

Chapter 5

Economic Freedom by Region

Every region in the world has at least one country that can be considered a top performer in the 2009 *Index of Economic Freedom*, but average levels of economic freedom—and average levels of economic performance and prosperity—vary widely among the regions. It is popular to blame lagging economic performance in certain parts of the world on poor endowments of natural resources, geographical disadvantages, a history of colonialism, a lack of foreign aid, or an unfair international economic system. Those who are looking for excuses find that such subjects provide rich fodder for endless analysis and all-too-convenient evasion or shifting of responsibility for failure. Those who look instead for solutions will find in this *Index* the fruits of government policies and actions that can either promote or hinder growth.

The *Index of Economic Freedom* is not a comprehensive blueprint for economic policy or a how-to manual for development and growth. The diversity of the world's peoples and cul-

tures implies that there will be many paths to prosperity. Indeed, the whole idea of economic freedom is to enlarge and sustain the space in which individuals can pursue their own goals in whatever ways they choose.

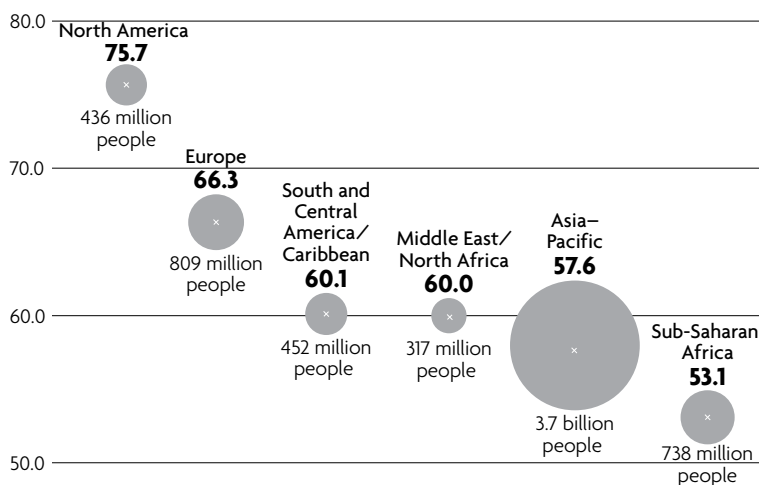
The *Index* looks at 10 areas of economic activity in which freedom may be enlarged or constrained. Although analyzing tendencies in various regions no doubt obscures important differences at the country level, it also may help to identify ways in which culture, history, or even geography are affecting the ability of countries to prosper in a globalized world.

In this chapter, we look at economic freedom in six regional groups. As shown in Chart 1, economic freedom varies significantly across regions, with inhabitants of North America and Europe enjoying far greater levels of economic freedom than those who live in other regions of the world.

Not surprisingly, levels of prosperity are far higher in those two regions than in other

Economic Freedom by Region

Economic Freedom Score



Source: 2009 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at www.heritage.org/index; World Bank, World Development Indicators Online, at www.worldbank.org/data; Central Intelligence Agency, the World Factbook 2008, at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

Chart 1 heritage.org

areas. (See Table 1.) The world's two freest regions have more than three times the population-weighted average per capita income found in the other four regions. The freest regions also enjoy lower rates of unemployment and lower inflation.

Table 2 shows components of economic freedom in which regions perform better or worse than the world averages. Only the North America region has scores in every component of economic freedom that equal or exceed the world average. Each of the other regions has one or more

Economic Freedom and Performance by Region

	Average Economic Freedom 2009 Score		Population	Population Weighted Average			
	Simple Average	Population Weighted Average		GDP per Capita (PPP)	GDP 5-Year Growth Rate	Inflation	Unemployment Rate
North America	75.7	77.1	436,200,000	\$35,831	2.7	3.1	4.5
Europe	66.3	63.0	809,200,000	\$21,639	4.2	5.1	7.3
South and Central America/Caribbean	60.1	56.9	453,700,000	\$8,169	3.8	5.8	9.7
Middle East/North Africa	60.0	55.2	316,500,000	\$8,933	4.9	9.3	12.9
Asia-Pacific	57.6	54.6	3,674,700,000	\$5,206	7.8	5.9	5.8
Sub-Saharan Africa	53.1	54.2	736,700,000	\$1,784	6.2	8.2*	15.0
World	59.5	57.3	6,427,000,000	\$9,354	6.4	6.1*	7.6

*Excluding Zimbabwe, whose hyperinflation that is estimated at over 10,000 percent would distort the regional and the world average.

Source: 2009 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at www.heritage.org/index; International Monetary Fund, World Economic Outlook database, April 2007, at <http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx>; World Bank, World Development Indicators Online, at www.worldbank.org/data; Central Intelligence Agency, the World Factbook 2008, at <https://www.cia.gov/library/publications/the-world-factbook/index.html>

Table 1 heritage.org

Each Region's Ten Economic Freedoms in Comparison to the World Average

Region	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
North America	+	+	+	+	+	+	+	+	+	+
Europe	+	+	-	-	+	+	+	+	+	-
South and Central America/Caribbean	-	+	+	+	-	+	-	-	-	-
Middle East/ North Africa	+	+	+	+	-	-	-	-	-	+
Asia-Pacific	-	-	+	+	-	-	-	-	-	+
Sub-Saharan Africa	-	-	-	+	-	-	-	-	-	-

Source: 2009 *Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at www.heritage.org/index.

Table 2 heritage.org

components in which the average level of economic freedom falls below the world average. European countries fall over four points below the world average in fiscal freedom and almost 18 points below the world average in government size—a reflection of their bloated government budgets that fund high levels of welfare spending.

South and Central America/Caribbean countries lag slightly behind the world average in six components of economic freedom, most significantly in corruption. The Middle East/North Africa region has lower than average scores in five economic freedoms, the Asia-Pacific region is behind in seven, and Sub-Saharan Africa lags in nine, beating the world average only in government size. Unfortunately, for many of the Sub-Saharan African countries, the high scores for government size reflect economic informality and lack of capacity rather than government efficiency and restraint.

