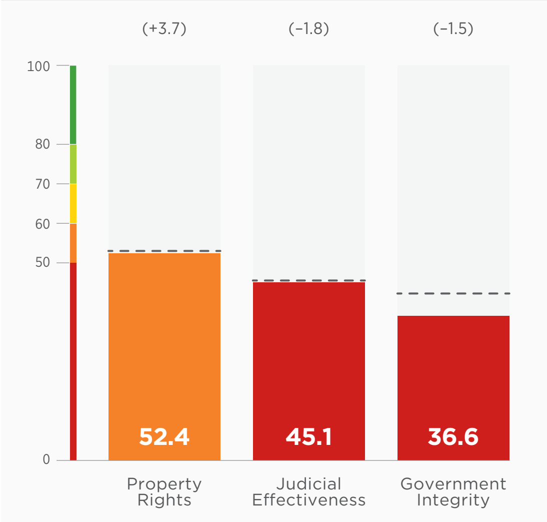
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Vladimir Putin was reelected president in March 2018 amid allegations of electoral fraud. Russia illegally annexed Ukraine's Crimean Peninsula early in 2014 and continues to stir instability by supplying weapons and troops in eastern Ukraine's Donbas region. Ongoing Western economic sanctions have spurred a brain drain and capital flight. Russia's economy depends heavily on exports of oil and gas. Low oil prices, the financial burden of the Crimea annexation, and efforts to rearm the military have strained public finances in recent years, but the higher recent global demand for oil has caused the economy to improve slightly. Russia's bid to join the Organisation for Economic Co-operation and Development has been postponed because of its actions in Ukraine.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

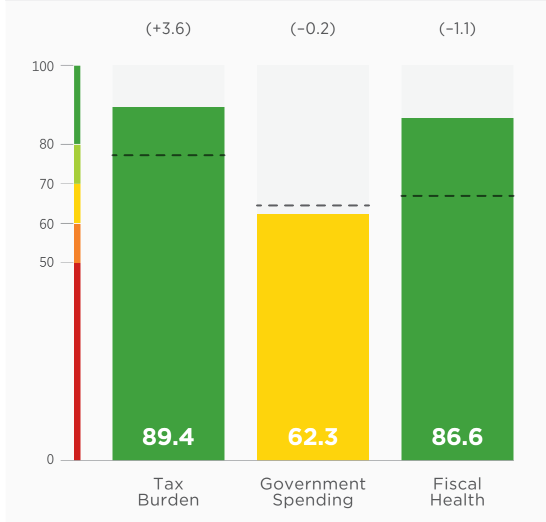
12 ECONOMIC FREEDOMS | RUSSIA

RULE OF LAW



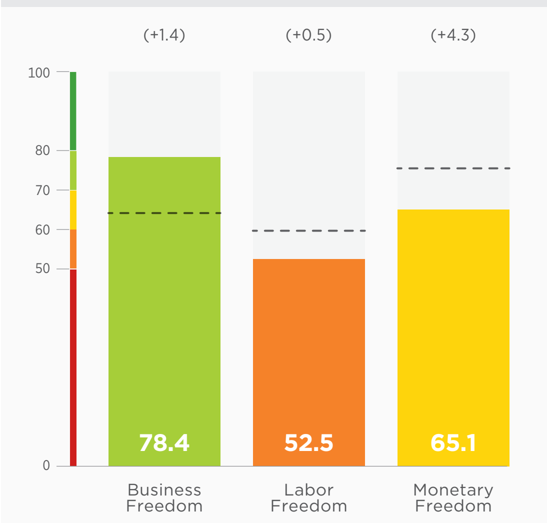
Russia's weak property rights impede economic progress and deter foreign investment. The rule of law is not maintained consistently across the country, and the judiciary faces heavy political pressure from the executive. Corruption is pervasive in the highly centralized and authoritarian government and in Russia's cronyist business world. The media are heavily restricted, and a lack of accountability enables bureaucrats to act with impunity.

GOVERNMENT SIZE



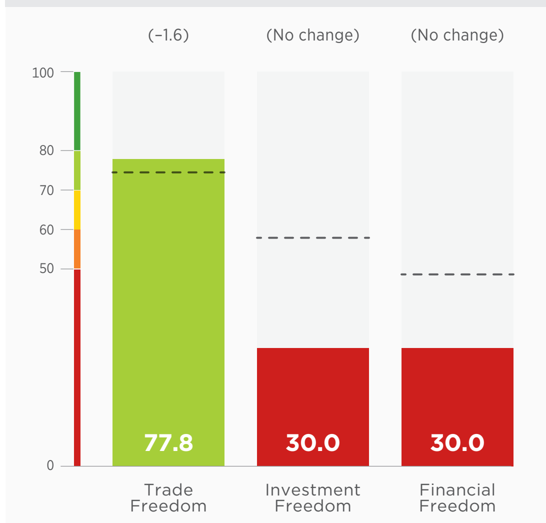
The personal income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 22.2 percent of total domestic income. Over the past three years, government spending has amounted to 35.4 percent of the country's output (GDP), and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 17.4 percent of GDP.

REGULATORY EFFICIENCY



The private sector remains marginalized by structural and institutional constraints caused by growing government encroachment into the marketplace. The rigid and outmoded labor code continues to limit employment and productivity growth. Most prices were liberalized in the early 1990s (with significant exceptions), but the government has announced new subsidies for domestic drugmakers and heavily subsidized the 2018 World Cup.

OPEN MARKETS



The combined value of exports and imports is equal to 46.7 percent of GDP. The average applied tariff rate is 3.6 percent. As of June 30, 2018, according to the WTO, Russia had 225 nontariff measures in force. Foreign investment is screened, and investment in several sectors of the economy is capped. The financial sector is subject to government influence. About 78 percent of adult Russians use formal bank accounts.

WORLD RANK:	REGIONAL RANK:
32	2

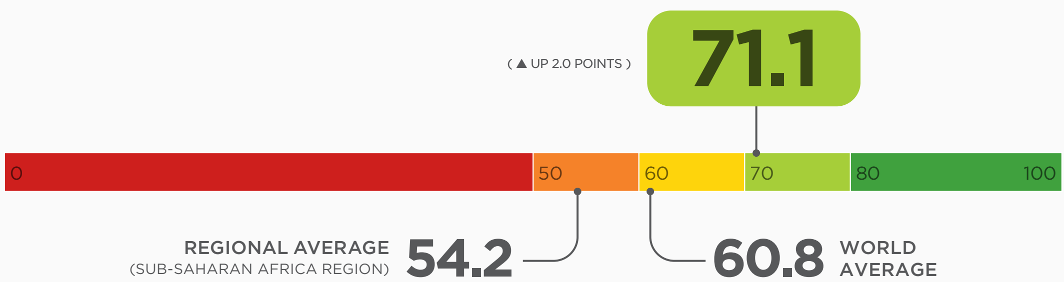
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

RWANDA

Rwanda's economic freedom score is 71.1, making its economy the 32nd freest in the 2019 *Index*. Its overall score has increased by 2.0 points, led by higher scores for **government integrity**, the **tax burden**, **fiscal health**, and **judicial effectiveness**. Rwanda is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Strong economic growth has continued but remains driven in part by an unsustainable and self-defeating policy of import substitution and fiscal measures imposed to curb import demand. Previous structural reforms and adoption of a sound regulatory framework facilitate entrepreneurial activity, and the government plans additional measures to improve the business climate. Personal and corporate tax rates are moderate. However, progress toward greater economic freedom is hindered by continuing institutional weaknesses. The judicial system lacks independence and transparency, and foreign investment is deterred by ongoing political instability.

ECONOMIC FREEDOM SCORE

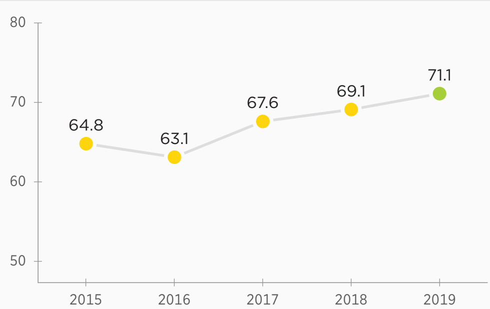


RELATIVE STRENGTHS:
Fiscal Health and Judicial Effectiveness

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997):
+32.8

CONCERNS:
Financial Freedom and Business Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
11.8 million

GDP (PPP):
$24.6 billion
6.1% growth in 2017
5-year compound annual growth 6.7%
$2,080 per capita

UNEMPLOYMENT:
1.3%

INFLATION (CPI):
4.8%

FDI INFLOW:
$366.2 million

PUBLIC DEBT:
40.6% of GDP

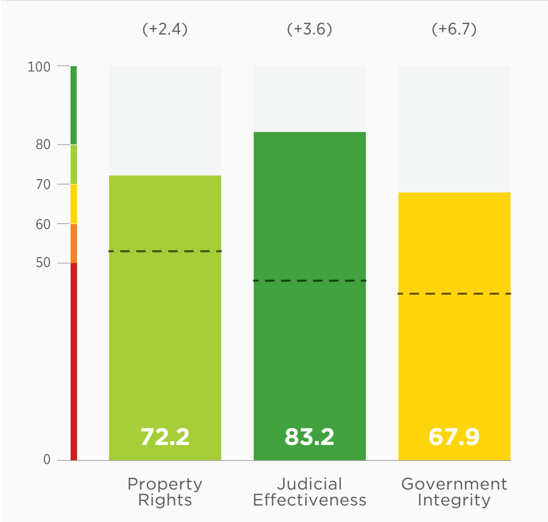
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Decades of violence followed Rwanda's independence from Belgium in 1959. In 1994, Paul Kagame's Tutsi-led Rwandan Patriotic Front seized power after state-sponsored genocide killed an estimated 800,000 people, mostly Tutsis. Kagame has been president since 2000 and was reelected to seven-year terms in 2010 and 2017 amid allegations of fraud, intimidation, and violence. In 2015, voters approved a constitutional change that would permit Kagame to govern until 2034 and strengthen his authoritarian rule. Tourism, minerals, coffee, and tea are the main sources of foreign exchange. Although poverty remains widespread, government figures indicate that it has been declining rapidly.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

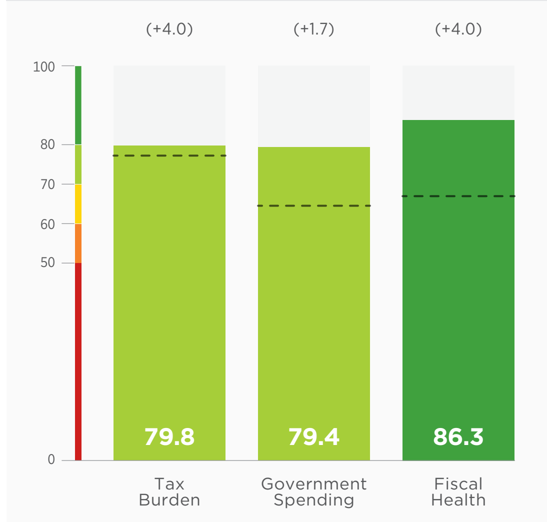
12 ECONOMIC FREEDOMS | RWANDA

RULE OF LAW



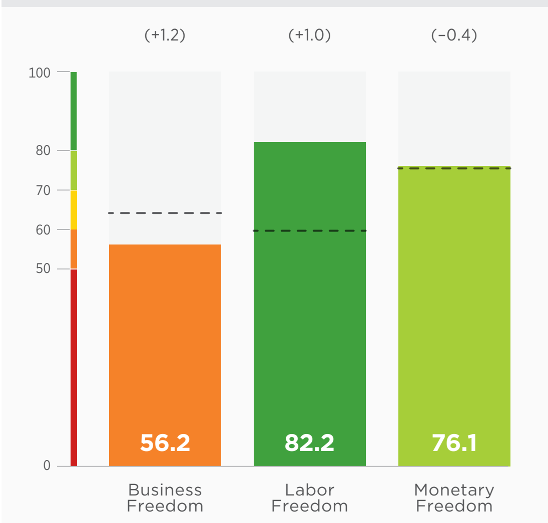
The law recognizes and protects all property rights. Property registration was made easier in 2018 with the implementation of online services. The judiciary has yet to secure full independence from the executive and suffers from a lack of resources and a heavy case backlog. Rwanda is among Africa's least corrupt countries and is ranked 8th in the world in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE



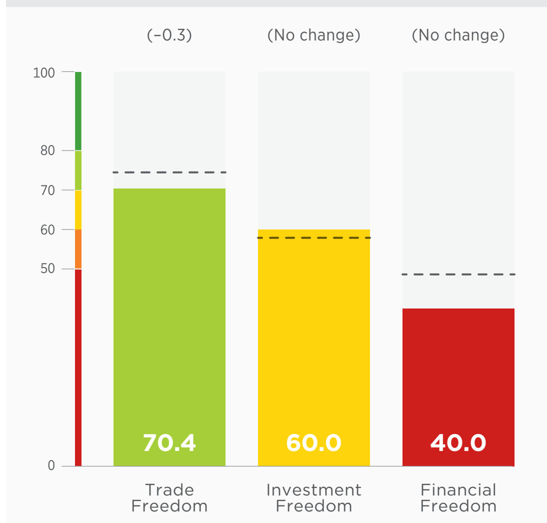
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 15.0 percent of total domestic income. Over the past three years, government spending has amounted to 26.2 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 40.6 percent of GDP.

REGULATORY EFFICIENCY



Rwanda's adoption of structural reforms has facilitated the emergence of entrepreneurial activity. Regulatory reform measures have contributed to a more favorable business environment, although the pace of reform has slowed in recent years. Labor regulations are relatively flexible. The government subsidizes agriculture, maintains price controls, and subsidizes power for the 20 percent of the population with access to electricity.

OPEN MARKETS



The combined value of exports and imports is equal to 51.0 percent of GDP. The average applied tariff rate is 7.3 percent. As of June 30, 2018, according to the WTO, Rwanda had 30 nontariff measures in force. The investment code provides for equal treatment of foreigners and nationals for many types of activity. About 54 percent of adult Rwandans have access to an account with a formal banking institution.

WORLD RANK: 38

REGIONAL RANK: 4

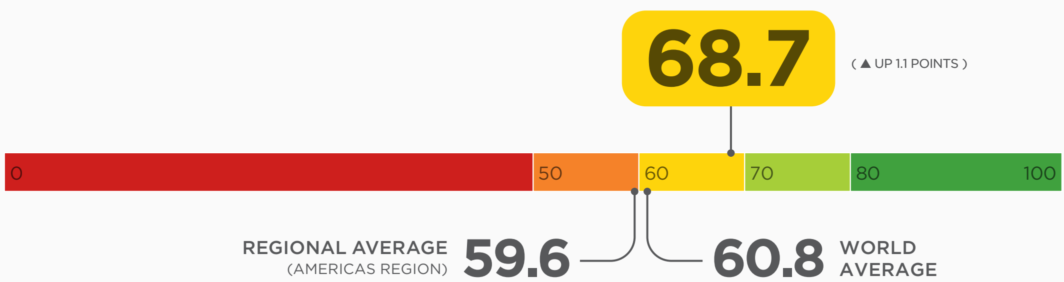
ECONOMIC FREEDOM STATUS: MODERATELY FREE

SAINT LUCIA

Saint Lucia's economic freedom score is 68.7, making its economy the 38th freest in the 2019 *Index*. Its overall score has increased by 1.1 points, with much higher scores on **fiscal health** and **government spending** easily offsetting declines in **judicial effectiveness** and **property rights**. Saint Lucia is ranked 4th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The economy of Saint Lucia has benefitted from foreign direct investment in such sectors as offshore banking, transshipment, and tourism, attracted by a well-developed legal and commercial infrastructure, an educated workforce, improved roads, an upgraded communications system, port facilities, and a business-friendly entrepreneurial climate. However, high levels of public debt and debt-servicing costs resulting from past expansionary spending have constrained the government, and relatively high tariffs and nontariff barriers limit market openness.

ECONOMIC FREEDOM SCORE

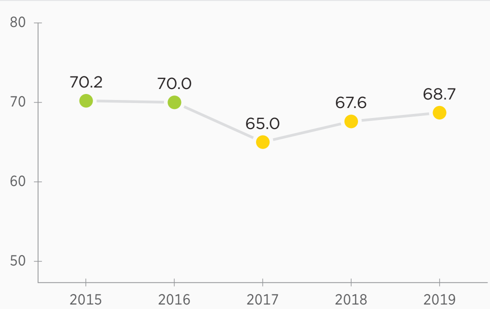


RELATIVE STRENGTHS:
Monetary Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
−0.1

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$2.5 billion
3.0% growth in 2017
5-year compound annual growth 1.9%
$14,450 per capita

UNEMPLOYMENT:
21.0%

INFLATION (CPI):
0.1%

FDI INFLOW:
$92.4 million

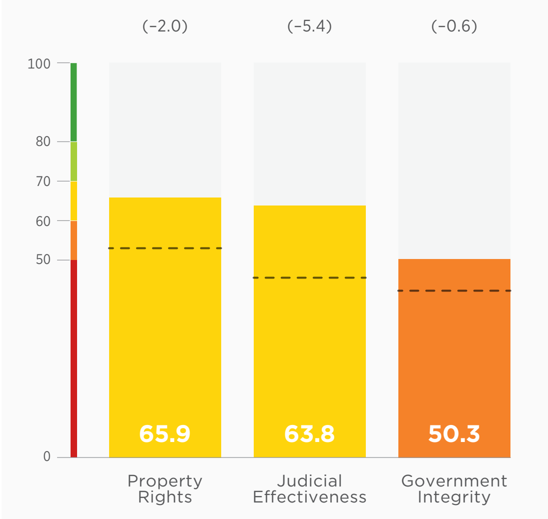
PUBLIC DEBT:
71.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Saint Lucia, an island nation in the Lesser Antilles known for its two distinctive "Piton" mountains, is a two-party democracy with a bicameral parliament. Former Tourism Minister Allen Chastanet of the United Workers Party became president in 2016. Saint Lucia is a member of the Caribbean Community and Common Market and hosts the headquarters of the Organization of Eastern Caribbean States. The economy depends primarily on tourism, banana production, and some light manufacturing. Recent improvements in roads, communications, water supply, sewerage, and port facilities, combined with a well-educated workforce, have attracted foreign investment. The government has encouraged farmers to diversify from bananas into other crops, but agriculture has suffered from the lingering effects of 2016's Hurricane Matthew.

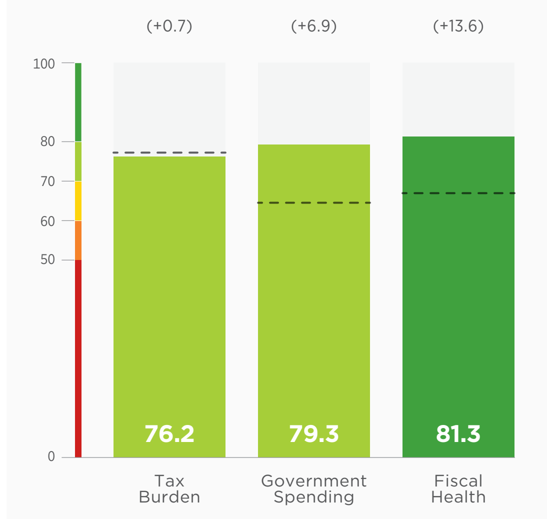
12 ECONOMIC FREEDOMS | SAINT LUCIA

RULE OF LAW



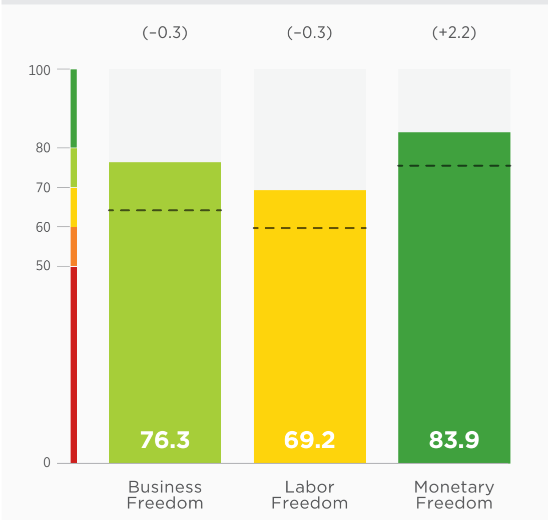
Saint Lucia has a good legislative framework to protect property rights, but enforcement of intellectual property rights is generally weak. The independent judicial system's highest court is the Eastern Caribbean Supreme Court (ECSC); lower courts are understaffed and slow. Although Saint Lucia has generally low levels of corruption, enforcement of anticorruption statutes is not always effective.

GOVERNMENT SIZE



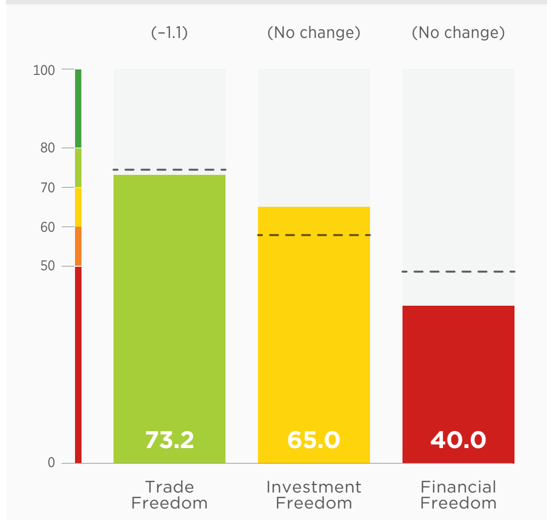
The top personal income and corporate tax rates are 30 percent. Other taxes include consumption and property transfer taxes. The overall tax burden equals 24.0 percent of total domestic income. Over the past three years, government spending has amounted to 26.3 percent of the country's output (GDP), and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 71.3 percent of GDP.

REGULATORY EFFICIENCY



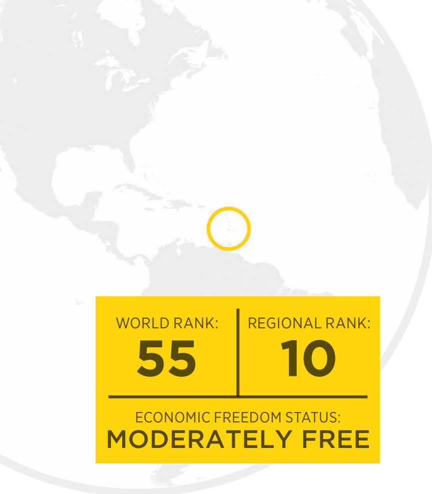
The regulatory environment for businesses facilitates entrepreneurial activity. An efficient labor market has not been fully developed. Application of existing labor codes is uneven, but the nonsalary cost of employing a worker is low. The IMF has recommended that the government eliminate nontargeted liquefied petroleum gas and food subsidies, and controversy arose in 2018 over whether the government should subsidize a regional airline company.

OPEN MARKETS



The combined value of exports and imports is equal to 95 percent of GDP. The average applied tariff rate is 5.9 percent. Some agricultural imports face additional barriers. Foreign investment is screened by the government, and the overall investment regime lacks efficiency. Greater access to financing opportunities remains critical to private-sector development. The banking sector is dominated by commercial banking.

SAINT VINCENT AND THE GRENADINES



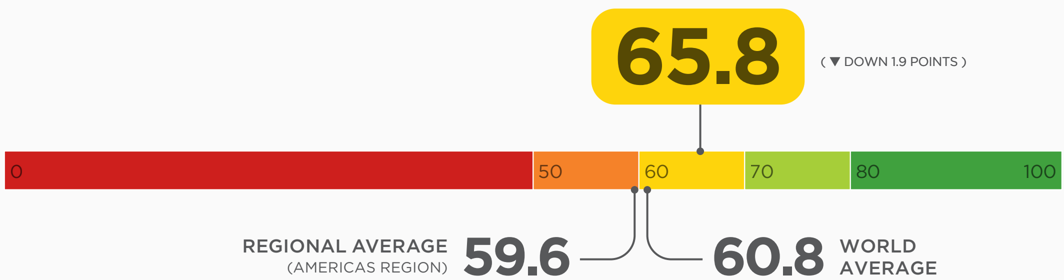
WORLD RANK: **55** | REGIONAL RANK: **10**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saint Vincent and the Grenadines' economic freedom score is 65.8, making its economy the 55th freest in the 2019 *Index*. Its overall score has decreased by 1.9 points, with declines in **judicial effectiveness**, **trade freedom**, **monetary freedom**, and **business freedom** outweighing improved scores for **fiscal health** and **government spending**. Saint Vincent and the Grenadines is ranked 10th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Saint Vincent and the Grenadines' economy depends on agriculture, tourism, construction, remittances, and a small offshore banking sector. Many fundamentals for greater economic freedom, such as flexible regulations, an efficient legal system that secures private property, and macroeconomic stability, are in place. Greater access to private financing and more openness to trade and international investment would improve the business climate. The economy was negatively affected by U.S. economic sanctions imposed on Venezuela in 2018.

ECONOMIC FREEDOM SCORE

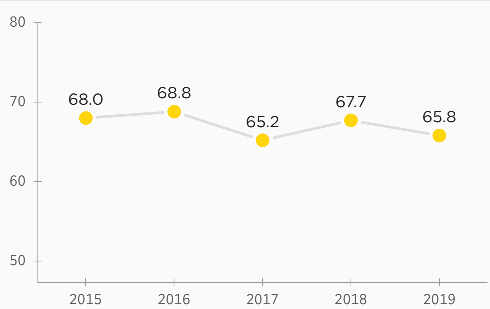


RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+1.5

CONCERNS:
Property Rights and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$1.3 billion
1.0% growth in 2017
5-year compound annual growth 1.1%
$11,491 per capita

UNEMPLOYMENT:
18.3%

INFLATION (CPI):
2.0%

FDI INFLOW:
$87.1 million

PUBLIC DEBT:
80.8% of GDP

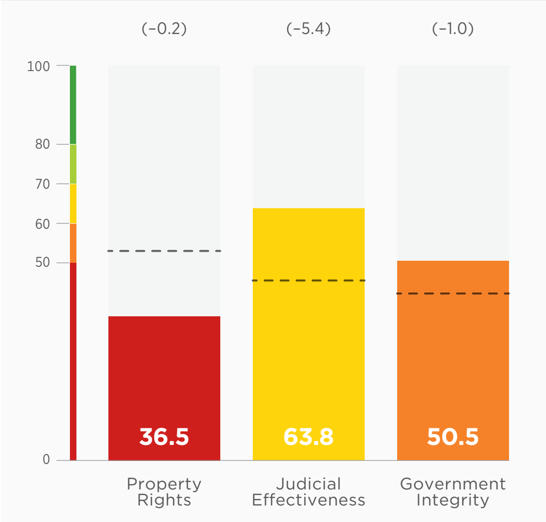
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Situated in the Windward Islands of the Lesser Antilles, Saint Vincent and the Grenadines gained full independence from the United Kingdom as a parliamentary democracy in 1979. Prime Minister Ralph Gonsalves of the center-left Unity Labour Party, in office since 2001 and reelected to a fourth term in 2015, will not face voters again until 2020. Exports benefit from the Caribbean Basin Initiative, which provides duty-free access to the U.S. market. Agriculture and tourism employ a significant portion of the workforce. Although the economy remains vulnerable to global price fluctuations and natural disasters, it showed signs of recovery in 2018 as a result of renewed growth in construction and increased tourist arrivals at the country's new international airport.

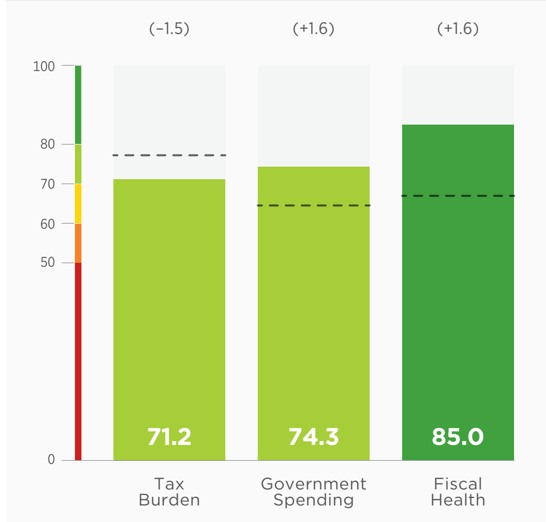
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | SAINT VINCENT AND THE GRENADINES

RULE OF LAW



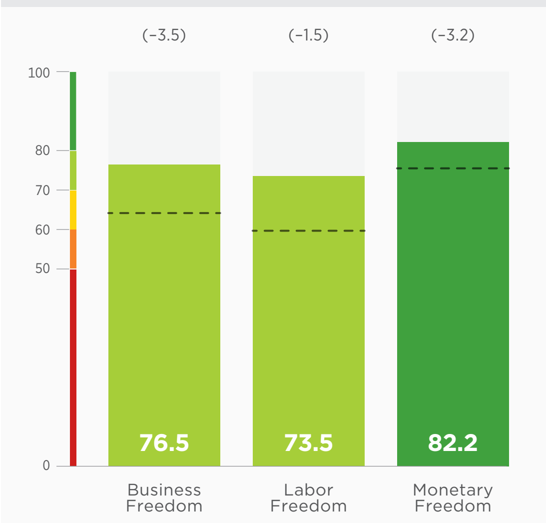
GOVERNMENT SIZE



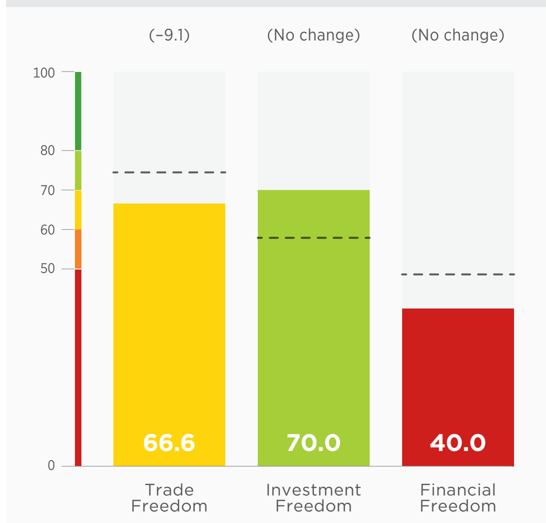
Saint Vincent and the Grenadines' relatively independent and efficient judicial system, based on English common law, protects property rights and enforces contracts. Intellectual property rights are recognized, although enforcement of IPR laws is considered weak. In comparison with some of its neighbors, the rule of law remains strong, and corruption is not pervasive. However, the operation of anticorruption institutions is usually slow.

The top personal income tax rate is 32.5 percent, and the corporate tax rate is 33 percent. Other taxes include property and value-added taxes. The overall tax burden equals 27.1 percent of total domestic income. Over the past three years, government spending has amounted to 29.3 percent of the country's output (GDP), and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 80.8 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The formation and operation of a private enterprise are not burdened by excessive government interference, and enforcement of commercial regulations is relatively effective. Much of the labor force is employed in the agricultural and tourism sectors. The nonsalary cost of employing a worker is moderate. Reducing subsidies and transfers to state-owned enterprises could save more than 3 percent of GDP.

The combined value of exports and imports is equal to 78 percent of GDP. The average applied tariff rate is 9.2 percent, and nontariff barriers further undermine overall trade freedom. In general, foreign and domestic investors are treated equally under the law, but the government screens foreign investment. Businesses lack adequate access to a wide variety of financing instruments, and the capital market is underdeveloped.

WORLD RANK: **82** | REGIONAL RANK: **19**

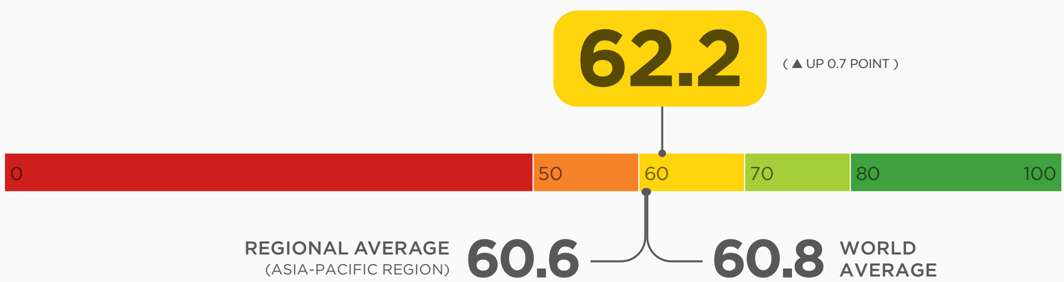
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

SAMOA

Samoa's economic freedom score is 62.2, making its economy the 82nd freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with much higher scores for **fiscal health** and **government spending** offsetting significant declines in **judicial effectiveness** and **trade freedom**. Samoa is ranked 19th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

Key policy challenges for Samoa include achieving greater fiscal discipline, boosting economic growth, and eventually weaning the country from the need for donor assistance. Unfortunately, the government has lagged in actually making reforms in vital economic institutions and addressing other structural weaknesses that undermine economic freedom. Additional measures are needed to improve the judicial system's effectiveness and the rule of law. Modest regulatory reforms in recent years, including simplification of the business start-up process, have led to increased efficiency.

ECONOMIC FREEDOM SCORE

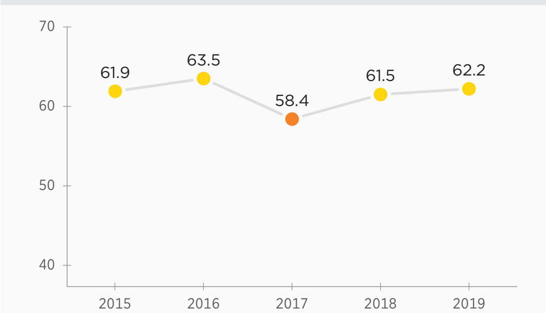


RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+14.6

CONCERNS:
Financial Freedom and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$1.1 billion
2.4% growth in 2017
5-year compound annual growth 2.1%
$5,740 per capita

UNEMPLOYMENT:
8.2%

INFLATION (CPI):
1.3%

FDI INFLOW:
$9.0 million

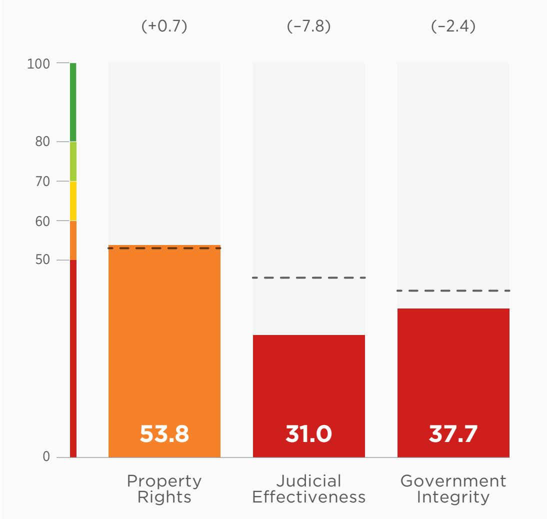
PUBLIC DEBT:
49.1% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

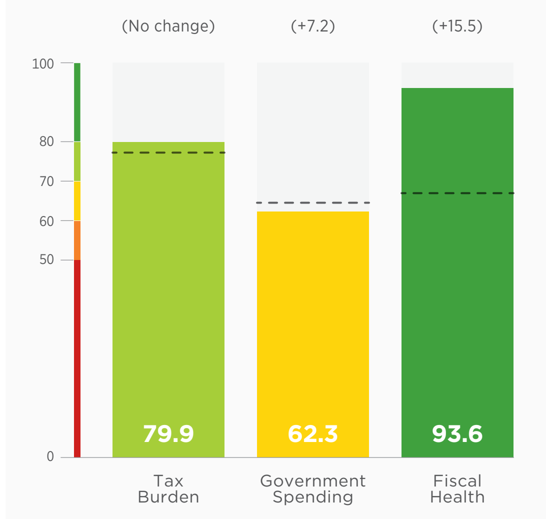
BACKGROUND: A small South Pacific archipelago with a population of fewer than 200,000, Samoa was administered by New Zealand until independence in 1962. It is now a multiparty, unicameral parliamentary democracy dominated by the Human Rights Protection Party, which holds 47 of the 50 seats in parliament. Prime Minister Tuilaepa Aiono Sailele Malielegaoi, in office since 1998, was reelected in 2016. Two-thirds of the workforce is employed in fishing and agriculture, which produce 90 percent of exports, and the economy relies on emigrants' remittances. The government is encouraging more offshore banking and foreign investment in manufacturing. Samoa will host the 2019 Pacific Games, which are expected to support economic growth through infrastructure investments and higher tourism receipts.

12 ECONOMIC FREEDOMS | SAMOA

RULE OF LAW



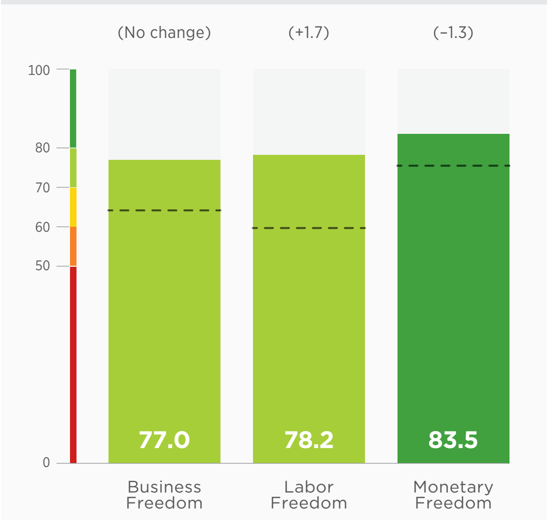
GOVERNMENT SIZE



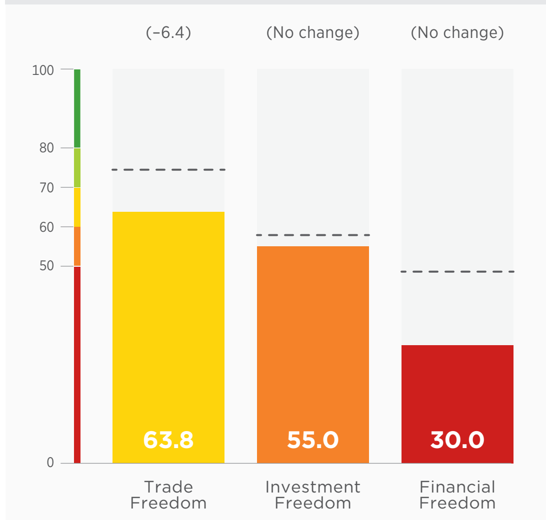
Samoa lacks an efficient legal framework for the adequate protection of property rights and enforcement of contracts. The judiciary is independent, but the executive branch is perceived as exercising a great deal of influence over it. Official corruption is still a major cause of public discontent. Anticorruption statutes are not always enforced evenly, and Samoa does not have an anticorruption tribunal.

The top individual income and corporate tax rates are 27 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 23.6 percent of total domestic income. Over the past three years, government spending has amounted to 35.5 percent of the country's output (GDP), and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 49.1 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Modest regulatory reforms, including simplification of the business start-up process, have led to increased efficiency. However, the pace of reform has slowed in recent years. The nonsalary cost of employing a worker is low, but the formal labor market is not fully developed. The government has been slow to privatize state-owned enterprises such as the inefficient and highly subsidized electricity-generation company.

The combined value of exports and imports is equal to 79.2 percent of GDP. The average applied tariff rate is 10.6 percent. Nontariff barriers persist, and policies critical to market openness have not advanced. Investment in some sectors of the economy is restricted. Samoa's small and underdeveloped financial sector is dominated by banking, but a significant portion of the population remains unconnected to the formal banking system.

WORLD RANK: 134

REGIONAL RANK: 24

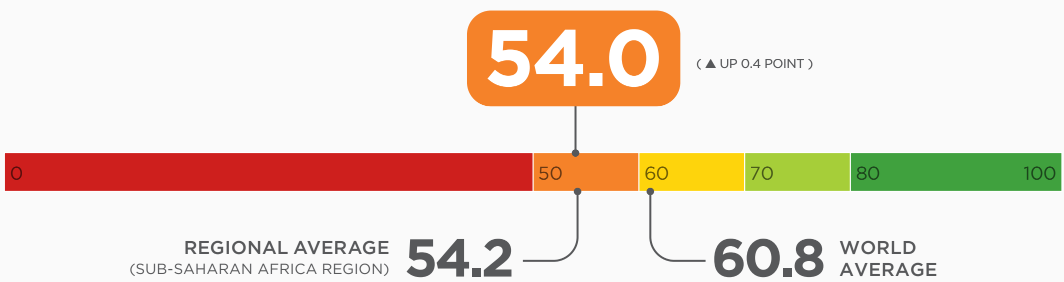
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

SÃO TOMÉ AND PRÍNCIPE

São Tomé and Príncipe's economic freedom score is 54.0, making its economy the 134th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with an increase in **fiscal health** and a higher score for the **tax burden** outpacing significant declines in **trade freedom** and **government integrity**. São Tomé and Príncipe is ranked 24th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Constrained by institutional weaknesses, volatile aid and investment inflows, lack of fiscal consolidation, and concerns about the sustainability of ever-higher levels of public debt, the government may be tempted by offers of unconditional loans from China to finance projects in such areas as infrastructure, telecommunications, energy, health, and fisheries. Other problems confronting the small, poor island economy include inflation and unsustainable subsidies. Widespread corruption and a weak judicial system undermine long-term economic development.

ECONOMIC FREEDOM SCORE

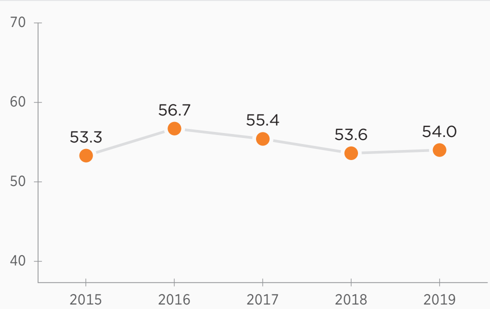


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+10.2

CONCERNS:
Judicial Effectiveness and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$0.7 billion
4.0% growth in 2017
5-year compound annual growth 4.1%
$3,180 per capita

UNEMPLOYMENT:
13.5%

INFLATION (CPI):
5.5%

FDI INFLOW:
$41.0 million

PUBLIC DEBT:
83.3% of GDP

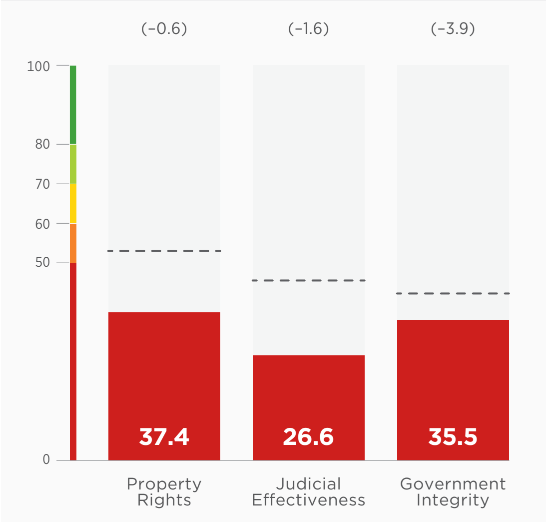
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: This former Portuguese colony's sugar-based economy gave way to coffee and cocoa in the 19th century. Independence was achieved in 1975, but democratic reforms were not instituted until the late 1980s. Evaristo Carvalho won the presidency in 2016 in a runoff election marred by accusations of irregularities and a boycott by incumbent President Manuel Pinto da Costa, who was finishing a second, nonconsecutive five-year term. Carvalho ally Patrice Trovoada is prime minister. Cocoa production, an economic mainstay, has declined in recent years because of drought and mismanagement, but there is potential for tourism. The country is seeking to develop oil fields in the Gulf of Guinea jointly with Nigeria, but whether the project will prove commercially viable is unclear.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

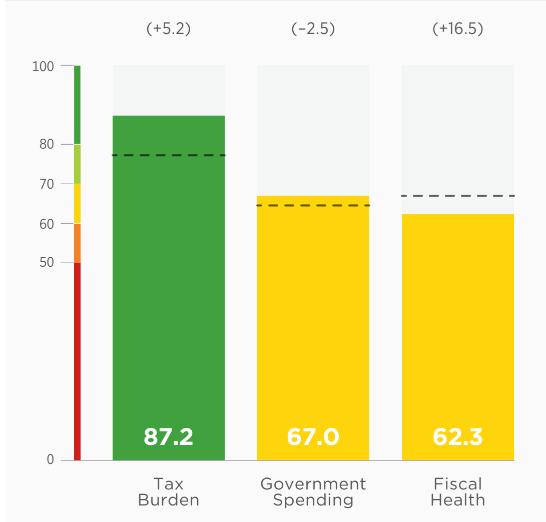
12 ECONOMIC FREEDOMS | SÃO TOMÉ AND PRÍNCIPE

RULE OF LAW



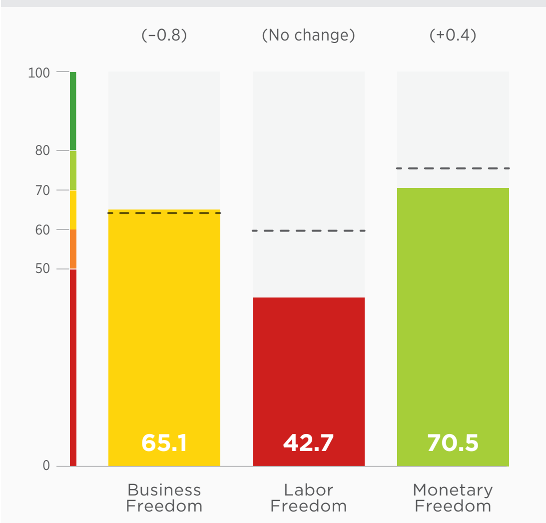
Property rights are not well protected. The government owns the vast majority of land; less than 10 percent is held by private owners. The judiciary is independent but weak and susceptible to political influence. Although there are criminal penalties for official corruption, the government reportedly does not enforce those laws effectively, and many citizens believe that many public officials are corrupt.

GOVERNMENT SIZE



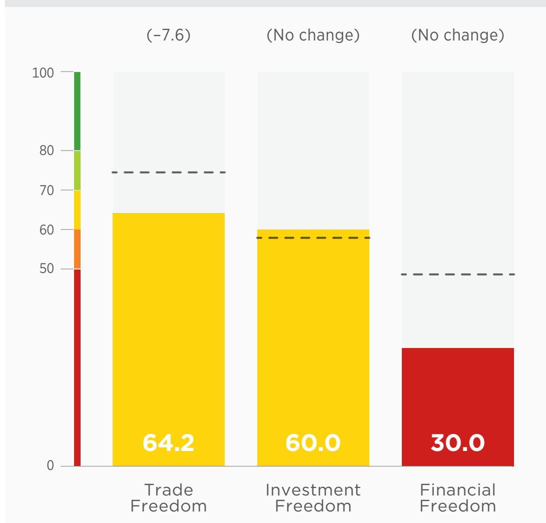
The top personal income tax rate is 20 percent, and the corporate tax rate is a flat 25 percent. Other taxes include sales and dividend taxes. The overall tax burden equals 15.9 percent of total domestic income. Over the past three years, government spending has amounted to 33.2 percent of the country's output (GDP), and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 83.3 percent of GDP.

REGULATORY EFFICIENCY



Structural reform to boost government efficiency and enhance the business environment has been pursued. Despite some progress, launching a business remains time-consuming, with regulatory requirements raising the overall cost of entrepreneurial activity. Existing labor regulations are not enforced effectively. Progress in implementing an automatic pricing mechanism for fuel and reforming power subsidies has slowed.

OPEN MARKETS



The combined value of exports and imports is equal to 55 percent of GDP. The average applied tariff rate is 10.4 percent. The lack of reform measures to implement open-market policies impedes growth in trade and investment and thwarts the emergence of a more dynamic private sector. Much of the population still lacks access to formal banking services, and financing for business expansion is very limited.

