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The principal author of this publication, Salem Ben Nasser Al Ismaily, is professionally involved in the promotion of investment in Oman. Therefore, to avoid a conflict of interest, he excused himself from calculating the index though he undertook the bulk of the analysis.
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ABOUT THE CO- PUBLISHERS

Friedrich Naumann Foundation for Freedom
The Friedrich Naumann Foundation for Freedom (FNF) is an independent, non-profit, non-governmental organization that is committed to promoting liberal values and policies. Founded in Germany in 1958, the Foundation has won a reputation for promoting freedom worldwide.

To create an open society, FNF is guided by the principles of Liberalism and its message of mutual tolerance and acceptance of diversity. Its core concepts such as the protection of human rights, the application of the rule of law, liberal democracy, and a free-market economy have proven throughout the centuries that Liberalism offers appropriate solutions for the present and the future in public and personal life. Our intensive work in civic education, political consultancy, training, and international dialogue is carried out in Germany and in over 70 countries worldwide.

International Research Foundation
The International Research Foundation (IRF), Sultanate of Oman, was established in 2005 as a non-governmental, independent, non-profit “think tank” based in Oman to conduct research on domestic and international economic issues with emphasis on the Arab World. The IRF has set its research and public-affairs agenda on a collegial basis, relying on the input of its researcher staff, its editorial board, and its Senior Fellows. It maintains a working arrangement with governmental and non-governmental organizations in the region and other parts of the world. The IRF is the regional member of the Fraser Institute’s Economic Freedom Network.

The vision of IRF is to create wealth and jobs through promotion of economic freedom. Its mission is to measure, research, and communicate to a global audience the impact of competitive markets with free economic policies on the welfare of individuals.

The Board of Trustees of the IRF consists of high-profile private-sector members from different organizations. The IRF has initiated the establishment of a network of academic researchers to facilitate research projects, which will help in its endeavor to research economic issues affecting the daily life of individuals.

Fraser Institute
Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship, and choice on their well-being. Founded in 1974, we are an independent research and educational organization with international partners in over 90 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.
Economic freedom—creating opportunity for all
Wherever true economic freedom takes root, it creates opportunity for all by eliminating obstacles to success. Economic freedom is simply the ability of individuals and families to make their own economic decisions and take advantage of opportunities and entrepreneurship, free of barriers imposed by overly powerful governments or greedy elites to protect their own dominance, whether foreign or domestic. All too often in the Arab world the less privileged and the excluded are deprived from finding meaningful employment or building new and creative businesses by onerous bureaucracy, red tape, restrictive regulations, complicated rules, corruption, and an uneven rule of law—all obstacles to economic freedom.

Increased economic freedom removes these barriers to create opportunity for all. It is the solution that will unleash the drive and ingenuity of the whole population and power Arab nations into a new era of prosperity and opportunity. This is a necessity for even resource-rich states as they move to diversify. To do this and achieve a broad participation of their population in economic activity, they must open the gates to opportunity for all.

Expanding economic freedom would also combat corruption. If the road to opportunity is open, no one can demand a bribe for entrance to that road. The Arab Spring was triggered by economic as much as by political reasons. The demonstrations across the Arab world were fueled especially by frustrated youth unable to find suitable employment or launch their own enterprises. The privileged and powerful have the connections and influence to navigate the complicated seas of red tape and favoritism to establish their own businesses and land the best jobs. But, if these opportunities were open to all, an economic miracle would unfold in the Arab World.

Measuring economic freedom
Economic Freedom of the Arab World aims to provide a reliable and objective metric of economic policy throughout the Arab World. It measures the extent to which citizens of the nations of the Arab League are able to make their own economic decisions without barriers to opportunity and limitations imposed by the government or by crony elites. The report provides sound empirical measurement of economic policy that can distinguish between phony reform that leaves economic and political power in the hands of crony elites, and real reform that creates new prosperity, entrepreneurship, and jobs, by opening business and work opportunities for everyone no matter whom they know.
Arab and Islamic societies have a rich trading tradition, one that celebrates markets open even to the humblest members of society. Economic freedom is consistent with that proud history and provides a path to a more prosperous and freer tomorrow. Economic freedom is simply the ability of individuals and families to take charge of their fate and make their own economic decisions to sell or buy in the marketplace without discrimination, to open or close a business, to work for whom they wish or hire whom they wish, to receive investment or invest in others. As discussed later in this report, economic freedom has a proven fact-based record of improving the lives of people, liberating them from dependence, and leading to other free-doms and democracy.

Benefits of economic freedom
Since the publication of the first edition of the Economic Freedom of the World in 1996 and, more recently, national and regional indexes, there have been about 600 scholarly and policy articles that have used the economic freedom indexes to explore the relationship between economic freedom and other socio-economic outcomes. Fact-based studies in top academic journals have shown that economic freedom promotes growth, job creation, prosperity, and other positive outcomes. The relationship of economic freedom to prosperity is unsurprising. Individuals and families are best able to look after themselves when free to do so without external constraints. Their drive and ingenuity have simply proved to be more productive than government planning or restriced markets and monopolies under crony capitalism.

However, the importance of economic freedom goes beyond mere economics. Economic freedom has intrinsic value and is inextricably linked to all other freedoms. Individuals and families should have the inherent right to make their own economic decisions. When they do, economic freedom liberates them from government dependence and opens the door to other freedoms. Economic freedom is thus vital for those seeking these freedoms and democracy in a peaceful, stable, and prosperous society, as evidence discussed later in this report shows. Economic freedom supports these goals directly and by boosting prosperity. Prosperity, in turn, supports both democracy, stability, and the further growth of freedom.

Over time, economic freedom itself directly supports other freedoms, democracy, and stability by changing the way societies function. When governments or crony capitalists control the ability of individuals to get a job, start a business, gain a promotion, feed, house, and clothe their families, and so on, then the government and its supporters have great tools to suppress freedom and democracy, until the anger grows too great, as it did in many parts of the Arab world. Economic freedom liberates people from dependence on government and the government’s cronies and allows them the freedom to decide on their own actions and views.
Economic freedom transforms the dynamics of any society where it has been lacking. When people make their own economic choices, they gain only when they produce products or services desired in free exchange in other words, by making people better off. Those in other groups become customers, suppliers, clients. Over time, this builds tolerance and a common sense of citizenship. When governments or government friends under crony capitalism control the economy, the economy grows slowly or not at all. Individuals and groups battle each other for wealth and privilege. People gain by cultivating connections, suppressing the opportunities of others, and making them worse off. All too often, the individual gains not as an individual but as a member of rent seeking group, whether economic, ethnic, or religious. Groups stand against groups, as is all too evident in much of the world.

With economic freedom, the biggest gains are achieved by people who increase the size of the economic pie for everyone; without economic freedom, the biggest gains are by those who cut a bigger slice of the pie for themselves to the disadvantage of others. This is a key reason that economic freedom has been shown to promote democracy, stability, and other freedoms, as discussed later in the report.

True economic freedom also combats corruption. When people are economically free, they may do what they like economically. Although some regulations are necessary, many things become possible without asking government permission, so there is no one capable of demanding a bribe. Also, as size of government decreases, government has fewer favors to hand out, so no one can demand a payment for a favor that government can’t grant in the first place.

Economic freedom would also have a highly important benefit for the Arab world. A key driver of dissatisfaction in the region is the high unemployment rate among young people. Youth unemployment in the region averages nearly 30% (World Bank, 2014). Economic freedom has been shown to create jobs and reduce unemployment, particularly among young people (Feldmann, 2010), and hence could play an important role in increasing stability and thus the region’s attractiveness to investors, leading to even more job creation.

Illustrative figures
Quartile charts, like the following, can help illustrate important findings. To provide a global view, the figures are based on the 162 jurisdictions included in the index published in Economic Freedom of the World: 2019 Annual Report. (Much of this section comes directly from Gwartney, Lawson, Hall, and Murphy, 2019, and other economic freedom documents.) The jurisdictions are broken down into quartiles based on their level of economic freedom.
Figure A: Economic freedom and prosperity

Nations in the top quartile of economic freedom had an average per capita GDP of $36,770 in 2017, compared to $6,140 for bottom-quartile nations (PPP constant 2017 US$). This probably overstates the per-capita GDP of the world’s least-free nations. There is not enough data available to include in the index many nations that appear to have abysmal levels of economic freedom and widespread misery, such as North Korea.

Figures Bi and Bii: Economic freedom and poverty

In the top quartile, the average income of the poorest 10% was $10,646, compared to $1,503 in the bottom quartile in 2017 (PPP constant 2017 US$). Interestingly, the average income of the poorest 10% in the most economically free nations is two-thirds higher than the average per-capita income in the least free nations. Economic freedom dramatically reduces poverty. In the top quartile, 1.8% of the population experience extreme poverty (US$1.90 a day) compared to 27.2% in the lowest quartile.


Note: Annual income per capita of poorest 10% (PPP constant US$), 2016.
Life expectancy is 79.4 years in the top quartile compared to 65.2 years in the bottom quartile. This reflects not only gains in prosperity created by economic freedom, and thus in health care, diet, and education, but also the fact that individuals can make the best choices for themselves when free to do so.

Figure D: Economic freedom and other freedoms

When a government has the power to determine individuals’ ability to feed, clothe, house, and educate their families; to hold a job and get a promotion; and to restrict their ability to move ahead in other ways, government has all the tools it needs to suppress other freedoms, at least until life becomes unbearable and recourse is made to violence. When economic freedom is lacking, individuals and families must depend on the kindness of government to get ahead.

Economic freedom gives people economic independence and lessens dependence on government,
opening the way for the growth of other freedoms. Empirical studies support the connection between economic freedom, other freedoms, and democracy (Griswold, 2004; Dawson, 1998). The data used for this figure are from Freedom House, which measures freedom on a 1-to-7 scale, with 1 being the greatest amount of freedom and 7, the least.

Figure D: Economic Freedom and Political Rights and Civil Liberties

Greater economic freedom is associated with more political rights and civil liberties.

Note: Political rights and civil liberties are measured on a scale from 1 to 7: 1 = the highest degree of political rights and civil liberties; 7 = the lowest.


Figure E: Economic freedom and happiness

Opponents of economic freedom have argued that the prosperity economic freedom creates is not a good measure of human well-being; that instead, we should be concerned about human happiness and that, they claim, is highest in socialist nations. This argument is typically made without any proof and a considerable body of research now shows that, to the contrary, economic freedom “causes” happiness (or life satisfaction). Figure D shows happiness measured on the United Nations Happiness Index on a 0 to 10 scale. As it turns out, people like to be in control of their own lives (see Pitlik, Redín, and Rode, 2015).

Figure E: Economic Freedom and the UN World Happiness Index

Note: The rankings are based on answers to the main life evaluation question... This is called the Cantril ladder: it asks respondents to think of a ladder, with the best possible life for them being a 10, and the worst... a 0. They are then asked to rate their own current lives on that 0 to 10 scale. Data are for 2015.

In nations with true economic freedom, individuals are treated as equals, not as members of a privileged group—a tribe, religion, ethnic group, or sex. The United Nations Gender Inequality Index measures inequality on a scale of 0 (no gender inequality) to 1 (extreme inequality).

Economic freedom is the extent to which one can pursue economic activity without interference from government. Economic freedom is built upon personal choice, voluntary exchange, the right to keep what you earn, and the security of one’s property rights. The mechanics of economic freedom are easy to understand. Any transaction freely entered into must benefit both parties. Any transaction that does not benefit both parties would be rejected by the party that would come up...
short. This has consequences throughout the economy. Consumers who are free to choose will only be attracted by superior quality and price. A producer must constantly improve the price and quality of existing products or invent new products. Without this, customers will not freely enter into transactions with the producer. Many billions of mutually beneficial transactions occur every day, powering the dynamic that spurs increased productivity and prosperity throughout the economy.

We published the first report on economic freedom in the Arab World in the Arab World Competitiveness Report 2005 (Lopez-Claros and Schwab, 2005). The second and subsequent editions were published by the International Research Foundation (IRF) of Oman and the Fraser Institute. In 2008, the MENA Regional Office (formerly based in Cairo, now in Amman) of the Friedrich Naumann Foundation for Freedom also became a copublisher.

Economic Freedom of the Arab World has gathered more attention every year since it was first published. Its importance comes from being a tool to measure how economically free Arab countries are.

The index in this edition adds data for 2017, the most recent year for which full data are available. Looking forward, we also present some early data for 2018 in both the country tables and the country summaries. As well, the scores for previous years have been recalculated using revised data from the World Bank for its Doing Business and World Development Indicators databases. Economic Freedom of the Arab World is modeled on the annual reports in the series, Economic Freedom of the World (see Gwartney, Lawson, Hall, and Murphy, 2019).

These results are important to investors and enterprises working, or even considering working, in this region. Development of investor-friendly climates in the Arab world could be structured around the areas this report examines, as best practices in the world of doing business.

RESEARCH ON ECONOMIC FREEDOM

Increases in economic freedom that are, in effect, a return to the classical Arab model of free trade and open markets would help meet the region’s challenges and generate the economic dynamism needed to create the jobs and prosperity that the region requires for a successful future. The era of government-directed economies, import substitution, and other uses of government power to direct the economy did not produce prosperity. The rise of crony capitalism in many nations only looted the state, created divisions in society, and left most people as badly off as before or worse than ever.
Economic freedom is distinct from both crony socialism and crony capitalism. Its markets are open to all, not just the rich and powerful. Jobs and contracts go to those with the best abilities, not just the connected. Entrepreneurs are free to start their own businesses without facing unnecessary hurdles and corruption. An impartial rule of law and simple regulations that allow business activity to flourish and create jobs and prosperity are vital to economic freedom.

A large body of empirical research has found that economic freedom is key to increasing prosperity, particularly among the emerging nations. Fact-based studies in top academic journals have shown that economic freedom promotes growth, prosperity, and other positive outcomes.

Intuitively, one would expect that economic freedom would have a positive impact on economic growth because economic freedom creates a climate that allows individuals and businesses to allocate their resources to the highest end use. However, the question is ultimately an empirical one. One of the first studies, Easton and Walker (1997) found that changes in economic freedom have a significant impact on the steady state level of income even after the level of technology, the level of education of the workforce, and the level of investment are taken into account. De Haan and Sturm (2000) show empirically that positive (negative) changes in economic freedom lead to positive (negative) changes in economic growth rates. Using the economic freedom index published in Gwartney, Lawson, and Block (1996) and per-capita GDP data for 80 countries, their results indicate that, after educational level, investment, and population growth have been taken into account, changes in economic freedom have a significant impact on economic growth.

Gwartney and Lawson (2004) examined the impact of economic freedom on economic growth but with a specific focus on investment and productivity. They found that economic freedom strongly promotes investment. Nations with a score below 5 for economic freedom (on a scale from zero to 10, where a higher value indicates a higher level of economic freedom) attracted US$845 in investment per worker over the period from 1980 to 2000 and only US$68 per worker in foreign direct investment.

Nations with an economic freedom score above 7 attracted US$10,871 in investment per worker, including US$3,117 of foreign direct investment. Moreover, investment is more productive in economically free nations. Holding constant factors thought to affect growth and productivity, such as initial per capita GDP, tropical location, coastal location, change in human investment, and public investment, Gwartney and Lawson found that an increase of one percentage point in the ratio of private investment to GDP leads to increases in the growth rate of per capita GDP by 0.33 percentage point in an economically free country. The same increase in private investment in a less economically free country increases the growth rate of per capita GDP by 0.19 percentage point. In other words, investment in economically free nations (with a score above 7) had a positive impact on growth that was 70% greater than investment in nations with poor levels of economic freedom (score below 5). Using the same regression model, Gwartney and Lawson also calculated the impact of economic freedom on
overall growth through both direct and indirect effects. They found that, if a nation increased its economic freedom by one unit (on a scale from zero to 10) in the 1980s, it would have seen increased growth of 1.9 percentage points a year over the period from 1980 to 2000. Because of the high rates of growth associated with economic freedom, they also found that over the long term economic freedom explains over two thirds of the cross-country variation in GDP.