The analyses that follow provide an overview of economic freedom in each region. While the data are informative for the casual reader and of potential interest to decision

makers and analysts in multilateral institutions and aid agencies, they may be of most use to government policymakers in individual countries who are interested in comparing their own performance to that of their closest peers and competitors.

NORTH AMERICA


The North America region has benefited from its openness to international trade and investment. Enjoying the highest degree of economic freedom among the six regions, North America's three countries have been linked by a regional trade agreement, the North American Free Trade Agreement (NAFTA), since 1994. NAFTA has been a positive force enhancing economic freedom in the North America region, connecting more than 400 million people in an economic area with about one-third of the world's total GDP.

Chart 2 shows North America's overall economic freedom and 10 economic freedoms in comparison to world averages. The region scores at or above the world average in every area of economic freedom. The region has high levels of business freedom, trade freedom,

Economic Freedom in North American Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
6	1	United States	80.7	-0.3	91.9	86.8	67.5	59.6	84	80	80	90	72	95.1
7	2	Canada	80.5	0.3	96.5	88.2	76.6	53.7	80.8	70	80	90	87	81.9
49	3	Mexico	65.8	-0.3	80.3	80.2	83.4	81.8	77.5	50	60	50	35	59.8

■ 80–100 Free
 ■ 60–69.9 Moderately Free

Table 3  heritage.org

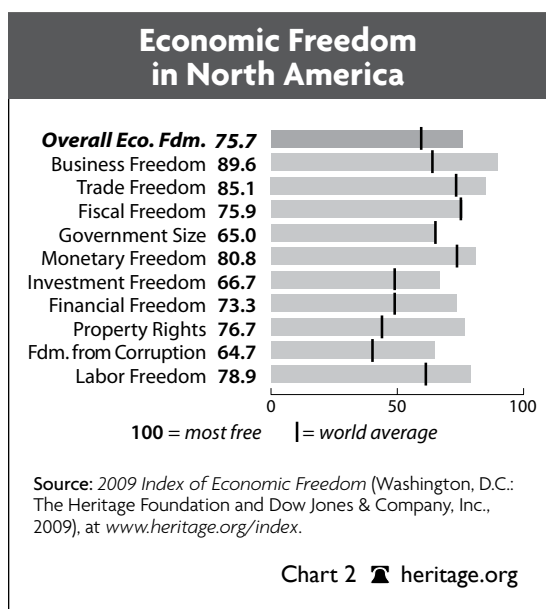
monetary freedom, and labor freedom. Weaknesses remain in investment freedom and freedom from corruption, as Mexico lags behind its two northern neighbors in these two areas.

With economic freedom scores over 80, the U.S. and Canada are among the 10 freest economies in the 2009 *Index*, while Mexico remains “moderately free” with a score of 65.8. Canada made a slight improvement of 0.3 point in its economic freedom score, but scores for the U.S. and Mexico are 0.3 point lower in each case than last year.

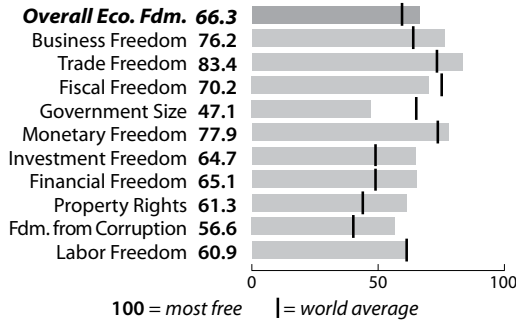
EUROPE

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 contrasts have been eclipsed by a new technology and innovation-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 with fast-growing small economies like Ireland and Estonia that are surpassing them in economic performance. Only Russia and a few other countries that emerged from the breakups of the Soviet Union and Yugoslavia have failed to embrace the principles of economic freedom.

Europe comprises 43 countries and, taken as a whole, is enjoying economic prosperity and stability. Extensive and long-established free-market institutions in most countries allow the region to score above the world average in eight of the 10 economic freedoms. It is about 15 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 points. (See Chart 3.)



Economic Freedom in Europe



Source: 2009 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at www.heritage.org/index.

Chart 3 heritage.org

However, Europe's overall economic freedom is still hampered by weak scores in labor freedom, fiscal freedom, and government size, reflecting the price tag of welfare states that consume a large percentage of GDP. The bur-

densome labor regulations that are in place to protect traditional sectors are plainly hindering both productivity growth and job creation, and they leave the continent with high levels of unemployment that may at some point threaten social stability.

Half of the world's 20 freest countries are in Europe. (See Table 4.) With its economic freedom score over 80, Ireland is the highest ranking European country in the 2009 *Index*. Ireland is ranked 4th worldwide, followed by Denmark at 8th, Switzerland at 9th, and the United Kingdom at 10th. The Netherlands, Estonia, Iceland, Luxembourg, Finland, and Belgium round out the top 20.

Ireland leads in investment freedom, financial freedom, and property rights, reflecting Dublin's commitment to becoming a major European commercial and financial hub based on free-market principles. Denmark's overall score is 0.4 point higher than last year, reflecting improved scores in fiscal freedom, government size, monetary freedom, and property rights.

