

ECONOMIC FREEDOM: REGIONAL VARIATIONS (REGIONAL AVERAGE)

Regional Ranking	The Americas (59.5)	Asia-Pacific (60.2)	Europe (70.1)	Middle East/ North Africa (62.6)	Sub-Saharan Africa (55.7)
1	Canada	Singapore	Switzerland	United Arab Emirates	Mauritius
2	Chile	New Zealand	Ireland	Israel	Rwanda
3	United States	Australia	United Kingdom	Qatar	Botswana
4	Uruguay	Taiwan	Estonia	Bahrain	Seychelles
5	Jamaica	Malaysia	Denmark	Saudi Arabia	Cabo Verde
6	Colombia	Japan	Iceland	Jordan	Namibia
7	Peru	Korea, South	Georgia	Oman	Côte d'Ivoire
8	Saint Lucia	Kazakhstan	Lithuania	Kuwait	Tanzania
9	St. Vincent & Grenadines	Thailand	Netherlands	Morocco	South Africa
10	Panama	Indonesia	Finland	Tunisia	Benin
11	Mexico	Brunei Darussalam	Luxembourg	Egypt	Ghana
12	Barbados	Philippines	Sweden	Lebanon	Gambia
13	Bahamas	Kyrgyz Republic	Austria	Algeria	Nigeria
14	Costa Rica	Mongolia	Czech Republic	Iran	Uganda
15	Guatemala	Fiji	Norway	Iraq	Gabon
16	Paraguay	Samoa	Germany	Libya	Senegal
17	Dominican Republic	Vietnam	Latvia	Syria	Madagascar
18	El Salvador	Vanuatu	Armenia	Yemen	Togo
19	Honduras	Papua New Guinea	Cyprus		Niger
20	Trinidad and Tobago	China	Bulgaria		Guinea
21	Belize	Uzbekistan	Malta		Burkina Faso
22	Guyana	Bhutan	Belgium		Djibouti
23	Nicaragua	Tonga	Azerbaijan		Mauritania
24	Brazil	Cambodia	Spain		São Tomé and Príncipe
25	Dominica	Bangladesh	Poland		Comoros
26	Argentina	India	Romania		Mali
27	Ecuador	Solomon Islands	North Macedonia		Eswatini
28	Haiti	Sri Lanka	Slovenia		Kenya
29	Suriname	Tajikistan	Portugal		Guinea-Bissau
30	Bolivia	Burma	Serbia		Angola
31	Cuba	Maldives	Hungary		Lesotho
32	Venezuela	Laos	Kosovo		Cameroon
33		Afghanistan	Slovakia		Malawi
34		Pakistan	France		Sierra Leone
35		Nepal	Albania		Ethiopia
36		Micronesia	Italy		Mozambique
37		Turkmenistan	Turkey		Congo, Rep.
38		Timor-Leste	Croatia		Chad
39		Kiribati	Montenegro		Zambia
40		Korea, North	Bosnia and Herzegovina		Burundi
41			Moldova		Equatorial Guinea
42			Russia		Liberia
43			Belarus		Congo, Dem. Rep.
44			Greece		Central African Republic
45			Ukraine		Eritrea
46			Liechtenstein		Zimbabwe
47					Sudan
48					Somalia

Economic Freedom Scores

- 80–100 Free
- 70–79.9 Mostly Free
- 60–69.9 Moderately Free
- 50–59.9 Mostly Unfree
- 0–49.9 Repressed
- Not Graded

REGIONAL DEVELOPMENTS IN ECONOMIC FREEDOM

Average levels of economic freedom continue to vary widely among the five regions of the world. European nations typically enjoy the highest levels of economic freedom with an average score of 70.1. That is nearly 10 points higher than the world average of 61.6 and represents a small improvement from the previous year.

It is in the Middle East and North Africa region, however, that economic freedom has gained the most ground this year. The region's average score improved by almost a full point to 62.6, slightly above the world average. Sub-Saharan Africa gained as well, improving by more than half a point, although its average score of 55.7 still falls far short of the world average.

Economic freedom declined significantly in the Americas region this year, falling half a point to 59.5. The continued presence of Bolivia, Cuba, and Venezuela in the very bottom ranks of the *Index* is a significant drag on the regional score. The average economic freedom score also declined to 60.2 in the Asia-Pacific region, but much of that drop reflects the exclusion from the *Index* this year of the non-independent territories of Hong Kong and Macau, both of which had better than average scores in previous editions of the *Index*.

The benefits of economic freedom—greater income and wealth, better health, and cleaner environments, among many others—are evident in every region, but there are substantial differences among the regions in terms of their levels of development and social and economic

culture that affect the relative importance of the various factors that influence an economic freedom score.

The 12 indicators that make up an economic freedom score are equally weighted in determining the rankings. For individual countries looking to improve their scores, however, a focus on the indicators in which they perform most poorly provides the greatest opportunity for major increases in economic freedom. A country that lags in fiscal health, for example, might want to focus on reducing fiscal deficits and debt. A country that lags in the rule of law could concentrate on addressing corruption, judicial effectiveness, and the protection of property rights. Such focus can bring significant immediate gains in economic freedom and corresponding improvements in economic growth and prosperity.

While there is diversity within every region, certain patterns have emerged that point to the relative importance of various factors in holding back or promoting economic freedom in each region. The countries of the Americas, for example, lag significantly in the rule of law and regulatory efficiency. Particularly for most of the Latin American countries in the region, a culture of corruption holds back foreign investment and job growth, and the typically poor quality of the region's regulatory environment stifles entrepreneurship. These are therefore the most important areas for reform in a typical country in the Americas.

In the Asia–Pacific region, on average, investment freedom and financial freedom fall far below world standards. Rule-of-law indicators such as judicial effectiveness and government integrity also need to be improved. Action by such populous countries as China and India to relax restrictions on foreign investment and open their banking systems to competition from around the world would improve the livelihoods of hundreds of millions of people. High-performing Asian economies such as those of Singapore, New Zealand, and Australia—the world’s three economically freest countries—show the way.

It is in the area of government size that the European countries tend to lose points in their economic freedom scores. In many countries, burdensome levels of taxation and extraordinarily high levels of government spending have led to unsustainable fiscal balances that crowd out more productive private-sector activities.

The Middle East and North Africa region falls far behind others in fiscal health, with governments using debt to finance high spending on consumer subsidies and income-redistribution schemes. Problems related to the rule of law are notable throughout the region, as is a serious lack of investment freedom in many countries.

Sub-Saharan African countries trail world averages in almost every category of economic freedom, especially in scores for government integrity and business freedom. Ongoing deficiencies in scores for property rights and judicial effectiveness continue to reflect problems in governance that are both the cause and the effect of high levels of political instability and conflict throughout the region.

The following pages provide a summary snapshot of economic freedom in the various regions while highlighting significant developments in a few notable countries.



THE AMERICAS

THE AMERICAS

The Western Hemisphere’s North and South American continents form a region of 32 sovereign countries that range from the advanced economies of Canada and the United States to the Caribbean’s tiny island states and the huge emerging markets of Latin America. The region accounts for more than one-quarter of the globe’s landmass and is one of its most economically diverse. Poor nations in Central America, for example, share Iberian-rooted culture and history but little else with potential economic powerhouses like Mexico, Brazil, and Argentina.

Unfortunately, the entire region has suffered sporadically from populist governments that were (or are) intent on imposing long-discredited Communist–socialist economic theories that have been propagated most recently by Cuba’s late dictator Fidel Castro and his acolyte, the late Hugo Chávez of Venezuela. Although a number of countries have pivoted away from those destructive policies in recent years, their toxic legacy continues to blight Latin America and the Caribbean. For example:

- The biggest setback for economic freedom in the region in 2021 is the return to power of the left-wing populist Peronist Party in **Argentina**. After four years during which the center-right government of former President Mauricio Macri had made some progress in rolling back the growth-stifling regulations and socialist policies of the last Peronist government (under now-Vice President Cristina Fernandez de Kirchner), the new Peronist government led by President Alberto Fernandez came into office seeking to make another hard turn to the left. In pursuit of that goal, the government promptly introduced import and currency controls, expropriation of firms in key sectors, and new subsidies. Investors appear to have voted with their feet, concerned about the future security of contract rights and a weakening of the rule of law.
- Another very troubling development this year has been in **Chile**, where economic freedom has generally declined since 2013 when its economy was on the verge of joining the ranks of the free. This year it is even more firmly planted in the “mostly free” category. The biggest threats to future economic freedom in Chile could emerge from adoption of a new constitution in 2021 that could undo the policy infrastructure through which the country became the economically freest in Latin America. A new governing document might mandate higher taxation, higher government spending, and other laws that would have a negative impact on *Index* indicators.

The total population of the Americas is just over one billion. Among the five global regions in the *Index*, the Americas has the second-largest population-weighted GDP per capita (\$33,282 at purchasing power parity).

THE AMERICAS: QUICK FACTS

TOTAL POPULATION: 1.01 billion

Population-Weighted Averages

GDP PER CAPITA (PPP): \$33,282

1-YEAR GROWTH: 0.4%

5-YEAR AVERAGE ANNUAL GROWTH: 1.0%

INFLATION: 5.2%*

UNEMPLOYMENT RATE: 6.9%**

PUBLIC DEBT: 85.2% of GDP

* Excludes Venezuela ** Excludes Dominica

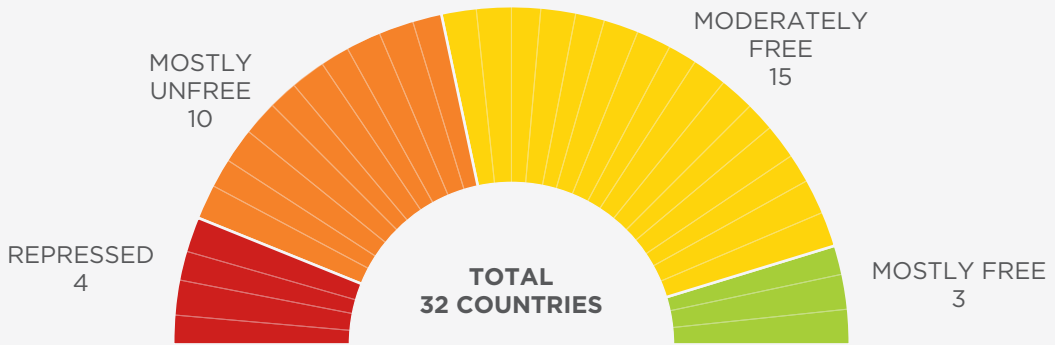
SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

 heritage.org

THE AMERICAS



THE AMERICAS: ECONOMIC FREEDOM SUMMARY

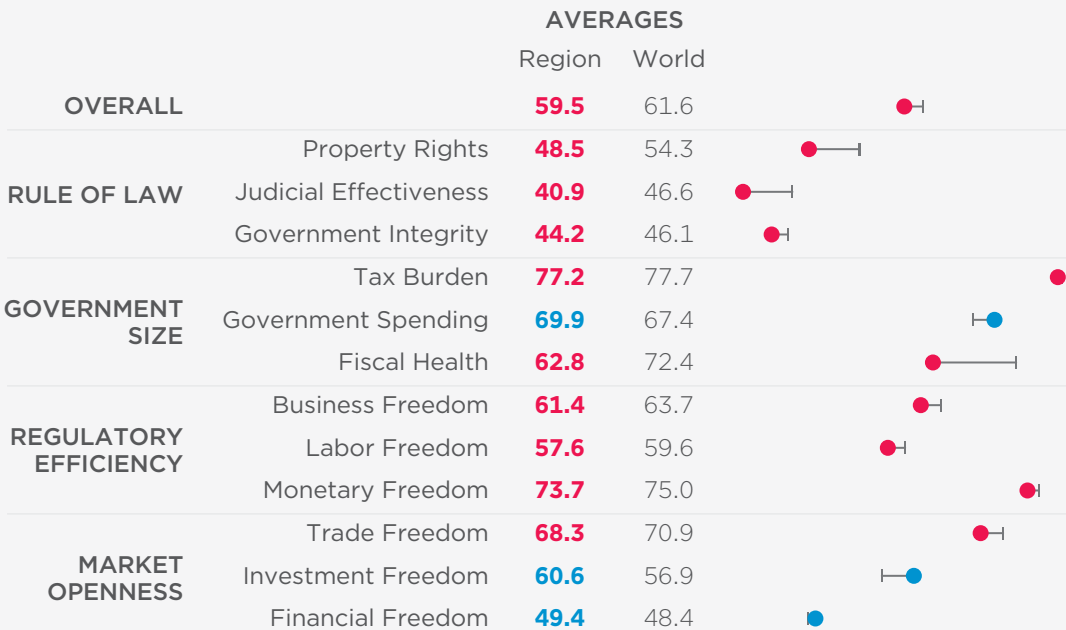


SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 1 heritage.org

THE AMERICAS: COMPONENTS OF ECONOMIC FREEDOM

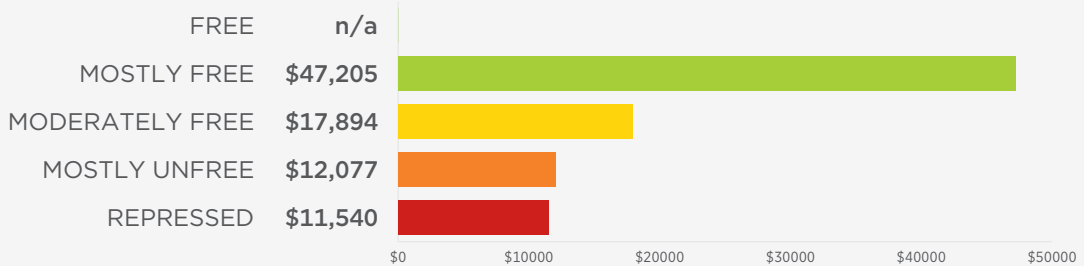
LOWER THAN WORLD AVERAGE ● | WORLD AVERAGE | ● HIGHER THAN WORLD AVERAGE



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 2 heritage.org

THE AMERICAS: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2019.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>; World Bank, “GDP per Capita, PPP (Current International \$),” <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> (accessed December 14, 2020); and the Economist Intelligence Unit.

