

## Chapter 5

# Economic Freedom in Five Regions

James M. Roberts and Anthony B. Kim

**T**he average global economic freedom score is 60.3, according to our 2008 *Index* assessment. In the years since the 1995 *Index*, global economic freedom has improved by 2.6 percentage points and has held steady despite slow progress in the past few years. The varying degrees of commitment to economic

freedom over the past decade in the five major regions of the world have resulted in mixed trends within individual regions' pursuit of greater economic freedom.

This chapter provides snapshots of economic freedom indicators at the aggregated regional level for each of the five geographic regions.

Table I

### 2008 Economic Freedom and Performance by Region

	Average Economic Freedom Score		Population	GDP per Capita (PPP)*	GDP 5-Year Growth Rate*	Unemployment Rate*	Inflation Rate*
	Simple	Weighted*					
Asia-Pacific	58.7	54.4	3,616,976,439	\$6,361	7.6	6.3	5.0
Europe	66.8	63.1	799,629,184	\$20,282	3.9	7.4	5.0
Americas	61.6	67.0	879,292,883	\$20,568	3.0	6.9	4.5
Middle East/N. Africa	58.7	54.4	311,473,781	\$7,508	4.6	13.4	7.7
Sub-Saharan Africa	54.5	55.5	633,132,970	\$2,137	5.0	13.2	29.0
World	60.3	57.4	6,240,505,257	\$9,775	6.1	7.5	7.5

\* Weighted by population.

Sources: World Bank, World Development Indicators Online; Central Intelligence Agency, *The World Factbook 2005*; International Monetary Fund, World Economic Outlook database, April 2006; and Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

## ASIA–PACIFIC

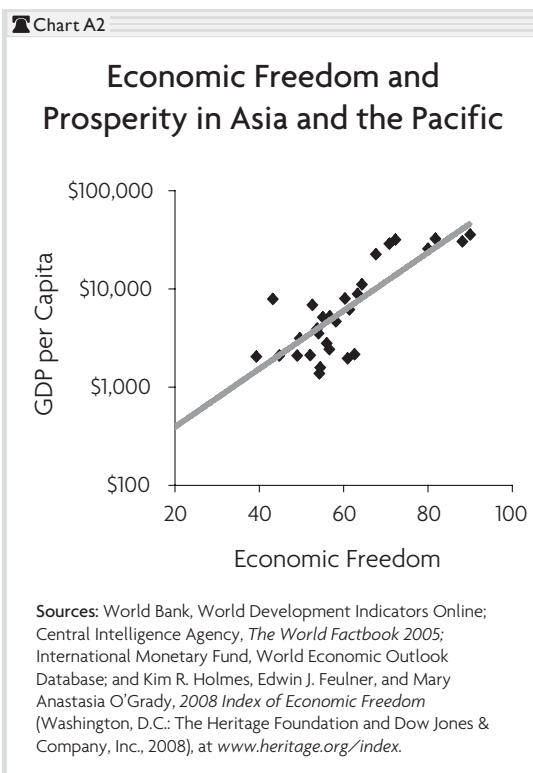
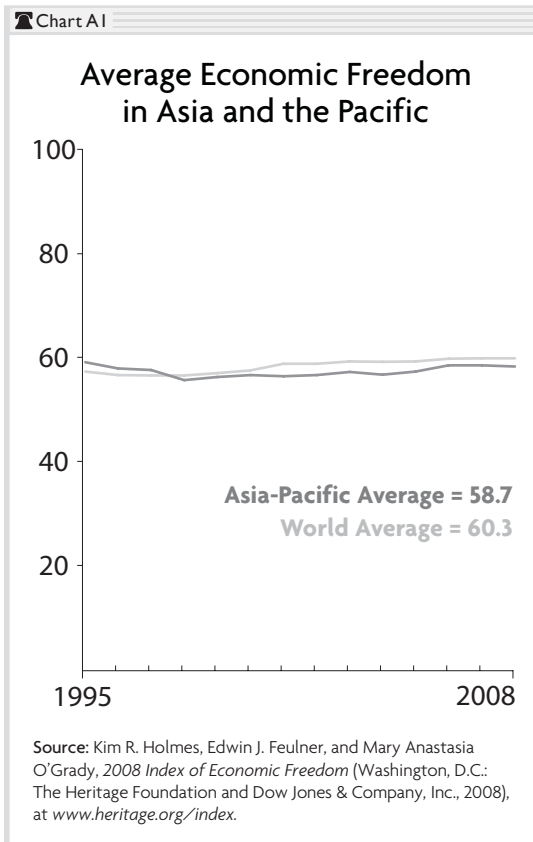
The Asia–Pacific region spans the world’s largest surface area, stretching from Japan and New Zealand in the East to Azerbaijan in the West. With 3.6 billion inhabitants, this region contains over half of the world’s population: one-third in China and nearly another third in India.

Despite having one of the world’s poorest populations—the population-weighted average GDP per capita is \$6,361—the Asia–Pacific region has far and away the fastest five-year per capita growth rate at 7.6 percent. It also has the lowest average unemployment rate (6.3 percent) and one of the lowest average inflation rates (5.0 percent).

Chart A1 compares the 1995–2008 time series of the average economic freedom score for the region to the world average. Chart A2 demonstrates the clear relationship between high levels of economic freedom and high GDP per capita.

In the 2008 *Index*, the scores of 18 countries in the region have improved, while those of 10 are worse. The scores for Laos and North Korea are unchanged. Mongolia is the region’s most improved country. The performance of Tajikistan and Bangladesh registered the most deterioration in the region during the year. What sets Asia apart from other regions? It is the extraordinary disparity in levels of economic freedom. Four of the world’s “Top 10” freest economies—Hong Kong, Singapore, Australia, and New Zealand—are in Asia. Regrettably, however, most countries in the region are ranked “mostly unfree.” Countries such as Turkmenistan, Laos, Bangladesh, and Burma remain “repressed.” North Korea remains the least free economy, both in the region and in the world, scoring poorly on every factor. It has nowhere to go but up—if its political leadership should ever choose to try.

Table A1 ranks the countries in the region from “most free” to “least free” based on their overall freedom scores. It also includes the change from last year’s score, the country’s world rank, and each country’s 2008 scores for each of the 10 economic freedoms. Chart A3 shows the distribution of countries across five