Economic Freedom in European Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
4	1	Ireland	82.2	-0.3	93.0	85.8	69.2	64.9	84.3	90	90	90	75	79.7
8	2	Denmark	79.6	0.4	99.9	85.8	35.4	20.4	86.6	90	90	95	94	99.4
9	3	Switzerland	79.4	-0.1	82.9	85.4	67.5	65.3	83.9	70	80	90	90	79.2
10	4	United Kingdom	79.0	-0.5	89.8	85.8	61.0	40.3	80.4	90	90	90	84	78.5
12	5	Netherlands	77.0	-0.4	86.5	85.8	50.9	36.2	87.0	90	90	90	90	63.3
13	6	Estonia	76.4	-1.5	75.9	85.8	81.5	67.3	79.7	90	80	90	65	48.5
14	7	Iceland	75.9	0.1	93.6	88	76.2	44.0	75.3	70	70	90	92	59.9
15	8	Luxembourg	75.2	0.5	76.2	85.8	66.3	54.4	80.2	90	80	90	84	45.1
17	9	Finland	74.5	-0.1	95.1	85.8	64.3	28.6	87.4	70	80	95	94	44.8
20	10	Belgium	72.1	0.5	93.2	85.8	41.5	28.3	81.0	90	80	80	71	70.5
23	11	Austria	71.2	-0.2	78.6	85.8	49.9	27.1	80.9	70	70	90	81	78.7

(continued on next page)

■ 80–100 Free
 ■ 70–79.9 Mostly Free

Table 4 heritage.org

Economic Freedom in European Countries (continued)

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
24	12	Cyprus	70.8	-0.5	70.0	80.8	76.6	42.2	85.7	70	70	90	53	70.0
25	13	Germany	70.5	-0.1	90.3	85.8	58.5	38.2	80.8	80	60	90	78	43.4
26	14	Sweden	70.5	-0.4	95.9	85.8	35.0	7.3	82.1	80	80	90	93	55.5
28	15	Norway	70.2	1.6	88.1	89.2	50.3	50.5	78.1	60	60	90	87	48.6
29	16	Spain	70.1	1.0	76.8	85.8	58.6	55.3	78.9	80	80	70	67	48.3
30	17	Lithuania	70.0	-1.0	82.4	85.8	87.6	65.3	75.8	70	80	50	48	54.6
31	18	Armenia	69.9	0.0	83.7	86.4	90.0	89.7	77.8	70	70	35	30	66.3
32	19	Georgia	69.8	0.5	86.6	80.6	86.8	74.6	70.9	70	60	35	34	99.4
36	20	Slovak Republic	69.4	-0.6	73.4	85.8	84.1	57.4	78.7	70	70	50	49	75.3
37	21	Czech Republic	69.4	1.2	65.1	85.8	80.2	43.0	79.7	70	80	70	52	67.8
44	22	Hungary	66.8	-0.8	77.4	85.8	70.6	19.2	73.8	80	70	70	53	68.4
45	23	Latvia	66.6	-1.7	73.8	85.8	82.3	58.5	71.1	70	60	55	48	61.6
47	24	Malta	66.1	0.1	70.0	85.8	63.1	41.7	82.7	50	60	90	58	60.0
53	25	Portugal	64.9	1.0	81.1	85.8	61.6	35.4	79.9	70	60	70	65	40.3
56	26	Bulgaria	64.6	0.9	73.5	85.8	86.2	58.7	72.8	60	60	30	41	78.4
62	27	Albania	63.7	1.3	67.0	75.8	92.8	75.6	79.6	70	70	30	29	47.2
64	28	France	63.3	-1.4	87.4	80.8	50.9	14.5	71.7	60	70	70	73	54.5
65	29	Romania	63.2	1.5	74.9	85.8	87.0	70.0	75.0	60	50	35	37	57.1
68	30	Slovenia	62.9	2.7	84.5	85.8	62.9	38.4	78.6	60	50	60	66	42.8
75	31	Turkey	61.6	1.6	69.9	86.6	73.2	83.4	71.1	50	50	50	41	40.3
76	32	Italy	61.4	-1.2	78.7	80.8	55.8	24.7	80.8	70	60	50	52	61.3
78	33	Macedonia	61.2	0.2	58.2	81.6	89.4	65.1	85.4	50	60	30	33	59.8
81	34	Greece	60.8	0.2	78.7	80.8	66.5	46.3	78.8	50	50	50	46	61.2
82	35	Poland	60.3	0.0	53.7	85.8	69.0	42.2	80.8	60	60	50	42	59.8
94	36	Montenegro	58.2	n/a	68.7	80.2	89.1	45.3	78.9	40	50	40	33	57.2
109	37	Serbia	56.6	n/a	56.0	78	85.9	46.3	65.8	40	50	40	34	70.0
116	38	Croatia	55.1	1.0	59.9	87.6	68.7	31.7	79.0	50	60	30	41	43.4
120	39	Moldova	54.9	-3.0	70.1	81.6	85.3	51.3	67.6	30	50	40	28	45.1
134	40	Bosnia and Herzegovina	53.1	-0.8	59.9	77.2	71.8	37.6	79.0	50	60	10	33	52.1
146	41	Russia	50.8	1.0	54.0	60.8	78.9	70.6	65.5	30	40	25	23	60.0
152	42	Ukraine	48.8	-2.2	40.5	84	77.0	39.0	68.1	30	40	30	27	52.4
167	43	Belarus	45.0	-0.4	63.7	67.2	79.4	30.9	66.8	20	10	20	21	70.8
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

■ 70–79.9 Mostly Free
 ■ 60–69.9 Moderately Free

■ 50–59.9 Mostly Unfree
 □ 0–49.9 Repressed

Table 4  heritage.org

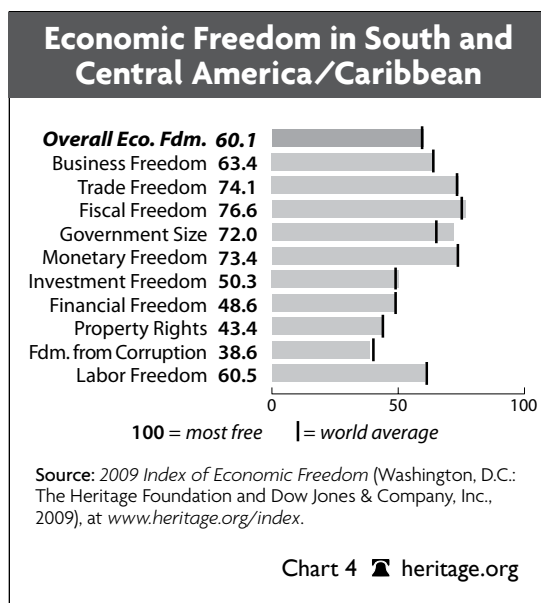
In addition to high transparency and low corruption, Denmark boasts an efficient regulatory regime and independent judiciary. Impressively for a post-Communist state, Georgia is a leader in labor freedom and fiscal freedom because of a combination of low taxes and a highly flexible labor market. Slovenia enjoyed the biggest gain in economic freedom in the Europe region, improving its score by 2.7 points.