Chart 3  heritage.org

Within the region, economies have expanded at an average annual rate of just 1.0 percent over the past five years. The regional average rate of unemployment has risen to 6.9 percent, and the regional average rate of inflation (excluding Venezuela) has risen to 5.2 percent. The region’s average level of public debt—already the highest in the world—rose to 85.2 percent of GDP during the past year.

The slight drop in the region’s overall average economic freedom score in the 2021 *Index* mainly reflects modest declines in fiscal health and business freedom, and somewhat larger losses in trade freedom and property rights. The overall score has fallen further behind the global average this year and is the world’s second lowest, ahead only of sub-Saharan Africa. The foundations of a well-functioning free market remain shallow in many Latin American countries, with widespread corruption and still-weak protection of property rights aggravating such systemic shortcomings as regulatory inefficiency and monetary instability that is caused by various government-driven market distortions.

In the English-speaking Caribbean, only Barbados, Guyana, Trinidad and Tobago, and

Jamaica registered significant overall gains in economic freedom this year, based in part on better scores for trade freedom. In general, however, the protectionism that contributes to the high cost of living on many of the islands continues unabated. Meanwhile, the rule of law remains a problem in many of these countries.

Overall *Index* scores in all three countries in North America—the United States, Mexico, and Canada—were lower this year. One common factor explaining their declines was the significant drops recorded by all three countries on the property rights indicator.

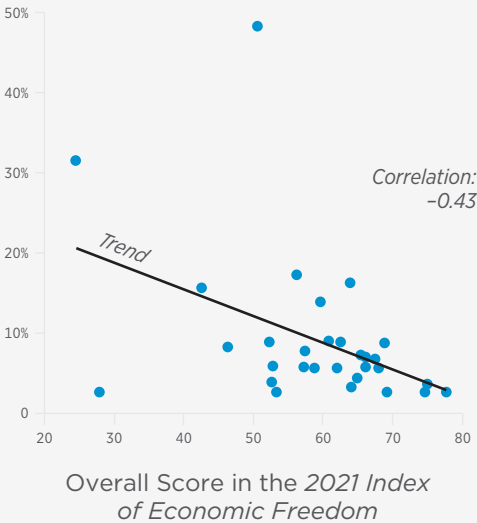
Chart 1 shows the distribution of countries in the Americas according to their economic freedom. The region has no economically “free” countries. Three of the 32 graded countries in the Americas region (Canada, Chile, and the United States) are rated “mostly free.” Most countries in the region fall into the “moderately free” or “mostly unfree” category. Four countries (Suriname, Bolivia, Cuba, and Venezuela) are rated “repressed.”

An examination of the various components of economic freedom evaluated in the *Index* reveals that the countries of the Americas as a whole perform as well as or better than the

THE AMERICAS: ECONOMIC FREEDOM AND UNDERNOURISHMENT

Each circle represents a nation in the
Index of Economic Freedom

Percentage of Population that
Is Undernourished



NOTE: Based on the 30 countries in the Americas that appear in both datasets.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>, and The World Bank, "Prevalence of Undernourishment (% of Population)," <https://data.worldbank.org/indicator/SN.ITK.DEFC.ZS> (accessed December 14, 2020).

Chart 4 heritage.org

world average on only three of the 12 *Index* indicators. The government spending score highlights the region's continuing acceptance of the principle of limited government, and levels of market openness (especially investment freedom and financial freedom) are generally consistent with world standards. On the other hand, as shown in Chart 2, rule of law and regulatory efficiency continue to be major problem areas, reflecting long-standing weaknesses in the protection of property rights, judicial effectiveness, and government integrity.

Chart 3, which highlights the vivid positive correlation between high levels of economic freedom and high GDP per capita, reveals a large freedom gap within the Americas. The failed populist policies implemented by leaders of such repressive economies as Venezuela, Cuba, and Bolivia continue to threaten regional development and stability, trapping millions in poverty while their neighbors in freer countries forge ahead.

As shown in Chart 4, it is noteworthy that countries with greater degrees of economic freedom have fewer undernourished citizens. Malnourishment, especially among children, can cause permanent physiological and psychological damage. It also has devastating and negative long-term consequences for a country's future economic development and prosperity. Improvements in nourishment will be made more difficult by the fact that only 10 countries in the region posted gains in economic freedom in the 2021 *Index*, while one was unchanged and about two-thirds—21 countries—registered declines in economic freedom.

NOTABLE COUNTRIES

- This year, the Americas region country with the largest overall score increase was **Barbados**, which climbed higher in the “moderately free” category. The main reason for the improvement was better management of debt by the government. Scores for the judicial effectiveness, government integrity, and tax burden indicators also increased. Reduction of the country's extremely large public debt is a significant step toward restoring investor confidence.
- In **Brazil**, South America's largest country, early efforts by the government of center-right President Jair Bolsonaro to enact robust reforms that would have strengthened economic freedom have bogged down. In particular, there has been insufficient progress to reform Brazil's complex tax system, which is one of the most burdensome among emerging economies, consuming

ECONOMIC FREEDOM IN THE AMERICAS

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
9	1	Canada	77.9	-0.3	84.5	73.3	87.9	76.0	49.8	84.2	81.4	72.4	76.1	88.8	80	80
19	2	Chile	75.2	-1.6	70.2	68.4	74.5	72.3	80.4	90.4	75.1	62.5	85.5	83.0	70	70
20	3	United States	74.8	-1.8	79.7	72.4	76.8	76.0	62.2	34.9	82.5	87.1	81.1	80.4	85	80
44	4	Uruguay	69.3	0.2	68.1	66.8	75.7	72.6	66.9	80.5	72.3	70.5	72.5	70.8	85	30
45	5	Jamaica	69.0	0.5	60.6	55.1	47.7	79.7	74.4	83.1	77.6	73.4	77.5	69.2	80	50
49	6	Colombia	68.1	-1.1	59.8	36.4	49.7	69.7	69.3	78.9	71.0	77.7	78.1	77.0	80	70
50	7	Peru	67.7	-0.2	53.3	28.2	36.3	79.4	86.4	91.5	66.2	63.2	86.1	86.4	75	60
53	8	Saint Lucia	67.5	-0.7	61.5	66.3	44.6	76.9	83.2	86.2	75.7	66.5	83.5	60.6	65	40
59	9	St. Vincent & Grenadines	66.3	-0.5	48.1	66.3	48.7	74.9	71.6	87.6	74.2	74.0	82.6	57.8	70	40
62	10	Panama	66.2	-1.0	54.5	28.1	39.4	85.2	85.2	82.8	72.9	43.7	80.5	77.2	75	70
65	11	Mexico	65.5	-0.5	53.4	35.9	39.8	76.1	79.8	88.7	65.6	58.2	72.1	81.6	75	60
67	12	Barbados	65.0	3.6	52.7	49.7	50.2	79.3	73.1	79.8	69.7	60.1	77.3	58.4	70	60
70	13	Bahamas	64.6	0.1	48.1	45.7	47.5	97.1	87.6	72.7	70.4	70.0	77.0	49.0	50	60
72	14	Costa Rica	64.2	-1.6	64.0	58.1	59.0	79.9	87.7	24.3	66.2	55.5	80.9	75.0	70	50
75	15	Guatemala	64.0	0	43.2	32.6	30.1	91.8	94.8	92.1	61.5	48.5	77.7	75.6	70	50
84	16	Paraguay	62.6	-0.4	41.6	26.0	32.2	96.2	86.7	91.6	59.6	31.8	73.8	76.4	75	60
88	17	Dominican Republic	62.1	1.2	51.2	28.8	34.6	84.6	91.7	84.4	56.4	58.7	75.3	69.4	70	40
94	18	El Salvador	61.0	-0.6	39.9	33.5	34.2	77.9	81.0	79.6	52.4	52.2	81.0	70.8	70	60
98	19	Honduras	59.8	-1.3	45.5	36.0	29.1	82.2	79.3	96.7	48.7	32.0	71.8	71.8	65	60
102	20	Trinidad and Tobago	59.0	0.7	52.4	46.9	36.4	79.5	70.9	15.8	66.5	76.8	83.4	68.8	60	50
114	21	Belize	57.5	0.1	41.8	45.7	36.3	78.7	64.7	68.5	60.0	54.2	80.2	55.0	55	50
116	22	Guyana	57.4	1.2	44.9	40.4	38.5	64.6	77.3	69.8	58.2	62.1	81.3	66.8	55	30
125	23	Nicaragua	56.3	-0.9	27.8	19.0	24.8	77.1	77.5	91.8	53.1	55.0	70.7	68.4	60	50
143	24	Brazil	53.4	-0.3	55.0	45.5	47.5	70.1	56.5	5.3	58.0	50.7	77.8	64.6	60	50
147	25	Dominica	53.0	-7.8	51.2	66.3	51.0	70.0	7.4	6.1	68.4	67.0	82.4	55.6	70	40
148	26	Argentina	52.7	-0.4	46.1	45.7	54.0	70.4	52.8	38.4	59.5	46.3	41.9	62.6	55	60
149	27	Ecuador	52.4	1.1	39.5	24.7	38.5	77.1	58.5	75.9	50.4	47.9	81.7	59.8	35	40
155	28	Haiti	50.8	-1.5	12.6	15.1	22.0	80.2	91.3	92.9	33.0	62.1	59.7	65.4	45	30
169	29	Suriname	46.4	-3.1	45.5	15.4	38.5	70.0	68.2	7.8	45.8	61.9	73.7	60.2	40	30
172	30	Bolivia	42.7	-0.1	18.7	11.0	25.9	85.3	58.4	13.4	58.4	53.4	71.0	61.6	15	40
176	31	Cuba	28.1	1.2	27.7	10.0	48.7	47.1	0.0	14.6	20.0	20.0	64.6	64.2	10	10
177	32	Venezuela	24.7	-0.5	7.5	15.4	15.1	71.1	61.5	0.0	33.4	27.5	0.0	54.8	0	10

about 33 percent of GDP, and creates a plethora of opportunities for corruption. Although the Bolsonaro administration has generally pursued a free-market agenda, including an overhauling of the public pension system and privatization of government assets, it has failed to rein in spending and reduce unsustainable debt levels, which contributed to Brazil's registering one of the world's lowest *Index* indicator scores for fiscal health this year. In addition, the rule of law in Brazil remains too weak for a potentially world-class country.

- The **United States** received its lowest score and lowest ranking ever in the *Index*, although it remains “mostly free.” The major obstacles to greater economic freedom in the United States continue to be excessive government spending, unsustainable levels of debt, and intrusive regulation of the health care and financial sectors. The drop in the score on the fiscal health indicator is the largest in any U.S. indicator since the inception of the *Index* in 1995.
- The Maduro regime in **Venezuela** is the functional equivalent of an organized criminal gang. The ruling kleptocratic class has suffocated the country's economic freedom. When a transitional government eventually takes power and begins the long return to market democracy, it will have to end hyperinflation, restructure public debt, and rebuild institutions to restore confidence in the rule of law and promote investment. The first priority, however, will be to reestablish the cultural foundations of entrepreneurship and free markets.
- Although former President Evo Morales was forced to flee the country after he tried to steal reelection to a fourth term in 2019, **Bolivia's** economy still suffers from the pernicious impact of his *Chavista* socialism, which sank it to the “repressed” category where it has languished for nearly a decade. Elections in October 2020 resulted in the return to power of Morales's MAS party, headed by new President Luis Arce. The single-party authoritarianism of the Morales regime had a particularly devastating impact on six of the 12 *Index* indicators: property rights, judicial effectiveness, government integrity, fiscal health, investment freedom, and financial freedom. The climb back to economic freedom will be a steep one.
- The worst performance on the *Index* in the region was by **Dominica**, whose score dropped more than that of any other country in the world this year. Dominica's economy fell deeply into the “mostly unfree” category this year, the first time it has not been scored “moderately free” since 2009 when *Index* scoring of the country began. The decline resulted mostly from a vastly expanded budget deficit and higher debt.



ASIA-PACIFIC

ASIA-PACIFIC

The Asia-Pacific region covers the globe's largest geographic area, encompassing 40 countries that stretch from Japan, Southeast Asia, and New Zealand in the East to Mongolia in the North, the islands of the southern Pacific, and all the way across India to the Caspian Basin in the West. With more than four billion inhabitants, the region contains over half of the world's population: Of the total regional population, China alone accounts for a about one-third, and nearly another third is in India.

The region has continued to lead worldwide economic growth, expanding by an average annual rate of about 6.0 percent over the past five years, driven largely by China, India, and other trade-oriented economies. The region also has the world's lowest average rate of unemployment (4.5 percent) and lowest average rate of inflation (3.7 percent). Among the five global regions in the *Index*, however, the Asia-Pacific region also has the second-lowest population-weighted GDP per capita (\$13,094 at purchasing power parity).