## Economic Freedom Scores for Asia and the Pacific

2008 World Rank	2008 Regional Rank	Country	Economic Freedom 2008	Change from 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
1	1	Hong Kong	90.3	-0.3	88.2	95.0	92.8	93.1	87.2	90	90	90.0	83.0	93.3
2	2	Singapore	87.4	0.2	97.8	90.0	90.3	93.9	88.9	80	50	90.0	94.0	99.0
4	3	Australia	82.0	1.0	89.3	83.8	59.2	62.8	83.7	80	90	90.0	87.0	94.2
6	4	New Zealand	80.2	-0.8	99.9	80.8	60.5	56.0	83.7	70	80	90.0	96.0	85.5
17	5	Japan	72.5	0.3	88.1	80.0	70.3	56.2	94.3	60	50	70.0	76.0	79.8
25	6	Taiwan	71.0	0.8	70.7	86.7	75.9	87.8	83.3	70	50	70.0	59.0	56.9
41	7	Korea, South	67.9	0.7	84.0	66.4	71.1	77.3	80.1	70	60	70.0	51.0	49.0
51	8	Malaysia	64.5	0.1	69.0	76.2	82.2	80.8	78.6	40	40	50.0	50.0	78.7
54	9	Thailand	63.5	-1.3	72.1	75.2	74.7	90.7	66.7	30	50	50.0	36.0	89.6
62	10	Mongolia	62.8	3.0	71.1	81.4	85.0	71.7	78.2	60	60	30.0	28.0	62.4
69	11	Fiji	61.5	0.9	69.7	74.2	74.5	75.3	78.9	30	60	30.0	40.0	82.7
70	12	Kyrgyz Republic	61.1	0.8	60.4	81.4	93.9	76.1	75.6	50	50	30.0	22.0	72.0
76	13	Kazakhstan	60.5	1.4	56.5	86.2	80.1	84.7	71.9	30	60	30.0	26.0	80.0
90	14	Sri Lanka	58.3	-1.0	71.5	69.6	73.5	81.7	65.4	30	40	50.0	31.0	70.5
92	15	Philippines, The	56.9	-0.1	53.0	78.8	75.8	90.2	73.8	30	50	30.0	25.0	61.9
93	16	Pakistan	56.8	-1.7	70.8	65.2	79.1	90.1	72.2	40	30	30.0	22.0	69.1
100	17	Cambodia	56.2	0.1	43.0	52.2	91.4	94.2	80.9	50	50	30.0	21.0	49.1
107	18	Azerbaijan	55.3	0.5	61.6	78.4	80.3	82.9	76.5	30	30	30.0	24.0	59.2
112	19	Nepal	54.7	-0.4	60.0	61.4	86.5	92.0	78.5	30	30	30.0	25.0	53.4
114	20	Tajikistan	54.5	0.7	43.4	77.8	89.3	84.1	65.8	30	40	30.0	22.0	62.1
115	21	India	54.2	0.1	50.0	51.0	75.7	73.5	70.3	40	30	50.0	33.0	68.6
119	22	Indonesia	53.9	-0.1	48.8	73.0	77.5	89.7	68.2	30	40	30.0	24.0	57.5
126	23	China	52.8	1.0	50.0	70.2	66.4	89.7	76.5	30	30	20.0	33.0	62.4
130	24	Uzbekistan	52.3	0.3	67.8	68.4	88.0	68.3	57.5	30	20	30.0	21.0	72.1
135	25	Vietnam	49.8	0.4	60.0	62.8	74.3	78.0	67.4	30	30	10.0	26.0	59.5
137	26	Laos	49.2	-0.0	60.8	57.0	71.0	92.1	73.0	30	20	10.0	26.0	52.3
149	27	Bangladesh	44.9	-3.1	55.3	0.0	84.0	93.2	68.9	20	20	25.0	20.0	62.8
152	28	Turkmenistan	43.4	0.3	30.0	79.2	90.6	85.3	66.4	10	10	10.0	22.0	30.0
153	29	Burma (Myanmar)	39.5	-1.5	20.0	71.0	81.7	97.0	56.5	10	10	10.0	19.0	20.0
157	30	Korea, North	3.0	0.0	0.0	0.0	0.0	0.0	0.0	10	0	10.0	10.0	0.0

Sources: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

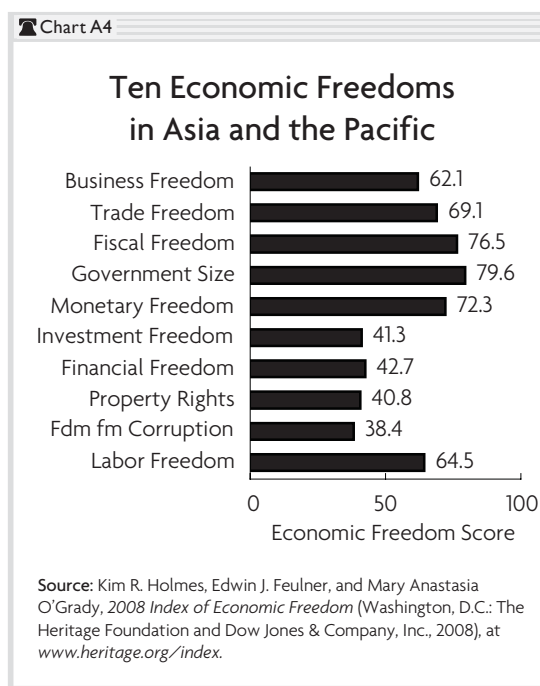
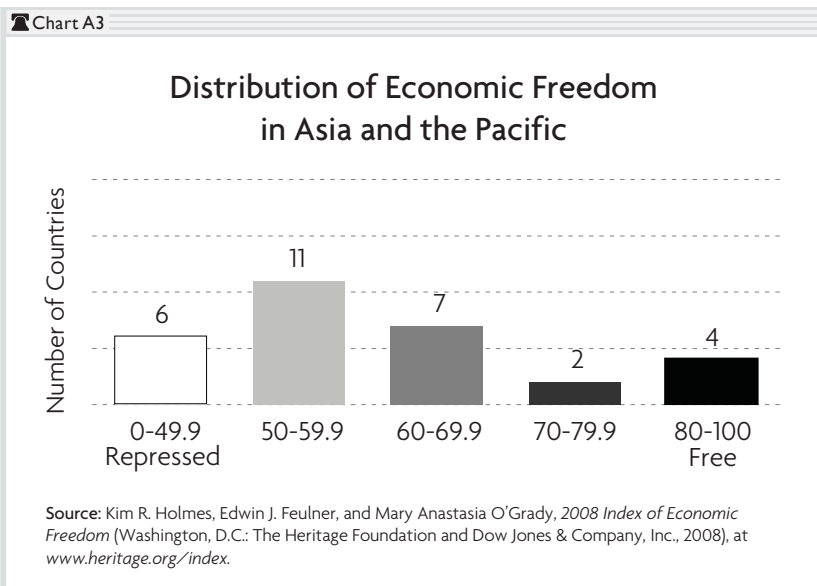
different categories.

India and China are ranked 21st and 23rd, respectively, in the region, and both are categorized as “mostly unfree.” Despite these seemingly low scores, however, there can be no denying that the winds of change are still blowing in Asia, particularly in these two economic leviathans. Notwithstanding very slow progress, it should be noted that economic freedom has been improving gradually in India and China over the years.

Asia-Pacific countries are significantly stronger than the world average in two of the 10 economic freedoms: government size and labor freedom. Lower government expenditures result in a government size score that is more than 10 percentage points better than the world average, whereas labor freedom is about 2 percentage points better.

However, the typical Asian country has notably lower scores in four factors: investment freedom, financial freedom, property rights, and freedom from corruption. This suggests that Asian countries could make the most progress by strengthening their banking and investment institutions, perhaps by enhancing transparency and corporate governance.

Hong Kong is clearly blazing a trail for others to follow. With the top scores in four of the 10 factors, Hong Kong once again becomes the “poster economy” for economic freedom around the world. Singapore is the top country in business freedom and labor freedom, meaning that it is easiest to start, operate, and close a firm there. Singapore also grants private firms the most flexibility in hiring and firing workers. New Zealand sets the standard for clean, corruption-free government, benefiting significantly from its transparent and straightforward business environment.



## EUROPE

Europe served as the testing ground for the two great economic philosophies of the past century and witnessed the collapse of one of them—Communism—which proved unable to generate standards of living even remotely approximating those of capitalist Western Europe. Now that the old Cold War contrast has been eclipsed by a new technology-driven globalization, many of the large economies in Europe that were built on a quasi-market welfare state model are looking for ways to improve their competitiveness as fast-growing small economies like Ireland and Estonia surpass them in economic performance.

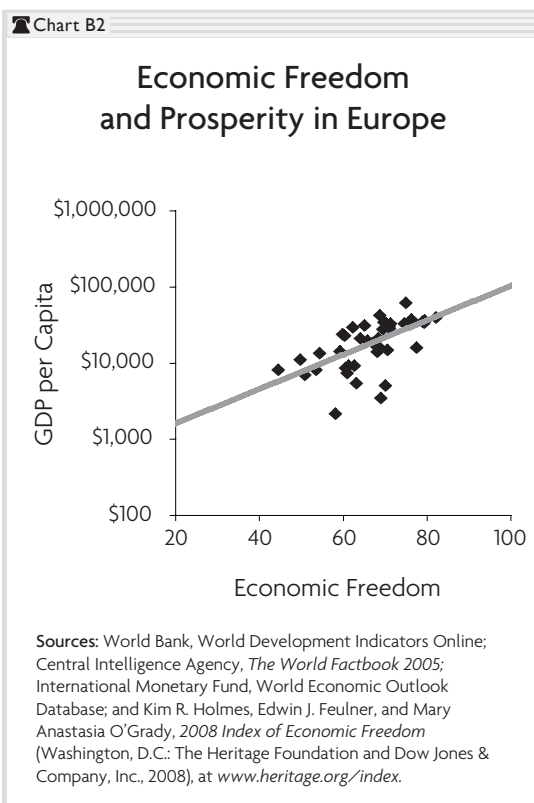
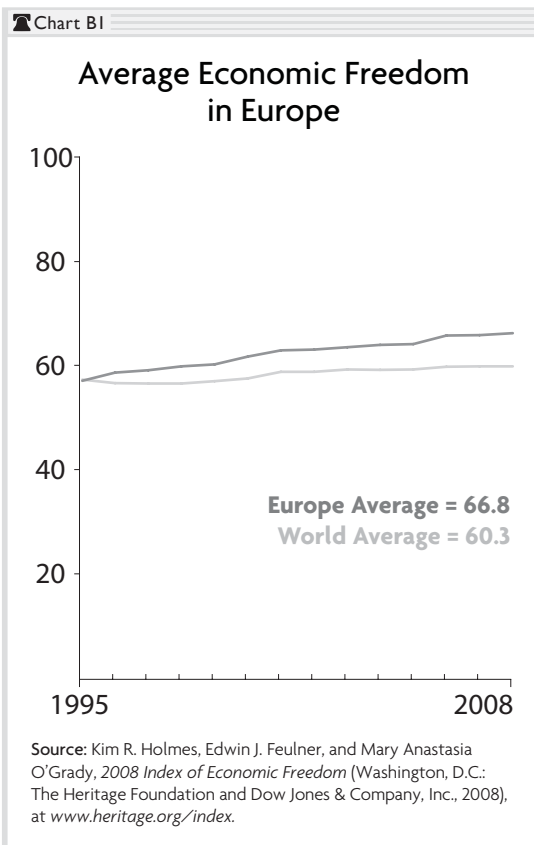
Europe comprises 41 countries, the most of any region. Most people around the world equate Europe with prosperity because the people of most European countries enjoy incomes that average \$20,282 per capita annually.