Europe has benefited from economic competition over the past years, and around 80 percent of the 43 European countries score between 60 and 80, achieving the status of either “moderately free” or “mostly free.” Only Ukraine and Belarus remain “repressed” with scores below 50.

Overall, Europe has continued to maintain a high level of economic freedom in the 2009 *Index*. Thanks to such policy improvements 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, 19 countries have recorded overall score improvements.

SOUTH AND CENTRAL AMERICA/CARIBBEAN

The countries of the South and Central America/Caribbean region range from prosperous Chile and the developing economic colossus of Brazil to the small island economies of the Caribbean Sea. The region, which consists of 29 economies, is one of the world’s most economically diverse and presents a puzzle: Despite strong economic progress in many countries as the result of policy liberalization, governments and even electorates in some countries are turning away from free-market policies and embracing a new populism that looks very much like the old corrupt cronyism that characterized the region before the outbreak of democracy in the 1980s and 1990s. This newly packaged but really old-fashioned authoritarianism, backed by the oil revenue of an increasingly anti-democratic Venezuela, increases the risk, especially in the poorer countries of Central America or the smaller islands of the Caribbean, that econom-



ic freedom and long-term prosperity could be sacrificed for short-term payoffs and political expediency.

The countries in the South and Central America/Caribbean region perform better than the world average in four of the 10 components of economic freedom measured in the *Index*. (See Chart 4.) Corruption and a lack of protection for property rights are the major trouble areas, reflecting long-standing problems of poor governance and weak rule of law.

The typical country in the region stands out positively in terms of limited taxation and government expenditures. The freedom to trade and invest is slightly better protected than in other parts of the developing world.

The region has maintained an overall level of economic freedom that is slightly higher than the global average of 59.5. With its score 2.2 points higher than in the 2008 *Index*, Costa Rica is the most improved country in the region. (See Table 5.) Venezuela has recorded the worst performance, losing almost five points in overall economic freedom.


One of the 29 countries in the South and Central America/Caribbean region ranks among the top 20 in the world: Chile (11th). Indeed, the region’s countries are distributed throughout the rankings in a more balanced fashion than

Economic Freedom in South and Central America/ Caribbean Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
11	1	Chile	78.3	-0.3	66.3	85.8	78.2	90.1	77.3	80	70	90	70	75.0
22	2	Barbados	71.5	0.2	90.0	64.6	70.9	66.3	74.5	50	60	90	69	80.0
27	3	Bahamas, The	70.3	-0.8	74.7	56	96.5	84.4	75.5	40	70	75	50	80.4
33	4	El Salvador	69.8	1.3	67.3	81.8	85.7	87.9	77.4	70	70	50	40	67.5
38	5	Uruguay	69.1	1.2	65.6	83.4	82.2	76.5	72.8	70	30	70	67	73.7
39	6	Saint Lucia	68.8	n/a	87.7	72	74.0	68.5	85.1	40	40	70	68	82.8
41	7	Trinidad and Tobago	68.0	-1.6	60.1	79.8	79.7	75.6	72.2	70	70	60	34	78.3
46	8	Costa Rica	66.4	2.2	60.3	81.8	82.8	88.4	69.7	70	50	50	50	61.2
52	9	Jamaica	65.2	-0.5	87.8	70.6	75.3	62.2	75.4	80	50	50	33	67.4
55	10	Panama	64.7	0.0	74.5	76.2	82.6	89.8	77.9	70	70	30	32	44.1
57	11	Peru	64.6	0.9	65.1	79.4	79.7	91.8	86.5	60	60	40	35	48.7
60	12	Saint Vincent and the Grenadines	64.3	n/a	78.2	73.6	64.7	60.9	75.6	40	40	70	61	78.5
66	13	Belize	63.0	0.0	75.5	69.6	68.8	77.6	78.4	50	50	50	30	80.6
70	14	Dominica	62.6	n/a	76.4	74.2	67.4	52.2	79.8	60	30	60	56	70.0
72	15	Colombia	62.3	0.2	77.4	72.4	72.9	65.9	70.6	60	60	40	38	66.0
79	16	Paraguay	61.0	1.0	61.7	83.6	96.6	90.4	76.7	60	60	30	24	27.0
84	17	Nicaragua	59.8	-1.0	57.6	79.2	78.8	71.0	69.5	70	50	25	26	70.6
87	18	Guatemala	59.4	-0.4	54.1	78.4	79.4	93.5	73.3	50	50	30	28	57.3
88	19	Dominican Republic	59.2	1.5	63.7	73	85.3	91.1	74.1	50	40	30	30	55.1
91	20	Honduras	58.7	-0.2	64.4	78	85.1	79.7	73.5	50	60	30	25	40.9
105	21	Brazil	56.7	0.5	54.4	71.6	65.8	50.3	77.2	50	50	50	35	62.7
125	22	Suriname	54.1	-0.2	41.5	64.2	67.7	75.5	72.2	30	30	40	35	84.8
130	23	Bolivia	53.6	0.5	58.5	81.8	84.8	71.9	67.9	20	60	20	29	41.9
137	24	Ecuador	52.5	-2.8	54.0	72.6	85.8	83.1	75.0	30	40	25	21	38.3
138	25	Argentina	52.3	-1.8	62.1	70	70.3	75.6	60.6	50	40	20	29	45.6
147	26	Haiti	50.5	1.5	37.7	79.4	77.9	93.8	69.0	30	30	10	16	61.2
155	27	Guyana	48.4	-0.4	60.9	72.6	66.5	3.2	69.6	40	40	40	26	65.2
174	28	Venezuela	39.9	-4.8	50.8	59.6	70.6	69.3	53.7	10	30	5	20	30.1
177	29	Cuba	27.9	0.4	10	64.4	45.9	0	67.0	10	10	10	42	20

■ 70–79.9 Mostly Free
■ 60–69.9 Moderately Free

■ 50–59.9 Mostly Unfree
■ 0–49.9 Repressed

Table 5  heritage.org

are the countries of any other region, almost like a bell curve. All but six countries receive an economic freedom score between 50 and 70, and roughly half fall in the middle category of “moderately free.”