ASIA-PACIFIC: QUICK FACTS

TOTAL POPULATION: 4.25 billion

Population-Weighted Averages

GDP PER CAPITA (PPP): \$13,094

1-YEAR GROWTH: 5.0%

5-YEAR AVERAGE ANNUAL GROWTH: 6.0%

INFLATION: 3.7%*

UNEMPLOYMENT RATE: 4.5%**

PUBLIC DEBT: 62.4% of GDP

* Excludes North Korea ** Excludes North Korea and Kiribati

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

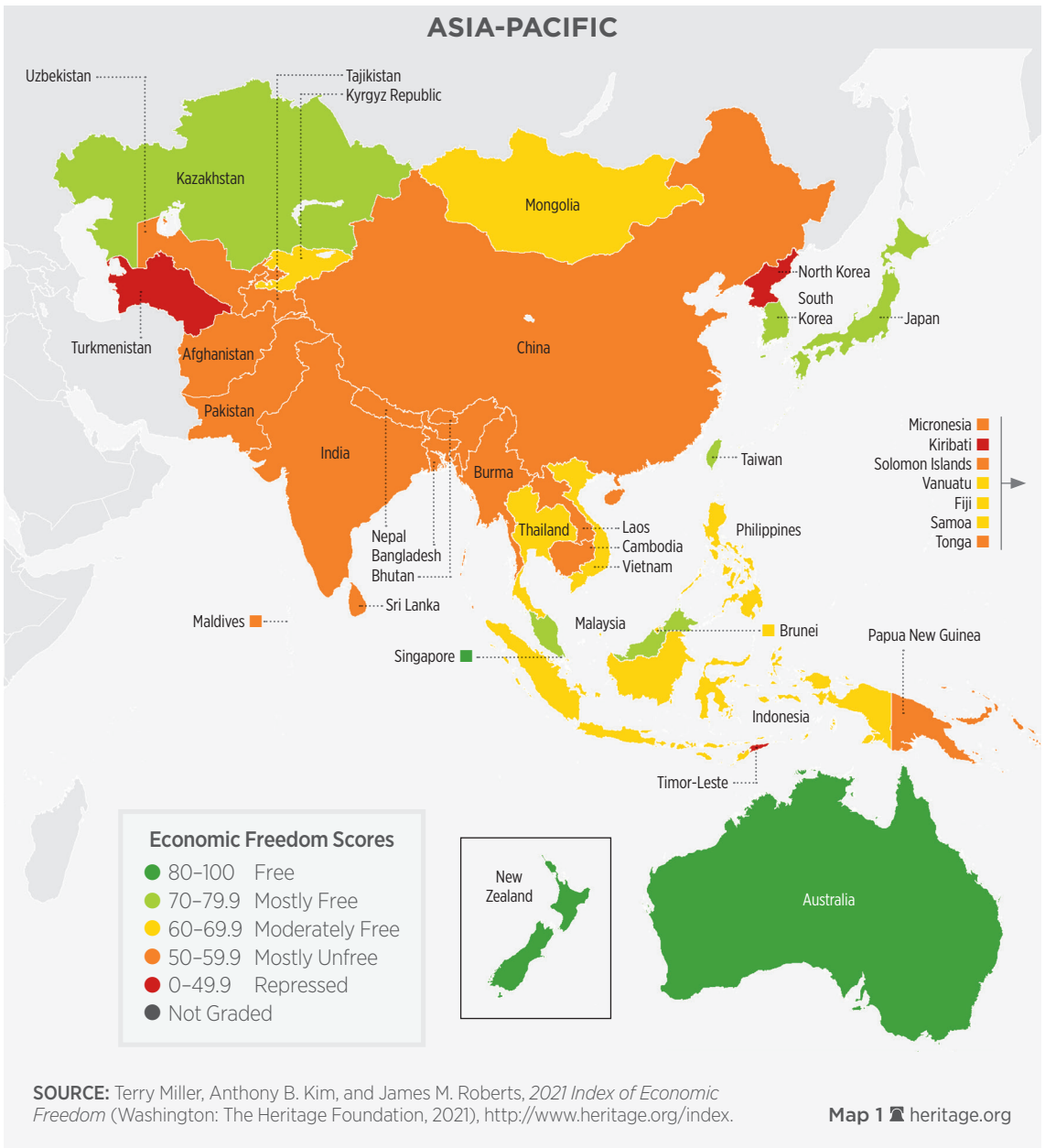
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The Asia-Pacific is unique among the five global *Index* regions in the extraordinary variations in its countries' levels of economic freedom. The consequences for the people of the region are enormous. The huge gap in living standards between North Korea, at last place ("repressed") in the *Index*, and South Korea, at 24th place ("mostly free"), for example, illustrates the benefits of economic freedom versus its absence almost as vividly as does the famous nighttime photograph from space that contrasts the brightly lit South with a North shrouded in darkness.

Chart 1 shows the distribution of countries in the Asia-Pacific region by level of economic freedom. Three of the world's five truly "free" economies (Singapore, New Zealand, and Australia) call the region home. Another five of the region's 40 economies (Taiwan, Malaysia, South Korea, Japan, and Kazakhstan) are rated "mostly free." A majority of the remaining countries are "mostly unfree." Four countries (Turkmenistan, Timor-Leste, Kiribati, and North Korea) have economies that are considered "repressed."

The Asia-Pacific's overall economic freedom score of 60.2 is below the world average in the 2021 *Index*. The region also scored lower than the world averages this year in seven of the 12 economic freedom indicators: property rights, judicial effectiveness, government integrity, monetary freedom, trade freedom, investment freedom, and financial freedom. (See Chart 2.) In other critical areas of economic freedom—tax burden, government spending, fiscal health, business freedom, and labor freedom—the Asia-Pacific region exceeds world averages.

As shown by the scores, many of the Asia-Pacific countries have fallen short on maintaining strong and independent rule-of-law institutions, although the region as a whole has done relatively well in controlling government spending and regulating economic activity efficiently. On the other hand, the region places



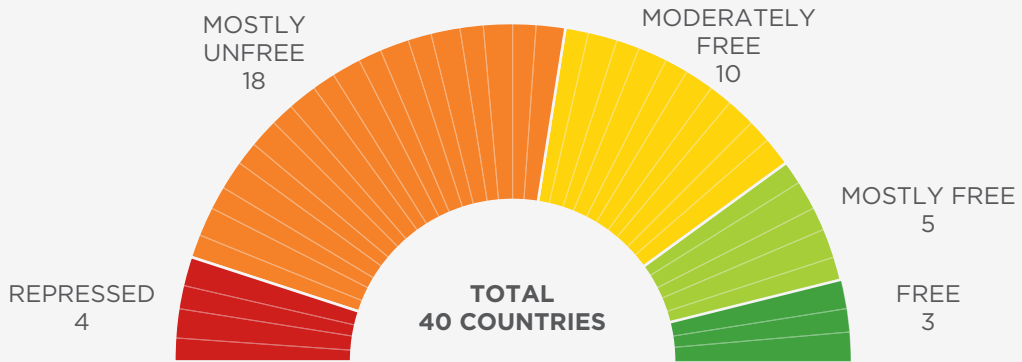
second to last (above only sub-Saharan Africa) on financial freedom and last in the world on investment freedom. Although the region’s labor freedom score beats the world average, many small Pacific island economies still lack fully developed formal labor markets.

As shown in the top two bars of Chart 3, the three “free” and five “mostly free” Asia-Pacific countries far outpace other countries in the region in GDP per capita. However, it is among

the region’s less free countries—notably China and India, both “mostly unfree” and ranked only 107th and 121st, respectively—that we find some of the region’s highest growth rates. In part, this is simply the result of the much lower base from which their economic growth is being measured.

While both China’s and India’s economic freedom scores have improved over the life of the *Index*, some data-measuring components

ASIA-PACIFIC: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 1 heritage.org

ASIA-PACIFIC: COMPONENTS OF ECONOMIC FREEDOM

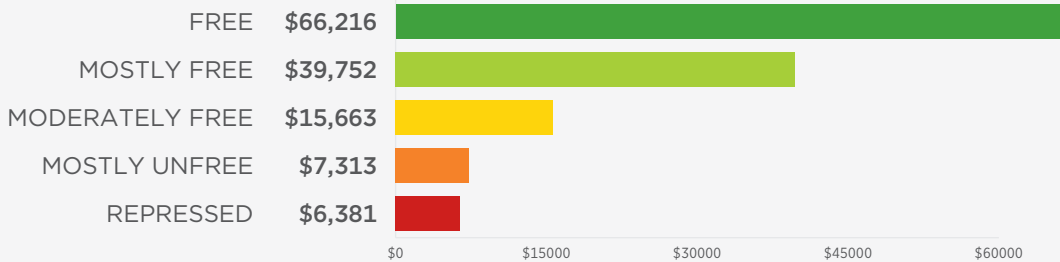
LOWER THAN WORLD AVERAGE ● | WORLD AVERAGE | ● HIGHER THAN WORLD AVERAGE

		AVERAGES			
		Region	World		
OVERALL		60.2	61.6	●	
RULE OF LAW	Property Rights	53.8	54.3	●	
	Judicial Effectiveness	44.5	46.6	●	
	Government Integrity	43.7	46.1	●	
GOVERNMENT SIZE	Tax Burden	80.8	77.7		●
	Government Spending	69.4	67.4		●
	Fiscal Health	74.0	72.4		●
REGULATORY EFFICIENCY	Business Freedom	66.2	63.7		●
	Labor Freedom	64.3	59.6		●
	Monetary Freedom	73.9	75.0	●	
MARKET OPENNESS	Trade Freedom	68.7	70.9	●	
	Investment Freedom	43.1	56.9	●	
	Financial Freedom	40.3	48.4	●	

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 2 heritage.org

ASIA-PACIFIC: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2019.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>; World Bank, “GDP per Capita, PPP (Current International \$),” <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> (accessed December 14, 2020); and the Economist Intelligence Unit.

Chart 3 heritage.org

of economic freedom that are based on surveys conducted only in a country’s major cities can give a misleading impression of conditions, particularly for the rural poor. Overall, the foundations of economic freedom remain weak in both countries, with reforms usually stymied by those who have a political interest in maintaining the status quo.

In the 2021 *Index*, the scores of only 16 countries in the Asia–Pacific region have improved, those of 20 have declined, and four were unchanged. This poor performance is explained partly by the region’s relatively low rate of new business formation—a measure of entrepreneurship. While the rate of business formation is, as expected, higher in the Asia–Pacific countries with greater economic freedom, most of the countries in the region cluster at the lower end of the scale on this important measure.

NOTABLE COUNTRIES

- **Japan’s** overall score improved in the 2021 *Index*, but its economy remains on its longtime perch in the middle ranks of the “mostly free” category. As has been the case since the first edition of the *Index* in 1995, the main indicator holding the

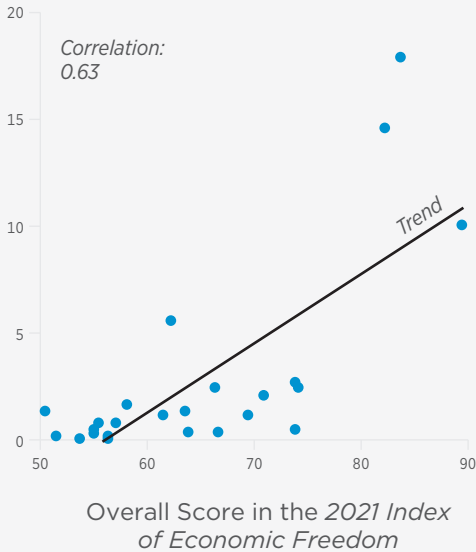
country back from greater economic freedom is government spending. Unfortunately, spending climbed once again (by more than 1 percent) in the 2020 budget. Fundamental structural reforms are still needed to eliminate cronyism and boost entrepreneurship.

- Although its score dipped very slightly this year, **Australia** has been a leader in economic freedom in the region and the world ever since the inception of the *Index* in 1995, and its economy has been in the highest, “free” category for 15 years. The country’s scores on the *Index*’s judicial effectiveness, business freedom, and trade freedom indicators are among the highest in the world.
- **Mongolia’s** economy made it back into the “moderately free” category this year for the first time since 2013 and was the most improved in the region. Nevertheless, greater economic freedom continues to be impeded by the country’s woefully inadequate rule of law. Government corruption is pervasive, and courts are unreliable. Although

ASIA-PACIFIC: ECONOMIC FREEDOM AND ENTREPRENEURIAL DYNAMISM

Each circle represents a nation in the
Index of Economic Freedom

New Businesses per 1,000 Population



NOTE: Based on the 31 countries in the Asia-Pacific that appear in both datasets.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>, and The World Bank, *Doing Business 2020*, Entrepreneurship, <https://www.doingbusiness.org/en/data/exploretopics/entrepreneurship> (accessed December 14, 2020).

Chart 4  heritage.org

the government has adopted a national anticorruption strategy and action plan, it has not always implemented existing statutes either effectively or evenhandedly.

- **India's** economic freedom score was unchanged in the 2021 *Index*, but its ranking in the “mostly unfree” category declined slightly. A move toward greater economic freedom would require substantial and broad-based reforms. In addition to

taking steps to improve fiscal health and strengthen the rule of law, the government would need to increase financial freedom and reform the tax code, the investment regime, and the labor code.

- **China's** economic freedom ranking dropped in the 2021 *Index*, and the country's Communist economy remains in the “mostly unfree” category. The modest improvements in its economic freedom score in previous years have resulted mostly from gains in the property rights, judicial effectiveness, and business freedom indicators. Overall, the economic freedom that does exist in China continues to lack depth and breadth, and the government needs to ensure that business-friendly policies are understood and implemented nationwide, not just in Beijing or major commercial centers like Hong Kong. Nontransparent state-owned enterprises continue to dominate the financial sector and many basic industries. General Secretary Xi Jinping's official ideology of “Socialism with Chinese Characteristics” continues to chill liberalization, heighten reliance on mercantilism, raise bureaucratic hurdles to trade and investment, weaken the rule of law, and strengthen resistance from vested interests that impedes more dynamic economic development.
- **Pakistan's** economy, which has been rated “mostly unfree” since the inception of the *Index* in 1995, lost more economic freedom this year and has nearly fallen into the lowest, “repressed” category. Bottlenecks that would have to be removed in order to reverse that negative trajectory include an extremely high and unsustainable level of external debt that requires more than 40 percent of the annual budget just to service. Chronic corruption is another obstacle.

