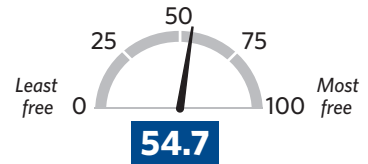


PAKISTAN

Economic Freedom Score



World Rank: **122** Regional Rank: **24**

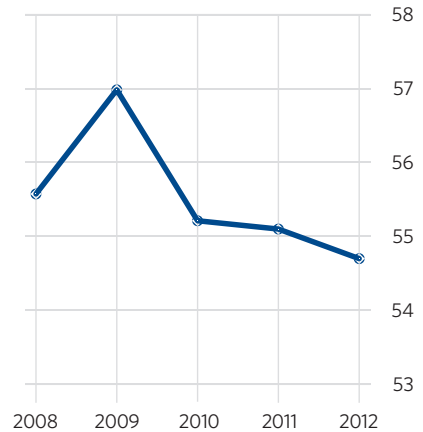
Pakistan's economic freedom score is 54.7, making its economy the 122nd freest in the 2012 *Index*. Its score is 0.4 point lower than last year, with declines in freedom from corruption and investment freedom. Pakistan is ranked 24th out of 41 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

The Pakistani government has demonstrated little commitment to much-needed economic reform. Efforts in key areas have been marginal at best. Measures to strengthen management of public finances and reform outmoded economic structures have met institutional resistance and bureaucratic delays. Overall reform progress lags significantly behind other countries in the region.

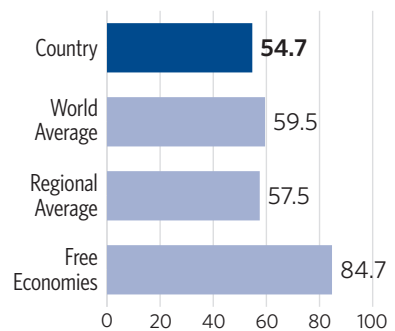
Social and political instability continues to prevent meaningful progress in economic development, and conditions have deteriorated over the past year. Property rights are severely undercut by a weak judiciary susceptible to political interference and rampant corruption. In dealing with the aftermath of devastating 2010 floods, the government's response has fallen far short of adequate.

BACKGROUND: Pakistan, the world's second-largest Muslim-majority country, has been plagued by political instability and violence. The election of President Asif Ali Zardari in 2008 brought a formal end to 10 years of military rule, but civilian and military leaders continue to jockey for power. Pakistan continues to face terrorist attacks throughout the country and a well-organized insurgency along its border with Afghanistan. Devastating floods in July 2010 dislocated millions of people and caused billions of dollars in damages. The May 2011 U.S. raid that killed Osama bin Laden sparked a crisis in U.S.-Pakistan relations that has led Islamabad to expel some 90 U.S. military trainers and the U.S. to cut back its security aid to the Pakistan military. Pakistan has opened somewhat to international trade and has privatized some state-run industries, but the economy is still heavily regulated, and the highly volatile security situation discourages foreign investment. Pakistan is plagued by increasing energy shortages and rising food prices.

Freedom Trend



Country Comparisons



Quick Facts

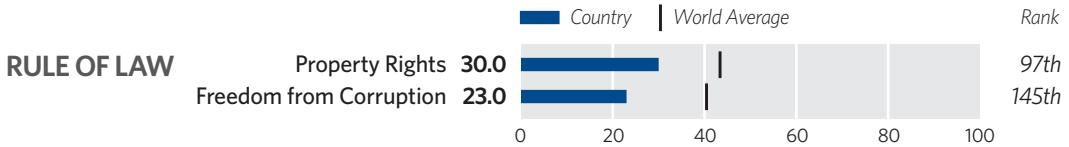
- Population:** 166.6 million
- GDP (PPP):** \$464.9 billion
- 4.8% growth in 2010
- 5-year compound annual growth 4.3%
- \$2,791 per capita
- Unemployment:** 15.0%
- Inflation (CPI):** 11.7%
- FDI Inflow:** \$2.0 billion
- Public Debt:** 56.8% of GDP

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

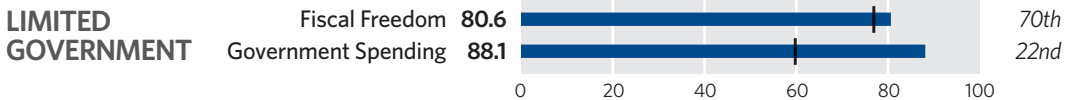
How Do We Measure Economic Freedom?

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

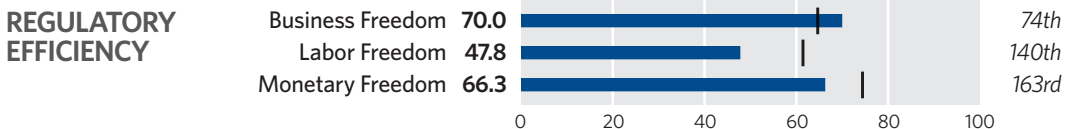
THE TEN ECONOMIC FREEDOMS



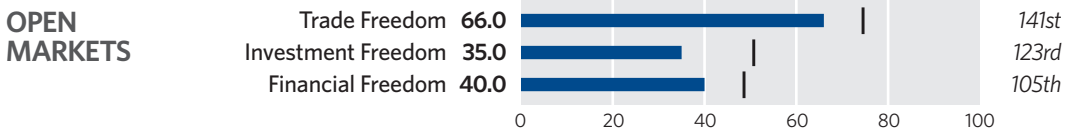
The rule of law has been fragile and unstable across the country. The independence of the legal system is poorly institutionalized, and judicial procedures tend to be protracted, costly, and subject to political pressure. Property rights are not protected effectively, and enforcement of intellectual property rights is seriously deficient. Pervasive corruption continues to erode the foundations of economic freedom.



The top income tax rate is 25 percent, and the top corporate tax rate is 35 percent. Taxation is poorly administered. Other taxes include a general sales tax (GST) and an interest tax. The overall tax burden amounts to 9.3 percent of total domestic income. Government spending is equivalent to 19.9 percent of GDP. The deficit has been over 5 percent of GDP, and public debt amounts to over 50 percent of total domestic output.



Little progress has been made in improving the entrepreneurial environment. Starting a business takes an average of 21 days, compared to the world average of 30 days. Completing licensing requirements still costs over twice the average level of annual income. The labor market remains stagnant. A large portion of the workforce is underemployed in the informal sector. Inflation has been quite high, disrupting monetary stability.



The trade weighted average tariff rate is highly restrictive at 9.5 percent, and complex non-tariff barriers further constrain freedom to trade. The investment regime remains inefficient. Foreign direct investment has been on the decline, impeded by political instability, sectarian conflict, and heavy bureaucracy. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-0.9	Trade Freedom	-1.0
Freedom from Corruption	-1.0	Government Spending	-0.7	Labor Freedom	+1.5	Investment Freedom	-5.0
				Monetary Freedom	+2.7	Financial Freedom	0