MIDDLE EAST/NORTH AFRICA

Stretching from Morocco’s Atlantic shores to Iran and Yemen’s beaches on the Arabian Sea, the Middle East/North Africa region remains central to world affairs. Encompassing some of the world’s most ancient civilizations, the region consists of 17 countries. Unfortunately, many of the economies in this region remain either “moderately free” or “mostly unfree.” Cursed in some ways by enormous natural oil resources, most of the local populations still suffer from extreme concentrations of wealth and poverty.

Despite some progress in recent years, structural problems clearly abound in the region, as the regional unemployment rate, which averages more than 10 percent, is among the highest in the world and is most pronounced among younger members of the labor force. Despite the outflow of crude oil, the actual trade flows of the region’s countries remain relatively low, indicating a lack of economic dynamism. The oil industry requires very little

investment in labor or human capital and only a marginal amount of investment in the land. People need freedom to be productive, but oil does not generate the incentives needed for societies to embrace openness. To the contrary, an abundance of oil seems most often to inspire repression.

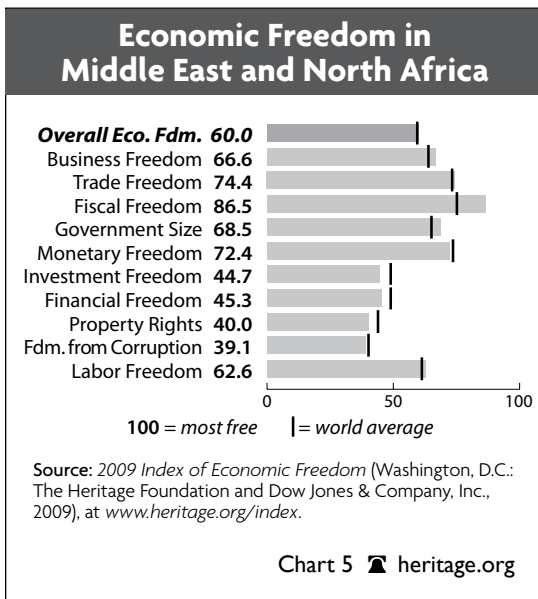
As shown in Chart 5, the region’s overall economic freedom score is slightly above the world average of 59.5, mainly due to a high degree of fiscal freedom that reflects low income and corporate tax rates. However, other institutional problems pose serious impediments to creating more dynamic private sectors and diverse economies. Investment freedom, financial freedom, property rights, and freedom from corruption all score below the world average, holding down the region’s overall economic freedom and its economic potential.

The ongoing transformation of innovative and reform-oriented states like Bahrain, Israel, Oman, Qatar, and the United Arab Emirates (UAE) may pave the way for more robust and dynamic regional economic growth.

As Table 6 shows, scores for over 80 percent of the 17 countries in the region are concentrated between 50 and 70. Syria and Libya made the biggest leaps forward with gains of over four points in economic freedom. In recent years, Syria’s private sector has contributed to steady economic growth, benefiting from reforms in banking, business regulation, and the investment regime.

Bahrain, ranked 16th globally with its economic freedom score of 74.8, is the only Middle Eastern country among the world’s 20 freest economies. It maintains a pro-business environment with low inflation, sound banking and finance systems, and low barriers to trade. Seven other countries ranging from Israel to Saudi Arabia—while politically very different—share a common commitment to economic freedom that is significantly greater than that of other countries in the region.

The lowest-ranking countries are Iran and Libya, bonded together by economic freedom scores that are among the worst in the world.




Economic Freedom in Middle East/North African Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
16	1	Bahrain	74.8	2.6	79.6	80	99.9	79.4	74.0	60	80	60	50	85.1
42	2	Israel	67.6	1.3	67.8	86	57.1	35.1	83.7	80	70	70	61	64.9
43	3	Oman	67.0	-0.3	63.3	83.6	98.5	61.1	71.4	60	60	50	47	75.0
48	4	Qatar	65.8	3.6	75.7	81.6	99.9	69.1	67.3	40	50	50	60	64.7
50	5	Kuwait	65.6	-2.5	67.4	81	99.9	63.7	71.7	50	50	50	43	79.3
51	6	Jordan	65.4	1.3	68.9	78.8	83.0	56.9	80.3	50	60	55	47	74.1
54	7	United Arab Emirates	64.7	2.2	57.4	80.8	99.9	86.3	69.8	30	50	40	57	76.2
59	8	Saudi Arabia	64.3	1.8	79.6	81.8	99.6	73.4	68.4	40	50	40	34	76.4
95	9	Lebanon	58.1	-1.9	60.0	80.8	91.7	64.1	77.3	30	60	30	30	57.4
97	10	Egypt	58.0	-0.5	64.7	63.4	89.5	66.1	65.9	50	50	40	29	61.3
98	11	Tunisia	58.0	-2.1	81.6	53	76.5	78.3	78.4	30	30	50	42	60.1
101	12	Morocco	57.7	2.1	76.2	68	65.1	76.5	80.5	60	50	35	35	30.8
103	13	Yemen	56.9	3.1	74.9	76.2	83.2	57.1	66.5	50	30	30	25	75.8
107	14	Algeria	56.6	0.4	72.5	68.6	77.2	74.1	78.6	50	30	30	30	55.5
141	15	Syria	51.3	4.2	61.4	54	87.0	74.9	67.2	40	20	30	24	54.9
168	16	Iran	44.6	-0.4	60.6	57.4	81.0	79.7	60.1	10	10	10	25	52.4
171	17	Libya	43.5	4.8	20.0	90	81.7	68.1	70.3	30	20	10	25	20.0
n/a	n/a	Iraq	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

■ 70–79.9 Mostly Free
 ■ 60–69.9 Moderately Free

■ 50–59.9 Mostly Unfree
 ■ 0–49.9 Repressed

Table 6  heritage.org

ASIA–PACIFIC

With 3.7 billion inhabitants, the Asia–Pacific 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 Asia–Pacific region has achieved an average annual economic growth rate of around 8 percent over the past five years, largely driven by China, India, and other export-oriented economies.