ECONOMIC FREEDOM IN ASIA-PACIFIC

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	1	Singapore	89.7	0.3	97.5	90.8	93.2	90.5	94.1	80.0	93.8	91.5	85.4	95.0	85	80
2	2	New Zealand	83.9	-0.2	91.3	80.5	95.3	70.6	58.1	98.2	89.9	86.3	86.9	90.2	80	80
3	3	Australia	82.4	-0.2	81.5	90.0	89.8	62.6	58.1	88.7	87.4	84.1	86.7	89.8	80	90
6	4	Taiwan	78.6	1.5	87.3	72.9	74.5	79.2	91.0	93.7	93.4	60.4	84.3	86.0	60	60
22	5	Malaysia	74.4	-0.3	85.1	70.5	53.2	83.8	84.3	79.4	86.7	73.9	83.6	82.4	60	50
23	6	Japan	74.1	0.8	87.8	75.5	82.0	67.8	57.8	67.5	85.9	79.0	85.1	80.4	60	60
24	7	Korea, South	74.0	0	80.7	63.4	68.9	63.0	86.9	96.7	89.5	55.8	84.4	79.0	60	60
34	8	Kazakhstan	71.1	1.5	60.2	62.8	44.6	93.6	86.7	98.3	76.2	86.2	70.0	74.6	50	50
42	9	Thailand	69.7	0.3	60.0	48.1	45.1	81.5	86.0	96.4	85.3	64.3	74.4	80.0	55	60
56	10	Indonesia	66.9	-0.3	59.4	48.9	39.1	83.7	91.8	90.7	71.3	49.2	79.0	79.2	50	60
57	11	Brunei Darussalam	66.6	0	61.1	62.3	47.5	92.3	67.6	20.0	83.6	90.9	74.7	84.6	65	50
73	12	Philippines	64.1	-0.4	57.0	34.5	40.6	76.8	87.4	94.3	58.2	57.7	68.7	74.2	60	60
78	13	Kyrgyz Republic	63.7	0.8	46.0	23.3	33.7	94.8	63.8	90.6	72.6	79.5	77.5	72.8	60	50
86	14	Mongolia	62.4	6.5	48.1	25.9	37.4	89.9	71.5	91.3	61.9	74.4	73.4	74.6	50	50
87	15	Fiji	62.2	-1.2	60.6	40.4	46.8	86.2	71.1	68.4	61.3	77.2	74.9	55.0	55	50
89	16	Samoa	61.9	-0.2	48.5	28.2	32.7	78.9	71.1	95.2	75.5	80.8	80.0	66.4	55	30
90	17	Vietnam	61.7	2.9	51.3	35.9	38.0	80.3	86.0	82.8	65.2	62.6	69.0	79.0	40	50
97	18	Vanuatu	60.5	-0.2	53.3	34.1	39.5	96.8	61.7	94.9	49.4	54.5	75.5	61.6	65	40
103	19	Papua New Guinea	58.9	0.5	46.1	50.8	32.7	71.5	88.0	82.0	57.4	70.2	72.1	80.4	25	30
107	20	China	58.4	-1.1	62.2	71.5	46.4	72.6	67.6	54.8	80.2	64.9	69.8	71.2	20	20
108	21	Uzbekistan	58.3	1.1	57.8	50.8	30.5	92.4	79.9	98.3	73.5	61.2	60.3	55.4	20	20
109	22	Bhutan	58.3	-3.8	62.6	45.7	55.0	82.2	71.6	70.2	67.3	79.6	74.3	40.8	20	30
115	23	Tonga	57.5	-1.3	48.1	23.3	44.6	84.8	53.7	95.4	70.0	69.9	66.4	73.4	40	20
118	24	Cambodia	57.3	0	39.9	23.2	17.0	89.1	84.3	98.3	30.9	62.6	75.1	66.6	50	50
120	25	Bangladesh	56.5	0.1	38.0	35.4	27.7	84.0	93.8	66.3	55.6	68.8	69.9	63.4	45	30
121	26	India	56.5	0	59.2	55.9	48.1	78.7	78.5	18.0	76.7	41.3	72.1	69.4	40	40
122	27	Solomon Islands	56.5	3.6	46.1	55.9	35.2	66.3	55.3	92.2	58.9	73.8	80.6	68.6	15	30
131	28	Sri Lanka	55.7	-1.7	45.4	46.8	39.5	85.0	88.4	30.1	75.2	59.1	71.6	47.0	40	40
134	29	Tajikistan	55.2	3.0	41.6	48.8	35.2	91.9	68.6	75.1	62.3	46.2	68.5	69.6	25	30
135	30	Burma	55.2	1.2	37.2	19.7	32.7	87.2	87.1	81.9	60.0	64.3	72.5	70.0	30	20
136	31	Maldives	55.2	-1.3	44.1	28.2	39.5	96.5	67.0	35.9	77.9	71.2	77.5	59.8	35	30
141	32	Laos	53.9	-1.6	38.8	37.6	34.5	87.1	86.8	51.1	54.7	59.1	74.5	67.8	35	20
146	33	Afghanistan	53.0	-1.7	30.3	25.7	29.1	91.1	76.1	99.9	53.9	59.9	80.8	68.6	10	10
152	34	Pakistan	51.7	-3.1	44.9	40.7	31.2	73.8	86.0	7.4	60.5	41.2	69.7	64.6	60	40
157	35	Nepal	50.7	-3.5	38.1	34.1	33.8	83.2	73.2	61.8	61.5	53.6	71.6	57.6	10	30
160	36	Micronesia	50.4	-1.6	16.5	23.3	25.0	88.2	0.0	99.3	56.2	74.4	82.1	74.8	35	30
167	37	Turkmenistan	47.4	0.9	27.7	20.0	22.0	92.6	93.2	96.3	30.0	20.0	72.8	74.2	10	10
170	38	Timor-Leste	44.7	-1.2	37.2	15.1	37.4	91.7	0.0	20.0	62.2	53.4	79.7	75.0	45	20

ECONOMIC FREEDOM IN ASIA-PACIFIC

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
171	39	Kiribati	44.4	-0.8	44.8	33.1	27.9	70.7	0.0	98.9	32.0	63.9	82.5	23.8	25	30
178	40	Korea, North	5.2	1.0	27.7	5.0	20.2	0.0	0.0	0.0	5.0	5.0	0.0	0.0	0	0



EUROPE

The European continent stretches from Iceland in the North Atlantic to Ireland and the Normandy beaches of France, then far along the Arctic Circle to the Ural Mountains of Russia and south to the Caspian Basin, the Black Sea, and the Mediterranean. It was from its soil that the ideas of democratic free markets, the rule of law, private property, and the concept of individual freedom were born, but it was also in Europe that the collectivist philosophies of socialism and Communism took root.

Ultimately, the Communist systems of Russia and Eastern Europe collapsed, having proven incapable of generating living standards for their citizens that even remotely approximated those of democratic Western European capitalist countries. The Communist and socialist philosophy, however, lives on under a variety of different names and paradigms, having spread to parts of Asia, Africa, Latin America, and even the United States, and the struggle continues both in those regions and within countries almost everywhere.

Although the authoritarian political impulse continues to manifest itself anew in parts of

Europe, the old economic rivalries of the Cold War have been supplanted by new and often subtle forms of competition that have emerged from technology-driven globalization. The Soviet-era collectivist economic model has morphed into the one-party state corporatism that China is attempting to export to Europe and the rest of the world.

The European Union, far from its humble origins as a mere free trade zone, has evolved into a fledgling and somewhat undemocratic superstate from which one former EU country (the United Kingdom) has now withdrawn. The tension between the quasi-market EU welfare state model championed in Brussels and the more competitive and entrepreneurial systems favored in other EU member economies, particularly among many of the newer EU member states, is likely to persist in the coming years. Again in this year's *Index*, small fast-growing European countries such as Switzerland and Ireland are showing the benefits of staying on the path toward economic freedom.

The European region encompasses nations as diverse as Russia, Ukraine, Switzerland, Iceland, and Greece. Its population-weighted average GDP per capita is the highest in the world (\$38,897 at purchasing power parity), with inflation (3.8 percent) generally under control. However, the European continent has long been plagued by high unemployment rates (7.1 percent) and heavy levels of public debt (60 percent of GDP on average).

Chart 1 shows the distribution of countries in Europe within the five categories of economic freedom. The region boasts two of the world's five truly "free" economies (Switzerland and Ireland).

It is notable that over half of the world's 38 economically freest countries (with overall scores above 70) are in Europe, which is the only one of the five global regions in the *Index* to have a distribution of economies that is skewed toward relatively higher levels of economic

EUROPE: QUICK FACTS

TOTAL POPULATION: 837.3 million

Population-Weighted Averages

GDP PER CAPITA (PPP): \$38,897

1-YEAR GROWTH: 1.7%

5-YEAR AVERAGE ANNUAL GROWTH: 2.1%

INFLATION: 3.8%

UNEMPLOYMENT RATE: 7.1%

PUBLIC DEBT: 60.0% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

 heritage.org



freedom. Most countries in the region fall into the “mostly free” or “moderately free” categories.

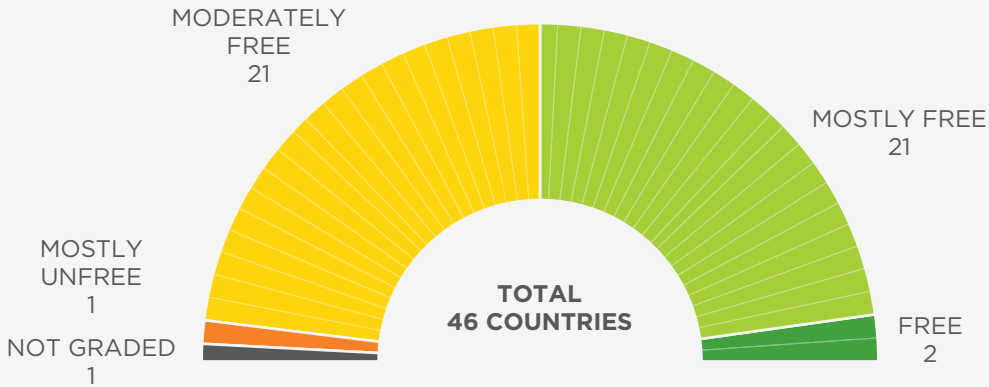
Among European countries, only the Ukrainian economy is rated “mostly unfree” this year. Ukraine, which continues to suffer from political and security turmoil, remains the region’s least economically free economy.

Relatively extensive and long-established free-market institutions in a number of countries allow the region to score far above the world average in most measures of economic freedom. (See Chart 2.) Europe has the world’s highest overall regional score. Its scores on

the three rule-of-law indicators—property rights, judicial effectiveness, and government integrity—as well as fiscal health, trade freedom, investment freedom, and financial freedom are at least 10 points higher than the global averages. The region’s average scores on business freedom, labor freedom, and monetary freedom also exceed the world averages. Tax burden and government spending are the only two of the 12 *Index* indicators on which Europe falls below the world averages.

Nevertheless, Europe still struggles with a variety of policy barriers to vigorous economic

EUROPE: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 1 heritage.org

EUROPE: COMPONENTS OF ECONOMIC FREEDOM

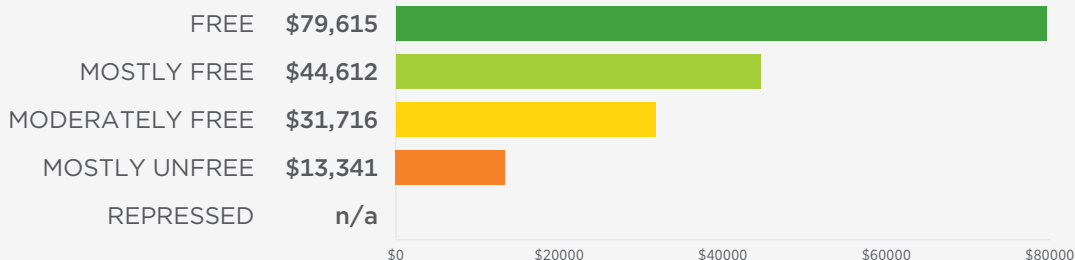
LOWER THAN WORLD AVERAGE ● | WORLD AVERAGE | ● HIGHER THAN WORLD AVERAGE

		AVERAGES		
		Region	World	
OVERALL		70.1	61.6	
RULE OF LAW	Property Rights	71.6	54.3	
	Judicial Effectiveness	60.0	46.6	
	Government Integrity	64.4	46.1	
GOVERNMENT SIZE	Tax Burden	74.2	77.7	
	Government Spending	50.1	67.4	
	Fiscal Health	89.0	72.4	
REGULATORY EFFICIENCY	Business Freedom	73.5	63.7	
	Labor Freedom	61.3	59.6	
	Monetary Freedom	79.0	75.0	
MARKET OPENNESS	Trade Freedom	81.8	70.9	
	Investment Freedom	73.9	56.9	
	Financial Freedom	62.7	48.4	

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 2 heritage.org

EUROPE: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2019.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>; World Bank, "GDP per Capita, PPP (Current International \$)," <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> (accessed December 14, 2020); and the Economist Intelligence Unit.

