

HIGHLIGHTS OF THE

2020 INDEX OF ECONOMIC FREEDOM

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RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Sco
1	Singapore	89.4	65	Serbia	66.0	129	Laos	55.5
2	Hong Kong	89.1	66	Jordan	66.0	130	Mauritania	55.3
3 4	New Zealand	84.1 82.6	67 68	Mexico Costa Rica	66.0 65.8	131 132	Eswatini	55.3 55.3
5	Australia Switzerland	82.0 82.0	69	Bahamas	64.5	133	Kenya Benin	55.3 55.2
6	Ireland	80.9	70	Philippines	64.5	134	Ukraine	54.9
7	United Kingdom	79.3	71	Turkey	64.4	135	Pakistan	54.8
8	Denmark	78.3	72	Seychelles	64.3	136	Afghanistan	54.7
9	Canada	78.2	73	Guatemala	64.0	137	Niger	54.7
10	Estonia	77.7	74	Italy	63.8	138	Lesotho	54.5
11	Taiwan	77.1	75	Oman	63.6	139	Nepal	54.2
12	Georgia	77.1	76	Cabo Verde	63.6	140	Togo	54.1
13	Iceland	77.1	77	Fiji	63.4	141	Burma	54.0
14	Netherlands	77.0	78	Morocco	63.3	142	Egypt	54.0
15	Chile	76.8 76.7	79 80	Kuwait	63.2 63.0	143 144	Comoros	53.7
16 17	Lithuania United States	76.7 76.6	81	Paraguay Kyrgyz Republic	62.9	144	Brazil Cameroon	53.7 53.6
18	United States United Arab Emirates	76.2	82	Bosnia and Herzegovina		146	Ethiopia	53.6
19	Luxembourg	75.8	83	Saudi Arabia	62.4	147	Zambia	53.5
20	Finland	75.7	84	Croatia	62.2	148	Guinea-Bissau	53.3
21	Mauritius	74.9	85	Bhutan	62.1	149	Argentina	53.1
22	Sweden	74.9	86	Samoa	62.1	150	Solomon Islands	52.9
23	Czech Republic	74.8	87	Moldova	62.0	151	Djibouti	52.9
24	Malaysia	74.7	88	Belarus	61.7	152	Malawi	52.8
25	Korea, South	74.0	89	Tanzania	61.7	153	Haiti	52.3
26	Israel	74.0	90	El Salvador	61.6	154	Angola	52.2
27 28	Germany	73.5	91 92	Montenegro	61.5 61.4	155 156	Tajikistan	52.2 52.0
28 29	Norway Austria	73.4 73.3	93	Barbados Honduras	61.1	156	Micronesia Lebanon	52.0
30	Japan	73.3	94	Russia	61.0	158	Ecuador	51.7
31	Qatar	72.3	95	Dominican Republic	60.9	159	Central African Republi	
32	Latvia	71.9	96	Namibia	60.9	160	Mozambique	50.5
33	Rwanda	70.9	97	Dominica	60.8	161	Chad	50.2
34	Armenia	70.6	98	Vanuatu	60.7	162	Congo, Dem. Rep.	49.5
35	Macau	70.3	99	Madagascar	60.5	163	Suriname	49.5
36	Bulgaria	70.2	100	Greece	59.9	164	Iran	49.2
37	Cyprus	70.1	101	Côte d'Ivoire	59.7	165	Liberia	49.0
38	Romania Kazakhatan	69.7 69.6	102 103	Uganda China	59.5 59.5	166	Burundi	49.0 48.3
39 40	Kazakhstan Botswana	69.6	103	China Ghana	59.5 59.4	167 168	Equatorial Guinea Sierra Leone	48.3 48.0
41	North Macedonia	69.5	104	Vietnam	58.8	169	Algeria	46.9
42	Malta	69.5	106	South Africa	58.8	170	Turkmenistan	46.5
43	Thailand	69.4	107	Tonga	58.8	171	Timor-Leste	45.9
44	Azerbaijan	69.3	108	Papua New Guinea	58.4	172	Kiribati	45.2
45	Colombia	69.2	109	Trinidad and Tobago	58.3	173	Sudan	45.0
46	Poland	69.1	110	Senegal	58.0	174	Zimbabwe	43.1
47	Uruguay	69.1	111	Belize	57.4	175	Bolivia	42.8
48	Belgium	68.9	112	Sri Lanka	57.4	176	Congo, Rep.	41.8
49 50	Jamaica Saint Lucia	68.5 68.2	113 114	Cambodia Uzbekistan	57.3 57.2	177 178	Eritrea Cuba	38.5 26.9
50 51	Peru	67.9	114	Uzbekistan Nicaragua	57.2	178	Cuba Venezuela	25.2
52	Slovenia	67.8	116	Nigeria	57.2	180	Korea, North	4.2
53	Kosovo	67.4	117	Burkina Faso	56.7			
54	Indonesia	67.2	118	Gabon	56.7			
55	Panama	67.2	119	Maldives	56.5			
56	Portugal	67.0	120	India	56.5		Economic Freedom	Scores
57	Albania	66.9	121	Guinea	56.5		● 80-100 Free	
58	Spain	66.9	122	Bangladesh	56.4		• 70-79.9 Mostly Fr	ee
59 60	St. Vincent & Grenadines		123	Gambia	56.3		• 60-69.9 Moderate	
60 61	Slovakia Brunei Darussalam	66.8 66.6	124 125	Guyana São Tomé and Príncipe	56.2 56.2		• 50-59.9 Mostly Ur	
62	Hungary	66.4	125	Mali	55.9		• 0-49.9 Represse	d
63	Bahrain	66.3	127	Mongolia	55.9			
64	France	66.0	128	Tunisia	55.8			