What sets the Asia–Pacific region apart from other regions is the extraordinary disparity in levels of economic freedom. Four of the world’s 10 freest economies—Hong Kong, Singapore,

Australia, and New Zealand—are in this region, yet most other countries in the region remain “mostly unfree.” Countries such as Turkmenistan, Bangladesh, and Burma have economies that are “repressed.” North Korea remains the least free economy, both in the region and in the world. The region’s overall economic freedom score is below the world average of 59.5.

The Asia–Pacific region, which consists of 41 economies, scores higher than the world average in only two of the 10 economic freedoms: government size and labor freedom. (See Chart 6.) Lower government expenditures result in a regional government size score that is more than five points better than the world average.

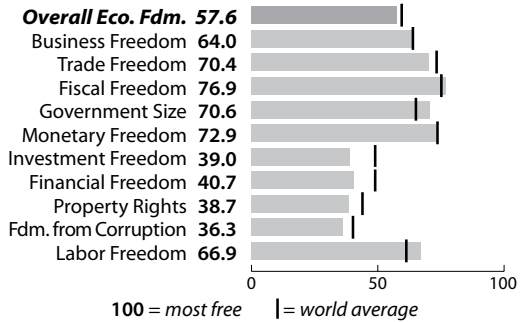
The region's labor freedom score is also better than the world average by five points, although many small Pacific island economies still lack fully developed formal labor markets.

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

With the top scores in four of the 10 economic freedoms, Hong Kong once again is the freest economy in the 2009 *Index*. (See Table 7.) Singapore is the top country in labor freedom and second overall, both in the region and in the world. Singapore grants private firms the most flexibility in hiring and firing workers. New Zealand sets the standard for clean, corruption-free government and benefits significantly from its transparent and straightforward business environment.

Two-thirds of the 41 countries in the region

Economic Freedom in Asia–Pacific



Source: 2009 *Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at www.heritage.org/index.

Chart 6 heritage.org

score between 40 and 60 on the economic freedom scale, remaining either “mostly unfree” or “repressed.” In the 2009 *Index*, the scores of 18 countries in the region have improved, while those of 12 are worse. Azerbaijan and Bangla-

Economic Freedom in Asia–Pacific Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	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	90.0	0.3	92.7	95	93.4	93.1	86.2	90	90	90	83	86.3
2	2	Singapore	87.1	-0.2	98.3	90	91.1	93.8	86.8	80	50	90	93	98.1
3	3	Australia	82.6	0.4	90.5	84.8	61.4	64.3	84.7	80	90	90	86	94.7
5	4	New Zealand	82.0	1.2	99.9	84.6	62.5	49.6	84.6	80	80	95	94	89.6
19	5	Japan	72.8	-0.2	85.8	82	67.5	61.1	93.6	60	50	70	75	82.5
21	6	Macau	72.0	n/a	60.0	90	79.3	93.3	80.3	70	70	60	57	60.0
35	7	Taiwan	69.5	-0.7	69.5	85.2	76.2	89.4	82.1	70	50	70	57	45.7
40	8	South Korea	68.1	-0.5	90.4	70.2	70.4	72.5	80.0	70	60	70	51	46.4
58	9	Malaysia	64.6	0.7	70.8	78.2	83.0	81.4	79.9	40	40	50	51	71.5
67	10	Thailand	63.0	0.7	71.1	75.6	74.4	90.6	69	30	60	50	33	76.5

(continued on next page)

- 80–100 Free
- 70–79.9 Mostly Unfree
- 60–69.9 Moderately Free

Table 7 heritage.org

Economic Freedom in Asia–Pacific Countries (continued)