The European region enjoys moderate growth and inflation but has been plagued by higher unemployment rates than it should naturally endure because the welfare state economic model promoted by some as socially “superior” has failed to generate more employment opportunities year after year. Chart B1 illustrates the 1995–2008 time series of the average economic freedom score for the region, compared to the world average. Chart B2 confirms the clear relationship between high levels of economic freedom and high GDP per capita.

Taken as a whole, the economic picture depicts a region that enjoys prosperity and stability. However, the burdensome labor regulations that are in place to protect traditional sectors and occupations in Europe are plainly hindering both productivity growth and job creation. The lack of governmental freedom, added to distortionary subsidies in many parts of Europe, is also holding down the region’s growth potential.

Table B1 ranks the countries in the region from most free to least free based on their overall freedom scores. Chart B3 shows the distribution of countries across five different categories.

Half of the world’s 20 freest countries are in Europe, which is the only region to have a distribution of economies that is skewed toward



## Economic Freedom Scores for Europe

2008 World Rank	2008 Regional Rank	Country	Economic Freedom 2008	Change from 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
3	1	Ireland	82.4	-0.2	92.2	86.0	71.5	64.5	84.9	90	90	90.0	74.0	80.4
9	2	Switzerland	79.7	1.6	83.9	87.2	68.0	61.6	83.6	70	80	90.0	91.0	82.0
10	3	United Kingdom	79.5	-0.5	90.8	86.0	61.2	40.1	80.7	90	90	90.0	86.0	80.7
11	4	Denmark	79.2	2.2	99.9	86.0	35.0	19.8	86.5	90	90	90.0	95.0	99.9
12	5	Estonia	77.8	-0.2	84.5	86.0	86.0	62.0	82.0	90	80	90.0	67.0	50.3
13	6	Netherlands, The	76.8	1.9	88.0	86.0	51.6	38.2	86.9	90	90	90.0	87.0	60.5
14	7	Iceland	76.5	-0.2	94.5	85.0	73.6	46.3	74.8	60	70	90.0	96.0	75.0
15	8	Luxembourg	75.2	-0.1	76.9	86.0	65.4	44.8	79.8	90	80	90.0	86.0	53.1
16	9	Finland	74.8	0.6	95.2	86.0	64.3	29.1	88.5	70	80	90.0	96.0	48.8
20	10	Belgium	71.5	-0.9	93.7	86.0	43.9	17.9	80.4	90	80	80.0	73.0	69.9
22	11	Cyprus	71.3	-0.4	70.0	81.0	78.2	43.0	85.0	70	70	90.0	56.0	70.0
23	12	Germany	71.2	-0.4	88.9	86.0	58.4	34.0	81.4	80	60	90.0	80.0	52.8
26	13	Lithuania	70.8	-0.7	83.2	86.0	86.3	68.3	78.5	70	80	50.0	48.0	57.6
27	14	Sweden	70.4	1.4	94.8	86.0	32.7	3.9	82.8	80	80	90.0	92.0	62.0
28	15	Armenia	70.3	1.0	81.3	85.0	89.0	86.4	84.6	70	70	35.0	29.0	73.1
30	16	Austria	70.0	-0.2	80.6	86.0	51.2	25.3	81.4	70	70	90.0	86.0	59.2
31	17	Spain	69.7	-0.2	77.5	86.0	54.5	56.2	78.1	70	80	70.0	68.0	56.7
32	18	Georgia	69.2	-0.1	85.0	71.0	90.7	81.2	71.4	70	60	35.0	28.0	99.9
34	19	Norway	69.0	0.6	89.1	86.2	50.3	46.3	76.1	60	50	90.0	88.0	53.9
35	20	Slovak Republic	68.7	0.3	69.3	86.0	89.4	53.9	76.9	70	80	50.0	47.0	64.9
37	21	Czech Republic	68.5	0.8	63.9	86.0	71.3	45.6	80.3	70	80	70.0	48.0	70.2
38	22	Latvia	68.3	0.1	74.3	86.0	83.4	59.2	73.8	70	70	55.0	47.0	64.6
43	23	Hungary	67.2	2.8	73.9	86.0	70.0	26.5	77.2	80	70	70.0	52.0	66.8
47	24	Malta	66.0	-0.1	70.0	86.0	61.3	29.1	79.8	50	70	90.0	64.0	60.0
48	25	France	65.4	2.5	87.1	81.0	53.2	13.2	81.2	60	70	70.0	74.0	63.8
53	26	Portugal	64.3	-0.2	79.6	86.0	61.3	32.6	79.4	70	50	70.0	66.0	48.0
56	27	Albania	63.3	0.9	55.6	75.8	90.3	76.0	80.4	70	70	30.0	26.0	59.3
59	28	Bulgaria	62.9	0.9	67.5	86.0	82.7	56.0	73.7	60	60	30.0	40.0	73.2
64	29	Italy	62.5	-0.2	76.8	81.0	54.3	29.4	80.6	70	60	50.0	49.0	73.5
68	30	Romania	61.5	0.3	74.1	86.0	85.6	70.8	72.5	60	50	30.0	31.0	55.3
71	31	Macedonia	61.1	0.5	65.1	83.4	88.1	61.6	85.5	50	60	30.0	27.0	60.7
74	32	Turkey	60.8	2.5	67.9	86.8	77.7	68.3	70.8	50	50	50.0	38.0	48.0
75	33	Slovenia	60.6	0.4	73.0	86.0	62.4	33.2	79.5	60	50	50.0	64.0	47.7
80	34	Greece	60.1	1.8	69.5	81.0	65.6	57.8	78.5	50	50	50.0	44.0	54.3
83	35	Poland	59.5	2.1	54.1	86.0	68.6	43.5	82.3	60	60	50.0	37.0	53.5
89	36	Moldova	58.4	-0.8	68.5	79.2	83.0	56.9	67.6	30	50	50.0	32.0	66.6
113	37	Croatia	54.6	0.7	58.1	87.6	68.8	28.0	78.8	50	60	30.0	34.0	50.5
121	38	Bosnia & Herzegovina	53.7	-0.6	56.1	79.8	73.7	48.3	76.6	50	60	10.0	29.0	53.7
133	39	Ukraine	51.1	-0.6	44.3	82.2	79.0	43.0	69.9	30	50	30.0	28.0	54.3
134	40	Russia	49.9	-2.5	52.8	44.2	79.2	69.5	64.4	30	40	30.0	25.0	64.2
150	41	Belarus	44.7	-1.8	58.6	52.2	81.0	55.5	66.2	20	10	20.0	21.0	62.0

