

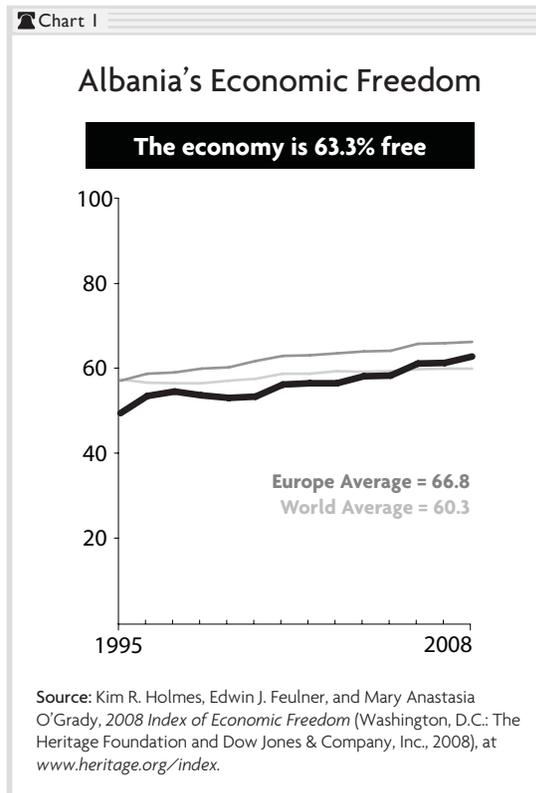
Chapter 6

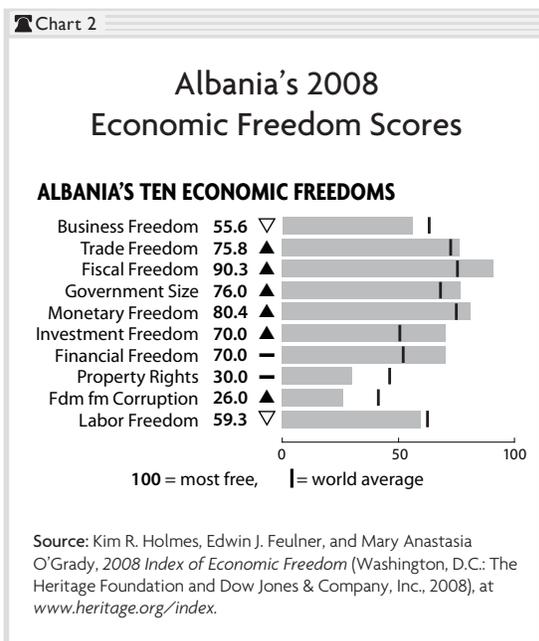
The Countries

This chapter is a compilation of the 162 countries covered in the *Index of Economic Freedom*. Only 157 countries receive total scores, because grading has been suspended for five countries (the Democratic Republic of Congo, Iraq, Montenegro, Sudan, and Serbia). Each graded country is given a percent score ranging from 0 to 100 for all 10 factors of overall economic freedom, and these scores are then averaged (using equal weights) to get the country's final *Index of Economic Freedom* score.

In addition to these factor and overall scores, each summary includes a brief introduction that describes the country's economic strengths and weaknesses, as well as its political and economic background, and provides a statistical profile with the country's main economic indicators. These statistics and their sources are outlined in detail below.

Two charts are included on each country page. The first shows a time series of the overall economic freedom score for the country for each year, from 1995 through 2008, compared





to the world average and regional average. In some cases, a country is not graded continuously for all 13 years, often because grading did not begin until 1996 and frequently because violence or natural disaster has resulted in a lack of reliable information. This year, five countries are not graded, so their respective charts show a line that stops in 2005 or earlier.