Increases in economic freedom also reduce poverty (Norton and Gwartney, 2008). Specifically, the weighted $1 per day poverty rate was 29.7% in 2004 for countries with EFW ratings of less than 5 but only 7.7% for countries with EFW ratings between 6 and 7; the $2 per day poverty rate declines from 51.5% to 46.2% to 38.9% as one moves from the least free to the most free economies. Moreover, a one-unit increase in the EFW rating between 1980 and 1995 was associated with a 5.21 percentage point reduction in the $1 per day poverty rate and a 5.22 percentage-point reduction in the $2 per day poverty rate.

Norton and Gwartney also examined the relationship between economic freedom and other measures of well-being. In the most unfree economies, only 72.6% of the population has access to safe water compared to nearly 100% in the most free economies.

Life expectancy of people in the mostly free group is over 20 years greater than it is for those in mostly unfree economies. Mostly free economies have more than twice as many physicians per 1,000 population than mostly unfree economies. For every 1,000 births, 64 more babies survive in mostly free economies per year than in the mostly unfree countries. For every thousand children under age of five, 109 more children survive in mostly free countries each year than in those countries that are mostly unfree.

A study from the Fraser Institute by Indra de Soysa and Krishna Chaitanya Vadlamannati (2014) shows that economic freedom reduces conflict by creating more profitable alternatives. In nations that are not economically free, the most profitable venture may be looting through violent strife. With economic freedom, individuals have the opportunity to look after themselves and their families in the regular economy.
Figure G: Summary Economic Freedom Ratings for Countries in the Arab World for 2017

Jordan 1 7.6
Bahrain 2 7.4
United Arab Emirates 2 7.4
Lebanon 4 7.3
Oman 5 7.2
Qatar 5 7.2
Palestinian Territories 7 7.0
Kuwait 8 6.8
Morocco 9 6.7
Saudi Arabia 9 6.7
Tunisia 11 6.5
Djibouti 12 6.3
Comoros 13 6.2
Mauritania 14 6.1
Somalia 15 5.9
Iraq 16 5.7
Yemen, Republic 17 5.3
Egypt, Arab Republic 18 5.2
Algeria 19 5.0
Sudan 20 4.8
Libya 21 4.3
Syrian Arab Republic 21 4.3
In this section, we look at the country scores this year compared with previous years and examine the available data to get an indication of future scores. Countries are listed according to the level of economic freedom from the most free down to the least free. This year we ranked all 22 nations of the Arab League. This index measures obstacles to economic freedom imposed on countries by their governments and elites. It does not measure the impact of external and internal violence.

Please note that statistical agencies update data over time as more information becomes available. The scores in this report are similarly updated and thus scores and ranks given in previous editions may differ from those reported this year by small margins. As well, the introduction of the Gender Disparity adjustment has negatively affected scores, to a greater or lesser extent, in the rule of law area, which in turn has lowered overall scores. Finally, some additional variables have been added to the index to increase the scope of its coverage. (See pp. 18ff for more details.) Despite these changes and some minor shifts in relative scores, the 2019 index remains highly consistent with past indexes.

1. Jordan
Jordan ranked 1st this year, as it did last year (in a tie with the UAE). Its score was 7.6, up from 7.5. For the size of government area, Jordan ranks 3rd, and its score rose from 7.6 to 8.1. Its rank for legal structure and security of property rights was 6th but its score rose to 5.3 from 5.1. In terms of access to sound money, Jordan ranks 9th, with a score of 9.5, down from 9.6. Its score for freedom to trade internationally fell to 7.7 from 7.8 and it ranked 4th. Finally, its score in Area 5, Regulation of Credit, Labor, and Business remained 7.6 and its rank 4th.

Looking forward – initial data suggest little change going forward.
2. Bahrain
Bahrain tied with the United Arab Emirates (UAE) for 2nd place in this year’s report, up from 4th last year. Its score rose from 7.3 to 7.4. Its score for the size of government fell to 6.6 from 7.0 and it ranked 7th. Its score for legal structure and security of property fell from 4.9 to 4.8, putting it in 8th place. Bahrain was 1st in access to sound money and its score remained 9.8. In the area of freedom to trade internationally, its score remained 7.4, and it placed 6th. Finally, for the regulation of credit, labor, and business, Bahrain’s score rose to 8.2 from 7.6, and it ranked 1st.

Looking forward — initial data suggest little change going forward.

3. United Arab Emirates
In this year’s report, the United Arab Emirates (UAE) ties with Bahrain for 2nd, down from 1st last year in a tie with Bahrain. Its score was 7.4, down from 7.5. Its score for size of government is down 0.1 points to 5.8 with a rank of 11th. Its score for legal structure and security of property rights fell from 6.1 to 5.7; the UAE ranked 4th for this area. Its score for sound money remained 9.5, putting the UAE in 9th place in the ranking. The UAE came in 1st place in freedom to trade, with a score of 8.5 compared to 8.6 last year. For regulation of credit, labor, and business, the UAE scored 7.5, down from 7.6, putting it in 6th place in the rankings.

Looking forward — initial data suggest little change going forward.

4. Lebanon
Lebanon was in 4th place in this year’s report, up from 5th last year. Its score rose to 7.3, up from 7.2. Lebanon’s score in size of government remained at 8.6, for a rank of 2nd. Lebanon’s score for legal structure and security of property rights fell to 4.1 from 4.2, and it ranked 13th. In access to sound money, Lebanon’s score fell from 9.4 to 9.3 and its rank was 11th. Lebanon’s score in the freedom to trade internationally area stayed at 6.7, and it ranked 9th. For regulation of credit, labor, and business, Lebanon had a score of 7.6, up from 7.1, with a rank of 4th.

Looking forward — initial data suggest little change going forward.
5. Oman
Oman tied in 5th place this year, up from 6th; its score rose to 7.2 from 7.0. The size of government is the area that most negatively affects the overall score of Oman but its score rose to 4.4 from 4.3, for a rank of 19th. Oman not only does well in legal structure and security of property rights, it came in 1st this year. Its score rose to 6.2 from 6.0. In access to sound money, Oman’s score rose to 9.7 from 9.6 and it ranked 5th. Oman’s score remained 7.8 in the freedom to trade internationally and ranked 3rd. For regulation of credit, labor, and business, Oman rose to 8.1, up from 7.5; it ranked 2nd.

Looking forward – initial data suggest little change going forward.

6. Qatar
Qatar tied for 5th place, down from 3rd, and its score fell to 7.2 points from 7.4. Its score for the size of government area remained unchanged at 5.7, with a rank of 12th. Its score for legal structure fell to 5.7 from 5.9, with a rank of 4th. In the access to sound money area, its score remained 9.8, and it tied for 1st in the rankings. The score in the freedom to trade internationally area was unchanged at 7.9 and it ranked 2nd. Qatar’s score in regulation of credit, labor, and business fell to 7.1 from 7.7, and it came in 8th.

Looking forward – initial data suggest little change going forward.

7. Palestinian Territories
The Palestinian Territories placed 7th, with an overall score of 7.0, up from 6.8. The score in size of government rose to 7.7 from 7.5, with a rank of 4th. The Territories’ score in rule of law rose to 4.5 from 4.3, ranking 11th. The Palestinian Territories’ score remained 9.7 in sound money, ranking 5th. In the area of freedom to trade internationally, the Palestinian Territories’ score remained 6.4, ranking 12th. The score regulation rose to 6.5 from 6.2; ranking was 14th.

Looking forward – initial data suggest little change going forward.

8. Kuwait
Kuwait fell from 6th to 8th place, and its score dropped from 7.0 to 6.8. Its rank in the size of government area was 16th and its score fell from 5.6 to 5.2. It ranked 7th in legal structure and security of property rights, and its score remained 5.0. Kuwait’s score in the area of access to sound money remained 9.7 and its rank 5th. Kuwait’s rank in freedom to trade internationally was 7th and its score remained 7.1. For the regulation of credit, labor, and business, its score fell from 7.8 to 7.1, and it ranked 8th.

Looking forward – initial data suggest little change going forward.
9. Morocco
Morocco tied with Saudi Arabia for 9th place, up from 10th, and its score rose to 6.7 from 6.4. Its score in size of government rose to 6.4 from 6.2 and it ranked 8th. Its rank for legal structure and security of property was 3rd and its score rose to 5.8 from 5.7. Morocco’s rank in the access to sound money area was 15th and its score remained 7.3. Morocco’s score also remained the same in freedom to trade area at 6.9, and its rank was 8th. Finally, Morocco’s score in the area of credit, labor and business regulation rose from 6.1 to 6.8, and it ranked 11th.

looking forward – initial data suggest little change going forward.

10. Saudi Arabia
Saudi Arabia tied with Morocco for 9th, up from 11th last year, and its score rose from 6.3 to 6.7. In the size of government area, Saudi Arabia’s score rose to 5.2 from 3.6, and its rank was 16th. Saudi Arabia’s score was 4.8, down 0.1 point, in legal system and property rights, and it ranked 8th. For access to sound money, Saudi Arabia scored 9.7, up from 9.6, and its rank was 5th. Its score in freedom to trade fell from 6.0 to 5.8 points, and its rank was 16th. Finally, its score for the area of regulation of credit, labor and business rose from 7.4 to 7.7 and it ranked 3th.

looking forward – initial data suggest little change going forward.

11. Tunisia
Tunisia ranked 11th, down from 9th, and its overall score remained 6.5. The size of government score remained 6.1, and it ranked 9th. Tunisia’s score for legal structure rose from 5.9 to 6.0, and it ranked 2nd. In the access to sound money area, Tunisia’s score fell to 6.9 from 7.0, and it ranked 16th. Tunisia’s score in the area of freedom to trade internationally dropped 0.1 to 6.7; it ranked 9th. Finally, Tunisia’s score in the area of regulation of credit, labor and business rose from 6.8 to 6.9, and it ranked 10th.

looking forward – initial data suggest little change going forward.

12. Djibouti
Djibouti rose to 12th in this year’s report, up one in the rankings, with a score of 6.3, up 0.2 from its score in last year’s report. It scored 3.8 points, up from 3.3, in the size of government area, and it ranked 21st. Its score fell to 3.9 from 4.0 in the legal structure area, with a rank of 14th. In the access to sound money area, Djibouti’s score rose from 9.6 to 9.8, and it ranked 1st, in a three-way tie. In freedom to trade internationally, its score rose 0.1 to 6.7, ranking 9th. Finally, its score in the regulation of credit, labor and business rose to 7.4 from 7.2, though its rank remained 7th.

looking forward – initial data suggest future improvement.
13. Comoros
Comoros fell from 12th to 13th though its score remained 6.2. Its score for the size of government fell to 5.7 from 5.9 and it ranked 12th. In the legal structure area, Comoros’ score fell by 0.2 point to 4.3; its rank was 12th. Its score in the access to sound money area rose to 6.8 from 6.6, and it ranked 17th. In the freedom to trade area, Comoros’ score stayed 7.5, and its rank was 5th. Its score for the regulation area fell from 6.8 to 6.7, and it ranked 12th.

looking forward – initial data suggest little change going forward.

14. Mauritania
Mauritania again ranked 14th with a score of 6.1. In the size of government area, Mauritania’s score rose from 5.4 to 5.6 and it ranked 14th. Its score for legal structure remained 3.3, and it ranked 17th. Its score in the access to sound money area remained 8.4 and its rank was 12th. Mauritania’s score rose to 6.3 from 6.2 in the freedom to trade area, where it came in 14th. Finally, Mauritania’s score fell to 6.7 from 6.8 in the area of regulation of credit, labor and business, and it ranked 12th.

looking forward – initial data suggest little change going forward.

15. Somalia
Somalia ranked 15th with a score of 5.9, both the same as last year. Its score in size of government was 7.4, up from 7.3, with a rank of 5th. It ranks second last in rule of law at 21st, with a score of 2.8, up from 2.7. Somalia is ranked 14th in sound money with a score of 7.6, up from 7.4, In freedom to trade, its score remained 6.4, 12th place. In regulation, its score was 5.4, down from 5.5, and it ranked 18th.

looking forward – initial data suggest little change going forward, although ongoing conflict remains a danger to economic freedom.

16. Iraq
Iraq’s rank, 16th, and score, 5.7, both remained the same as last year. Iraq’s score in the size of government area also remained the same at 5.2, and it ranked 16th. Its score for the legal structure area remained 3.0, and it ranked 20th. Its score in the access to sound money area rose to 9.8 from 9.6 and it tied for 1st. Iraq’s score in the freedom to trade area fell from 5.2 to 4.9, and it ranked 17th. Finally, its score rose from 5.3 to 5.4 in the area of regulation of credit, labor, and business, where it ranked 18th.

looking forward – initial data suggest little change going forward, with continuing violence and disorder as a further risk to economic freedom.
17. Yemen
Yemen’s score fell from 5.4 to 5.3 but its rank remained at 17th. In the size of government area, its score rose from 6.9 to 7.2 and its rank was 6th place. In the legal structure area, its score rose from 3.0 to 3.1, and its rank was 18th. In sound money, its score fell from 5.9 to 5.6 but it remained ranked at 19th. For freedom to trade, Yemen’s score fell dramatically from 5.7 to 4.4 and it ranked 18th. The regulation of business, credit and labor area had a score of 6.1, up from 5.8, with a rank of 15th.

**looking forward – initial data suggest deterioration in economic freedom going forward, with on-going conflict posing additional risks.**

18. Egypt
Egypt ranked 18th, with a score of 5.2, both the same as last year. The size of government area fell from 5.5 to 5.3; Egypt’s rank in this area was 15th. For the legal structure area, Egypt’s score rose to 3.9 from 3.8 and its rank was 14th. In the area of access to sound money, Egypt’s performance fell from 8.2 to 5.5, and it ranked 20th. Its score in the freedom to trade area rose to 5.9 from 3.3 and it ranked 15th. Finally, Egypt’s score in regulation was 5.3, same as last year; it ranked 20th.

**looking forward – initial data suggest little change going forward.**

19. Algeria
Algeria ranked 19th this year, down from 18th, and its score fell to 5.0 from 5.2. Its score in the size of government area fell by 0.1 point to 4.1, putting Algeria in the 20th. Algeria’s score rose 0.1 to 4.6 for legal structure and security of property rights, with a rank of 10th. Its score for the access to sound money area rose to 8.2 from 8.0 points for a rank of 13th. Algeria’s score in freedom to trade internationally fell from 3.6 to 2.7, and its rank was 20th. In the regulation area, its score rose from 5.7 to 5.8, for a rank of 16th.

**looking forward – initial data suggest little change going forward.**

20. Sudan
Sudan ranked 20th this year, the same rank as last year though its score fell to 4.8 from 4.9. Sudan held 1st place with a score of 8.7, up from 8.3, in the size of government area. Its score in the legal structure area rose from 2.5 to 2.6 placing it last at 22nd place. Its score in the access to sound money area fell to 5.0 from 5.9 and its rank also was 22nd. Its score in the area of freedom to trade internationally remained 2.3 for a rank of 21st. Its score for regulation of credit, labor and business fell by 0.3 to 5.5 points; its rank was 17th.

**looking forward – initial data suggest deterioration in economic freedom going forward, with continuing violence and disorder as a further risk to economic freedom.**
21. **Syrian Arab Republic**
The Syrian Arab Republic tied for last place with Libya. Its overall score was 4.3, up from 4.0, and it ranked 21st. Its score for the size of government area remained 6.1, with a rank of 9th. Its score in the legal structure area fell to 3.1 from 3.4 for a rank of 18th. Its score rose from 3.5 to 5.4 in the access to sound money area, leaving it in 21st place. In the area of freedom to trade, Syria's score remained 1.7 and it ranked 22nd, last place. Finally, in the regulation area, Syria's score fell from 5.2 to 5.1 for a rank of 21st.