SAUDI ARABIA

WORLD RANK: **91**

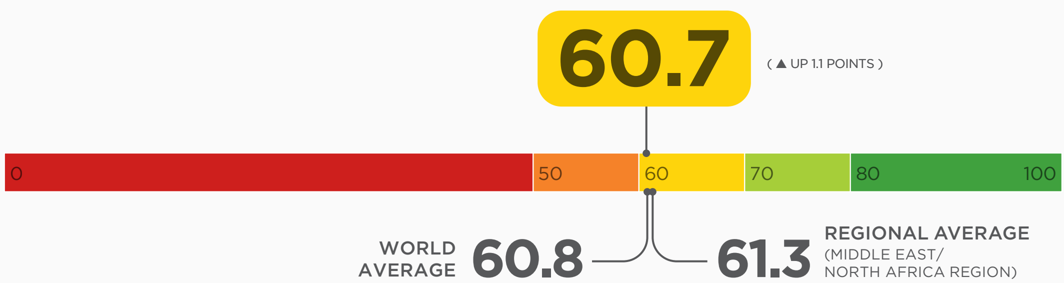
REGIONAL RANK: **9**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saudi Arabia's economic freedom score is 60.7, making its economy the 91st freest in the 2019 *Index*. Its overall score has increased by 1.1 points, with higher sores for **government spending**, **investment freedom**, and **monetary freedom** outpacing declines in **trade freedom**, **business freedom**, and **labor freedom**. Saudi Arabia is ranked 9th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Central to the government's diversification drive is conversion of the Public Investment Fund into a $2 trillion sovereign wealth fund by selling state assets and divesting a small stake in the state-owned ARAMCO oil company. Higher oil prices allowed the fiscal deficit to shrink from 26 percent of GDP in 2016 to 9 percent in 2018. A planned value-added tax and subsidy cuts would reduce it further. Other reforms to improve regulatory efficiency would enhance overall competitiveness.

ECONOMIC FREEDOM SCORE

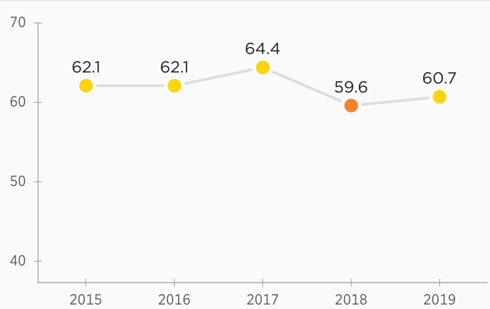


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–7.6

CONCERNS:
Fiscal Health and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
32.4 million

GDP (PPP):
$1.8 trillion
–0.7% growth in 2017
5-year compound annual growth 2.3%
$54,777 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
–0.9%

FDI INFLOW:
$1.4 billion

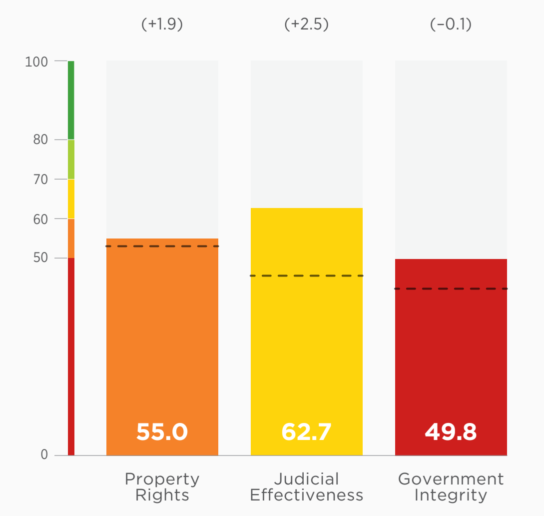
PUBLIC DEBT:
17.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The birthplace of Islam and home to its two holiest shrines in Mecca and Medina, Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud. Stability is threatened by the Islamic State and sectarian tensions between Sunni Muslims and a Shiite minority. The government has undertaken a high-profile crackdown on corruption and is pursuing ambitious economic and social reforms aimed in part at diversifying the economy and bolstering foreign investment. Oil exports account for more than 85 percent of government revenues. Saudi Arabia is the largest exporter of petroleum and a leader in OPEC.

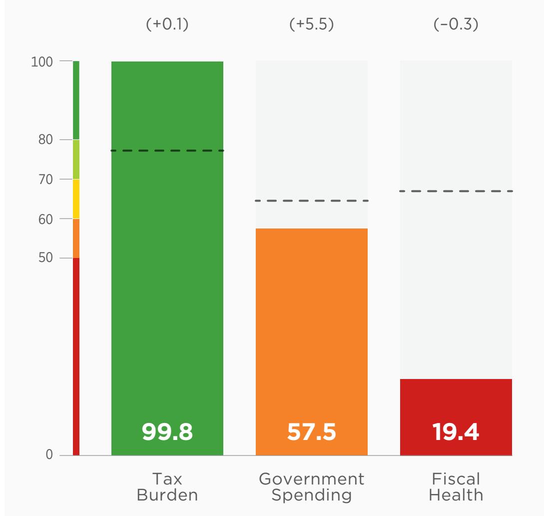
12 ECONOMIC FREEDOMS | SAUDI ARABIA

RULE OF LAW



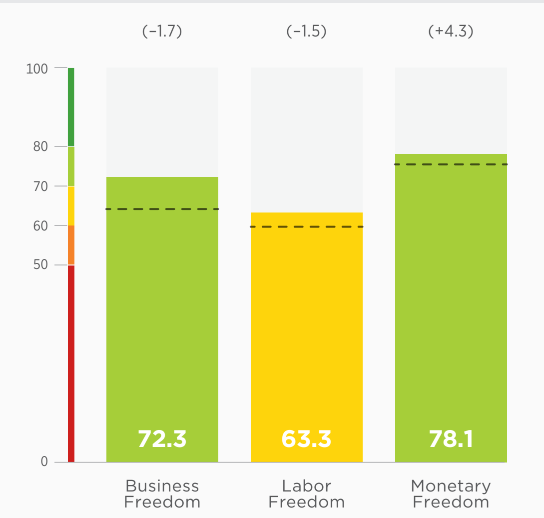
Laws protecting private property are subject to Islamic practices. The slow and nontransparent judiciary is not independent and must coordinate its decisions with the executive branch. The government took dramatic but highly unorthodox steps to reduce extensive corruption in 2018, but insufficient transparency and accountability remain problems. The royal family and other elites heavily influence the oil and energy sectors.

GOVERNMENT SIZE



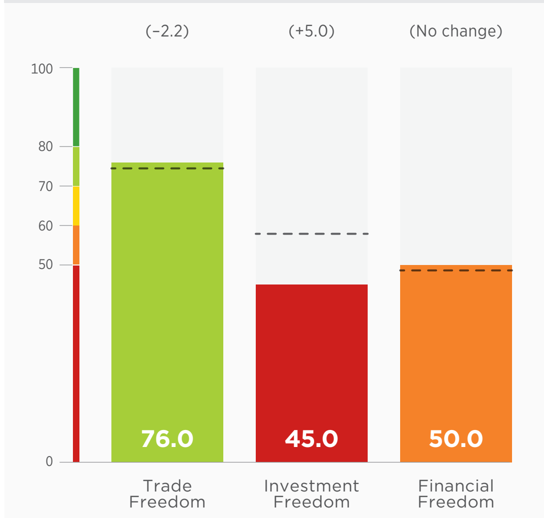
Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law. The overall tax burden equals 3.4 percent of total domestic income. Over the past three years, government spending has amounted to 37.6 percent of the country's output (GDP), and budget deficits have averaged 14.0 percent of GDP. Public debt is equivalent to 17.3 percent of GDP.

REGULATORY EFFICIENCY

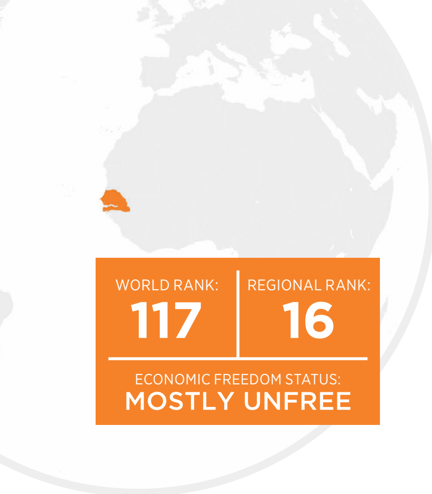


With no minimum capital required, the process for starting a business has been relatively streamlined. Overall, Saudi Arabia's regulatory efficiency has lagged behind that of other emerging economies. There is no mandated minimum wage, but wage increases have exceeded labor productivity. Price controls are prohibited by Islamic law. Progress to reduce subsidies for fuel, natural gas, electricity, and water has slowed.

OPEN MARKETS



The combined value of exports and imports is equal to 61.7 percent of GDP. The average applied tariff rate is 4.5 percent. As of June 30, 2018, according to the WTO, Saudi Arabia had 127 nontariff measures in force. The term for foreign investment licenses has been raised from one year to a renewable five years. The cap on foreign ownership of engineering firms has been removed. The financial sector is open and offers a range of options.



WORLD RANK: **117**

REGIONAL RANK: **16**

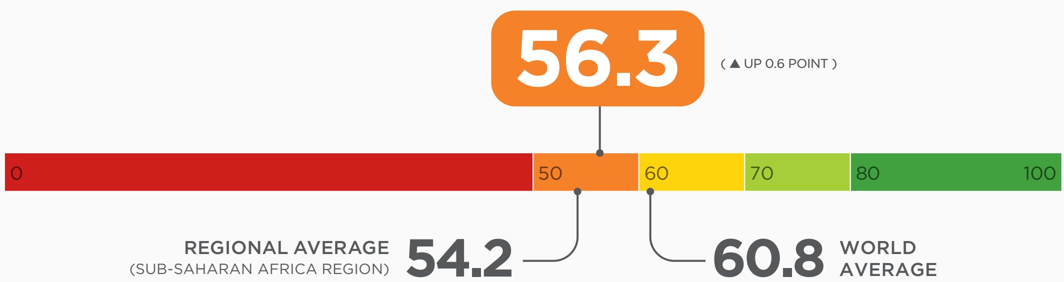
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

SENEGAL

Senegal's economic freedom score is 56.3, making its economy the 117th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with improvements in **property rights** and **trade freedom** exceeding declines in **government integrity**, **monetary freedom**, and **labor freedom**. Senegal is ranked 16th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Amid robust, private sector–driven GDP growth, the government promises to maintain macroeconomic stability and plans additional structural reforms to support private investment and increase economic diversification. Infrastructure investments will rely on loans from the EU and China. Senegal needs further streamlining of the regulatory framework, greater openness to trade and investment, more effective enforcement of anticorruption measures, and other institutional reforms to improve its entrepreneurial climate. Systemic weaknesses persist in the rule of law, and the judiciary remains vulnerable to political influence.

ECONOMIC FREEDOM SCORE

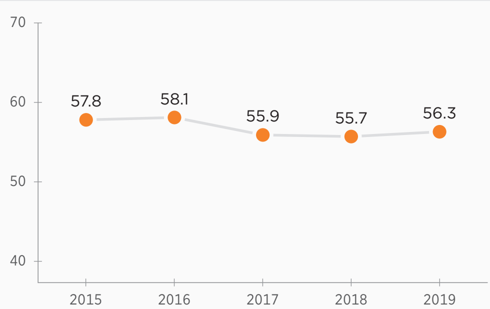


RELATIVE STRENGTHS:
Monetary Freedom and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–1.9

CONCERNS:
Labor Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
15.9 million

GDP (PPP):
$43.2 billion
7.2% growth in 2017
5-year compound annual growth 5.6%
$2,727 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
1.4%

FDI INFLOW:
$532.3 million

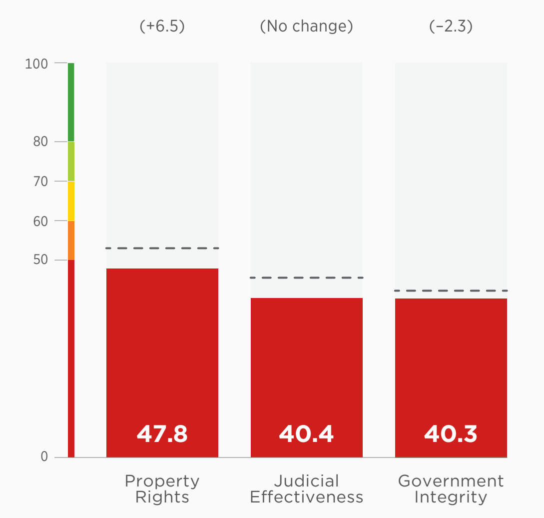
PUBLIC DEBT:
61.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: A low-level separatist insurgency by the rebel Movement of Democratic Forces of Casamance in the South of this former French colony ended with a cease-fire in 2014. Macky Sall of the Alliance for the Republic–Yakaar party was elected to a seven-year term as president in 2012. In 2017, his coalition won 75 percent of the National Assembly's seats in elections that were protested by the opposition. In 2016, the constitution was changed to shorten presidential terms from seven to five years, prohibit more than two terms, and reduce presidential power in favor of the legislature. Phosphate mining, fertilizer production, construction, tourism, fisheries, and agriculture propel Senegal's economy. Major offshore oil and gas fields are also being developed.

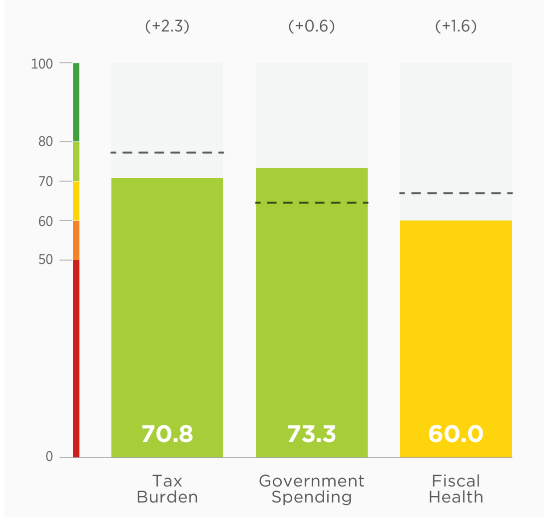
12 ECONOMIC FREEDOMS | SENEGAL

RULE OF LAW



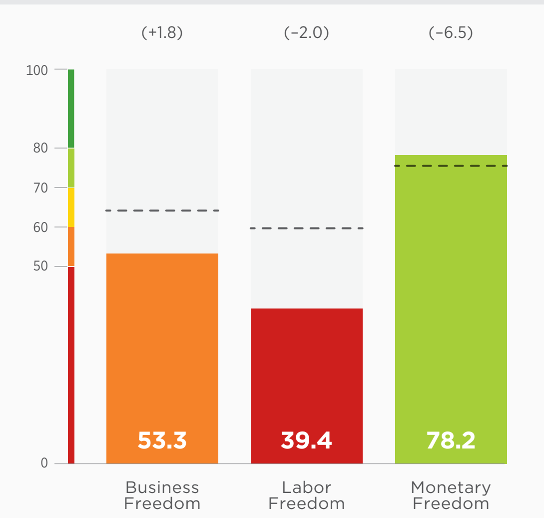
Property titling procedures are applied unevenly across the country. Settling contractual disputes is often cumbersome and slow. The judiciary is independent but underresourced and subject to external influences. The government has prioritized efforts to fight corruption, but weak institutions hinder the enforcement of legal prohibitions. The public remains frustrated with the slow progress of political and social reform.

GOVERNMENT SIZE



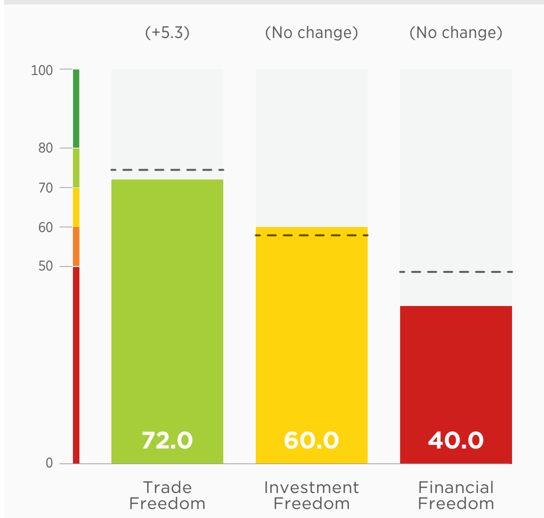
The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and insurance taxes. The overall tax burden equals 20.4 percent of total domestic income. Over the past three years, government spending has amounted to 29.8 percent of the country's output (GDP), and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 61.2 percent of GDP.

REGULATORY EFFICIENCY



Although the process for establishing a business has become more streamlined, start-up costs remain substantial. The overall regulatory environment is vulnerable to arbitrary decision-making and corruption. A formal urban labor market has been slow to develop. Higher energy subsidies and a lack of governmental resources to fund them have increased fiscal obligations to state-owned electricity and oil-importing companies.

OPEN MARKETS



The combined value of exports and imports is equal to 69.8 percent of GDP. The average applied tariff rate is 9.0 percent. As of June 30, 2018, according to the WTO, Senegal had three nontariff measures in force. Most sectors of the economy are open to foreign investment, but foreign investors also face bureaucratic barriers. About 47 percent of adult Senegalese have access to an account with a formal banking institution.

WORLD RANK: 69 | REGIONAL RANK: 34

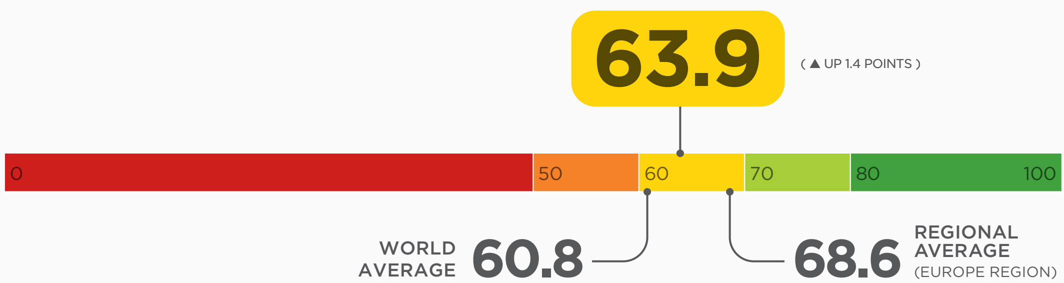
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

SERBIA

Serbia's economic freedom score is 63.9, making its economy the 69th freest in the 2019 *Index*. Its overall score has increased by 1.4 points, with a large increase in **fiscal health** and improvements in scores for **business freedom** and **government spending** surpassing drops in **trade freedom** and **judicial effectiveness**. Serbia is ranked 34th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

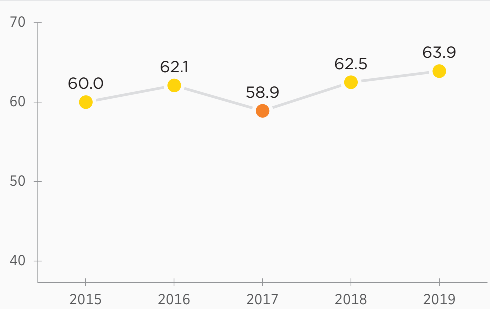
Serbia is still in transition from statism to a market economy and still recovering from civil war. With strong economic growth and significant fiscal consolidation, the government plans further incremental reforms to improve the business environment. Progress to reform public administration and privatize state-run companies in the electricity, communications, and natural gas sectors will be slower. Deeper institutional reforms are also needed to modernize tax administration, tackle bureaucracy, reduce corruption, and strengthen the judicial system.

ECONOMIC FREEDOM SCORE



RELATIVE STRENGTHS:	HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002):	CONCERNS:
Fiscal Health and Tax Burden	+17.3	Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
$105.5 billion
1.8% growth in 2017
5-year compound annual growth 1.2%
$15,000 per capita

UNEMPLOYMENT:
14.1%

INFLATION (CPI):
3.1%

FDI INFLOW:
$2.9 billion

PUBLIC DEBT:
61.5% of GDP

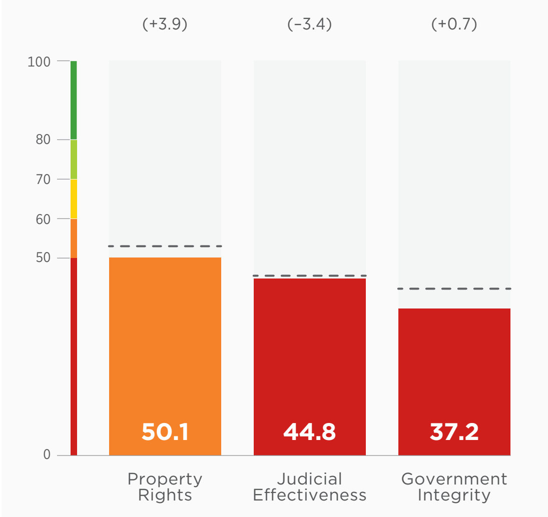
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Independent since the collapse of Yugoslavia in 1991, Serbia applied for membership in the European Union in 2009. A 2013 agreement normalized relations between Serbia and Kosovo. Former Prime Minister Aleksandar Vucic of the center-right Progressive Party, which had won snap parliamentary elections in 2016, was elected president in April 2017 and now controls nearly every lever of power. Serbia cannot accede to EU membership without more reforms, stronger rule of law, and better relations with regional neighbors. In addition, EU membership risks displeasing Russia, with which Serbia has historical ties and upon which it remains dependent for energy. Serbia's largely market-based economy relies on manufacturing and exports. State-owned companies remain significant in certain sectors.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

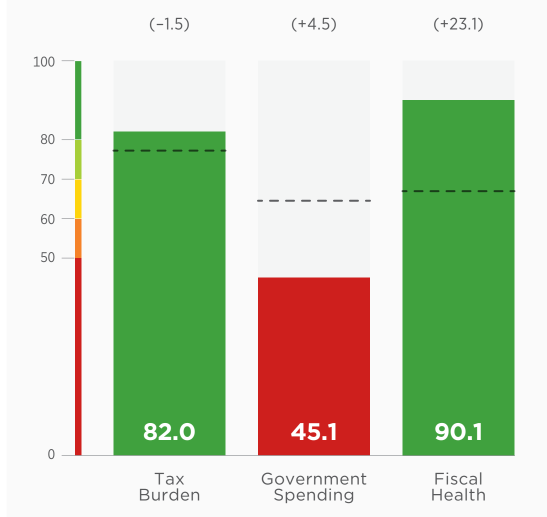
12 ECONOMIC FREEDOMS | SERBIA

RULE OF LAW



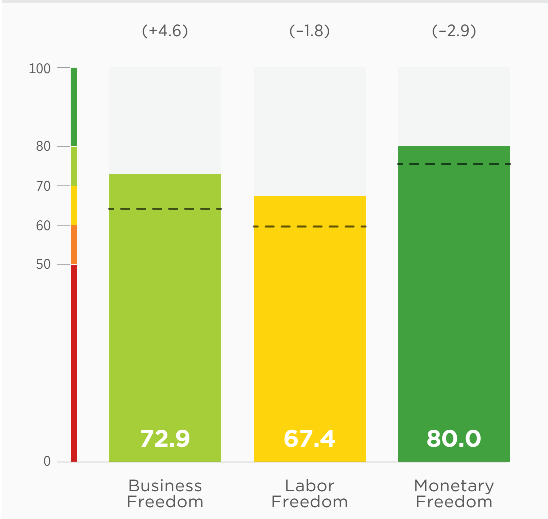
Serbian citizens and foreign investors enjoy full rights to ownership of private property. Enforcement of those rights can be extremely slow, but a new law broadening and clarifying the powers of enforcement agents was adopted in 2018. As a practical matter, the independence of the judiciary is circumscribed by political influence. Corruption remains a problem, and the government fails to enforce anticorruption laws effectively.

GOVERNMENT SIZE



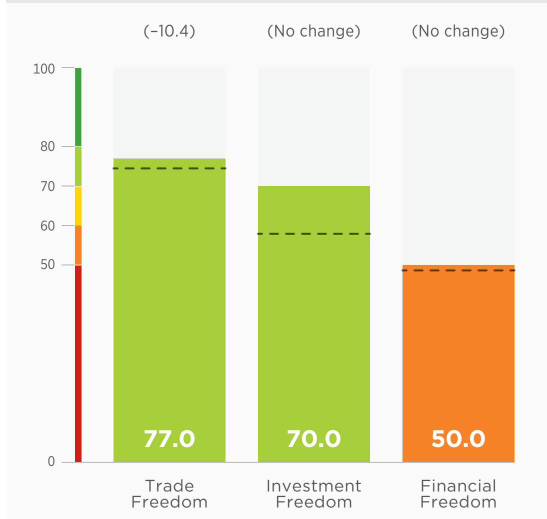
The top personal income tax rate has been cut to 10 percent, and the corporate tax rate is a flat 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 38.4 percent of total domestic income. Over the past three years, government spending has amounted to 42.8 percent of the country's output (GDP), and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 61.5 percent of GDP.

REGULATORY EFFICIENCY

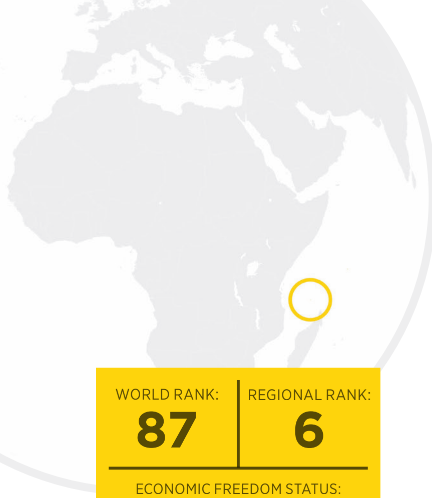


Despite some streamlining of the process for launching a business, other time-consuming requirements reduce the regulatory system's efficiency. The government recently introduced amendments to the labor law that was implemented in 2005, but labor-market rigidity persists. The unemployment rate remains over 10 percent. The government maintains high agricultural subsidies and plans to increase subsidies for crop insurance.

OPEN MARKETS



The combined value of exports and imports is equal to 113.7 percent of GDP. The average applied tariff rate is 6.5 percent, and overall trade freedom is undercut by nontariff barriers, the effect of which is exacerbated by slow progress in reforming public administration and loss-making state-run companies. Institutional impediments to investment linger. About 77 percent of adult Serbians have an account with a formal banking institution.



SEYCHELLES

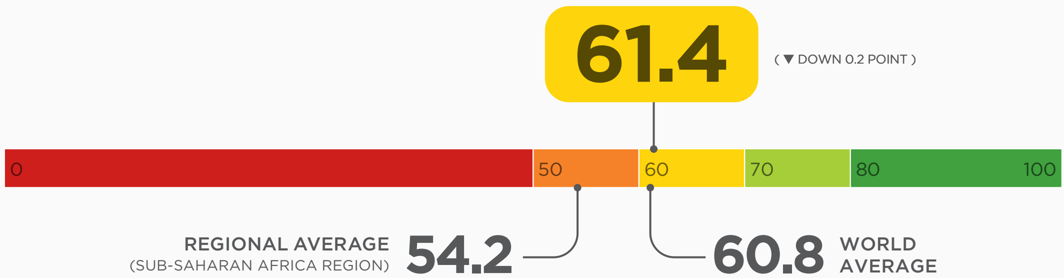
WORLD RANK: 87 | REGIONAL RANK: 6

ECONOMIC FREEDOM STATUS: MODERATELY FREE

Seychelles' economic freedom score is 61.4, making its economy the 87th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with declines in scores for **trade freedom**, **government spending**, and **property rights** exceeding improvements in **labor freedom** and the **tax burden**. Seychelles is ranked 6th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Economic growth in this Indian Ocean tourist destination has moved Seychelles to upper-middle-income status. To reduce dependence on tourism, improve the business environment, and encourage investment in other sectors, the government is focusing on debt reduction, restructuring loss-making state-owned enterprises, and "cross-subsidizing" electricity prices (charging higher prices to some consumers to subsidize lower prices for others). An inefficient legal framework and pervasive corruption severely hamper economic freedom. Additional reforms and market-opening measures are critical to improving competitiveness.

ECONOMIC FREEDOM SCORE

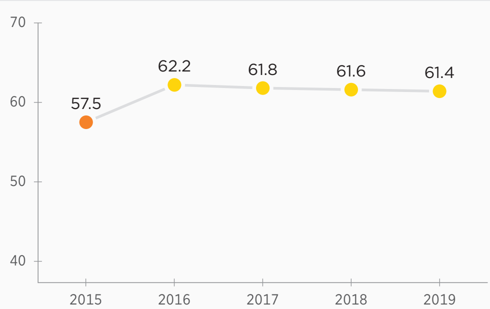


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+13.6

CONCERNS:
Financial Freedom and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$2.7 billion
4.2% growth in 2017
5-year compound annual growth 4.9%
$28,779 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
2.9%

FDI INFLOW:
$191.9 million

PUBLIC DEBT:
63.3% of GDP

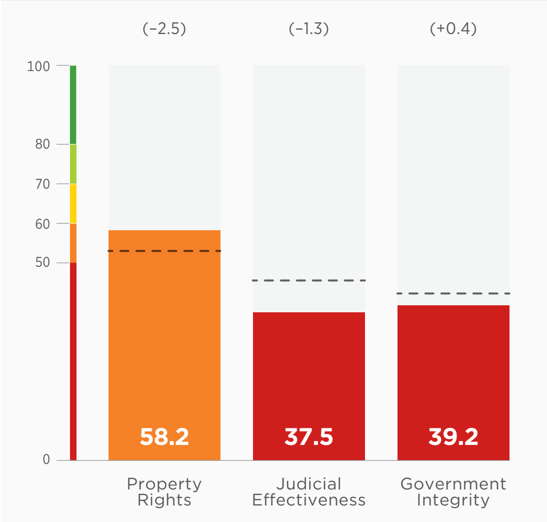
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After independence from the United Kingdom in 1976, France-Albert René of the People's Party seized power in a bloodless coup in 1977. In 1993, he was elected to serve as Seychelles' first president. In 2004, he ceded power to Vice President James Michel, who was elected to his third five-year presidential term in 2015. In 2016, President Michel resigned and transferred power to Vice President Danny Faure. Seychelles enjoys a stable economic environment with lucrative fishing and tourism industries. In recent years, the government has encouraged foreign investment to upgrade hotels and other services while at the same time moving to reduce dependence on tourism by promoting the development of farming, fishing, and small-scale manufacturing.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

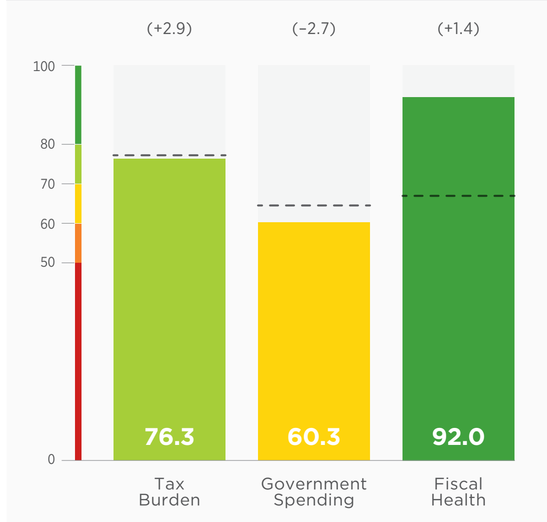
12 ECONOMIC FREEDOMS | SEYCHELLES

RULE OF LAW



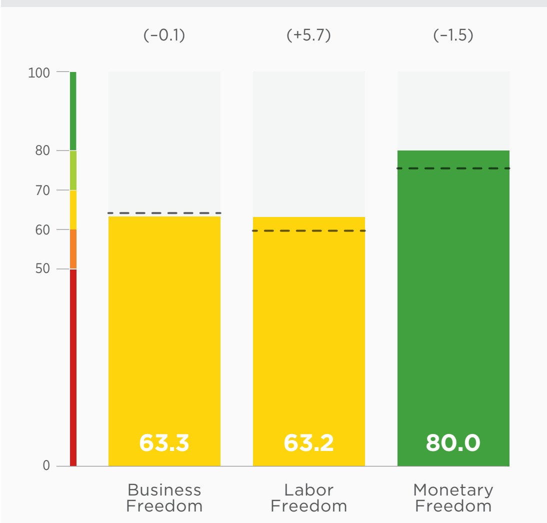
The courts enforce interests in real property, including mortgages and liens. The World Bank's 2018 *Doing Business* survey ranked Seychelles 62nd for registering property. The judicial branch is independent but slow, and court cases sometimes last years. Government corruption stems from a lack of transparency in the privatization and allocation of government-owned land and businesses. Many Seychellois believe the well-connected receive preferential treatment.

GOVERNMENT SIZE



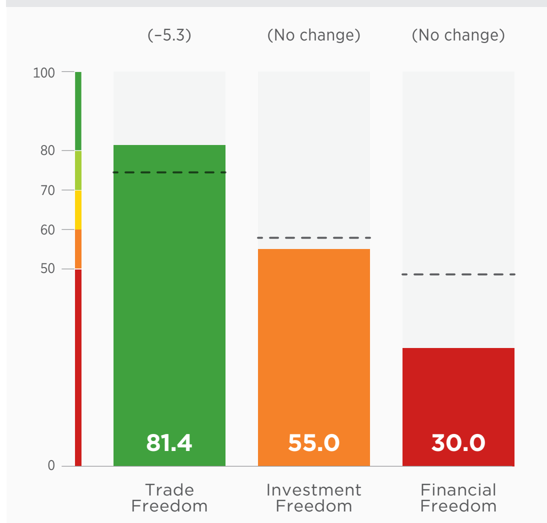
The personal income tax rate is a flat 15 percent. The top corporate tax rate is 33 percent. Other taxes include interest, vehicle, and value-added taxes. The overall tax burden equals 32.6 percent of total domestic income. Over the past three years, government spending has amounted to 36.4 percent of the country's output (GDP), and budget surpluses have averaged 1.0 percent of GDP. Public debt is equivalent to 63.3 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework still includes considerable bureaucratic and procedural hurdles for potential entrepreneurs. The formal labor market is not fully developed, and the inefficient public sector accounts for approximately 40 percent of total employment. The state-owned airline has added new destinations despite large operating losses, and Seychelles Public Transport Corporation has recorded losses despite a government subsidy.

OPEN MARKETS



The combined value of exports and imports is equal to 192.0 percent of GDP. The average applied tariff rate is 4.3 percent. As of June 30, 2018, according to the WTO, Seychelles had 10 nontariff measures in force. Foreign investment in some sectors remains restricted. The banking sector consists of both state-owned and foreign financial institutions. Financing options for the private sector are limited.

SIERRA LEONE

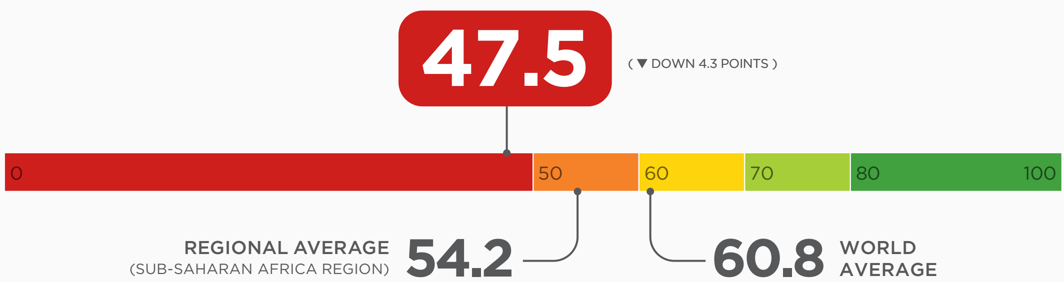
WORLD RANK: **167** | REGIONAL RANK: **42**

ECONOMIC FREEDOM STATUS: **REPRESSED**

Sierra Leone's economic freedom score is 47.5, making its economy the 167th freest in the 2019 *Index*. Its overall score has decreased by 4.3 points, with a steep plunge in **fiscal health** and lower scores for **labor freedom**, **monetary freedom**, and **business freedom** overwhelming improvements in the **tax burden**, **judicial effectiveness**, and **government integrity**. Sierra Leone is ranked 42nd among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Fiscal consolidation measures such as reductions in rice subsidies should be policy priorities. Growth is also hampered by a restrictive regulatory environment, inadequate infrastructure, and weak enforcement of contracts. Protection of property rights is nearly nonexistent. The financial system remains in post–civil war recovery mode and lacks capacity. The government has taken some steps to improve the legal framework, tax administration, and public debt management to address pervasive corruption.

ECONOMIC FREEDOM SCORE

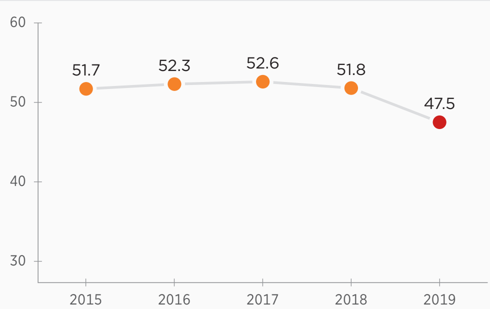


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–2.3

CONCERNS:
Fiscal Health and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
7.4 million

GDP (PPP):
$11.5 billion
3.5% growth in 2017
5-year compound annual growth 2.9%
$1,553 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
18.0%

FDI INFLOW:
$560.0 million

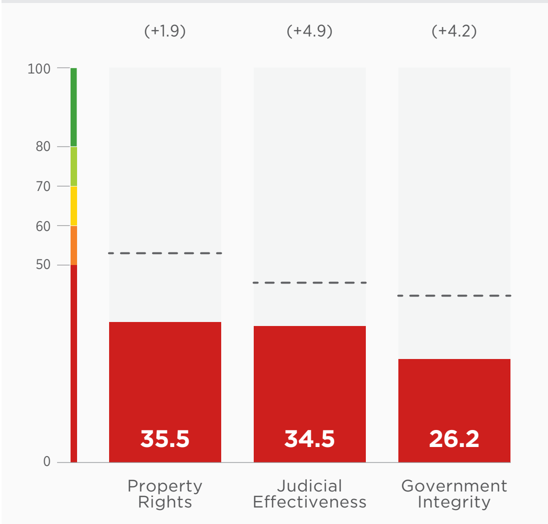
PUBLIC DEBT:
58.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Sierra Leone became independent from the United Kingdom in 1961, but a civil war in the 1990s killed or displaced about a third of the population. Ernest Bai Koroma of the All People's Congress, elected president in 2007 in the first peaceful transition of power, was reelected in 2012. Former junta leader Julius Maada Bio of the Sierra Leone People's Party won the presidency in 2018. Gem-quality diamonds account for high rates of economic growth and nearly half of exports, but Sierra Leone remains extremely poor, with many depending on subsistence agriculture. Political instability has hindered development of substantial mineral, agricultural, and fishery resources. The 2014 Ebola epidemic killed nearly 4,000, and the country was not declared Ebola-free until 2016.

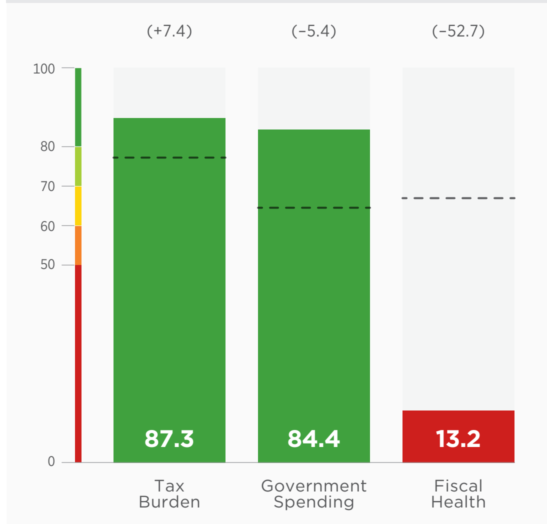
12 ECONOMIC FREEDOMS | SIERRA LEONE

RULE OF LAW



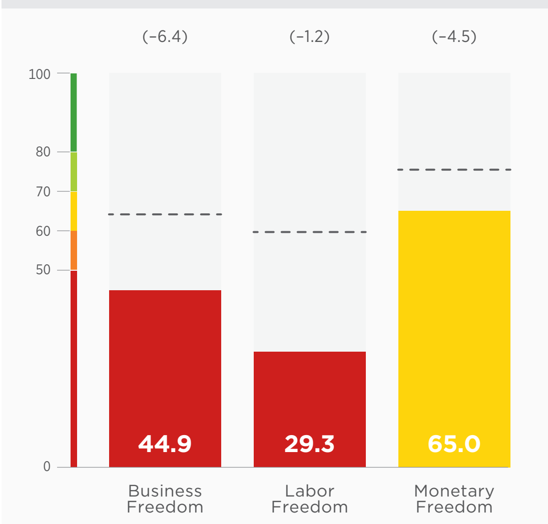
A deficient legal framework leaves property rights and contracts insecure. There is no land titling system. Low salaries, police unprofessionalism, and lack of resources impede judicial effectiveness. Corruption remains endemic at every level of government. Transparency International's 2017 *Corruption Perceptions Index* ranks Sierra Leone 130th out of 180 countries and reports that it is perceived as one of Africa's most corrupt countries.

GOVERNMENT SIZE



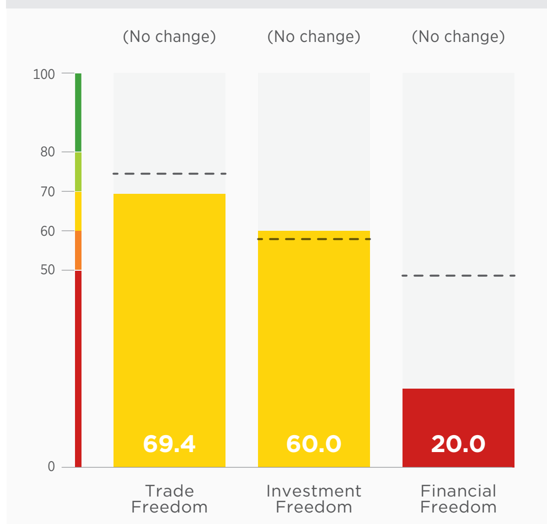
The top individual income tax rate has been cut to 15 percent, and the top corporate tax rate is 30 percent. Other taxes include goods and services and interest taxes. The overall tax burden equals 12.2 percent of total domestic income. Over the past three years, government spending has amounted to 22.8 percent of the country's output (GDP), and budget deficits have averaged 7.4 percent of GDP. Public debt is equivalent to 58.4 percent of GDP.

REGULATORY EFFICIENCY



In an effort to move away from dependence on diamond production, Sierra Leone has taken measures to improve the regulatory framework, but the overall business environment lacks efficiency and transparency. With much of the labor force employed in the informal sector, outmoded labor regulations are futile in application. Local activists protesting the government's reform plan in 2018 have slowed the removal of fuel and rice subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 79.4 percent of GDP. The average applied tariff rate is a relatively high 10.3 percent. Steps to dismantle nontariff barriers, including the elimination of export permits, have been taken. In general, foreign and domestic investors are treated equally under the law, but state-owned enterprises distort investment flows. About 20 percent of adult Sierra Leoneans have an account with a bank.

WORLD RANK: **2**

REGIONAL RANK: **2**

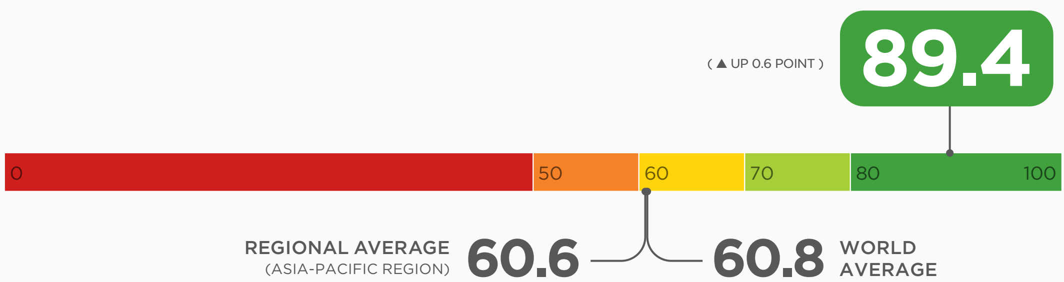
ECONOMIC FREEDOM STATUS: **FREE**

SINGAPORE

Singapore's economic freedom score is 89.4, making its economy the 2nd freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with increases in scores for **trade freedom** and **government integrity** outpacing modest declines in **labor freedom** and **property rights**. Singapore is ranked 2nd among 43 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Singapore owes its success as a highly developed free-market economy in large part to its remarkably open and corruption-free business environment, prudent monetary and fiscal policies, and a transparent legal framework. The government has continued to promote economic growth through an active industrial policy that targets fiscal incentives, increases public investment, promotes development of skill sets attractive to foreign investors, and focuses on economic diversification. Well-secured property rights promote entrepreneurship and productivity growth. The rule of law is undergirded by a societal intolerance of corruption.

ECONOMIC FREEDOM SCORE

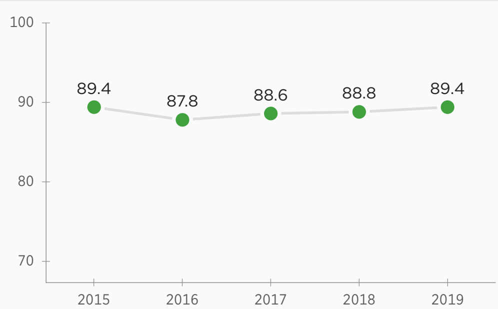


RELATIVE STRENGTHS:
Property Rights and Government Integrity

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.1

CONCERNS:
Financial Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.6 million

GDP (PPP):
$527.0 billion
3.6% growth in 2017
5-year compound annual growth 3.5%
$93,905 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
0.6%

FDI INFLOW:
$62.0 billion

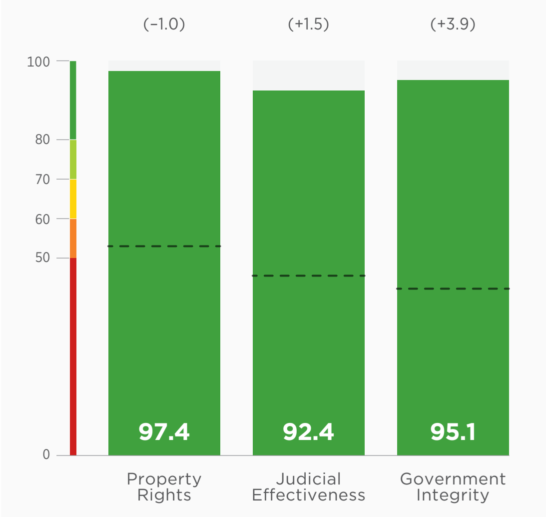
PUBLIC DEBT:
110.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Singapore is one of the world's most prosperous nations. Despite an active parliamentary opposition, it has been ruled by one party, the People's Action Party (PAP), for many decades. Prime Minister Lee Hsien Loong has led the government since 2004 and will oversee a PAP leadership transition before the next parliamentary election, due by 2021. Although certain civil liberties remain restricted, the PAP long ago embraced economic liberalization and international trade. Services dominate the economy, but Singapore is also a major manufacturer of electronics and chemicals and operates one of the world's largest ports. Its unemployment rate is one of the lowest in the developed world. Principal exports include integrated circuits, refined petroleum, and computers.

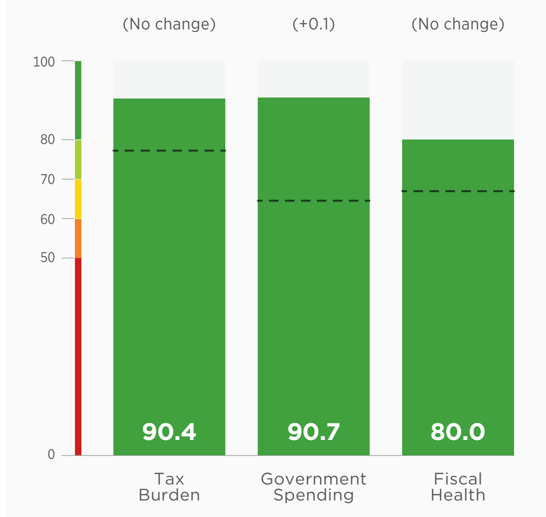
12 ECONOMIC FREEDOMS | SINGAPORE

RULE OF LAW



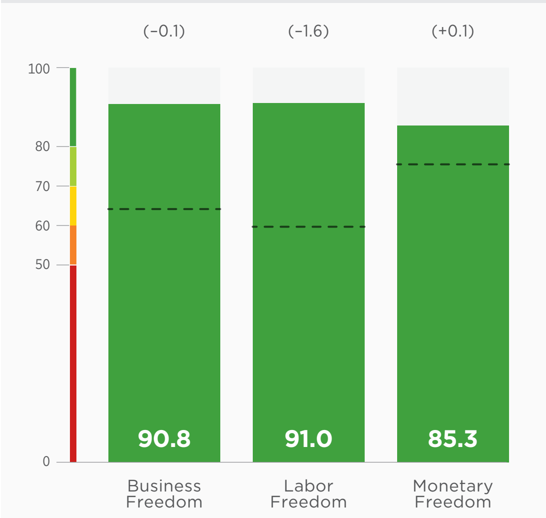
Singapore protects property rights and enforces contracts effectively. Commercial courts function well, but the government's overwhelmingly successful track record in court cases raises questions about judicial independence. Singapore is one of the world's least corrupt countries and has numerous safeguards and audit controls in place. When corruption is discovered, it is dealt with swiftly, firmly, and publicly.