Source: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

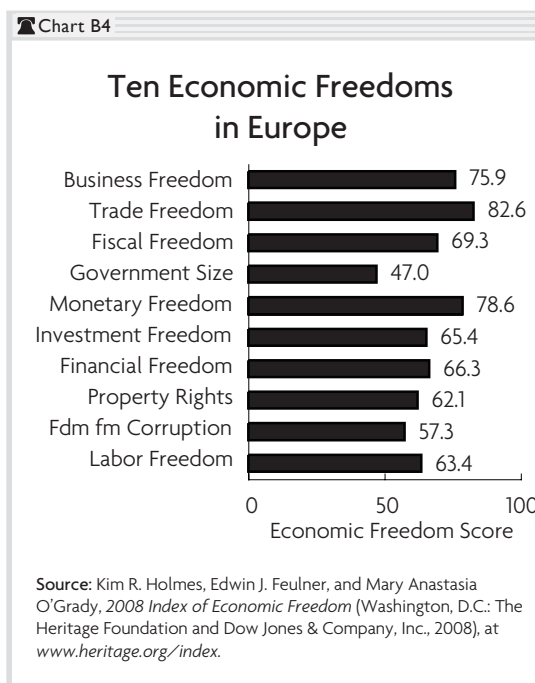
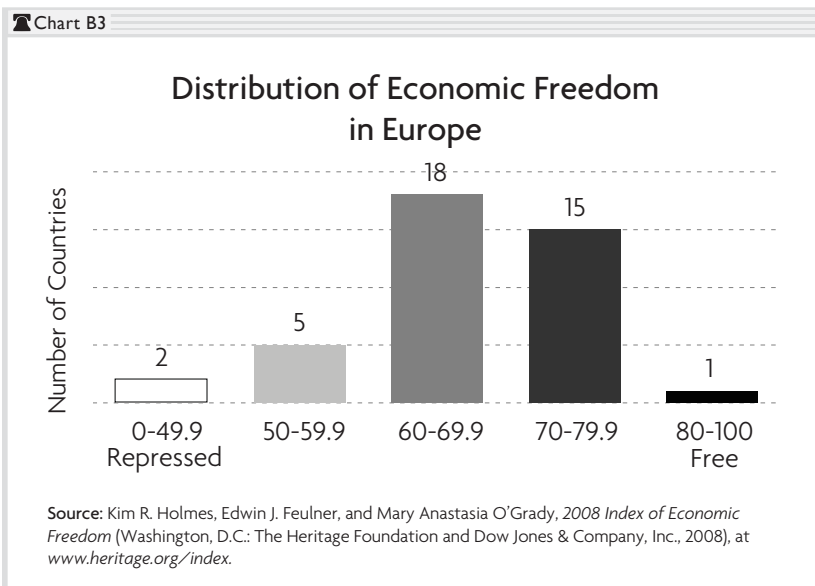
freedom. Ireland is the highest-ranking European country in the 2008 *Index*. Ireland is ranked 3rd worldwide, followed by Switzerland at 9th, the United Kingdom at 10th, and Denmark at 11th. Scandinavian and Baltic countries, primarily, round out the top 20, along with Holland, Belgium, and Finland. Europe has definitely benefited from economic competition over the centuries, which

may help to explain why economic repression is so rare in the West, but that competition has not generated enough reform in some of the Eastern European countries. Many post-Communist countries—such as Russia, Belarus, and Ukraine—take up the “less free” rear end of the distribution.

Extensive and long-established free-market institutions have generated higher-than-average scores for Europe in eight of the 10 economic freedoms. It is about 15 percentage points ahead in both investment freedom and financial freedom. The region’s freedom from corruption and property rights both lead the world by slightly more than 15 percentage points. However, Europe suffers from the third-worst regional score in labor freedom and is last in fiscal freedom and government size—reflecting the price tag of welfare states that consume such a large percentage of GDP.

Ireland leads in financial freedom and property rights, reflecting Dublin’s commitment to becoming a major European commercial and financial hub based on free-market principles. Impressively for a post-Communist state, Georgia leads in labor freedom and fiscal freedom because of a combination of low taxes and a highly flexible labor market, which is essential for a non-oil-producing economy.

In summary, Europe has continued to advance its economic freedom in the 2008



*Index*. Thanks to policy improvements such as tax cuts and other business-friendly reforms by many of the region’s individual economies as they compete with one another to attract more investment, 21 countries have recorded overall score improvements.

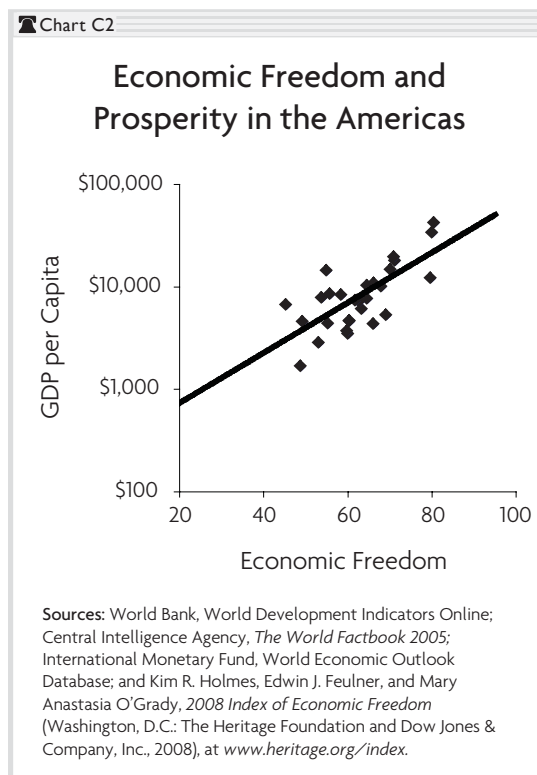
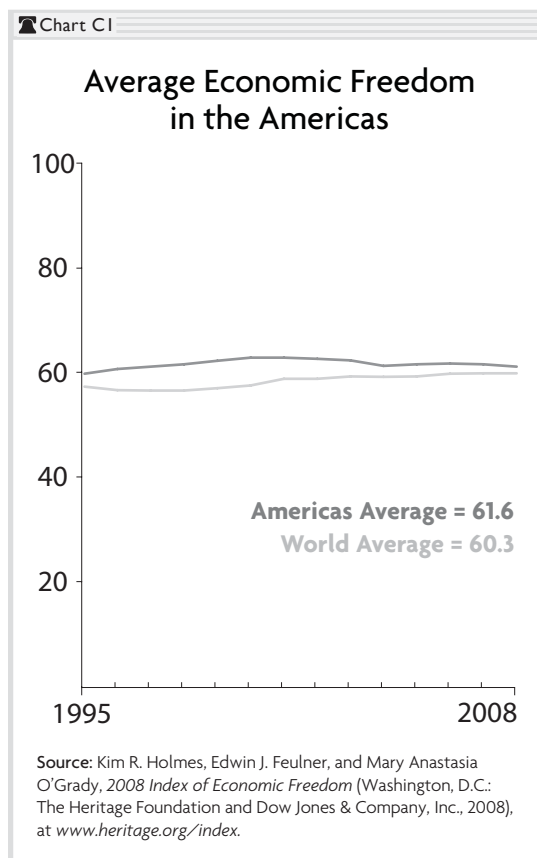
## THE AMERICAS

The countries of the Americas range from the prosperous United States and the developing economic colossus of Brazil to the small island economies of the Caribbean and poor nations of Central America. The average population per country is 30 million people, and the overall regional population is 871 million—second only to Asia on both counts. With the world's lowest average unemployment rate and years of economic reform efforts, the Americas would seem to be poised for broadly shared economic success. However, the region is one of the world's most economically diverse and presents a puzzle. The lack—and, in some cases, erosion—of economic freedom in the Americas reflects reversals of free-market policies and a failure by some governments to persevere in pursuing economic freedom.

Chart C1 displays the 1995–2008 time series of the average economic freedom score for the region, compared to the world average. The region has maintained a level of economic freedom higher than the global average during every year covered by the *Index* but has experienced noticeable deterioration in economic freedom in recent years. In the 2008 *Index*, on net, the scores for the Americas are worse for five economies, with scores for 17 countries having deteriorated and scores for 12 countries improved. Guyana, Venezuela, and Haiti have recorded the worst performances.

Across the region, the reality is that economies are stagnating. Among the five regions, the Americas has the slowest compound five-year growth rate. Population-weighted average income per capita is higher in the Americas than in any other region, even Europe. Ironically, however, the statistical evidence suggests that many nations in the Western Hemisphere are stuck in poverty traps with chronic income inequality.

Chart C2 denotes the vivid positive correlation between high levels of economic freedom and high GDP per capita, implying a large freedom gap. The recent rise of populists such as Venezuela's Hugo Chávez and Bolivia's Evo Morales threatens to widen the freedom gap in the Americas even more.