KEY FINDINGS OF THE 2020 INDEX



The results of the 2020 *Index of Economic Freedom* confirm yet again the importance of economic freedom in promoting rapid growth and sustainable social progress.

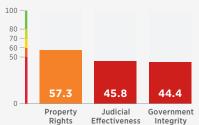
- Citizens of "free" or "mostly free" countries enjoy incomes that are more than double the global average and more than five times higher than in "repressed" economies.
- The link between improvements in economic freedom and economic growth is robust; expanded economic freedom has contributed to a doubling of world GDP in the years since the
- ECONOMIC FREEDOM **BOOSTS GROWTH** Average Annual Growth of GDP per Capita (PPP) 2.7% Past 25 Years 1.7% 2.8% Past 15 Years 1.9% 2.2% Past 5 **Years** ■ Countries Gaining Economic Freedom ■ Countries Losing Economic Freedom
- *Index* debuted in 1995, lifting hundreds of millions of people out of poverty.
- People in economically free societies live longer, enjoy better health and higher quality "social goods" such as education, and have the resources to become better stewards of the environment.
- Greater economic freedom also correlates with more effective democratic governance and stronger rule of law.

The 2020 global average economic freedom score is 61.6, the highest ever recorded in the 26-year history of the *Index*. Of the 180 economies ranked in the *Index*, six are considered "free," and an additional 93 are rated at least "moderately free." At the other end of the spectrum, 81 economies received scores below 60 and are rated "mostly unfree" or "repressed."

The increase in global economic freedom in 2020 was driven by increases in economic freedom that were registered by 124 of the 180 economies graded. By contrast, scores declined in 50 countries and were unchanged in six countries.

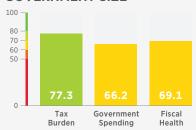
THE 12 ECONOMIC FREEDOMS: A GLOBAL LOOK

RULE OF LAW



Several governments made progress in enhancing judicial effectiveness by increasing institutional independence and accountability, and the worldwide average score for judicial effectiveness increased accordingly. Global scores for property rights and government integrity also improved markedly in the 2020 *Index*. However, the low average scores for the three rule-of-law indicators reflect persistent problems in the protection of private property as well as the systemic corruption of government institutions in many countries by such practices as bribery, cronyism, and graft.

GOVERNMENT SIZE



The average top individual income tax rate for all countries in the 2020 *Index* is about 28.5 percent, and the average top corporate tax rate is 23.9 percent. The average overall tax burden as a percentage of GDP corresponds to approximately 21.9 percent. The average level of government spending as a percentage of GDP is equal to 32.1 percent. The average level of gross public debt for countries covered in this year's *Index* is equivalent to about 56.7 percent of GDP.