GOVERNMENT SIZE



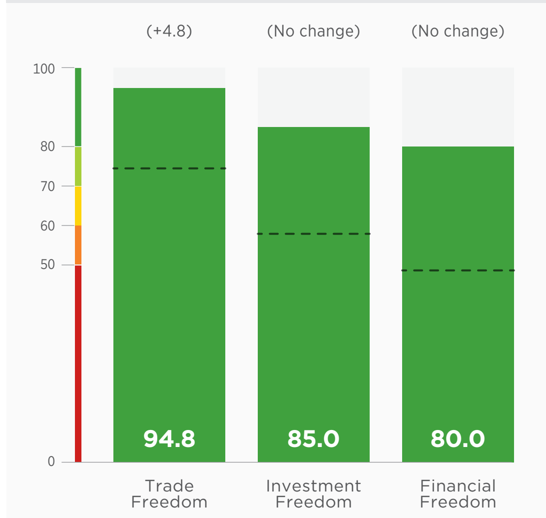
The top individual income tax rate is 22 percent, and the top corporate tax rate is 17 percent. The overall tax burden equals 13.7 percent of total domestic income. Over the past three years, government spending has amounted to 17.6 percent of the country's output (GDP), and budget surpluses have averaged 4.3 percent of GDP. Public debt is equivalent to 110.9 percent of GDP.

REGULATORY EFFICIENCY

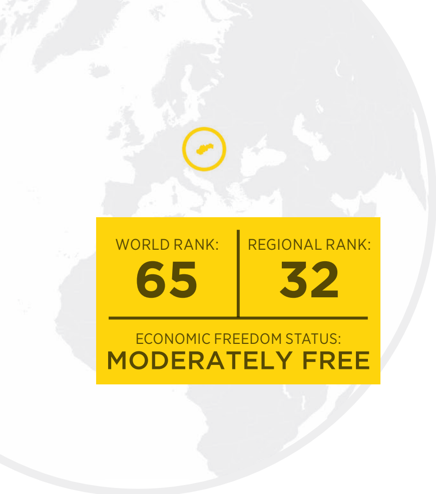


The overall entrepreneurial environment remains one of the world's most transparent and efficient. The business start-up process is straightforward, with no minimum capital required. The labor market, supported by flexible labor regulations, is vibrant and functions well. The government funds generous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

OPEN MARKETS



The combined value of exports and imports is equal to 322.4 percent of GDP. The average applied tariff rate is 0.1 percent. As of June 30, 2018, according to the WTO, Singapore had 182 nontariff measures in force. The country's openness to global investment encourages vibrant commercial activity. The government continues its ownership in the financial sector but has steadily been opening the domestic market to foreign banks.



WORLD RANK: **65** | REGIONAL RANK: **32**

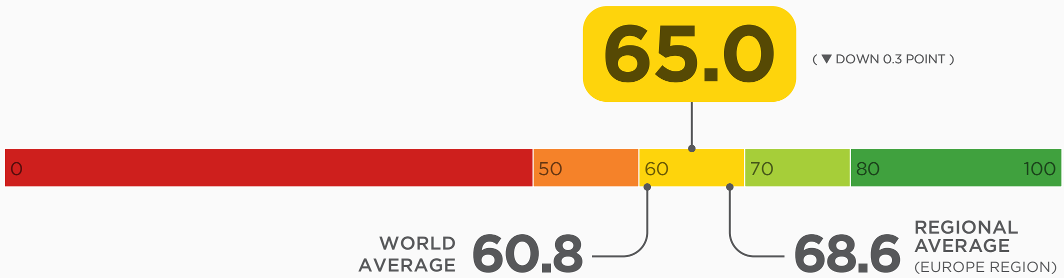
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

SLOVAK REPUBLIC

The Slovak Republic's economic freedom score is 65.0, making its economy the 65th freest in the 2019 *Index*. Its overall score has decreased by 0.3 point, with declines in **business freedom** and **monetary freedom** exceeding improvements in **fiscal health** and **government spending**. The Slovak Republic is ranked 32nd among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

The Slovak Republic is still affected by widespread corruption and a judicial system that remains weak, inefficient, and vulnerable to political interference. The country's transition to a market-based system was interrupted by political instability that damaged its institutions after its separation from the Czech Republic. Continued transformation and restructuring are needed to capitalize on the well-educated labor force and broaden the production base. Reforms to enhance the quality of the public sector have been resisted by influential politicians.

ECONOMIC FREEDOM SCORE

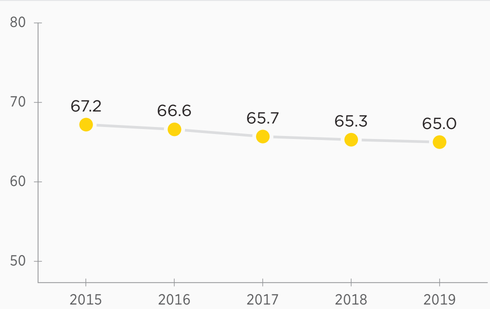


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+4.6

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
5.4 million

GDP (PPP):
$179.4 billion
3.4% growth in 2017
5-year compound annual growth 3.0%
$33,025 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
1.3%

FDI INFLOW:
$2.3 billion

PUBLIC DEBT:
50.4% of GDP

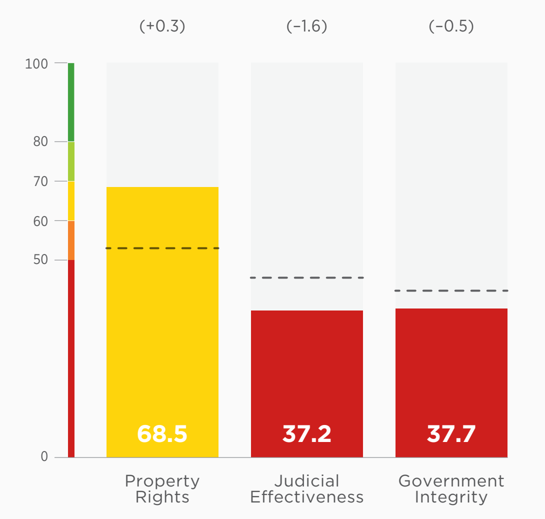
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: After it gained independence from the former Czechoslovakia in 1993, market reforms made the Slovak Republic one of Europe's rising economic stars. It entered the European Union and NATO in 2004 and the eurozone in 2009. Longtime Prime Minister Robert Fico resigned in March 2018 following massive protests after the murder of an investigative journalist. New Prime Minister Peter Pellegrini of the center-left Direction-Social Democracy Party (Smer) rules in coalition with the Slovak National Party and the center-right Bridge (Most-Híd) party. Independent Andrej Kiska was elected president in 2014. The Slovak Republic has rebuffed EU plans for mandatory migrant quotas. Its small, open economy is driven mainly by automobile and electronics exports. The jobless rate has dropped, but youth unemployment remains high.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

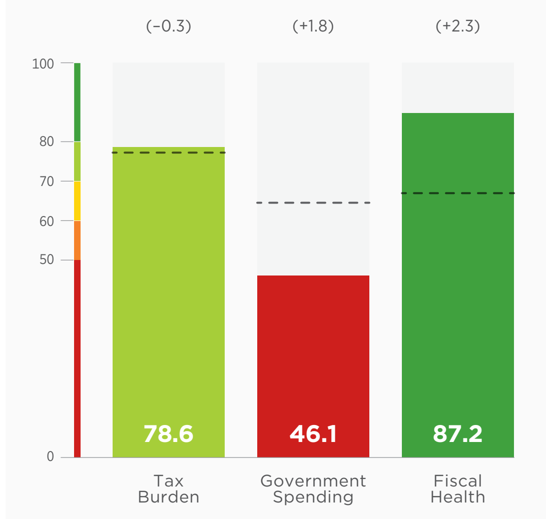
12 ECONOMIC FREEDOMS | SLOVAK REPUBLIC

RULE OF LAW



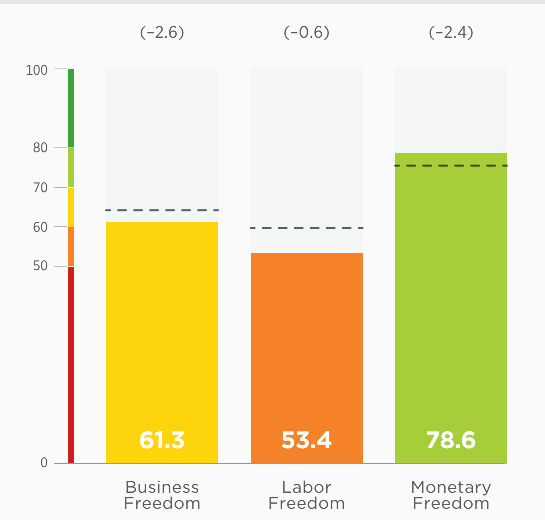
Property and contractual rights are recognized and enforced. The constitution provides for an independent judiciary, but the judicial system is vulnerable to corruption and intimidation of judges. Public confidence in the courts is among the lowest in the EU. In addition to the judiciary, there is corruption in the public procurement sectors. Lack of transparency in the bloated bureaucracy is an impediment to business.

GOVERNMENT SIZE



The top individual income tax rate is 25 percent, and the top corporate tax rate is 21 percent. Other taxes include value-added and property taxes. The overall tax burden equals 32.7 percent of total domestic income. Over the past three years, government spending has amounted to 42.4 percent of the country's output (GDP), and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 50.4 percent of GDP.

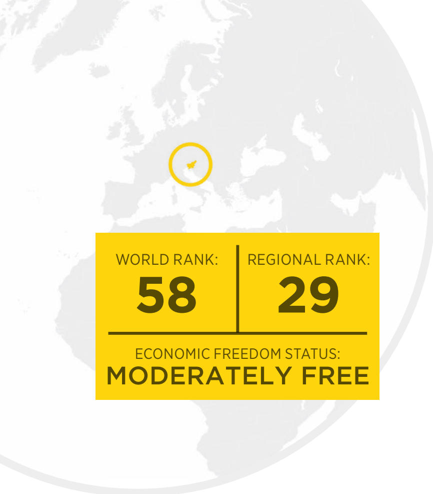
REGULATORY EFFICIENCY



The process for launching a private enterprise has become more streamlined, and licensing requirements have become less burdensome. The nonsalary cost of employing a worker is moderate. The severance payment system is not burdensome, but regulations on work hours remain relatively rigid. The government maintains agricultural subsidies but plans to phase out €100 million in coal subsidies and focus on renewable energy.

OPEN MARKETS

The combined value of exports and imports is equal to 189.2 percent of GDP. The average applied tariff rate is 2.0 percent. The Slovak Republic implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Openness to investment has aided the transition to a more market-based system. About 90 percent of adult Slovaks have access to a formal bank account.



WORLD RANK: 58

REGIONAL RANK: 29

ECONOMIC FREEDOM STATUS:

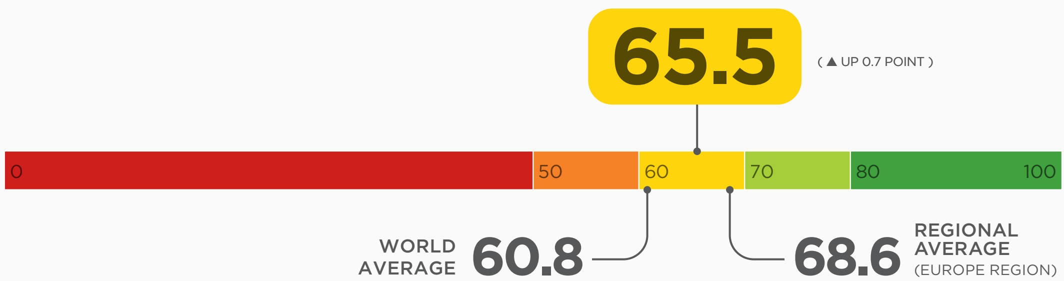
MODERATELY FREE

SLOVENIA

Slovenia's economic freedom score is 65.5, making its economy the 58th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with sharply higher scores on **fiscal health** and **government spending** outpacing significant declines in **judicial effectiveness** and **monetary freedom**. Slovenia is ranked 29th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Challenges facing the new government include the need to privatize the country's largest bank and reform the public health and pension systems. Its plans for higher taxes and spending threaten to undo the fiscal consolidation measures taken by the previous government to ensure the long-term stability of public finances. Institutional weaknesses continue to undermine prospects for long-term economic development. In particular, the judicial system remains inefficient and vulnerable to political interference. Corruption continues to be perceived as widespread.

ECONOMIC FREEDOM SCORE

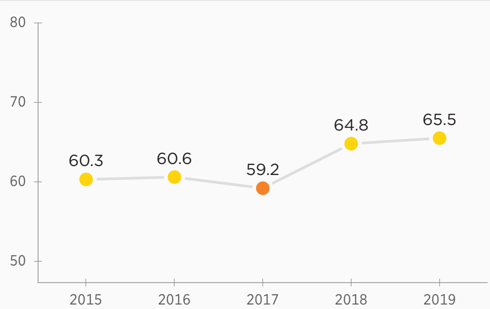


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+15.1

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$71.1 billion
5.0% growth in 2017
5-year compound annual growth 2.5%
$34,407 per capita

UNEMPLOYMENT:
6.6%

INFLATION (CPI):
1.4%

FDI INFLOW:
$702.0 million

PUBLIC DEBT:
75.4% of GDP

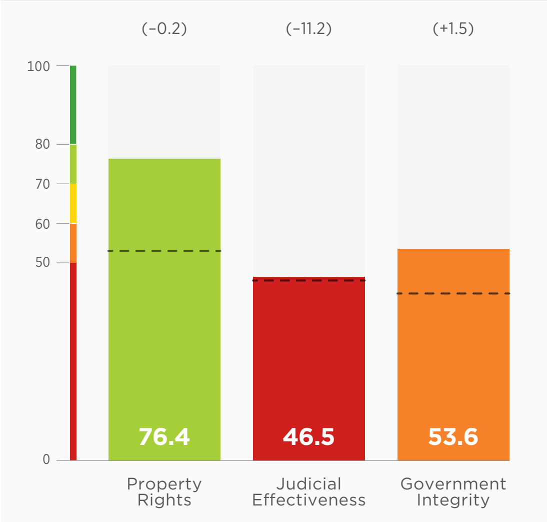
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Slovenia joined the European Union and NATO in 2004 and adopted the euro in 2007. The center-right and Euroskeptic Slovenian Democratic Party (SDS) won the most seats in June 2018 parliamentary elections but fell short of a majority. The SDS campaigned against the EU's migrant quotas and in favor of tighter border security and lower taxes. In September, after a two-month deadlock, Prime Minister Marjan Sarec of the center-left List party, which placed second, formed a fragile minority government. With its excellent infrastructure, well-educated workforce, and strategic location between the Balkans and Western Europe, Slovenia has one of Central Europe's higher per capita GDPs. Despite political uncertainty, the economy is registering strong growth, powered by exports.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

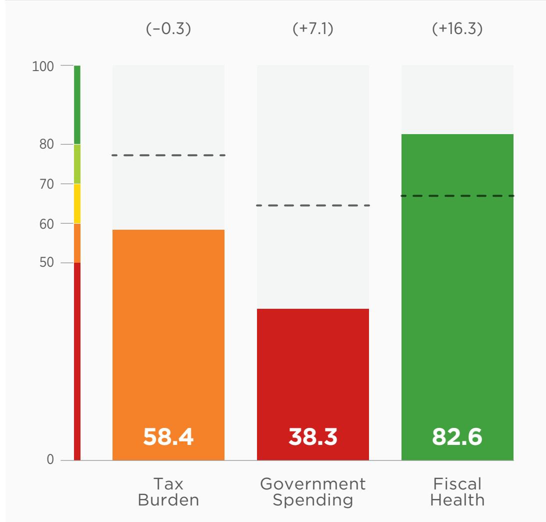
12 ECONOMIC FREEDOMS | SLOVENIA

RULE OF LAW



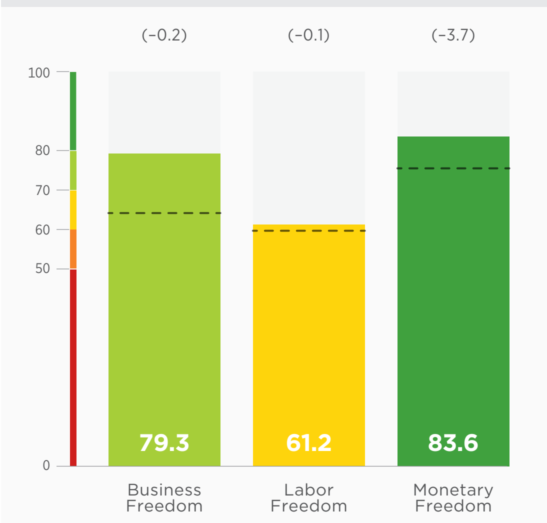
Virtually all land has a clear title. Enforcement of protections for private property rights, however, is slow. Dispute resolution requires an average of 1,160 days. The judicial system is transparent but inefficient, overburdened, and underresourced. Corruption is less prevalent in Slovenia than in many of its neighbors, but it still remains a problem. Law enforcement mechanisms are frequently inadequate.

GOVERNMENT SIZE



The top individual income tax rate is 50 percent, and the top corporate tax rate is 17 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 37.0 percent of total domestic income. Over the past three years, government spending has amounted to 45.4 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 75.4 percent of GDP.

REGULATORY EFFICIENCY



Despite progress in streamlining the process for launching a business, other time-consuming and costly business requirements reduce the regulatory system's overall efficiency. The labor market remains saddled with rigid labor regulations that hamper the development of more dynamic employment growth. The government spent €270 million on agricultural subsidies in 2017, but Slovenia's food self-sufficiency rate fell.

OPEN MARKETS

The combined value of exports and imports is equal to 154.8 percent of GDP. The average applied tariff rate is 2.0 percent. Slovenia implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. In general, foreign and domestic investors are treated equally under the law. About 97 percent of adult Slovenes have access to an account with a formal banking institution.

WORLD RANK: **133** | REGIONAL RANK: **33**

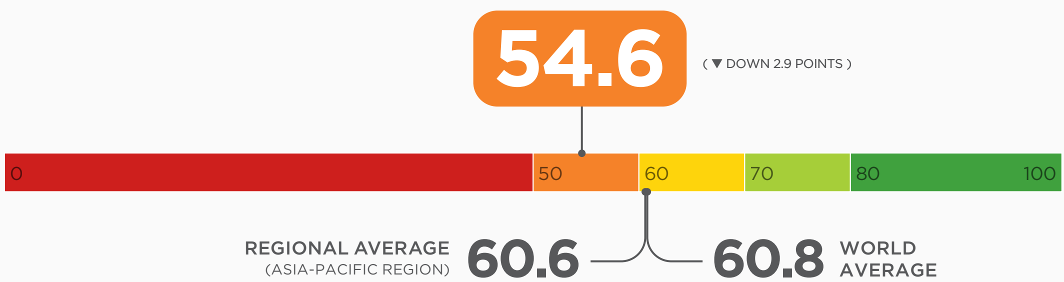
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

SOLOMON ISLANDS

The Solomon Islands' economic freedom score is 54.6, making its economy the 133rd freest in the 2019 *Index*. Its overall score has decreased by 2.9 points, the result of sharp drops in **trade freedom**, **fiscal health**, and **judicial effectiveness**. The Solomon Islands is ranked 33rd among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Historically, governments in the Solomon Islands have lacked enough cohesion and focus to generate and implement a long-term economic strategy. Although growth has expanded, supported by donor-funded infrastructure work, other serious deficiencies such as widespread violence, poor governance, an inefficient and bloated public sector, an underdeveloped legal framework, and inadequate physical infrastructure have stifled economic development. In spite of some attempts at reform, widespread corruption, limited protection of property rights, and weak rule of law also increase the cost of doing business and deter investment.

ECONOMIC FREEDOM SCORE

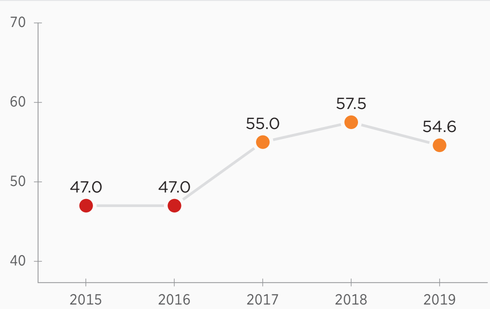


RELATIVE STRENGTHS:
Fiscal Health and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+8.6

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$1.3 billion
3.2% growth in 2017
5-year compound annual growth 2.9%
$2,157 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
−0.4%

FDI INFLOW:
$36.5 million

PUBLIC DEBT:
10.0% of GDP

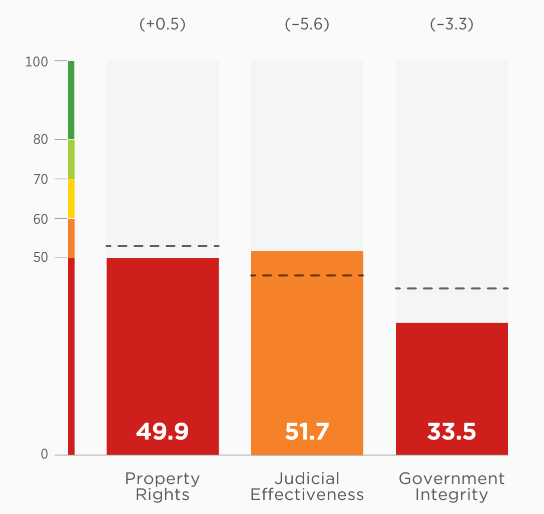
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The scene of some of World War II's bitterest fighting, the South Pacific archipelago of the Solomon Islands gained independence from the United Kingdom in 1976 and became a parliamentary democracy. In 2003, after years of ongoing and economically destructive ethnic violence, an Australian-led multinational force disarmed ethnic militias, restored law and order, and rebuilt government institutions. In 2017, Rick Hou was elected prime minister. Although the islands are rich in timber and such undeveloped mineral resources as lead, zinc, nickel, and gold, the bulk of the population continues to work in subsistence farming, fishing, and artisanal forestry. The Solomon Islands remains one of Asia's poorest nations.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

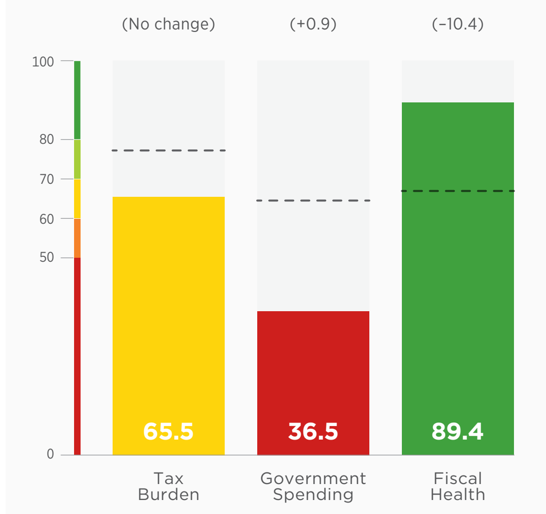
12 ECONOMIC FREEDOMS | SOLOMON ISLANDS

RULE OF LAW



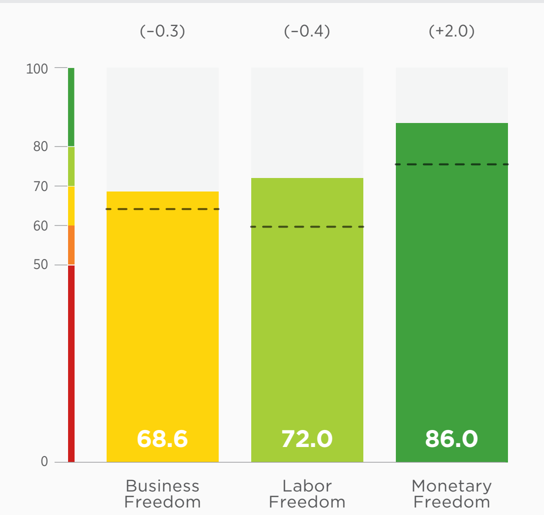
Land ownership is reserved for Solomon Islanders, and conflicts over land tenure have been a major source of civil unrest. The judiciary's lack of resources hinders the conduct of timely trials and leads to weak enforcement of contracts. Residents of rural areas have limited access to the formal justice system. Corruption is a serious problem in the judicial, mining, and fishing sectors.

GOVERNMENT SIZE



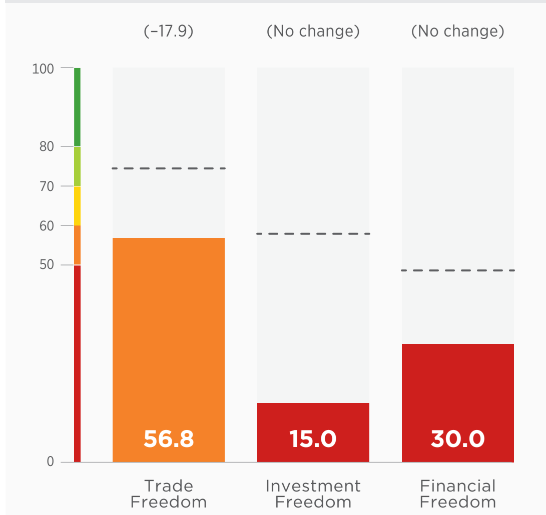
The top personal income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include property and sales taxes. The overall tax burden equals 30.8 percent of total domestic income. Over the past three years, government spending has amounted to 46.0 percent of the country's output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 10.0 percent of GDP.

REGULATORY EFFICIENCY



Bureaucratic bottlenecks continue to undermine the regulatory infrastructure. Despite the recognized need for business law reforms, policy action toward greater business freedom has been marginal. The formal labor market is not fully developed, and enforcement of the labor code is not effective. Subsidies for infrastructure development projects, funded mainly by international donors, account for about one-third of total public spending.

OPEN MARKETS



The combined value of exports and imports is equal to 98.4 percent of GDP. The average applied tariff rate is 14.1 percent. Economic dynamism and development remain stifled by a number of serious deficiencies in the trade and investment regime. Private-sector development is also undercut by the state's outsized role in the economy. The financial sector is underdeveloped, and limited access to credit constrains entrepreneurial development.

SOMALIA

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**

ECONOMIC FREEDOM STATUS: **NOT GRADED**

Somalia is not graded in the 2019 *Index* because of the continuing unavailability of relevant comparable statistics on some facets of the economy. Although Somalia lacks effective national governance because of ongoing violence and political unrest, its largely informal economy is able to function through remittance/money transfer companies and telecommunications. The central government controls only part of the country, and formal economic activity is largely restricted to urban areas such as Mogadishu and a few regional capitals.

Stability in Somalia is extremely fragile because of fierce clan-based rivalries within the political elite and the continuing influence of Islamist insurgents. The lack of central authority makes the rule of law inconsistent and fragmented, with different militias, authorities, and tribes applying varying legal frameworks. Traditional Islamic jurisprudence (Sharia law) has become entrenched. Levels of corruption remain high, and the lack of transparency and formal bookkeeping makes government revenues vulnerable to embezzlement.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)

REGIONAL AVERAGE (SUB-SAHARAN AFRICA REGION) **54.2**

60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
None

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
n/a

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND

QUICK FACTS

POPULATION: 14.3 million (2016)

GDP (PPP):
$18.7 billion
1.8% growth in 2017
5-year compound annual growth 2.2%
n/a per capita

UNEMPLOYMENT:
6.0%

INFLATION (CPI):
n/a

FDI INFLOW:
$384.0 million

PUBLIC DEBT: n/a

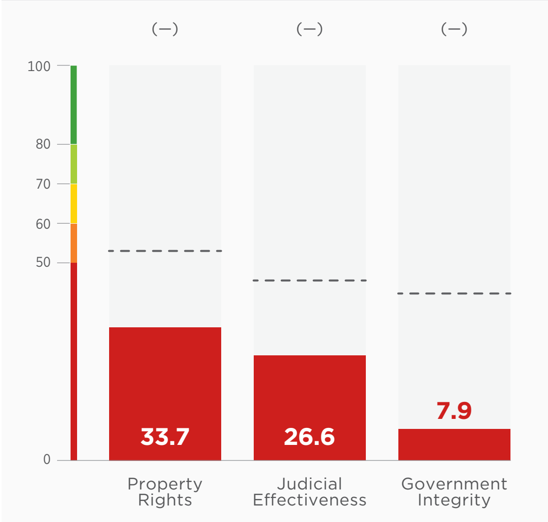
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: British and Italian Somalilands merged to form Somalia in 1960. A coup led by Mohamed Siad Barre in 1969 ushered in two decades of brutal socialist rule. Since the collapse of Barre's regime in 1991, multinational military peacekeeping missions—currently the African Union Mission to Somalia (AMISOM)—have protected a succession of weak and short-lived governments against the Islamist terrorist group al-Shabaab. In 2017, Mohamed Abdullahi Mohamed won the presidency in a delayed and corruption-ridden electoral process. In 2018, competing military forces occupied the parliament building during a dispute between the executive and legislative branches. Somalia's GDP and living standards are among the world's lowest; many people depend on remittances from abroad. Livestock, agriculture, and fishing are economic mainstays.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

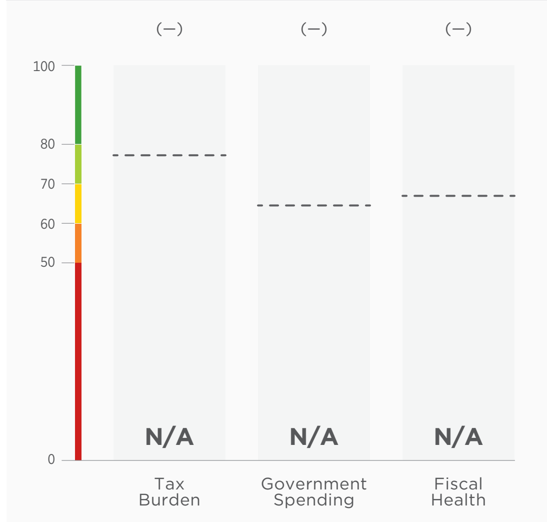
12 ECONOMIC FREEDOMS | SOMALIA

RULE OF LAW



Somali authorities are incapable of protecting property rights. Disputes over real property are at the core of ongoing civil unrest, marked by conflicts over land, land-grabs by warlords, and huge displacements of local populations. Civil courts are largely nonfunctional. Penalties for corruption exist, but implementation is nonexistent. Transparency International's 2017 *Corruption Perceptions Index* ranks Somalia as the world's most corrupt country.

GOVERNMENT SIZE

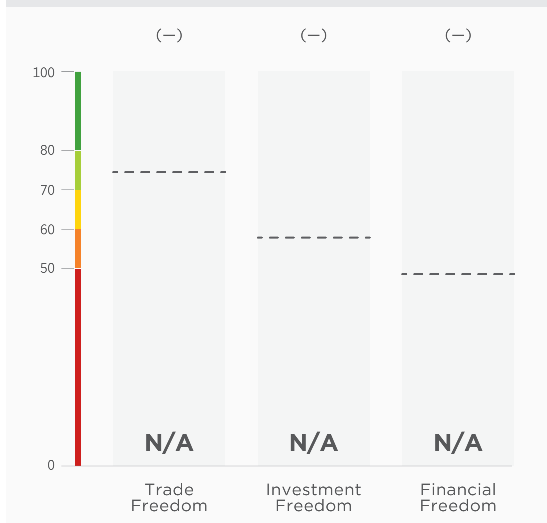


There is no effective national government that can provide basic services. Other than the collection of very limited duties and taxes, little formal fiscal policy is in place. The country's economic recovery continues to be protracted, and dependence on aid persists. A new income tax law has been submitted to parliament for approval, but the lack of productive economic activity severely constrains the government's ability to generate revenues.

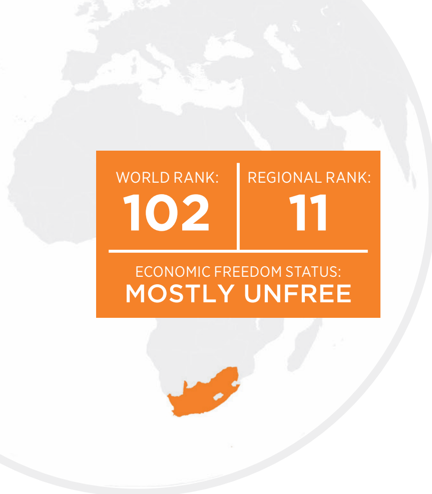
REGULATORY EFFICIENCY

Violence and political unrest have prevented Somalia from developing a coherent and coordinated domestic marketplace and functioning business environment. The labor market is dominated by informal hiring practices. The government has no control over monetary policy, but Somalia's informal agricultural, construction, and telecommunications sectors have experienced modest growth without subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 77.7 percent of GDP. Much of the population remains outside of the formal trade and banking sectors, and private investment remains extremely limited. Foreign firms have shown some interest in investing in the hydrocarbons sector and ports infrastructure, but investments have been held up by political disputes between central and state-level agencies over how to manage these projects.



WORLD RANK: **102**

REGIONAL RANK: **11**

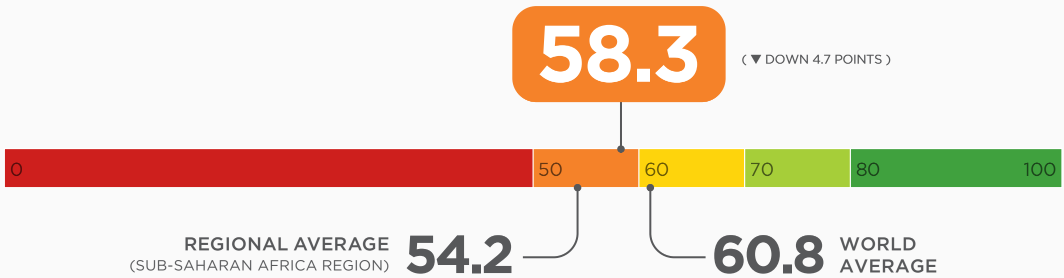
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

SOUTH AFRICA

South Africa's economic freedom score is 58.3, making its economy the 102nd freest in the 2019 *Index*. Its overall score has decreased by 4.7 points because of a steep plunge in the score for **judicial effectiveness** and declines in **fiscal health**, **property rights**, **government integrity**, and **investment freedom**. South Africa is ranked 11th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but now below the world average.

South Africa was able to retain its investment-grade credit rating because of significant policy improvements after President Cyril Ramaphosa took office in February 2018. The new government has restored macroeconomic stability but still faces rising public debt, inefficient state-owned enterprises, and spending pressures that have reduced the country's global competitiveness. The judicial system is increasingly vulnerable to political interference, and scandals and political infighting have severely undermined government integrity and weakened the rule of law.

ECONOMIC FREEDOM SCORE

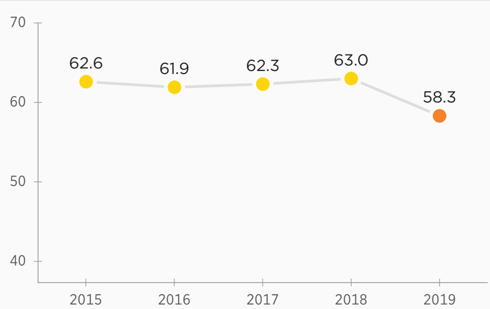


RELATIVE STRENGTHS:
Trade Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–2.4

CONCERNS:
Judicial Effectiveness and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
56.5 million

GDP (PPP):
$765.6 billion
1.3% growth in 2017
5-year compound annual growth 1.5%
$13,545 per capita

UNEMPLOYMENT:
27.3%

INFLATION (CPI):
5.3%

FDI INFLOW:
$1.3 billion

PUBLIC DEBT:
52.7% of GDP

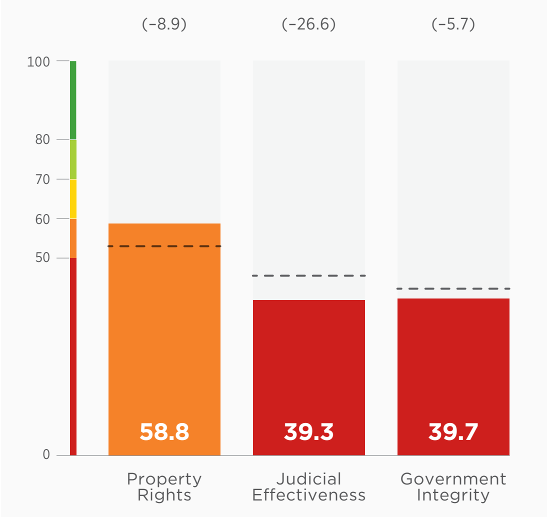
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: South Africa has a highly developed economy and advanced economic infrastructure. The African National Congress (ANC) has dominated politics since the end of apartheid in 1994. The ANC-controlled National Assembly elected Jacob Zuma to two five-year presidential terms, but corruption scandals forced him to step down in 2018. He was replaced by Cyril Ramaphosa, who is expected to lead the ANC during general elections scheduled for 2019. South Africa is one of the world's largest producers and exporters of gold, platinum, and other natural resources. It also has well-developed financial, legal, communications, energy, and transport sectors as well as the continent's largest stock exchange. Low commodity prices have weakened economic growth. Rates of formal-sector unemployment and crime are high.

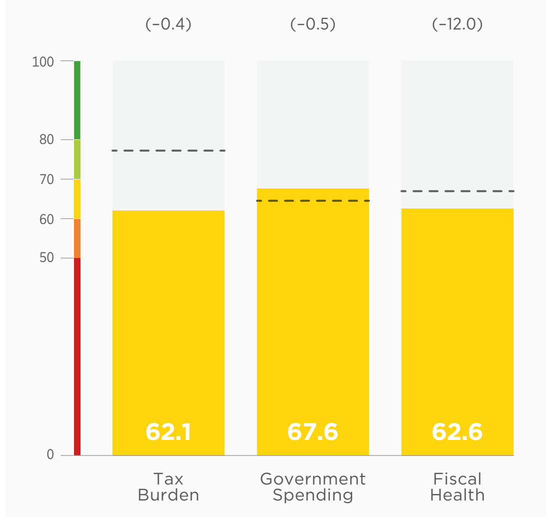
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | SOUTH AFRICA

RULE OF LAW



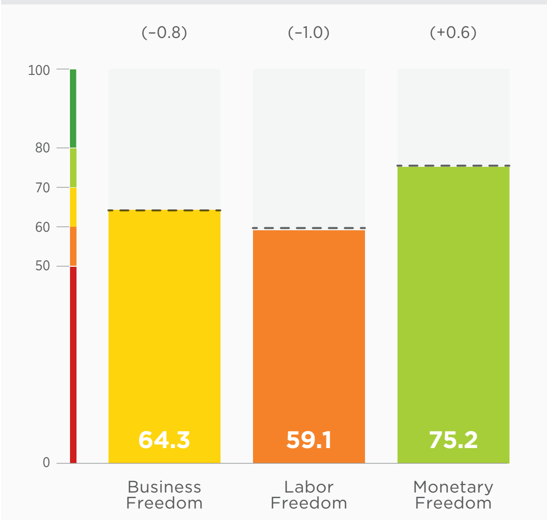
GOVERNMENT SIZE



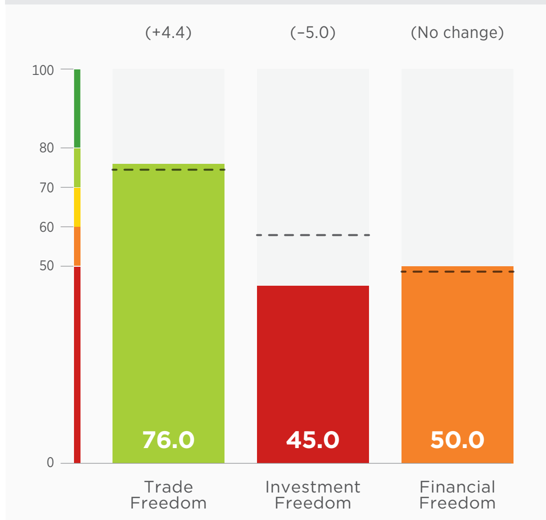
Property rights are relatively well-protected, and contracts are generally secure. South Africa benefits from a robust legal framework, especially regarding intellectual property, but courts are understaffed and underfunded. Corruption hampers the functioning of government, and enforcement of anticorruption statutes is inadequate. The tender process for public contracts is often politically driven and opaque. Public funds are often diverted because of corruption.

The top personal income tax rate is 41 percent. The top corporate tax rate is 28 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 31.3 percent of total domestic income. Over the past three years, government spending has amounted to 32.8 percent of the country's output (GDP), and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 52.7 percent of GDP.

REGULATORY EFFICIENCY

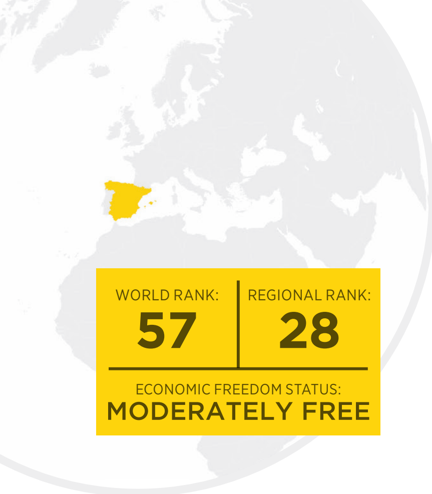


OPEN MARKETS



Progress in diversifying South Africa's economic base has been limited and uneven, indicating a need for regulatory changes that would encourage more dynamic private-sector development. Labor market rigidity has contributed to persistently high unemployment rates. The government has abolished price controls on all but a handful of items such as coal, petroleum and petroleum products like diesel and paraffin, and utilities.

The combined value of exports and imports is equal to 58.2 percent of GDP. The average applied tariff rate is 4.5 percent. As of June 30, 2018, according to the WTO, South Africa had 174 nontariff measures in force. Recent cases to ban foreign ownership of land and facilitate expropriation discourage foreign investment. About 72 percent of adult South Africans have access to an account with a formal banking institution.



WORLD RANK: 57

REGIONAL RANK: 28

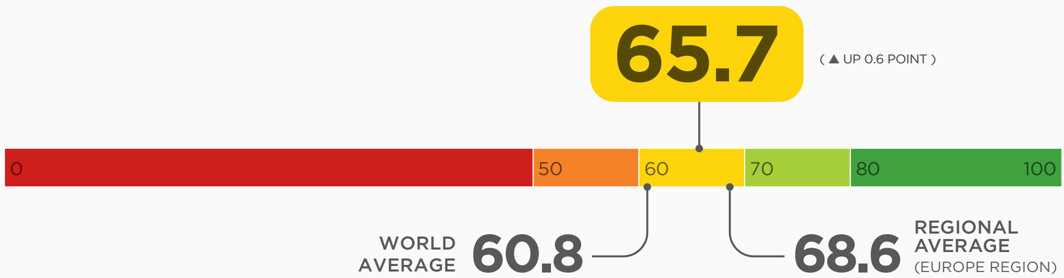
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

SPAIN

Spain's economic freedom score is 65.7, making its economy the 57th freest in the 2019 *Index*. Its overall score has increased by 0.6 point, with a significant increase in **fiscal health** offsetting a sharp drop in the score for **judicial effectiveness**. Spain is ranked 28th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

The government's minority status constrains its ability to implement its controversial and costly program of labor, pension, health care, tax, and education reforms, and a budget deal with the populist left Podemos (We Can) party includes plans for more public spending, higher taxes, and a 22 percent increase in the minimum wage in 2019. Economic recovery has reduced Spain's borrowing costs, and inflation has remained modest. Despite relatively sound economic institutions and transparent regulatory and judicial systems, the indebted public sector is still a drag on growth.

ECONOMIC FREEDOM SCORE

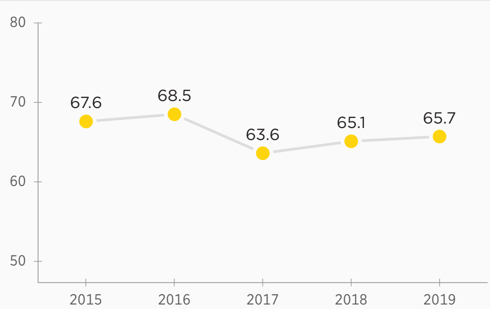


RELATIVE STRENGTHS:
Monetary Freedom and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.9

CONCERNS:
Government Spending and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
46.3 million

GDP (PPP):
$1.8 trillion
3.1% growth in 2017
5-year compound annual growth 1.9%
$38,286 per capita

UNEMPLOYMENT:
17.2%

INFLATION (CPI):
2.0%

FDI INFLOW:
$19.1 billion

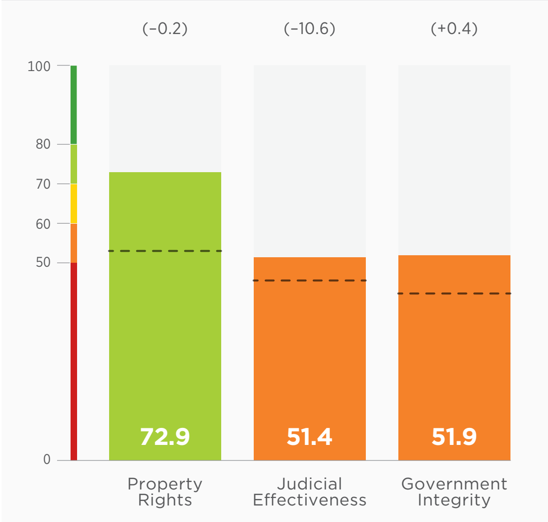
PUBLIC DEBT:
98.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Since returning to democracy in 1975, Spain has become the eurozone's fourth-largest economy. The European immigration crisis flared in 2018 as nearly half of seaborne migrants landed in Spain. The government in Madrid removed the rogue regional government of Catalonia after an October 2017 independence referendum that it deemed illegal, but a vote in December elections installed another pro-independence cabinet. Former Prime Minister Mariano Rajoy lost a parliamentary vote of no confidence in 2018, and Pedro Sánchez of the center-left Spanish Socialist Workers' Party took over as prime minister of a weak minority government. Spain's diversified economy includes manufacturing, financial services, pharmaceuticals, textiles and apparel, footwear, chemicals, and a booming tourism industry. Unemployment remains high.

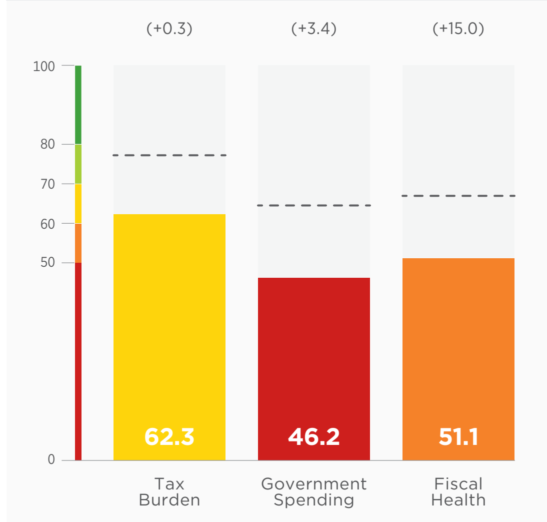
12 ECONOMIC FREEDOMS | SPAIN

RULE OF LAW



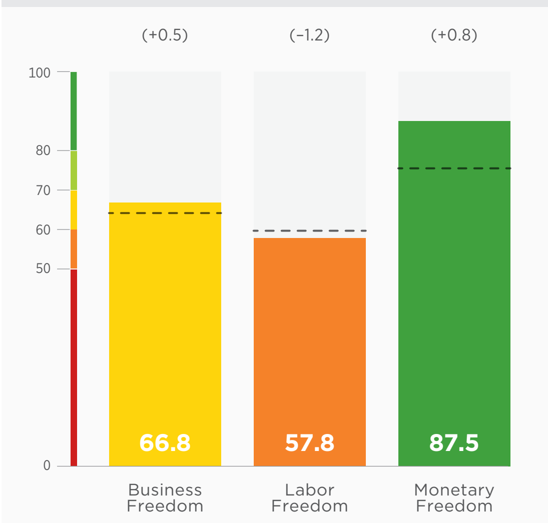
Spanish law protects property rights. The land registration system is rigid but functions efficiently. Case backlogs often leave courts overburdened and delay the delivery of justice. Although anticorruption laws are enforced on a generally uniform basis, the previous government was felled by a bribery scandal. Critics often fault government institutions for a lack of integrity or mechanisms to promote it.

