

## Chapter 6

# The Countries

**T**his chapter reports data on economic freedom in each of the countries covered in the *Index of Economic Freedom*. Of the 184 countries included, 179 are fully scored and ranked. Because of data constraints, the remaining five—Afghanistan, Iraq, Somalia,<sup>1</sup> Sudan, and Liechtenstein—are covered without numerical grading.

In an effort to improve analytical understanding and presentational clarity, the 10 economic freedoms have been grouped this year into four broad categories or pillars of economic freedom:

- **Rule of law** (property rights, freedom from corruption);
- **Limited government** (fiscal freedom, government spending);
- **Regulatory efficiency** (business freedom, labor freedom, monetary freedom); and
- **Open markets** (trade freedom, investment freedom, financial freedom).

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1. Somalia, though not formally graded, returns to the *Index* for the first time since the 2001 *Index*.

Ranked countries are given a score ranging from 0 to 100 on each of the 10 components of 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 the scores, the country pages include a brief introduction describing economic strengths and weaknesses and the political and economic background influencing a country's performance, as well as a statistical profile giving the country's main economic indicators. Information about a country's public debt is included this year for the first time.

To assure consistency and reliability for each of the 10 components on which the countries are graded, every effort has been made to use the same data source consistently for all countries; when data are unavailable from the primary source, secondary sources are used. (See Appendix, "Methodology for the 10 Economic Freedoms.")

### DEFINING THE "QUICK FACTS"

Each country page includes "Quick Facts"

with eight different categories of information. Unless otherwise indicated, the data in each country's profile are for 2010 (the year for which the most recent data are widely available) and in current 2010 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:** 2010 data from World Bank, *World Development Indicators Online*. 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—adjusted to reflect purchasing power parity (PPP). The primary source for GDP data is World Bank, *World Development Indicators Online 2011*. The major secondary source is International Monetary Fund, *World Economic Outlook Database, 2011*. Other sources include a country's statistical agency and/or central bank.

**GDP growth rate:** The 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, 2011*. Secondary sources include World Bank, *World Development Indicators Online 2011*; Economist Intelligence Unit, *Country Reports, 2008–2011*; Asian Development Bank, *Asian Development Outlook 2011*; and a country's statistical agency and/or central bank.

**GDP five-year compound annual growth:** The compound average growth rate measured over a specified period of time. The compound annual growth rate is measured using data from 2005 to 2010, 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, 2011*. Secondary sources are World Bank, *World Development Indicators Online 2011*, and Asian Development Bank, *Asian Development Outlook 2011*.

**GDP per capita:** Gross domestic product (adjusted for PPP) divided by total population. The sources for these data are World Bank, *World Development Indicators Online 2011*; International Monetary Fund, *World Economic Outlook Database, 2011*; U.S. Central Intelligence Agency, *The World Factbook 2011*; and a country's statistical agency and/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 U.S. Central Intelligence Agency, *The World Factbook 2011*; Economist Intelligence Unit, *Country Reports, 2008–2010*; International Monetary Fund, *Article IV Staff Reports, 2008–2011*; and a country's statistical agency.

**Inflation:** The annual percent change in consumer prices as measured for 2010 (or the most recent available year). The primary source for 2010 data is International Monetary Fund, *World Economic Outlook Database, 2011*. Secondary sources are Economist Intelligence Unit, *Country Reports, 2008–2011*; Asian Development Bank, *Asian Development Outlook 2011*; and a country's statistical agency and/or central bank.

**Foreign direct investment (FDI) inward flow:** This indicates the total annual inward flow of FDI. Data are in current 2010 U.S. dollars, reported in millions. 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 2011*.

**Public Debt:** Gross government debt as a percentage of GDP, which indicates the cumulative total of all government borrowings less repayments that are denominated in a country's currency. Public debt is different from external debt, which reflects the foreign currency liabilities of both the private and public sectors and must be

financed out of foreign exchange earnings. The primary sources for 2010 data are International Monetary Fund, *World Economic Outlook Database, 2011*; International Monetary Fund, *Article IV Staff Reports, 2008–2011*; and a country's statistical agency. The data source for U.S. public debt is the United States Office of Management and Budget. Concerning the U.S. data, gross debt includes both publicly held debt (bonds and Treasury bills held by foreigners, corporations, individual citizens, investment vehicles, etc.) and intra-governmental debt such as Social Security trust funds.

## COMMONLY USED ACRONYMS

**CARICOM:** Caribbean Community and Common Market, composed of Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

**CEMAC:** Central African Economic and Monetary Community, which includes Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.

**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; now includes 186 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; now includes 32 member countries.

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

**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 member countries. As of November 2011, there were 153 member economies.