⚠️ **looking forward – initial data suggest some improvement going forward but violence and disorder continue to be a threat to economic freedom**

22. **Libya**
Libya had a score of 4.3, up from 4.1; its rank remained 21st, tied for last place. In the size of government area, Libya scored 3.8, up from 3.5, and its rank was 21st, tied with Djibouti. Libya's score in the legal structure area remained 3.4 and its rank was 16th. In access to sound money its score rose from 5.7 to 6.6 and it ranked 18th. Its score in the freedom to trade remained 3.0 and its rank was 19th. Finally, in the regulation of credit, labor and business area Libya scored 4.9, a decrease of 0.1, for a rank of 22nd, last place.

⚠️ **looking forward – initial data suggest little change going forward but violence and disorder continue to be a threat to economic freedom.**
THE INDEX OF ECONOMIC FREEDOM IN THE ARAB WORLD

The index published in Economic Freedom of the Arab World includes the same five areas found in Economic Freedom of the World: 2019 Annual Report (Gwartney, Lawson, Hall, and Murphy, 2019) but has 52, rather than 43, components. Because underlying data for some of the components used in the world index were not broadly available for the Arab world, they were re-placed by similar components with broader coverage of the Arab world. This year all members of the Arab League are ranked. The score for each of the five areas is derived by averaging the components within that area. The most recent comprehensive data available for this report are from 2017, though we also publish some data now available from 2018.

Areas of Economic Freedom of the Arab World
2. Commercial and Economic Law and Security of Property Rights;
3. Access to Sound Money;
4. Freedom to Trade Internationally;
5. Regulation of Credit, Labor, and Business.

What's new
In our continuous effort to improve the accuracy and scope of the index, we have added a number of new components and sub-components: 1

1E. State ownership of assets
2G. Protection of property rights
2H. Legal certainty
2I. Reliability of police
4C. Controls of the movement of capital and people replaces 4C. Capital controls from previous reports. It now includes:
   4Ci. Capital controls (the variable from previous years)
   4Cii. Foreign Direct Investment risk
   4Ciii. Freedom of foreigners to visit.

1 Details on these and other variables included in this report, and their source and calculation, can be found in the Appendix. Component 1E was also added to Economic Freedom of the World.
Calculating the Index

The overall rating was computed by averaging the scores of the five areas. Each component was normalized on a scale of zero to 10. The Appendix: Explanatory Notes and Data Sources (p. 48) describes the procedures by which scores between zero and 10 were derived for each category as well as details about sources and methodology. For consistency, the minimums and maximums used in previous reports are also used in this year’s report. Global rather than regional minimums and maximums were used because some of the components show little variability among the Arab countries and in order to place the Arab nations in a broader context. Thus, a high score indicates that a nation is doing well, not only in comparison with its immediate regional neighbors but also in comparison with nations around the world whose economic practices encourage economic freedom.

The index published in Economic Freedom of the Arab World includes data and ranks for all 22 members of the League of Arab States. The index is compiled only from third-party data: in order to ensure objectivity, none of the sponsoring institutions provides any original data. As well, the formulas used in the calculations have remained the same for each year of the report. Thus, the authors of the report are unable to influence the standings of the nations in the report. Moreover, any outside observer would be able to replicate the index in full, producing identical results. Following is a description of the variables used to measure economic freedom.

2 This description closely follows Gwartney and Lawson, 2006: 10–12.
Area 1: Size of Government: Expenditures, Taxes and Enterprises

The four components of Area 1 indicate the extent to which countries rely on individual choice and markets rather than the political process to allocate resources and goods and services. When government spending increases relative to spending by individuals, households, and businesses, government decision-making is substituted for personal choice and thus economic freedom is reduced. The first two components address this issue: Government consumption as a share of total consumption (1A) and Transfers and subsidies as a share of GDP (1B).

Government consumption (1A) refers to the extent to which the government itself provides goods and services. If government employees build a road, it is included as government consumption; if the construction is contracted to a private company, it is no longer included in government consumption though it is categorized as government spending. Competitive contracting builds efficiency and lessens the politicization of the economy, if the contracting is done impartially. Transfers and subsidies (1B) weaken markets by rewarding political power and position rather than the ability to produce goods and services the world wants and will pay for.

The third component (1C) measures the extent to which countries use private enterprise and free markets rather than government enterprises to produce goods and services. The fourth component (1D) is based on the top marginal income-tax rate and the income threshold at which it applies. High marginal tax rates that apply at relatively low income levels increasingly deny individuals the fruits of their labor. The final (and new) component (1E) measures the degree to which the state owns and controls capital (including land) in the industrial, agricultural, and service sectors.

Area 2: Commercial and Economic Law and Security of Property Rights

Security of persons, contracts, and rightfully acquired property are central elements of both economic freedom and civil society. Indeed, the legal system is the most important internal function of government. Security of property rights, protected by the rule of law, is essential to economic freedom. Freedom to exchange, for example, is meaningless if individuals do not have secure rights to property, including the fruits of their labor. Failure of a country’s legal system to provide for the security of property rights, enforcement of contracts, and the mutually agreeable settlement of disputes will undermine the operation of a market-exchange system.

As is appropriate for an assessment of economic freedom, the index focuses on economic and commercial law. However, the first two components in this area—2A, Military interference in the rule of law and the political process and 2B, Integrity of the legal system—are measures of whether or not the rule of law is applied impartially and consistently, which is also essential for effective economic and commercial law. Component 2C, Regulatory restrictions on the sale of real property, provides information on how easy it is to establish property rights and 2D, Legal enforcement of contracts, indicates whether agreements freely entered into are effectively protected by the rule of law.
Both 2C and 2D are composites of other sub-components that measure the number of procedures, delays in judgments, and costs. Procedures that are too numerous, time consuming, or costly lead to deterioration of the legal system’s ability to protect freely made agreements.

The variables 2E, Impartial courts, and 2F, Judicial independence measure the ability of individuals to have the same access to justice re-gardless of their economic or political condition. Three new variables were added this year, 2G, Protection of property; 2H, Legal certainty (Are legal judgements predictable?); and 2I Reliability of police. As discussed above, this year a Gender Disparity adjustment has been incorporated into Area 2. Laws that discriminate against women mean the rule of law does not protect the economic freedom equally across society, and thus the score for Area 2 is adjusted to reflect this.

Area 3: Access to Sound Money
Money is essential to exchange. An absence of sound money undermines gains from trade and erodes the value of property held in monetary instru-ments. Sound money is essential to protect property rights and, thus, eco-nomic freedom. When governments print money to finance their expendi-tures, they are in effect expropriating the prop-erty and violating the economic freedom of their citizens. This (meas-ured in component 3A) leads to inflation. High and volatile rates of inflation (components 3B and 3C) distort relative prices, alter the fund-amental terms of long-term contracts, and make it virtually impossi-ble for individuals and businesses to plan sensibly for the future. Component 3D is designed to measure the ease with which other currencies can be used via domestic and foreign bank accounts: that is, can one freely exchange and obtain differing currencies?

Area 4: Freedom to Trade Internationally
In a world of high technology and low costs for communication and trans-portation, freedom of exchange across national boundaries is a key ingredient of economic free-dom. The components in this area are designed to measure a wide variety of restraints that affect international exchange: these include tariffs (4A and its sub-components) and distortions of the exchange rate (4B). Last year’s component 4C, Capital controls, is now Controls of the move-ment of capital and people, and has been expanded this year to include 4Ci, Capital controls; 4Cii, Foreign direct investment risk; and 4Ciii, Freedom of foreigners to visit. Non-tariff barriers such as customs and bureaucratic procedures hindering international trade are measured in 4D and its sub-components. Individuals in the Arab world should have the right to buy and sell freely: Arab consumers should be able to buy the products they want from each other and from everyone in the world and Arab producers should be able to sell within the Arab world and to the world market.
Area 5: Regulation of Credit, Labor, and Business

When regulations restrict entry into markets and interfere with the freedom to engage in voluntary exchange, they reduce economic freedom. Regulatory restraints that limit the freedom of exchange in credit, labor, and product markets are included in the index. Red tape can strangle business expansion, entrepreneurship, and job creation.

The first component (5A) reflects conditions in the domestic credit market. Individuals should be able to make their own decisions in credit markets and deal with institutions they choose freely. The components are designed to measure whether government allows free markets to determine credit or whether this is politically determined and whether credit is available in a timely, cost-efficient manner to credit-worthy individuals and businesses that freely seek it.

Many types of labor-market regulation (5B) infringe upon the economic freedom of employees and employers. Individuals should be able to work for whom they wish and employers should be able to hire whom they wish. Variables include difficulty in hiring, rigidity in hours, dismissal regulations and costs, and conscription.

Like the regulation of the credit markets and labor markets, the regulation of business activities (5C) inhibits economic freedom. Individuals should be able to open the business they wish when they wish and close it when they choose. The regulation-of-business sub-components are designed to identify the extent to which regulatory restraints and bureaucratic procedures limit establishing a business (5Ci) and closing it (5Cii), and licensing requirements (5iii), complexity of paying taxes (5iv), extra payments (5v), and the regulatory quality (5vi).

Areas, components, and sub-components of the Index of Economic Freedom in the Arab World

1. Size of Government: Expenditures, Taxes and Enterprises
   A. General government consumption spending
   B. Transfers and subsidies as a percentage of GDP
   C. Government enterprises and investment
   D. Top marginal tax rate
   E. State ownership of assets

2. Commercial and Economic Law and Security of Property Rights
   A. Military interference in rule of law and political process
   B. Integrity of the legal system
   C. Regulatory restrictions on the sale of real property
      i. Number of procedures
      ii. Time (days)
      iii. Cost (% of property value)
   D. Legal enforcement of contracts
      i. Quality of judicial processes
      ii. Time (days)
      iii. Cost (% of claim)
   E. Impartial courts
   F. Judicial independence
   G. Protection of property rights
   H. Legal certainty
   I. Reliability of police
3. Access to Sound Money
   A. Money growth
   B. Standard deviation of inflation

4. Freedom to Trade Internationally
   A. Taxes on international trade
      i. Revenue from trade taxes (% of trade sector)
      ii. Mean tariff rate
      iii. Standard deviation of tariff rates
   B. Black-market exchange rates
   C. Controls of the movement of capital and people
      i. Capital controls

5. Regulation of Credit, Labor, and Business
   A. Credit market regulations
      i. Ownership of banks
      ii. Foreign bank competition
      iii. Interest rate controls / negative real interest rates
      iv. Private sector credit
   B. Labor market regulations
      i. Difficulty of hiring
      ii. Rigidity of hours
      iii. Rigidity of dismissals
         a. Difficulty of firing
         b. Firing costs (weeks of wages)
      iv. Conscription

C. Inflation: most recent year
D. Freedom to own foreign-currency bank accounts
   ii. Foreign direct investment risk
   iii. Freedom of foreigners to visit
D. Regulatory trade barriers
   i. Non-tariff trade barriers
   ii. Compliance cost of importing and exporting

C. Business regulations
   i. Starting a business
      a. Number of procedures
      b. Duration (days)
      c. Cost (% of income per capita)
      d. Minimum capital (% of income per capita)
   ii. Closing a business
      a. Time (years)
      b. Cost (% of estate)
      c. Recovery rate (cents on the dollar)
   iii. Dealing with licenses
   iv. Paying taxes
   v. Extra payments/bribes/favoritism
   vi. Regulatory quality
The index published in Economic Freedom of the Arab World: 2019 Annual Report ranks all 22 members of the League of Arab States. Sixteen of these nations also appear in Economic Freedom of the World: 2019 Annual Report and the relative rankings of these nations in both indexes are very similar, despite the slightly different menu of components used in the index published in Economic Freedom of the Arab World.

For a jurisdiction to be given an overall score and rank, it must have rankings and scores for each of the five areas in the index. To be ranked for Areas 1 to 5, a nation must have data for at least two components in each area. Likewise, for components 5A, 5B, and 5C, a nation must have data for at least two sub-components in each.

For all countries, we present scores for each of the five areas analyzed as well as scores for each component, where data were available. All the scores in the index are values out of 10: 10 is the highest possible score and zero (0) is the lowest. A higher score indicates a greater degree of economic freedom. An arrow in table of overall ratings and ranks (pp. 24–25) shows under “Trend” whether the data available from 2018 indicate a nation’s trend is uncertain or likely to improve, decline, or hold steady in future rankings.

A more complete description of each component, including the methodology used to calculate the scores, can be found in the Appendix: Explanatory Notes and Data Sources (p. 48).

Data available to Researchers
The following tables contain data for the years 2002, 2005, 2010, 2015, 2016, 2017 and partial data for 2018. The full data-set, including all of the scores published in this report as well as all the annual data going back to 2002, can be freely downloaded at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-arab-world-2019-annual-report>. If you have any difficulties retrieving the data, please feel free to contact us via e-mail: <freetheworld@fraserinstitute.org>. 
### Economic Freedom of the Arab World for 2017 - Area Rating and Ranks; Areas

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## OVERALL RATING AND RANK; TREND

### COMPONENTS OF AREA 5

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*T Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = unchanged, uncertain; ▼▼ = down
Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = unchanged, uncertain; ◼ = down

### 2. Commercial, Economic Law & Property Rights
- **A. Military interference in rule of law & the political process**
  - 3.3
- **B. Integrity of the legal system**
  - 6.8
- **C. Government enterprises and investment**
  - 3.3
- **D. Black-market exchange rates**
  - 1.1
- **E. Business Regulations**
  - 2.3
- **F. Controls of the movement of capital and people**
  - 2.8
  - 8.0
  - 8.0

### 3. Access to Sound Money
- **A. Money growth**
  - 3.7
  - 3.7
- **B. Standard deviation of inflation**
  - 3.7
  - 3.7
- **C. Inflation: most recent year**
  - 3.7
  - 3.7

### 4. Freedom to Trade Internationally
- **A. Taxes on international trade**
  - 5.7
  - 5.7
  - 5.7
  - 5.7

### 5. Regulation of Credit, Labor, and Business
- **A. Credit market regulations**
  - 5.2
  - 5.2
  - 5.2
  - 5.2
- **B. Labor market regulations**
  - 4.3
  - 4.3
  - 4.3
  - 4.3
- **C. Business Regulations**
  - 5.9
  - 5.9
  - 5.9
  - 5.9

### 6. E. State Ownership of Assets
- **A. General government consumption spending**
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  - 4.1
  - 4.1
  - 4.1
- **B. Transfers and subsidies as a percentage of GDP**
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  - 8.0
  - 8.0
  - 8.0
- **C. Government enterprises and investment**
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  - 2.0
  - 2.0
  - 2.0
- **D. Top marginal tax rate**
  - 7.0
  - 7.0
  - 7.0
  - 7.0
- **E. State Ownership of Assets**
  - 0.1
  - 0.1
  - 0.1
  - 0.1

### Gender disparity adjustment
- 0.67
- 0.78
- 0.73
- 0.82
- 0.82
- 0.83

### Summary Ratings (Rank) >

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### 2. Commercial, Economic Law & Property Rights
- **A. Military interference in rule of law & the political process**
  - 0.0
- **B. Integrity of the legal system**
  - 5.0
  - 5.0
- **C. Government enterprises and investment**
  - 5.0
  - 5.0
- **D. Black-market exchange rates**
  - 1.1
  - 1.1

### 3. Access to Sound Money
- **A. Money growth**
  - 3.7
  - 3.7

### 4. Freedom to Trade Internationally
- **A. Taxes on international trade**
  - 5.7
  - 5.7
  - 5.7
  - 5.7

### 5. Regulation of Credit, Labor, and Business
- **A. Credit market regulations**
  - 5.2
  - 5.2
  - 5.2
  - 5.2
- **B. Labor market regulations**
  - 4.3
  - 4.3
  - 4.3
  - 4.3
- **C. Business Regulations**
  - 5.9
  - 5.9
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### Gender disparity adjustment
- 0.67
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- 0.73
- 0.82
- 0.82
- 0.83