GOVERNMENT SIZE



The top individual income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 33.5 percent of total domestic income. Over the past three years, government spending has amounted to 42.3 percent of the country's output (GDP), and budget deficits have averaged 4.3 percent of GDP. Public debt is equivalent to 98.4 percent of GDP.

REGULATORY EFFICIENCY



Procedures for setting up a business have been streamlined, and the number of licensing requirements has been reduced, but the overall regulatory environment remains burdensome. The last significant structural reform took place in 2012 when labor market reforms were adopted. Price controls have all but disappeared, and the government has ended coal and renewable energy subsidies in favor of an auction system.

OPEN MARKETS

The combined value of exports and imports is equal to 65.5 percent of GDP. The average applied tariff rate is 2.0 percent. Spain implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Most sectors are open to foreign investment. The overall condition of the financial sector continues to improve. Use of banking services is nearly universal among the adult population.

SRI LANKA

WORLD RANK: **115**

REGIONAL RANK: **25**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Sri Lanka's economic freedom score is 56.4, making its economy the 115th freest in the 2019 *Index*. Its overall score has decreased by 1.4 points, with a steep decline in the score for **judicial effectiveness** outweighing an improvement in **fiscal health**. Sri Lanka is ranked 25th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Although economic expansion continues, political and economic uncertainties worry investors. Sri Lanka's sizable external debt and twin current and fiscal account deficits signal very weak macroeconomic fundamentals. To maintain growth, the government must service high levels of debt out of diminished tax receipts while simultaneously reducing the bloated public sector and lowering historically high budget deficits. That requires better management of public finances and additional structural reforms to improve the business climate. A weak judiciary continues to undermine property rights, and perceived corruption is debilitatingly high.

ECONOMIC FREEDOM SCORE

56.4 (▼ DOWN 1.4 POINTS)

0 | 50 | 60 | 70 | 80 | 100

REGIONAL AVERAGE (ASIA-PACIFIC REGION) **60.6**

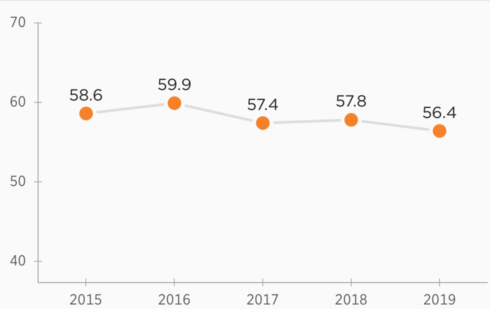
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–4.2

CONCERNS:
Government Integrity and Fiscal Health

FREEDOM TREND



QUICK FACTS

POPULATION:
21.4 million

GDP (PPP):
$274.7 billion
3.1% growth in 2017
5-year compound annual growth 4.2%
$12,811 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
6.5%

FDI INFLOW:
$1.4 billion

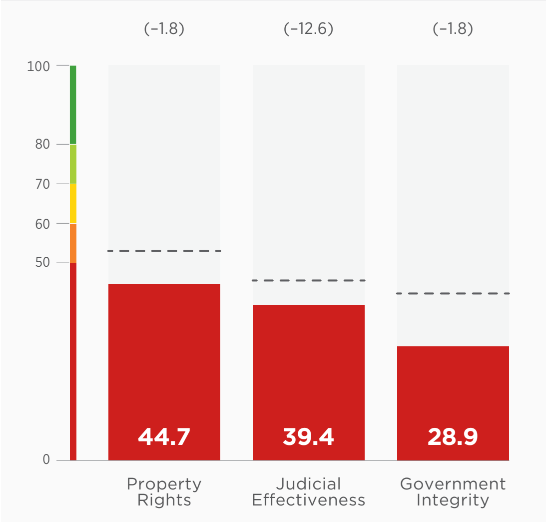
PUBLIC DEBT:
79.4% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

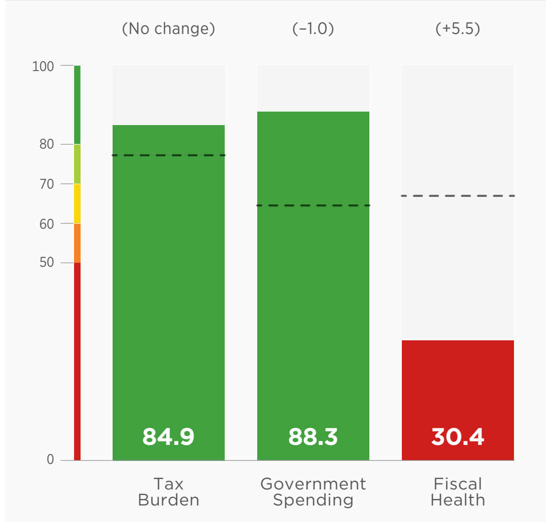
BACKGROUND: The island nation of Ceylon off the southeast coast of India gained independence from the United Kingdom in 1948; its name was changed to Sri Lanka in 1972. President Mahinda Rajapaksa, elected in 2005, was voted out of office in 2015 after overseeing a major expansion of Chinese influence in the country. President Maithripala Sirisena was elected in 2015 on pledges to restore parliamentary democracy, rein in corruption, and review infrastructure deals signed with China. As of October 2018, Sirisena suspended parliament and appointed former President Rajapaksa as prime minister, sparking a constitutional crisis. The economy is based on exports of processed commodities and garments.

12 ECONOMIC FREEDOMS | SRI LANKA

RULE OF LAW



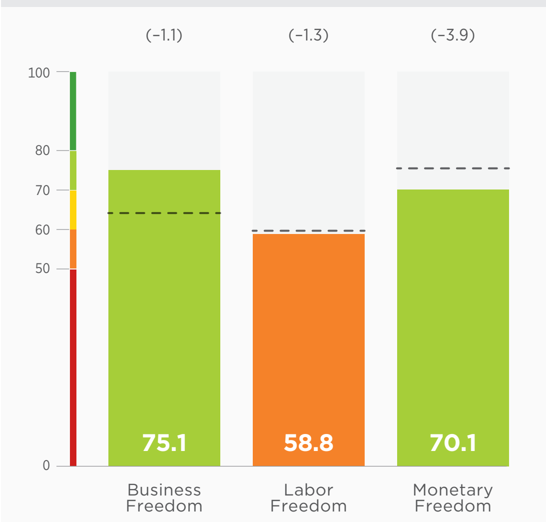
GOVERNMENT SIZE



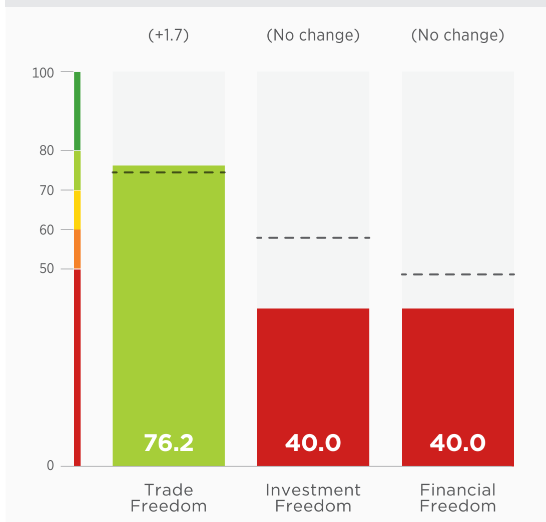
Secured interests in property are generally recognized, but many investors doubt the government's commitment to protecting their rights. Political interference is still a problem in the lower courts. Former President Rajapaksa massively increased public debt through nontransparent "One Belt, One Road" deals with China. Facilitation payments, cronyism, and other forms of government corruption persist.

The top personal income tax rate is 24 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 12.3 percent of total domestic income. Over the past three years, government spending has amounted to 19.8 percent of the country's output (GDP), and budget deficits have averaged 6.0 percent of GDP. Public debt is equivalent to 79.4 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The business start-up process has been streamlined, with licensing requirements reduced in recent years, but the overall regulatory environment remains hampered by the lack of transparency and consistency. The labor market lacks efficiency, perpetuating imbalances between labor supply and demand in various sectors. The government has reduced subsidies for fuel but has introduced new fertilizer subsidies among others.

The combined value of exports and imports is equal to 51.1 percent of GDP. The average applied tariff rate is 4.4 percent. As of June 30, 2018, according to the WTO, Sri Lanka had 19 nontariff measures in force. Investment in several sectors of the economy remains restricted, and state-owned enterprises distort the economy. About 73 percent of adult Sri Lankans have access to an account with a formal banking institution.

WORLD RANK: **166**

REGIONAL RANK: **41**

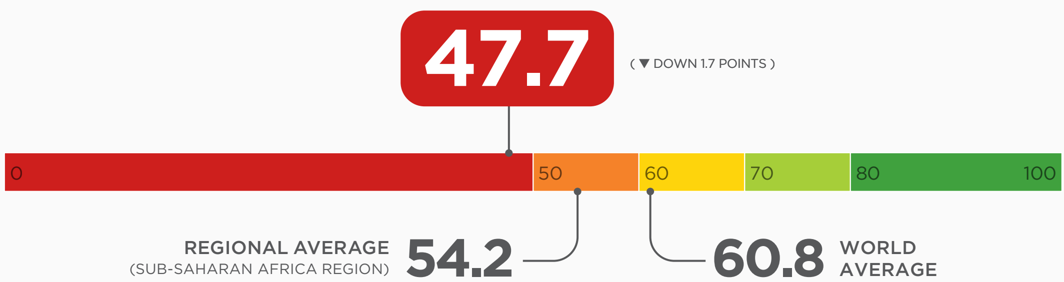
ECONOMIC FREEDOM STATUS: **REPRESSED**

SUDAN

Sudan's economic freedom score is 47.7, making its economy the 166th freest in the 2019 *Index*. Its overall score has decreased by 1.7 points, with sharply lower scores for **fiscal health** and **trade freedom** outweighing an increase in **government integrity**. Sudan is ranked 41st among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Years of social conflict and civil war in Sudan have undermined investor confidence. The petroleum sector provides some economic stability, but other sectors face serious structural and institutional deficiencies. Currency risk was heightened in 2018 after repeated devaluations due to persistent hard currency shortages. Coupled with rising inflationary pressures, this further undermined investor sentiment and reduced private consumption and thus growth. Poor governance, weak rule of law, rigid labor markets, and an inefficient regulatory regime have impeded economic diversification and created a large informal economy.

ECONOMIC FREEDOM SCORE

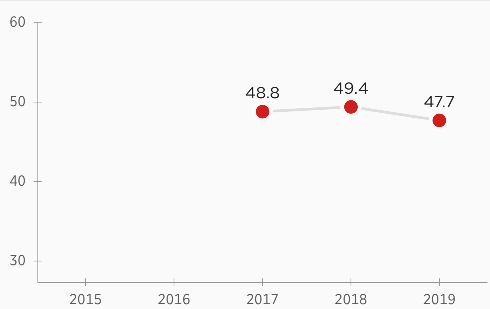


RELATIVE STRENGTHS:
Government Spending and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+8.3

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
40.8 million

GDP (PPP):
$187.0 billion
3.2% growth in 2017
5-year compound annual growth 3.0%
$4,586 per capita

UNEMPLOYMENT:
12.7%

INFLATION (CPI):
32.4%

FDI INFLOW:
$1.1 billion

PUBLIC DEBT:
126.0% of GDP

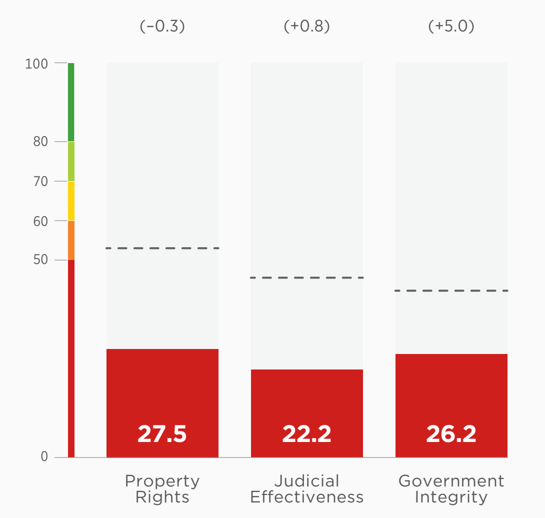
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Islamic-oriented military regimes have dominated Sudanese politics since independence from Anglo–Egyptian rule in 1956. Omar Hassan al-Bashir, president since 1989, came to power in a military coup. He faces two international arrest warrants for alleged war crimes, crimes against humanity, and genocide in the Darfur conflict that has killed over 200,000 people. Decades of economic mismanagement and corruption precipitated an economic crisis in 2018 that featured inflation, food and water shortages, and street protests. The oil sector has driven much of Sudan's GDP growth, but the secession of South Sudan cost Sudan two-thirds of its oil revenue. Close to half of the population is at or below the poverty line and reliant on subsistence agriculture.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

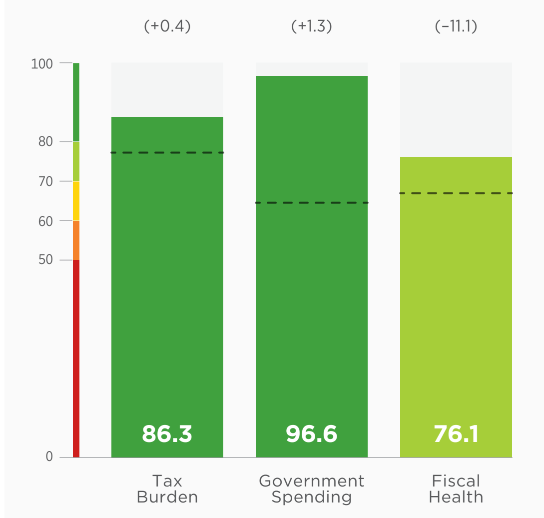
12 ECONOMIC FREEDOMS | SUDAN

RULE OF LAW



There is little respect for private property, and enforcement is uneven. The judiciary is not independent, and years of political conflict have deformed the legal framework. Sudan is one of the world's most corrupt nations. It was ranked 175th out of 180 countries in Transparency International's 2017 *Corruption Perceptions Index*. Power and resources are concentrated in and around Khartoum.

GOVERNMENT SIZE

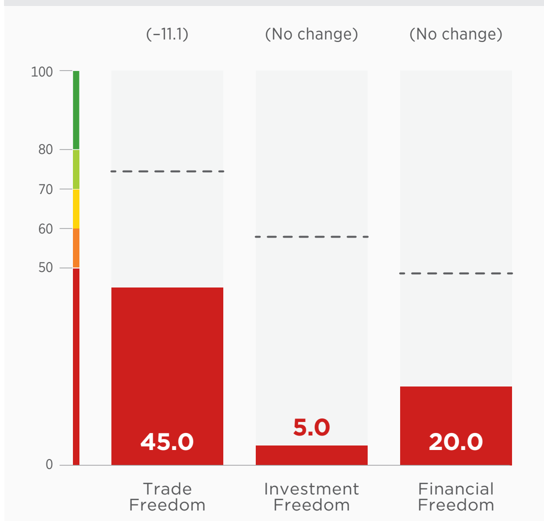


The top personal income tax rate is 10 percent, and the top corporate tax rate is 35 percent. The overall tax burden equals 6.7 percent of total domestic income. Over the past three years, government spending has amounted to 10.6 percent of the country's output (GDP), and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 126.0 percent of GDP.

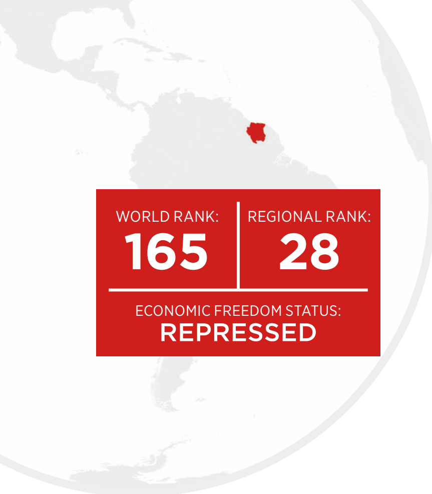
REGULATORY EFFICIENCY

Poor governance and inefficient regulations impede the development and diversification of the private sector. A large informal economy remains trapped by business regulations that inhibit registration and a rigid labor market that discourages formal hiring. In 2018, the government's decision to remove fuel subsidies and eliminate wheat subsidies spiked inflation and led to widespread and violent street protests.

OPEN MARKETS



The combined value of exports and imports is equal to 21.5 percent of GDP. The average applied tariff rate is 17.5 percent, and nontariff barriers impose additional severe impediments on trade flows. Investment remains largely reserved for the hydrocarbon sector. Access to credit remains limited. About 17 percent of adult Sudanese have access to an account with a formal banking institution.



WORLD RANK: 165

REGIONAL RANK: 28

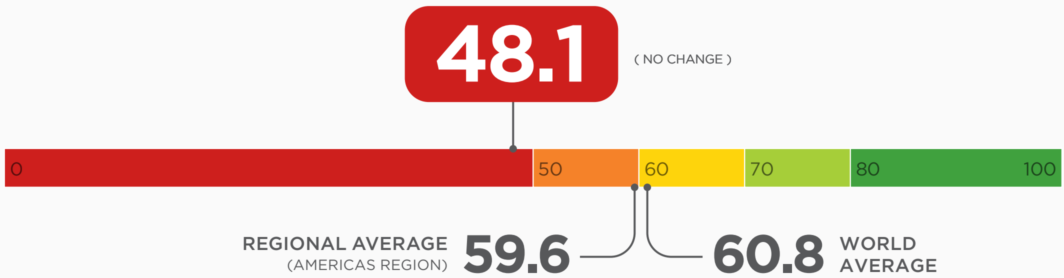
ECONOMIC FREEDOM STATUS: **REPRESSED**

SURINAME

Suriname's economic freedom score is 48.1, making its economy the 165th freest in the 2019 *Index*. Its overall score is unchanged from 2018, with increases in scores for **property rights** and **monetary freedom** offset by declines in **trade freedom** and **government integrity**. Suriname is ranked 28th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Against the backdrop of persistent social tensions over a long-running trial involving the president, the risks of unrest linger amid an anemic economic recovery and spending cutbacks. The government is severely constrained by a burdensome and inefficient regulatory framework that operates in the context of pervasive corruption that undermines the judicial system and the rule of law. Privatization has been slow and uneven. Direct state involvement in the economy through ownership or control remains considerable, and management of fiscal and monetary policy is weak.

ECONOMIC FREEDOM SCORE

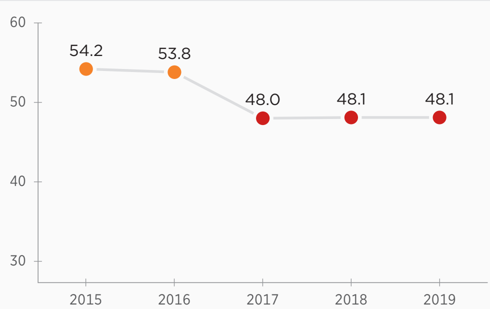


RELATIVE STRENGTHS:
Government Spending and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+11.4

CONCERNS:
Fiscal Health and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$8.5 billion
0.0% growth in 2017
5-year compound annual growth −0.9%
$14,606 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
22.0%

FDI INFLOW:
−$87.3 million

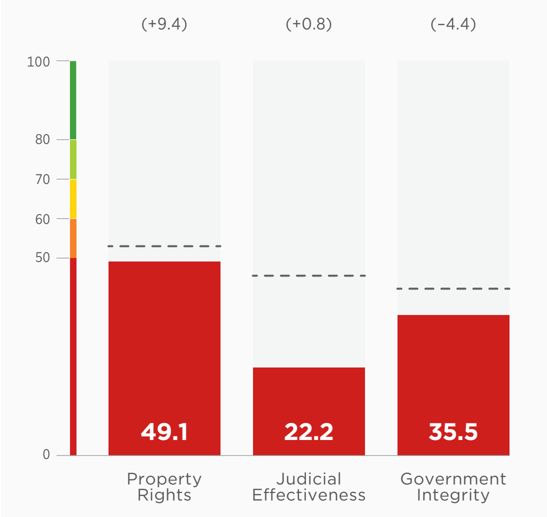
PUBLIC DEBT:
72.1% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Desire "Dési" Bouterse of the National Democratic Party, a convicted cocaine trafficker, was elected to a second consecutive five-year term as president in 2015 and may run again in 2020. Bouterse seized power in a 1980 military coup and ruled until 1987. In 2012, the legislature gave him amnesty for the 1982 murders of 15 politically prominent young men who had criticized the military dictatorship. The former Dutch colony remains one of South America's poorest and least-developed countries. The government's commitment to planned fiscal and banking-sector reforms may weaken in the absence of pressure from the IMF. Suriname's economy relies primarily on the extraction of natural resources.

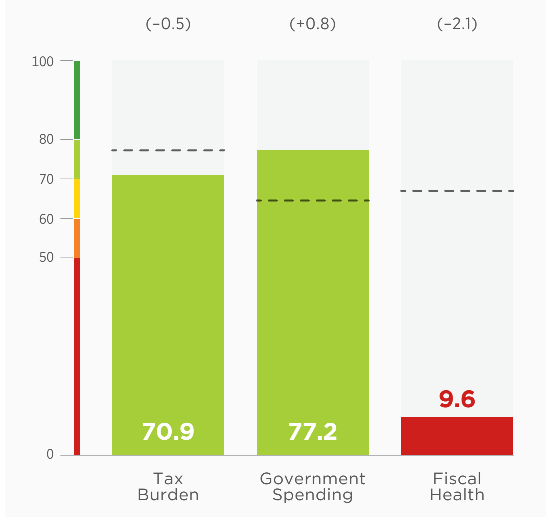
12 ECONOMIC FREEDOMS | SURINAME

RULE OF LAW



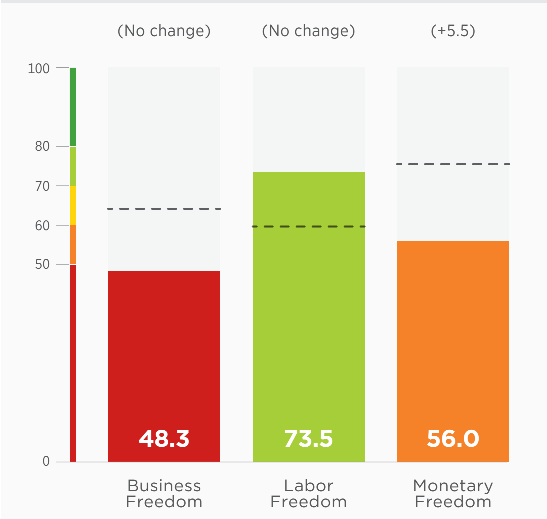
Property rights are poorly protected, and operation of the government's land title registry is extremely inefficient. Resolution of commercial disputes requires an average of 1,715 days, the longest such period in the world. Organized crime, drug and human trafficking, and corrupt governance have undermined the rule of law. High levels of corruption stem from a lack of transparency and a culture of impunity.

GOVERNMENT SIZE



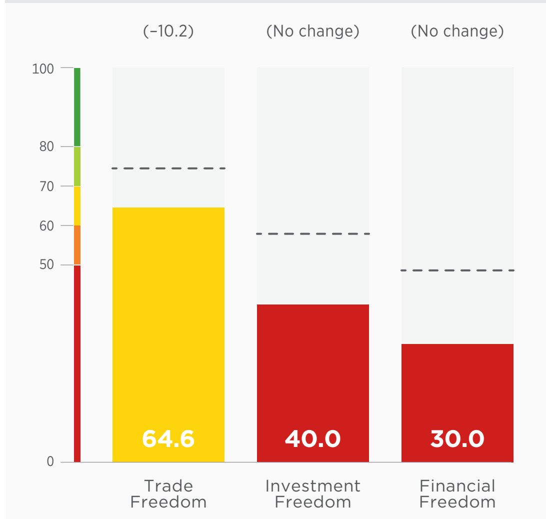
The top personal income tax rate is 38 percent, and the top corporate tax rate is 36 percent. Other taxes include property and excise taxes. The overall tax burden equals 13.2 percent of total domestic income. Over the past three years, government spending has amounted to 27.6 percent of the country's output (GDP), and budget deficits have averaged 8.2 percent of GDP. Public debt is equivalent to 72.1 percent of GDP.

REGULATORY EFFICIENCY



Suriname's entrepreneurial environment remains constrained by a burdensome and inefficient regulatory framework. Licensing requirements are quite onerous, and procedures for launching a business are time-consuming. Enforcement of the labor code is not effective, and the formal labor market is not fully developed. The government has undertaken measures to reduce electricity tariff subsidies and is considering an increase in fuel taxes.

OPEN MARKETS



The combined value of exports and imports is equal to 129.6 percent of GDP. The average applied tariff rate is 10.2 percent. Nontariff barriers, exacerbated by direct state interference in the economy through ownership or control, remain considerable and undercut the dynamic gains from trade and investment. Suriname's financial system remains underdeveloped and vulnerable to government influence.

WORLD RANK: **19**

REGIONAL RANK: **10**

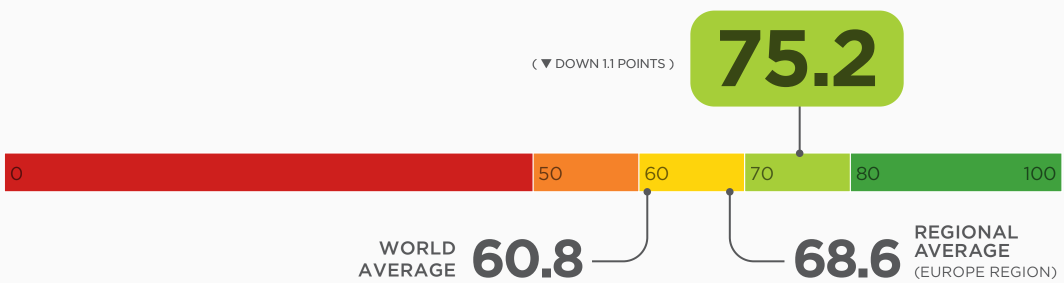
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

SWEDEN

Sweden's economic freedom score is 75.2, making its economy the 19th freest in the 2019 *Index*. Its overall score has decreased by 1.1 points, with declines in **government integrity**, **judicial effectiveness**, and **property rights** outweighing an improved score for **government spending**. Sweden is ranked 10th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Sweden's long tradition of politically stable minority governments promotes consensus-building. Enviable living standards result from an economy that performs optimally because of open-market policies that enhance flexibility, competitiveness, and large flows of trade and investment. A transparent and efficient regulatory regime encourages robust entrepreneurial activity. Wealth is created by a large and vibrant private sector. There are no minimum wage laws. Banking regulations are sensible, and lending practices have been prudent. The legal system provides strong protection for property rights, buttressing judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE

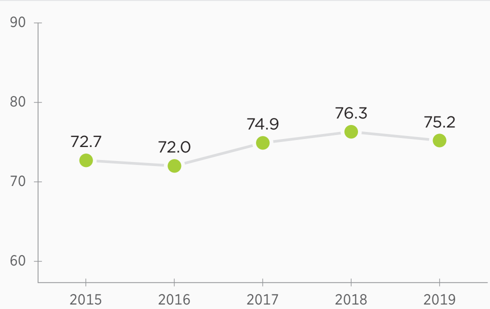


RELATIVE STRENGTHS:
Fiscal Health and Property Rights

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+13.8

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
$520.9 billion
2.4% growth in 2017
5-year compound annual growth 2.8%
$51,475 per capita

UNEMPLOYMENT:
6.7%

INFLATION (CPI):
1.9%

FDI INFLOW:
$15.4 billion

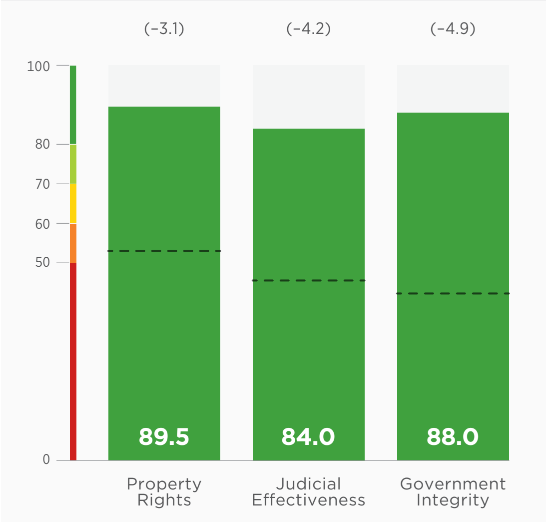
PUBLIC DEBT:
40.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Sweden joined the European Union in 1995, but voters rejected adoption of the euro in 2003. The influx of large numbers of migrants since 2015, a terrorist attack in 2017, and rising gang violence have made immigration a central political issue. The populist Sweden Democrats party, campaigning to restrict immigration, won 17.6 percent of the vote and 63 parliamentary seats in the September 2018 election. A months-long stalemate ensued, leaving the center-left Social Democratic Party–Green Party coalition in power under caretaker Prime Minister Stefan Löfven. It largely maintained the fiscal discipline of its center-right predecessors but expanded welfare spending. Timber, hydropower, and iron ore constitute the resource base of a vibrant and outward-oriented manufacturing-based economy.

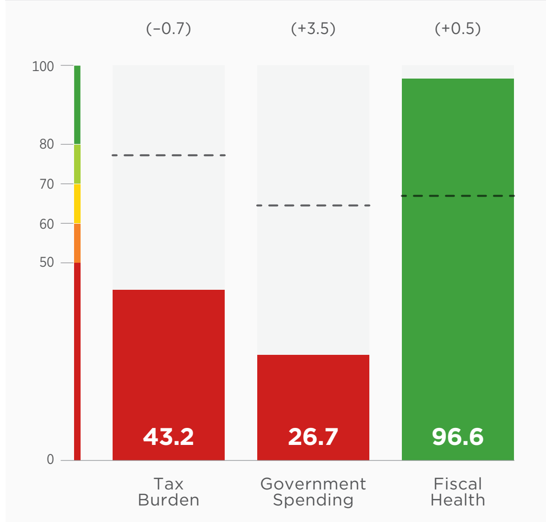
12 ECONOMIC FREEDOMS | SWEDEN

RULE OF LAW



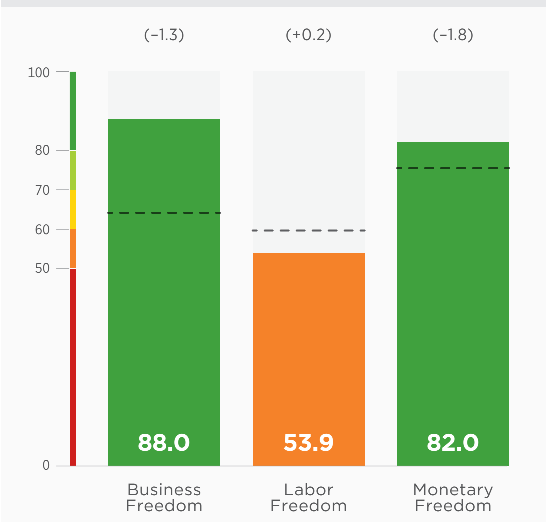
Real and intellectual property rights are well protected. Enforcement of contracts is very well established, and the rule of law is well maintained. The judicial system is independent, impartial, and consistent. Corruption rates are low, in part because of deregulation, budgetary self-restraint, and a stable political environment. Effective anticorruption measures discourage bribery of public officials and uphold government integrity.

GOVERNMENT SIZE



The top personal income tax rate is 57 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 44.1 percent of total domestic income. Over the past three years, government spending has amounted to 49.4 percent of the country's output (GDP), and budget surpluses have averaged 0.9 percent of GDP. Public debt is equivalent to 40.9 percent of GDP.

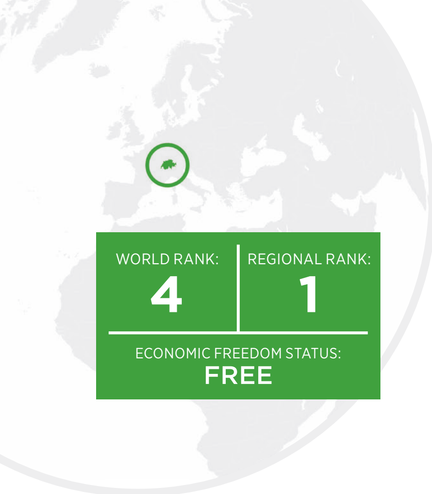
REGULATORY EFFICIENCY



The efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business formation and operation to be dynamic and innovative. The nonsalary cost of employing a worker is high, and dismissing an employee is costly and burdensome. There are few price controls in Sweden, but the government provides significant subsidies to encourage renewable energy.

OPEN MARKETS

The combined value of exports and imports is equal to 86.4 percent of GDP. The average applied tariff rate is 2.0 percent. Sweden implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Open-market policies that sustain flexibility and competitiveness facilitate large flows of investment. Financial services are well institutionalized throughout the country.



WORLD RANK: 4

REGIONAL RANK: 1

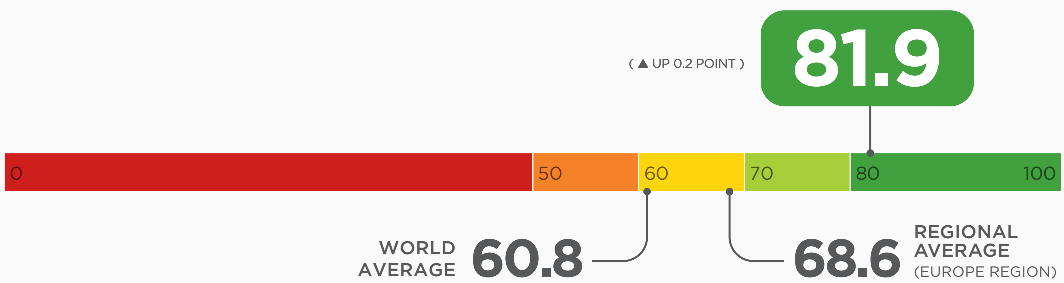
ECONOMIC FREEDOM STATUS: **FREE**

SWITZERLAND

Switzerland's economic freedom score is 81.9, making its economy the 4th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with a significant improvement in **government integrity** offsetting modestly lower scores for **trade freedom** and **labor freedom**. Switzerland is ranked 1st among 44 countries in the Europe region, and its overall score is well above the regional and world averages.

After an exchange-rate ceiling with the euro was abandoned in 2015, Switzerland's steady, prosperous, and modern market economy stabilized, buttressed by a transparent legal system, a sound regulatory regime, a highly skilled labor force, exceptionally well-developed physical and communications infrastructure, efficient capital markets, and low corporate taxes. Well-secured property rights, including intellectual property rights, encourage entrepreneurship and productivity. Flexible labor regulations and the absence of corruption also enhance the business climate. The legal system, independent of political influence, ensures strong enforcement of contracts and judicial effectiveness.

ECONOMIC FREEDOM SCORE

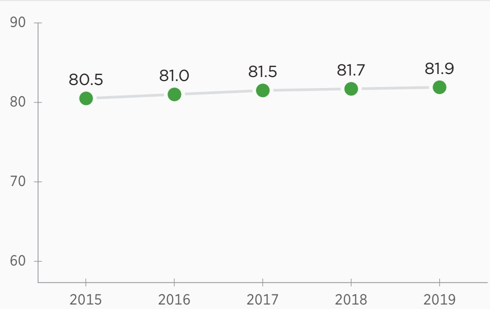


RELATIVE STRENGTHS:
Fiscal Health and Financial Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+5.1

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
8.4 million

GDP (PPP):
$517.2 billion
1.1% growth in 2017
5-year compound annual growth 1.6%
$61,422 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
0.5%

FDI INFLOW:
$41.0 billion

PUBLIC DEBT:
42.8% of GDP

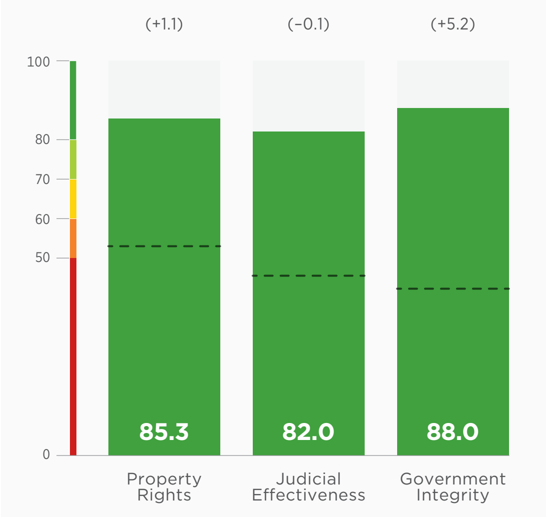
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Switzerland's federal canton system of government disperses power widely. Executive authority is exercised by a seven-member Federal Council. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. The Euroskeptic Swiss People's Party, which favors tight controls on immigration, gained the largest number of seats in the 2015 parliamentary elections. Referenda are frequently put to a vote, including a 2017 measure making it easier for third-generation immigrants to become citizens and another one supporting the phasing out of nuclear power, both of which passed. Switzerland has one of the world's highest per capita GDPs and a highly skilled labor force. The economy relies on financial services, precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

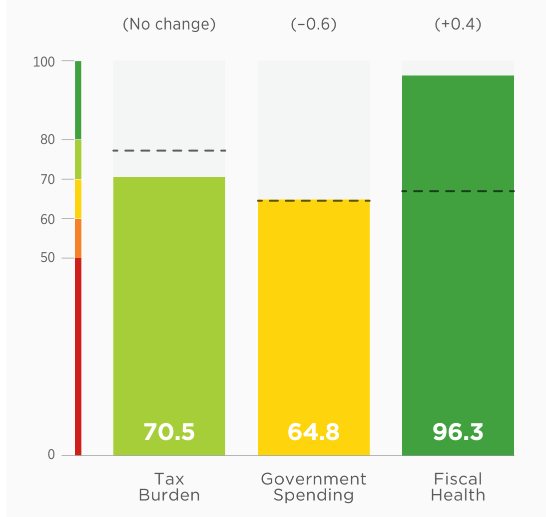
12 ECONOMIC FREEDOMS | SWITZERLAND

RULE OF LAW



Protection of property rights is strongly enforced, and an independent and fair judicial system is institutionalized throughout the economy. Intellectual property rights are respected and enforced. Commercial and bankruptcy laws are applied consistently and efficiently. The government is free of pervasive corruption, largely thanks to strong institutions. Switzerland is ranked 3rd in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE

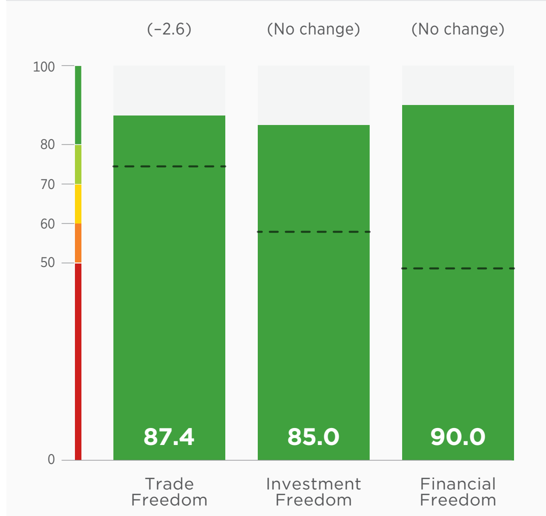


Cantonal-level taxation is more burdensome than federal-level taxation. The top federal income tax rate is 11.5 percent. The federal corporate tax rate is 8.5 percent. The overall tax burden equals 27.8 percent of total domestic income. Over the past three years, government spending has amounted to 34.3 percent of the country's output (GDP), and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 42.8 percent of GDP.

REGULATORY EFFICIENCY

The competitive and transparent regulatory framework strongly supports commercial activity, allowing business formation and operation to be efficient and dynamic. The nonsalary cost of employing a worker is moderate, but dismissing an employee can be costly. Switzerland has few price controls, but the government intervenes if it finds monopolistic pricing and maintains price and margin controls for all agricultural goods.

OPEN MARKETS



The combined value of exports and imports is equal to 118.9 percent of GDP. The average applied tariff rate is quite low at 1.3 percent, but agricultural imports face barriers. The Swiss economy is open to foreign investment, with minimal impediments in place. The modern and highly developed financial sector offers a wide range of financing instruments. Banking remains well capitalized and sound, facilitating access to credit.

WORLD RANK: N/A | REGIONAL RANK: N/A

ECONOMIC FREEDOM STATUS:
NOT GRADED

SYRIA

In addition to its horrific death toll, Syria's long civil war has caused the near collapse of economic output. It now appears that the al-Assad regime once again controls much of the country, largely due to support from Russia and Iran. The ongoing devastation and chaos, however, continue to preclude ranking Syria in the 2019 *Index*. Extrajudicial killings, kidnappings, and torture have ravaged the rule of law. Damage to infrastructure has been widespread, although the Syrian pound began to strengthen in late 2017 as inflows of remittances increased. Inflationary pressures have eased somewhat.

As fighting diminishes, the regime may launch some limited reconstruction efforts, but severely diminished resources and ongoing international sanctions will likely force the regime to continue to rely in part on Iranian financial support and Russian loans. Russian and Iranian businesses, in turn, will secure key infrastructure investment deals, particularly in the energy sector.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)

WORLD AVERAGE **60.8**

61.3 REGIONAL AVERAGE (MIDDLE EAST/ NORTH AFRICA REGION)

RELATIVE STRENGTHS:
None

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
n/a

CONCERNS:
Investment Freedom and Government Integrity

FREEDOM TREND

QUICK FACTS

POPULATION:
18.4 million

GDP (PPP): n/a

UNEMPLOYMENT:
15.2%

INFLATION (CPI):
28.1%

FDI INFLOW: n/a

PUBLIC DEBT: n/a

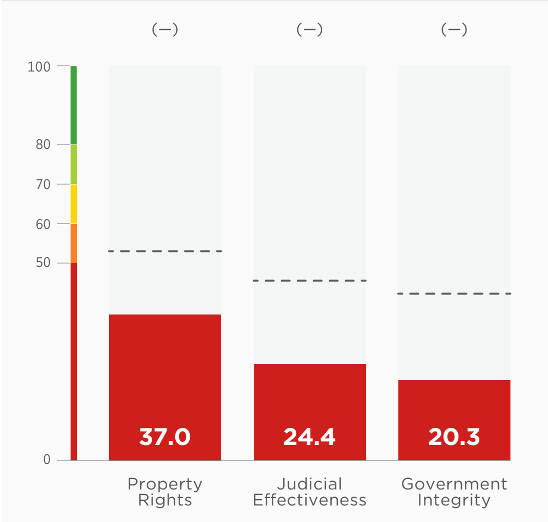
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Assad family has ruled Syria since Hafez al-Assad's military coup in 1970. Bashar al-Assad succeeded his father in 2000 but failed to keep his 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 between the predominantly Sunni rebels and the Alawite-dominated regime. Assad's regime is supported by Iran, Russia, and Hezbollah; 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 5.4 million refugees out of the country. Syria's economy declined by more than 70 percent from 2010 to 2017.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

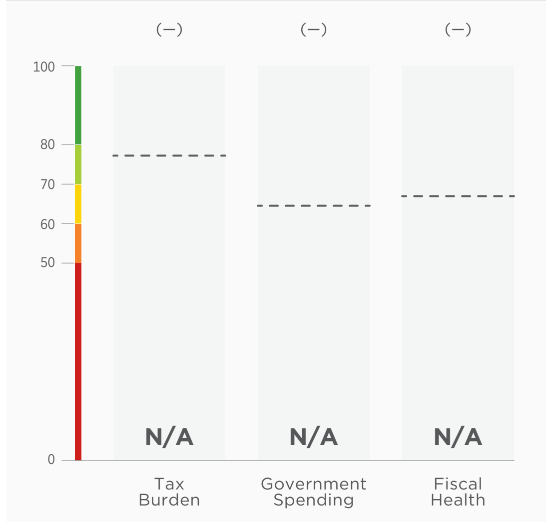
12 ECONOMIC FREEDOMS | SYRIA

RULE OF LAW



Rule of law is weak, and the government occasionally has seized properties and businesses of political opponents. Leaders of the regime's constitutionally protected Baath Party dominate all branches of government and act with impunity. Those who question or go against state policy face harassment, imprisonment, or death. Government institutions lacked public accountability and were plagued by corruption even before the armed conflict.

GOVERNMENT SIZE



Economic policy has focused on protecting the regime and maintaining the military's fighting capacity. Government spending has been driven by the regime's political concerns and the need to protect its own interests. Budget revenue from oil and taxes has severely diminished. Faced with limited financial resources and ongoing international sanctions, the regime continues to rely partly on Iranian financial support and Russian loans.

REGULATORY EFFICIENCY

Before the ongoing conflict, the business environment, lacking transparency and efficiency, had improved only marginally. Functioning labor markets are limited only to certain parts of the country, subject to heavy state interference and control. The government has slashed subsidies for electricity, water, diesel, and heating oil, angering Syrians who face rampant inflation.

OPEN MARKETS

Syria's ongoing civil war deters international trade and investment. 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.

WORLD RANK: **10**

REGIONAL RANK: **5**

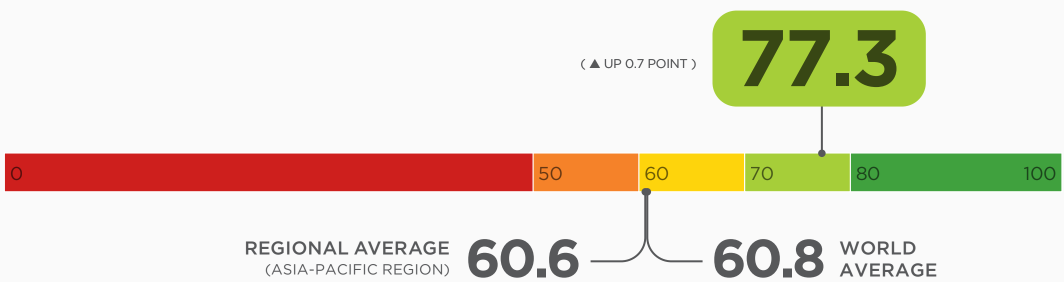
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

TAIWAN

Taiwan's economic freedom score is 77.3, making its economy the 10th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with improvements in **labor freedom** and **monetary freedom** outpacing declining scores for **government integrity** and the **tax burden**. Taiwan is ranked 5th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

A relatively well-developed commercial code and open-market policies that facilitate the flow of goods and capital have made small and medium-size enterprises the backbone of Taiwan's economic expansion. A sound legal framework protects property rights and upholds the rule of law. To achieve its goal of reducing dependence on China by increasing commerce with other Asian countries, Taiwan will need to increase competitiveness and openness by, for example, reducing the state's "strategic" involvement in the export sector and liberalizing regulation of the fragmented financial sector.

ECONOMIC FREEDOM SCORE

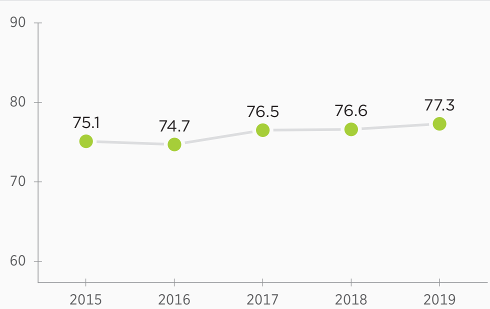


RELATIVE STRENGTHS:
Business Freedom and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+3.1

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
23.6 million

GDP (PPP):
$1.2 trillion
2.8% growth in 2017
5-year compound annual growth 2.2%
$50,294 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
0.6%

FDI INFLOW:
$3.3 billion

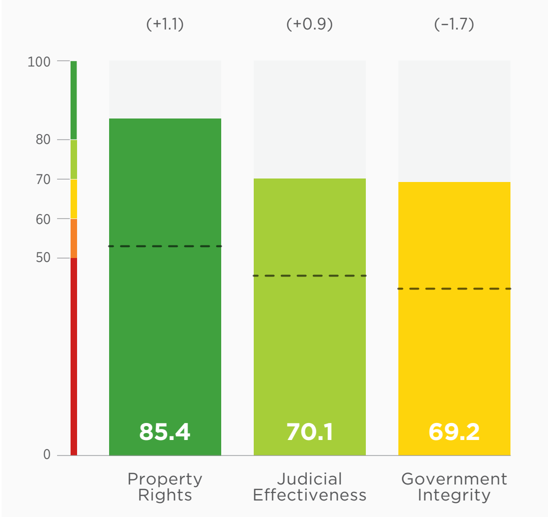
PUBLIC DEBT:
35.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Taiwan's dynamic multiparty democracy operates under a 1947 constitution that was drawn up originally to include all of China. Its economy is one of the wealthiest in Asia. The Democratic Progressive Party returned to power when Tsai Ing-wen was elected president in 2016. Taiwan relies heavily on its economic relationship with China and has shown resilience in the face of Chinese economic pressure. Taiwan's dynamic capitalist economy is driven largely by industrial manufacturing, especially exports of electronics, machinery, and petrochemicals. Demographic challenges include a low birth rate and a rapidly aging population. China's ongoing attempts to isolate Taiwan diplomatically threaten the country's long-term ability to maintain its presence in overseas markets.