## Economic Freedom Scores for the Americas

2008 World Rank	2008 Regional Rank	Country	Economic Freedom 2008	Change from 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
5	1	United States	80.6	-0.3	91.7	86.8	68.3	59.8	83.7	80	80	90.0	73.0	92.3
7	2	Canada	80.2	2.1	96.7	87.0	75.5	53.7	81.0	70	80	90.0	85.0	82.9
8	3	Chile	79.8	0.8	67.5	82.2	78.1	88.2	78.8	80	70	90.0	73.0	90.0
21	4	Barbados	71.3	1.4	90.0	58.8	71.3	62.2	74.0	60	60	90.0	67.0	80.0
24	5	Bahamas, The	71.1	-0.9	80.0	32.0	96.2	86.4	76.3	40	70	80.0	70.0	80.0
29	6	Trinidad & Tobago	70.2	-1.1	64.1	79.0	81.1	81.7	72.6	70	70	65.0	32.0	86.9
33	7	El Salvador	69.2	-0.6	58.6	76.6	83.4	88.7	76.8	70	70	50.0	40.0	78.0
40	8	Uruguay	68.1	-0.7	59.8	83.0	85.9	76.6	74.2	60	30	70.0	64.0	77.3
44	9	Mexico	66.4	0.1	82.6	79.0	83.4	83.7	77.7	50	60	50.0	33.0	64.3
45	10	Jamaica	66.2	0.2	82.0	70.4	74.9	59.6	74.3	80	60	50.0	37.0	73.3
49	11	Costa Rica	64.8	0.2	59.7	81.8	82.9	87.4	67.9	70	40	50.0	41.0	66.8
50	12	Panama	64.7	0.1	72.8	76.2	83.0	89.1	80.2	70	70	30.0	31.0	44.4
55	13	Peru	63.5	1.0	64.5	73.4	80.2	91.8	85.9	60	60	40.0	33.0	45.8
61	14	Belize	62.8	-0.4	76.3	64.6	69.3	74.8	77.3	50	50	50.0	35.0	80.9
67	15	Colombia	61.9	2.3	72.5	70.8	72.8	71.2	71.4	60	60	40.0	39.0	61.4
77	16	Paraguay	60.5	1.6	57.6	78.4	96.6	90.8	76.6	50	60	35.0	26.0	34.2
78	17	Guatemala	60.5	-0.8	54.1	78.4	79.9	95.9	72.9	50	50	30.0	26.0	67.9
79	18	Honduras	60.2	-0.2	59.5	78.0	84.5	82.6	73.7	50	60	30.0	25.0	59.0
81	19	Nicaragua	60.0	-2.0	56.4	79.2	79.0	77.6	70.6	70	50	25.0	26.0	65.7
87	20	Dominican Republic	58.5	0.9	62.2	73.0	80.4	88.8	69.3	50	40	30.0	28.0	63.6
101	21	Brazil	55.9	-0.2	53.6	70.8	68.6	55.5	75.7	50	40	50.0	33.0	61.9
106	22	Ecuador	55.4	-0.2	58.1	67.6	86.4	82.3	74.1	40	50	30.0	23.0	42.4
108	23	Argentina	55.1	0.1	63.2	69.6	70.5	80.9	65.0	50	40	30.0	29.0	52.9
118	24	Suriname	53.9	-0.5	41.7	65.0	68.0	72.8	69.2	30	30	50.0	30.0	82.1
123	25	Bolivia	53.2	-1.1	58.6	79.0	87.8	68.1	76.5	20	60	25.0	27.0	30.5
136	26	Guyana	49.4	-5.0	56.4	65.8	67.3	16.1	73.9	40	40	40.0	25.0	69.1
138	27	Haiti	48.9	-2.4	35.7	67.0	77.8	93.2	65.3	30	30	10.0	18.0	62.4
148	28	Venezuela	45.0	-2.9	51.4	54.6	74.5	79.7	60.6	20	40	10.0	23.0	35.8
156	29	Cuba	27.5	-1.1	10.0	60.8	54.8	0.0	64.6	10	10	10.0	35.0	20.0

Source: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

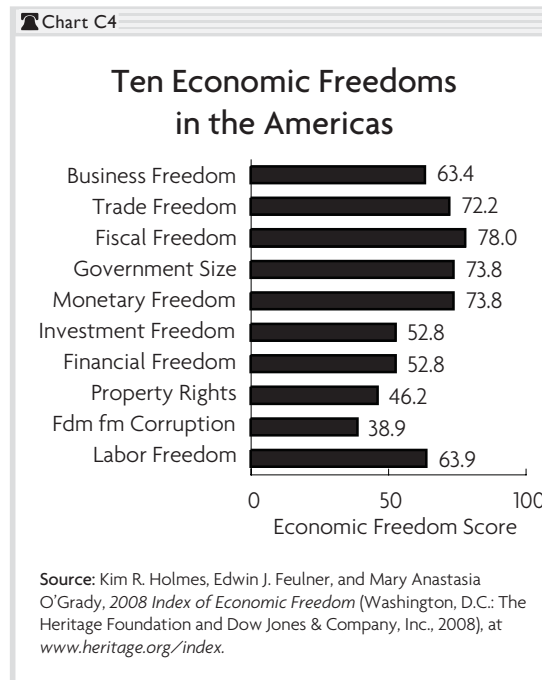
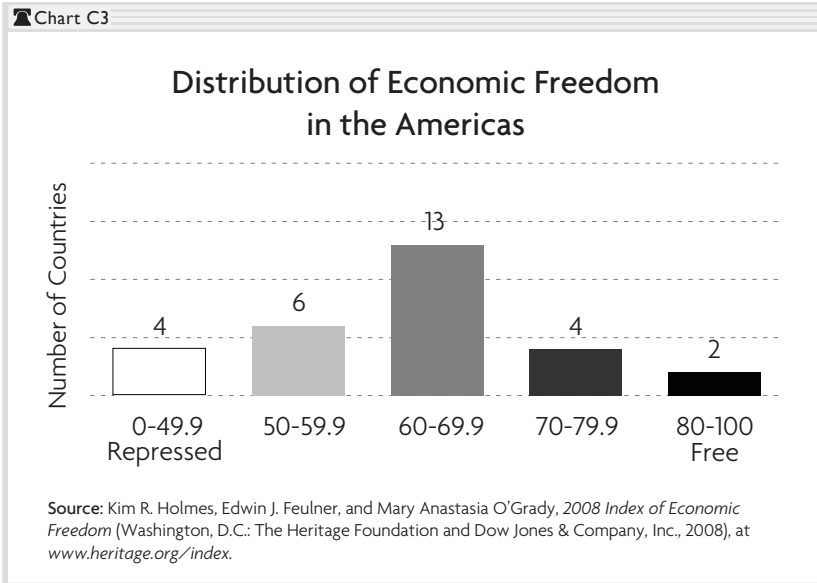
Table C1 ranks the countries in the region from “most free” to “least free” based on their overall freedom scores. It also includes the change from last year’s score, the country’s world rank, and each country’s 2008 scores for each of the 10 economic freedoms. Chart C3 shows the distribution of countries across five different categories.

Three of the 29 countries in the Americas rank among the top 10 in the world: the United States (5), Canada (7) and Chile (8). Indeed, the region’s countries are distributed in a more balanced fashion than are the countries of any other region, almost like a bell curve. All but six countries receive an economic freedom score between 50 percent and 80 percent, and roughly half fall in the middle category of “moderately free.”

An examination of each of the specific economic freedoms demonstrates that the countries in the Americas perform better than the world average in eight of the 10 areas measured. Corruption and inflation are the major trouble areas, representing the long-standing problems of unstable money and weak rule of law.

The typical North, Central, or South American nation stands out positively in terms of limited government taxation and expenditures, as well as labor freedom. The other five freedoms are also slightly stronger in the Americas than they are elsewhere, with lighter trade, investment, financial, and regulatory burdens.

Table C1 reveals the regional freedom leaders. The United States and Canada are the leaders in most of the 10 categories. The U.S. is “most free” in investment freedom, financial freedom, property rights, and labor freedom. The result: a flexible, adaptive economy that remains one of the world’s premier financial



markets. Canada leads in freedom from corruption as well as trade freedom and business freedom. Guatemala (for its low government expenditures) and the Bahamas (for low taxes) round out the rest of the best.