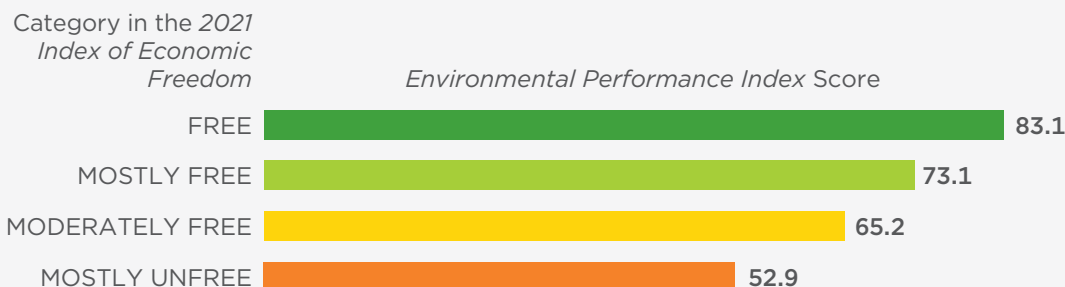
Chart 3 heritage.org

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 generally stagnant economic growth, which has exacerbated the burden of fiscal deficits

and mounting debt in a number of countries in the region.

Chart 3 shows the strongly positive correlation between high levels of economic freedom and high GDP per capita. Western Europe has benefited from substantial internal economic competition over the centuries, which may help

EUROPE: ECONOMIC FREEDOM AND THE ENVIRONMENT



NOTE: Based on the 44 countries in Europe that appear in both indexes.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>, and Yale University, *2020 Environmental Performance Index* (New Haven, CT: Yale University), <https://epi.yale.edu/> (accessed December 14, 2020).

Chart 4 heritage.org

to explain why economic repression there is so rare. In recent years, economic freedom has improved in Serbia, Hungary, and Poland. Some other Central and Eastern European countries, however, were insulated from both internal and external competition for decades under their former Communist regimes and still have not instituted needed reforms. Many post-Communist countries, such as Moldova, Russia, Belarus, and Ukraine, are still to be found at the “less free” end of the distribution.

Among the 45 countries in the European region that are graded in the 2021 *Index*, the scores of 29 have improved, one (Norway) was unchanged, and 15 declined. As shown in Chart 4, around the region, the countries with greater economic freedom tend to maintain cleaner environments and greater protection of ecosystem vitality.

NOTABLE COUNTRIES

- British voters approved departure from the European Union by popular referendum in 2016, and the **United Kingdom** formally left the EU on January 31, 2020. Relations between the U.K. and the EU remain in flux. In December 2019, Prime Minister Boris Johnson led the Conservative Party to its largest electoral victory since 1987. Although it retained its standing in the ranks of the “mostly free,” the U.K. economy lost a little ground in the 2021 *Index*. Nevertheless, there will be ample opportunities for greater economic freedom in the post-Brexit U.K. economy. The U.K. has one of the world’s most efficient business and investment environments. Unshackled from the strictures of the EU bureaucracy, the economy could register substantial improvements in *Index* indicator scores for tax burden, government spending, labor freedom, and trade freedom.
- The economy of **Montenegro** climbed a little higher in the ranks of the “moderately free” in the 2021 *Index*. The generally

pro-Western government has made significant privatizations and adopted the euro despite lack of membership in the euro-zone. It joined NATO in 2017 and is an EU candidate country. High levels of government spending and debt, however, which are hampering the realization of greater economic freedom, would be alleviated by improved public-sector finance. The country also remains beset by corruption, weak rule of law, and a complex and time-consuming regulatory environment.

- **Armenia’s** decades-long occupation of parts of **Azerbaijan’s** territory ended after more than six weeks of heavy fighting in 2020 when the two sides agreed to a Russian-backed peace plan. The Armenian economy strengthened its standing in the “mostly free” category in the 2021 *Index*. To institutionalize higher levels of economic freedom more firmly, the government would have to maintain its focus on improving judicial effectiveness and government integrity. Stronger rule of law would also have a positive impact on investment freedom. The economy of Azerbaijan has also gained economic freedom. The country’s overall score in the 2021 *Index* moved it into the “mostly free” category. To maintain that status, the government will need to build on progress it made this year on the three *Index* rule-of-law indicators: property rights, judicial effectiveness, and government integrity. For both Armenia and Azerbaijan, settlement of their long-running conflict in Nagorno-Karabakh should release significant resources for peaceful development.
- **France’s** economic freedom score declined slightly in the 2021 *Index*, although its longtime “moderately free” ranking remained unchanged. The government has pushed a series of reforms to reduce unemployment, improve the investment climate, and increase competitiveness.

ECONOMIC FREEDOM IN EUROPE

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
4	1	Switzerland	81.9	-0.1	85.4	82.2	87.9	70.4	67.6	96.9	73.6	72.5	85.4	86.0	85	90
5	2	Ireland	81.4	0.5	86.0	72.4	82.0	76.6	81.1	93.1	81.5	76.1	84.4	84.0	90	70
7	3	United Kingdom	78.4	-0.9	87.6	76.7	86.5	64.9	54.8	77.3	94.4	73.2	81.0	84.0	80	80
8	4	Estonia	78.2	0.5	81.8	80.8	86.4	81.0	54.4	99.6	72.7	57.8	79.7	84.0	90	70
10	5	Denmark	77.8	-0.5	86.7	86.9	93.4	43.7	23.1	98.2	88.8	73.8	84.5	84.0	90	80
11	6	Iceland	77.4	0.3	87.0	72.6	90.6	72.4	46.2	97.6	83.6	62.0	79.4	86.8	80	70
12	7	Georgia	77.2	0.1	66.9	59.3	64.6	89.1	76.9	94.9	84.9	76.7	76.7	86.0	80	70
15	8	Lithuania	76.9	0.2	78.9	68.7	74.5	84.6	66.8	97.2	73.1	74.4	80.1	84.0	70	70
16	9	Netherlands	76.8	-0.2	88.9	72.8	90.6	51.7	47.7	95.3	80.5	60.1	80.4	84.0	90	80
17	10	Finland	76.1	0.4	91.9	82.2	97.2	68.0	14.3	91.4	85.8	50.5	83.3	84.0	85	80
18	11	Luxembourg	76.0	0.2	85.7	77.6	92.5	63.4	46.2	99.0	66.1	45.9	76.5	84.0	95	80
21	12	Sweden	74.7	-0.2	86.6	79.1	92.5	43.6	29.5	97.6	83.2	53.9	81.5	84.0	85	80
25	13	Austria	73.9	0.6	86.8	83.5	84.8	45.7	29.1	90.0	72.6	68.4	81.7	84.0	90	70
27	14	Czech Republic	73.8	-1.0	76.2	56.8	64.4	79.1	51.4	98.1	68.8	77.1	79.7	84.0	70	80
28	15	Norway	73.4	0	82.4	86.3	95.8	57.1	25.3	96.6	85.5	57.8	75.4	84.0	75	60
29	16	Germany	72.5	-1.0	78.8	69.8	81.5	60.4	40.3	92.8	82.4	53.0	77.2	84.0	80	70
30	17	Latvia	72.3	0.4	74.7	55.9	47.7	76.7	57.6	96.6	76.5	73.8	79.6	84.0	85	60
32	18	Armenia	71.9	1.3	57.3	55.3	45.0	87.1	81.3	84.3	81.9	74.5	76.9	73.8	75	70
33	19	Cyprus	71.4	1.3	78.5	57.9	65.0	80.2	52.1	82.0	76.1	60.5	85.0	84.0	75	60
35	20	Bulgaria	70.4	0.2	66.2	43.6	46.8	93.9	64.7	99.2	62.9	68.5	85.2	84.0	70	60
36	21	Malta	70.2	0.7	68.2	57.3	55.0	68.6	60.9	96.3	67.6	61.8	77.1	84.0	85	60
37	22	Belgium	70.1	1.2	84.0	70.2	81.3	46.5	18.4	78.7	80.1	61.1	82.0	84.0	85	70
38	23	Azerbaijan	70.1	0.8	67.9	55.8	46.8	88.1	65.2	99.4	80.5	65.9	73.2	68.0	70	60
39	24	Spain	69.9	3.0	76.4	65.4	70.3	61.7	48.1	69.8	66.3	57.9	83.5	84.0	85	70
41	25	Poland	69.7	0.6	63.3	48.9	65.0	73.9	48.1	94.6	61.6	66.1	80.8	84.0	80	70
43	26	Romania	69.5	-0.2	68.8	63.1	54.6	94.3	69.2	78.9	59.7	63.6	77.7	84.0	70	50
46	27	North Macedonia	68.6	-0.9	62.6	40.4	41.9	94.9	71.0	87.8	77.8	65.2	78.7	77.4	65	60
48	28	Slovenia	68.3	0.5	77.3	56.3	68.2	58.2	42.5	91.1	78.8	61.5	81.9	84.0	70	50
52	29	Portugal	67.5	0.5	74.1	68.5	68.2	60.0	42.4	78.2	75.9	44.1	85.0	84.0	70	60
54	30	Serbia	67.2	1.2	57.9	50.6	45.0	92.5	49.6	94.6	71.0	67.3	81.1	77.2	70	50
55	31	Hungary	67.2	0.8	65.6	52.4	48.7	83.6	35.0	83.3	59.9	64.8	78.8	84.0	80	70
58	32	Kosovo	66.5	-0.9	54.5	55.9	46.4	92.6	75.0	90.5	71.2	64.4	75.7	77.2	65	30
61	33	Slovakia	66.3	-0.5	71.5	44.4	48.8	78.4	47.0	93.4	55.6	52.2	74.8	84.0	75	70
64	34	France	65.7	-0.3	82.2	69.2	80.1	50.7	6.3	69.0	80.2	44.8	77.3	84.0	75	70
66	35	Albania	65.2	-1.7	46.1	22.8	40.6	89.0	74.6	86.6	66.1	51.6	82.0	82.8	70	70
68	36	Italy	64.9	1.1	75.7	62.3	63.7	58.1	28.9	73.0	68.1	50.5	84.2	84.0	80	50
76	37	Turkey	64.0	-0.4	61.5	58.6	45.4	73.2	64.5	75.8	68.5	48.8	65.4	76.0	70	60
79	38	Croatia	63.6	1.4	68.4	41.1	51.4	79.0	35.8	89.6	56.2	43.6	78.7	84.0	75	60

ECONOMIC FREEDOM IN EUROPE

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
80	39	Montenegro	63.4	1.9	57.8	56.2	51.0	83.6	35.3	37.2	73.5	78.0	83.4	79.4	75	50
82	40	Bosnia and Herzegovina	62.9	0.3	44.1	33.7	42.4	93.8	49.5	97.1	48.2	67.8	84.1	69.2	65	60
85	41	Moldova	62.5	0.5	60.6	29.9	38.7	94.0	71.0	96.5	66.2	39.2	71.5	76.8	55	50
92	42	Russia	61.5	0.5	54.4	42.4	41.7	93.0	66.1	99.6	84.1	55.4	67.3	74.0	30	30
95	43	Belarus	61.0	-0.7	58.6	40.4	39.8	92.9	55.5	96.5	75.9	75.7	70.2	76.0	30	20
96	44	Greece	60.9	1.0	55.5	53.5	53.6	59.9	34.2	80.0	75.8	49.8	80.0	84.0	55	50
127	45	Ukraine	56.2	1.3	48.5	41.1	37.9	88.7	48.2	87.7	63.5	48.7	65.8	79.2	35	30
N/A	N/A	Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85	80

Unfortunately, even if they were adopted, they would have little impact on the country's very high levels of government spending. Pension reform remains unresolved following months of opposition protests and strikes.

- **Germany** remains the most politically and economically influential nation in the EU. Its robust business environment should continue to attract the private investment needed for continued growth. Nevertheless, the score for the German economy also dropped in the 2021 *Index*, and it remains in the lower reaches of the “mostly free” ranks. Systemically high government spending as well as costly and rigid labor laws have stymied the potential for greater economic freedom. Unfortunately, government spending is likely to increase, not decrease, in the near future.

- After registering a slightly higher score, **Russia's** economy is ranked “moderately free” for the second year in a row. Ongoing Western economic sanctions have led to a brain drain and capital flight, however, and a subservient judiciary, rampant corruption, and links among bureaucrats and organized criminal groups continue to compromise government integrity. Large and corrupt state-owned institutions and an inefficient public sector dominate the economy. Russia's economy depends heavily on exports of oil and gas. In recent years, low oil prices, the financial burden of the Crimea annexation, and efforts to rearm the military have strained public finances.



**MIDDLE EAST
AND
NORTH AFRICA**

MIDDLE EAST AND NORTH AFRICA

Stretching from Morocco’s Atlantic coast across the Nile, Jordan, and Euphrates river valleys to Iranian and Yemeni beaches on the Persian Gulf and the Arabian Sea, the Middle East and North Africa (MENA) region remains at the crux of global politics. Although the countries of the region are successors to some of the world’s most ancient civilizations, relatively few are enjoying the benefits of economic freedom in the 21st century.

The demographic profiles of most of these countries, at once blessed and cursed by enormous mineral resources, tend to be distinguished by extreme concentrations of wealth and poverty. Most worrisome is the region’s ongoing notoriety as the world’s most acute hot spot for economic, political, and security vulnerabilities. This instability is illustrated by the fact that four of the six countries in the 2021 *Index* that cannot be graded or ranked because of the lack of reliable data are in the MENA region.

The region’s population-weighted average GDP per capita is the third highest among the

five *Index* global regions (approximately \$19,231 at purchasing power parity), although it fell substantially this year. Meanwhile, the regional population-weighted average rate of inflation shot up to 13.5 percent. In the past five years, average annual economic growth in the MENA region has softened to 2.4 percent. The region continues to suffer from high levels of unemployment (9.8 percent), particularly among the young, although that rate is unchanged from last year.