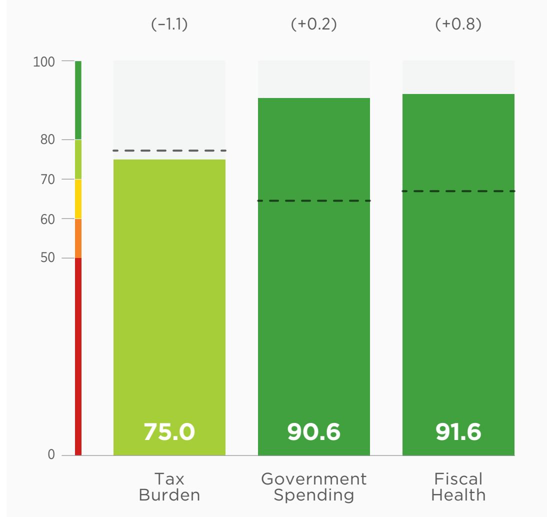
12 ECONOMIC FREEDOMS | TAIWAN

RULE OF LAW



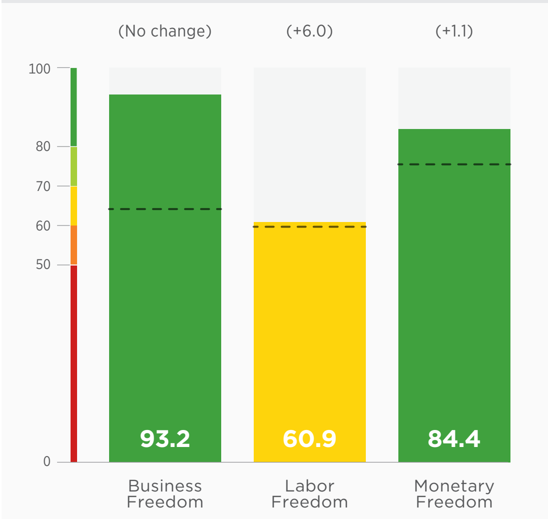
Property rights are generally protected. Enforcement, already strong, was streamlined in 2018. The judiciary is independent, and the court system is largely free of political interference. Corruption is much less prevalent today but remains a problem. Politics and big business are closely intertwined, creating opportunities for malfeasance in government procurement. Former President Ma Ying-jeou was found guilty of misconduct in 2018.

GOVERNMENT SIZE



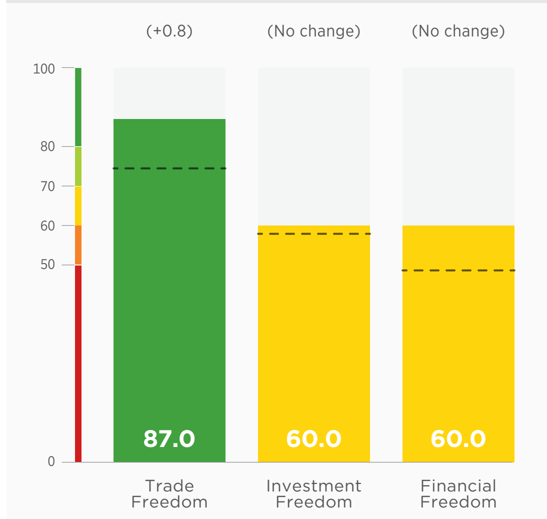
The top personal income tax rate is 45 percent, and the top corporate tax rate has been raised to 20 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 8.9 percent of total domestic income. Over the past three years, government spending has amounted to 17.7 percent of the country's output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 35.2 percent of GDP.

REGULATORY EFFICIENCY



The overall freedom to conduct business is relatively well protected under the transparent regulatory environment. A number of amendments to the Labor Standards Acts have been adopted to increase labor market flexibility. For the most part, prices are market-determined, but the law mandates price controls on electricity and salt, and the government also regulates prices for fuels, rice, and pharmaceutical products.

OPEN MARKETS



The combined value of exports and imports is equal to about 115 percent of GDP. The average applied tariff rate is 1.5 percent. As of June 30, 2018, according to the WTO, Taiwan had 363 nontariff measures in force. Some agricultural imports face additional barriers. A relatively well-developed investment framework facilitates the flow of goods and capital. The financial sector continues to evolve, and the stock market is open to foreign participation.

WORLD RANK: **122** | REGIONAL RANK: **28**

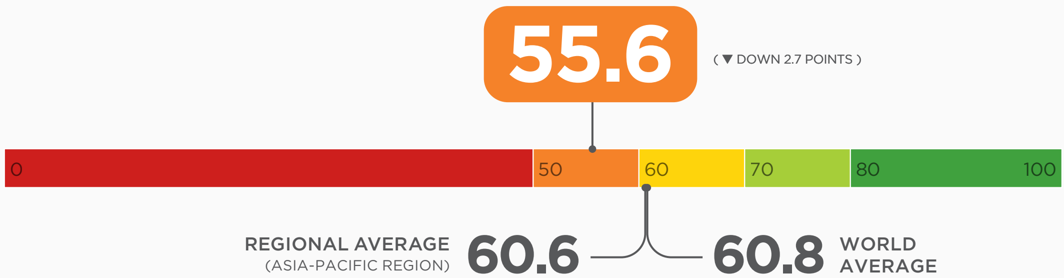
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

TAJIKISTAN

Tajikistan's economic freedom score is 55.6, making its economy the 122nd freest in the 2019 *Index*. Its overall score has decreased by 2.7 points, with a steep drop in **fiscal health** overwhelming improvements in **business freedom** and **trade freedom**. Tajikistan is ranked 28th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The government's main priorities are to support the banking sector, still on the verge of collapse, and secure external financing for large infrastructure projects. Tajikistan's poor business climate, burdensome bureaucratic regulations, and inconsistent administration remain impediments to foreign investment. Central bank expenditures to support the weak currency leave little space for additional fiscal or monetary measures. Despite some progress in privatizing small and medium-size public enterprises, private-sector development has been slow. The rule of law is exceptionally weak, and Tajikistan remains one of the world's most corrupt nations.

ECONOMIC FREEDOM SCORE

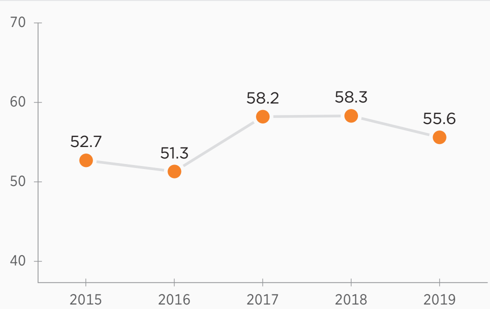


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+14.5

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
8.8 million

GDP (PPP):
$28.4 billion
7.1% growth in 2017
5-year compound annual growth 6.8%
$3,212 per capita

UNEMPLOYMENT:
10.3%

INFLATION (CPI):
7.3%

FDI INFLOW:
$141.3 million

PUBLIC DEBT:
47.8% of GDP

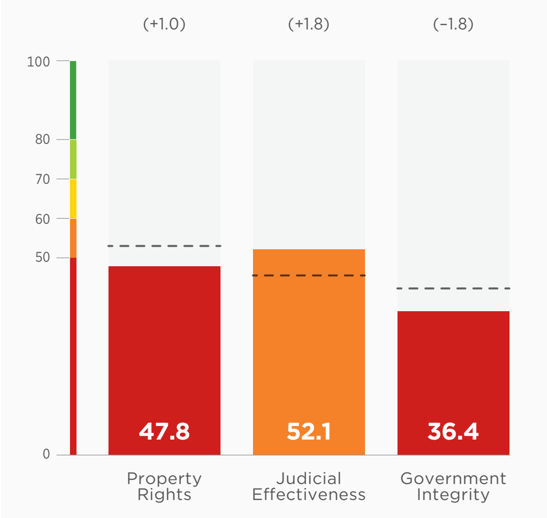
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The land of the Tajiks, a mountainous landlocked region north of Afghanistan in Central Asia, was buffeted and absorbed within ancient empires and, in the 20th century, by the Soviet Union. Modern Tajikistan gained full sovereign independence in 1991. Autocratic President Emomali Rahmon has been in power since 1994, and abuse of human rights is widespread. His ruling party's parliamentary election victory in 2015 was criticized by international monitors. Tajikistan relies heavily on revenues from exports of aluminum, gold, and cotton. It is estimated that the illegal drug trade and remittances from migrant workers, primarily in Russia, together account for over 65 percent of GDP. The economy is growing but remains one of the poorest in Asia.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

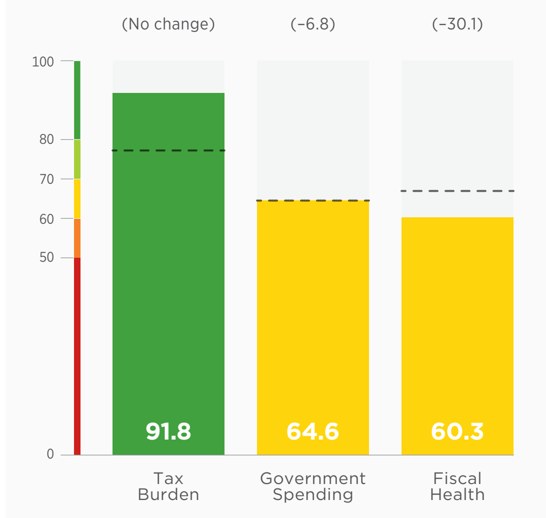
12 ECONOMIC FREEDOMS | TAJIKISTAN

RULE OF LAW



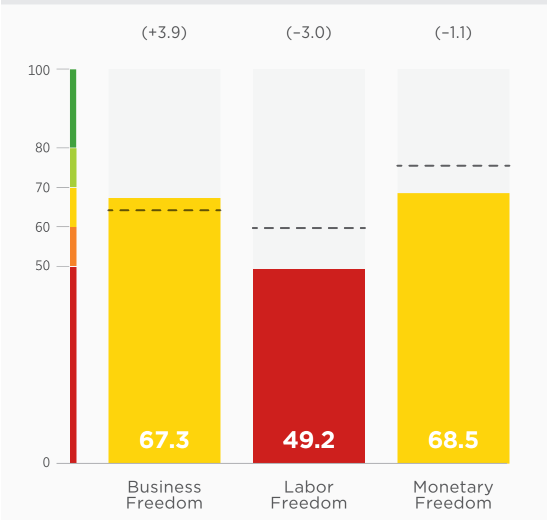
Under Tajik law, all land belongs to the state. The speed of property registration was increased in 2018, but fees were also increased. The executive branch controls the nominally independent judiciary. Many judges are poorly trained and inexperienced, and bribery is reportedly widespread. Corruption is pervasive and rarely punished. Nepotism, hiring bias, patronage networks, and regional affiliations are central to political life.

GOVERNMENT SIZE



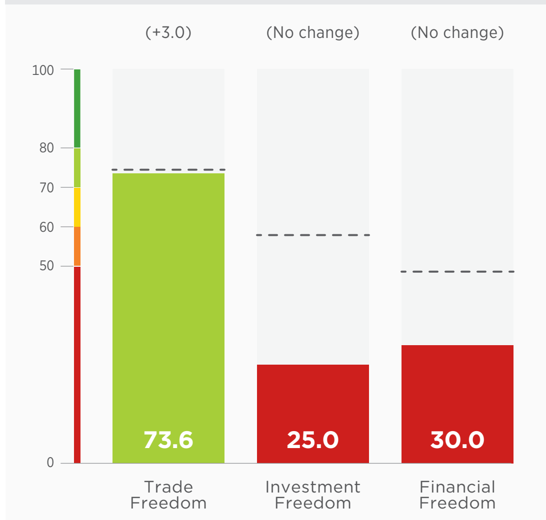
The top individual income tax rate is 13 percent. The statutory corporate tax rate is 15 percent. Other taxes include a value-added tax. The overall tax burden equals 20.6 percent of total domestic income. Over the past three years, government spending has amounted to 34.3 percent of the country's output (GDP), and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 47.8 percent of GDP.

REGULATORY EFFICIENCY



Entrepreneurial activity is hampered by state interference that increases regulatory costs and uncertainty through various bureaucratic impediments. Labor regulations are not flexible enough to facilitate dynamic employment growth. The government influences prices through regulation and large subsidies to numerous money-losing state-owned and state-trading enterprises.

OPEN MARKETS



The combined value of exports and imports is equal to 56.6 percent of GDP. The average applied tariff rate is 5.7 percent. As of June 30, 2018, according to the WTO, Tajikistan had one nontariff measure in force, but other barriers to trade persist. The government screens foreign investment, and state-owned enterprises distort the economy. Only about half of adult Tajikistanis use formal banking services.

WORLD RANK: **94**

REGIONAL RANK: **7**

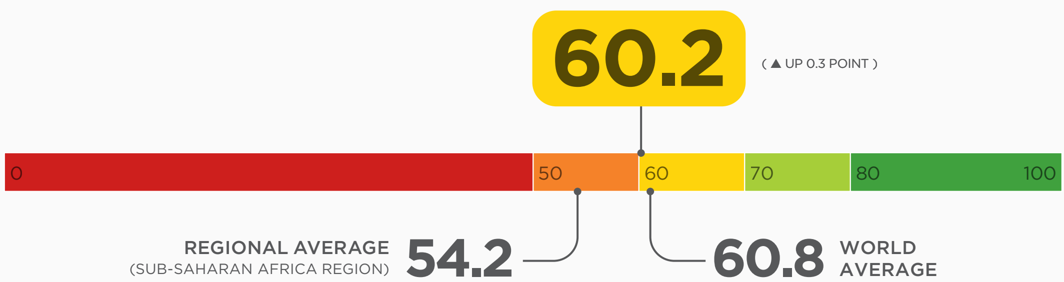
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

TANZANIA

Tanzania's economic freedom score is 60.2, making its economy the 94th freest in the 2019 *Index*. Its overall score has increased by 0.3 point, with higher scores for **judicial effectiveness** and **fiscal health** offsetting declines in **trade freedom** and **business freedom**. Tanzania is ranked 7th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The government's Development Vision 2025 strategy, focused on the private sector, prioritizes industrialization and job creation and seems intended to promote good governance. However, abrupt tax increases, erratic regulatory changes, uneven policymaking, rising protectionism, and lack of transparency undermine the plan and deter private investment. Long-standing structural problems include poor management of public finance, widespread corruption, and an underdeveloped legal framework that interferes with regulatory efficiency and weakens the rule of law. More institutional reform and greater market openness are essential to long-term economic development.

ECONOMIC FREEDOM SCORE

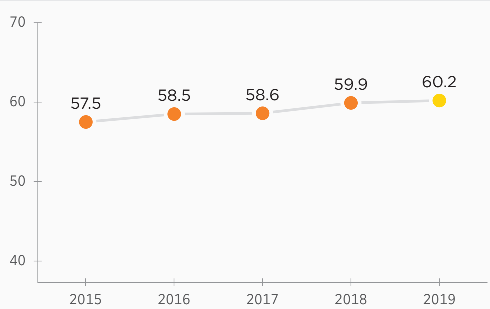


RELATIVE STRENGTHS:
Government Spending and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+2.9

CONCERNS:
Government Integrity and Property Rights

FREEDOM TREND



QUICK FACTS

POPULATION:
50.0 million

GDP (PPP):
$162.2 billion
6.0% growth in 2017
5-year compound annual growth 6.8%
$3,240 per capita

UNEMPLOYMENT:
2.2%

INFLATION (CPI):
5.3%

FDI INFLOW:
$1.2 billion

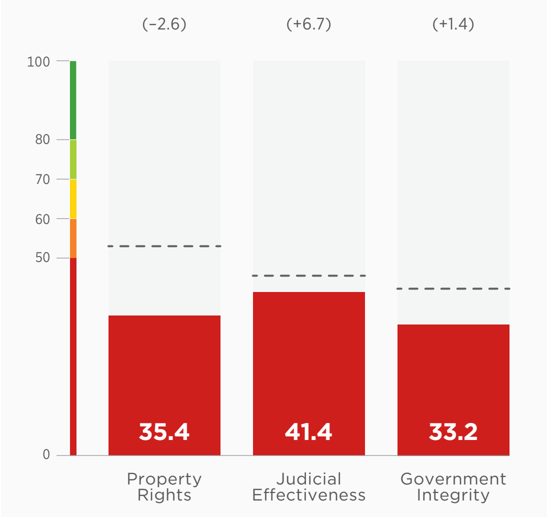
PUBLIC DEBT:
38.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: In 1964, shortly after independence from Britain, Tanganyika and the island of Zanzibar merged to form Tanzania. The Chama Cha Mapinduzi (CCM) party has been in power continuously since independence. John Magufuli of the CCM, who was elected to a five-year term as president in 2015, launched an aggressive anticorruption campaign, but he also launched a crackdown on political opponents and civil society. Despite vast mineral and natural resources and tourism, most Tanzanians are poor and dependent on subsistence agriculture. In 2016, a large helium gas field was discovered, and Uganda and Tanzania agreed to build an oil pipeline from western Uganda to Tanzania's Tanga port. Tanzania is also looking into building a pipeline to pump natural gas to Uganda.

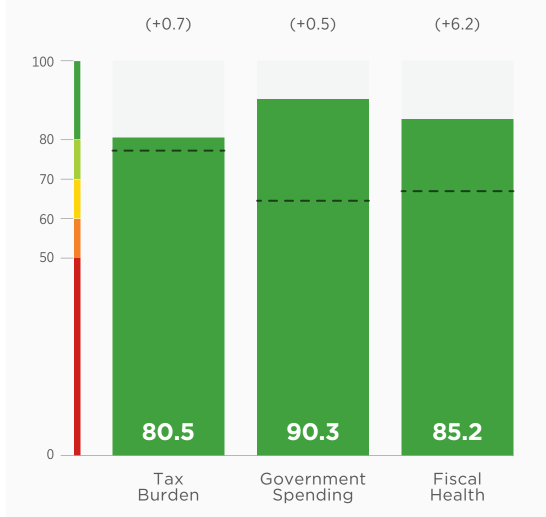
12 ECONOMIC FREEDOMS | TANZANIA

RULE OF LAW



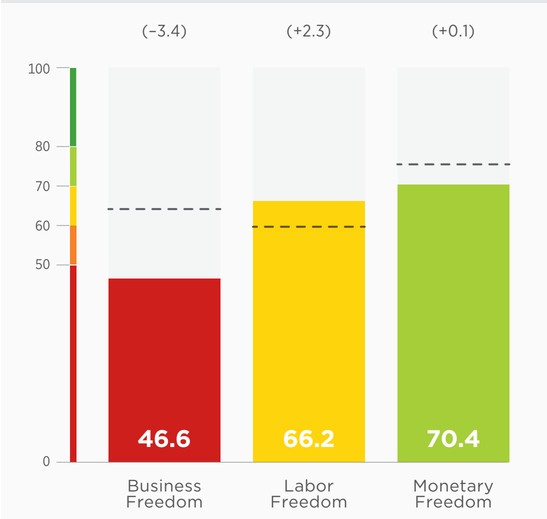
Complex land laws have provoked numerous disputes, and land ownership remains restricted. Fees for property registration were raised in 2018. The underresourced and corrupt judiciary remains under political influence. Corruption remains pervasive, and although the president has conducted widespread investigations into it, he is alleged to have acted with impunity and to have used his anticorruption campaign to target political enemies.

GOVERNMENT SIZE



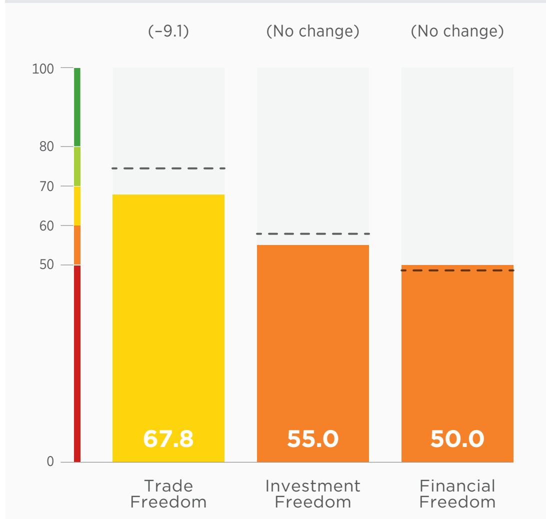
The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 12.4 percent of total domestic income. Over the past three years, government spending has amounted to 18.0 percent of the country's output (GDP), and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 38.2 percent of GDP.

REGULATORY EFFICIENCY



The business environment remains hampered by inefficient regulations. Although requirements for launching a business are not time-consuming, the licensing process costs over five times the average level of annual income. Labor regulations are not flexible enough to support a vibrant labor market. The state subsidizes the TANESCO public electricity utility and has begun to subsidize solar power and mining.

OPEN MARKETS



The combined value of exports and imports is equal to 42.3 percent of GDP. The average applied tariff rate is 8.6 percent. As of June 30, 2018, according to the WTO, Tanzania had 19 nontariff measures in force. Trade and investment policies needed to sustain open markets are undercut by lingering government interference in the economy. About 47 percent of adult Tanzanians have access to an account with a formal banking institution.

THAILAND

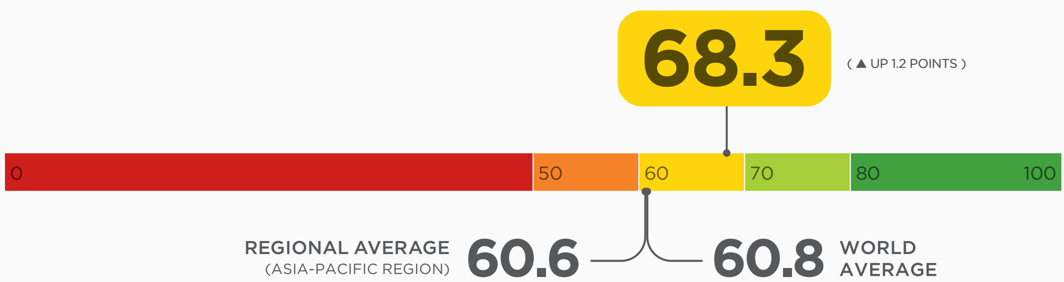
Thailand's economic freedom score is 68.3, making its economy the 43rd freest in the 2019 *Index*. Its overall score has increased by 1.2 points, the result of improved scores for **property rights**, **business freedom**, and **government integrity**. Thailand is ranked 10th among 43 countries in the Asia–Pacific region, and its overall score is above the regional and world averages.

To revive economic growth, the military-controlled government has prioritized policies to boost consumption and investment, including increased public spending on infrastructure, and has gradually made the regulatory framework more efficient and transparent to attract investment and better integrate the economy into the global marketplace. Business-formation procedures have been streamlined, and the financial sector has been opened to competition. The level of trade freedom is relatively high, but nontariff barriers still undercut gains from trade. The judicial system remains vulnerable to political interference, and pervasive corruption undermines government integrity.

WORLD RANK: **43** | REGIONAL RANK: **10**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

ECONOMIC FREEDOM SCORE

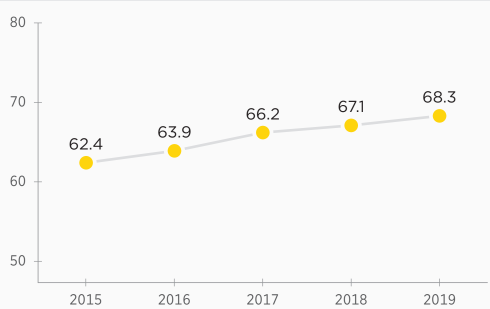


RELATIVE STRENGTHS:
Fiscal Health and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.0

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
69.1 million

GDP (PPP):
$1.2 trillion
3.9% growth in 2017
5-year compound annual growth 2.8%
$17,856 per capita

UNEMPLOYMENT:
1.1%

INFLATION (CPI):
0.7%

FDI INFLOW:
$7.6 billion

PUBLIC DEBT:
41.9% of GDP

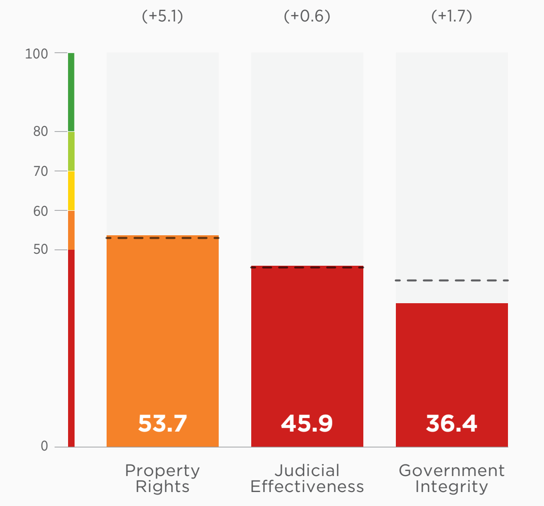
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Thailand has had 19 military coups since becoming a constitutional monarchy in 1932. The period since the ouster of Prime Minister Thaksin Shinawatra in 2006 has been particularly turbulent. Civilian government returned in 2007, and Thaksin's Puea Thai party won a majority in 2011 parliamentary elections. Thaksin's sister, Yingluck Shinawatra, became prime minister but was later ousted in a 2014 coup led by former army commander and current Prime Minister Prayut Chan-ocha. The king approved a new constitution in 2017. Elections, postponed four times, are currently planned for 2019. Thailand's free-enterprise economy benefits from relatively well-developed infrastructure. Exports of electronics, agricultural commodities, automobiles and parts, processed foods, and other goods account for about two-thirds of GDP.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

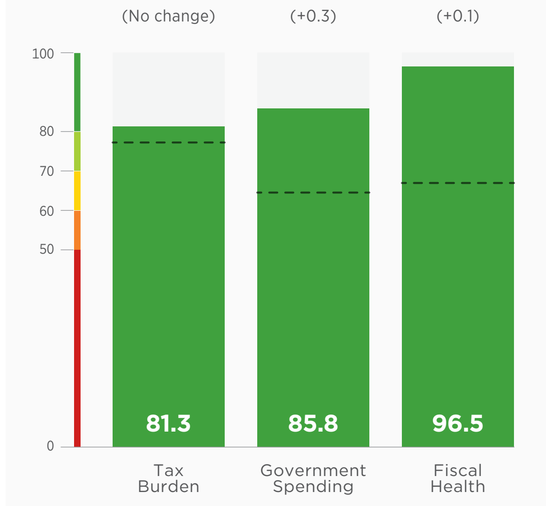
12 ECONOMIC FREEDOMS | THAILAND

RULE OF LAW



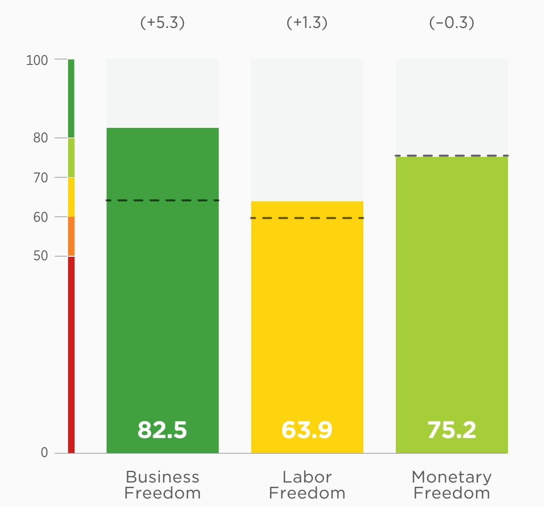
Property rights are well enforced, and recent improvements have made registering property easier and enforcing contracts less cumbersome. The land administration system's reliability has improved. The independent judiciary, while generally effective, has been criticized for political bias. Widespread counterfeiting and piracy still plague owners of intellectual property rights. Corruption is widespread and viewed as a normal part of doing business.

GOVERNMENT SIZE



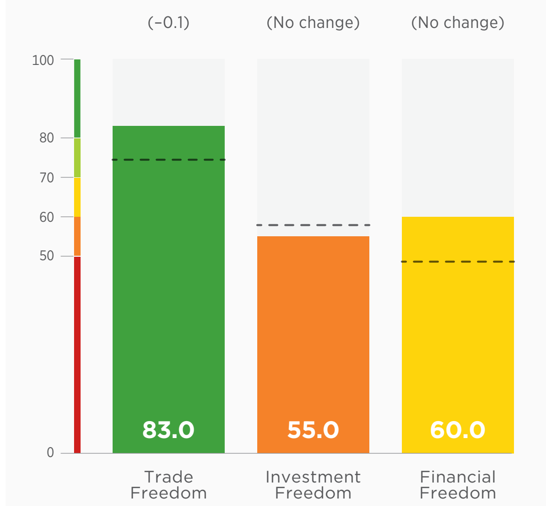
The top personal income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and property taxes. The overall tax burden equals 15.6 percent of total domestic income. Over the past three years, government spending has amounted to 21.8 percent of the country's output (GDP), with budgets essentially in balance. Public debt is equivalent to 41.9 percent of GDP.

REGULATORY EFFICIENCY



Thailand's government has taken measures to enhance regulatory efficiency. The overall regulatory framework has become more efficient and transparent, with streamlined business-formation procedures. Labor regulations are relatively flexible, but informal labor activity remains substantial. The government has eliminated price controls on sugar but has raised oil subsidies and heavily subsidizes rice.

OPEN MARKETS



The combined value of exports and imports is equal to 121.7 percent of GDP. The average applied tariff rate is 3.5 percent. As of June 30, 2018, according to the WTO, Thailand had 245 nontariff measures in force. The government has undertaken measures to facilitate investment, but foreign ownership in some sectors remains capped. The financial system has undergone restructuring, and the stock exchange is active and open to foreign investors.

TIMOR-LESTE

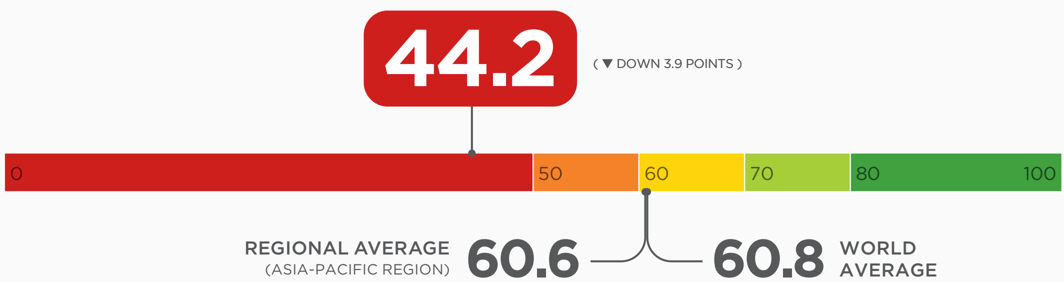
WORLD RANK: **172** | REGIONAL RANK: **42**

ECONOMIC FREEDOM STATUS: **REPRESSED**

Timor-Leste's economic freedom score is 44.2, making its economy the 172nd freest in the 2019 *Index*. Its overall score has decreased by 3.9 points because of a plunge in the **government spending** score and sharp drops in **business freedom**, **trade freedom**, and **labor freedom**. Timor-Leste is ranked 42nd among 43 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

Timor-Leste has achieved some macroeconomic stability, but structural and institutional deficiencies such as a burdensome regulatory environment and an underdeveloped financial sector still constrain economic freedom. Lower oil revenues in 2014–2016 renewed doubts about the long-term sustainability of government spending. The government spent vast sums to build basic infrastructure, including electricity and roads, but its limited experience in procurement and public works hampered progress. Political instability is the biggest single obstacle to development. Widespread corruption unchecked by a weak judicial system remains a considerable drag on economic activity.

ECONOMIC FREEDOM SCORE

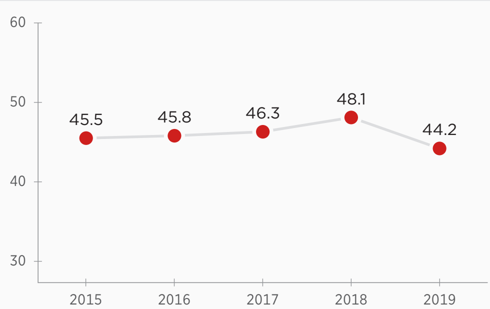


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
–6.3

CONCERNS:
Government Spending and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
1.2 million

GDP (PPP):
$6.8 billion
–0.5% growth in 2017
5-year compound annual growth 3.1%
$5,444 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
0.6%

FDI INFLOW:
$6.7 million

PUBLIC DEBT:
0.0% of GDP (2016)

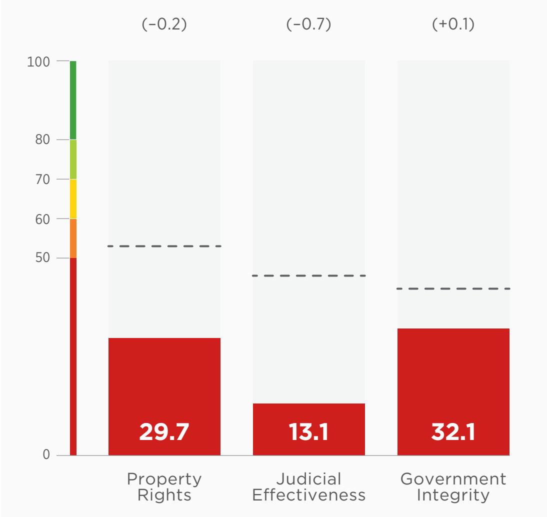
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Democratic Republic of Timor-Leste gained independence from Indonesia in 2002 and has struggled to achieve political stability. The presence of U.N. peacekeepers was required until 2012. Since then, several elected presidents and prime ministers, including current President Francisco Guterres and Prime Minister Taur Matan Ruak, have clashed as they maneuvered for power. Timor-Leste remains one of East Asia's poorest countries and is heavily dependent on foreign aid. Economic liberalization has mostly stalled. Oil and gas account for more than 95 percent of government revenue, which is consigned to a Petroleum Fund that had assets of $16.8 billion at the end of 2017. The technology-intensive oil industry has done little to create jobs.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

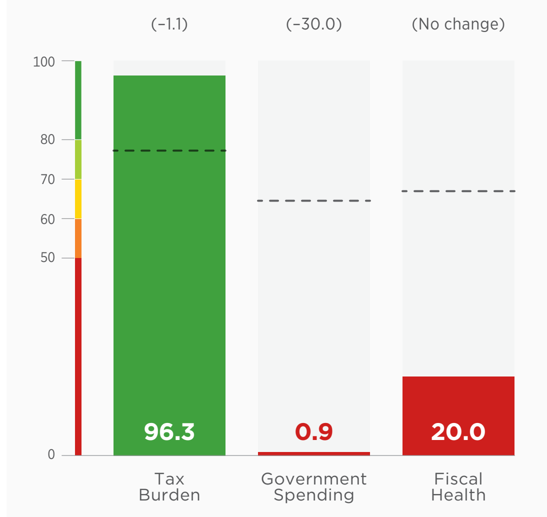
12 ECONOMIC FREEDOMS | TIMOR-LESTE

RULE OF LAW



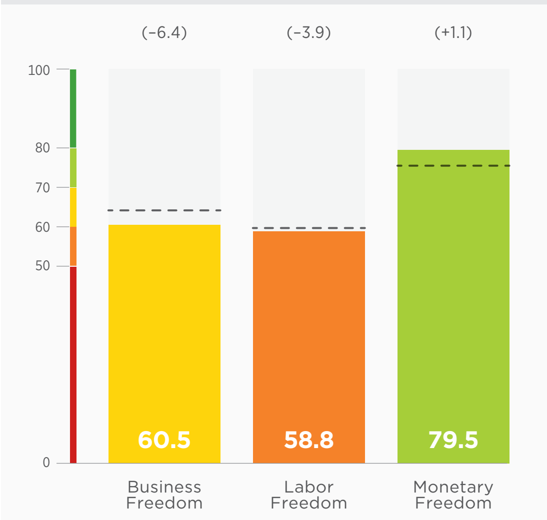
Conflicting governing statutes from the Portuguese, Indonesian, and post-independence eras contribute to the difficulty of resolving competing property claims. The overly complex legal framework reflects that same confusing pedigree. Qualified personnel are scarce in the judicial system, which has failed to demonstrate independence in some politically sensitive cases. Corruption and nepotism continue to plague the country.

GOVERNMENT SIZE



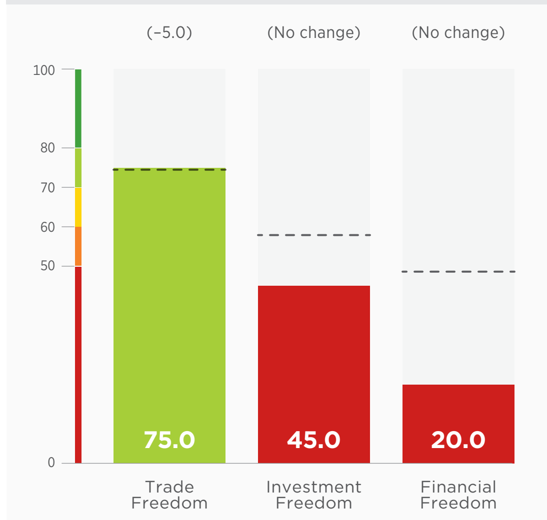
The top personal income and corporate tax rates are 10 percent. Most government revenue comes from offshore petroleum projects in the Timor Sea. The overall tax burden equals 13.1 percent of total domestic income. Over the past three years, government spending has amounted to 57.5 percent of the country's output (GDP), and budget deficits have averaged 13.0 percent of GDP. There is no public debt.

REGULATORY EFFICIENCY



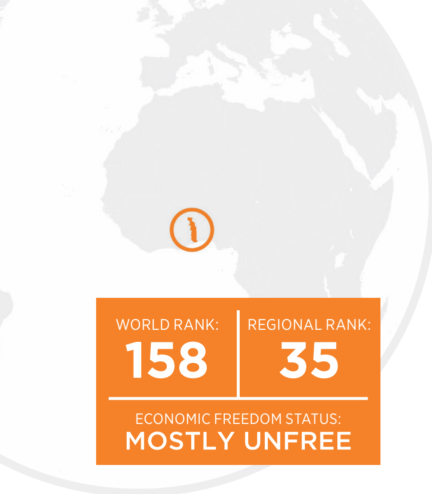
The lack of consistency in enforcing regulations continues to discourage private-sector development. The minimum amount of capital necessary to start a business is quite high. The public sector accounts for approximately half of nonagricultural employment, and the formal labor market remains underdeveloped. In 2018, involved in a bidding war with Australia, the government offered a large subsidy to bring ashore a natural gas pipeline.

OPEN MARKETS



The combined value of exports and imports is equal to 39.3 percent of GDP. The average applied tariff rate is 2.5 percent. The country is not a member of the WTO. Timor-Leste's WTO accession working party was established in December 2016. Foreign ownership of land is not allowed, and investment in other sectors of the economy is screened. The financial sector is still at a nascent stage of development.

TOGO

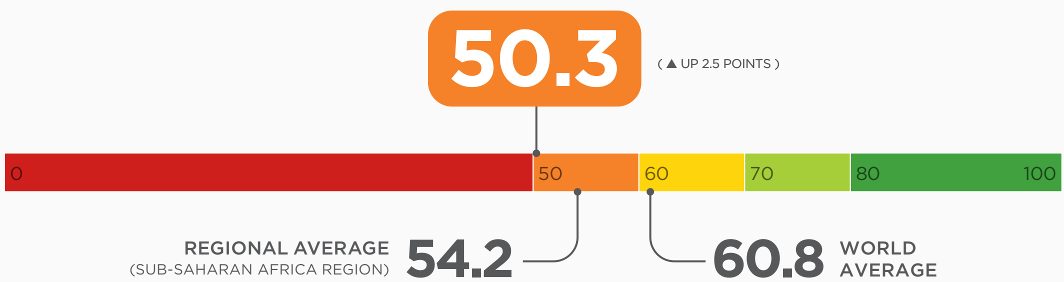


WORLD RANK: **158**
REGIONAL RANK: **35**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Togo's economic freedom score is 50.3, making its economy the 158th freest in the 2019 *Index*. Its overall score has increased by 2.5 points, led by a big improvement in **fiscal health** and rising scores for the **tax burden** and **property rights**. Togo is ranked 35th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Despite growing political volatility, Togo has enjoyed steady growth as a result of government efforts to modernize the banking, electricity, and transportation sectors and other commercial infrastructure. Corporate taxes have been cut, and some public enterprises have been divested. However, an inefficient business environment and weak public administration continue to undermine overall competitiveness and drive a significant portion of economic activity into the informal sector. Foreign direct investment is allowed only in certain sectors, and regulatory and judicial systems are vulnerable to corruption and political interference.

ECONOMIC FREEDOM SCORE

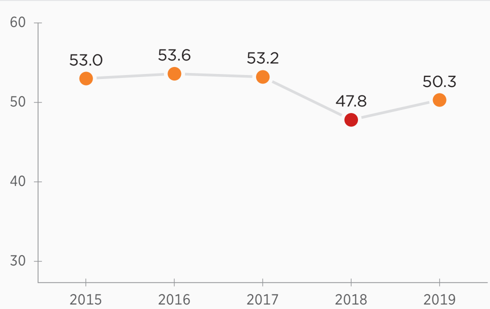


RELATIVE STRENGTHS:
Monetary Freedom and Government Spending

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999):
+2.1

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
7.8 million

GDP (PPP):
$12.9 billion
4.4% growth in 2017
5-year compound annual growth 5.5%
$1,659 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
−0.7%

FDI INFLOW:
$145.6 million

PUBLIC DEBT:
78.6% of GDP

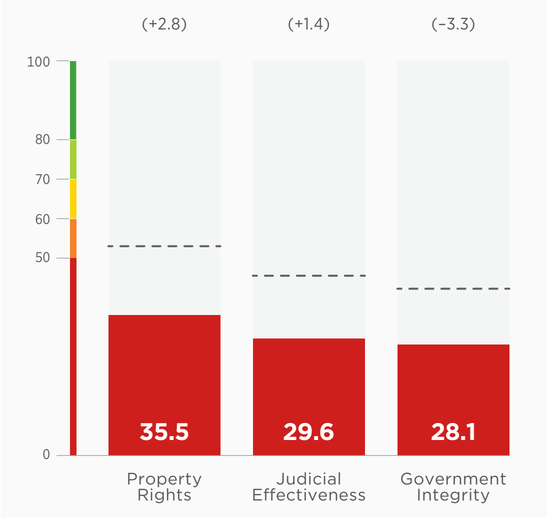
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: French Togoland became Togo in 1960. General Gnassingbé Eyadema, installed as military ruler in 1967, remained in power for almost four decades. Faure Gnassingbé, appointed to the presidency by the military in 2005 following the death of his father, was elected to that office later that year. His Union for the Republic dominates the political landscape. In 2015, he secured a third five-year term. Protests demanding presidential term limits continued in 2018. The economy depends heavily on both commercial and subsistence agriculture, which employs about 60 percent of the labor force. Togo has one of West Africa's few natural deep-water ports, and its secure territorial waters have become a relatively safe zone for international shippers.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

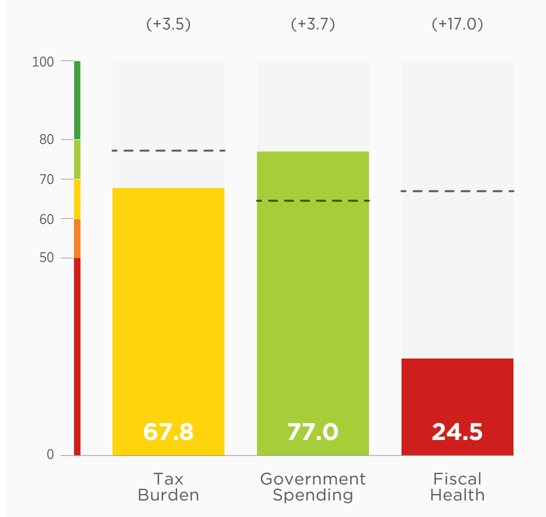
12 ECONOMIC FREEDOMS | TOGO

RULE OF LAW



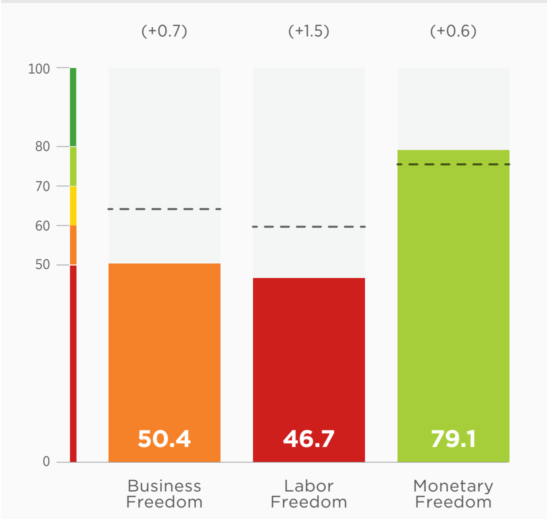
Enforcement of contracts is difficult. Protection of real property is also difficult because most land does not have a clear title. The statutes governing property are poorly defined mixtures of civil code and traditional laws, often leading to legal fights over inheritances. The opaque judicial system lacks resources and is heavily influenced by the presidency. Graft and corruption remain serious problems.

GOVERNMENT SIZE



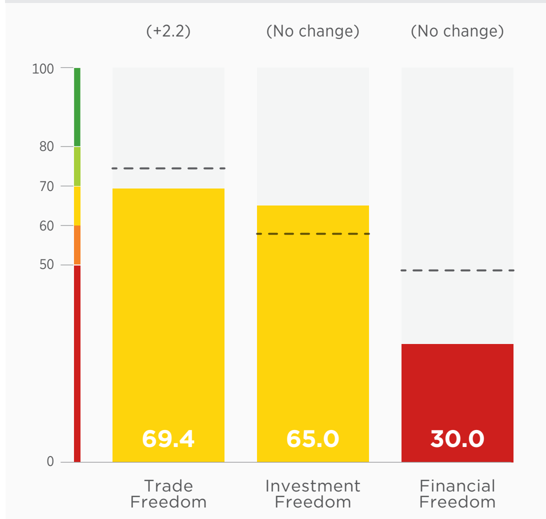
The top individual income tax rate is 45 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added and property taxes. The overall tax burden equals 21.5 percent of total domestic income. Over the past three years, government spending has amounted to 27.7 percent of the country's output (GDP), and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 78.6 percent of GDP.

REGULATORY EFFICIENCY



Recent reforms to enhance the entrepreneurial environment have reduced the time and cost involved in launching a business, but weak public administration continues to undermine overall efficiency. The labor market lacks dynamism, and informal labor activity remains substantial. Fuel subsidies have been reduced, but they remain a burden on the budget and are expected to rise in the medium term as international oil prices increase.

OPEN MARKETS



The combined value of exports and imports is equal to 100.0 percent of GDP. The average applied tariff rate is 10.3 percent. Nontariff barriers persist, although the time required for border compliance for both exporting and importing has been reduced. Foreign ownership of land is restricted, but foreign and domestic investors are generally treated equally under the law. About 46 percent of adult Togolese have a bank account.