## MIDDLE EAST/NORTH AFRICA

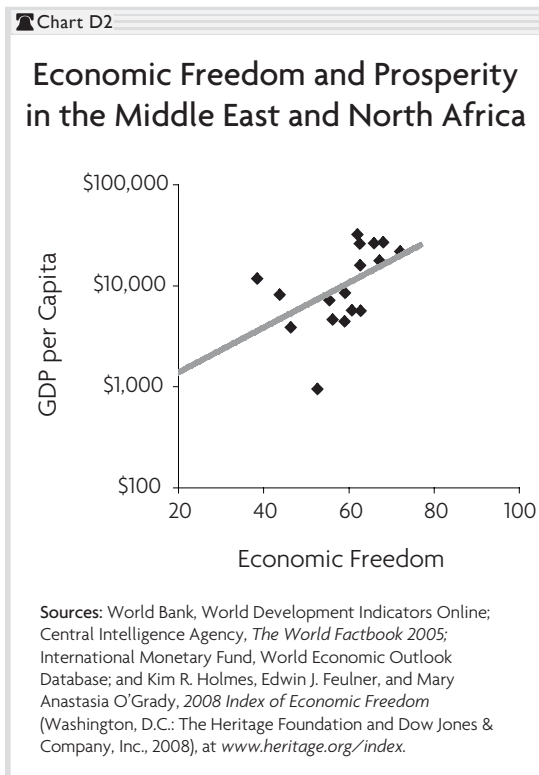
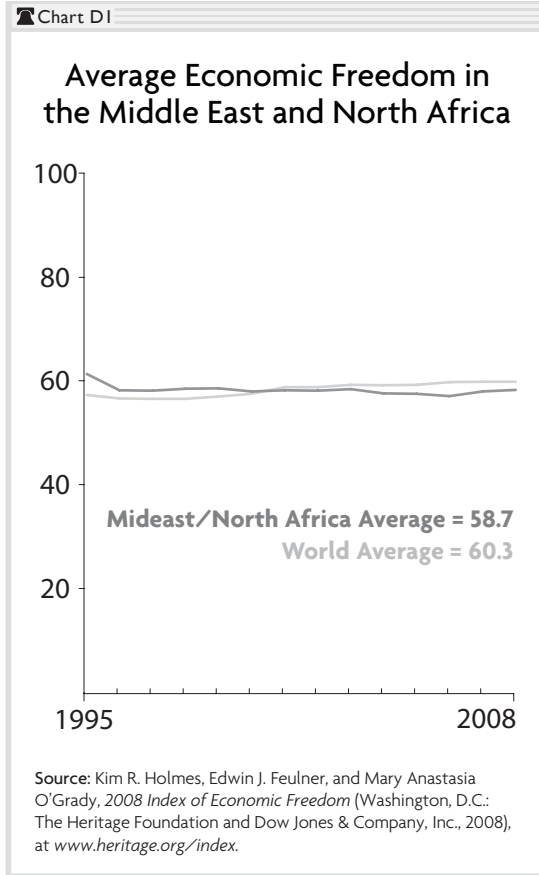
Stretching from Morocco's Atlantic shores to Iran and Yemen's beaches on the Arabian Sea, the Middle East remains central to world affairs. The Middle East/North Africa region encompasses some of the world's most ancient civilizations. Today, however, most of the economies in this region are not free. Cursed in some ways by enormous natural oil resources, most of the local populations suffer from extreme concentrations of wealth and poverty.

The Middle East has a comparatively high GDP per capita because of its oil and gas resources. At \$7,508 per person, the regional GDP remains at the world median point: lower than Europe and the Americas but higher than Asia and sub-Saharan Africa. Structural problems clearly abound, as the regional unemployment rate, which averages 13.6 percent, is the highest in the world and is most pronounced among the young and illiterate. Despite the outflow of crude oil, the actual trade flows of the region's countries remain very low, indicating a lack of economic dynamism.

Chart D1 displays the 1995–2008 time series of the simple average economic freedom score for the region, compared to the world average. Using a population-weighted average, the people of the Middle East/North Africa region have the lowest level of economic freedom found in the five regions surveyed in this year's *Index*. Egypt and Kuwait made the biggest leaps forward this year with 4.0 percentage point and 1.7 percentage point increases, respectively. Libya, Oman, Saudi Arabia, Bahrain, and Israel also improved their economic freedom scores, contributing to some improvement in overall economic freedom in the region.

The Middle East/North African region also demonstrates a correlation between economic freedom and prosperity. Chart D2 illustrates the positive relationship between high levels of economic freedom and high GDP per capita. The ongoing transformation of innovative states in Bahrain, Qatar, and the United Arab Emirates (UAE) may yet light the way for economic growth regionally.

Table D1 ranks the countries in the region from "most free" to "least free" based on their

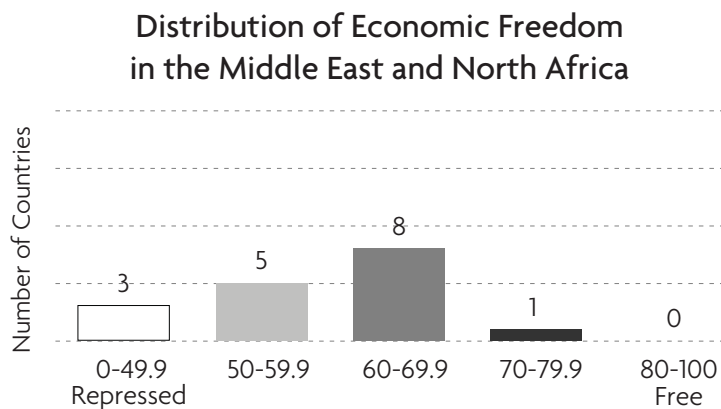


## Economic Freedom Scores for the Middle East and North Africa

2008 World Rank	2008 Regional Rank	Country	Economic Freedom 2008	Change from 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
19	1	Bahrain	72.2	1.0	80.0	80.8	99.7	80.3	74.3	60	90	60.0	57.0	40.0
39	2	Kuwait	68.3	1.7	68.5	81.0	99.9	74.6	73.8	50	50	55.0	48.0	82.1
42	3	Oman	67.4	1.4	55.8	83.6	98.5	60.7	74.7	60	60	50.0	54.0	77.2
46	4	Israel	66.1	1.5	68.4	86.6	55.9	35.1	81.8	80	60	70.0	59.0	64.0
58	5	Jordan	63.0	-0.5	55.4	74.8	83.7	53.2	80.4	50	60	55.0	53.0	64.8
60	6	Saudi Arabia	62.8	1.2	72.5	76.8	99.7	69.1	76.7	30	40	50.0	33.0	80.6
63	7	United Arab Emirates	62.8	-0.1	47.9	80.4	99.9	80.2	70.9	30	40	40.0	62.0	76.2
66	8	Qatar	62.2	-0.7	60.0	70.8	99.8	72.1	69.4	30	50	50.0	60.0	60.0
73	9	Lebanon	60.9	-0.5	55.4	77.4	91.4	69.5	77.8	30	70	30.0	36.0	71.2
84	10	Tunisia	59.3	-0.2	79.2	71.8	76.4	77.1	77.6	30	30	50.0	46.0	55.3
85	11	Egypt	59.2	4.0	59.7	66.0	90.8	73.0	69.9	50	40	40.0	33.0	69.1
98	12	Morocco	56.4	-0.8	75.8	62.6	65.4	73.2	79.8	60	40	35.0	32.0	40.2
102	13	Algeria	55.7	0.6	72.7	68.8	77.0	74.6	80.2	40	30	30.0	31.0	52.3
125	14	Yemen	52.8	-0.4	53.7	66.4	83.2	58.5	62.9	50	30	30.0	26.0	67.7
144	15	Syria	46.6	-1.5	52.9	54.0	86.2	60.3	66.2	30	10	30.0	29.0	47.1
151	16	Iran	44.0	-0.1	55.0	57.4	81.1	84.5	61.3	10	10	10.0	27.0	43.8
154	17	Libya	38.7	1.6	20.0	39.6	81.7	63.5	74.9	30	20	10.0	27.0	20.0

Source: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

Chart D3



Source: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

overall freedom scores. It also includes the change from last year's score, the country's world rank, and each country's 2008 scores for each of the 10 economic freedoms. Bahrain, Kuwait, Oman, and Israel—nations that are dissimilar politically but united in their commitment to economic freedom—rank highest. The lowest ranking countries are Syria, Iran, and

Libya—a group of fairly disparate nations that are bonded together by their lack of economic or political liberalism. Chart D3 exhibits the distribution of countries across the five different categories.