### Summary Ratings (Rank) >

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### Trend
- ▲: up
- ▼: unchanged, uncertain
- ◼: down
### Bahrain

#### Summary Ratings (Rank)

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#### 1. Size of Government
- A. General government consumption spending
- B. Transfers and subsidies as a percentage of GDP
- C. Government enterprises and investment
  - 4.0 4.0 4.0 4.0 4.0 4.0
- D. Top marginal tax rate
  - 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
- E. State Ownership of Assets
  - 1.8 1.8 1.8 1.8 1.8 1.8

#### 2. Commercial, Economic Law & Property Rights
- A. Military interference in rule of law & the political process
  - 5.0 5.0 5.0 5.0 5.0 5.0
- B. Integrity of the legal system
  - 8.3 8.3 8.3 7.5 7.5 7.5
- C. Regulatory restrictions on the sale of real property
  - 9.6 9.6 9.4 9.6 9.6 9.6
  - i. Number of procedures
    - 9.5 9.5 9.5 9.5 9.5 9.5
  - ii. Time (days)
    - 9.7 9.7 9.7 9.7 9.7 9.7
  - iii. Cost (% of property value)
    - 9.7 9.7 9.5 9.5 9.5 9.5
  - D. Legal enforcement of contracts
    - 6.0 6.0 6.0 6.0 5.7 5.7
  - i. Quality of judicial processes
    - 2.3 2.3 2.2 2.2 1.5 1.5
  - ii. Time (days)
    - 6.1 6.1 6.1 6.1 6.1 6.1
  - iii. Cost (% of claim)
    - 9.6 9.6 9.6 9.6 9.6 9.6
- E. Impartial courts
  - 6.3 4.1 6.0 6.2 6.2 6.2
- F. Judicial Independence
  - 4.1 7.2 6.8 6.8 6.8 6.8
- G. Protection of property rights
  - 6.6 7.9 7.4 7.4 7.4 7.4
- H. Legal certainty
  - 2.6 2.3 2.2 1.4 1.4 1.1
- I. Reliability of police
  - 5.7 8.0 7.8 7.8 7.8 7.8

#### Gender disparity adjustment
- 0.54 0.54 0.54 0.54 0.54 0.52

#### 3. Access to Sound Money
- A. Money growth
- B. Standard deviation of inflation
- C. Inflation: most recent year
- D. Freedom to own foreign-currency bank accounts
  - 10.0 10.0 10.0 10.0 10.0 10.0

#### 4. Freedom to Trade Internationally
- A. Taxes on international trade
  - 8.5 8.2 8.4 7.5 7.4 7.4
  - i. Revenue from trade taxes (% of trade sector)
    - 9.3 [1.8] 8.8 [1.8] 9.4 [0.9] 9.5 [1.8] 9.5 [1.8] 9.5 [0.8]
  - ii. Mean tariff rate
  - iii. Standard deviation of tariff rates
- B. Black-market exchange rates
  - 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
- C. Controls of the movement of capital and people
  - 6.9 6.2 6.9 6.2 6.2 6.2 6.2
  - i. Capital controls
    - 6.9 6.2 6.9 6.2 6.2 6.2 6.2
  - ii. Foreign direct investment risk
    - 8.0 8.0 8.0 8.0 8.0 8.0
  - iii. Freedom of foreigners to visit
    - 0.8 0.8 0.8 0.8 0.8 0.8
- D. Regulatory trade barriers
  - 6.4 6.2 6.2 6.2 6.2 5.7
  - i. Non-tariff trade barriers
    - 7.1 6.6 6.6 6.6 6.6
  - ii. Compliance cost of importing and exporting
    - 5.7 5.9 5.9 5.9 5.9 6.4

#### 5. Regulation of Credit, Labor, and Business
- A. Credit market regulations
  - 8.5 8.7 9.1 8.3 7.6 8.2
  - i. Ownership of banks
    - 10.0 10.0 10.0 10.0 10.0 10.0
  - ii. Foreign bank competition
    - 7.0 8.0 8.0 7.0 7.0 7.0
  - iii. Interest rate controls / negative real interest rates
    - 10.0 10.0 10.0 10.0 10.0 10.0
  - iv. Private sector credit
    - 8.4 8.3 8.4 5.3 2.3 6.7
- B. Labor market regulations
  - 8.9 8.9 10.0 8.8 7.5 8.3
  - i. Difficulty of hiring
    - 10.0 10.0 10.0 8.3 8.3 8.3
  - ii. Rigidity of hours
    - 8.0 8.0 10.0 8.0 8.0 8.0
  - iii. Rigidity of dismissals
    - 7.4 7.4 10.0 8.8 3.5 7.0
  - a. Difficulty of firing
    - 5.0 10.0 8.0 7.0 7.0
  - b. Firing costs (weeks of wages)
    - 9.9 10.0 9.6 0.0 7.0 7.0
  - iv. Conspiration
    - 10.0 10.0 10.0 10.0 10.0 10.0
- C. Business Regulations
  - 7.9 8.1 8.2 7.9 7.8 7.8
  - i. Starting a business
    - 9.1 9.1 9.0 9.1 9.1 9.1
  - a. Number of procedures
    - 7.1 7.1 7.1 6.8 6.8 7.4
  - b. Duration (days)
    - 9.7 9.7 9.7 9.6 9.6 9.7
  - c. Cost (% of income per capita)
    - 10.0 10.0 10.0 10.0 10.0 10.0
  - d. Minimum capital (% of income per capita)
    - 9.5 9.5 9.5 9.6 10.0 10.0
  - ii. Closing a business
    - 7.8 7.8 7.8 7.8 7.8 7.8
  - a. Time (years)
    - 7.8 7.8 7.8 7.8 7.8 7.8
  - b. Cost (% of estate)
    - 8.8 8.8 8.9 8.9 8.9 8.9
  - c. Recovery rate (cents on the dollar)
    - 6.8 6.9 4.5 4.6 4.5 4.6
  - iii. Dealing with licenses
    - 8.2 8.2 8.1 8.1 8.1 8.1 8.1
  - iv. Paying taxes
    - 9.7 9.7 9.7 9.7 9.7 9.7
  - v. Extra payments/bribes/favoritism
    - 5.6 7.5 7.7 6.6 6.6 6.6
  - vi. Regulatory quality
    - 7.1 6.6 6.7 6.9 6.5 6.0

* Trend is based primarily on preliminary data for 2016. ▲ up; ▲ unchanged, uncertain; ▼ down
2. Commercial, Economic Law & Property Rights

1. Size of Government

2. Regulatory restrictions on the sale of real property
   i. Number of procedures
   ii. Time (days)
   iii. Cost (% of property value)

3. Access to Sound Money
   i. Money growth
   ii. Standard deviation of inflation
   iii. Inflation: most recent year

4. Freedom to trade internationally
   i. Taxes on international trade
   ii. Non-tariff trade barriers
   iii. Freedom of foreigners to visit
   iv. Foreign direct investment risk
   v. Capital controls

5. Regulation of Credit, Labor, and Business
   i. Credit market regulations
     a. Ownership of banks
     b. Foreign bank competition
   ii. Labor market regulations
     a. Mean tariff rate
     b. Mean deviation of tariffs
     c. Rigidity of dismissals
     d. Minimum capital (% of income per capita)
   iii. Closing a business
     a. Time (years)
     b. Cost (% of estate)
     c. Recovery rate (cents on the dollar)

Gender disparity adjustment >

Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = unchanged, uncertain; ■ = down
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## 2. Commercial, Economic Law & Property Rights

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* Trend is based primarily on preliminary data for 2016.  - up;  - unchanged, uncertain;  - down
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* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = down.
JORDAN

Summary Ratings (Rank) >

|------|------|------|------|------|------|------|

1. Size of Government

- General government consumption spending
  - A. Trend is based primarily on preliminary data for 2016.

- Transfers and subsidies as a percentage of GDP
  - B. Inequalities in standard of living among the general population

- Government enterprises and investment
  - C. Government size as a percentage of GDP

- Top marginal tax rate
  - D. Top marginal tax rate

- State Ownership of Assets
  - E. State Ownership of Assets

2. Commercial, Economic Law & Property Rights

- A. Market interference in rule of law & the political process

- Integrity of the legal system

- Regulatory restrictions on the sale of real property

3. Access to Sound Money

- A. Money growth

- B. Standard deviation of inflation

- Inflation: most recent year

- Freedom to own foreign-currency bank accounts

4. Freedom to Trade Internationally

- A. Taxes on international trade

- B. Black-market exchange rates

- Controls of the movement of capital and people

- Freedom of foreigners to visit

- Regulatory trade barriers

- Exports as % of GDP

5. Regulation of Credit, Labor, and Business

- A. Credit market regulations

- B. Labor market regulations

- Labor force participation rate

- Labor productivity growth

- Inflation: most recent year

- Regulatory quality

- Gender disparity adjustment
3. Access to Sound Money

- A. General government consumption spending
  - 2002: 5.7 [33.6]
  - 2010: 5.4 [37.2]
  - 2018: 5.2 [38.4]

- B. Transfers and subsidies as a percentage of GDP
  - 2010: 7.0 [11.4]
  - 2018: 6.9 [11.9]

- C. Government enterprises and investment
  - 2002: 7.0
  - 2010: 7.0
  - 2018: 7.0

- D. Top marginal tax rate
  - 2010: 10.0
  - 2018: 10.0

- E. State Ownership of Assets
  - 2002: 2.4
  - 2018: 2.4

2. Commercial, Economic Law & Property Rights

- A. Military interference in rule of law & the political process
  - 2002: 8.3
  - 2018: 8.3

- B. Integrity of the legal system
  - 2002: 8.3
  - 2018: 8.3

- C. Controls of the movement of capital and people
  - i. Number of procedures
    - 2002: 6.5
    - 2018: 6.5
  - ii. Time (days)
    - 2002: 9.2
    - 2018: 9.5
  - iii. Cost (% of property value)
    - 2002: 9.8
    - 2018: 9.9
  - iv. Foreign bank competition
    - 2002: 9.6
    - 2018: 9.4

- D. Legal enforcement of contracts
  - 2002: 6.0
  - 2018: 6.0

- E. Impartial courts
  - 2002: 7.5
  - 2018: 6.8

- F. Judicial Independence
  - 2002: 7.0
  - 2018: 6.9

- G. Protection of property rights
  - 2002: 6.3
  - 2018: 6.6

- H. Legal certainty
  - 2002: 6.4
  - 2018: 6.1

- I. Reliability of police
  - 2002: 7.4
  - 2018: 6.7

Gender disparity adjustment

- 2002: 0.59
- 2018: 0.49

3. Access to Inadequate Money

- A. Money growth
  - 2002: 9.8 [4.8]
  - 2018: 9.7 [4.3]

- B. Standard deviation of inflation
  - 2002: 9.6 [1.3]
  - 2018: 9.6 [1.3]

- C. Inflation: most recent year
  - 2002: 9.8 [4.9]
  - 2018: 9.9 [4.9]

- D. Freedom to own foreign-currency bank accounts
  - 2002: 10.0
  - 2018: 10.0

4. Freedom to Trade Internationally

- A. Taxes on international trade
  - i. Revenue from trade taxes (% of trade sector)
    - 2002: 8.9 [4.8]
    - 2018: 8.8 [4.8]
  - ii. Mean tariff rate
    - 2002: 9.3 [4.5]
    - 2018: 9.3 [4.5]
  - iii. Standard deviation of tariff rates
    - 2002: 7.9 [3.2]
    - 2018: 7.9 [3.2]

- B. Black-market exchange rates
  - 2002: 10.0 [0.0]
  - 2018: 10.0 [0.0]

- C. Controls of the movement of capital and people
  - i. Capital controls
    - 2002: 4.6
    - 2018: 4.6
  - ii. Foreign direct investment risk
    - 2002: 6.0
    - 2018: 6.0
  - iii. Freedom of foreigners to visit
    - 2002: 6.2
    - 2018: 6.2

- D. Regulatory trade barriers
  - i. Non-tariff trade barriers
    - 2002: 5.1
    - 2018: 5.6
  - ii. Compliance cost of importing and exporting
    - 2002: 3.1
    - 2018: 3.6

5. Regulation of Credit, Labor, and Business

- A. Credit market regulations
  - i. Ownership of banks
    - 2002: 10.0
    - 2018: 10.0
  - ii. Foreign bank competition
    - 2002: 8.0
    - 2018: 8.0
  - iii. Interest rate controls / negative real interest rates
    - 2002: 10.0
    - 2018: 10.0
  - iv. Private sector credit
    - 2002: 10.0
    - 2018: 10.0

- B. Labor market regulations
  - i. Difficulty of hiring
    - 2002: 10.0
    - 2018: 10.0
  - ii. Rigidity of hours
    - 2002: 6.0
    - 2018: 6.0
  - iii. Rigidity of dismissals
    - 2002: 8.9
    - 2018: 8.9

- C. Business Regulations
  - i. Starting a business
    - 2002: 7.9
    - 2018: 7.9
  - ii. Number of procedures
    - 2002: 3.5
    - 2018: 3.5
  - iii. Duration (days)
    - 2002: 8.4
    - 2018: 8.4
  - iv. Cost (% of income per capita)
    - 2002: 9.7
    - 2018: 9.7

- D. Minimum capital (% of income per capita)
  - 2002: 9.7
  - 2018: 10.0

- E. Closing a business
  - 2002: 6.7
  - 2018: 6.7

- F. Firing costs (weeks of wages)
  - 2002: 3.8
  - 2018: 3.8

* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = down.
### 1. Size of Government

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### 2. Commercial, Economic Law & Property Rights

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### 3. Access to Sound Money

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### 4. Freedom to Trade Internationally

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### 5. Regulation of Credit, Labor, and Business

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* Trend is based primarily on preliminary data for 2016. ➠ = up; ➣ = unchanged, uncertain; ▼ = down
### Summary Ratings (Rank) >

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*Trend is based primarily on preliminary data for 2016. * = up; * = unchanged, uncertain; * = down*
### Mauritania

#### 1. Size of Government

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A. General government consumption spending

B. Transfers and subsidies as a percentage of GDP

C. Government enterprises and investment

D. Top marginal tax rate

E. State Ownership of Assets

#### 2. Commercial, Economic Law & Property Rights

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A. Military interference in rule of law & the political process

B. Integrity of the legal system

C. Regulatory restrictions on the sale of real property

D. Transfers and subsidies as a percentage of GDP

E. Government enterprises and investment

F. Top marginal tax rate

G. State Ownership of Assets

#### 3. Access to Sound Money

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A. Money growth

B. Standard deviation of inflation

C. Inflation: most recent year

D. Freedom to own foreign-currency bank accounts

#### 4. Freedom to Trade Internationally

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A. Taxes on international trade

B. Standard deviation of inflation

C. Inflation: most recent year

D. Freedom to own foreign-currency bank accounts

#### 5. Regulation of Credit, Labor, and Business

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A. Credit market regulations

B. Labor market regulations

C. Business Regulations

D. Regulatory quality

* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = unchanged, uncertain; ▼▼ = down
1. Size of Government

- General government consumption spending
  - Trend: up; unchanged, uncertain; down
- Transfers and subsidies as a percentage of GDP
  - Trend: up; unchanged, uncertain; down

2. Commercial, Economic Law & Property Rights

- Government enterprises and investment
  - Data: 2.0

3. Access to Sound Money

- Inflation: most recent year
  - Data: 4.6
- Standard deviation of inflation
  - Data: 0.0

4. Freedom to own foreign-currency bank accounts

- Data: 5.0

5. Regulation of Credit, Labor, and Business

- Credit market regulations
  - Data: 5.9
- Ownership of banks
  - Data: 7.7
- Foreign bank competition
  - Data: 6.0
- Interest rate controls / negative real interest rates
  - Data: 5.9
- Private sector credit
  - Data: 5.8