The second chart for each country graphs each of the 10 freedom scores for 2008 using horizontal bars. A hash mark is included to show the world average so that one can quickly identify the strengths and weaknesses of economic freedom in each country according to the 10 different component freedoms. Additionally, upward or downward arrow marks are placed to illustrate score changes for each freedom from the 2007 *Index* to the 2008 *Index*.

The charts for Albania presented here are examples of what the reader will see on each country page.

To assure consistency and reliability for each of the 10 factors on which the countries are graded, every effort has been made to use the same source consistently for each country; when data are unavailable from the primary source, secondary sources are used as explained in the chapter on methodology.

DEFINING THE “QUICK FACTS”

Each country page includes “Quick Facts” with 16 different categories of information: population size, macroeconomic data, official development assistance, and more. Unless otherwise indicated, the data in each country’s profile are for 2005 (the year for which the most recent data are widely available) and in current 2005 U.S. dollars (also the most recent available). The few cases in which no reliable statistical data were available are indicated by “n/a.” Definitions and sources for each category of information are as follows.

Population: 2005 data from World Bank, *World Development Indicators Online*. Another major source is U.S. Central Intelligence Agency, *The World Factbook 2007*. For some countries, another source is the country’s statistical agency and/or central bank.

GDP: Gross domestic product—total production of goods and services—expressed as purchasing power parity (PPP). The primary source for GDP data is World Bank, *World Development Indicators Online*. Other sources include U.S. Central Intelligence Agency, *The World Factbook 2007*; the country’s statistical agency; and the country’s central bank.

GDP growth rate: Annual percentage growth rate of real GDP derived from constant national currency units, based on country-specific years. Annual percent changes are year-on-year. The primary source is International Monetary Fund, *World Economic Outlook Database April 2007*. Secondary sources include World Bank, *World Development Indicators Online*; Economist Intelligence Unit, *Country Reports, 2006–2007, Country Profiles, 2006–2007*; the country’s statistical agency; and the country’s central bank.

GDP five-year compound annual growth: The geometric average growth rate measured over a specified period of time. The compound annual growth rate is measured using data from 2001 to 2005, based on real GDP expressed in constant national currency units, based on country-specific years. It is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period

being considered. The primary source is International Monetary Fund, *World Economic Outlook Database*, April 2007.

GDP per capita: Gross domestic product expressed as PPP divided by total population. The sources for these data are World Bank, *World Development Indicators Online*; U.S. Central Intelligence Agency, *The World Factbook 2007*; and the country's statistical agency or central bank.

Unemployment rate: A measure of the portion of the workforce that is not employed but is actively seeking work. The primary sources are Economist Intelligence Unit, *Country Reports, 2006–2007*, and *Country Profiles, 2005–2007*; U.S. Central Intelligence Agency, *The World Factbook 2007*; and the country's statistical agency.

Inflation: The annual percent change in consumer prices as measured from 2004 to 2005. The primary source for 2005 data is International Monetary Fund, *World Economic Outlook Database*, April 2007. The secondary sources are Economist Intelligence Unit, *Country Reports, 2006–2007*, and *Country Profiles, 2005–2007*; U.S. Central Intelligence Agency, *The World Factbook 2007*; the country's statistical agency; and the country's central bank.

Foreign direct investment (FDI): This series indicates total annual flow of *net* FDI, which is the sum of FDI inflows less the sum of FDI outflows in 2005. Data are in current 2005 U.S. dollars. FDI flows are defined as investments that acquire a lasting management interest (10 percent or more of voting stock) in a local enterprise by an investor operating in another country. Such investment is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments and both short-term and long-term international loans. Data are from United Nations Conference on Trade and Development, *World Investment Report 2006*; World Bank, *World Development Indicators Online*; the country's statistical agency; and the country's central bank.