Bahrain, ranked 19th globally with 72.2 percent economic freedom, is the only Middle Eastern country that places in the world’s 20 most free economies. A small country in the Persian Gulf, Bahrain maintains a pro-business environment with low inflation, sound banking and finance systems, and low barriers to trade. Kuwait, globally ranked 39th, is the region’s second freest economy, followed by Oman and Israel. The Middle East’s stunted economic growth may be due to its overreliance on oil wealth. To determine whether this is so, we divided the region into two halves, categorizing 13 of the 17 countries as oil exporters and the other four as non-oil countries. The major oil-producing economies in the Middle East and North Africa include Qatar, Oman, Yemen, Algeria, Saudi Arabia, Kuwait, and the UAE. Our analysis reveals that the non-oil countries have about 10 percentage points more economic freedom, using a population-weighted average. They also have lower inflation and slightly better employment and income levels.

Oil revenue comes from the ground. In most Gulf States, even the process of extracting the oil is in the hands of foreigners. It requires very little investment in labor or human capital and only a marginal amount of investment in the land. People need different freedoms to be productive, but oil does not generate the incentives needed for societies to create those freedoms.

The Middle East is the absolute world leader in only one category: fiscal freedom. Fiscally, its 86.5 percent average score is well above the world average of 74.9 percent, a level reached because of the low income tax rates common to oil kingdoms. The region does score above the world average in other areas, however, such as government size and freedom from corruption—perhaps reflecting reform efforts that regional leaders are making to cut back on bribery and government malfeasance.



## SUB-SAHARAN AFRICA

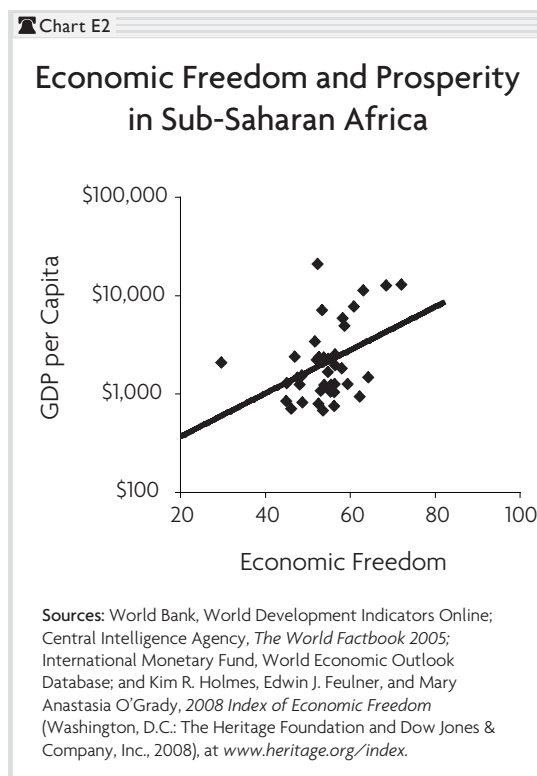
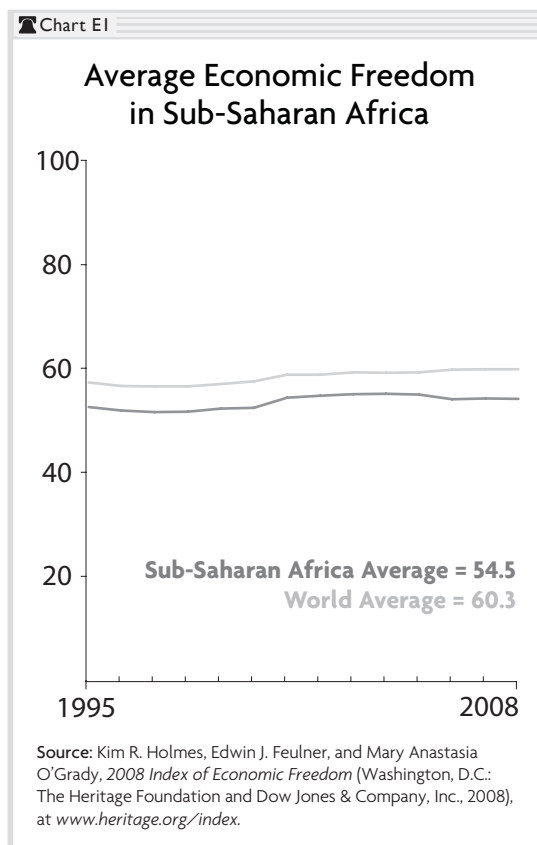
Sub-Saharan Africa is well known as the world's poorest and most unstable region. Civil war flares sporadically from the Horn of Africa to the Atlantic Coast. HIV/AIDS is a continuing burden. Mass unemployment is common.

Average GDP per capita is only \$2,137—the lowest of any region and barely one-tenth of the average incomes in Europe and the Americas. Unemployment hovers just above 13 percent, and the 29 percent average inflation rate, due mainly to Zimbabwe's hyperinflation, is twice as high as that of the next worst region. Unsurprisingly, with just a fraction of the population of Asia, sub-Saharan Africa receives more absolute foreign aid, both multilateral and bilateral, than any other region.

Chart E1 shows the 1995–2008 time series of the average economic freedom score for the region, compared with the world average. Africa's overall level of economic freedom is weaker than any other region's and has somewhat stagnated over the years. Nevertheless, there are some success stories, and they usually involve countries with greater freedom. Chart E2 confirms the strong relationship between high levels of economic freedom and high GDP per capita.

Mauritius, the second most improved economy in the 2008 *Index*, is the lone sub-Saharan Africa representative among the world's top 20 freest economies. With 72.3 percent economic freedom, the country is ranked 18th freest economy in the world and is the leader of economic freedom in the region. It scores 10 percentage points or more above the global average in six areas: investment freedom, property rights, business freedom, freedom from corruption, fiscal freedom, and government size. Mauritius has also demonstrated its strong commitment to enhancing economic freedom by accelerating major tax reforms. Botswana remains the second freest, followed by Uganda and South Africa.

Unlike regions that have a diverse range of free-market economies, in sub-Saharan Africa there are only distinctions among less free economies. A majority of nations are ranked "mostly unfree," with "moderately free" econ-