REGULATORY EFFICIENCY



Many economies have continued to streamline and modernize their business frameworks, and the overall pace of reform in developing countries has often exceeded the pace in developed countries. Nevertheless, the global score for business freedom declined in the 2020 Index, reflecting the ongoing temptation among governments to try to micromanage business decision-making to achieve politically motivated goals. Monetary freedom also decreased slightly, reflecting a somewhat greater tendency by governments to influence prices. The global score for labor freedom this year was the same as the score in the 2019 Index.

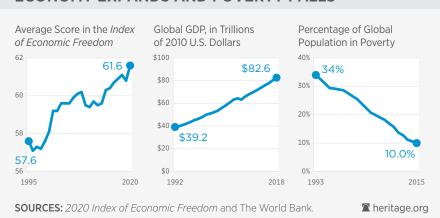
OPEN MARKETS



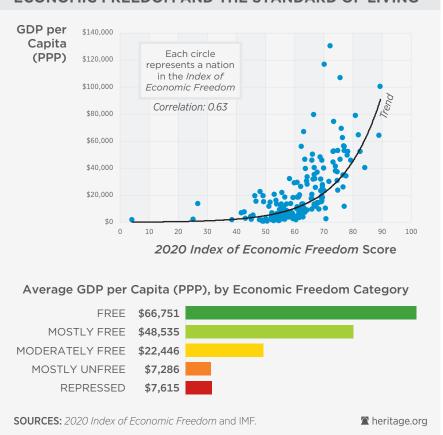
Global trade freedom suffered a setback in this year's *Index*, and the worldwide average of countries' trade-weighted applied tariff rates rose from 5.9 percent to 6.1 percent. Investment freedom remained virtually unchanged, and investment policy measures in many countries remain geared to the promotion of sectoral investment rather than to general market openness. The global score for financial freedom increased slightly, but substantial and repressive government involvement in the sector continues in many countries.

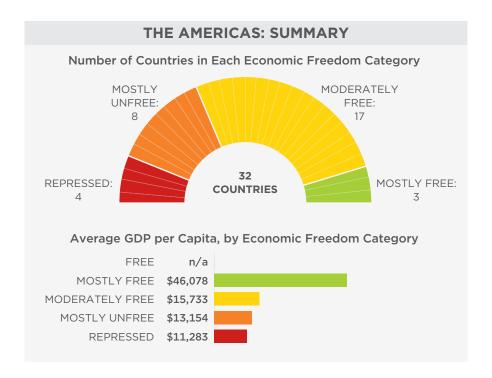
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AS ECONOMIC FREEDOM RISES, THE GLOBAL ECONOMY EXPANDS AND POVERTY FALLS



ECONOMIC FREEDOM AND THE STANDARD OF LIVING





The **Americas** region covers more than one-quarter of the globe's landmass and is one of its most economically diverse regions. With a population of just under 1 billion, it has the world's second-highest population-weighted average per capita income (\$32,570), but its economies have expanded at an average annual rate of just 1.3 percent over the past five years. The regional average rate of unemployment dropped to 6.5 percent, but the regional average rate of inflation (excluding Venezuela) rose to 4.7 percent. The region's average level of public debt, already the highest in the world, climbed to 81.5 percent of GDP in the past year.

The slight improvement in the region's overall average economic freedom score in the 2020 *Index* reflects somewhat higher scores for property rights and government integrity indicators, but is still below the global average. The foundations of a well-functioning free market remain shallow, with widespread corruption and still-weak protection of property rights aggravating such systemic shortcomings as regulatory inefficiency and monetary instability.

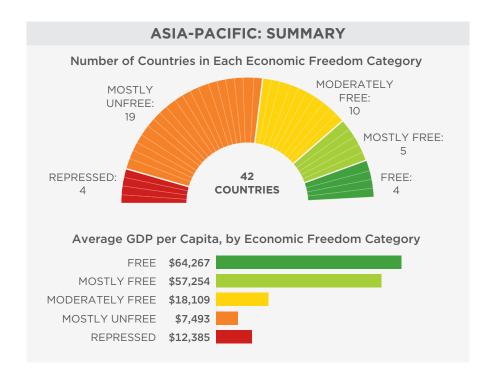
Regional progress toward market-based democracy and away from authoritarian cronyism received boosts and suffered setbacks. Brazil's center-right government scored successes in its reform program, but prospects for further reforms in Argentina dimmed when the left-wing populist Peronist Party regained power.