6. E. State Ownership of Assets

- State ownership of assets
  - Data: 6.5

7. C. Government enterprises and investment

- Trend: unchanged, uncertain; down
  - Data: 5.0

8. D. Freedom to own foreign-currency bank accounts

- Trend: unchanged, uncertain; down
  - Data: 6.0

9. A. Money growth

- Trend: unchanged, uncertain; down
  - Data: 9.6

10. A. Credit market regulations

- Data: 5.9
1. Size of Government

A. General government consumption spending
   0.1 [10.5] 0.0 [40.5] 1.1 [36.2] 0.0 [49.4] 0.0 [42.6] 0.2 [39.4]
B. Transfers and subsidies as a percentage of GDP
C. Government enterprises and investment
   0.0 0.0 0.0 0.0 0.0 0.0
D. Top marginal tax rate
   10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
E. State Ownership of Assets
   2.7 2.7 2.8 3.6 3.6 3.9

2. Commercial, Economic Law & Property Rights

A. Military interference in rule of law & the political process
   8.3 8.3 8.3 8.3 8.3 8.3 8.3
B. Integrity of the legal system
   8.3 8.3 8.3 8.3 8.3 8.3 8.3
C. Regulatory restrictions on the sale of real property
   9.5 9.5 9.5 9.5 9.5 9.5 9.5
i. Number of procedures
   9.5 9.5 9.5 9.5 9.5 9.5 9.5
ii. Time (days)
   9.8 9.8 9.8 9.8 9.8 9.8 9.8
iii. Cost (% of property value)
   9.0 9.0 9.0 9.0 9.0 8.4 8.4
D. Legal enforcement of contracts
   5.9 5.9 5.9 6.5 6.6 6.4 6.7
   i. Quality of judicial processes
      1.6 1.6 3.3 3.7 3.3 4.1
   ii. Time (days)
      6.4 6.4 6.4 6.4 6.4 6.4 6.4
   iii. Cost (% of claim)
      9.6 9.6 9.6 9.6 9.6 9.6 9.6
E. Impartial courts
   7.4 6.8 6.3 5.6 5.6 6.0
F. Judicial Independence
   6.8 6.1 6.1 7.0
G. Protection of property rights
   7.5 7.4 7.4 7.6
H. Legal certainty
   6.3 6.1 6.0 6.5 6.4 6.2 6.6
I. Reliability of police
   8.2 8.8 8.8 8.8

Gender disparity adjustment > 0.59 0.59 0.59 0.61 0.61 0.64

3. Access to Sound Money

A. Money growth
B. Standard deviation of inflation
   9.6 [1.0] 9.6 [1.0] 8.5 [3.8] 9.4 [1.4] 9.6 [1.0] 9.8 [0.6] 9.8 [0.6]
C. Inflation: most recent year
   9.9 [4.0] 9.6 [1.0] 9.4 [1.0] 10.0 [0.0] 9.8 [0.1] 9.7 [0.1] 9.8 [0.0]
D. Freedom to own foreign-currency bank accounts
   10.0 10.0 10.0 10.0 10.0 10.0

4. Freedom to Trade Internationally

A. Taxes on international trade
   9.1 7.7 7.9 8.1 8.0 7.9
   i. Revenue from trade taxes (% of trade sector)
      9.5 [0.1] 9.8 [1.0] 9.4 [0.9] 9.6 [1.0] 9.6 [0.1] 9.6 [0.1]
      ii. Mean tariff rate
         8.4 [0.4] 9.2 [1.2] 8.9 [1.5] 8.9 [1.5] 8.9 [1.5] 8.9 [1.5]
      iii. Standard deviation of tariff rates
B. Black-market exchange rates
   10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
C. Controls of the movement of capital and people
   6.7 6.7 5.8 7.6 6.9 6.9
   i. Capital controls
      6.7 6.7 5.8 5.4 5.4 5.4 5.4
      ii. Foreign direct investment risk
          10.0 10.0 10.0 10.0
      iii. Freedom of foreigners to visit
           7.3 7.3 7.3 7.3
      iv. Restricted trade barriers
          5.9 6.2 6.5 6.6
      i. Non-tariff trade barriers
          5.0 5.4 5.4 5.7
      ii. Compliance cost of importing and exporting
           6.8 7.0 7.6 7.6

5. Regulation of Credit, Labor, and Business

A. Credit market regulations
   8.3 7.8 8.9 7.4 7.5 8.1
   i. Ownership of banks
      9.5 8.3 9.0 7.0 7.2 9.1
   ii. Foreign bank competition
      10.0 10.0 10.0 10.0 10.0 10.0
   iii. Interest rate controls / negative real interest rates
      6.0 3.0 6.0 8.0 8.0 8.0
   iv. Private sector credit
      10.0 10.0 10.0 10.0 10.0 10.0
B. Labor market regulations
   7.9 7.9 10.0 7.7 7.4 7.7
   i. Difficulty of hiring
      5.6 5.6 10.0 8.9 7.8 8.9
   ii. Rigidity of hours
      6.0 6.0 10.0 2.0 2.0 2.0
   iii. Rigidity of dismissals
      9.9 9.9 10.0 10.0 10.0 10.0
   a. Difficulty of firing
      10.0 10.0 10.0
   b. Firing costs (weeks of wages)
      9.9 10.0
   c. Conspicuation
      10.0 10.0 10.0 10.0 10.0 10.0
   D. Business Regulations
   7.4 7.4 7.8 7.6 7.7 7.6

   i. Starting a business
      8.1 8.1 9.3 9.4 9.6 9.6 9.6
   a. Number of procedures
      5.3 8.2 8.2 8.5 8.5 8.5
   b. Duration (days)
      8.4 9.5 9.8 9.8 9.8 9.8
   c. Cost (% of income per capita)
      9.9 10.0 10.0 10.0 10.0 10.0
   d. Minimum capital (% of income per capita)
      8.7 9.4 9.5 10.0 10.0 10.0
   ii. Closing a business
      6.5 6.5 6.5 6.7 6.7 6.7 6.7
   a. Time (years)
      6.3 6.3 6.3 6.3 6.3 6.3 6.3
   b. Cost (% of estate)
      9.6 9.6 9.7 9.7 9.7 9.7 9.7
   c. Recovery rate (cents on the dollar)
      3.7 3.8 4.1 4.1 4.1 4.1 4.1
   iii. Dealing with licenses
      7.9 7.9 7.9 8.1 8.1 8.1 8.1
   iv. Paying taxes
   v. Extra payments/bribes/favoritism
      5.8 5.0 7.8 6.0 6.0 6.0 6.0
   vi. Regulatory quality
      6.7 6.3 6.1 6.4 6.5 6.1 6.1

* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = down; ▲ = unchanged, uncertain.
Summary Ratings (Rank) >

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</table>

1. Size of Government

- A. General government consumption spending: 5.1 [22.2, 5.5] [21.2] 5.0 [23.0] 5.1 [22.4] 5.2 [22.2] 5.0 [22.9]
- C. Government enterprises and investment: 8.0 7.0 7.0
- D. Top marginal tax rate: 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
- E. State Ownership of Assets: 7.2 5.0 5.4 6.7

2. Commercial, Economic Law & Property Rights

- A. Military interference in rule of law & the political process: 5.8 4.2 4.2 5.0 4.2
- B. Integrity of the legal system: 5.8 4.2 3.3 4.2 3.3
- C. Regulatory restrictions on the sale of real property: 8.6 8.6 8.5 8.5 8.5 8.6
  - i. Number of procedures: 7.0 7.0 7.0 7.0 7.0 7.0
  - ii. Time (days): 9.3 9.5 9.5 9.5 9.5 9.6
  - iii. Cost (% of property value): 9.6 9.8 9.0 9.0 9.0 9.0
- D. Legal enforcement of contracts: 6.0 6.0 6.4 6.4 5.8 5.8 6.0
  - i. Quality of judicial processes: 3.2 3.2 3.0 3.0 1.5 1.5 2.2
  - ii. Time (days): 5.6 6.8 6.8 6.8 6.8 6.8
  - iii. Cost (% of claim): 9.3 9.3 9.3 9.3 9.0 9.0
- E. Impartial courts: 5.0 5.0 5.2 4.7 5.0 4.8
- F. Judicial Independence: 5.6 5.6 5.6 5.7 5.8 5.3
- G. Protection of property rights: 9.4 9.5 9.1 9.7 9.7 9.7
- H. Legal certainty: 5.3 5.3 5.3 5.3 5.3 5.3
- I. Reliability of police: 10.0 10.0 10.0 10.0 10.0 10.0

3. Access to Sound Money

- B. Standard deviation of inflation: 9.2 [2.1] 9.3 [2.1] 8.7 [2.2] 9.7 [0.7] 9.6 [1.1] 9.6 [0.9] 9.6 [0.9]
- D. Freedom to own foreign-currency bank accounts: 10.0 10.0 10.0 10.0 10.0 10.0 10.0

4. Freedom to Trade Internationally

- A. Taxes on international trade: 7.5 7.1 7.8 8.0 8.0 8.0
- B. Black-market exchange rates: 10.0 [0.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
- C. Controls of the movement of capital and people: 0.0 0.0 0.0 0.0 0.0 0.0
  - i. Capital controls: 0.0 0.0 0.0 0.0 0.0 0.0
  - ii. Foreign direct investment risk: 0.0 0.0 0.0 0.0 0.0 0.0
  - iii. Freedom of foreigners to visit: 0.0 0.0 0.0 0.0 0.0 0.0
- D. Regulatory trade barriers: 7.5 7.5 7.5 7.5 7.5 7.5
  - i. Non-tariff trade barriers: 7.5 7.5 7.5 7.5 7.5 7.5
  - ii. Compliance cost of importing and exporting: 7.5 7.5 7.5 7.5 7.5 7.5

5. Regulation of Credit, Labor, and Business

- A. Credit market regulations: 6.5 6.2 6.2 6.5
  - i. Ownership of banks: 6.7 6.7 6.7 6.7
  - ii. Foreign bank competition: 10.0 10.0 10.0 10.0
  - iii. Interest rate controls / negative real interest rates: 10.0 10.0 10.0 10.0 10.0 10.0
  - iv. Private sector credit: 0.0 0.0 0.0 0.0 0.0 0.0
- B. Labor market regulations: 7.6 7.6 7.0 6.1 6.1 6.1
  - i. Difficulty of hiring: 6.7 6.7 6.7 3.3 3.3 3.3
  - ii. Rigidity of hours: 6.0 6.0 6.0 6.0 6.0
  - iii. Rigidity of dismissals: 7.7 7.7 5.3 5.3 5.3 5.3
  - a. Difficulty of firing: 8.0 8.0 8.0 8.0 8.0
  - b. Firing costs (weeks of wages): 7.5 2.5 2.5 2.5 2.5 2.5
  - c. Absenteeism: 10.0 10.0 10.0 10.0 10.0 10.0
- C. Business Regulations: 5.1 5.0 5.8 5.8 5.8 5.8
  - i. Starting a business: 6.7 6.7 7.7 8.2 8.1 8.1
    - a. Number of procedures: 4.1 4.7 5.9 5.0 5.0 5.0
    - b. Duration (days): 5.5 7.7 7.9 7.9 7.9 7.9
  - c. Cost (% of income per capita): 9.0 8.9 9.0 9.4 9.5 9.4
  - d. Minimum capital (% of income per capita): 8.3 9.6 10.0 10.0 10.0 10.0
  - ii. Closing a business: 0.0 0.0 0.0 0.0 0.0 0.0
    - a. Time (years): 0.0 0.0 0.0 0.0 0.0 0.0
    - b. Cost (% of estate): 0.0 0.0 0.0 0.0 0.0 0.0
    - c. Recovery rate (cents on the dollar): 0.0 0.0 0.0 0.0 0.0 0.0
    - d. Dealing with licenses: 9.1 9.1 9.1 9.1 9.1 9.1
    - e. Paying taxes: 8.1 8.1 8.1 8.2 8.2 8.1
    - f. Export payments/bribery/favoritism: 3.9 3.6 4.2 3.7 4.2 4.3
    - g. Regulatory quality: 3.0 2.7 2.5 2.5 2.5 2.5

* Trend is based primarily on preliminary data for 2016. "#" = up; "#" = unchanged, uncertain; "#" = down
2. Commercial, Economic Law & Property Rights

C. Government enterprises and investment
A. General government consumption spending

Rating (1) Rating (2) Rating (3) Rating (4) Rating (5) Rating (6) Rating (7) Trend
A. General government consumption spending 5.8 6.0 5.8 5.8 5.7 5.7 5.7
B. Transfers and subsidies as a percentage of GDP 0.0 [47.4] 0.0 [47.2] 0.0 [46.4] 0.0 [47.4] 0.0 [43.2] 0.0 [40.9]
C. Government enterprises and investment 7.0 6.0 6.0 6.0 6.0 6.0
D. Top marginal tax rate 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
E. State Ownership of Assets 3.8 3.8 3.8 3.2 3.0 2.8

C. Business Regulations

C. Controls of the movement of capital and people

Rating (1) Rating (2) Rating (3) Rating (4) Rating (5) Rating (6) Rating (7) Trend
A. Number of procedures 7.0 7.0 7.0 7.0 7.0 7.5
B. Time (days) 9.9 9.9 9.9 9.9 9.9 9.9
C. Cost (% of property value) 9.9 9.9 9.9 9.9 9.9 9.9
D. Legal enforcement of contracts 6.4 6.4 6.4 5.9 5.7 5.7 5.9
i. Quality of judicial processes 3.4 1.9 1.1 1.1 1.9
ii. Time (days) 6.6 6.6 6.6 6.6 6.6 6.6
iii. Cost (% of claim) 9.3 9.3 9.3 9.3 9.3 9.3
E. Impartial courts 6.5 6.6 6.3 7.3 7.3 7.6
F. Judicial Independence 8.4 7.6 7.2 6.7
G. Protection of property rights 6.3 7.9 7.7 7.1
H. Legal certainty 4.4 5.3 5.0 4.8 4.7 4.3 4.5
I. Reliability of police 8.8 8.8 8.9 8.1

Gender disparity adjustment > 0.62 0.62 0.62 0.62 0.62 0.64

3. Access to Sound Money

A. Money growth 6.7 6.7 6.7 6.7 6.7 6.7 6.7

Rating (1) Rating (2) Rating (3) Rating (4) Rating (5) Rating (6) Rating (7) Trend
B. Standard deviation of inflation 9.6 [1.0] 8.5 [1.7] 6.2 [0.5] 9.7 [0.7] 9.7 [0.6] 9.5 [1.2] 9.5 [1.3]
C. Inflation: most recent year 10.0 [0.2] 8.2 [0.8] 9.5 [1.2-4] 9.6 [1.9] 9.4 [2.9] 9.9 [4.4] 10.0 [0.2]
D. Freedom to own foreign-currency bank accounts 10.0 10.0 10.0 10.0 10.0 10.0 10.0

4. Freedom to Trade Internationally

A. Taxes on international trade 9.2 9.2 9.2 8.3 8.5 8.4 8.3
iii. Standard deviation of tariff rates 6.7 [0.3] 7.2 [0.7] 6.9 [0.7] 6.5 6.4 6.4 [1.9]
B. Black-market exchange rates 10.0 10.0 10.0 10.0 [0.0] 10.0 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
C. Controls of the movement of capital and people 7.7 7.7 7.7 4.6 5.6 5.6 5.6
i. Capital controls 7.7 7.7 7.7 4.6 4.6 4.6 4.6
ii. Foreign direct investment risk 8.0 8.0 8.0 8.0 8.0 8.0 8.0
iii. Freedom of foreigners to visit 4.1 4.1 4.1 4.1 4.1 4.1 4.1
D. Regulatory trade barriers 7.0 7.5 7.7 6.8 7.9 7.9 6.1
ii. Non-tariff trade barriers 7.2 7.2 7.5 7.2 7.5 7.5