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
69	11	Mongolia	62.8	-0.8	71.0	81.2	81.3	69.9	76.7	60	60	30	30	67.7
74	12	Kyrgyz Republic	61.8	0.7	75.3	87.6	93.4	74.9	71.5	50	50	25	21	69.5
80	13	Fiji	61.0	-0.8	66.0	69.6	76.0	76.0	77.3	30	60	30	40	84.8
83	14	Kazakhstan	60.1	-1.0	57.9	86.2	82.8	87.5	70.0	30	60	25	21	80.5
86	15	Samoa	59.5	n/a	61.5	70	86.2	56.2	75.7	30	30	60	45	80.2
92	16	Vanuatu	58.4	n/a	69.0	63	95.3	84.0	78.7	30	40	40	31	52.6
99	17	Azerbaijan	58.0	2.6	74.6	78.4	79.7	77.5	66.3	30	40	25	21	87.0
100	18	Bhutan	57.7	n/a	61.7	42	83.6	58.3	75.9	30	30	60	50	85.8
102	19	Pakistan	57.0	1.4	72.5	65.6	80.4	90.7	72.2	40	40	30	24	54.5
104	20	Philippines	56.8	0.8	49.3	78.6	75.4	90.8	77.2	40	50	30	25	51.4
106	21	Cambodia	56.6	0.8	42.7	63.4	91.4	94.5	80.0	50	50	30	20	44.5
111	22	Sri Lanka	56.0	-2.4	73.7	71	73.2	80.5	59.4	20	40	40	32	70.8
121	23	Papua New Guinea	54.8	n/a	60.1	87.2	67.4	71.0	81.4	30	30	20	20	81.1
122	24	Tajikistan	54.6	0.2	45.1	82.6	89.3	85.9	63.2	30	40	30	21	58.7
123	25	India	54.4	0.3	54.4	51	73.8	77.8	69.3	30	40	50	35	62.3
126	26	Tonga	54.1	n/a	79.0	56	82.5	58.0	68.9	40	20	20	17	99.4
131	27	Indonesia	53.4	0.2	46.7	76.4	77.5	88.0	71.6	30	40	30	23	50.9
132	28	China	53.2	0.1	51.6	71.4	70.6	88.9	72.9	30	30	20	35	61.8
133	29	Nepal	53.2	-0.9	60.5	63.2	86.3	91.0	78.7	20	30	30	25	46.9
139	30	Micronesia	51.7	n/a	59.8	81	97.4	0.0	76.7	30	30	30	30	82.3
143	31	Maldives	51.3	n/a	83.2	44	95.8	0.0	76.5	30	30	30	33	90.1
145	32	Vietnam	51.0	0.6	61.7	63.4	74.3	77.3	67	30	30	10	26	70.0
148	33	Uzbekistan	50.5	-1.4	68.4	65.4	88.3	68.1	62.6	30	20	20	17	64.9
149	34	Timor-Leste	50.5	n/a	47.0	73	64.7	84.0	74.1	30	20	20	26	66.0
150	35	Laos	50.4	0.1	59.5	66.4	70.6	89.7	75.4	30	20	10	19	63.5
160	36	Bangladesh	47.5	3.3	62.9	40.2	72.8	94.2	67.3	20	20	25	20	52.3
163	37	Solomon Islands	46.0	n/a	67.2	66.4	68.9	0.0	73.5	20	30	30	28	76.3
164	38	Kiribati	45.7	n/a	62.5	55	42.2	0.0	88.7	30	30	30	33	85.6
169	39	Turkmenistan	44.2	0.8	30.0	79.2	90.9	93.6	68	10	10	10	20	30.0
176	40	Burma	37.7	-1.8	20.0	72.2	81.8	98.5	45.3	10	10	5	14	20.0
179	41	North Korea	2.0	-1.0	0.0	0.0	0.0	0.0	0.0	10	0	5	5	0.0
n/a	n/a	Afghanistan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

- 60–69.9 Moderately Free
- 50–59.9 Mostly Unfree
- 0–49.9 Repressed

Table 7  heritage.org

desh are the region's most improved countries. Burma and Sri Lanka, by contrast, lost the most economic freedom.

India and China are ranked 25th and 28th, respectively, in the region, and both remain "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.

SUB-SAHARAN AFRICA

With annual average economic growth rates of around 6 percent, Sub-Saharan Africa has progressed significantly over the past five years, yet the region continues to be characterized primarily by poverty and instability. Civil wars flare sporadically from the Horn of Africa to the Atlantic Coast. HIV/AIDS is a continuing burden. Mass unemployment is common. 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.

Africa's overall level of economic freedom is weaker than that of any other region. Sub-Saharan Africa is ranked last in eight of the 10 components of economic freedom and performs

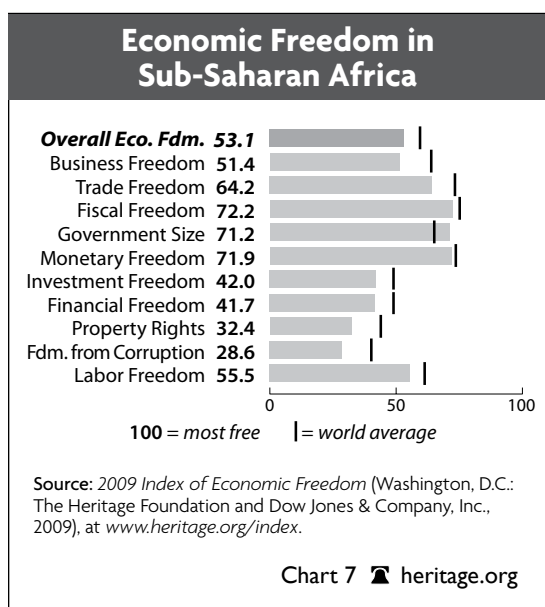
especially poorly in terms of property rights and freedom from corruption. (See Chart 7.)

Some of the gaps between Sub-Saharan Africa's scores and the world averages are especially striking; it lags by over seven points in business freedom and about 11 points in both property rights and freedom from corruption. The single component in which the region scores higher than the world average is government size. However, it is worse than average in terms of fiscal freedom, and the combination of the two scores is likely an indicator of poor government capacity and inefficiency. Labor freedom is restricted, reflecting in part the region's lack of progress in developing modern and efficient labor markets.

Thankfully, there are some success stories. Mauritius remains among the world's 20 freest economies. (See Table 8.) With an economic freedom score of 74.3, it is both the 18th freest economy in the world and the leader in economic freedom in the region. It scores 10 points or more above the global average in eight economic freedoms: trade freedom, investment freedom, property rights, business freedom, freedom from corruption, fiscal freedom, labor freedom, and government size. Mauritius has also demonstrated its strong commitment to enhancing economic freedom by accelerating major tax reforms. Botswana remains the region's second freest economy, followed by South Africa and Uganda.

Unlike other regions that have a more diverse range of "free" economies, in Sub-Saharan Africa there are only distinctions among less free economies. A majority of nations in the region are ranked either "mostly unfree" with scores between 50 and 60 or "repressed" with scores below 50.

With its economic freedom continuing to deteriorate, Zimbabwe recorded the biggest overall score loss in the 2009 *Index*. Zimbabwe's economy has crumbled under the tyrannical and oppressive rule of Robert Mugabe. All components of economic freedom score below or far below the world averages. Causing one of the worst periods of hyperinflation in world history, the government's continuing control of the economy has put the population at great risk.