Many countries in the region have been grappling for more than a decade with social upheaval or outright conflict growing out of citizens’ demands for more freedom. Unfortunately, the lives of most people have yet to change for the better. This regional policy failure is most palpable in Iran, which registered the largest decline in economic freedom of any country in the region this year. Iran has descended into the lower reaches of the *Index*’s “repressed” category amid the authoritarian government’s ever-intensifying oppression of its citizens. Ironically, the Iranian regime’s most fervent regional political opponents—in Saudi Arabia and other Arab states—recorded sometimes sharply higher economic freedom scores in 2021.

While scores increased in only one of the region’s three economic freedom leaders (the United Arab Emirates), the region’s overall score improved, and eight of the 14 graded countries registered score increases. The grading of economic freedom for Iraq, Syria, Libya, and Yemen remains suspended because of ongoing violence and unrest.

Chart 1 shows the distribution of countries in the MENA region according to the five categories of economic freedom measured by the *Index*. The region has no economically “free” countries, and the United Arab Emirates, Israel, and Qatar are its only “mostly free” economies. The majority of the 14 countries in the region

MIDDLE EAST/NORTH AFRICA: QUICK FACTS

TOTAL POPULATION: 450.5 million

Population-Weighted Averages

GDP PER CAPITA (PPP): \$19,231

1-YEAR GROWTH: 0.3%

5-YEAR AVERAGE ANNUAL GROWTH: 2.4%

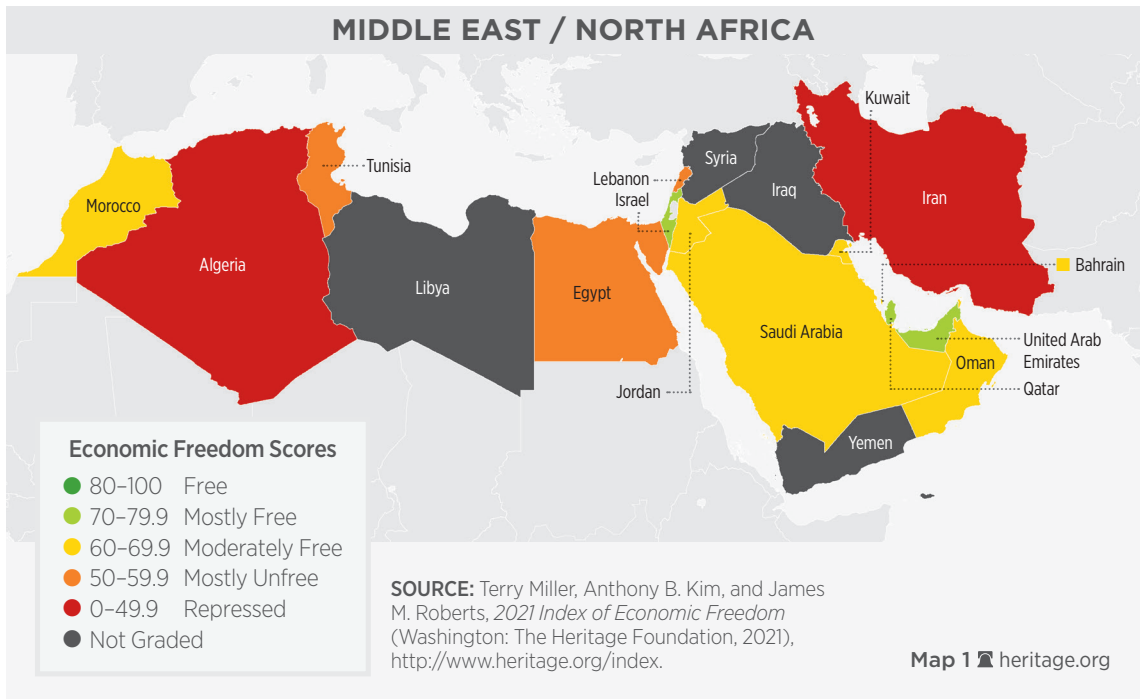
INFLATION: 13.5%

UNEMPLOYMENT RATE: 9.8%

PUBLIC DEBT: 57.4% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

 heritage.org



that are graded in the *Index* fall into the “moderately free” or “mostly unfree” categories, with Iran and Algeria categorized as “repressed.”

Structural and institutional problems abound, and private-sector growth in the region still lags far behind levels needed to provide enough job creation for proliferating populations. Despite exports of crude oil for energy generation, the region’s overall trade flows remain very low, reflecting a lack of economic dynamism and vitality. The MENA region’s lack of economic opportunities remains a serious problem, particularly for the younger working-age population whose average unemployment rate is nearly 30 percent. Social upheaval is the predictable result.

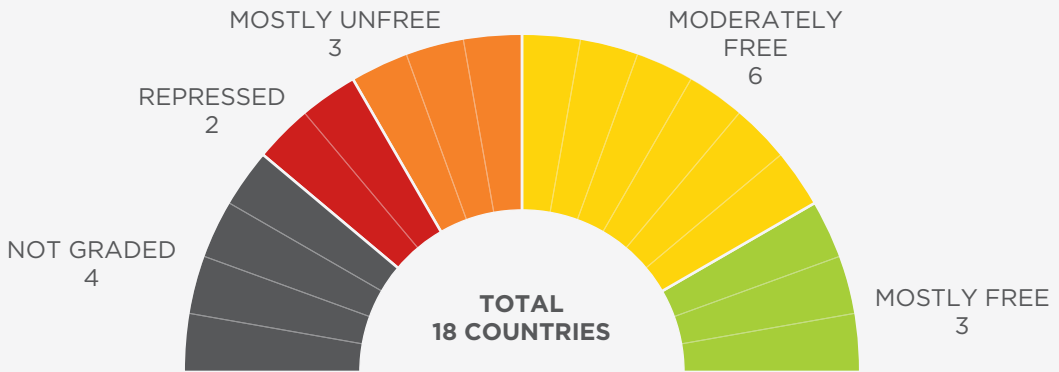
There is one *Index* indicator in which the MENA region remains the clear global leader: tax burden. (See Chart 2.) The region’s tax burden score beat the world average by more than eight points in 2021, a level reached because of the low income tax rates typical in the oil kingdoms. The region also scores above the world average in all three indicators related to the rule of law and in business freedom, monetary freedom, trade freedom, and financial freedom.

The MENA region is endowed with the world’s highest concentration of oil reserves, but that does not automatically translate into high levels of economic freedom. Even so, the positive relationship between high levels of economic freedom and high GDP per capita still holds true in the region, as illustrated by Chart 3. The ongoing transformation of relatively economically advanced and “mostly free” states such as the United Arab Emirates, Qatar, and Israel may yet show the way to broader-based economic growth, more political stability, and greater economic freedom in this region.

In the 2021 *Index*, the scores of eight countries in the MENA region improved, and the scores of five other graded countries declined, with one remaining unchanged. As shown in Chart 4, greater economic freedom is also strongly correlated across the region with overall human development as measured by the United Nations *Human Development Index*, which measures life expectancy, literacy, education, and standard of living.

The results of the 2021 *Index* reflect that the region’s underlying political and economic architecture, dominated by authoritarian

MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 1 heritage.org

MIDDLE EAST/NORTH AFRICA: COMPONENTS OF ECONOMIC FREEDOM

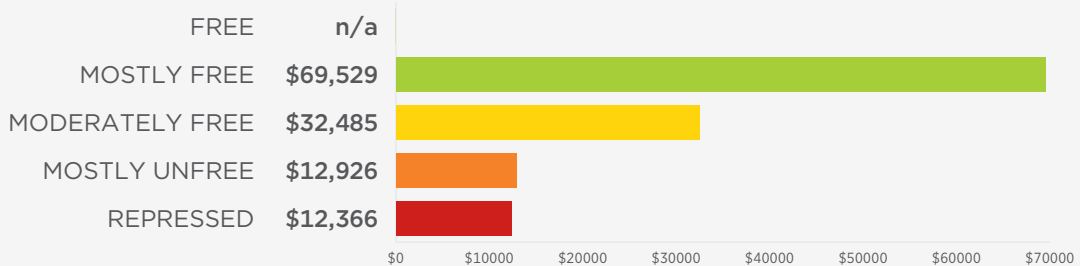
LOWER THAN WORLD AVERAGE ● | WORLD AVERAGE | ● HIGHER THAN WORLD AVERAGE

		AVERAGES			
		Region	World		
OVERALL		62.6	61.6		●
RULE OF LAW	Property Rights	60.5	54.3		●
	Judicial Effectiveness	56.5	46.6		●
	Government Integrity	49.3	46.1		●
GOVERNMENT SIZE	Tax Burden	85.8	77.7		
	Government Spending	63.8	67.4	●	
	Fiscal Health	51.4	72.4		●
REGULATORY EFFICIENCY	Business Freedom	69.5	63.7		●
	Labor Freedom	57.6	59.6	●	
	Monetary Freedom	76.8	75.0		
MARKET OPENNESS	Trade Freedom	72.7	70.9		
	Investment Freedom	53.9	56.9	●	
	Financial Freedom	52.9	48.4		●

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 2 heritage.org

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



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2019.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>; World Bank, “GDP per Capita, PPP (Current International \$),” <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> (accessed December 14, 2020); and the Economist Intelligence Unit.

Chart 3  heritage.org

governments, continues to repress economic freedom a decade after the exhilarating promises of the Arab Spring. Costly subsidies to quell social and political unrest are still being funded by too many of the region’s governments, even at the cost of heavy and unsustainable budget deficits.

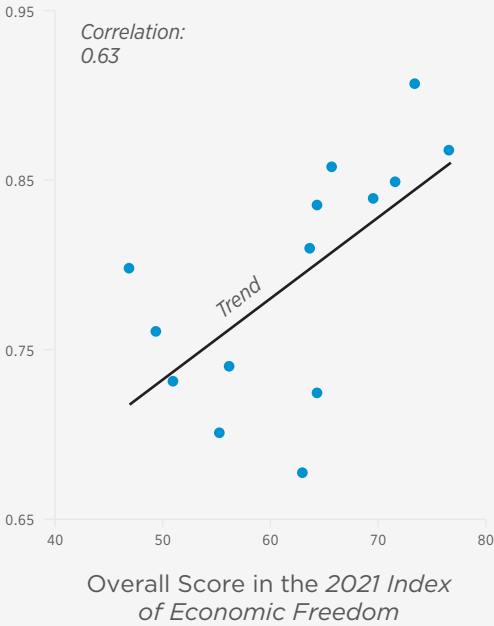
NOTABLE COUNTRIES

- **Israel’s** economic freedom score dipped slightly in the 2021 *Index*, although the economy remained among the ranks of the “mostly free.” In the years since the inception of the *Index* in 1995, government spending has been the indicator that has consistently hindered greater economic freedom in Israel. Spending cuts and other fiscal restraints would go a long way toward further liberating the private sector and encouraging even greater private investment. The economic competitiveness of the “Start-up Nation” has long been anchored in strong protection of property rights, efficient coordination of regulatory processes, and a sound judicial framework that sustains the rule of law. The achievement of more peaceful relations with some of Israel’s neighbors through the signing of the Abraham Accords in 2020 can only work to strengthen the Israeli economy’s attractiveness and dynamism.
- One of the region’s most improved countries this year is **Bahrain**, where economic freedom has rebounded. The country is now poised to make it back into the ranks of the “mostly free.” The principal obstacle facing the Bahraini economy is its massive debt. The *Index’s* fiscal health indicator score for Bahrain is one of the lowest in the world.
- A decade-long slide ended in 2018, and **Algeria’s** economic freedom has been on an upward trend since then. It remains repressed but is very close to the threshold for a higher ranking. To put the country solidly on the path to greater economic freedom, the government must strengthen the judicial system and other rule-of-law institutions. Greater openness and increased financial freedom would improve the investment climate.

MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM AND HUMAN DEVELOPMENT

Each circle represents a nation in the
Index of Economic Freedom

Human Development Index Score



NOTE: Based on the 14 countries in Middle East/North Africa that appear in both indexes.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>, and United Nations Development Programme, *Human Development Report 2019*, <http://hdr.undp.org/sites/default/files/hdr2019.pdf> (accessed December 14, 2020).

Chart 4  heritage.org

- Economic freedom in **Egypt** was also higher in the 2021 *Index*, for the second year in a row. To maintain that momentum, and eventually escape the “mostly unfree” category in which it has been mired for over two decades, the government will need to focus on policy reforms to reduce public debt and upgrade institutional performance to strengthen the three rule-of-law indicators: property rights, judicial effectiveness, and government integrity.
- **Saudi Arabia’s** economic freedom rank and score increased markedly in the 2021 *Index* for the third year in a row. Although the Saudi economy remains in the “moderately free” category where it has been ranked for most of the past two decades, the government has greatly improved the kingdom’s fiscal health. It has a long way to go, however, to get excessive overspending and debt under control. Further liberalization of the investment regime and toughening of anticorruption efforts are also needed to increase economic freedom and diversify the economy.
- The **Jordanian** economy suffered another drop in overall score in the 2021 *Index* and remains ranked in the “moderately free” category. The biggest obstacles to greater economic freedom are poor fiscal health and relatively low scores for regulatory efficiency in the areas of business freedom and labor freedom. Regrettably, the budget deficit widened in 2020 as the government put efforts to consolidate public finances on the back burner.