5. Regulation of Credit, Labor, and Business

A. Credit market regulations 8.3 8.3 8.3 8.3 8.3 8.3 8.3
i. Ownership of banks 5.0 5.0 5.0 5.0 5.0 5.0 5.0
ii. Foreign bank competition 5.0 5.0 5.0 5.0 5.0 5.0 5.0
iii. Interest rate controls / negative real interest rates 10.0 10.0 10.0 10.0 10.0 10.0 10.0
iv. Private sector credit 0.0 0.0 0.0 0.0 0.0 0.0 0.0
B. Labor market regulations 8.0 8.0 8.0 6.6 6.6 6.6 6.6
i. Difficulty of hiring 10.0 10.0 10.0 10.0 10.0 10.0 10.0
ii. Rigidity of hours 4.0 4.0 4.0 4.0 4.0 4.0 4.0
iii. Rigidity of dismissals 8.0 8.0 7.4 7.4 7.4 7.4 7.4
a. Difficulty of firing 8.0 10.0 10.0 10.0 10.0 10.0 10.0
b. Firing costs (weeks of wages) 8.1 4.8 4.8 4.8 4.8 4.8 4.8
c. Unemployment 10.0 10.0 10.0 5.0 5.0 5.0 5.0
iv. Constriction 7.9 7.9 8.3 8.3 8.3 8.3 8.3
i. Starting a business 9.3 9.3 8.9 8.9 8.9 8.9 8.9
a. Number of procedures 6.5 6.5 6.5 6.5 6.5 6.5 6.5
b. Duration (days) 9.5 9.7 9.7 9.7 9.7 9.7 9.7
c. Cost (% of income per capita) 9.9 9.9 9.9 9.9 9.9 9.9 9.9
d. Minimum capital (% of income per capita) 9.8 9.9 10.0 10.0 10.0 10.0 10.0
ii. Closing business 6.8 6.8 6.8 6.8 6.8 6.8 6.8
a. Time (years) 7.5 7.5 7.5 7.5 7.5 7.5 7.5
b. Cost (% of estate) 7.2 7.2 7.2 7.2 7.2 7.2 7.2
c. Recovery rate (cents on the dollar) 5.7 6.1 5.3 5.3 5.3 5.3 5.3
iii. Dealing with licenses 10.0 10.0 10.0 10.0 10.0 10.0 10.0
iv. Paying taxes 10.0 10.0 10.0 9.5 9.5 9.5 9.5
v. Extra payments/bribes/favoritism 5.4 5.5 5.1 7.9 8.2 8.2 8.2
vi. Regulatory quality 5.8 5.7 6.4 6.6 6.7 6.0 6.0

* Trend is based primarily on preliminary data for 2016.
### Saudi Arabia

---|---|---|---|---|---|---
1. Size of Government | 4.0 | 4.0 | 3.6 | 3.4 | 3.6 | 5.2
   A. General government consumption spending | 0.0 [41.5] | 0.0 [44.4] | 0.0 [38.5] | 0.0 [42.0] | 0.0 [37.6] | 0.0 [37.2]
   B. Transfers and subsidies as a percentage of GDP | 9.5 | 9.5 | 9.8 | 9.7 | 9.7 | 9.8
   C. Government enterprises and investment | 4.0 | 2.0 | 2.0 | 2.0 | 2.0 | 4.0
   D. Top marginal tax rate | 10.0 [10.0] | 10.0 [10.0] | 10.0 [10.0] | 10.0 [10.0] | 10.0 [10.0] | 10.0 [10.0]
   E. State Ownership of Assets | 1.9 | 1.9 | 2.9 | 1.6 | 1.6 | 1.7

2. Commercial, Economic Law & Property Rights | 4.8 | 4.8 | 5.1 | 5.0 | 4.9 | 4.8
   A. Military interference in rule of law & the political process | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3
   B. Integrity of the legal system | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3
   C. Regulatory restrictions on the sale of real property
      i. Number of procedures | 8.5 | 9.5 | 9.0 | 9.0 | 9.5 | 9.5
      ii. Time (days) | 10.0 | 10.0 | 9.9 | 9.9 | 10.0 | 10.0
      iii. Cost (% of property value) | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0
   D. Legal enforcement of contracts
      i. Quality of judicial processes | 3.2 | 3.4 | 4.4 | 3.0 | 4.4 | 7.0
      ii. Time (days) | 6.1 | 6.1 | 6.2 | 6.7 | 6.2 | 6.7
      iii. Cost (% of claim) | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0
   E. Impartial courts | 5.6 | 5.5 | 6.2 | 5.9 | 5.7 | 5.8
   F. Judicial Independence | 7.6 | 7.2 | 7.0 | 7.1 | 7.1 | 7.1
   G. Protection of property rights | 7.7 | 7.1 | 6.8 | 7.0 | — | —
   H. Legal certainty | 2.8 | 2.6 | 2.8 | 2.5 | 2.7 | 2.6
   I. Reliability of police | 7.8 | 8.1 | 8.1 | 8.1 | 8.3 | 8.3

Gender disparity adjustment | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.36

3. Access to Sound Money | 9.6 | 9.4 | 8.9 | 9.4 | 9.6 | 9.7
   C. Inflation: most recent year | 10.0 [0.2] | 9.9 [0.7] | 8.9 [5.3] | 9.6 [2.2] | 9.3 [1.5] | 9.8 [4.8] | 9.5 [2.5]
   D. Freedom to own foreign-currency bank accounts | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0

4. Freedom to Trade Internationally | 7.0 | 6.9 | 6.7 | 6.2 | 6.0 | 5.8
   A. Taxes on international trade
   B. Black-market exchange rates | 10.0 [0.0] | 10.0 [0.0] | 10.0 [0.0] | 10.0 [0.0] | 10.0 [0.0] | 10.0 [0.0] | 10.0 [0.0]
   C. Controls of the movement of capital and people
      i. Capital controls | 2.3 | 1.5 | 1.5 | 2.7 | 2.7 | 2.7
      ii. Foreign direct investment restrictions | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0
      iii. Freedom of foreigners to visit | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6
   D. Regulatory trade barriers
      i. Non-tariff trade barriers | 3.6 | 3.3 | 3.4 | 4.0 | 4.0 | 4.0
      ii. Compliance cost of importing and exporting | 1.5 | 1.5 | 2.9 | 1.7 | 1.7 | 1.7

5. Regulation of Credit, Labor, and Business | 8.0 | 8.0 | 7.9 | 7.3 | 7.4 | 7.7
   A. Credit market regulations
      i. Ownership of banks | 9.0 | 9.0 | 8.5 | 7.1 | 7.5 | 8.6
      ii. Foreign bank competition | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0
      iii. Interest rate controls / negative real interest rates | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0
      iv. Private sector credit | 10.0 | 10.0 | 7.8 | 2.3 | 3.8 | 3.4
   B. Labor market regulations
      i. Difficulty of hiring | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 8.3
      ii. Rigidity of hours | 8.0 | 8.0 | 6.0 | 6.0 | 6.0 | 6.0
      iii. Rigidity of dismissals | 8.9 | 8.9 | 7.2 | 7.2 | 7.2 | 7.2
      a. Difficulty of firing | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0
      b. Firing costs (weeks of wages) | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4
      iv. Consumption | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0
   C. Business Regulations
      i. Starting a business
         a. Number of procedures | 6.6 | 6.8 | 8.2 | 8.1 | 8.5 | 8.5
         b. Duration (days) | 6.9 | 9.9 | 9.2 | 9.3 | 9.2 | 9.2
         c. Cost (% of income per capita) | 9.2 | 9.9 | 10.0 | 10.0 | 9.9 | 9.9
         d. Minimum capital (% of income per capita) | 7.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0
      ii. Closing a business
         a. Time (years) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0
         b. Cost (% of estate) | — | — | — | — | — | —
         c. Recovery rate (cents on the dollar) | 0.0 | 0.0 | 10.0 | 10.0 | 10.0 | 10.0
      iii. Dealing with licenses | 8.9 | 8.9 | 9.6 | 9.4 | 9.4 | 9.5
      v. Extra payments/bribes/favoritism | 4.7 | 4.2 | 7.9 | 6.6 | 6.6 | 6.6
      vi. Regulatory quality | 5.0 | 5.4 | 5.5 | 5.2 | 5.3 | 5.1

*Trend is based primarily on preliminary data for 2016.*
### SOMALIA

#### Summary Ratings (Rank)>

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#### 1. Size of Government

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<tr>
<td>A. General government consumption spending</td>
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<td>B. Transfers and subsidies as a percentage of GDP</td>
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#### 2. Commercial, Economic Law & Property Rights

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<td>A. Military interference in rule of law &amp; the political process</td>
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<td>B. Integrity of the legal system</td>
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<td>C. Regulatory restrictions on the sale of real property</td>
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<td>i. Number of procedures</td>
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<td>iii. Cost (% of property value)</td>
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<td>D. Legal enforcement of contracts</td>
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<td>E. Impartial courts</td>
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<td>H. Legal certainty</td>
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<td>I. Reliability of police</td>
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#### Gender disparity adjustment →

| Gender disparity adjustment | 0.83 |

#### 3. Access to Sound Money

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<td>A. Money growth</td>
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#### Gender disparity adjustment →

| Gender disparity adjustment | 0.83 |

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#### Gender disparity adjustment →

| Gender disparity adjustment | 0.5  |

#### 7. Regulatory quality

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* Trend is based primarily on preliminary data for 2016. ↑ = up; ↓ = unchanged, uncertain; ↓ = down
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<td>c. Cost (% of income per capita)</td>
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* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = down; ▲ = unchanged; uncertain; ▼ = down
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<td>E. State Ownership of Assets</td>
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2. Commercial, Economic Law & Property Rights

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<td>A. Money growth</td>
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<td>B. Standard deviation of inflation</td>
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<td>C. Inflation most recent year</td>
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<td>D. Freedom to own foreign-currency bank accounts</td>
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4. Freedom to Trade Internationally

| 4.7  | 4.8  | 5.0  | 6.8  | 6.8  | 6.7  | 6.7  |
|---------------------------------------------|------|------|------|------|------|------|------|
| A. Taxes on international trade             | 5.7  | 4.4  | 6.9  | 7.0  | 7.3  | 7.3  | 7.3  |
| i. Revenue from trade taxes (% of trade sector) | 8.1  | 8.7  | 8.9  | 8.9  | 8.8  | 8.8  | 8.8  |
| ii. Mean tariff rate                        | 4.0  | 4.6  | 4.7  | 4.7  | 4.7  | 4.7  | 4.7  |
| iii. Standard deviation of tariff rates     | 5.0  | 5.9  | 5.2  | 5.2  | 5.2  | 5.2  | 5.2  |
| B. Black-market exchange rates              | 7.8  | 9.3  | 7.4  | 9.0  | 9.0  | 9.0  | 9.0  |
| C. Controls of the movement of capital and people | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  |
| i. Capital controls                         | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  | 0.8  |
| ii. Foreign direct investment risk          | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  |
| iii. Freedom of foreigners to visit        | 9.4  | 9.4  | 9.4  | 9.4  | 9.4  | 9.4  | 9.4  |
| D. Regulatory trade barriers                | 5.1  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  |
| i. Non-tariff trade barriers                | 3.0  | 2.8  | 2.8  | 2.8  | 2.8  | 2.8  | 2.8  |
| ii. Compliance cost of importing and exporting | 7.3  | 7.3  | 7.3  | 7.3  | 7.3  | 7.3  | 7.3  |

5. Regulation of Credit, Labor, and Business

| 7.0  | 7.0  | 7.4  | 6.8  | 6.8  | 6.9  | 6.9  |
|---------------------------------------------|------|------|------|------|------|------|------|
| A. Credit market regulations                | 8.0  | 7.9  | 8.1  | 7.4  | 7.4  | 7.4  | 7.4  |
| i. Ownership of banks                       | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  |
| ii. Foreign bank competition                | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  | 8.0  |
| iii. Interest rate controls / negative real interest rates | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| iv. Private sector credit                   | 9.0  | 8.6  | 9.4  | 6.6  | 6.7  | 8.3  | 8.3  |
| B. Labor market regulations                 | 5.5  | 5.5  | 6.5  | 5.8  | 5.8  | 5.8  | 5.8  |
| i. Difficulty of hiring                     | 7.2  | 7.2  | 8.3  | 6.1  | 6.1  | 6.1  | 6.1  |
| ii. Rigidity of hours                       | 6.0  | 6.0  | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| iii. Rigidity of dismissals                 | 5.8  | 5.8  | 4.9  | 4.3  | 4.3  | 4.3  | 4.3  |
| a. Difficulty of firing                     | 2.0  | 2.0  | 3.0  | 3.0  | 3.0  | 3.0  | 3.0  |
| b. Firing costs (weeks of wages)            | 9.5  | 7.8  | 5.5  | 5.5  | 5.5  | 5.5  | 5.5  |
| iv. Conspiration                            | 3.0  | 3.0  | 3.0  | 3.0  | 3.0  | 3.0  | 3.0  |
| C. Business Regulations                     | 7.4  | 7.5  | 7.5  | 7.1  | 7.2  | 7.2  | 7.2  |
| i. Starting a business                      | 8.5  | 8.2  | 8.7  | 8.7  | 8.8  | 8.8  | 8.8  |
| a. Number of procedures                     | 5.3  | 5.3  | 5.3  | 5.9  | 5.9  | 5.9  | 5.9  |
| b. Duration (days)                          | 9.6  | 9.6  | 9.6  | 9.6  | 9.6  | 9.6  | 9.6  |
| c. Cost (% of income per capita)            | 9.9  | 9.9  | 10.0 | 9.9  | 9.9  | 9.9  | 9.9  |
| d. Minimum capital (% of income per capita) | 9.9  | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| ii. Closing a business                      | 7.9  | 7.9  | 7.9  | 8.0  | 8.0  | 8.0  | 7.9  |
| a. Time (years)                             | 9.1  | 9.1  | 9.1  | 9.1  | 9.1  | 9.1  | 9.1  |
| c. Recovery rate (cents on the dollar)      | 5.6  | 5.6  | 5.6  | 5.6  | 5.6  | 5.6  | 5.6  |
| iii. Dealing with licenses                  | 9.4  | 9.4  | 9.3  | 9.3  | 9.3  | 9.3  | 9.3  |
| iv. Paying taxes                            | 7.0  | 7.0  | 8.4  | 8.4  | 8.4  | 8.4  | 8.4  |
| v. Extra payments/bribes/favoritism         | 6.8  | 6.8  | 5.9  | 4.1  | 4.0  | 4.0  | 4.0  |
| vi. Regulatory quality                      | 4.8  | 4.9  | 5.0  | 4.2  | 4.1  | 4.2  | 4.2  |

* Trend is based primarily on preliminary data for 2016. ▲ = up; ▼ = unchanged, uncertain; ▼ = down
1. Size of Government

- **Government enterprises and investment**: C 0.0 4.0 4.0 4.0 2.0 2.0
- **Top marginal tax rate**: D 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
- **State Ownership of Assets**: E 1.4 4.5 4.5 4.4 4.4 4.4