WORLD RANK: **108** | REGIONAL RANK: **23**

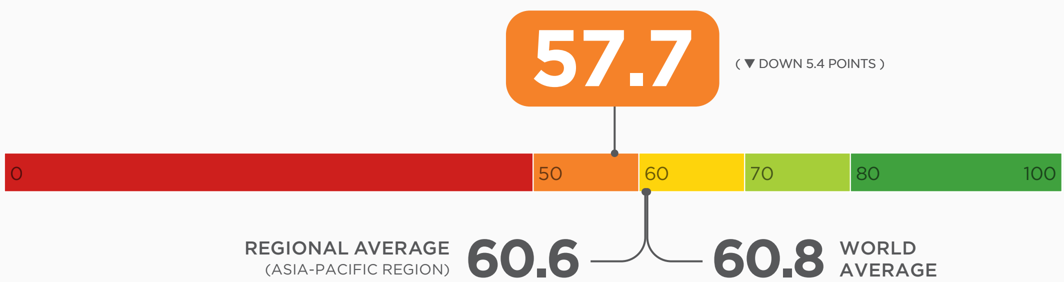
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

TONGA

Tonga's economic freedom score is 57.7, making its economy the 108th freest in the 2019 *Index*. Its overall score has decreased by 5.4 points, a significant decline precipitated by sharply lower scores for **government spending**, **labor freedom**, **monetary freedom**, and **trade freedom**. Tonga is ranked 23rd among 43 countries in the Asia–Pacific region, and its overall score is now below the regional and world averages.

Reconstruction will dominate economic activity in 2019 in the wake of Cyclone Gita, the worst storm to hit Tonga in 60 years. The government hopes to attract investment to the small, open island economy to develop a larger private sector, but the public sector's dominance thwarts economic dynamism, and institutional capacity is weak. The judicial system is inefficient and lacks transparency. A lack of commitment to fully open markets impedes investment growth. The state's oversized role in the economy crowds out private-sector development.

ECONOMIC FREEDOM SCORE

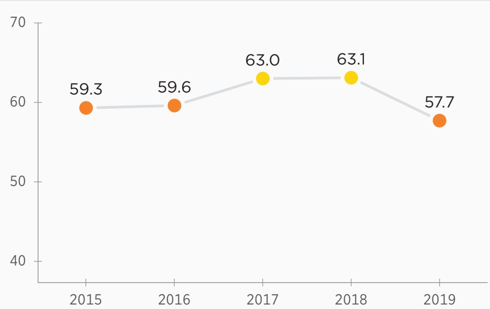


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
+3.6

CONCERNS:
Financial Freedom and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.6 billion
3.1% growth in 2017
5-year compound annual growth 2.4%
$5,608 per capita

UNEMPLOYMENT:
1.1%

INFLATION (CPI):
8.0%

FDI INFLOW:
$13.8 million

PUBLIC DEBT:
48.0%

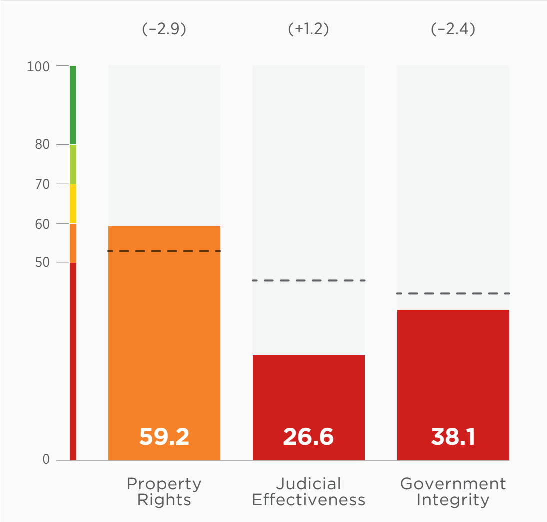
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The archipelagos of the Friendly Islands were united in 1845. The Kingdom of Tonga, the South Pacific's last Polynesian monarchy, withdrew from British protection and became fully independent in 1970. The royal family of King Tupou VI, hereditary nobles, and a few other landholders control politics. Tonga held its first elections in 2010 under a newly formed constitutional monarchy. The Democratic Party of the Friendly Islands (DPFI) won a plurality in parliament. In the 2014 elections, the DPFI retained power but elected a new prime minister, 'Akilisi Pohiva, who was reelected in 2017. The economy depends on agricultural products like squash, vanilla beans, and yams as well as tourism and fish exports. Emigrants' remittances account for nearly one-third of GDP.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

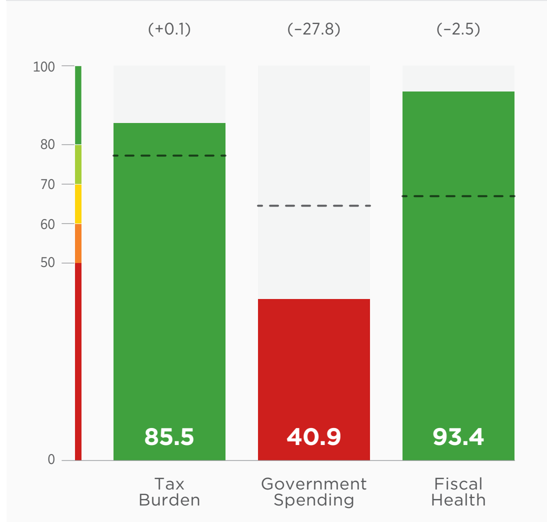
12 ECONOMIC FREEDOMS | TONGA

RULE OF LAW



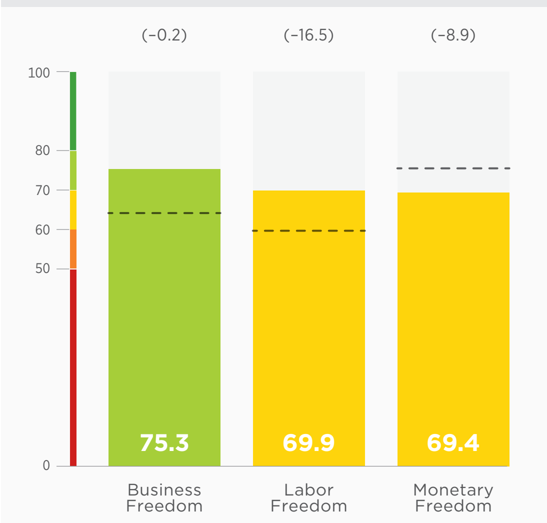
Property rights are ill defined in law, and their enforcement is weak. The judiciary system is generally independent but underresourced and slow. Corruption, even among high-ranking officials, is generally punished effectively. In 2017, for example, a senior corporation executive was removed from office for corruption. Despite the anticorruption measures, bribery of police, customs officials, and members of parliament is widespread.

GOVERNMENT SIZE



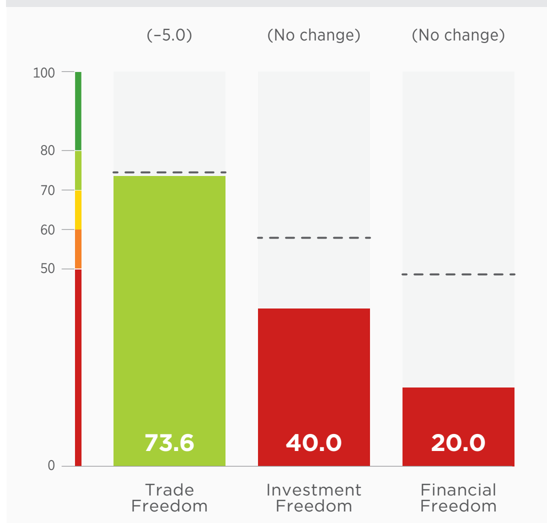
The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 20.7 percent of total domestic income. Over the past three years, government spending has amounted to 44.4 percent of the country's output (GDP), and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 48.0 percent of GDP.

REGULATORY EFFICIENCY



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

OPEN MARKETS



The combined value of exports and imports is equal to 89.4 percent of GDP. The average applied tariff rate is 5.7 percent, and no reforms are planned to reduce nontariff barriers that continue to impede trade flows. Foreign investment in several sectors of Tonga's economy is restricted. The underdeveloped financial sector's limited ability to offer affordable credit undermines the development of a dynamic entrepreneurial sector.

WORLD RANK: **112**

REGIONAL RANK: **22**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

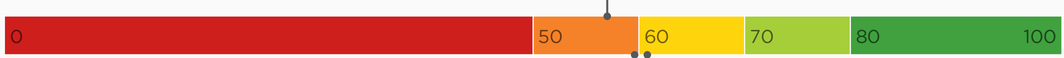
TRINIDAD AND TOBAGO

Trinidad and Tobago's economic freedom score is 57.0, making its economy the 112th freest in the 2019 *Index*. Its overall score has decreased by 0.7 point, with declines in **judicial effectiveness** and **trade freedom** exceeding improvements in **government spending** and **fiscal health**. Trinidad and Tobago is ranked 22nd among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Increased revenues from oil production have helped the government's fiscal consolidation efforts, but further progress will require asset sales, expenditure restraint, and tax reform. Economic diversification is a long-standing goal, and Trinidad and Tobago's relatively well-regulated and stable financial system has already made it a regional financial center. However, wasteful government bureaucracy and an inefficient and nontransparent investment regulatory framework hamper economic development. The judiciary is relatively independent and stable, but corruption and ineffective protection of private property rights undermine investor confidence.

ECONOMIC FREEDOM SCORE

57.0 (▼ DOWN 0.7 POINT)



REGIONAL AVERAGE (AMERICAS REGION) **59.6**

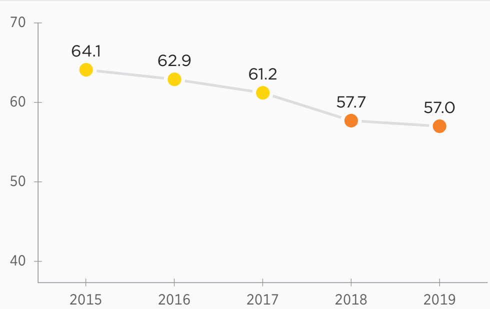
60.8 WORLD AVERAGE

RELATIVE STRENGTHS:
Tax Burden and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
–12.2

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 million

GDP (PPP):
$43.0 billion
–2.6% growth in 2017
5-year compound annual growth –1.3%
$31,367 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
1.9%

FDI INFLOW:
$178.7 million

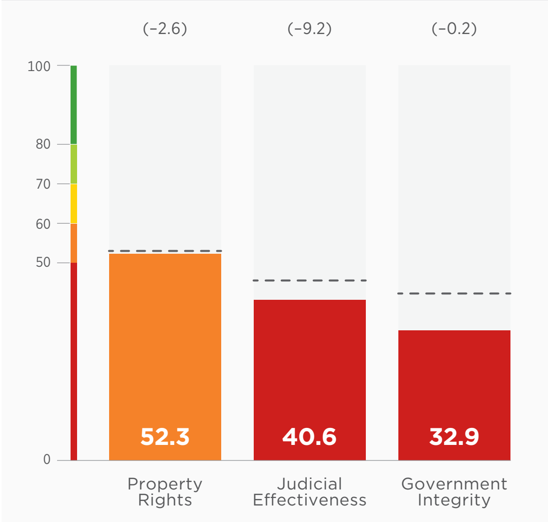
PUBLIC DEBT:
41.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Trinidad and Tobago is one of the Caribbean's wealthiest nations. Hydrocarbons account for more than 40 percent of GDP and 80 percent of exports. Prime Minister Keith Rowley of the center-left People's National Movement took office in 2015. Under the constitution, the next general election is not due until 2020, but the government can call one before then. Dr. Rowley has struggled to adapt the country to fluctuating international oil and gas prices, which have a direct impact on government revenues. Oil production has declined over the past decade as the country has focused on natural gas. Financial services and construction have been among the strongest nonenergy subsectors. Tourism has the potential for significant growth.

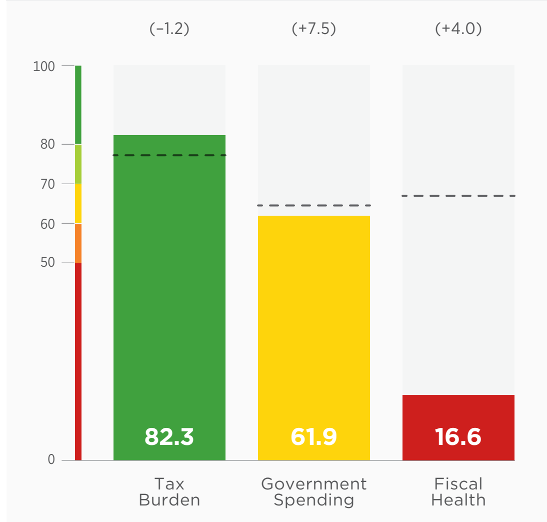
12 ECONOMIC FREEDOMS | TRINIDAD AND TOBAGO

RULE OF LAW



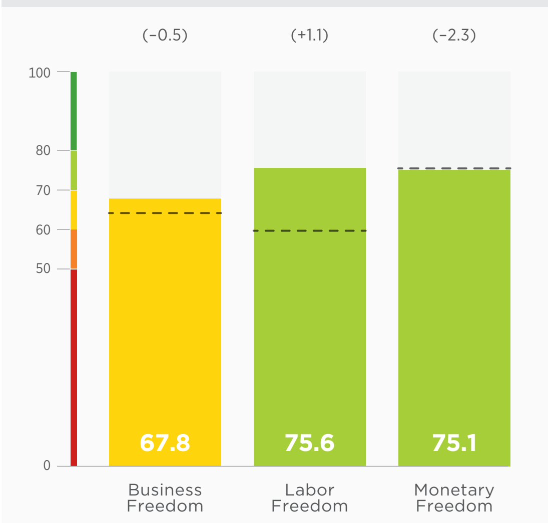
Property rights are well protected. The judiciary is independent but struggles with inefficiency. High levels of violent crime, much of it drug-related, have contributed to a backlog of cases and delays. The quality of the bureaucracy remains relatively poor, and narcotics-related graft in the police force is endemic. A long history of corruption and mismanagement under successive governments stretches back to colonial times.

GOVERNMENT SIZE



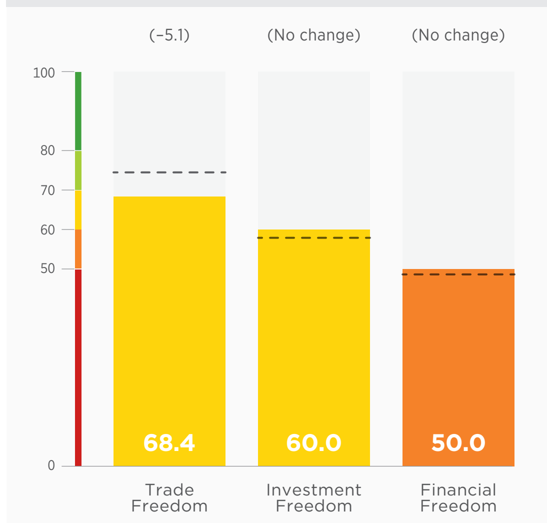
Both the top personal income tax rate and the standard corporate tax rate are 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 22.8 percent of total domestic income. Over the past three years, government spending has amounted to 35.7 percent of the country's output (GDP), and budget deficits have averaged 10.6 percent of GDP. Public debt is equivalent to 41.3 percent of GDP.

REGULATORY EFFICIENCY



The regulatory system lacks transparency and clarity, and inconsistent enforcement of regulations injects uncertainty into entrepreneurial decision-making and holds back lasting economic development. The relatively flexible labor market facilitates the matching of jobs with available workers. The government budgeted an additional $100 million in 2018 to fund domestic fuel subsidies in response to global oil price increases.

OPEN MARKETS



The combined value of exports and imports is equal to about 100 percent of GDP. The average applied tariff rate is 8.3 percent. As of June 30, 2018, according to the WTO, Trinidad and Tobago had one nontariff measure in force. Overdependence on oil and gas continues to hold back private-sector development. About 84 percent of the country's adults have access to an account with a formal banking institution.

TUNISIA

WORLD RANK: **125**

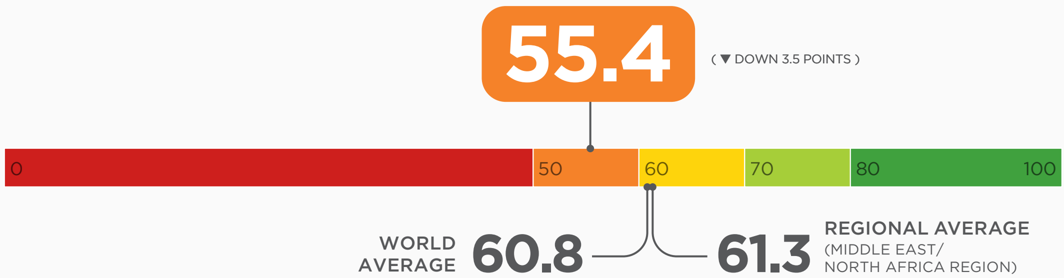
REGIONAL RANK: **10**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tunisia's economic freedom score is 55.4, making its economy the 125th freest in the 2019 *Index*. Its overall score has decreased by 3.5 points because of a plunge in **fiscal health** and lower scores for **trade freedom**, **business freedom**, **labor freedom**, and **monetary freedom**. Tunisia is ranked 10th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

To raise GDP growth and lower chronic unemployment, the government has introduced economic policies to relax exchange rate regulations, boost foreign currency reserves, reduce the fiscal deficit by cutting the public-sector wage bill, reduce subsidies, reform the pension system, restructure loss-making state-owned enterprises, and keep public-sector debt below 70 percent of GDP. Other institutional weaknesses, left unaddressed because of political instability, include a burdensome regulatory regime and rigid labor markets. Many of the market-oriented reforms are opposed by political parties and trade unions that espouse statism.

ECONOMIC FREEDOM SCORE

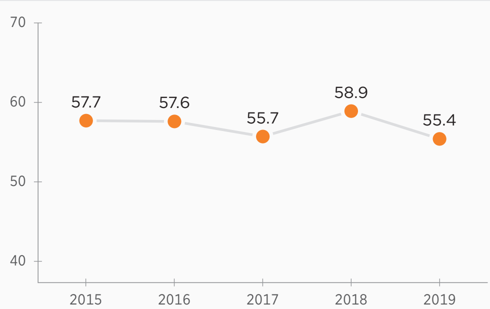


RELATIVE STRENGTHS:
Business Freedom and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–8.0

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
$135.4 billion
1.9% growth in 2017
5-year compound annual growth 1.7%
$11,755 per capita

UNEMPLOYMENT:
15.4%

INFLATION (CPI):
5.3%

FDI INFLOW:
$879.5 million

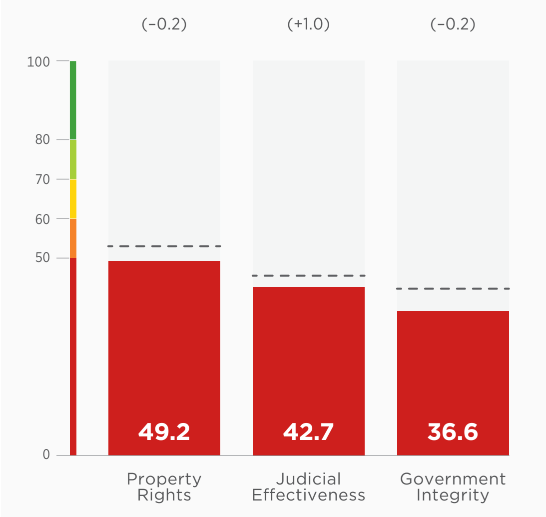
PUBLIC DEBT:
71.3% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Tunisia was the birthplace of the Arab Spring protests, which ousted longtime President Zine al-Abidine Ben Ali in 2011. The Islamist Ennahda Party later won the largest number of seats in the National Constituent Assembly. Following ratification of a new constitution in 2014, an interim technocratic government ruled until Tunisia's first full parliamentary and presidential elections. Nidaa Tounes party leader and former Prime Minister Beji Caid Essebsi was elected president in 2015. Despite notable progress in democratization and ongoing reform efforts, Tunisia's transformation to a more market-oriented economy has been slow. Key exports include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80 percent of exports bound for Tunisia's main trading partner, the European Union.

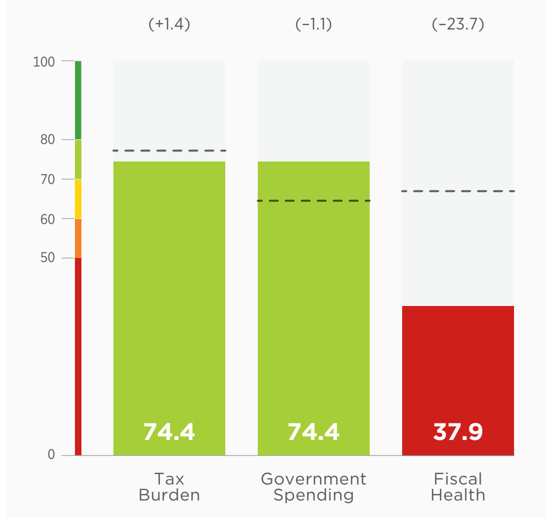
12 ECONOMIC FREEDOMS | TUNISIA

RULE OF LAW



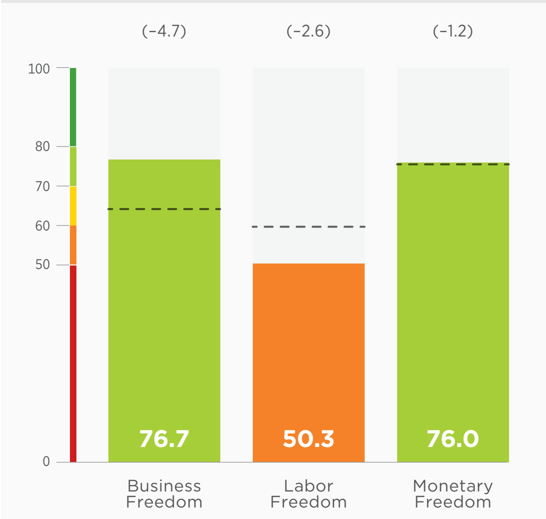
Protection of property rights remains uneven, and the clarity of titles is poor. The judiciary is generally independent but struggles with lengthy case backlogs. Governmental weakness has encouraged graft at lower levels of bureaucracy and law enforcement. Parliament has passed a law to protect whistle-blowers, but corruption remains a problem. In 2017, an estimated $816 million was lost to corruption.

GOVERNMENT SIZE



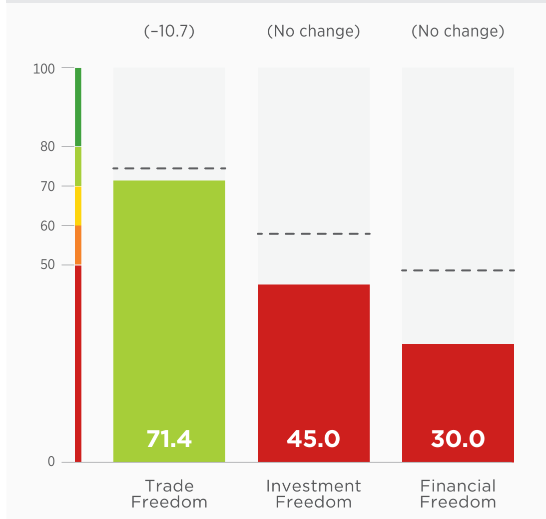
The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 20.8 percent of total domestic income. Over the past three years, government spending has amounted to 29.2 percent of the country's output (GDP), and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 71.3 percent of GDP.

REGULATORY EFFICIENCY

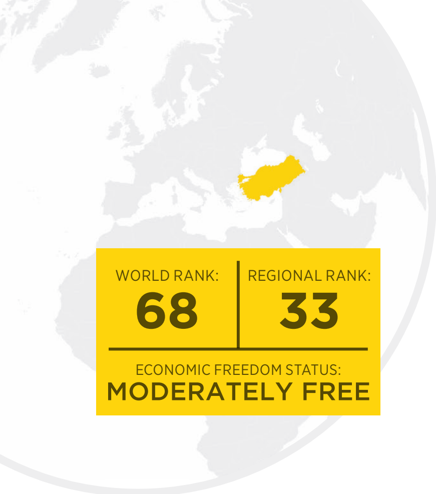


Economic dynamism remains constrained by institutional weaknesses that remain unaddressed, hindered by the lack of decisive government action. The regulatory regime, despite some improvements, remains burdensome and deters dynamic entrepreneurial growth. The rigid labor market has been stagnant, failing to generate dynamic job growth. The government did not reduce public spending in 2018 but did keep subsidies flat.

OPEN MARKETS



The combined value of exports and imports is equal to 99.9 percent of GDP. The average applied tariff rate is 9.3 percent. As of June 30, 2018, according to the WTO, Tunisia had 13 nontariff measures in force. A new investment law that offers more flexibility to foreign investors has been in place since 2016. The financial sector remains fragmented. About 40 percent of adult Tunisians have access to an account with a commercial bank.



WORLD RANK: 68

REGIONAL RANK: 33

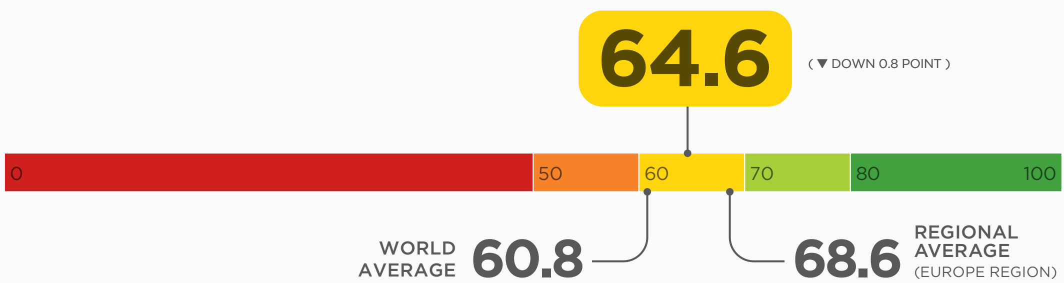
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

TURKEY

Turkey's economic freedom score is 64.6, making its economy the 68th freest in the 2019 *Index*. Its overall score has decreased by 0.8 point, with declines in scores for **judicial effectiveness** and **government spending** exceeding modest increases in **business freedom** and **labor freedom**. Turkey is ranked 33rd among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Political turbulence spawned by the government's transition to an executive presidency has blocked the economic reforms needed to improve the business and investment climate. Nonetheless, Turkey's economy has shown resilience, in large part because of its solid public finances, well-capitalized and well-regulated banking sector, and dynamic, diversified private business sector. Critical challenges include lack of transparency in government and erosion of the rule of law. The judicial system has been severely disrupted and has become much more susceptible to political influence.

ECONOMIC FREEDOM SCORE

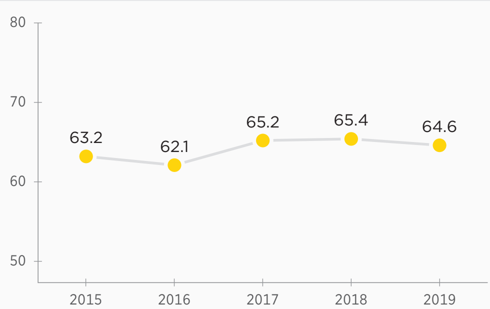


RELATIVE STRENGTHS:
Fiscal Health and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+6.2

CONCERNS:
Government Integrity and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
80.8 million

GDP (PPP):
$2.2 trillion
7.0% growth in 2017
5-year compound annual growth 6.0%
$26,893 per capita

UNEMPLOYMENT:
11.3%

INFLATION (CPI):
11.1%

FDI INFLOW:
$10.9 billion

PUBLIC DEBT:
28.5% of GDP

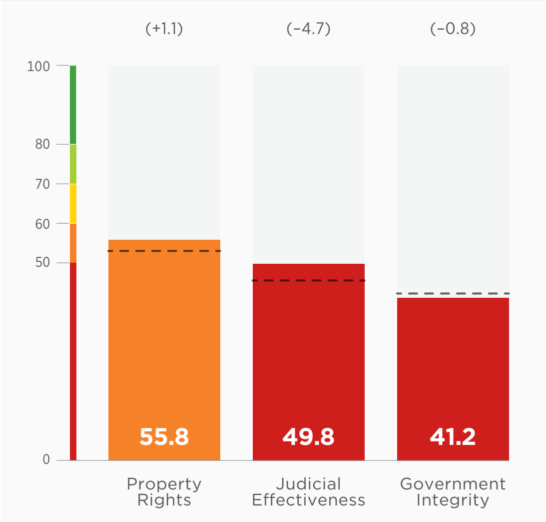
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Turkey is a constitutionally secular republic, but President Recep Tayyip Erdogan's Justice and Development Party (AKP) has pushed an Islamist agenda and eroded democracy. Erdogan further consolidated power after snap elections in June 2018 allowed the AKP to form a coalition with the Nationalist Action Party to retain control of the unicameral national assembly while Erdogan eked out a slim victory for a second four-year term as president. Turkey's largely free-market economy is driven by its industrial and service sectors, although traditional agriculture still accounts for about 25 percent of employment. Domestic political uncertainty, populist spending measures, increasing government interventionism, and security concerns are generating financial market volatility and having a negative effect on Turkey's economic outlook.

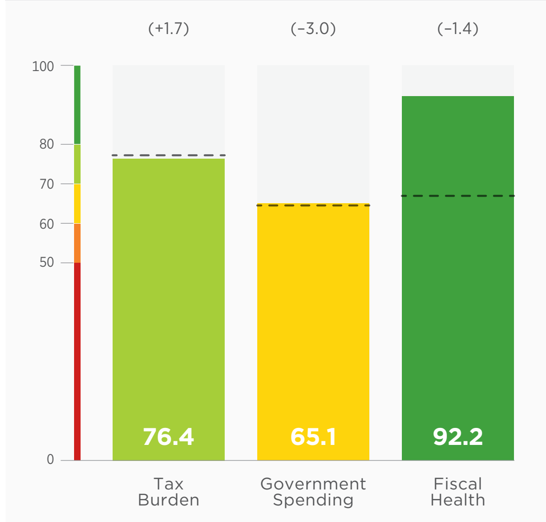
WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | TURKEY

RULE OF LAW



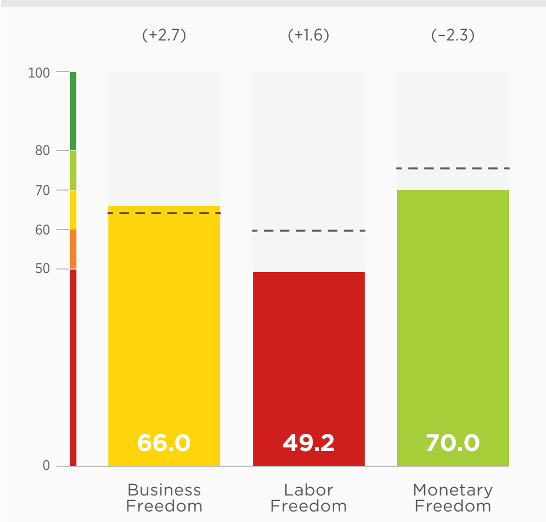
GOVERNMENT SIZE



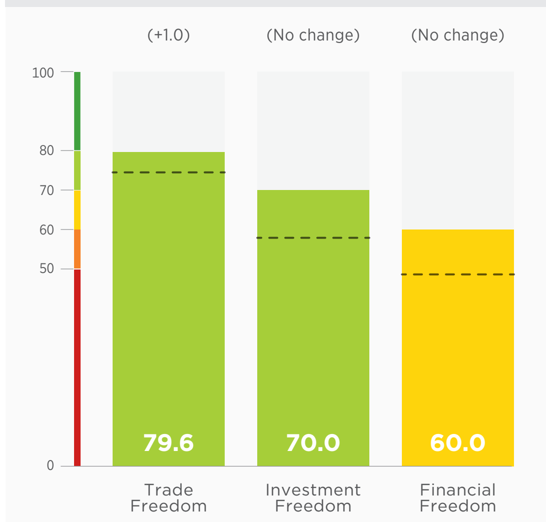
Property rights are generally enforced. A reduction in transfer fees in 2018 eased the property registration process. The judiciary is independent but influenced by the executive through appointments, promotions, and financing. Although President Erdogan was reelected on an anticorruption platform, pervasive corruption, cronyism, and nepotism persist in government and in daily life. Some officials engage in corrupt practices with impunity.

The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 25.5 percent of total domestic income. Over the past three years, government spending has amounted to 34.1 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 28.5 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



The process of starting a business has become easier, with less time required for registration, but bureaucratic red tape and ineffective enforcement of regulations continue to be drags on entrepreneurship. Despite some progress, the labor market remains rigid. Turkey has few price controls, but the government's promises of more subsidies for agriculture and education played a major role in the outcome of the 2018 elections.

The combined value of exports and imports is equal to 54.2 percent of GDP. The average applied tariff rate is 2.7 percent. As of June 30, 2018, according to the WTO, Turkey had 317 nontariff measures in force. Critical impediments to more dynamic foreign investment flows include lingering bureaucracy and the lack of transparency. About 72 percent of adult Turks have access to an account with a formal banking institution.

WORLD RANK: **164** | REGIONAL RANK: **40**

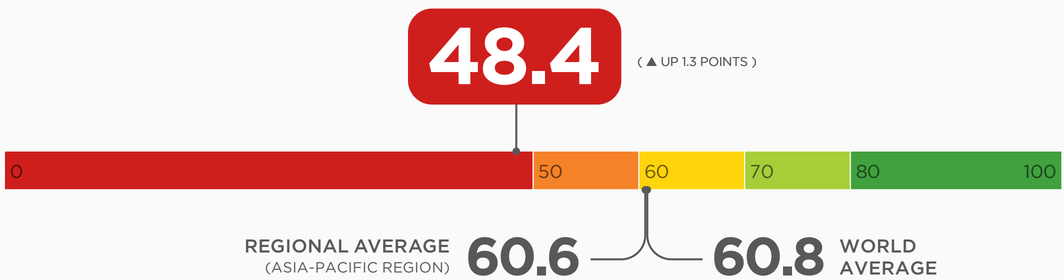
ECONOMIC FREEDOM STATUS: **REPRESSED**

TURKMENISTAN

Turkmenistan's economic freedom score is 48.4, making its economy the 164th freest in the 2019 *Index*. Its overall score has increased by 1.3 points, with sharp improvements for **judicial effectiveness** and **investment freedom** far surpassing declines in **government integrity** and **fiscal health**. Turkmenistan is ranked 40th among 43 countries in the Asia–Pacific region, and its overall score remains well below the regional and world averages.

The autocratic government's priority is to secure alternative markets for Turkmenistan's hydrocarbons exports. It has done little to improve the business climate, privatize state-owned industries, or combat rampant corruption even though dependence on hydrocarbons and lack of diversification have deepened the country's economic crisis. Consumers face severe shortages because of import restrictions. Currency depreciation, autarkic policies, and limited spending on public services have led to economic stagnation. Rigid labor regulations and the nearly complete absence of property rights further limit private-sector activity.

ECONOMIC FREEDOM SCORE

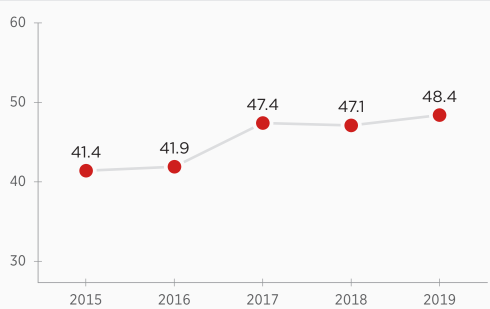


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+13.4

CONCERNS:
Investment Freedom and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.7 million

GDP (PPP):
$103.5 billion
6.5% growth in 2017
5-year compound annual growth 7.9%
$18,126 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
8.0%

FDI INFLOW:
$2.3 billion

PUBLIC DEBT:
28.8% of GDP

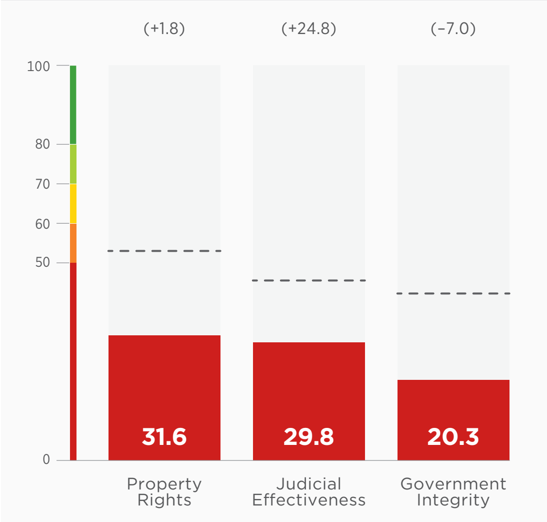
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Once an important stop on the Silk Road, the former Soviet republic of Turkmenistan is now a dictatorship and one of the world's most secretive, closed, and authoritarian countries. In 2017, President Gurbanguly Berdymukhammedov won a third seven-year term with over 97 percent of the vote in elections that international observers regarded as flawed. Berdymukhammedov's policies are somewhat more open to the world than those of his predecessor, the late President-for-Life Saparmurad Niyazov, but the government still tends toward isolationism. The economy is based on intensive agriculture in irrigated oases, sizable oil resources, and the world's sixth-largest reserves of natural gas. China is currently its largest export market, especially for gas.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

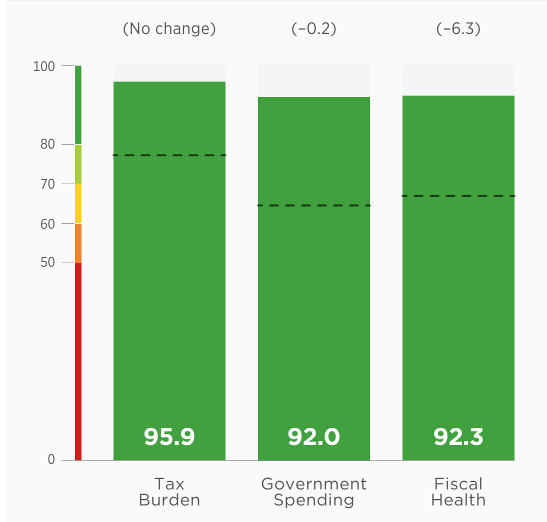
12 ECONOMIC FREEDOMS | TURKMENISTAN

RULE OF LAW



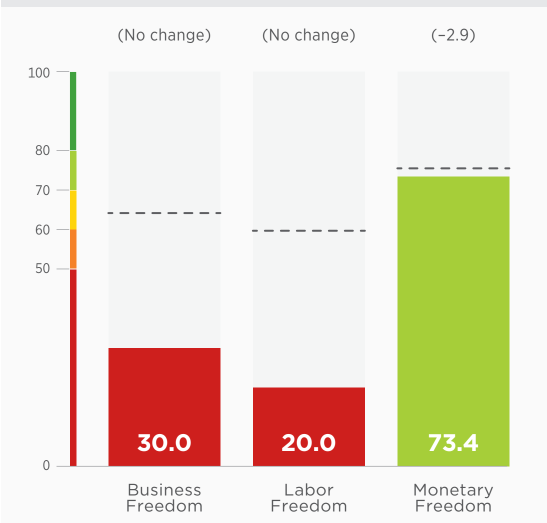
The government owns all land, and other real property ownership rights are limited. Enforcement of contracts and protection of property rights are ineffective. The nominally independent judiciary is subservient to the president, who appoints and removes judges at will. Laws are poorly developed, and judges are poorly trained and open to bribery. Corruption is widespread.

GOVERNMENT SIZE



The personal income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include value-added and property taxes. The overall tax burden equals 15.6 percent of total domestic income. Over the past three years, government spending has amounted to 16.4 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 28.8 percent of GDP.

REGULATORY EFFICIENCY



Regulatory codes remain outmoded, and personal relations with government officials often play a role in overcoming bureaucratic red tape. The bloated public sector provides the majority of jobs, and labor regulations are outdated and not enforced effectively. The government says it is considering reducing subsidies for electricity and gas, but so far, only water subsidies have been cut.

OPEN MARKETS

The combined value of exports and imports is equal to 117.7 percent of GDP. The average applied tariff rate is a relatively low 2.0 percent, but nontariff barriers, exacerbated by the government's heavy involvement in various sectors, dampen trade flows. Foreign investment remains limited to a few handpicked partners. About 49 percent of adults have access to an account with a formal banking institution.

WORLD RANK: **95** | REGIONAL RANK: **8**

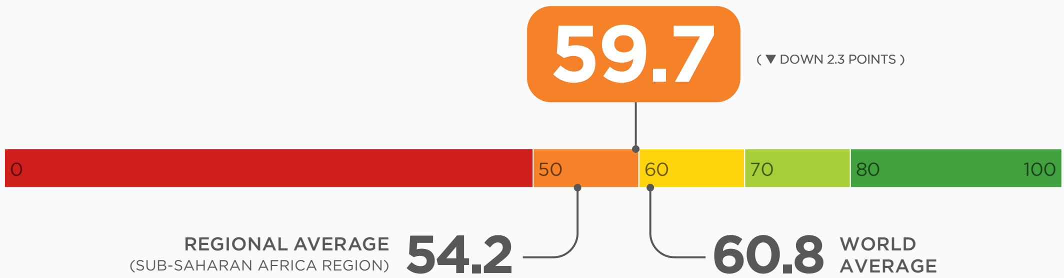
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

UGANDA

Uganda's economic freedom score is 59.7, making its economy the 95th freest in the 2019 *Index*. Its overall score has decreased by 2.3 points because of a sharp drop in **fiscal health** and lower scores for **trade freedom**, **government integrity**, and **government spending**. Uganda is ranked 8th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Although the government pressed ahead in 2018 with externally financed construction of energy-related, roadway, and other public-works infrastructure projects, its management of such large-scale endeavors has been poor. The strong commitment to economic liberalization that made Uganda one of Africa's most rapidly developing countries during the 1980s has diminished noticeably. Bureaucracy and expensive business licensing requirements discourage development of the private sector. A weak and inefficient judicial system and pervasive corruption are serious impediments to sustainable development.

ECONOMIC FREEDOM SCORE

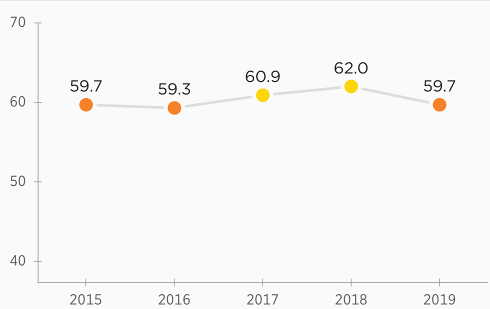


RELATIVE STRENGTHS:
Government Spending and Labor Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–3.2

CONCERNS:
Government Integrity and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
37.7 million

GDP (PPP):
$88.7 billion
4.5% growth in 2017
5-year compound annual growth 4.3%
$2,354 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
5.6%

FDI INFLOW:
$699.7 million

PUBLIC DEBT:
39.0% of GDP

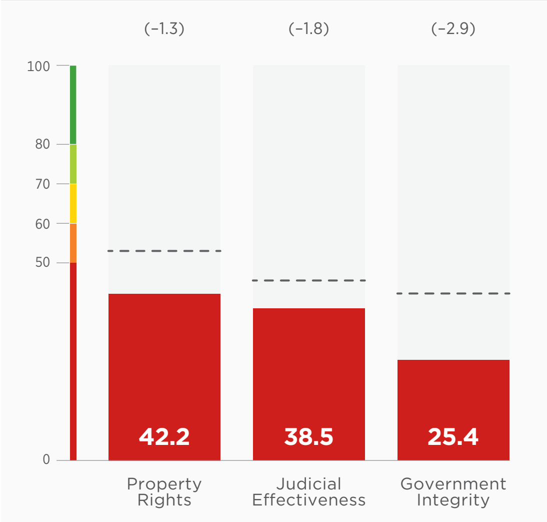
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The wide range of ethnic groups with different political systems and cultures within the former British colony of Uganda complicated governance after independence in 1962. President Yoweri Museveni and his National Resistance Movement have been in power since 1986. In 2016, Museveni won a fifth five-year term in elections tainted by government intimidation and multiple arrests of the principal opposition leader. Harassment of other political opponents has intensified amid allegations of creeping authoritarianism. Parliament has amended the constitution several times to allow Museveni's continued rule. Uganda has significant natural wealth, including gold, recently discovered oil, and rich agricultural lands from which more than two-thirds of the workforce derives employment.

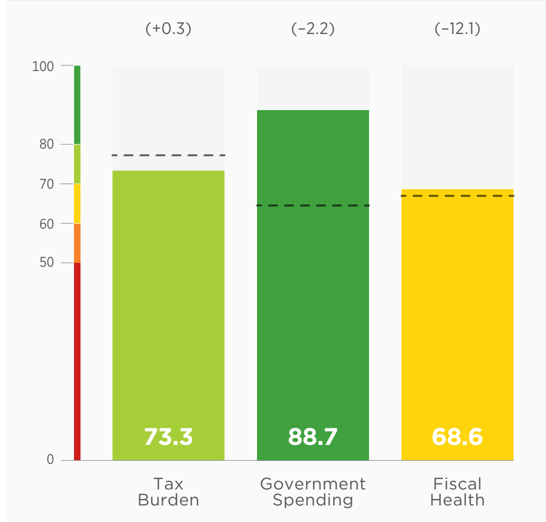
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | UGANDA

RULE OF LAW



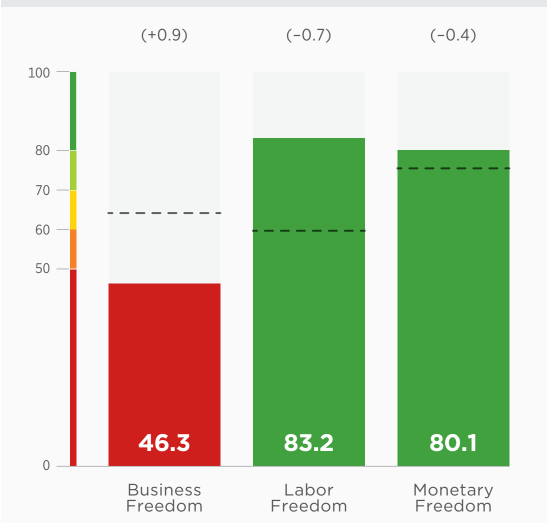
GOVERNMENT SIZE



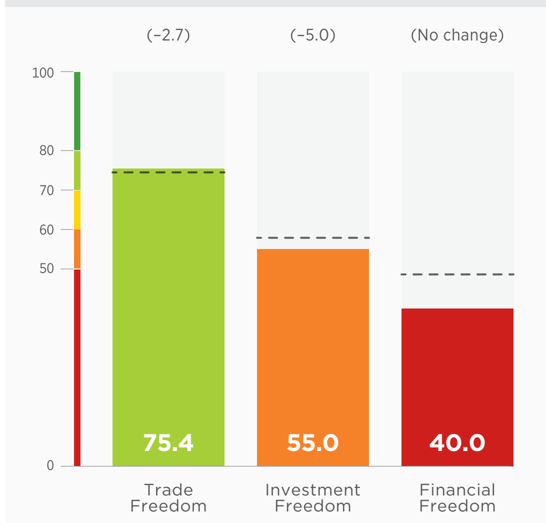
Property rights are guaranteed by law, but enforcement can be inconsistent or ineffective. The judiciary is understaffed, inefficient, and subject to undue influence by the executive and military. Corruption in Uganda, one of the most corrupt countries in East Africa, is often practiced with impunity. In 2018, however, several police officers and magistrates were arrested for accepting bribes.

The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and property taxes. The overall tax burden equals 12.9 percent of total domestic income. Over the past three years, government spending has amounted to 19.4 percent of the country's output (GDP), and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 39.0 percent of GDP.

REGULATORY EFFICIENCY

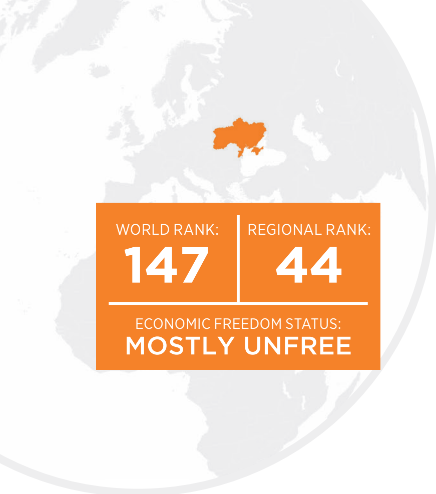


OPEN MARKETS



The overall regulatory framework remains poor, discouraging development of a more vibrant private sector. Although there is no minimum capital requirement, establishing a business is costly and time-consuming. Labor regulations are relatively flexible, but a well-functioning formal labor market has not been fully developed. A hydroelectric dam financed by the World Bank is intended to facilitate elimination of electricity subsidies.

The combined value of exports and imports is equal to 44.4 percent of GDP. The average applied tariff rate is 7.3 percent. As of June 30, 2018, according to the WTO, Uganda had four nontariff measures in force, and other barriers to trade persist. Foreign and domestic investors are generally treated equally under the law. The financial sector is open to competition. About 61 percent of adult Ugandans have an account with a formal banking institution.