ECONOMIC FREEDOM IN MIDDLE EAST/NORTH AFRICA

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
14	1	United Arab Emirates	76.9	0.7	80.8	81.1	66.0	100.0	73.0	98.5	80.0	81.6	80.6	81.4	40	60
26	2	Israel	73.8	-0.2	83.6	79.8	76.8	60.0	53.8	79.2	73.9	65.1	84.4	84.2	75	70
31	3	Qatar	72.0	-0.3	68.3	58.0	54.0	97.9	69.2	94.5	74.0	65.9	80.7	81.4	60	60
40	4	Bahrain	69.9	3.6	71.5	65.8	64.4	100.0	67.1	0.0	76.7	71.4	82.8	83.6	75	80
63	5	Saudi Arabia	66.0	3.6	68.7	76.7	53.2	99.1	62.9	31.0	83.5	63.3	82.3	75.8	45	50
69	6	Jordan	64.6	-1.4	66.2	60.3	51.0	84.7	73.3	45.5	58.9	52.8	82.0	71.0	70	60
71	7	Oman	64.6	1.0	68.7	66.3	66.0	97.7	39.2	12.2	79.2	61.0	85.8	73.6	65	60
74	8	Kuwait	64.1	0.9	57.4	52.6	47.5	97.7	21.4	99.7	66.0	62.2	73.6	75.8	55	60
81	9	Morocco	63.3	0	67.5	51.2	39.9	68.3	73.0	68.5	72.3	33.2	80.3	70.6	65	70
119	10	Tunisia	56.6	0.8	53.9	41.9	42.0	71.7	71.1	53.0	80.7	49.7	73.6	66.8	45	30
130	11	Egypt	55.7	1.7	51.2	54.0	37.0	86.9	73.1	6.0	62.7	51.4	64.3	67.0	65	50
154	12	Lebanon	51.4	-0.3	42.3	33.1	27.9	88.5	70.3	0.0	44.3	47.4	78.3	74.4	60	50
162	13	Algeria	49.7	2.8	34.0	41.6	32.7	67.2	55.4	49.1	63.5	51.3	84.3	57.4	30	30
168	14	Iran	47.2	-2.0	33.5	28.3	31.8	80.8	90.1	82.8	57.1	50.1	42.1	54.2	5	10
N/A	N/A	Iraq	N/A	N/A	44.8	11.0	22.0	N/A	65.3	94.7	51.7	45.6	77.0	N/A	N/A	N/A
N/A	N/A	Libya	N/A	N/A	16.5	19.7	21.0	N/A	0.0	19.9	38.4	55.3	69.7	N/A	5	N/A
N/A	N/A	Syria	N/A	N/A	42.5	19.7	25.9	N/A	N/A	N/A	49.7	57.8	60.6	47.0	0	N/A
N/A	N/A	Yemen	N/A	N/A	16.5	19.7	17.0	N/A	95.6	48.9	46.1	57.7	54.6	67.4	N/A	N/A



**SUB-SAHARAN
AFRICA**

SUB-SAHARAN AFRICA

The Sub-Saharan region of Africa spans most of the world's second-largest continent, traversing thousands of miles southward from the vast Sahara Desert to South Africa's Cape of Good Hope and stretching from the Indian Ocean beaches of Mozambique to the North Atlantic coast of Senegal and Mauritania. In the 2021 *Index*, the scores for the 47 countries in the region that were graded remain in the lower categories of economic freedom. Nevertheless, the region's overall economic freedom climbed again this year. When combined with stable economic growth, that steady performance could permit nations in the region to make the additional but politically painful institutional reforms that are needed to ensure long-term economic development.

As it stands, however, the region's continuing underperformance reflects repeated failures to implement policy changes to improve the business and investment climate and strengthen the rule of law. The economic opportunities missed because of corruption and conflict represent a special tragedy for the

region's huge population of young people, who lose developmental ground that is increasingly difficult to make up as such conditions persist.

Successful efforts at structural reform have been rare, and the modernization of infrastructure and institutions lags severely throughout most of Sub-Saharan Africa. Many countries in the region are overly dependent on exports of agricultural and mineral commodities that contribute little to sustained increases in productivity and broad-based job creation, and few have made any sustained progress toward economic diversification. The result is a deeply ingrained pattern of suboptimal and uneven growth that leaves a substantial portion of the population in many countries living at or near subsistence levels.

The population-weighted average GDP per capita for the region is the lowest for any of the five global regions in the 2021 *Index* (just \$3,998 at purchasing power parity). Unemployment rose a bit this year to 6.5 percent, and inflation is high at 8.6 percent. At 3.9 percent, Sub-Saharan Africa's five-year average rate of economic growth is second only to that of the Asia-Pacific region, but economic development remains limited by underemployment and the region's large informal sectors.

Chart 1 shows the distribution of countries in the Sub-Saharan African region by level of economic freedom. Unlike regions that benefit from a diverse range of competitive and innovative free-market economies, the distinctions among economies in Sub-Saharan Africa are defined primarily by the countries' relative lack of economic freedom. There is not a single "free" economy in the region. Only Mauritius is counted in the ranks of the "mostly free," and another seven countries are considered to have "moderately free" economies, but a clear majority of the 47 nations graded in the 2021 *Index* are ranked either "mostly unfree" or "repressed." In fact, eight of the world's 18 "repressed" economies—close to half—are in Sub-Saharan Africa.

SUB-SAHARAN AFRICA: QUICK FACTS

TOTAL POPULATION: 1.02 billion

Population-Weighted Averages

GDP PER CAPITA (PPP): \$3,998

1-YEAR GROWTH: 3.8%

5-YEAR AVERAGE ANNUAL GROWTH: 3.9%

INFLATION: 8.6%*

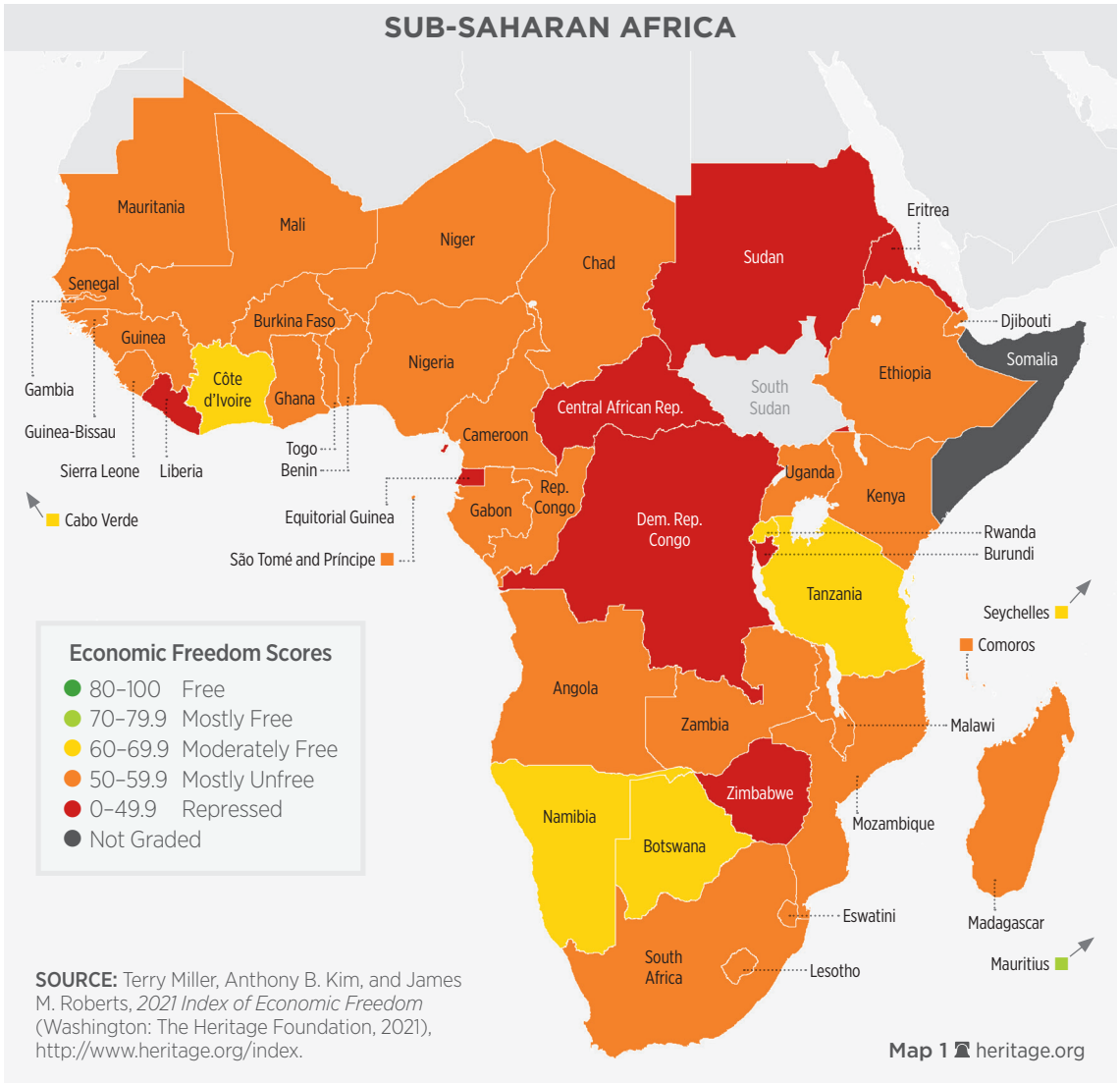
UNEMPLOYMENT RATE: 6.5%**

PUBLIC DEBT: 54.1% of GDP

* Excludes Zimbabwe ** Excludes Seychelles

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

 heritage.org



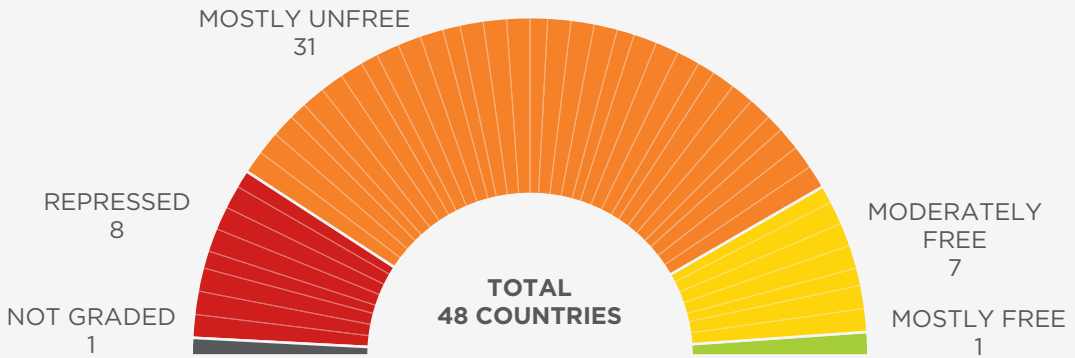
As shown in Chart 2, the only one of the 12 indicators in which the region scores higher than the world average is government spending. That is a hollow victory, however, because the score signals the inability of inadequately resourced governments in the region to perform the complicated tasks required to manage 21st century economies more than it does any particular efforts at spending restraint.

Another irony emerges from the region’s relatively positive average tax burden score, which reflects the ineffective or corrupt administration of existing tax laws rather than any particular restraint in the desire to extract revenue

from the population. Because labor freedom is restricted in the formal labor markets, there is significant unreported informal economic activity in which workers enjoy no protections whatsoever. The 2021 *Index* scores also document the region’s continuing lack of progress in improving the rule of law, regulatory efficiency, and open markets, thereby providing additional metrics that confirm how the region continues to lag behind the rest of the world.

Overall, the depressing landscape painted by the numbers in Chart 2 depicts a region dominated by dozens of nations with uneven economic playing fields that are further

SUB-SAHARAN AFRICA: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 1 heritage.org

SUB-SAHARAN AFRICA: COMPONENTS OF ECONOMIC FREEDOM

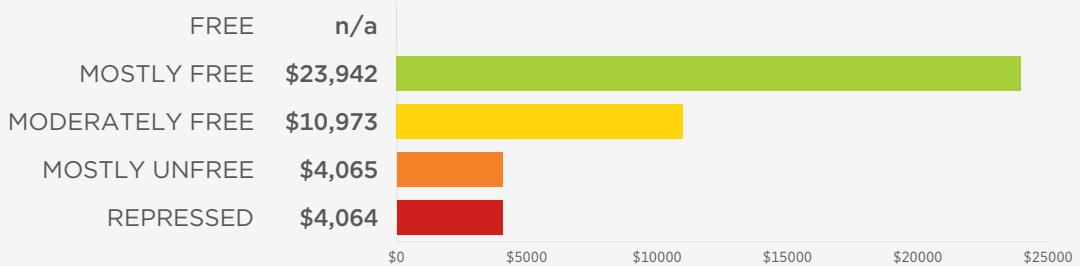
LOWER THAN WORLD AVERAGE ● | WORLD AVERAGE | ● HIGHER THAN WORLD AVERAGE

		AVERAGES			
		Region	World		
OVERALL		55.7	61.6	●	
RULE OF LAW	Property Rights	40.3	54.3	●	
	Judicial Effectiveness	36.7	46.6	●	
	Government Integrity	30.9	46.1	●	
GOVERNMENT SIZE	Tax Burden	76.4	77.7	●	
	Government Spending	81.6	67.4	●	
	Fiscal Health	68.1	72.4	●	
REGULATORY EFFICIENCY	Business Freedom	52.2	63.7	●	
	Labor Freedom	56.0	59.6	●	
	Monetary Freedom	72.3	75.0	●	
MARKET OPENNESS	Trade Freedom	63.5	70.9	●	
	Investment Freedom	50.6	56.9	●	
	Financial Freedom	39.6	48.4	●	

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>.