2. Commercial, Economic Law & Property Rights

- **Military interference in rule of law & the political process**: A 8.3 8.3 8.3 8.3 8.3 8.3 8.3
- **Integrity of the legal system**: B 6.7 6.7 6.7 6.7 6.7 6.7 6.7
- **Regulatory restrictions on the sale of real property**: C 9.4 9.4 9.8 9.8 9.8 9.8 9.8
  - **Number of procedures**: i. 9.0 10.0 9.5 9.5 9.5 9.5 9.5
  - **Time (days)**: ii. 9.5 10.0 10.0 10.0 10.0 10.0
  - **Cost (% of property value)**: iii. 9.4 9.4 1.0 10.0 10.0 10.0 10.0
  - **Cost (% of claim)**: iv. 9.1 9.1 9.4 9.3 9.3 9.3 9.3
- **Legal enforcement of contracts**: D 5.7 5.7 6.0 8.2 8.0 8.3 8.6 8.6
  - **Quality of judicial processes**: i. 1.8 2.0 8.1 7.4 8.1 8.9 8.9
  - **Time (days)**: ii. 6.3 6.8 7.1 7.1 7.5 7.5 7.5
  - **Cost (% of claim)**: iii. 9.1 9.1 9.4 9.3 9.3 9.3 9.3
  - **E. Imperial courts**: B 7.5 6.3 5.7 6.9 7.2 6.5 6.5
  - **Judicial Independence**: C 6.3 6.8 7.9 8.0 7.2 7.2 7.2
  - **Protection of property rights**: G 6.8 6.3 7.9 8.2 7.4 7.4 7.4
  - **Reliability of police**: H 7.0 6.5 7.3 7.4 7.4 7.4 7.3
  - **Reliability of police**: I 8.2 8.5 9.0 9.1 8.3 8.3

3. Access to Sound Money

- **Freedom to own foreign-currency bank accounts**: F 10.0 10.0 10.0 10.0 10.0 10.0 10.0

4. Freedom to Trade Internationally

- **Taxes on international trade**: A 8.4 8.3 8.2 8.4 8.6 8.5
  - **Revenue from trade taxes (% of trade sector)**: i. 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
  - **Standard deviation of tariff rates**: iii. 7.6 [6.1] 7.6 [6.1] 7.0 [6.7] 7.2 [7.1] 7.0 [7.0] 6.9 [7.3]
  - **Black-market exchange rates**: B 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0] 10.0 [0.0]
  - **Controls of the movement of capital and people**: C 6.2 6.2 5.8 7.0 7.0 6.9
  - **Capital controls**: D 6.2 6.2 5.8 5.8 5.8 5.4 5.4
  - **Foreign direct investment risk**: ii. 10.0 10.0 10.0 10.0 10.0 10.0 10.0
  - **Freedom of foreigners to stay**: iii. 5.3 5.3 5.3 5.3 5.3 5.3 5.3
  - **Regulatory trade barriers**: D 7.9 8.6 8.6 8.2 8.2
  - **Non-tariff trade barriers**: i. 7.5 8.8 8.8 8.2
  - **Compliance cost of importing and exporting**: ii. 8.3 8.3 8.3 8.3

5. Regulation of Credit, Labor, and Business

- **Credit market regulations**: A 8.1 8.1 8.2 7.6 7.6 7.5
  - **Ownership of banks**: i. 7.9 7.8 7.7 7.8 7.9 7.6 7.6
  - **Foreign bank competition**: ii. 5.0 5.0 5.0 5.0 5.0 5.0 5.0
  - **Interest rate controls / negative real interest rates**: iii. 8.0 8.0 8.0 8.0 8.0 8.0 8.0
  - **Private sector credit**: iv. 8.0 8.0 8.0 8.0 8.0 8.0 8.0
  - **Labor market regulations**: B 8.7 8.2 7.9 8.2 8.4 7.2 7.2
  - **Difficulty of hiring**: i. 10.0 10.0 10.0 10.0 10.0 10.0 10.0
  - **Rigidity of hours**: ii. 6.0 6.0 6.0 6.0 6.0 6.0 6.0
  - **Rigidity of dismissals**: iii. 8.8 8.8 10.0 10.0 10.0 10.0 10.0
  - **Difficulty of firing**: a. 10.0 10.0 10.0 10.0 10.0 10.0 10.0
  - **Firing costs (weeks of wages)**: b. 7.7 10.0 10.0 10.0 10.0 10.0 10.0
  - **Consumption**: c. 10.0 10.0 10.0 10.0 10.0 10.0 10.0
- **Business Regulations**: C 7.7 7.8 7.8 8.5 8.5 8.5 8.5
  - **Starting a business**: a. 8.6 8.6 8.9 9.3 9.5 9.5 9.8
  - **Number of procedures**: b. 6.5 6.5 7.6 8.5 8.5 8.5 8.5
  - **Duration (days)**: c. 9.3 9.4 9.7 9.7 9.7 9.7 9.7
  - **Cost (% of income per capita)**: d. 9.6 9.9 9.9 9.9 9.8 9.8 9.7
  - **Minimum capital (% of income per capita)**: e. 9.2 10.0 10.0 10.0 10.0 10.0 10.0
  - **Closing a business**: f. 4.1 4.2 4.1 5.9 5.9 5.9 5.9
  - **Time (years)**: a. 5.1 5.1 7.1 7.1 7.1 7.1 7.1
  - **Cost (% of estate)**: b. 6.1 6.1 7.5 7.5 7.5 7.5 7.5
  - **Recovery rate (cents on the dollar)**: c. 1.3 1.2 3.1 3.1 3.1 3.1 3.1
  - **Dealing with licenses**: d. 9.6 9.6 10.0 10.0 10.0 10.0 10.0
  - **Pay Value**: e. 9.9 9.9 9.9 9.9 9.9 9.9 9.9
  - **Extra payments/bribes/favoritism**: f. 6.1 6.1 8.0 8.2 8.5 8.5 8.5
  - **Quality regulatory**: g. 7.6 6.6 5.8 7.6 7.3 7.4 7.4

* Trend is based primarily on preliminary data for 2016. >&gt; up; =&gt; unchanged, uncertain; =&gt; down
2. Commercial, Economic Law & Property Rights

A. General government consumption spending
B. Transfers and subsidies as a percentage of GDP
C. Government enterprises and investment
   2.0 [2.0] 2.0 [2.0] 2.0 [2.0] 2.0 [2.0] 2.0 [2.0] 2.0 [2.0]
D. Top marginal tax rate
   7.0 [7.0] 7.0 [8.0] 7.0 [8.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]
E. State Ownership of Assets
   5.2 [5.2] 5.2 [5.2] 3.6 [3.6] 3.0 [3.0] 3.5 [3.5]

3. Access to Sound Money

A. Money growth
B. Standard deviation of inflation
C. Inflation most recent year
   7.6 [2.3] 7.6 [8.4] 7.6 [8.4] 0.0 [6.4] 5.9 [20.3] 5.1 [24.7] 1.6 [41.8]
D. Freedom to own foreign-currency bank accounts
   10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0] 10.0 [10.0]

4. Freedom to Trade Internationally

A. Taxes on international trade
B. Standard deviation of tariff rates
C. Controls of the movement of capital and people
D. Regulatory trade barriers
   1.7 [1.7] 1.7 [1.7] 1.7 [1.7] 1.7 [1.7] 1.7 [1.7]

5. Regulation of Credit, Labor, and Business

A. Credit market regulations
B. Labor market regulations
C. Business Regulations
APPENDIX: EXPLANATORY NOTES AND DATA SOURCES

The index published in Economic Freedom of the Arab World was derived from 52 distinct pieces of data (“components”). The overall rating was computed by averaging the five areas and area scores were derived by averaging the components within each area. Economic freedom is measured on a scale from zero to 10 where a higher value indicates a greater degree of economic freedom.

Note that the minimums and maximums used to compute the individual scores were taken from Economic Freedom of the World instead of the 22 countries included in the index. For those variables not used in Economic Freedom of the World, minimums and maximums were calculated using data for the countries included in the Doing Business database (World Bank). We used “global” instead of regional minimums and maximums because some of the components show little variability among the Arab countries.

Area 1  
**Size of Government: Expenditures, Taxes, and Enterprises**

A. General government consumption spending as a percentage of total consumption

This component measures general government final consumption expenditure as a percentage of final consumption expenditure (formerly known as total consumption). The rating for this component was derived using the following formula: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}}) \) multiplied by 10. \(V_i\) is the country’s actual government consumption as a proportion of final consumption, while \(V_{\text{max}}\) and \(V_{\text{min}}\) were the maximum and minimum values set to 40% and 6%, respectively. The 1990 data in Economic Freedom of the World were used to derive maximum and minimum values for this component. Nations with higher government expenditure relative to final consumption receive lower scores.

*Sources: World Bank, World Development Indicators; United Nations, National Accounts Main Aggregates Database.*

B. Transfers and subsidies as a percentage of GDP

This component measures government subsidies and other transfers as a percentage of GDP. The rating for this component was derived using the following formula: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}}) \) multiplied by 10. \(V_i\) is the country’s ratio of transfers and subsidies to GDP, while \(V_{\text{max}}\) and \(V_{\text{min}}\) were the maximum and minimum set to 37.2% and 0.5%, respectively. The 1990 data in Economic Freedom of the World were used to derive maximum and minimum values for this component. Countries with higher government subsidies and other transfers relative to GDP receive lower scores.

*Source: Gwartney, Lawson, Hall, and Murphy (2019); World Bank, World Development Indicators.*
Top marginal tax rate

This component measures the highest marginal income tax rate (individual rate) and the threshold at which this rate applies. Countries with higher marginal income-tax rates that take effect at lower income thresholds received lower ratings based on the matrix found below.

### Income Threshold at Which the Top Marginal Rate Applies (1982 - 1984 US$)

<table>
<thead>
<tr>
<th>Top Marginal Tax Rate</th>
<th>&lt; $25,000</th>
<th>$25,000 - $50,000</th>
<th>$50,000 - $150,000</th>
<th>&gt; $150,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 20%</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>21% - 25%</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>26% - 30%</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>31% - 35%</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>36% - 40%</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>41% - 45%</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>46% - 50%</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>51% - 55%</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>56% - 60%</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>61% - 65%</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>66% - 70%</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>&gt; 70%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Sources: PricewaterhouseCoopers, Worldwide Tax Summaries Online; PricewaterhouseCoopers, Individual Taxes: A Worldwide Summary (various issues); Ernst & Young, Worldwide Personal Tax and Immigration Guide (various issues); Deloitte International Tax Source, International Tax and Business Guide Highlights; Deloitte (2007); Comoros, Ministère de Finances (1985): 14
E. State Ownership of Assets

This component is based on ratings from the Varieties of Democracy (V-Dem) database on State Ownership of the Economy, which “gauges the degree to which the state owns and controls capital (including land) in the industrial, agricultural, and service sectors. It does not measure the extent of government revenue and expenditure as a share of total output; indeed, it is quite common for states with expansive fiscal policies to exercise little direct control (and virtually no ownership) over the economy”. The rating for this component is designed to mirror the actual distribution of the raw data but on a zero to 10 scale. Countries with greater government ownership of assets get lower scores.


Area 2 Commercial and Economic Law and Security of Property Rights


A. Military interference in rule of law and the political process

This component is based on the Political Risk Component G (Military in Politics) from the International Country Risk Guide (ICRG), which measures the extent to which the military is involved in politics: “Since the military is not elected, involvement, even at a peripheral level, diminishes democratic accountability. Military involvement might stem from an external or internal threat, be symptomatic of underlying difficulties, or be a full scale military takeover. Over the long term, a system of military government will almost certainly diminish effective governmental functioning, become corrupt, and create an uneasy environment for foreign businesses”. The International Country Risk Guide measures military involvement on a scale from zero to 6 where a higher value indicates a lower potential risk. These values were then transformed into a zero to 10 scale.

Source: PRS Group (various years).

B. Integrity of the legal system

This component is based on the Political Risk Component I (Law and Order) from the International Country Risk Guide. Component I is based on “two measures [composing] one risk component. Each subcomponent equals half of the total. The ‘law’ subcomponent assesses the strength and impartiality of the legal system, and the ‘order’ subcomponent assesses popular observance of the law”. The International Country Risk Guide measures law and order on a scale from zero to six, where a higher value indicates a lower potential risk. These values were then transformed into a zero to ten scale.

Source: PRS Group (various years).
C. Regulatory restrictions on the sale of real property

This component is based on the World Bank’s Doing Business dataset; it measures the steps, time, and cost involved in registering property. The World Bank uses “a standardized case of an entrepreneur who wants to purchase land and a building in the largest business city already registered and free of title dispute”. The cost includes items like “fees, transfer taxes, stamp duties, and any other payment to the property registry, notaries, public agencies or lawyers. The cost is expressed as a percentage of the property value, assuming a property value of 50 times income per capita”. The rating for this component was derived using the following formula: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the steps, time, and cost as a percentage of property value. \(V_{\text{max}}\) was set to 21.0 procedures, 956 days, and 30.4% and \(V_{\text{min}}\) to 1.0 procedure, 1.0 day, and 0.1%. Nations with values that fall below \(V_{\text{min}}\) received a score of 10 whereas those nations that have values above \(V_{\text{max}}\) received a score of zero.

- \(i\) number of procedures
- \(ii\) time (days)
- \(iii\) cost (% of property value)


D. Legal enforcement of contracts

This component is based on the World Bank’s Doing Business dataset. The component measures “the efficiency of contract enforcement by following the evolution of a sale of goods dispute and tracking the time, cost, and number of procedures involved from the moment the plaintiff files the lawsuit until actual payment”. The quality of judicial processes index, \(2D_i\), is based on scores from 0 to 18. Scores for this index where derived using the following formula: \((V_i - V_{\text{min}}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10; \(V_{\text{max}} = 15.5\) and \(V_{\text{min}} = 2.0\). Nations with values that fall below \(V_{\text{min}}\) received a score of 10 whereas those nations that have values above \(V_{\text{max}}\) received a score of zero. The ratings for the subcomponents \(2D_{\text{ii}}\) and \(2D_{\text{iii}}\) were derived using the following formula: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the time and cost as a percentage of debt. \(V_{\text{max}}\) was set at 1,459.0 days and 227.3% and \(V_{\text{min}}\) to 109.0 days and 5.5%.

- \(i\) quality of judicial processes
- \(ii\) time (days)
- \(iii\) cost (% of claim)

E. Impartial courts
This component is from Economic Freedom of the World, which uses as a source the Global Competitiveness Report question: “The legal framework in your country for private businesses to settle disputes and challenge the legality of government actions and/or regulations is inefficient and subject to manipulation”. Note that the “Rule of Law” ratings from the World Bank’s Worldwide Governance Indicators project are used to supply any values missing from the primary source.


F. Judicial independence
This component is from Economic Freedom of the World, which uses as a source the Global Competitiveness Report question: “Is the judiciary in your country independent from political influences of members of government, citizens, or firms?” Note that the “Judicial independence” ratings from the Ibrahim index project are used to supply any values missing from the primary source.


G. Protection of property rights
This component is from Economic Freedom of the World, which uses as its source the Global Competitiveness Report question: “Property rights, including over financial assets, are poorly defined and not protected by law”. Note that property rights ratings from the Ibrahim Index are used to supply any values missing from the primary source.


H. Legal certainty
This component is based on the question: “To what extent are laws transparently, independently, predictably, impartially, and equally enforced, and to what extent do the actions of government officials comply with the law?” The question is taken from the Rule of law index of the V-Dem Institute. The values (0–1) were then transformed into a zero to 10 scale.

I. Reliability of police

This component is from Economic Freedom of the World, which uses as a source the Global Competitiveness Report question: “To what extent can police services be relied upon to enforce law and order in your country?” Note that the “Reliability of police services” ratings from the Ibrahim index project are used to supply any values missing from the primary source.


Area 3 Access to Sound Money

A. Money growth

The broad money-supply figures were used to measure the growth rate of the money supply. This component measures the growth of the money supply in the last five years minus the annual growth of real GDP in the last 10 years. The rating for this component was derived using the following formula: \((V_{\text{max}} - V_{\text{i}}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_{\text{i}}\) represents the average annual growth rate of the money supply during the last five years adjusted for the growth of real GDP during the previous 10 years. The values for \(V_{\text{min}}\) and \(V_{\text{max}}\) were set at zero and 50%, respectively. If money growth equals the long-term growth of real output (i.e., growth of real GDP in the last 10 years), then a nation gets a rating of 10. If the growth of the money supply is greater than the long-run growth in real output, a nation gets a score less than 10. Nations with a value greater than 50% receive a rating of zero.