Notable Countries

• This year, the Americas region country with the largest overall score increase was **Ecuador**, where President Lenín Moreno rejected the *Chavista* policies of his predecessor in favor of market-friendly and pro-Western policies.



• The tragic situation in nearly bankrupt **Venezuela**, which had the world's second-lowest *Index* score in 2020, continued to deteriorate.

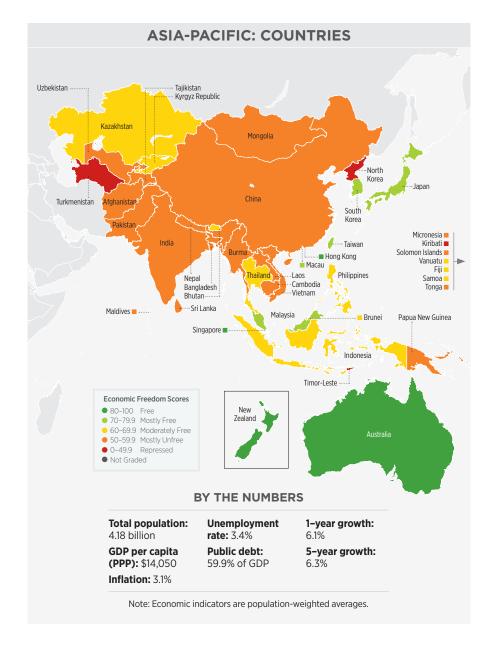


The **Asia–Pacific** region has over half of the world's population and spans its largest surface area. China alone accounts for a little more than one-third of the region's total population, and India accounts for nearly another third. The region has continued to lead worldwide economic growth, expanding by an average annual rate of about 6.3 percent over the past five years. It has the world's lowest average unemployment rate (3.4 percent) and lowest average inflation rate (3.1 percent), but it also has the second-lowest population-weighted GDP per capita (\$14,050) among the *Index*'s five global regions.

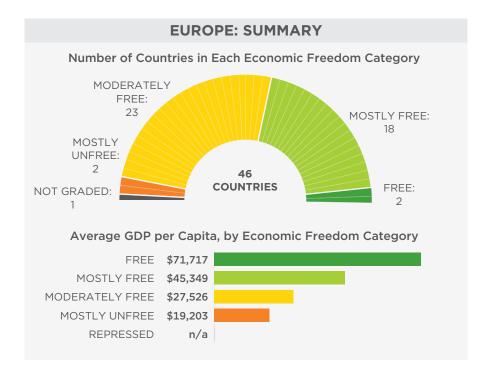
Although its overall economic freedom score of 61.1 is just below the world average in the 2020 *Index*, the Asia–Pacific scored equal to or better than the world averages in seven of the 12 economic freedom indicators: property rights, judicial effectiveness, tax burden, government spending, fiscal health, business freedom, and labor freedom. The region lagged behind world averages, however, in other critical areas of economic freedom such as government integrity, monetary freedom, trade freedom, investment freedom, and financial freedom,

Notable Countries

• **India's** economic freedom score and ranking improved in the 2020 *Index*, led by a higher business freedom score. Although it still languishes in the mid-range of the "mostly unfree" category, it has benefitted from several recent waves of economic liberalization.



- Significant improvements in scores for fiscal health, investment freedom, and financial freedom drove **Vietnam's** economic freedom ranking and score higher in the 2020 *Index* for the third year in a row.
- **China's** economic freedom ranking dropped in the 2020 *Index*, although its overall score increased slightly. Ongoing tensions in the U.S.–China economic relationship and worldwide pushback against China's debt-trap diplomacy have heightened business uncertainties.