WORLD RANK: **147** | REGIONAL RANK: **44**

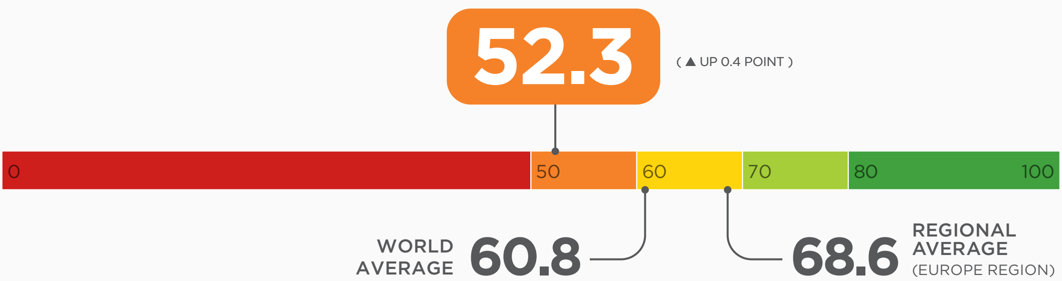
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

UKRAINE

Ukraine's economic freedom score is 52.3, making its economy the 147th freest in the 2019 *Index*. Its overall score has increased by 0.4 point, with improvements in **fiscal health**, **business freedom**, and **property rights** outpacing declines in **labor freedom** and **trade freedom**. Ukraine is ranked 44th among 44 countries in the Europe region, and its overall score is below the regional and world averages.

Progress has lagged on many much-needed but contentious structural reforms such as cutting subsidies and raising energy tariffs, fiscal consolidation, and the fight against corruption. As Ukraine's oligarch-dominated economy improved in 2018, partly because of greater inflows of remittances, Western institutions found that they had less leverage to press for further reforms to make the country more prosperous, democratic, and transparent. Ukraine also needs to develop its capital markets, privatize state-owned enterprises, and improve both its legal framework and the rule of law.

ECONOMIC FREEDOM SCORE

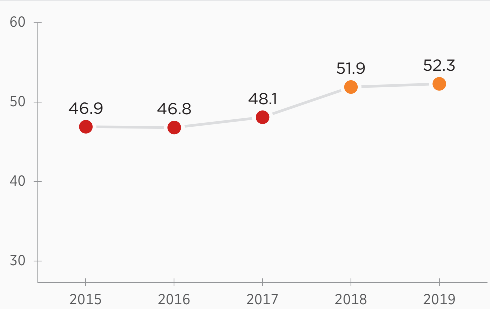


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+12.4

CONCERNS:
Government Integrity and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
42.3 million

GDP (PPP):
$368.8 billion
2.5% growth in 2017
5-year compound annual growth −2.3%
$8,713 per capita

UNEMPLOYMENT:
9.5%

INFLATION (CPI):
14.4%

FDI INFLOW:
$2.2 billion

PUBLIC DEBT:
75.6% of GDP

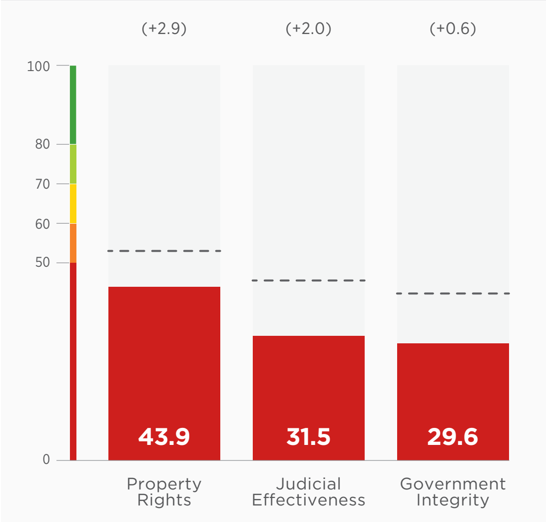
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Long known as the "Breadbasket of Europe" for its fertile black soil, Ukraine gained independence after the Soviet Union collapsed in 1991. Russia illegally annexed the Crimean peninsula in 2014, and Russian-backed separatists continue to destabilize the eastern part of the country. Pro-Western members of parliament ousted Moscow-backed President Victor Yanukovych in 2014, and Petro Poroshenko was elected to replace him. After parliamentary elections later in 2014, Prime Minister Arseniy Yatesenyuk of the center-right People's Front formed a pro-European government. In 2016, Yatesenyuk resigned and was replaced by Volodymyr Groysman. Russian aggression continues to damage the Ukrainian economy, which relies heavily on the production of wheat and exports of industrial and energy products.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

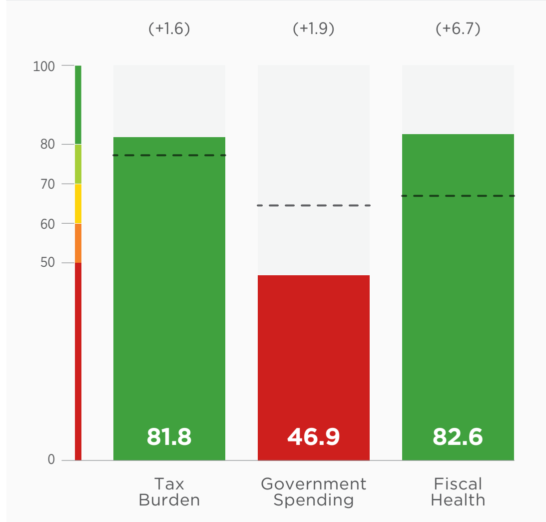
12 ECONOMIC FREEDOMS | UKRAINE

RULE OF LAW



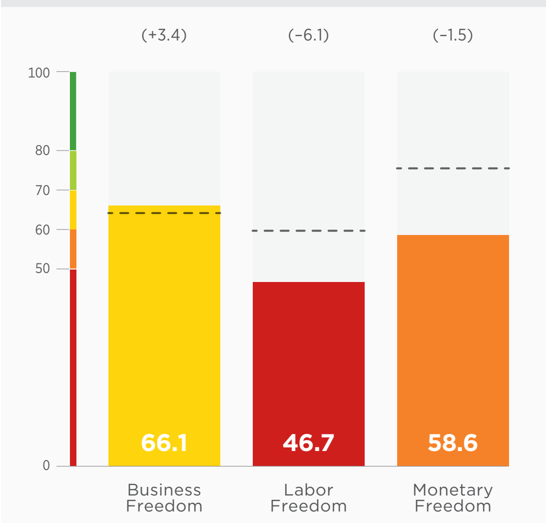
Ukrainian law protects property rights. Mortgages and liens are recorded, and the government reduced fees for construction permits in 2018. Enforcement of contracts is time-consuming and costly. The judiciary is susceptible to political pressure and fraught with corruption and bribes, and public confidence in its effectiveness is weakened as a result. Criminal penalties for corruption are not implemented effectively, and corruption remains endemic.

GOVERNMENT SIZE



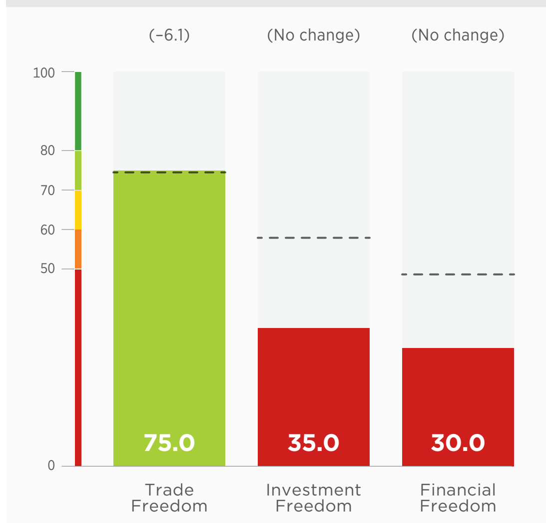
The top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.1 percent of total domestic income. Over the past three years, government spending has amounted to 42.1 percent of the country's output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 75.6 percent of GDP.

REGULATORY EFFICIENCY



The business start-up process has been streamlined, but completion of licensing requirements is still time-consuming. Overall, political instability continues to compound regulatory uncertainty in commercial transactions. The labor code is outmoded and lacks flexibility. Defying pressure from international financial institutions, the government extended price controls on natural gas in 2018.

OPEN MARKETS



The combined value of exports and imports is equal to 102.2 percent of GDP. The average applied tariff rate is 2.5 percent. As of June 30, 2018, according to the WTO, Ukraine had 143 nontariff measures in force. Ongoing conflict with Russia undercuts trade and investment flows, and state-owned enterprises distort the economy. About 64 percent of adult Ukrainians have access to an account with a formal banking institution.

WORLD RANK: 9

REGIONAL RANK: 1

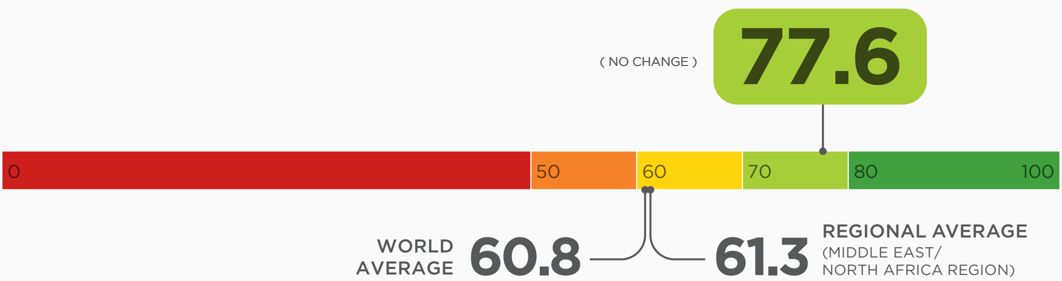
ECONOMIC FREEDOM STATUS: MOSTLY FREE

UNITED ARAB EMIRATES

The United Arab Emirates' economic freedom score is 77.6, making its economy the 9th freest in the 2019 *Index*. Its overall score remains unchanged from 2018, with higher scores for **property rights**, **judicial effectiveness**, and **government integrity** offset by a sharp decline in **fiscal health**. The UAE is ranked 1st among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The government needs to build on earlier efforts to upgrade the business climate. State-owned enterprises need at least partial privatization, and improvement of the regulatory regimes governing the financial, real-estate, cyber, and free-trade zone sectors would enhance their appeal to foreign investors and visitors. Making the legal framework even more effective and independent should be another priority. A 5 percent value-added tax introduced in 2018 will increase government revenue but is likely to have a negative impact on the UAE's tax burden score.

ECONOMIC FREEDOM SCORE

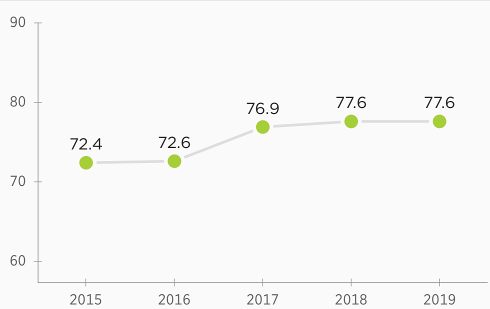


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996):
+6.0

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
10.1 million

GDP (PPP):
$686.8 billion
0.5% growth in 2017
5-year compound annual growth 3.3%
$67,741 per capita

UNEMPLOYMENT:
1.7%

INFLATION (CPI):
2.0%

FDI INFLOW:
$10.4 billion

PUBLIC DEBT:
19.5% of GDP

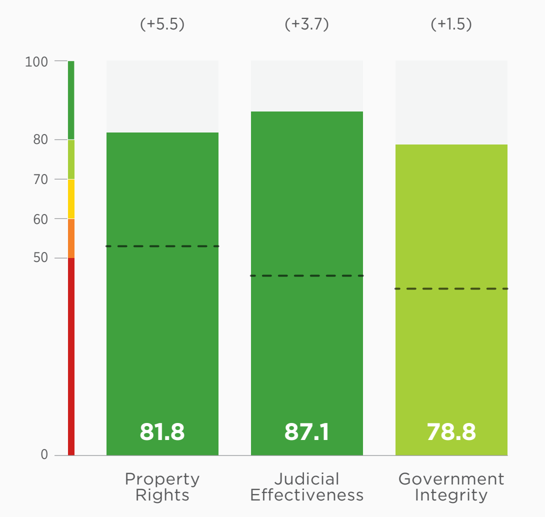
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The United Arab Emirates (UAE) is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. The Federal Supreme Council 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 2004. The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Economic diversification has reduced the oil and gas sector's portion of GDP to 30 percent. In 2018, Abu Dhabi launched the $5 billion Ghadan 21 (Tomorrow 2021) development plan aimed at boosting competitiveness and entrepreneurship.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

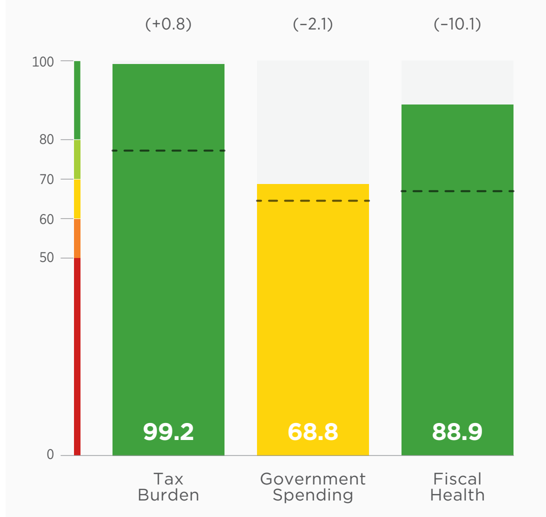
12 ECONOMIC FREEDOMS | UNITED ARAB EMIRATES

RULE OF LAW



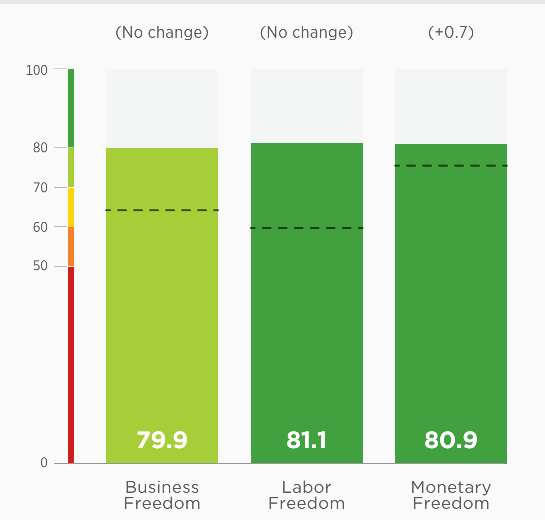
Each emirate establishes its own land ownership procedures. The judiciary is not independent, and court rulings are subject to review by the political leadership. Nevertheless, the rule of law is generally well maintained, and the UAE is considered one of the region's less corrupt countries. Nepotism and corruption persist, although several corruption cases involving former senior officials were opened in 2018.

GOVERNMENT SIZE



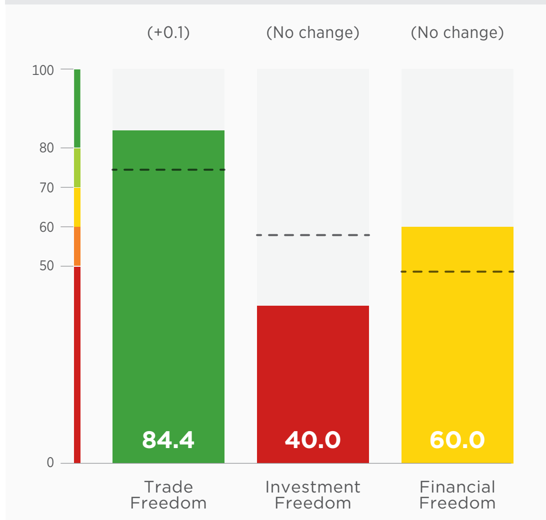
The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist in some emirates, and a new value-added tax has been introduced. The overall tax burden equals 8.9 percent of total domestic income. Over the past three years, government spending has amounted to 32.3 percent of the country's output (GDP), and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 19.5 percent of GDP.

REGULATORY EFFICIENCY



Broad-based economic expansion has been underpinned by earlier efforts to strengthen the business climate and foster the emergence of a more diverse private sector. Employment regulations are relatively flexible, and the nonsalary cost of employing a worker is not high. The government signed an agreement with the U.S. in 2018 aimed at resolving claims by U.S.-based airlines that Gulf carriers have received unfair government subsidies.

OPEN MARKETS



The combined value of exports and imports is equal to 172.8 percent of GDP. The average applied tariff rate is 2.8 percent. As of June 30, 2018, according to the WTO, the United Arab Emirates had 69 nontariff measures in force. Investment efforts have focused on promoting private participation in nonoil sectors, but progress has been slow. About 91 percent of adult Emiratis have access to an account with a formal banking institution.

WORLD RANK: **7** | REGIONAL RANK: **3**

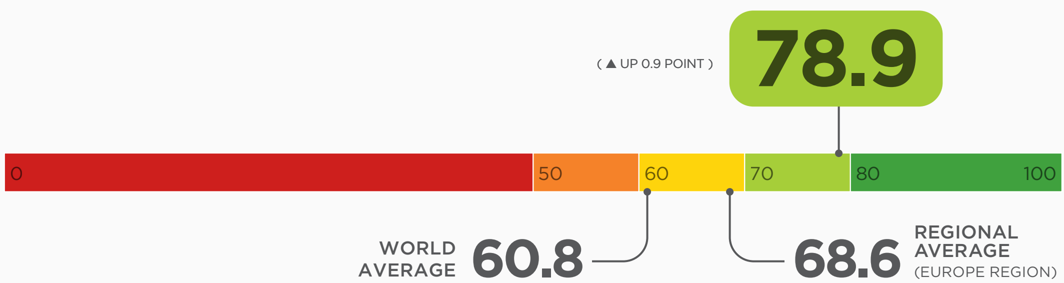
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

UNITED KINGDOM

The United Kingdom's economic freedom score is 78.9, making its economy the 7th freest in the 2019 *Index*. Its overall score has increased by 0.9 point, with a big jump in **fiscal health** and higher scores for **government integrity** and **government spending** outweighing sharp drops in **judicial effectiveness** and **monetary freedom**. The U.K. is ranked 3rd among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The U.K.'s 2019 departure from the European Union has prompted policymakers to address structural deficiencies such as lackluster productivity growth. The resilient economy's recovery from the financial crisis was aided by effective rule of law, an open trade regime, and a well-developed financial sector. The already liberal labor market can be made more flexible after Brexit. The U.K. has one of the world's most efficient business and investment environments and will soon be open to expanded global trade relationships.

ECONOMIC FREEDOM SCORE

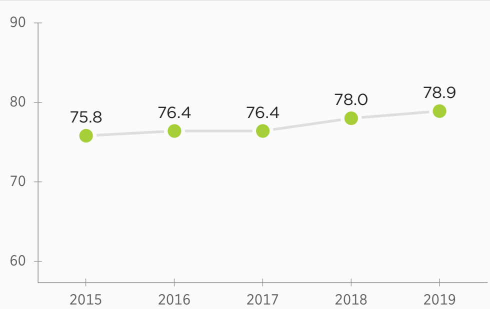


RELATIVE STRENGTHS:
Business Freedom and Property Rights

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+1.0

CONCERNS:
Government Spending and Tax Burden

FREEDOM TREND



QUICK FACTS

POPULATION:
66.1 million

GDP (PPP):
$2.9 trillion
1.8% growth in 2017
5-year compound annual growth 2.2%
$44,118 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
2.7%

FDI INFLOW:
$15.1 billion

PUBLIC DEBT:
87.0% of GDP

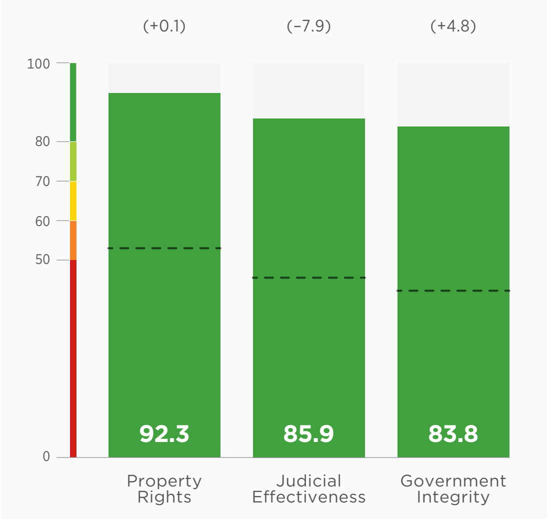
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Steady growth has made Britain's economy, which has thrived ever since former Prime Minister Margaret Thatcher's market reforms in the 1980s, the world's fifth largest. In 2016, the U.K. voted in a popular referendum to leave the European Union. Current Conservative Party leader and Prime Minister Theresa May has been negotiating the terms of the March 2019 Brexit. The Tories, who ousted the Labour Party in 2010, lost their parliamentary majority in 2017 but retained power with the support of Northern Ireland's Democratic Unionist Party. A series of high-profile, Brexit-related resignations in 2018 further weakened the May government. Services, particularly banking, insurance, and business services, are key drivers of GDP growth. Large oil and natural gas reserves are declining.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

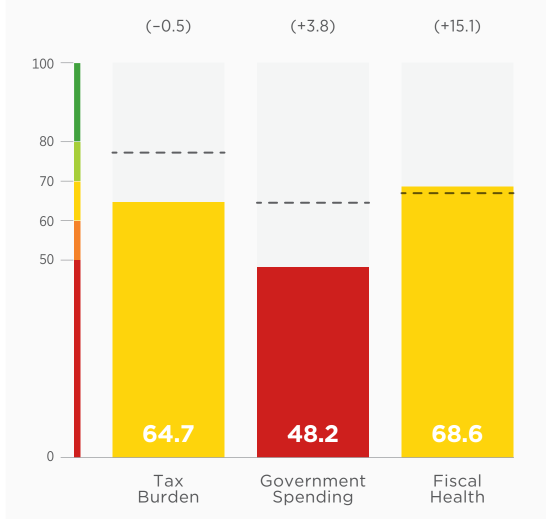
12 ECONOMIC FREEDOMS | UNITED KINGDOM

RULE OF LAW



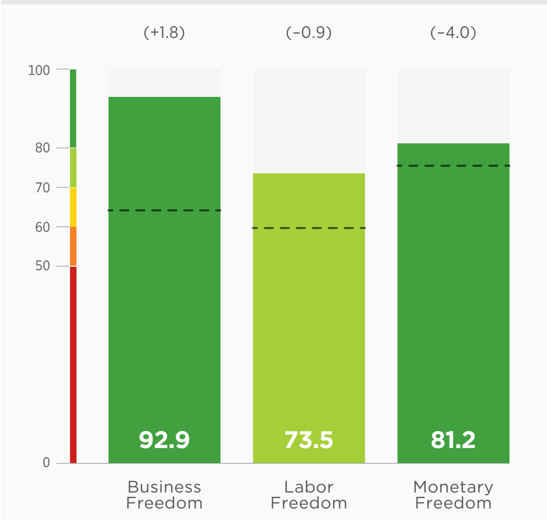
Private property rights and contracts are very secure, although fees related to the enforcement of contracts were increased in 2018. The court system is efficient and independent. The rule of law is well established, and the World Economic Forum's 2017–2018 *Global Competitiveness Report* ranked the U.K. 8th out of 137 countries. Isolated instances of bribery and corruption occur but are prosecuted vigorously.

GOVERNMENT SIZE



The top personal income tax rate is 45 percent. The top corporate tax rate is 20 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 33.2 percent of total domestic income. Over the past three years, government spending has amounted to 41.6 percent of the country's output (GDP), and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 87.0 percent of GDP.

REGULATORY EFFICIENCY



The regulatory environment is efficient and transparent. Starting a business takes less than a week. Bankruptcy proceedings are straightforward, and the labor market is relatively efficient. The government maintains a few price controls, such as regulated rates for most utilities and partial controls of prescription drug prices, and is likely to reform current agricultural subsidies after Brexit.

OPEN MARKETS

The combined value of exports and imports is equal to 62.5 percent of GDP. The average applied tariff rate is 2.0 percent. Some EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas may be adjusted or removed after Brexit. A well-developed financial sector continues to complement one of the world's most efficient investment environments.

WORLD RANK: **12** | REGIONAL RANK: **2**

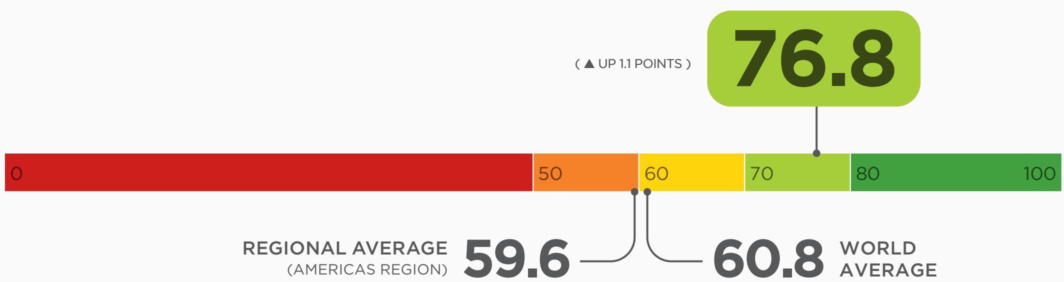
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

UNITED STATES

The United States' economic freedom score is 76.8, making its economy the 12th freest in the 2019 *Index*. Its overall score has increased by 1.1 points, with significant improvements in scores for **tax burden** and **government integrity** far outpacing modest declines in **fiscal health**, **labor freedom**, **monetary freedom**, and **trade freedom**. The United States is ranked 2nd among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The U.S.'s economic freedom ranking has risen six places, and its overall score in the 2019 *Index* is the highest recorded since 2011. This improvement reflects the impact of major regulatory and tax reforms on economic growth, investment, and business confidence. In 2018, the unemployment rate fell to its lowest point since 1969. New protectionist policies that have raised tariffs and disrupted established manufacturing supply chains are just beginning to affect consumer prices and investment decisions.

ECONOMIC FREEDOM SCORE

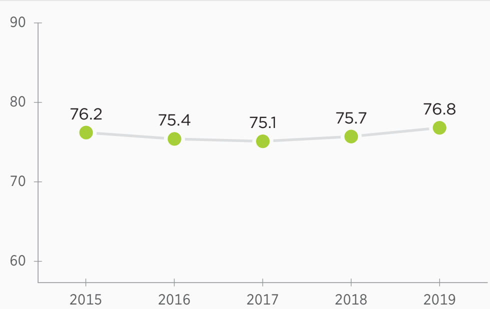


RELATIVE STRENGTHS:
Labor Freedom and Open Markets

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+0.1

CONCERNS:
Fiscal Health and Government Spending

FREEDOM TREND



QUICK FACTS

POPULATION:
325.9 million

GDP (PPP):
$19.4 trillion
2.3% growth in 2017
5-year compound annual growth 2.2%
$59,501 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
2.1%

FDI INFLOW:
$275.4 billion

PUBLIC DEBT:
107.8% of GDP

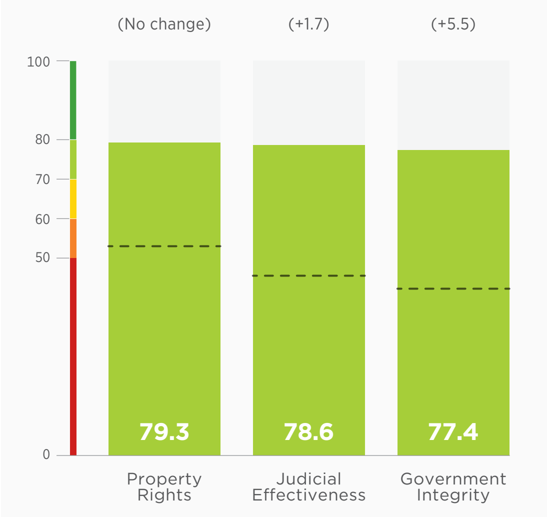
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The United States has one of the world's wealthiest and most diversified economies. President Donald Trump fulfilled his campaign pledge to reduce burdensome regulations and signed a major tax reform bill into law at the end of 2017, but he also adopted protectionist trade policies. Although it held a slim majority in Congress until 2019, the Republican Party was unable to fulfill such other promises as the dismantling of the Affordable Care Act. With control of the House of Representatives passing to the Democratic Party, prospects for major legislation affecting economic policy have dimmed. Although services account for about 80 percent of GDP, the U.S. remains the world's second-largest producer of manufactured goods and the leader in research and development.

— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

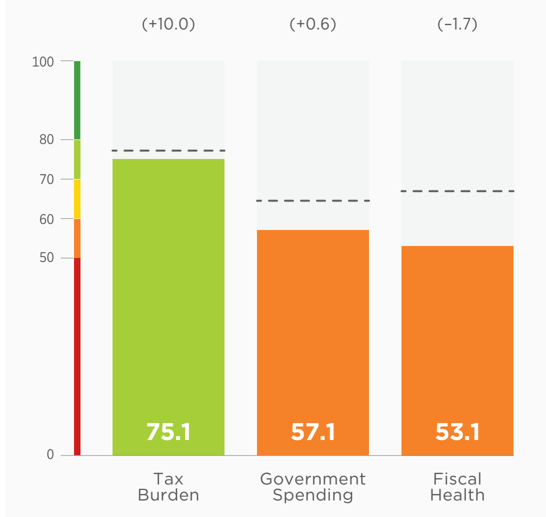
12 ECONOMIC FREEDOMS | UNITED STATES

RULE OF LAW



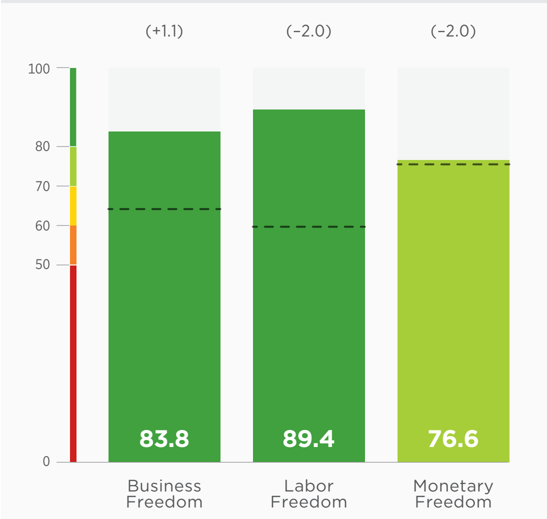
Property rights are guaranteed, but protection has been uneven. For example, civil asset forfeitures by law enforcement and an expansion of occupational licensing requirements have encroached on property rights. The judiciary functions independently and predictably. Corruption is rare, but the Pew Research Center reported in late 2017 that only 18 percent of Americans trust the government always or most of the time.

GOVERNMENT SIZE



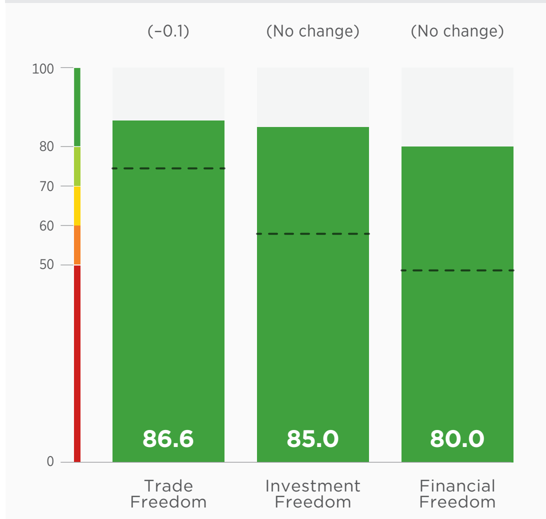
The top individual income tax rate is now 37 percent, and the top corporate tax rate has been cut to 21 percent. The overall tax burden equals 26.0 percent of total domestic income. Over the past three years, government spending has amounted to 37.8 percent of the country's output (GDP), and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 107.8 percent of GDP.

REGULATORY EFFICIENCY

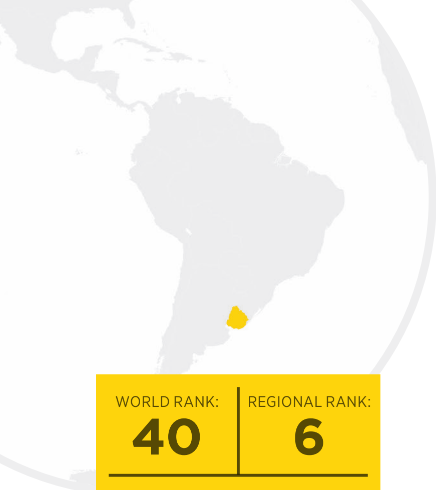


Significant regulatory reform has resulted in the delay or withdrawal of 2,253 pending regulatory actions since January 2017. Successful challenges to compulsory unionization have expanded the right to work, but new minimum wage laws have curtailed low-income job opportunities in some areas. Subsidies for agriculture, health care, green energy, and corporate welfare continue to add billions of dollars per year to the U.S. national debt.

OPEN MARKETS



The combined value of exports and imports is equal to 26.6 percent of GDP. The average applied tariff rate is 1.7 percent. As of June 30, 2018, according to the WTO, the United States had 2,228 nontariff measures in force. The Foreign Investment Risk Review Modernization Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act (which amends certain aspects of the Dodd–Frank bill) were signed into law in 2018.



WORLD RANK: **40**

REGIONAL RANK: **6**

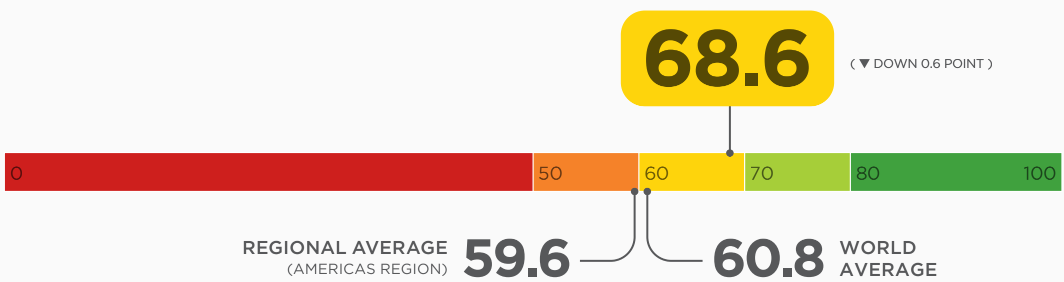
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

URUGUAY

Uruguay's economic freedom score is 68.6, making its economy the 40th freest in the 2019 *Index*. Its overall score has decreased by 0.6 point, with a decline in **judicial effectiveness** exceeding an improvement in **labor freedom**. Uruguay is ranked 6th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

To achieve its main policy goal of fiscal consolidation to avoid adding to public debt, the government is encouraging infrastructure projects through public–private partnerships. After recovering in 2017, the economy has achieved moderate growth, but structural issues, which include an appreciated real exchange rate, high taxes, an inflexible labor market, and well-organized unions, weigh on future prospects. Uruguay's economy stands out in the region because of its relative openness supported by a strong commitment to maintaining the rule of law. Uruguay is Latin America's least corrupt country.

ECONOMIC FREEDOM SCORE

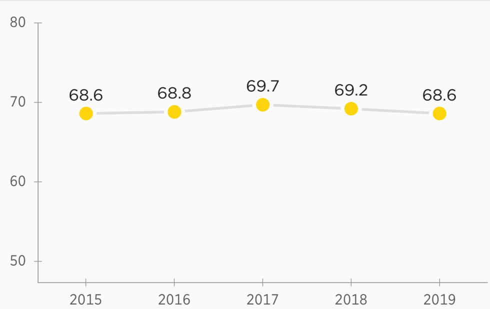


RELATIVE STRENGTHS:
Investment Freedom and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+6.1

CONCERNS:
Financial Freedom and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$78.1 billion
3.1% growth in 2017
5-year compound annual growth 2.6%
$22,371 per capita

UNEMPLOYMENT:
7.9%

INFLATION (CPI):
6.2%

FDI INFLOW:
–$124.6 million

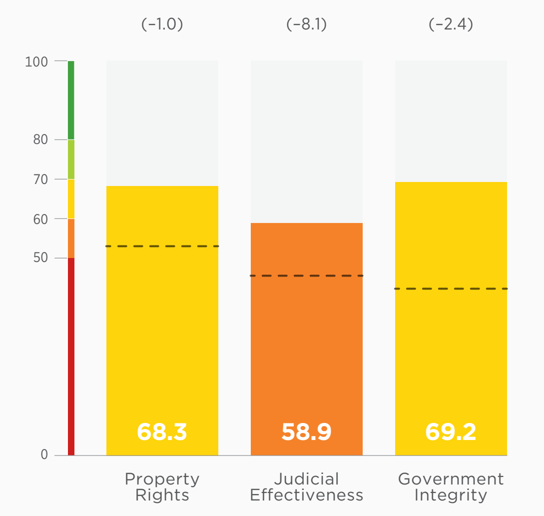
PUBLIC DEBT:
66.2% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Uruguay, Bolivia, and Paraguay were established in the 19th century as buffers between regional powers Brazil and Argentina. Public outrage at Marxist guerrilla violence in the 1960s facilitated a military takeover of the government in 1973. Civilian rule was restored in 1985. The center-left Frente Amplio Coalition's election victory in 2004 ended 170 years of political dominance by the center-right Colorado and Blanco parties. President Tabaré Vázquez of the FAC will complete his second nonconsecutive five-year term in 2020. Pressures on government revenue have forced cuts in programs popular with his political base. The economy, based on exports of commodities like milk, beef, rice, and wool, suffered in 2018 from economic and political turbulence in Brazil and Argentina.

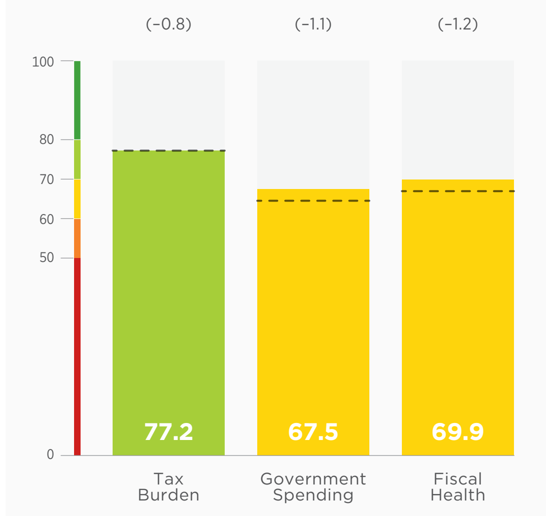
12 ECONOMIC FREEDOMS | URUGUAY

RULE OF LAW



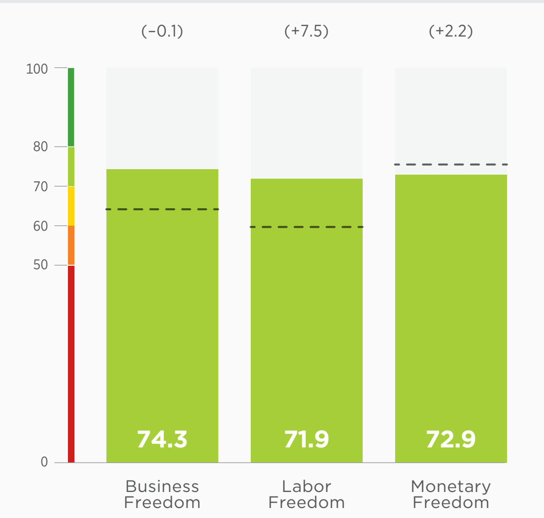
In general, private property is secure, expropriation is unlikely, and contracts are enforced. The judiciary is transparent and independent, although the courts function slowly and are subject to intimidation. Uruguay is ranked Latin America's least corrupt country in Transparency International's 2017 *Corruption Perceptions Index*. After an investigation, former Vice President Raul Sendic was forced to resign in 2017 amid accusations of corruption.

GOVERNMENT SIZE



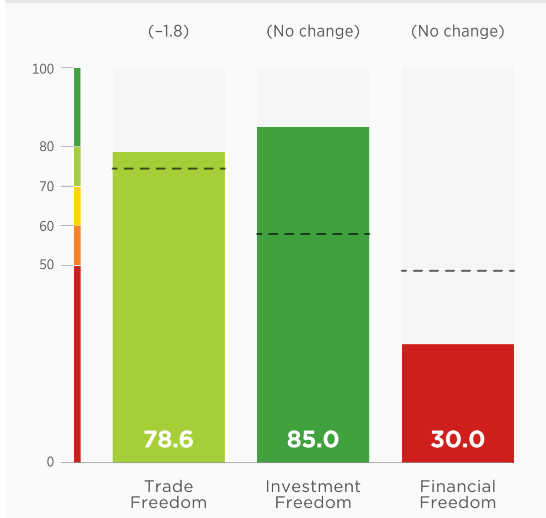
The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 27.4 percent of total domestic income. Over the past three years, government spending has amounted to 32.9 percent of the country's output (GDP), and budget deficits have averaged 3.7 percent of GDP. Public debt is equivalent to 66.2 percent of GDP.

REGULATORY EFFICIENCY



Reforms in recent years have streamlined the regulatory environment, but increased incorporation costs have made starting a business more expensive. Fixed-term contracts have become more flexible in terms of work tasks. Uruguay has eliminated many price controls, but the government continues to fix prices for electricity, fuels, rents, interdepartmental transport, medicines, natural gas, pasteurized milk, taxi fares, tolls, and water.

OPEN MARKETS



The combined value of exports and imports is equal to 40.0 percent of GDP. The average applied tariff rate is 5.7 percent. As of June 30, 2018, according to the WTO, Uruguay had 53 nontariff measures in force. The economy is relatively open to foreign investment, but further investment reform measures have stalled since 2011. About 69 percent of adult Uruguayans have access to an account with a formal banking institution.

WORLD RANK:	REGIONAL RANK:
140	36

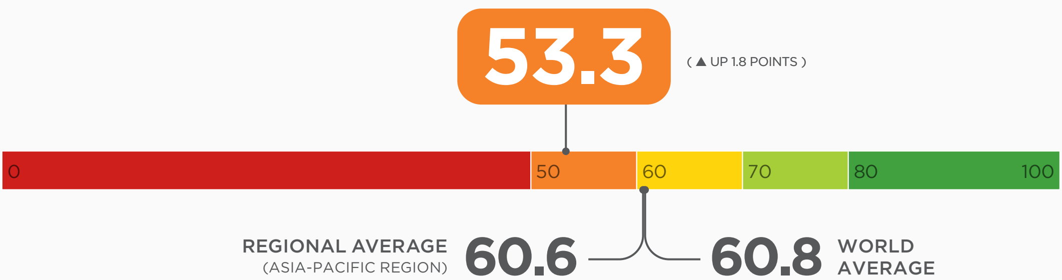
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

UZBEKISTAN

Uzbekistan's economic freedom score is 53.3, making its economy the 140th freest in the 2019 *Index*. Its overall score has increased by 1.8 points, led by robustly higher scores for **investment freedom**, **labor freedom**, and **business freedom**. Uzbekistan is ranked 36th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The new president has taken steps to improve ties with Uzbekistan's neighbors and attract foreign investment by pledging to improve public administration, maintain macroeconomic stability, and reform such sectors as agriculture, finance, and banking. In September 2017, the exchange rate was liberalized and allowed to float, after which the currency depreciated by 50 percent. The country has a long history of corruption, protectionism, and government intervention in various aspects of the economy that has hampered growth. The rule of law remains very weak, damaged by a seriously deficient legal framework.

ECONOMIC FREEDOM SCORE

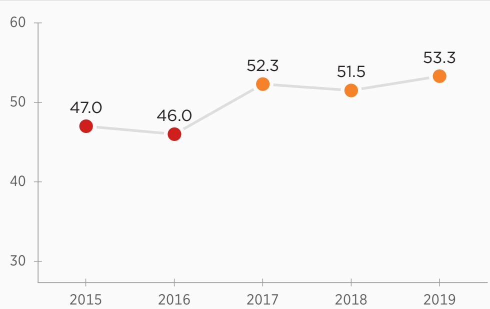


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+21.8

CONCERNS:
Financial Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
32.1 million

GDP (PPP):
$222.6 billion
5.3% growth in 2017
5-year compound annual growth 7.4%
$6,929 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
12.5%

FDI INFLOW:
$95.8 million

PUBLIC DEBT:
24.5% of GDP

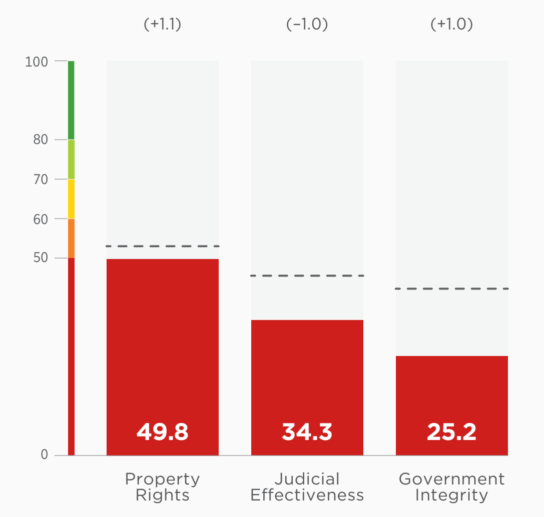
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Islam Karimov ruled Uzbekistan with an iron fist from the late 1980s until his death in 2016. He never reformed the highly subsidized, Soviet-era command economy. Karimov was succeeded by former Prime Minister and current President Shavkat Mirziyoyev, who committed initially to policy continuity but more recently has demonstrated some willingness to reform. Uzbekistan is dry and landlocked; approximately 9 percent of the land is cultivated in irrigated river valleys. More than 60 percent of the population lives in densely populated rural communities. Uzbekistan is the world's fifth-largest exporter and seventh-largest producer of cotton, but unsound cultivation practices have degraded the land and depleted water supplies. The economy also relies on exports of natural gas and gold.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

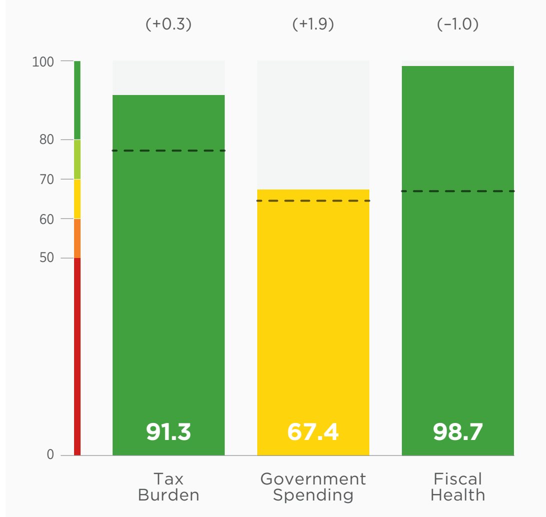
12 ECONOMIC FREEDOMS | UZBEKISTAN

RULE OF LAW



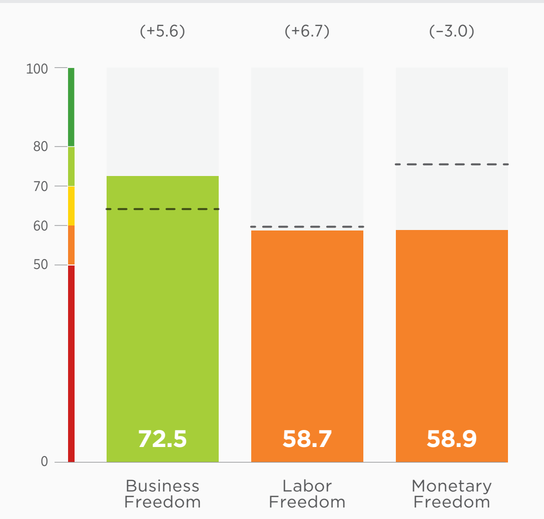
All land is owned by the state. Ownership of real property is generally respected, but it can be subverted by the government, and registration of liens on chattel property is difficult. The judiciary is nominally independent but subservient to executive law enforcement bodies in practice. Corruption is pervasive. Uzbekistan was ranked very poorly in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE



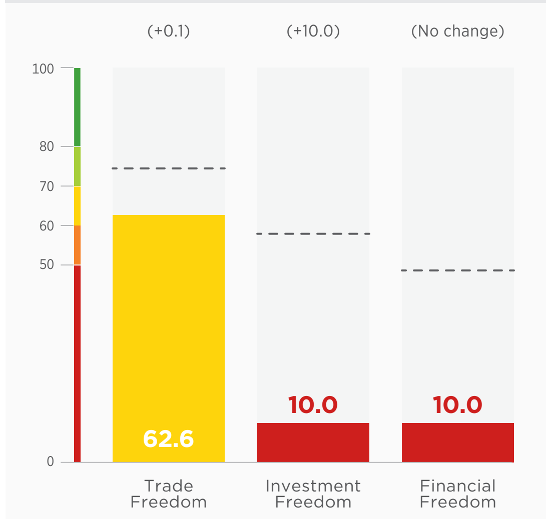
The top personal income tax rate is 22 percent. The top corporate tax rate has been cut to 7.5 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.2 percent of total domestic income. Over the past three years, government spending has amounted to 33.0 percent of the country's output (GDP), and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 24.5 percent of GDP.