Economic Freedom in Sub-Saharan African Countries

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
18	1	Mauritius	74.3	1.7	83.3	86.8	92.2	80.8	71.1	80	70	60	47	71.5
34	2	Botswana	69.7	1.5	71.2	69	75.1	70.6	71.8	70	70	75	54	70.0
61	3	South Africa	63.8	0.4	74.6	74.8	68.9	77.6	74.3	50	60	50	51	56.8
63	4	Uganda	63.5	-0.3	58.7	75.2	80.4	86.9	78.4	50	60	30	28	87.9
71	5	Namibia	62.4	1.0	74.4	88.4	67.2	69.7	74.6	40	50	30	45	85.0
73	6	Madagascar	62.2	-0.2	60.5	72.6	80.9	86.3	73.9	70	50	50	32	46.0
77	7	Cape Verde	61.3	3.4	57.1	65.4	65.5	62.2	76.9	60	60	70	49	46.9
85	8	Burkina Faso	59.5	3.8	58.7	70.4	80.7	83.7	83.7	40	50	30	29	69.0
89	9	Swaziland	59.1	0.6	68.6	71.6	64.3	70.6	73.1	50	40	50	33	69.6
90	10	Kenya	58.7	-0.6	66.9	71.8	78.6	81.5	74.0	50	50	30	21	63.1
93	11	Tanzania	58.3	1.8	48.1	75.6	80.6	83.4	73.4	60	50	30	32	49.9
96	12	Ghana	58.1	1.0	56.7	63	83.2	65.7	69.6	50	60	50	37	45.3
108	13	Zambia	56.6	0.4	68.8	71.2	72.9	82.1	64.1	50	50	30	26	51.0
110	14	Senegal	56.3	-2.0	65.0	71.2	65.1	77.0	76.5	40	40	50	36	42.5
112	15	Gambia, The	55.8	-1.1	59.9	59.6	71.9	74.4	71.9	50	50	30	23	67.0
113	16	Mozambique	55.7	0.2	54.2	73.4	77.7	76.5	75.9	50	50	30	28	41.1
114	17	Mali	55.6	0.1	42.2	73	69.4	81.4	79.6	50	40	30	27	63.8
115	18	Benin	55.4	0.1	43.8	67.4	67.2	88.5	79.6	40	60	30	27	50.3
117	19	Nigeria	55.1	0.0	55.1	61.8	84.4	64.3	77.9	30	40	30	22	85.8
118	20	Gabon	55.0	0.9	59.9	57	61.7	84.8	73.8	40	40	40	33	60.0
119	21	Côte d'Ivoire	55.0	1.0	45.8	70.4	58.1	87.6	79.1	40	60	30	21	57.8
124	22	Rwanda	54.2	0.0	58.9	61.2	76.8	76.8	70.8	40	40	30	28	59.5
127	23	Mauritania	53.9	-1.2	53.6	75.6	75.4	65.9	77.7	50	40	25	26	50.2
128	24	Niger	53.8	1.0	36.9	70.4	66.3	88.8	89.5	50	40	30	26	40.6
129	25	Malawi	53.7	1.1	45.2	68.8	70.7	48.6	69.8	50	50	50	27	57.2
135	26	Ethiopia	53.0	0.5	62.6	68.6	77.4	82.7	65.5	40	20	30	24	59.4
136	27	Cameroon	53.0	-1.3	39.3	56	69.6	93.6	76.0	40	50	30	24	51.5
140	28	Djibouti	51.3	0.1	38.1	31.8	80.8	59.4	76.6	50	60	30	29	57.9
142	29	Equatorial Guinea	51.3	-0.3	45.7	59.4	75.5	86.3	81.4	30	40	30	19	46.1
144	30	Guinea	51.0	-1.8	45.2	59.6	71.1	91.9	57.4	40	40	20	19	66.3
151	31	Lesotho	49.7	-2.5	61.7	57	63.1	36.2	73.1	30	40	40	33	62.7
153	32	Burundi	48.8	2.6	34.4	63	72.5	55.8	72.7	40	30	30	25	64.3
154	33	Togo	48.7	-0.2	36.6	70.6	53.7	86.6	81.5	30	30	30	23	44.7

(continued on next page)

■ 70–79.9 Mostly Free
 ■ 60–69.9 Moderately Free

■ 50–59.9 Mostly Unfree
 ■ 0–49.9 Repressed

Table 8  heritage.org

Economic Freedom in Sub-Saharan African Countries (continued)

World Rank	Region Rank	Country	Overall Score	Change from 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
156	34	Central African Republic	48.3	-0.3	39.5	50.4	65.4	94.0	75.0	40	30	20	20	48.7
157	35	Liberia	48.1	n/a	40.2	53.8	73.8	97.2	70.1	30	20	25	21	49.8
158	36	Sierra Leone	47.8	-0.5	57.0	66	80.9	86.3	73.8	30	20	10	21	33.4
159	37	Seychelles	47.8	n/a	65.5	28.4	73.8	0.0	78.1	50	30	50	45	57.1
161	38	Chad	47.5	-0.4	35.7	58.4	50.5	90.8	78.6	40	40	20	18	42.6
162	39	Angola	47.0	0.1	43.6	72	85.2	62.2	61.8	20	40	20	22	43.5
165	40	Guinea-Bissau	45.4	1.1	24.2	66.8	88.4	49.1	73.5	30	30	20	22	50.5
166	41	Rep. of Congo	45.4	0.0	50.1	55.4	60.2	77.6	73.9	30	30	10	21	45.6
170	42	São Tomé and Príncipe	43.8	n/a	45.1	60	75.0	22.0	61.4	40	30	30	27	48.0
172	43	Comoros	43.3	n/a	46.5	27.2	64.6	88.1	78.9	20	20	30	26	31.8
173	44	Dem. Rep. of Congo	42.8	n/a	34.3	62.2	73.3	85.3	59.5	30	20	10	19	34.5
175	45	Eritrea	38.5	n/a	18.3	69.2	86.4	9.9	59.0	10	20	10	28	73.9
178	46	Zimbabwe	22.7	-6.7	30.8	50.4	44.1	4.6	0	10	10	5	21	51.2
n/a	n/a	Sudan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

□ 0–49.9 Repressed

Table 8  heritage.org