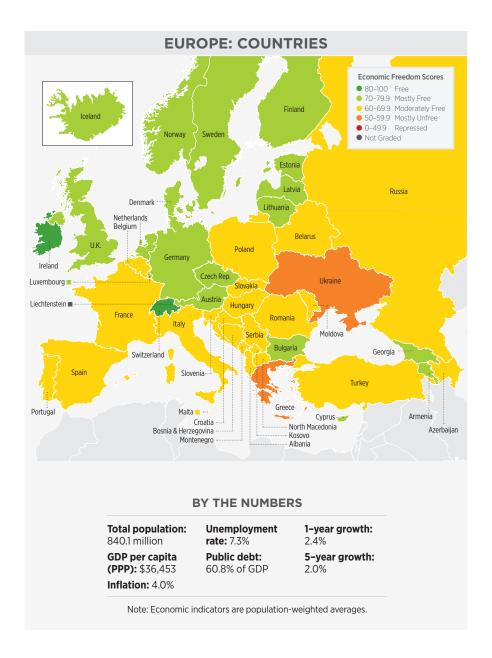
Concepts of free markets and individual liberty first took root in **Europe**, but so did the collectivist philosophies of Communism and Socialism. That tension remains in the region's economic policy mix. Nevertheless, more than half of the world's 37 freest countries (overall scores above 70) are in Europe, thanks in large part to relatively extensive and long-established free-market institutions, robust rule of law, and exceptionally strong investment freedom.

However, Europe still struggles with a variety of policy barriers to vigorous economic expansion, such as overly protective and costly labor regulations, high tax burdens, various market-distorting subsidies, and continuing problems in public finance caused by years of public-sector expansion. The result has been stagnant economic growth, which has exacerbated the burden of fiscal deficits and mounting debt in a number of countries in the region.

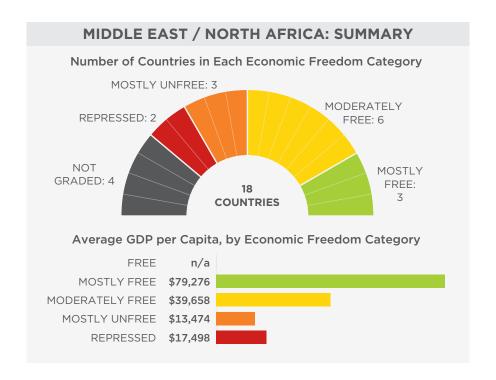
The region's average GDP per capita (\$36,453) is the highest in the world, and inflation (4.0 percent) is generally under control. However, the European continent is still plagued by high unemployment (7.3 percent) and heavy, although slightly declining, levels of public debt (60.8 percent of GDP on average).

Notable Countries

• Economic freedom in the **United Kingdom** increased again in the 2020 *Index*, reflecting the U.K.'s extraordinarily efficient business and investment environments. The country is well-positioned to expand its global trade relationships.



- **Slovenia**, **Hungary**, and **Slovakia** improved their scores in the 2020 *Index* as they continued to shed the toxic legacy of Communism.
- Although France's economic freedom score and ranking increased in the 2020 Index, the government's proposed reforms are unlikely either to curtail very high levels of government spending or to reduce labor market rigidities.



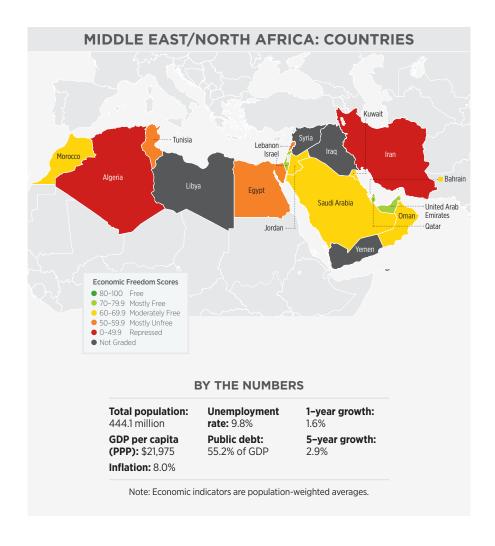
Middle East and North Africa (MENA) countries are successors to some of the world's most ancient civilizations and remain at the crux of global politics, but relatively few enjoy economic freedom in the 21st century. At once blessed and cursed by enormous mineral resources, most countries in the region are defined by extreme concentrations of wealth and widespread poverty. Most worrisome is the region's ongoing notoriety as the world's most acute hot spot for economic, political, and security vulnerabilities, which its authoritarian governments have tried to address with costly subsidies.

The region's GDP per capita (\$21,975) is the third highest among the five *Index* global regions, but inflation is high at 8.0 percent, and economic growth has been soft. The MENA region continues to suffer from high unemployment (9.8 percent), particularly among the young.