Official development assistance (ODA): Grants or loans to developing countries and territories, as defined by Part I of the Development Assistance Committee (DAC) list of aid

recipients, that are undertaken either by the official sector, with promotion of economic development and welfare as the main objective, or on concessional financial terms (a loan that has a grant element of at least 25 percent). Aid includes technical cooperation as well as financial flows. Grants, loans, and credits for military purposes are excluded. Transfer payments to private individuals (e.g., pensions, reparations, or insurance payouts) are usually not counted. Data are listed in current 2005 U.S. dollars. The primary source is Organisation for Economic Co-operation and Development, *International Development Statistics Online*.

- **Multilateral:** In DAC statistics, this includes international institutions with governmental membership that conduct all or a significant part of their activities in favor of development and aid-recipient countries. They include multilateral development banks (e.g., the World Bank and regional development banks); United Nations agencies; and regional groupings. A contribution by a DAC member to such an agency is deemed multilateral if it is pooled with other contributions and disbursed at the discretion of the agency.
- **Bilateral:** Bilateral flows are provided directly by a donor country to an aid-recipient country.

External Debt: Debt owed to non-residents that is repayable in foreign currency, goods, or services. External debt is the sum of public, publicly guaranteed, and private non-guaranteed long-term debt, use of International Monetary Fund credit, and short-term debt. Short-term debt includes all debt having an original or extended maturity of one year or less and interest in arrears on long-term debt. Long-term debt is debt that has an original or extended maturity of more than one year. It has three components: public, publicly guaranteed, and private non-guaranteed debt. Public and publicly guaranteed debt comprises the long-term external obligations of public debtors, including the national government and political subdivisions (or an agency of either) and autonomous public bodies, as well as the exter-

nal obligations of private debtors that are guaranteed for repayment by a public entity. Private non-guaranteed debt consists of the long-term external obligations of private debtors that are not guaranteed for repayment by a public entity. The data for 2005 are listed in current 2005 U.S. dollars, calculated on an exchange rate basis rather than in PPP terms. The primary source is World Bank, *World Development Indicators 2007*. The secondary source is U.S. Central Intelligence Agency, *The World Factbook 2007*.

Exports: The value of all goods and other market services, f.o.b. Included is the value of merchandise, freight, insurance, travel, and other non-factor services. Factor and property income, such as investment income, interest, and labor income, is excluded. Data are in current 2005 U.S. dollars. The primary source is World Bank, *World Development Indicators Online*. Other sources include Economist Intelligence Unit, *Country Reports*, 2006–2007, and *Country Profiles*, 2005–2007; U.S. Central Intelligence Agency, *The World Factbook 2007*; and the country's statistical agency.

Primary exports: The country's four to six principal export products. Data for major exports are from U.S. Central Intelligence Agency, *The World Factbook 2007*.

Imports: The value of all goods and other market services, f.o.b. Included is the value of merchandise, freight, insurance, travel, and other non-factor services. Factor and property income, such as investment income, interest, and labor income, is excluded. Data are in current 2005 U.S. dollars. The primary source is World Bank, *World Development Indicators Online*. Other sources include Economist Intelligence Unit, *Country Reports*, 2006–2007, and *Country Profiles*, 2005–2007; U.S. Central Intelli-

gence Agency, *The World Factbook 2007*; and the country's statistical agency.

Primary imports: The country's six to eight principal import products. Data for major imports are from U.S. Central Intelligence Agency, *The World Factbook 2007*.

COMMONLY USED ACRONYMS

CIS: Commonwealth of Independent States, consisting of Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

EU: European Union, consisting of Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

IMF: International Monetary Fund, established in 1945 to help stabilize countries during crises and now with 185 member countries.

MERCOSUR: Customs union that includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela.

OECD: Organisation for Economic Co-operation and Development, an international organization of developed countries, founded in 1948, that now includes 30 member countries.

SACU: Southern African Customs Union, consisting of Botswana, Lesotho, Namibia, South Africa, and Swaziland.

VAT: Value-added tax.

WTO: World Trade Organization, founded in 1995 as the central organization dealing with the rules of trade between nations and based on signed agreements among 151 member countries.