Source: World Bank, World Development Indicators.

B. Standard deviation of inflation

The Consumer Price Index (CPI) was used as the measure of inflation for this component. The following formula was used to determine the zero to 10 scale rating for each country: \((V_{\text{max}} - V_{\text{i}}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_{\text{i}}\) represents the country’s standard deviation of the annual rate of inflation during the last five years. The values for \(V_{\text{min}}\) and \(V_{\text{max}}\) were set at zero and 25%, respectively. If there is no variation in inflation rate over the past five years, a nation gets a score of 10. The higher the variability of inflation, the lower the rating a nation receives. Those nations that have a standard deviation greater than 25% get a score of zero.

C. Inflation: most recent year
The Consumer Price Index (CPI) was used as the measure of inflation for this component. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \) multiplied by 10. \( V_i \) represents the rate of inflation during the most recent year. The values for \( V_{\text{min}} \) and \( V_{\text{max}} \) were set at zero and 50%, respectively. The lower the rate of inflation, the higher the rating. Those nations that have an inflation rate higher than 50% get a score of zero.


D. Freedom to own foreign-currency bank accounts
If foreign bank accounts are allowed both domestically and abroad without any restrictions, a nation gets a score of 10. If foreign bank accounts are allowed domestically but not abroad, or vice versa, a nation gets a rating of 5.


Area 4  Freedom to Trade Internationally

A. Taxes on international trade
i. Revenue from trade taxes (% of trade sector)
This sub-component measures taxes on international trade as a percentage of imports and exports. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \) multiplied by 10. \( V_i \) represents the revenue derived from taxes on international trade as a share of imports and exports. The values for \( V_{\text{min}} \) and \( V_{\text{max}} \) were set at zero and 15%, respectively. The greater the taxes on international trade as a share of exports and imports, the lower the score. Nations that have a value greater than 15% get a rating of zero.

Source: Gwartney and Lawson / Gwartney, Lawson, and Hall / Gwartney, Lawson, Hall, and Murphy (various years); International Center for Tax Development (various years); Central Bank of Libya (2019): table 30.

ii. Mean tariff rate
This sub-component measures the unweighted average of tariff rates. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \) multiplied by 10. \( V_i \) represents the country’s mean tariff rate. The values for \( V_{\text{min}} \) and \( V_{\text{max}} \) were set at zero and 50%, respectively. A higher mean tariff rate results in a lower rating. Nations with a mean tariff rate over 50% receive a score of zero.

iii Standard deviation of tariff rates
This subcomponent measures the standard deviation of tariff rates. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \times 10 \). \( V_i \) represents the standard deviation of the country’s tariff rates. The values for \( V_{\text{min}} \) and \( V_{\text{max}} \) were set at zero and 25%, respectively. Countries with greater variation in their tariff rates get lower ratings. Nations with standard deviation of over 25% get a score of zero.


B. Black-market exchange rates
This component measures the difference between the official rate and parallel black-market exchange rate. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \times 10 \). \( V_i \) is the country’s black market premium on the exchange rate. The values for \( V_{\text{min}} \) and \( V_{\text{max}} \) were set at zero and 50%, respectively. If there is no black market exchange rate, a nation gets a score of 10. The greater the difference between the two rates, the lower the rating. Nations with a value greater than 50% get a score of zero.


C. Controls of the movement of capital and people
i Capital controls
This component measures restrictions on capital transactions, looking at 13 types of international capital controls reported by the International Monetary Fund. The zero to 10 country ratings were derived by computing the number of controls not levied as a percentage of the total number of controls, and then multiplying the result by 10.


ii Foreign direct investment risk
This component is based on the variable “Expropriation and Government Action Risk” from Credendo Insurance Group; 7 indicates the highest risk and 1, the lowest risk. The zero to 10 country ratings were derived by the following formula: \( \frac{V_{\text{max}} - V_i}{V_{\text{max}} - V_{\text{min}}} \times 10 \). For Arab countries, a min of 2 and a max of 7 are used to calculate this component.

Source: Credendo (various years). Country Risk and Insights.

iii Freedom of foreigners to visit
This component is from Economic Freedom of the World, which uses as its source Lawson and Lemke, 2012. It measures the percentage of countries for which a country requires a visa from foreign visitors. It reflects the freedom of foreigners to travel to this country for tourist and short-term business purposes.

Source: Gwartney, Lawson, Hall, and Murphy (various years).
D. **Regulatory trade barriers**

i. **Non-tariff trade barriers**

This sub-component is based on the Logistics Performance Index survey question: “1) Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; 1–5 (best).”


ii. **Compliance cost of importing and exporting**

This sub-component is based on the World Bank’s Doing Business data on the time (i.e., non-monetary) cost of procedures required to import a full 20-foot container of dry goods that contains no hazardous or military items. Countries where it takes longer to import or export are given lower ratings. Zero to 10 ratings were constructed for (1) the time cost (in hours) associated with border compliance and documentary compliance when exporting; and (2) the time cost (in hours) associated with border compliance and documentary compliance when importing. These two ratings were then averaged to arrive at the final rating for this subcomponent. The formula used to calculate the zero to 10 ratings was: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the time cost value. The values for \(V_{\text{max}}\) and \(V_{\text{min}}\) were set, respectively, at 228.38 and 0 hours (1.5 standard deviations above average in 2014) for exporting; and 338.00 hours (1.5 standard deviations below average in 2014) and 0 hours for importing. Countries with values outside the \(V_{\text{max}}\) and \(V_{\text{min}}\) range received ratings of either zero or 10, accordingly.


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**Area 5 Regulation of Credit, Labor, and Business**

A. **Credit market regulations**

i. **Ownership of banks**

The rating for this subcomponent is based on the percentage of bank deposits held in privately owned banks. When private deposits were between 95% and 100%, nations received a score of 10. When private deposits totaled between 75% and 95%, countries received a score of 8. When private deposits were between 40% and 75%, nations received a score of 5. When private deposits were between 10% and 40%, nations received a score of 2. Nations received a rating of zero if private deposits were less than 10% of total bank deposits.

*Source: Bankscope (2011); Banque centrale de Comores (2012, 2014); Banque centrale de Mauritanie (2019); Musse, Rashid and Zainol (2019); World Bank Group (2003, 2007, 2012).*

ii. **This sub-component is based on two variables: percentage of banking assets held by foreign-owned banks and the number of applications for commercial banking licenses from foreign entities denied as a percentage of the total number of applications for commercial banking licenses received from foreign entities. If a country approved all or most applications for licenses from foreign banks and foreign banks held a large share of the banking sector’s assets,**
then the country received a higher rating, according to table below.

<table>
<thead>
<tr>
<th>Foreign Bank License Denial Rate (Denials/Applications)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
</tr>
<tr>
<td>0%</td>
</tr>
<tr>
<td>80% - 100%</td>
</tr>
<tr>
<td>40% - 79%</td>
</tr>
<tr>
<td>0% - 39%</td>
</tr>
</tbody>
</table>

Then the country received a higher rating, according to table below.

### iii Interest rate controls/negative real interest rates

This subcomponent is based on two variables: real interest rate (i.e., lending interest rate minus inflation as measured by the Consumer Price Index) and the difference between the lending and deposit interest rates. When the real interest rate was positive and interest rates were determined primarily by market forces (i.e., the lending interest rate is less than 8% higher than the deposit interest rate), countries were given a rating of 10. When the real rates were sometimes slightly negative (less than 5%) and the differential between the deposit and lending rates was 8% or more, countries received a rating of 8. When the real lending interest rate was persistently negative by a single-digit amount and the differential between the lending and deposit interest rate was 16% or higher, nations received a score of 6. When the real rates were often negative by 10% or more and the lending and deposit interest rates differ by 24% or more, countries were assigned a rating of 4. When the real lending rate was persistently negative by a double-digit amount and the difference between the lending and deposit rate was 32% or more, countries received a rating of 2. A zero rating was assigned when the deposit and lending rates differ by 36% or more and real lending rates were persistently negative by double-digit amounts or hyperinflation had virtually eliminated the credit market.

*Source: World Bank, World Development Indicators; Economist Intelligence Unit (2019).*

### iv Private sector credit

This sub-component measures the extent of government borrowing relative to borrowing by the private sector. Greater government borrowing indicates more central planning and results in lower ratings. This subcomponent is calculated as the government fiscal deficit as a share of gross saving. Since the deficit is expressed as a negative value, higher numerical values result in higher ratings. The formula used to derive the country ratings for this subcomponent was 

\[
\frac{V_{\text{max}} - V_{\text{i}}}{V_{\text{max}} + V_{\text{min}}} \times 10
\]

where \(V_{\text{i}}\) is the ratio of deficit to gross investment, and the values for \(V_{\text{max}}\) and \(V_{\text{min}}\) are set at 0 and –100.0%, respectively. The formula allocates higher ratings as the deficit gets smaller (that is, closer to zero) relative to gross saving.

*Source: Gwartney, Lawson, Hall, and Murphy (2019); International Monetary Fund, various MENA reports; World Bank, World Development Indicators.*
B. Labor market regulations

i Difficulty of hiring

“The difficulty of hiring index measures (i) whether term contracts can be used only for temporary tasks; (ii) the maximum cumulative duration of term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker”. The index is measured on a scale from 0 to 100 (where higher values indicate more rigid regulation), which was transformed into a zero to 10 scale, where a higher value indicates more flexible regulation.

ii Rigidity of hours

“The rigidity of hours index has 5 components: (i) whether night work is unrestricted; (ii) whether weekend work is unrestricted; (iii) whether the work week can consist of 5.5 days; (iv) whether the work week can extend to 50 hours or more (including overtime) for 2 months a year; and (v) whether paid annual vacation is 21 working days or fewer”. For each of these questions, the answer “no” indicates more rigid regulation. The index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero to 10 scale, where a higher value indicates more flexible regulation.

iii Rigidity of dismissals

a. Difficulty of firing

“The difficulty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (iv) whether the employer needs approval from a third party to terminate one redundant worker; (v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment”. The index is measured on a scale from 0 to 100 (where higher values indicate more rigid regulation), which was transformed into a zero to 10 scale, where a higher value indicates more flexible regulation.

b. Firing costs (weeks of wages)

This sub-component measures “the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of wages”. The rating for this component was equal to: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the cost of firing an employee. \(V_{\text{max}}\) and \(V_{\text{min}}\) were set to 57.91 weeks and 0.0 weeks, respectively. Nations with values that fall below \(V_{\text{min}}\) received a score of 10 whereas those nations that have values above \(V_{\text{max}}\) received a score of zero.

iv Conscription
This subcomponent measures the duration of military conscription. Nations without military conscription received a rating of 10. If the duration of conscription was six months or less, nations were given a score of 5. When the length of the conscription was more than 6 months but not more than 18 months, countries were given a rating of 3. If the duration of conscription was more than 12 months but not more than 18 months, countries were given a score of 1. Nations with military conscription of over 18 months were given a score of zero.


C. Business regulations
i Starting a business
This sub-component measures how easy it is to start a business. It looks at the number of procedures, the time it takes to go through these procedures, the costs (such as fees) of starting a business, and minimum capital requirement needed to formally start a business. The rating for this component was equal to: \((V_{\text{max}} - V_{i}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_{i}\) represents the number of procedures, time (in days), cost as a percentage of income per capita, and minimum capital requirement as a percentage of income per capita. \(V_{\text{max}}\) was set to 19.0 procedures, 203.0 days, 835.4\%, 5,111.9\%; and \(V_{\text{min}}\) to 2.0 procedures, 2.0 days, 0.0\%, 0.0\%. Nations with values that fall below \(V_{\text{min}}\) received a score of 10 whereas those nations that have values above \(V_{\text{max}}\) received a score of zero.

a. number of procedures  
b. duration (days)  
c. cost (% of income per capita)  
d. minimum capital (% of income per capita)


ii Closing a business
This subcomponent measures the time and costs (as a percentage of the estate) of closing a business as well as the recovery rate (cents on the dollar). The time and cost rating was equal to: \((V_{\text{max}} - V_{i}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. For the recovery rate, the following formula was used: \((V_{i} - V_{\text{min}}) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_{i}\) represents the time, cost, and the recovery rate. \(V_{\text{max}}\) was set to 10.0 years, 76.0\%, 92.6\%; and \(V_{\text{min}}\) to 0.4 years, 1.0\%, 0.0\%.

a. time (years)  
b. cost (% of estate)  
c. recovery rate (cents on the dollar)

iii  Dealing with licenses
This sub-component is based on the World Bank’s Doing Business data on the time in days and monetary costs required to obtain a license to construct a standard warehouse. Zero to 10 ratings were constructed for (1) the time cost (measured in the number of calendar days required to obtain a license) and (2) the monetary cost of obtaining the license (measured as a share of per capita income). These two ratings were then averaged to arrive at the final rating for this sub-component. The formula used to calculate the zero to 10 ratings was: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the time or money cost value. The values for \(V_{\text{max}}\) and \(V_{\text{min}}\) were set at 363 days and 2,763\% (1.5 standard deviations above average in 2005) and 56 days (1.5 standard deviations below average in 2005) and 0\%, respectively. Countries with values outside the \(V_{\text{max}}\) and \(V_{\text{min}}\) range received ratings of either zero or 10, accordingly.


iv  Paying taxes
This sub-component is based on the World Bank’s Doing Business data on the time required per year for a business to prepare, file, and pay taxes on corporate income, value added or sales taxes, and taxes on labor. The formula used to calculate the zero to 10 ratings was: \((V_{\text{max}} - V_i) / (V_{\text{max}} - V_{\text{min}})\) multiplied by 10. \(V_i\) represents the time cost (measured in hours) of tax compliance. The values for \(V_{\text{max}}\) and \(V_{\text{min}}\) were set at 892 hours (1.5 standard deviations above average in 2005) and 0 hours, respectively. Countries with values outside the \(V_{\text{max}}\) and \(V_{\text{min}}\) range received ratings of either zero or 10, accordingly.


v  Extra payments/bribes/favoritism
This sub-component is based on Economic Freedom of the World, which uses as a source the Global Competitiveness Report. Note that “The Control of Corruption” ratings from the World Bank’s Governance Indicators project are used to supply any values missing from the primary data.

Source: Gwartney, Lawson, Hall, and Murphy (2019); World Bank (various years, 2002–2018), Worldwide Governance Indicators.

vi  Regulatory quality
This sub-component is based on the World Bank’s Governance Indicators. This reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate of governance ranges from approximately −2.5 (weak) to 2.5 (strong) governance performance, were transformed into a zero to 10 scale.

1. The Arab nations with the highest level of economic freedom in 2017 (the most recent comprehensive data available) are, in order: Jordan, the United Arab Emirates, and tied for third, Bahrain, Lebanon, and Oman. Since 2010, Jordan and the UAE have alternated between first and second. The bottom three nations are: Sudan, Syrian Arab Republic, and Libya. All have scored poorly in recent years.

2. Since 2002, the first year for which scores are available, Morocco and Tunisia are by far the most improved nations, with Morocco up 0.8 points ranking 10th and Tunisia, 0.6 points ranking 11th. The greatest declines are in conflict nations, Syria down 1.1 and Yemen, 1.2. (Iraq does not have scores going back to 2002.)

3. For the 15 Arab nations with economic freedom scores back to 2002, the average score remained fairly constant around 6.8 until 2011 and has since declined from 6.87 in 2011 to 6.64 in 2017. However, Syria and Yemen are responsible for the decline. Without them, the average score is fairly constant around 6.9.

4. In the individual areas of economic freedom, Size of Government, Rule of Law, Sound Money, Freedom to Trade, and regulation, the biggest changes came in Size of Government and Freedom to Trade:

   ii Freedom to Trade declined from 6.37, an already low average, to 5.92 in 2017. This is unfortunate as the Arab world along with sub-Saharan Africa have the least intra-regional trade.
REFERENCES


DATA SOURCES


**PREPARATORY STUDIES**