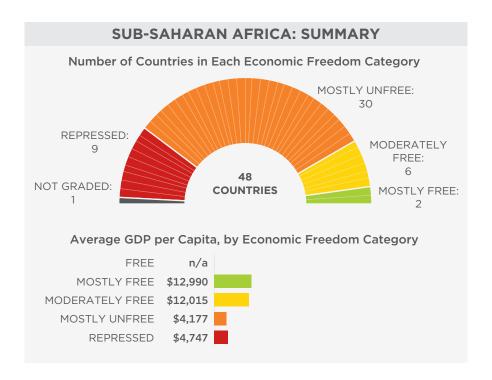
Despite governmental efforts in the past decade to answer popular demands for more freedom, the lives of the region's people have not improved. Even in Tunisia, birthplace of the "Arab Spring," economic freedom has withered. The grading of economic freedom for Iraq, Syria, Libya, and Yemen remains suspended because of ongoing violence and unrest.

Notable Countries

• **Oman** was the most improved country in the region because of significant gains in the rule of law. **Jordan** suffered a regional drop in rank, reflecting consistently low scores on such rule-of-law indicators as property rights and (especially) government integrity.



- Economic freedom in **Egypt** also improved in the 2020 *Index*, but the government still needs to adopt pro-business policies, reduce subsidies, and continue fiscal reforms.
- **Israel's** score and ranking increased in the 2020 *Index*, although high government spending still hinders greater economic freedom. The economically competitive "Start-up Nation" is anchored in strong rule of law and efficient regulation.
- **Saudi Arabia's** economic freedom rank and score increased markedly in the 2020 *Index*. The Saudi economy has been rated "moderately free" for most of the past two decades. The government is continuing efforts to diversify the economy away from its dependence on oil.

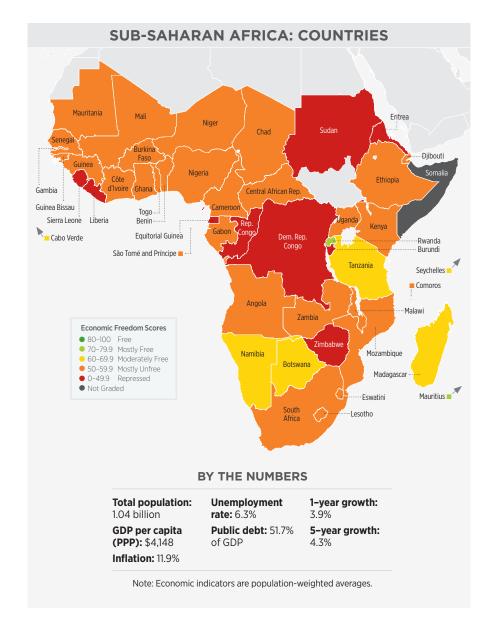


Sub-Saharan African countries' scores generally fall into the lower categories of economic freedom, although modest advances in economic freedom have spurred an uptick of economic growth in several countries. Unfortunately, the region's scores on property rights, government integrity, fiscal health, and business freedom are all lower than world averages by 10 points or more. Average GDP per capita (just \$4,148) is the lowest for any of the five global regions in the 2020 *Index*. Unemployment dropped to 6.3 percent, however, possibly indicating some progress in reducing widespread underemployment and shrinking the region's large informal sectors.

Perhaps the most tragic consequence of the dearth of economic freedom in Sub-Saharan Africa is its correlation with severe food shortages and poor nutrition, which in turn are directly and causally related to the region's political instability, high infant mortality rates, disease outbreaks, childhood learning disabilities, and frequent famines. In the longer term, foreign aid from the West cannot solve the food security problem in Sub-Saharan Africa. The solution to that problem—and to the many other challenges in the region—is more economic freedom.

Notable Countries

• **Mauritius** remained Sub-Saharan Africa's economically freest country in the 2020 *Index*, but the government needs to improve government integrity and judicial effectiveness.



- **Togo** improved both its score and its rank in the 2020 *Index* and avoided a return to the "repressed" category. Achieving the government's ambitious goal of establishing Togo as a financial and logistics hub, however, will require reforms in the judicial system and a commitment to tackling corruption.
- **South Africa's** economic freedom score increased slightly, but its rank dropped in the 2020 *Index*, and it remains "mostly unfree." The government needs to confront persistent labor market rigidities and pursue stricter application of rules against anticompetitive behavior.

