

ERITREA

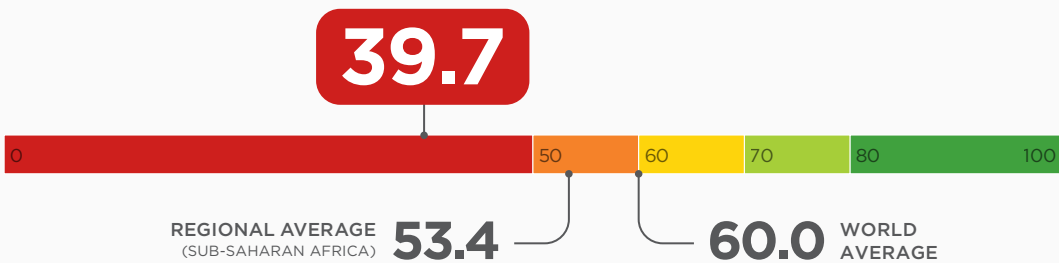
Eritrea's economic freedom score is 39.7, making its economy the 171st freest in the 2022 *Index*. Eritrea is ranked 44th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Over the past five years, Eritrea's economy grew in 2017 and 2018, slowed in 2019, turned negative in 2020, and rebounded in 2021. Economic freedom has suffered over the same period. With punishingly low scores for **business freedom** and rule of law, coupled with the world's lowest **investment freedom** score, Eritrea has recorded a 2.5-point overall loss of economic freedom since 2017 and is near the bottom of the "Repressed" category. Scores for **tax burden**, **government spending**, and **trade freedom** demonstrate some strength, but **judicial effectiveness** and **financial freedom** are among the worst in the world.

IMPACT OF COVID-19: As of December 1, 2021, 60 deaths had been attributed to the pandemic in Eritrea, and the government's response to the crisis ranked 31st among the countries included in this *Index* in terms of its stringency. The economy contracted by 0.6 percent in 2020.

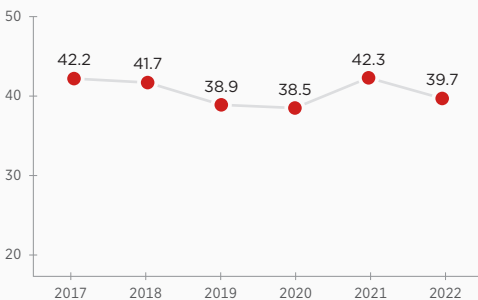
WORLD RANK: **171** | REGIONAL RANK: **44**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +1.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.6 million

GDP (PPP):
\$6.5 billion
-0.6% growth in 2020
5-year compound annual growth 2.7%
\$1,821 per capita