Chart 2 heritage.org

SUB-SAHARAN AFRICA: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2019.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>; World Bank, “GDP per Capita, PPP (Current International \$),” <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD> (accessed December 14, 2020); and the Economist Intelligence Unit.

Chart 3 heritage.org

pockmarked by weak rule of law, inadequate protection of property rights, cronyism, and endemic corruption. The region’s scores on property rights, government integrity, and business freedom are all lower than world averages by 10 points or more.

The message of Chart 2 to the vast majority of citizens of Sub-Saharan Africa who lack political connections is that their prospects for a brighter future are severely limited absent improvements in economic freedom.

Although Chart 3 confirms that the strong relationship between high levels of economic freedom and high GDP per capita holds true even in Sub-Saharan Africa, the region’s deep economic distortions are also evident in the counterintuitively high average per capita GDP in the “repressed” category. That is because the high GDP of the small, profoundly repressive, and corrupt but oil-rich nation of Equatorial Guinea perversely skews upward the average GDP per capita for the region’s least economically free countries.

The scores of 26 countries in the Sub-Saharan Africa region improved, two were unchanged, and 19 declined in the 2021 *Index*, which resulted in a small 0.6 point increase in

the region’s overall economic freedom average score, although it remains in the “mostly un-free” category.

Perhaps the most tragic consequence of the dearth of economic freedom in Sub-Saharan Africa is its correlation (shown in Chart 4) 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 many other challenges in the region—is more economic freedom.

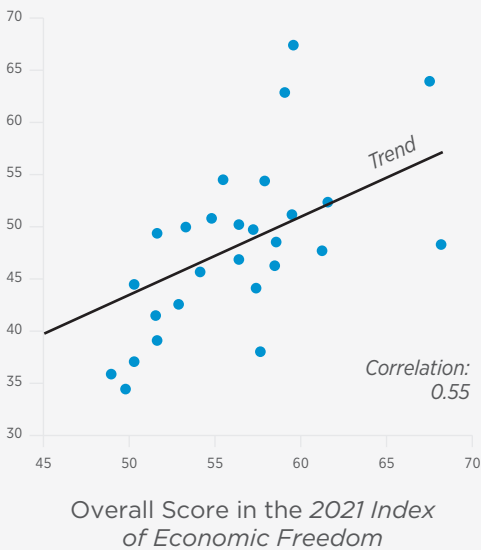
NOTABLE COUNTRIES

- **Mauritius** remained Sub-Saharan Africa’s most economically free nation in the 2021 *Index* and is the only one of the region’s 47 graded countries in the “mostly free” category this year. Mauritius has undergone a remarkable economic transformation from a low-income, agriculturally based economy to a diversified, upper-middle-income country that has attracted

SUB-SAHARAN AFRICA: ECONOMIC FREEDOM AND FOOD SECURITY

Each circle represents a nation in the
Index of Economic Freedom

Global Food Security Index Score



NOTE: Based on the 28 countries in Sub-Saharan Africa that appear in both indexes.

SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), <http://www.heritage.org/index>, and The Economist Intelligence Unit, *Global Food Security Index 2019*, <http://foodsecurityindex.eiu.com/> (accessed December 14, 2020).

Chart 4 heritage.org

considerable foreign investment and has one of the region's highest per capita GDPs. To make the last leap into the highest, “free” category, the government will need to redouble its efforts to correct its ongoing deficit in government integrity, which persists at a troubling level that is more typical of countries that are ranked much lower overall in economic freedom.

- The **Republic of the Congo** had the region's most improved overall score in the

2021 *Index*, gaining 8.9 points, just barely enough for the economy to escape from the lowest “repressed” category and join the ranks of the somewhat better “mostly unfree.” Congo is one of Sub-Saharan Africa's largest producers of oil, but it lacks the infrastructure needed to exploit its natural gas reserves and hydropower potential. Although Congo's economy moved up this year, it had been in the ranks of the economically repressed for a quarter of a century. The government remains under pressure from development banks and international donors to pursue economic and financial reforms aimed at achieving greater macroeconomic stability and debt sustainability and improving governance to achieve greater efficiency and transparency in the management of public resources.

- **Benin** reversed a downward slide in economic freedom in the 2021 *Index*, gaining 4.4 points and recording its highest overall score in two decades. Its score put the economy almost in the “moderately free” category, a distinction the country has not enjoyed since 2001. One of Africa's largest cotton producers, the former French colony nevertheless remains underdeveloped and dependent on subsistence agriculture and regional trade. The biggest barrier to Benin's entry into the ranks of the “moderately free” is the country's weak rule of law. The courts, police, property registries, and other institutions that maintain justice cannot be strengthened while the country accelerates its drift toward autocratic government.
- Economic freedom in **Togo** expanded again in the 2021 *Index*, gaining 3.4 points and moving from 140th to 113th in the rankings. Nevertheless, the economy remains “mostly unfree.” Although heavily dependent on commercial and subsistence agriculture, which employs about 60

ECONOMIC FREEDOM IN SUB-SAHARAN AFRICA

World Rank	Regional Rank	Country	Overall Score	Change from 2020	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
13	1	Mauritius	77.0	2.1	78.4	73.6	55.0	91.6	78.0	73.5	83.7	74.6	77.4	88.0	80	70
47	2	Rwanda	68.3	-2.6	68.7	75.2	59.1	79.5	78.5	78.0	62.3	77.4	80.2	61.2	60	40
51	3	Botswana	67.6	-2.0	58.6	50.8	48.8	87.4	68.2	74.8	68.4	68.2	74.1	77.4	65	70
60	4	Seychelles	66.3	2.0	65.3	51.6	64.4	76.9	60.9	93.2	67.5	71.3	80.3	79.0	55	30
77	5	Cabo Verde	63.8	0.2	44.5	47.5	48.7	77.9	70.7	69.7	60.6	55.2	83.3	68.0	80	60
83	6	Namibia	62.6	1.7	57.1	63.6	47.4	67.5	57.4	53.7	65.6	85.2	77.2	71.2	65	40
91	7	Côte d'Ivoire	61.7	2.0	42.8	34.9	27.0	77.6	90.4	84.1	60.8	48.9	74.7	73.8	75	50
93	8	Tanzania	61.3	-0.4	41.3	40.2	34.5	80.7	91.8	90.8	45.7	67.7	72.9	64.4	55	50
99	9	South Africa	59.7	0.9	59.6	57.1	50.6	63.9	65.9	53.4	61.5	59.4	76.8	72.6	45	50
100	10	Benin	59.6	4.4	42.5	37.0	32.2	68.4	92.0	86.3	54.6	58.5	83.7	60.4	50	50
101	11	Ghana	59.2	-0.2	49.3	38.2	32.3	82.8	87.8	31.7	62.9	60.9	71.7	62.4	70	60
104	12	Gambia	58.8	2.5	41.8	44.3	35.2	76.9	84.1	54.5	56.0	67.4	63.2	66.6	65	50
105	13	Nigeria	58.7	1.5	36.8	38.7	23.5	84.9	95.3	59.9	60.0	84.4	68.0	68.4	45	40
106	14	Uganda	58.6	-0.9	44.8	36.5	25.0	73.2	91.6	63.2	44.9	83.2	78.9	67.4	55	40
110	15	Gabon	58.1	1.4	24.2	25.5	36.4	77.7	90.8	93.7	54.7	52.9	84.5	56.8	60	40
111	16	Senegal	58.0	0	50.3	37.8	43.6	72.4	84.2	72.2	53.5	36.6	79.0	66.4	60	40
112	17	Madagascar	57.7	-2.8	33.7	25.7	20.2	90.6	93.4	92.9	46.5	44.7	73.7	65.4	55	50
113	18	Togo	57.5	3.4	44.5	28.2	32.2	68.0	84.8	89.9	60.6	47.1	79.7	65.4	60	30
117	19	Niger	57.3	2.6	38.8	45.7	31.8	77.1	87.1	76.2	52.5	47.4	75.3	61.0	55	40
123	20	Guinea	56.5	0	32.2	33.4	22.0	69.7	92.5	95.3	47.1	58.6	70.5	66.4	50	40
124	21	Burkina Faso	56.5	-0.2	45.1	36.6	34.5	80.9	81.9	60.8	44.8	52.2	74.7	61.0	65	40
126	22	Djibouti	56.2	3.3	42.8	28.2	27.9	79.6	80.4	79.4	63.3	49.4	70.4	43.2	60	50
128	23	Mauritania	56.1	0.8	26.0	23.9	21.0	74.3	88.4	93.3	59.1	52.8	80.0	63.8	50	40
129	24	São Tomé and Príncipe	55.9	-0.3	36.8	23.3	39.5	88.4	79.7	74.6	62.8	43.2	67.0	65.2	60	30
132	25	Comoros	55.7	2.0	34.0	28.2	23.6	63.5	91.6	97.3	48.5	60.4	79.7	66.2	45	30
133	26	Mali	55.6	-0.3	34.5	21.2	23.6	69.0	85.3	81.3	46.5	53.5	83.7	64.0	65	40
137	27	Eswatini	55.1	-0.2	48.5	46.1	36.4	78.7	64.3	16.4	61.5	69.5	78.2	71.4	50	40
138	28	Kenya	54.9	-0.4	60.4	41.5	29.5	78.7	80.2	12.6	56.7	57.1	75.4	62.2	55	50
139	29	Guinea-Bissau	54.9	1.6	39.5	50.8	20.2	88.7	88.7	69.6	37.9	61.0	86.7	55.8	30	30
140	30	Angola	54.2	2.0	30.3	22.8	20.4	87.3	86.9	77.9	56.9	59.6	67.5	70.2	30	40
142	31	Lesotho	53.5	-1.0	41.6	60.5	32.2	71.5	22.2	67.2	55.3	58.8	75.8	62.2	55	40
144	32	Cameroon	53.4	-0.2	38.3	27.2	21.0	74.8	89.0	79.9	43.9	49.9	81.2	55.2	30	50
145	33	Malawi	53.0	0.2	46.1	42.1	26.8	79.0	72.3	25.4	42.1	63.6	70.5	68.2	50	50
150	34	Sierra Leone	51.7	3.7	42.3	45.7	30.5	86.7	85.9	39.7	49.6	30.1	65.1	64.6	60	20
151	35	Ethiopia	51.7	-1.9	23.2	33.8	31.5	78.2	91.9	79.6	47.5	57.4	60.6	61.4	35	20
153	36	Mozambique	51.6	1.1	29.5	26.9	23.8	74.8	71.4	62.3	55.2	42.0	77.1	70.8	35	50
156	37	Congo, Rep.	50.7	8.9	32.2	25.7	23.5	80.4	84.0	81.8	36.6	36.6	86.5	56.4	35	30
158	38	Chad	50.4	0.2	27.7	25.0	21.0	44.6	93.9	96.1	25.3	42.9	76.7	52.0	60	40

ECONOMIC FREEDOM IN SUB-SAHARAN AFRICA

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159	39	Zambia	50.4	-3.1	37.2	26.2	30.5	71.1	78.5	5.3	66.1	45.6	71.2	68.2	55	50
161	40	Burundi	49.9	0.9	28.0	32.1	27.0	77.1	79.3	32.2	51.8	67.3	74.7	49.8	50	30
163	41	Equatorial Guinea	49.2	0.9	27.8	15.4	17.0	75.2	90.0	96.1	36.4	34.4	79.4	48.8	40	30
164	42	Liberia	49.2	0.2	29.5	40.4	27.0	85.8	68.3	54.3	48.9	41.4	58.5	60.8	55	20
165	43	Congo, Dem. Rep.	49.0	-0.5	23.0	18.2	11.5	71.3	96.0	99.5	53.1	40.2	61.7	63.2	30	20
166	44	Central African Republic	48.8	-1.9	23.2	28.2	22.0	65.3	92.2	95.4	23.3	40.9	74.9	45.2	45	30
173	45	Eritrea	42.3	3.8	24.2	15.4	21.0	74.0	64.3	78.1	17.3	69.6	55.0	69.2	0	20
174	46	Zimbabwe	39.5	-3.6	32.6	32.0	21.3	63.4	89.4	58.8	41.5	44.1	0.0	56.0	25	10
175	47	Sudan	39.1	-5.9	32.6	19.7	20.2	84.9	91.9	0.0	50.8	60.4	39.2	45.0	5	20
N/A	N/A	Somalia	N/A	N/A	27.8	23.3	11.5	N/A	N/A	N/A	31.2	N/A	N/A	N/A	N/A	N/A

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. For the government to achieve its goal of exploiting its geographic advantage to establish the country as a regional financial and logistics hub would require massive economic freedom–friendly changes including reforms in the judicial system and a commitment to tackling the serious and long-standing problem of corruption.

- **South Africa’s** economic freedom score and ranking improved in the 2021 *Index*, but the economy just missed making it back into the “moderately free” category from which it fell in 2019. There is significant political unrest because of corruption, and the government’s continuing consideration of land reform measures that include expropriation without compensation sends disturbing messages to potential investors. To make the jump back

to greater economic freedom, the government would have to prioritize improvements in the judicial system and confront persistent labor market rigidities that trap more than one-third of workers in the informal economy.

- The political situation in **Sudan** remains chaotic, with ongoing protests that began in 2018 after decades of economic mismanagement and corruption had precipitated an economic crisis that featured inflation and food and water shortages. The Sudanese economy has suffered as a result, plunging further in the ranks of the “repressed” in the 2021 *Index* with a score that dropped more than any other in the region. If the interim government can achieve a modicum of political stability, it will need to focus on reforms to address serious shortcomings in fiscal health, investment freedom, and the three critical facets of the rule of law: property rights, judicial effectiveness, and government integrity to spur more rapid economic development.