REGULATORY EFFICIENCY



An online one-stop shop to streamline business regulation, introduced in 2015, has improved the entrepreneurial environment, but the overall regulatory system suffers from a lack of transparency and clarity. The labor market lacks flexibility, and regulations undermine dynamic employment growth. Although the government has initiated price liberalization, further reforms to stabilize the economy are needed.

OPEN MARKETS



The combined value of exports and imports is equal to 58.1 percent of GDP. The average applied tariff rate is 8.7 percent. Nontariff barriers persist, and progress on structural reform has been uneven. Measures to improve the investment environment, including simplification of the privatization process and the easing of foreign currency controls, have been implemented. The high cost of financing reduces development dynamism.

VANUATU

WORLD RANK: **116**

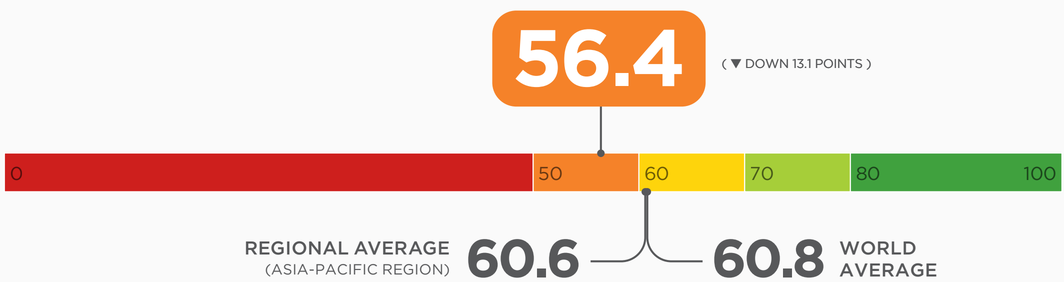
REGIONAL RANK: **26**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Vanuatu's economic freedom score is 56.4, making its economy the 116th freest in the 2019 *Index*. Its overall score has decreased by 13.1 points because of a nearly total collapse in **fiscal health** and sharply lower scores for **government spending**, **government integrity**, **judicial effectiveness**, and **trade freedom**. Vanuatu is ranked 26th among 43 countries in the Asia–Pacific region, and its overall score is now below the regional and world averages.

Strong factionalism continues to undermine policymaking. Economic development is hindered by dependence on relatively few commodity exports, vulnerability to natural disasters, and long distances to major markets. There is an overall lack of commitment to institutional reforms. Property rights are poorly protected, and investment is deterred by Vanuatu's inadequate physical and legal infrastructure. High tariffs and nontariff barriers to trade hold back integration into the global market-place. Business activity is further limited by rigid labor regulations and widespread corruption.

ECONOMIC FREEDOM SCORE

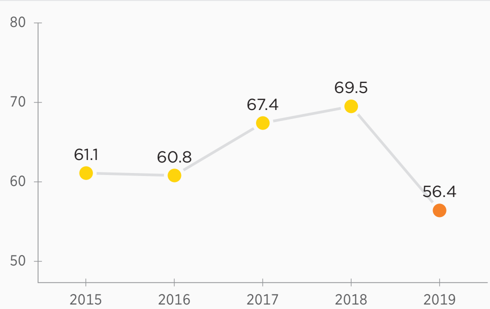


RELATIVE STRENGTHS:
Tax Burden and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009):
–2.0

CONCERNS:
Fiscal Health and Judicial Effectiveness

FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$0.8 billion
4.2% growth in 2017
5-year compound annual growth 2.4%
$2,739 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
3.1%

FDI INFLOW:
$24.7 million

PUBLIC DEBT:
48.4% of GDP

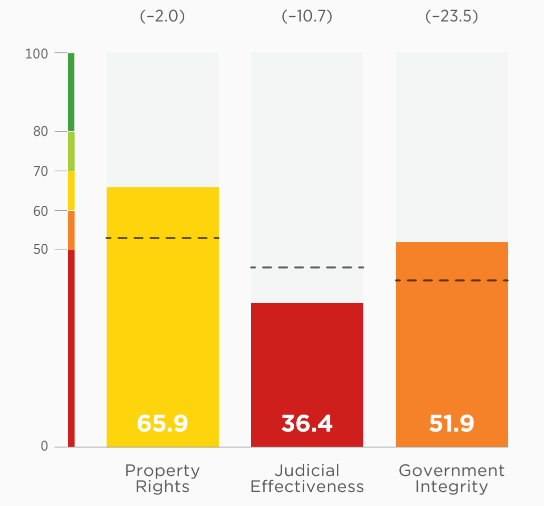
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Waves of colonizers migrated to the South Pacific's New Hebrides archipelago in the millennia preceding European colonization in the 18th century. The Republic of Vanuatu won independence from joint British–French administration in 1980 and is now a parliamentary democracy divided between its English-speaking and French-speaking citizens. Charlot Salwai of the Reunification of Movements for Change (RMC) became prime minister in 2016 following snap elections called after 14 members of parliament were convicted of bribery. Vanuatu is heavily dependent on agriculture, particularly subsistence farming, and tourism, which comprises 40 percent of the economy. The majority of reconstruction work to recover from 2015's destructive Cyclone Pam, which had a devastating impact on tourism, will end in 2019.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

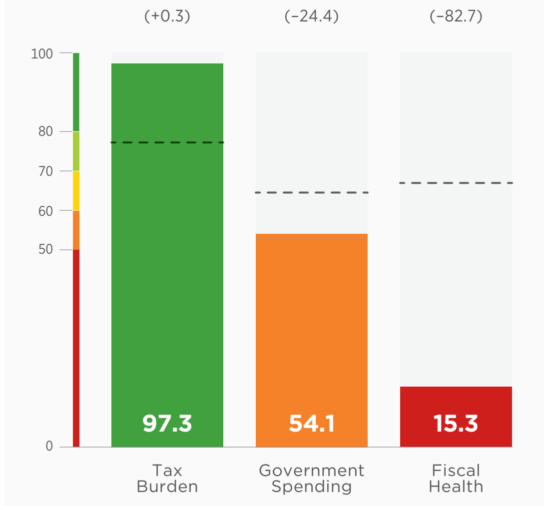
12 ECONOMIC FREEDOMS | VANUATU

RULE OF LAW



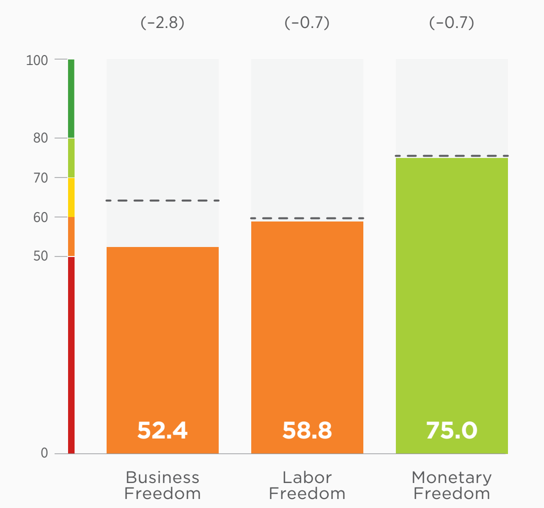
Enforcement of property rights is slow. The judiciary is largely independent but lacks the resources to retain qualified personnel. It takes an average of 480 days to resolve a dispute. Factionalism continues to undermine political stability, making the government vulnerable to corruption. After 14 members of parliament were convicted of bribery in 2015, voters elected legislative candidates in 2016 that were committed to reform.

GOVERNMENT SIZE



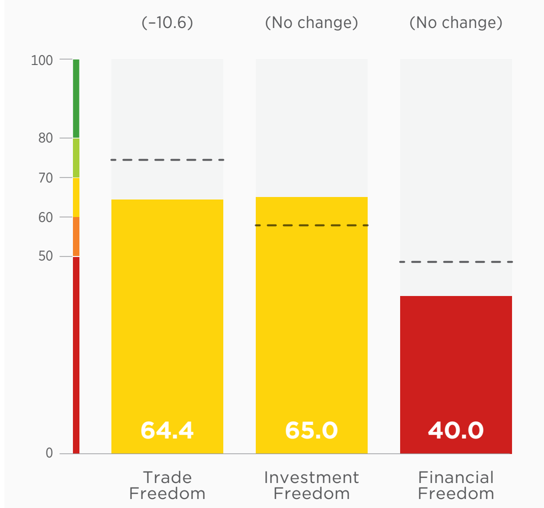
Vanuatu imposes no individual or corporate income tax. Taxes include a value-added tax and import duties. The overall tax burden equals 16.3 percent of total domestic income. Over the past three years, government spending has amounted to 39.1 percent of the country's output (GDP), and budget deficits have averaged 7.7 percent of GDP. Public debt is equivalent to 48.4 percent of GDP.

REGULATORY EFFICIENCY

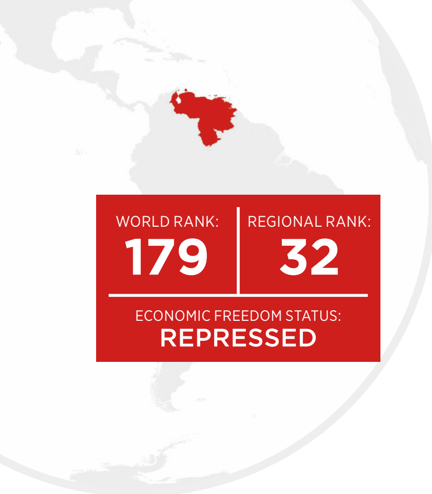


Bureaucratic procedures are complex and nontransparent, and licensing requirements are costly. Effective institutional reforms are needed to spark development of a dynamic private sector. Labor codes are rigid and outmoded, and a formal labor market is not fully developed. The government continues to subsidize poorly managed and money-losing state-owned enterprises in such important economic sectors as agriculture, airports, banking, and broadcasting.

OPEN MARKETS



The combined value of exports and imports is equal to approximately 106 percent of GDP. The average applied tariff rate is 7.8 percent, and customs requirements further impede trade. Most business activities are open to foreign investment, but state-owned enterprises dominate such sectors as broadcasting and transport. Access to financing remains poor, and less than 15 percent of rural adults have access to formal banking services.



WORLD RANK: 179

REGIONAL RANK: 32

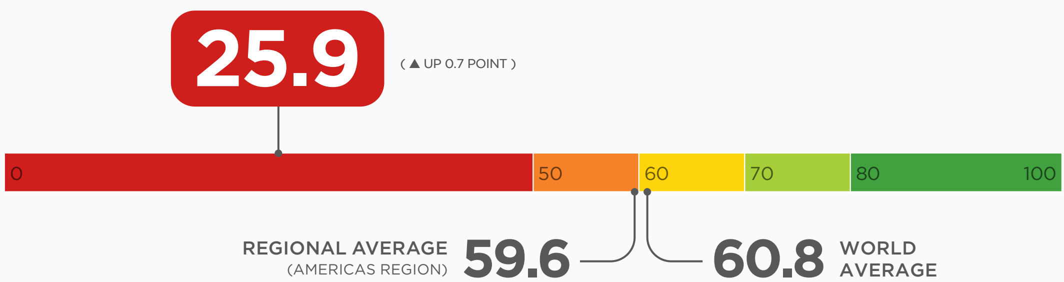
ECONOMIC FREEDOM STATUS: **REPRESSED**

VENEZUELA

Venezuela's economic freedom score is 25.9, making its economy the 179th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with a small improvement in **labor freedom** outpacing a decline in **business freedom**. Venezuela is ranked last among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Venezuela's once-modern economy has collapsed into a sort of 21st century feudalism. Monetization of large public deficits, coupled with mismanagement of the state-dominated oil industry, has led to hyper-inflation and shortages of foreign currency, basic goods, and industrial inputs. An economic plan launched in August 2018 included the removal of five zeroes from the currency, a massive devaluation, and another large increase in the minimum wage amid persistent ad hoc policy interventionism, heavy state control of the economy, and blatant disregard for the rule of law.

ECONOMIC FREEDOM SCORE

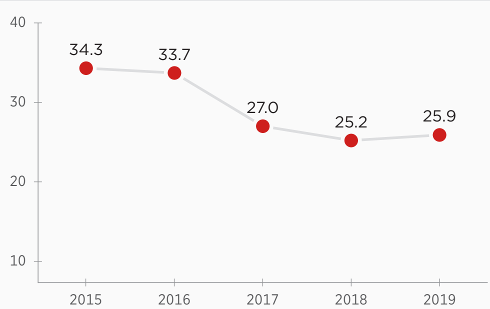


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–33.9

CONCERNS:
Monetary Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
31.4 million

GDP (PPP):
$380.7 billion
–14.0% growth in 2017
5-year compound annual growth –7.8%
$12,114 per capita

UNEMPLOYMENT:
7.7%

INFLATION (CPI):
1,087.5%

FDI INFLOW:
–$68.0 million

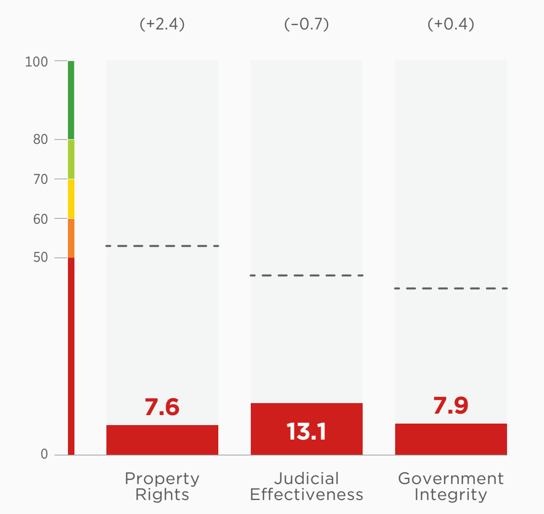
PUBLIC DEBT:
34.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His handpicked successor, President Nicolás Maduro, completed the destruction of democratic institutions and established a repressive authoritarian dictatorship in 2017. The bungling and deeply corrupt "21st Century Socialist" government's policies have caused severe shortages of food, medicines, and other consumer goods that, combined with hyperinflation, have accompanied one of the worst economic contractions ever recorded. Nevertheless, Maduro was reelected in a fraudulent May 2018 election. Venezuela has the world's largest proven oil reserves, and oil accounts for almost all exports and half of state revenues. Production is down because of government mismanagement of the state-owned PDVSA oil company.

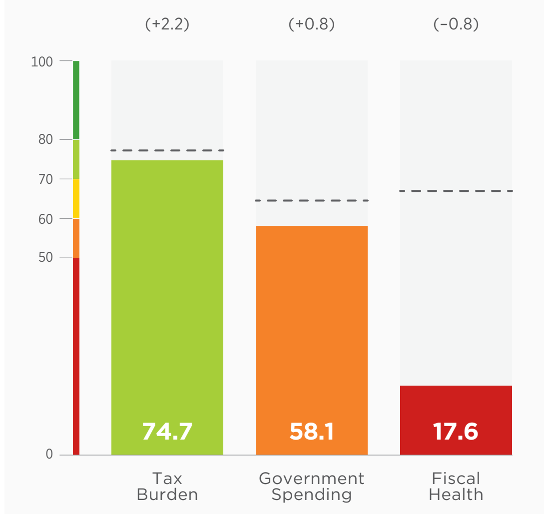
12 ECONOMIC FREEDOMS | VENEZUELA

RULE OF LAW



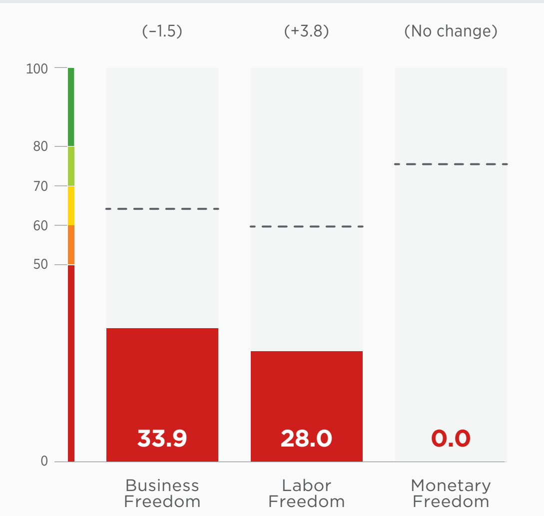
Weak institutions and a thoroughly politicized judiciary undermine property rights in Venezuela. The government's economic policies, particularly currency and price controls, have greatly increased opportunities for corruption, black-market activity, and collusion between public officials and organized crime networks. The president holds inordinate power over all branches of government. Spiraling rates of violent crime have spurred emigration.

GOVERNMENT SIZE



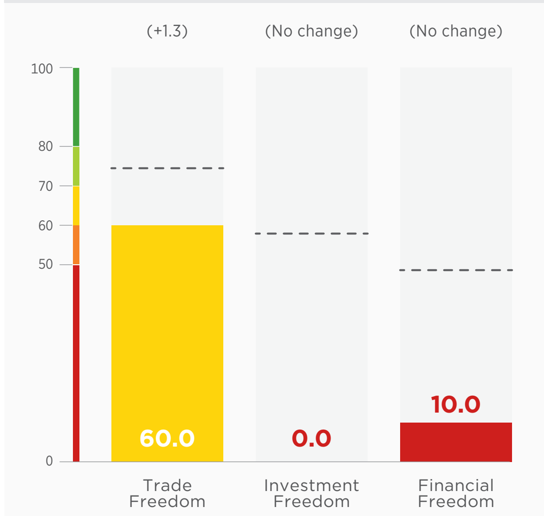
Both the top personal income tax rate and the top corporate tax rate are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 14.9 percent of total domestic income. Over the past three years, government spending has amounted to 37.4 percent of the country's output (GDP), and budget deficits have averaged 22.4 percent of GDP. Public debt is equivalent to 34.9 percent of GDP.

REGULATORY EFFICIENCY



The private sector has been severely marginalized by government encroachment into the marketplace. Bureaucratic interference has severely undercut regulatory efficiency and productivity growth. The labor market remains rigidly controlled and severely impedes dynamic employment creation. Inflation was predicted to exceed 1 million percent by the end of 2018, driven by the severe scarcity of imported goods.

OPEN MARKETS



The combined value of exports and imports is equal to 48.1 percent of GDP. The average applied tariff rate is 10.0 percent. Years of interventionist and market-distorting policies, including import restrictions, expropriations, and nationalizations, have resulted in dire economic conditions. The financial system remains hobbled by state interference and uncertainty about the direction of economic policies.

VIETNAM

WORLD RANK: **128**

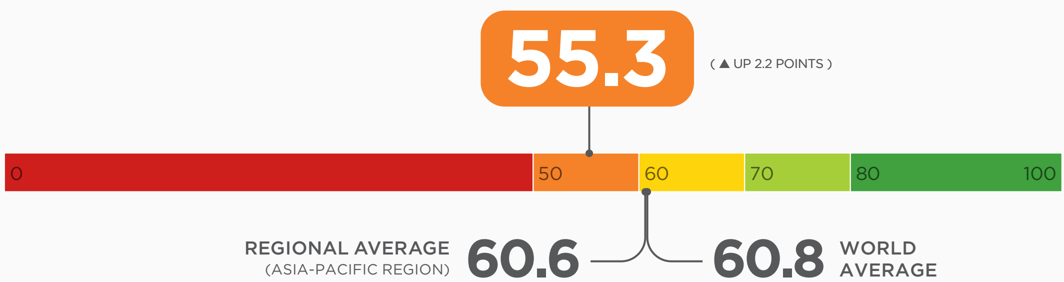
REGIONAL RANK: **30**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Vietnam's economic freedom score is 55.3, making its economy the 128th freest in the 2019 *Index*. Its overall score has increased by 2.2 points, with a sharp increase in **fiscal health** and higher scores for **investment freedom** and **judicial effectiveness** outpacing a decline in **monetary freedom**. Vietnam is ranked 30th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The economy expanded at a very fast rate in 2018 and will benefit from new global supply chains that evolve from ongoing U.S.–China trade tensions. To continue strong economic growth, Vietnam will need to reform state-owned enterprises, reduce red tape, increase business-sector transparency, and increase recognition of private property rights. Strengthening institutions to make the regulatory regime more efficient, shrinking the bloated and opaque bureaucracy and making it more transparent, and bolstering the weak judicial system would also promote economic freedom.

ECONOMIC FREEDOM SCORE

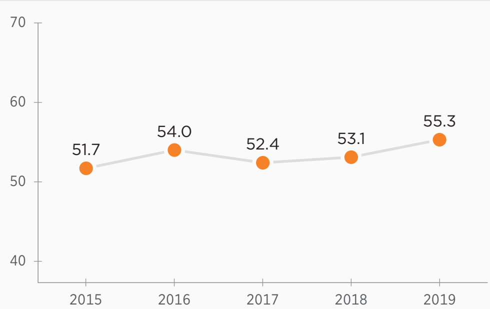


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
+13.6

CONCERNS:
Investment Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
93.6 million

GDP (PPP):
$647.4 billion
6.8% growth in 2017
5-year compound annual growth 6.2%
$6,913 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
3.5%

FDI INFLOW:
$14.1 billion

PUBLIC DEBT:
58.2% of GDP

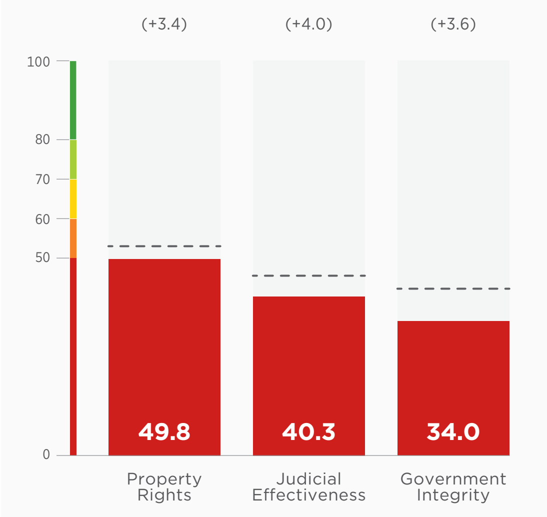
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by repression of dissenting political views and the absence of civil liberties. Economic liberalization began in 1986 with *doi moi* (renovation) reforms to transition to a more industrial and market-based economy. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018. Vietnam's economic growth, based on tourism and manufactured exports, was among the world's fastest during the decade-long tenure of former Prime Minister Nguyen Tan Dung. In 2016, Dung was forced out after losing election as General Secretary of the Communist Party of Vietnam. State-managed economic liberalization continues under the leadership of General Secretary Nguyen Phu Trong.

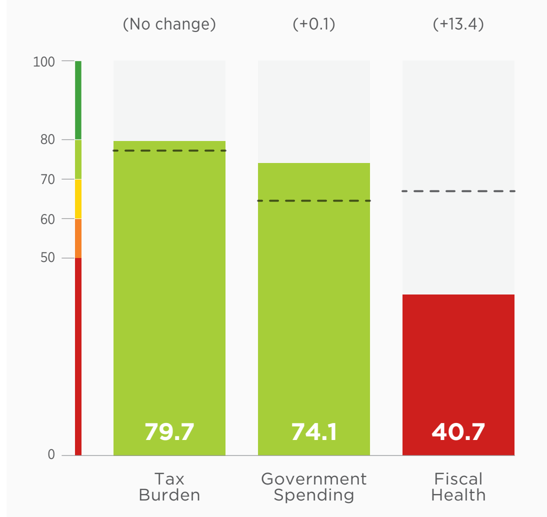
— — WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOMS | VIETNAM

RULE OF LAW



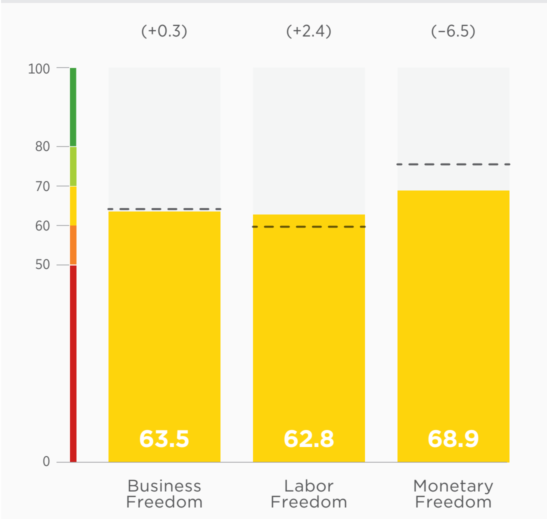
GOVERNMENT SIZE



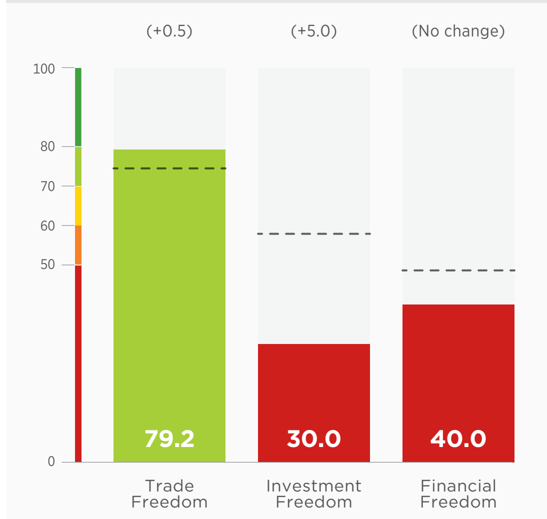
All land is collectively owned and managed by the state. Private property rights are not strongly respected, and those that exist are unevenly enforced. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam (CPV), which controls the courts at all levels. Low pay and lack of accountability contribute to an environment that is conducive to bribery. Corruption and nepotism are rife within the CPV and state-owned companies.

The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.0 percent of total domestic income. Over the past three years, government spending has amounted to 29.4 percent of the country's output (GDP), and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 58.2 percent of GDP.

REGULATORY EFFICIENCY



OPEN MARKETS



Vietnam has been transforming itself into a more market-oriented economy. Administrative procedures have been streamlined, and the regulatory framework for smaller businesses has been improved. The labor market has become more flexible and dynamic. The government tightened price controls for air travel, energy, utilities, natural resources, pharmaceuticals, education, health care, and some housing in 2018 to fight inflation.

The combined value of exports and imports is equal to 200.3 percent of GDP. The average applied tariff rate is 2.9 percent. As of June 30, 2018, according to the WTO, Vietnam had 80 nontariff measures in force. Foreign investment restrictions related to commodity trading have been eased. The state remains involved in the financial sector. About 30 percent of adult Vietnamese use formal banking services.

YEMEN

WORLD RANK: N/A

REGIONAL RANK: N/A

ECONOMIC FREEDOM STATUS: NOT GRADED

Numerical grading of Yemen's overall economic freedom could not be resumed in the 2019 *Index* because of the continuing lack of reliable economic statistics for the country. Although greater global attention has increased pressure to end the ongoing conflict, prospects for lasting peace remain dim.

The civil war has devastated Yemen's economy and destroyed critical infrastructure. Even before the current conflict, years of mismanagement and corruption and the depletion of oil and water resources had resulted in chronic poverty, underdevelopment, and minimal access to such basic services as electricity, water, and health care in much of the country. The conflict has aggravated that situation, and significant international assistance will likely be needed when the civil war ends. For the time being, economic policymaking by the Houthi rebel alliance in the North and the Hadi government in the South will focus on marshalling limited fiscal resources for the war effort.

ECONOMIC FREEDOM SCORE

N/A (NOT GRADED THIS YEAR)

WORLD AVERAGE **60.8**

61.3 REGIONAL AVERAGE (MIDDLE EAST/ NORTH AFRICA REGION)

RELATIVE STRENGTHS:
None

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
n/a

CONCERNS:
Fiscal Health and Property Rights

FREEDOM TREND

QUICK FACTS

POPULATION:
30.0 million

GDP (PPP):
$38.6 billion
–13.8% growth in 2017
5-year compound annual growth –16.1%
$1,287 per capita

UNEMPLOYMENT:
14.8%

INFLATION (CPI):
4.9%

FDI INFLOW:
–$269.9 million

PUBLIC DEBT:
141.0% of GDP

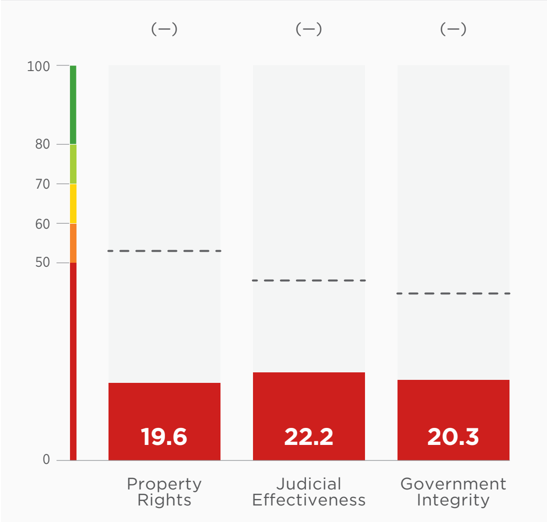
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Yemen, one of the poorest Arab countries, is highly dependent on declining revenues from its relatively small oil and gas reserves. A complex and intense civil war since 2014 has generated a humanitarian crisis and exacerbated economic problems, unemployment, and shortages of food, water, and medical resources. President Abed Rabbo Mansour Hadi's government was ousted in January 2015 by the Houthis, a Zaydi Shia rebel movement backed by Iran. In March 2015, a military coalition led by Saudi Arabia attempted to restore Hadi to power, but the Houthis retain 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.

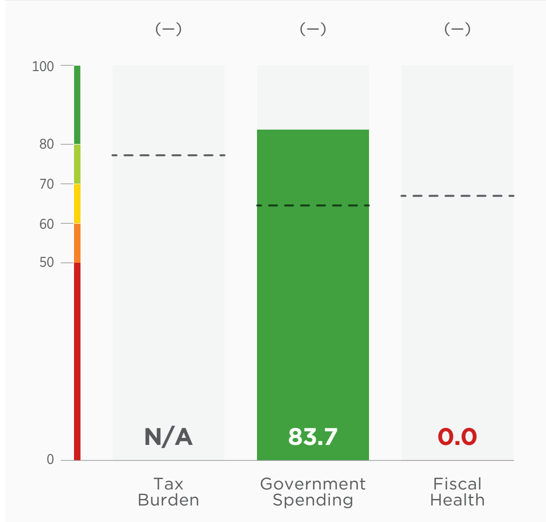
– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

12 ECONOMIC FREEDOM | YEMEN

RULE OF LAW



GOVERNMENT SIZE



Property rights and business activity are impaired by insecurity, nepotism, and patronage networks. The nominally independent judiciary is weak and susceptible to executive interference. Authorities have a poor record of enforcing judicial rulings. A burdensome criminal judicial process creates what amounts to a separate legal system for the political elite.

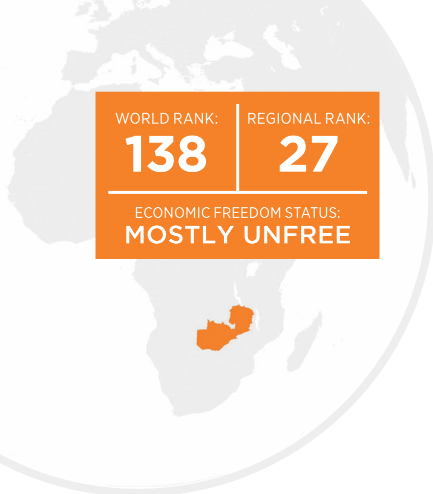
Political turmoil and civil conflict have severely damaged the overall fiscal situation, with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. The government has relied on grants to meet many of its spending requirements. Economic policymaking has concentrated primarily on marshalling limited fiscal resources to meet public salary payments and continue the conflict.

REGULATORY EFFICIENCY

OPEN MARKETS

Before the current conflict, years of regulatory mismanagement had held back development. The absence of a dynamic private sector resulted in chronic unemployment and a large informal sector. The conflict has aggravated the situation. Heavily dependent on international aid, the Hadi government announced that its first budget since 2014 would reinstate subsidies for various basic foods.

The combined value of exports and imports is equal to 33.5 percent of GDP. The average applied tariff rate is 4.3 percent. The ongoing civil war has severely degraded the country's capacity and infrastructure related to international trade and investment. Yemen's economy is largely cash based. The limited financial system is dominated by the state, and the banking system is very fragile.



WORLD RANK: **138**

REGIONAL RANK: **27**

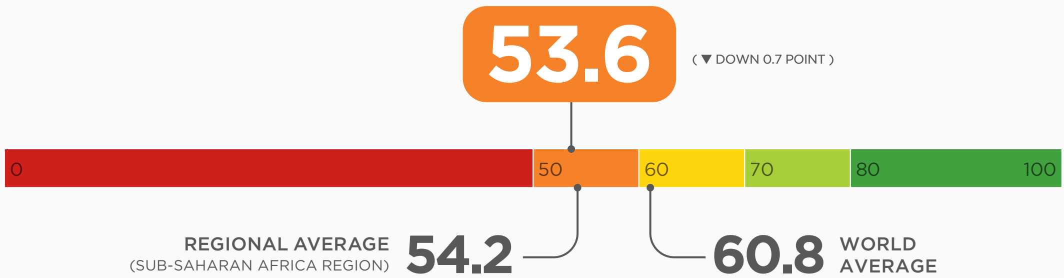
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ZAMBIA

Zambia's economic freedom score is 53.6, making its economy the 138th freest in the 2019 *Index*. Its overall score has decreased by 0.7 point, with declines in scores for **trade freedom**, **judicial effectiveness**, and **government integrity** exceeding improvements in **monetary freedom** and **labor freedom**. Zambia is ranked 27th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Policymaking has been unstable and erratic in the aftermath of suspensions of donor aid in 2018 after the embezzlement of millions in social welfare grants. The government aims to stimulate value-added industrialization and promote economic diversification, primarily by leveraging private-sector involvement and FDI to improve power and transport infrastructure. Achievement of this goal will be hampered by lingering institutional shortcomings that include inefficient legal and regulatory frameworks, weak protection of property rights, and corruption, all of which continue to undercut prospects for long-term development.

ECONOMIC FREEDOM SCORE

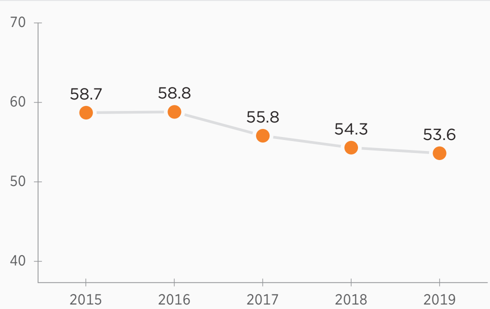


RELATIVE STRENGTHS:
Government Spending and Trade Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–1.5

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
17.2 million

GDP (PPP):
$68.9 billion
3.6% growth in 2017
5-year compound annual growth 4.0%
$3,996 per capita

UNEMPLOYMENT:
7.8%

INFLATION (CPI):
6.6%

FDI INFLOW:
$1.1 billion

PUBLIC DEBT:
62.2% of GDP

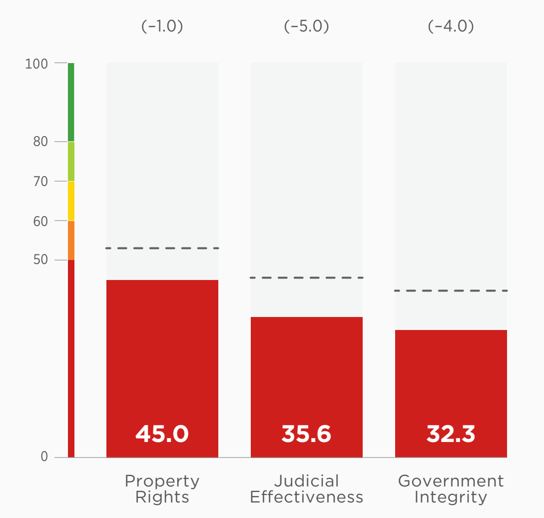
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Independent from the United Kingdom since 1964, Zambia has traditionally been one of southern Africa's most politically stable countries. Edgar Lungu of the Patriotic Front narrowly won a 2015 presidential special election after his predecessor's death in office and was elected to a full five-year term in 2016. The arrest of opposition leader Hakainde Hichilema on charges of treason in 2017 is part of a trend of shrinking democracy under Lungu. Hydroelectric power output is recovering after several years of falling water levels caused by drought. Zambia is Africa's second-largest producer of copper, and an uptick in world mineral prices would spur higher output and boost export receipts.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

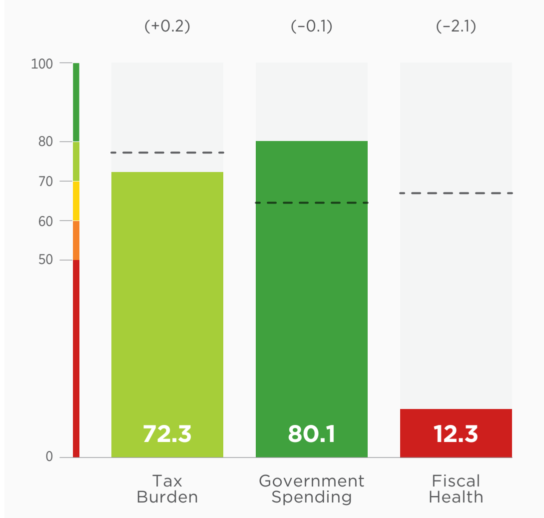
12 ECONOMIC FREEDOMS | ZAMBIA

RULE OF LAW



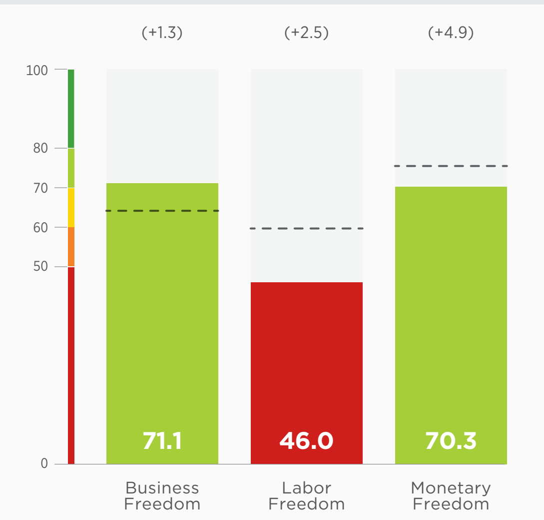
Protection of property rights and enforcement of contracts are weak. The Ministry of Lands is overly centralized and hobbled by poor record-keeping. The inefficient judicial system is inadequately resourced and politically influenced. Checks and balances on the president are inadequate. Although anticorruption policies are nominally in place, widespread corruption, graft, and mismanagement continue to hinder the functioning of the government.

GOVERNMENT SIZE



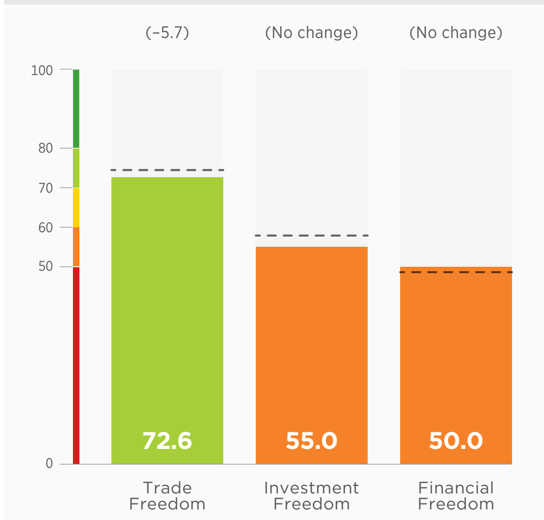
The top personal income and corporate tax rates are 35 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 17.9 percent of total domestic income. Over the past three years, government spending has amounted to 25.8 percent of the country's output (GDP), and budget deficits have averaged 7.5 percent of GDP. Public debt is equivalent to 62.2 percent of GDP.

REGULATORY EFFICIENCY



The regulatory environment does not promote entrepreneurial activity. Requirements for commercial licenses are time-consuming and costly, and enforcement of regulations is inconsistent. Unskilled labor is abundant, but an efficient labor market has not developed. Subsidy cuts because of revenue shortfalls have reduced inflation and led to lower interest rates that have spurred economic growth.

OPEN MARKETS



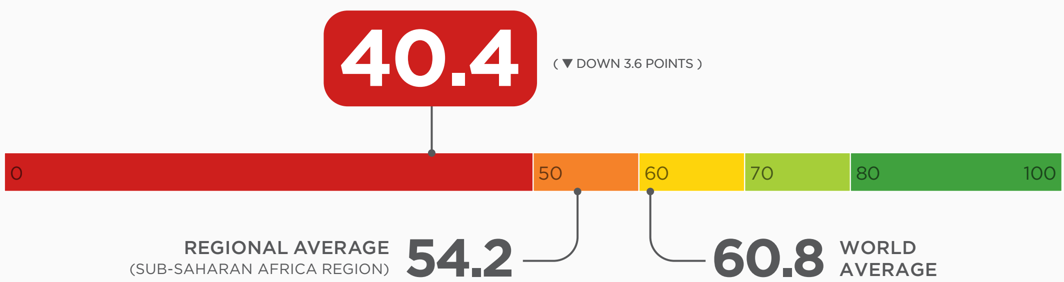
The combined value of exports and imports is equal to 71.6 percent of GDP. The average applied tariff rate is 6.2 percent. Relatively high tariffs and nontariff barriers to trade have held back integration into the global marketplace and reduce the profitability of investment. About 48 percent of adult Zambians have access to an account with a formal banking institution.

ZIMBABWE

Zimbabwe's economic freedom score is 40.4, making its economy the 175th freest in the 2019 *Index*. Its overall score has decreased by 3.6 points, precipitated by a plunge in **fiscal health** and sharply lower scores for **judicial effectiveness**, **monetary freedom**, and **business freedom**. Zimbabwe is ranked 45th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Although the new government has an ambitious reform agenda to promote private enterprise, implementation of the promised measures is far from assured. It will take many years to address the constraints in Zimbabwe's operating environment, and excessive government interference and substantial currency risks because of fiscal mismanagement will continue to weigh on investor confidence. Massive corruption and disastrous economic policies have plunged the country into poverty. An inefficient judicial system and general lack of transparency severely exacerbate business costs and entrepreneurial risk.

ECONOMIC FREEDOM SCORE

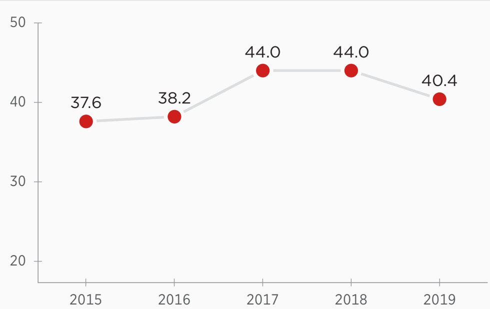


RELATIVE STRENGTHS:
Government Spending and Monetary Freedom

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995):
–8.1

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
14.9 million

GDP (PPP):
$34.0 billion
3.0% growth in 2017
5-year compound annual growth 2.6%
$2,283 per capita

UNEMPLOYMENT:
5%

INFLATION (CPI):
1.3%

FDI INFLOW:
$289.4 million

PUBLIC DEBT:
78.4% of GDP

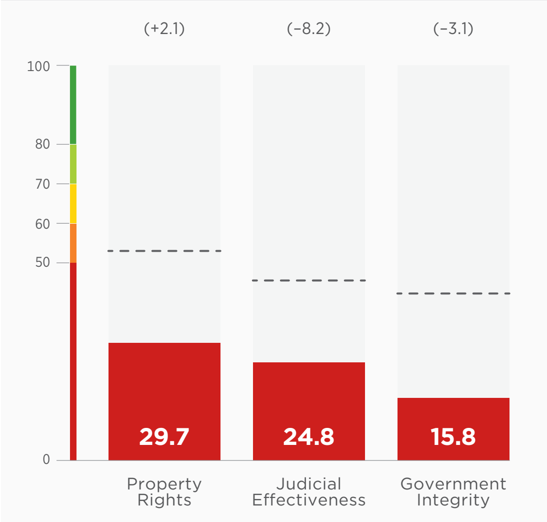
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The former British colony of Rhodesia became the fully independent Zimbabwe in 1980. A November 2017 coup forced out longtime President Robert Mugabe of the Zimbabwe African National Union–Patriotic Front (ZANU–PF) and elevated former Vice President Emmerson Mnangagwa to the presidency. Following Mnangagwa's victory in a 2018 election marred by vote-rigging and voter intimidation, security services cracked down on the opposition. The economy depends heavily on mining and agriculture, but political instability and protracted economic underperformance threaten higher unemployment. The white population, which numbered almost 300,000 at the time of independence, has dwindled to fewer than 30,000.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

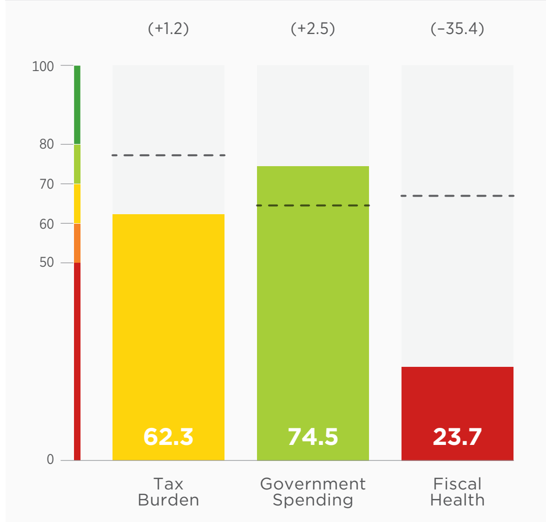
12 ECONOMIC FREEDOMS | ZIMBABWE

RULE OF LAW



The government enforces interests in residential and commercial properties in cities but not with respect to agricultural land. The land management system is fragmented and inefficient. The judiciary is susceptible to political influence but also has shown increasing independence by deciding against powerful political interests, including ruling party elites. Nevertheless, corruption remains a serious problem at every level of government.

GOVERNMENT SIZE

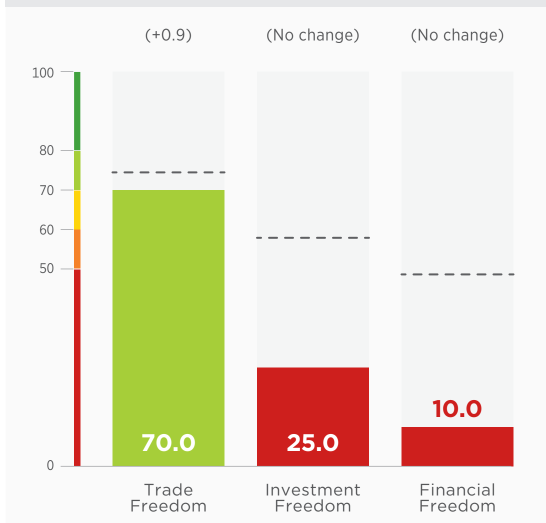


The top personal income tax rate is 51.5 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.3 percent of total domestic income. Over the past three years, government spending has amounted to 29.2 percent of the country's output (GDP), and budget deficits have averaged 6.3 percent of GDP. Public debt is equivalent to 78.4 percent of GDP.

REGULATORY EFFICIENCY

Zimbabwe's economy is unstable and volatile, both hallmarks of excessive government interference and mismanagement. The overall business environment is opaque and vulnerable to government intervention. The government's failed economic policies and continuing control have distorted the labor market, resulting in a large informal sector. In response to rising global prices, price controls on oil were imposed in 2017.

OPEN MARKETS



The combined value of exports and imports is equal to 61.5 percent of GDP. The average applied tariff rate is 5.0 percent. As of June 30, 2018, according to the WTO, Zimbabwe had seven nontariff measures in force. The pervasive presence of regulatory barriers severely hampers trade and investment flows. The financial system has suffered from repeated crises, and years of hyperinflation have undercut entrepreneurial activity.