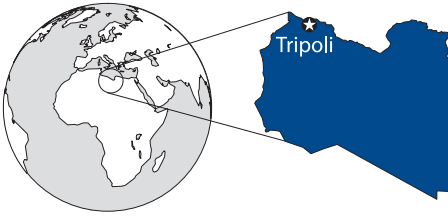


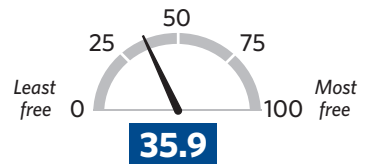
LIBYA



World Rank: **176**

Regional Rank: **17**

Economic Freedom Score



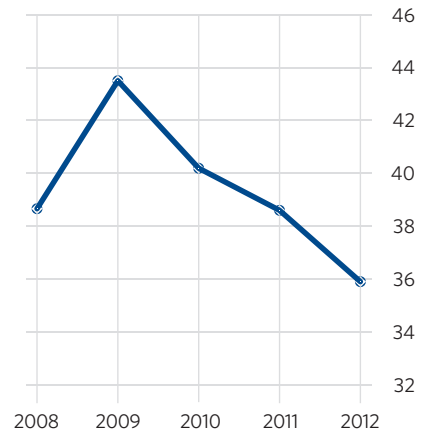
Libya's economic freedom score is 35.9, making its economy the 176th freest in the 2012 *Index*. Its score has decreased by 2.7 points, reflecting declines in freedom from corruption and control of government spending. Libya is ranked last in the Middle East/North Africa region, and its overall score is well below the world and regional averages. It also recorded one of the 10 largest score declines in the 2012 *Index*.

Before the downfall of the Qadhafi regime, the Libyan government, overly dependent on the oil sector, had undertaken very sluggish and limited reforms to diversify its economy. The banking sector, though still largely state-owned, saw some marginal financial liberalization and even the introduction of foreign banks. Much of the rest of the economy has remained tightly controlled by the state.

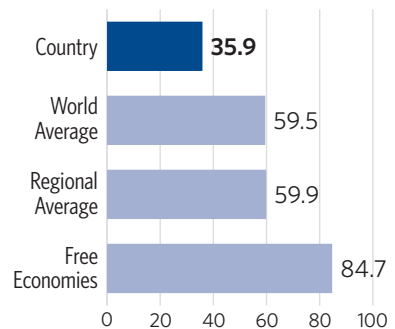
Substantial structural rigidities, severely aggravated by the weak rule of law and systemic corruption, further marginalize the private sector and hurt productivity growth, employment, and efforts at modernization. The economic infrastructure has been significantly degraded during the civil war, and economic uncertainty remains very high as the National Transitional Council struggles to restore the rule of law and establish a new system of governance.

BACKGROUND: Following nine months of political turmoil and civil war, rebels back by the U.N. Security Council and a NATO bombing campaign overthrew the Libyan regime, capturing and killing Muammar Qadhafi in October 2011. A National Transitional Council assumed power, and the ultimate shape and policy direction of the new government have been very much in doubt. Oil and natural gas provide about 95 percent of export revenues and 80 percent of government revenues. Despite one of Africa's highest per capita incomes, the economy has been devastated by decades of erratic leadership and socialist economic policies that have distorted incentives and squandered the country's oil wealth. Libya's economy was severely damaged by fighting in the civil war and the shut-down of oil and gas exports.

Freedom Trend



Country Comparisons



Quick Facts

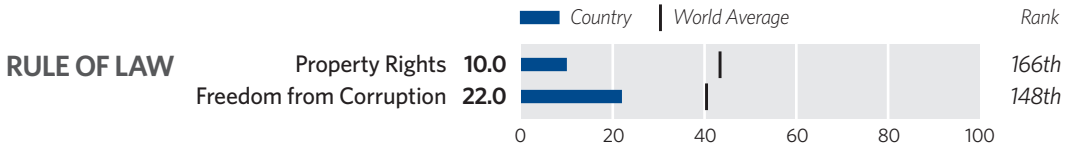
Population: 6.6 million
GDP (PPP): \$90.6 billion
4.2% growth in 2010
5-year compound annual growth 3.6%
\$13,805 per capita
Unemployment: n/a
Inflation (CPI): 2.4%
FDI Inflow: \$3.8 billion
Public Debt: n/a

2010 data unless otherwise noted.
Data compiled as of September 2011.

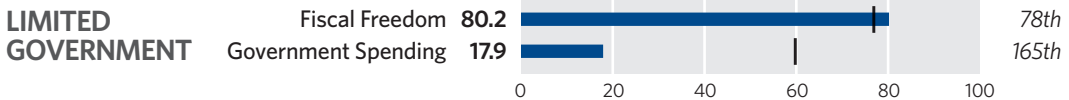
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

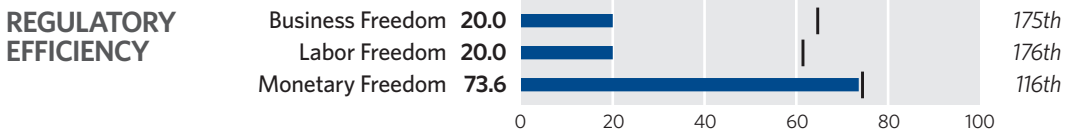
THE TEN ECONOMIC FREEDOMS



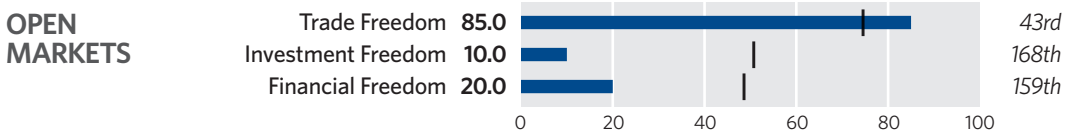
The judiciary is not independent, and there is a history of expropriation. The legal framework has been too weak and inefficient to sustain the rule of law. Private property rights have not been upheld, and property ownership has been limited to a single dwelling per family, with all other properties confiscated and redistributed. Corruption has been a major problem. The foundations of economic freedom are weak or lacking in every area.



The top income tax rate is 15 percent, but other taxes have made the top rate much higher in practice. The top effective corporate tax rate is 41.6 percent (40 percent plus a 1 percent surcharge to the Solidarity Fund and a 3 percent Jihad surtax). Taxation has not been enforced effectively since early 2011. Large oil revenues have permitted government spending at a level equivalent to about 50 percent of total domestic output.



Regulatory efficiency has been very poor, and only limited private entrepreneurial activity has been successful. State meddling in business decisions is extensive, and the application of existing regulations has been inconsistent and non-transparent. The state-controlled labor market has functioned poorly, and the informal sector is large as a result. Unemployment and underemployment are chronically high. Monetary stability has been fragile.



The Libyan Customs Administration has cancelled duties on more than 3,500 product categories, but a flat 4 percent “service fee” has been levied on most imported products, with myriad non-tariff barriers adding to the cost of trade. All banks were nationalized decades ago, and the financial sector has been subject to state influence. Limited access to financing has severely impeded any meaningful private business development.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.1	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	-3.0	Government Spending	-26.6	Labor Freedom	0	Investment Freedom	0
				Monetary Freedom	+2.6	Financial Freedom	0