## Economic Freedom Scores for Sub-Saharan Africa

2008 World Rank	2008 Regional Rank	Country	Economic Freedom 2008		Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
			Economic Freedom 2008	Change from 2007										
18	1	Mauritius	72.3	3.1	81.6	80.6	92.1	81.4	75.7	70	60	60.0	51.0	70.6
36	2	Botswana	68.6	0.1	68.7	67.6	76.4	61.8	69.7	70	70	70.0	56.0	75.9
52	3	Uganda	64.4	0.7	56.3	72.0	80.5	86.0	78.5	50	70	30.0	27.0	93.9
57	4	South Africa	63.2	-0.2	71.2	74.2	69.5	76.8	77.2	50	60	50.0	46.0	57.5
65	5	Madagascar	62.4	1.3	56.0	79.6	80.9	86.4	72.2	70	50	50.0	31.0	47.9
72	6	Namibia	61.0	-2.1	73.8	87.4	67.9	71.0	76.8	30	50	30.0	41.0	82.4
82	7	Kenya	59.6	-0.4	65.3	75.0	78.2	84.8	72.2	50	50	35.0	22.0	63.2
86	8	Swaziland	58.9	-1.7	69.0	69.0	71.4	62.4	76.0	50	40	50.0	25.0	75.7
88	9	Cape Verde	58.4	1.3	55.1	41.2	66.2	60.5	78.7	60	50	70.0	40.0	62.3
91	10	Senegal	58.2	0.1	54.5	71.6	65.2	82.3	81.4	50	50	50.0	33.0	43.6
94	11	Ghana	56.7	-0.7	53.1	63.0	83.7	71.5	68.0	50	50	50.0	33.0	44.2
95	12	Gambia, The	56.6	-0.8	57.1	62.6	72.5	72.8	73.9	50	50	30.0	25.0	72.1
96	13	Mozambique	56.6	0.7	53.0	72.8	78.1	85.2	73.6	50	50	30.0	28.0	45.0
97	14	Tanzania	56.4	-0.4	47.9	73.2	80.5	79.9	75.4	50	50	30.0	29.0	48.1
99	15	Zambia	56.4	-0.8	62.4	71.2	72.6	80.3	62.9	50	50	40.0	26.0	48.2
103	16	Burkina Faso	55.6	0.6	49.8	66.6	77.5	85.9	78.8	40	50	30.0	32.0	45.7
104	17	Mali	55.5	0.8	41.9	68.6	69.3	81.5	79.9	50	40	30.0	28.0	66.0
105	18	Nigeria	55.5	-0.5	52.6	63.4	84.4	68.1	73.8	30	40	30.0	22.0	90.6
109	19	Mauritania	55.0	1.5	38.9	70.2	75.4	66.3	77.1	60	50	30.0	31.0	51.2
110	20	Benin	55.0	0.1	47.7	65.2	67.5	86.4	77.5	40	60	30.0	25.0	50.8
111	21	Ivory Coast	54.9	-1.0	47.0	59.8	52.3	88.1	80.7	40	60	30.0	21.0	70.5
116	22	Rwanda	54.1	1.7	51.8	70.6	76.9	75.6	73.3	40	40	30.0	25.0	58.2
117	23	Cameroon	54.0	-1.4	39.9	57.0	71.8	93.6	72.3	50	50	30.0	23.0	52.5
120	24	Malawi	53.8	-0.2	52.1	64.6	70.2	44.3	69.9	50	50	40.0	27.0	70.1
122	25	Gabon	53.6	-0.6	52.8	56.4	61.7	85.6	74.6	40	40	40.0	30.0	54.6
124	26	Ethiopia	53.2	-1.2	58.3	63.0	77.2	80.9	69.4	40	20	30.0	24.0	69.5
127	27	Guinea	52.8	-1.7	44.9	59.6	70.1	88.7	54.3	40	50	30.0	19.0	71.1
128	28	Niger	52.7	-0.4	36.0	64.4	66.4	89.3	86.0	50	40	30.0	23.0	42.2
129	29	Equatorial Guinea	52.5	-1.6	47.1	52.2	75.4	82.0	81.1	30	50	30.0	21.0	56.2
131	30	Djibouti	52.3	-1.2	37.5	28.2	80.8	57.8	78.3	50	60	30.0	30.0	70.6
132	31	Lesotho	51.9	-1.2	56.9	56.4	67.2	46.8	75.4	30	50	40.0	32.0	64.0
139	32	Sierra Leone	48.9	1.3	49.4	60.2	81.0	81.8	74.4	30	40	10.0	22.0	40.3
140	33	Togo	48.8	-0.9	36.1	69.2	53.9	88.8	78.2	30	30	30.0	24.0	48.2
141	34	Central African Rep.	48.2	-2.1	40.7	51.4	65.5	91.6	72.5	30	40	20.0	24.0	46.7
142	35	Chad	47.7	-2.3	34.6	60.0	49.9	94.9	73.6	40	40	20.0	20.0	44.2
143	36	Angola	47.1	1.9	36.5	73.0	85.2	72.8	57.8	20	40	20.0	22.0	44.1
145	37	Burundi	46.3	-0.7	35.5	50.2	72.1	59.4	74.7	30	30	30.0	24.0	57.4
146	38	Congo, Republic of	45.2	0.8	45.3	54.6	60.1	83.1	73.0	30	30	10.0	22.0	44.0
147	39	Guinea-Bissau	45.1	-1.7	24.8	56.8	88.4	56.5	75.7	30	30	20.0	10.0	58.5
155	40	Zimbabwe	29.8	-2.0	41.0	55.4	57.8	24.1	0.0	10	20	10.0	24.0	56.0

Source: Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at [www.heritage.org/index](http://www.heritage.org/index).

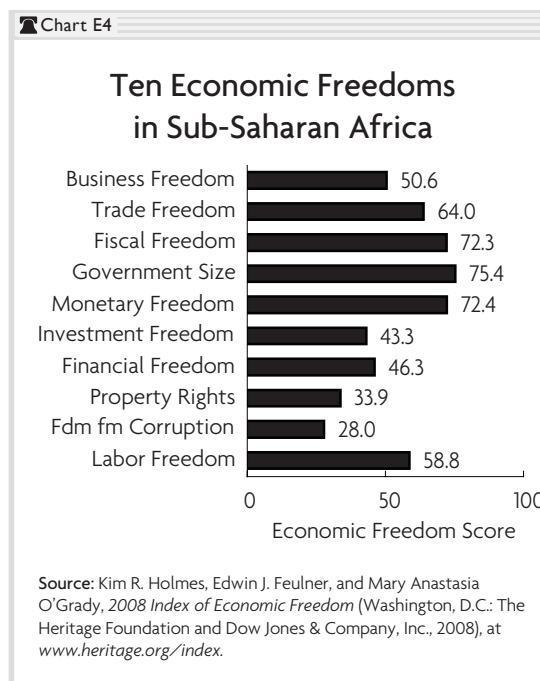
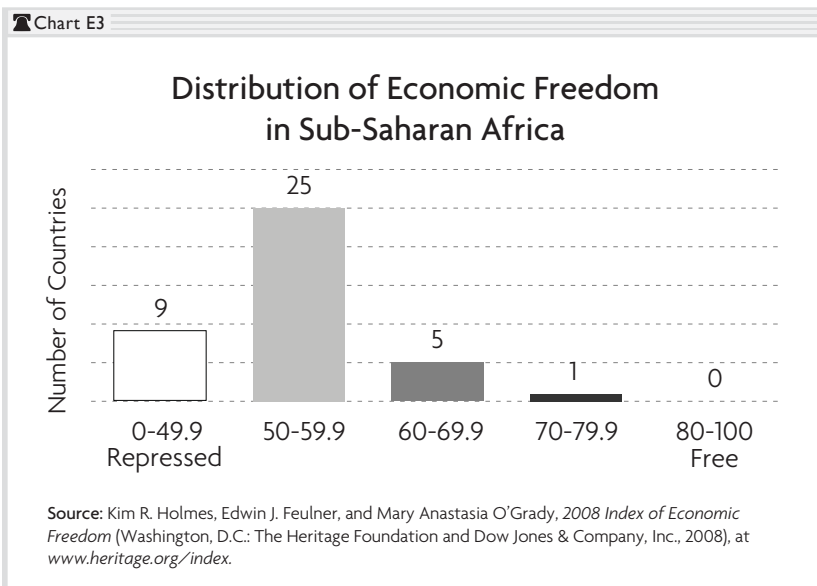
omies outnumbered by “repressed” economies. Nine of the 20 countries ranked “repressed” around the world are located in this region.

Table E1 ranks the countries in the region from “most free” to “least free” based on their overall freedom scores. It also includes the change from last year’s score, the country’s world rank, and each country’s 2008 scores for each of the 10

economic freedoms. Chart E3 shows the distribution of countries across five different categories.

Sub-Saharan Africa is ranked last in eight of the 10 economic freedom categories and performs especially poorly in terms of property rights and freedom from corruption. Chart E4 illustrates regional scores in each of the 10 economic freedom categories. Some of the gaps between sub-Saharan Africa’s score and the world average score are especially striking: over 10 percentage points for business freedom, 13 percentage points for freedom from corruption, and 12 percentage points for property rights. The single factor for which the region scores higher than the world average is government size. Ironically, however, it is worse than average in terms of taxation, which might indicate that tax revenues are being stolen rather than spent on government services. Labor freedom is restricted, reflecting in part the region’s lack of progress toward a modern and efficient labor market. It appears that the countries of sub-Saharan Africa have been saddled with the worst policies of their former European colonizers but none of their prosperity.

The signs of government failure are overwhelming in the heart of Africa. In some cases, the situations are so severe that the next few years must inevitably be bleak. Zimbabwe remains in shambles. With political instability rampant in the region, it is hard to expect that



even the liberalizing tendencies of Mauritius or Botswana can have a significant enough statistical impact to lift sub-Saharan Africa out of its last-place status.

Overall, economic freedom in sub-Saharan Africa has stagnated over the life of the *Index*, and the region has moved only marginally toward improved economic freedom in recent years. Sub-Saharan Africa and the Middle East/North Africa are the only two regions that possess but a single “mostly free” economy apiece.