UNEMPLOYMENT:
7.4%

INFLATION (CPI):
4.9%

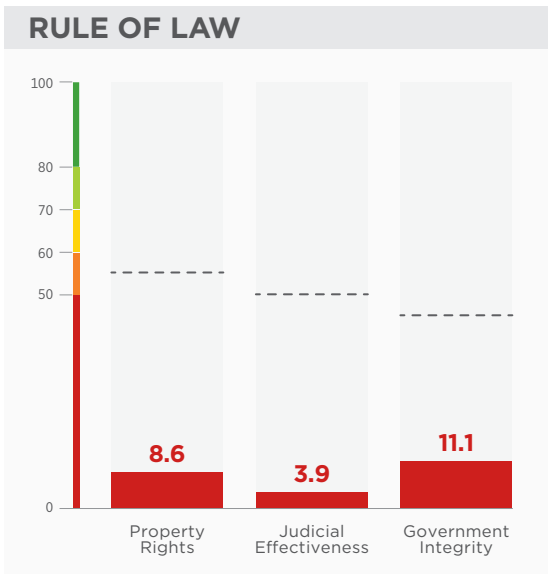
FDI INFLOW:
\$74.0 million

PUBLIC DEBT:
184.7% of GDP

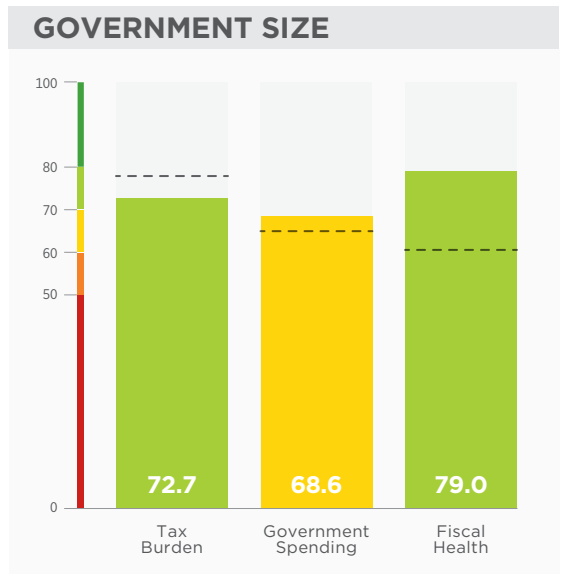
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Ethiopia's annexation of Eritrea in 1962 sparked a violent 30-year struggle for independence that ended in 1991 with Eritrean rebels defeating government forces. The autocratic and repressive rule of Isaias Afewerki has created a rigidly militarized society in which conscription is mandatory and can be for indefinite periods. Eritrea and Ethiopia normalized relations in 2018. Eritrean troops entered northern Ethiopia in support of the Ethiopian government's offensive against a rebel group in 2020 and have been accused of widespread brutality against Ethiopian civilians. The government has expanded military-owned and party-owned businesses in pursuing the president's development agenda. Copper and gold are important exports, but military spending drains resources needed for the construction of public infrastructure.

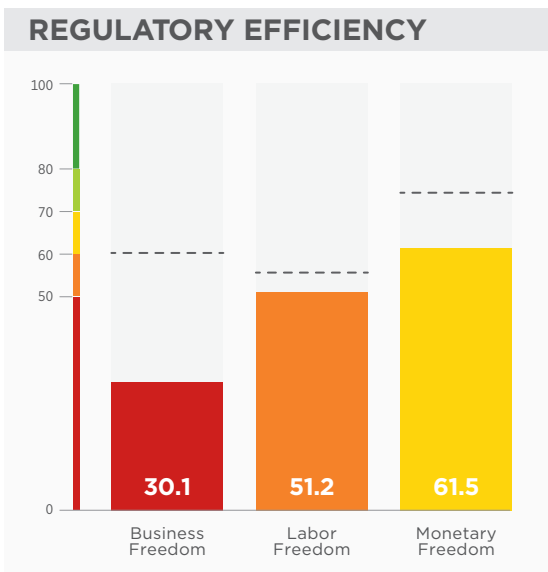
12 ECONOMIC FREEDOMS | ERITREA



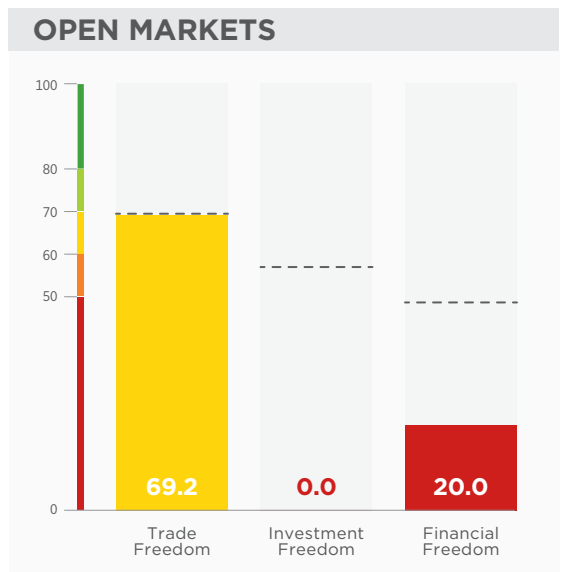
All land is considered state-owned, and property rights are nearly nonexistent in practice. The few private properties that do exist can be expropriated without due process or compensation. The politicized judiciary is understaffed, underfunded, and unprofessional. The autocratic one-party state, widely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



The top individual income tax rate is 30 percent, and the top corporate tax rate is also 30 percent. The overall tax burden equals 30.5 percent of total domestic income. Government spending has amounted to 32.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 184.7 percent of GDP.



The sole political party, the People's Front for Democracy and Justice, controls and runs most commercial enterprises. Any money-making opportunity that exists primarily involves the government. Most citizens are forced to participate in the national service program with indefinite terms of service at very low wages in public-sector positions. Monetary stability is weak, and subsidies and price controls continue to be used widely in the command economy.



Eritrea has one preferential trade agreement in force. The country's most recent publicly available average tariff rate is 5.4 percent, but layers of nontariff barriers severely hamper trade flows. Eritrea is not a member of the World Trade Organization. Onerous regulations, exacerbated by other institutional shortcomings, impede foreign investment flows. High credit costs limit access to financing, and the government controls long-term lending.