THE BENEFITS OF FREE TRADE

Over the past seven decades, growing numbers of individuals, businesses, and countries throughout the world have recognized the benefits of free trade. The creation of the General Agreement on Tariffs and Trade in 1947, establishment of the World Trade Organization in 1995, and negotiation of scores of preferential trade agreements have eased the flow of goods and services between individuals and firms, have added value to local economies, and have contributed enormously to the growth of the global economy.

Today, however, many people are questioning the benefits of free trade and calling for protectionist trade policies as the way to address every perceived flaw within the global economy. In such an environment, the need to defend the freedom to trade could not be more important or more urgent.

The Economic Case for Free Trade

The trade freedom indicator in the *Index of Economic Freedom* correlates strongly with overall indicators of prosperity and human development. As shown in the chart on page 15, countries with greater trade freedom have higher—and often much higher—income per capita. The individuals within these countries experience greater food security, healthier environments, increased political stability, and higher levels of social progress.

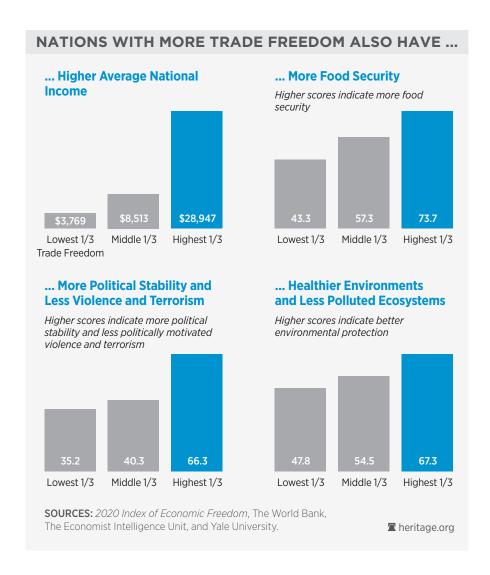
Despite these manifest benefits, however, governments impose a wide variety of regulations and restrictions on trade that distort or limit opportunities for businesses and consumers. Policies like tariffs and quotas that restrict imports and even policies like subsidies that are meant to support exports disrupt the natural flow of trade, arbitrarily increase costs, reduce efficiency, and can stifle the research and investment that are essential for growth and development.

Fighting a Return to Protectionism

Unfortunately, protectionist pressures seem to be increasing. The United States, although historically in favor of trade, has imposed tariffs on more than 14 percent of its total imports over the past several years, making trade less free and causing its average applied tariff rate to increase by 73 percent. Countries like France are now imposing non-tariff trade barriers on e-commerce businesses, and developing countries like India continue to maintain high levels of tariffs on agricultural imports in an attempt to protect domestic industries.

Recently, however, there have been efforts to protect the efficient global trading system that has developed over the past several decades. At the end of 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPPTP), which includes seven Asian countries and two in South America as well as Canada and Mexico, entered into force. Just a few months later, the European Union and Japan finalized an economic partnership agreement, and by the summer of 2019, the European Union had signed a trade agreement with the Mercosur states of Argentina, Brazil, Paraguay, and Uruguay.

Equally notable, African countries have also been advancing a free trade agenda. Of the 55 African Union states, 54 have signed the African Continental



Free Trade Agreement (AfCFTA), and 27 countries have ratified the agreement. In addition, several other bilateral trade agreements have been formalized that extend the benefits to trade beyond the most favored nation requirements of the World Trade Organization.

Protecting Our Trade Freedoms

Nevertheless, maintaining a free and open trading system in the 21st century is increasingly challenging. The 2020 *Index* includes four essays that illustrate that complexity by examining the intricacies of the global trading system. Topics include:

- A discussion of the intricacies of global supply chains from the perspective of the North American automotive industry;
- The role of one of the most important institutions of the global trading system, the World Trade Organization, the WTO's role in promoting free trade, and the future of the organization;
- An examination of the increasing role of digital trade and how it can be enhanced or hindered by government intervention; and
- A discussion of the future of trade agreements and the complexity involved in making new trade deals.

Debates about trade are likely to continue in the years ahead, and those who love freedom will be called upon to defend the openness of our international system and the rights of individuals to engage in commerce wherever and with whomever. The freedom to trade is the foundation of economic advancement, and the expansion of global markets has proven to be a powerful engine for growth and a key factor in the worldwide fight against poverty.



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