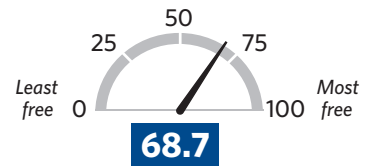


PERU

Economic Freedom Score



World Rank: **42** Regional Rank: **6**

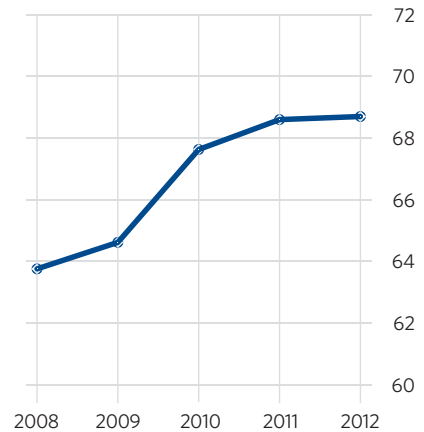
Peru's economic freedom score is 68.7, making its economy the 42nd freest in the 2012 *Index*. Its score is virtually unchanged from last year, with improvements in monetary freedom and labor freedom largely offset by a decline in freedom from corruption. Peru is ranked 6th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world and regional averages.

Economic reforms in recent years have supported economic expansion and reductions in poverty. Peru's evolving entrepreneurial sector has benefited from increased access to financing as well as improved regulatory efficiency. Open-market policies that support trade and investment have been gradually institutionalized. The government has entered into free trade pacts with a number of countries around the world.

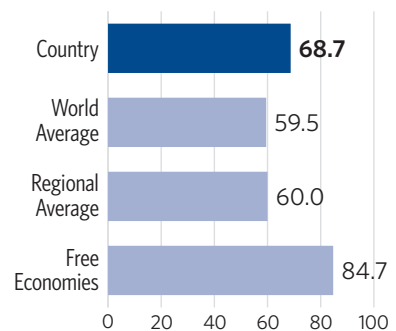
Although the Peruvian economy has gained in economic freedom over the past five years, the weak rule of law and corruption continue to undermine prospects for long-term economic development. Accelerating judicial reforms, along with continued efforts to streamline public administration, will help to sustain economic growth and broaden the improvement in living standards.

BACKGROUND: Peru has emerged from its political instability of the late 20th century. In June 2011, former military officer Ollanta Humala of the leftist Peruvian Nationalist Party won the presidency in a runoff vote against Keiko Fujimori, daughter of disgraced former President Alberto Fujimori, by a very slim margin. He has promised to pursue a moderate, pro-market policy. Under former president Alan Garcia (2006–2011), Peru experienced a notable reduction in poverty accompanied by high levels of economic growth driven by private investment. Significant natural resources include gold, copper, and silver. Roughly 35 percent of Peru's people live below the poverty line, but economic growth is well above the Latin American average. The U.S.–Peru Free Trade Agreement has expanded trade flows and employment.

Freedom Trend



Country Comparisons



Quick Facts

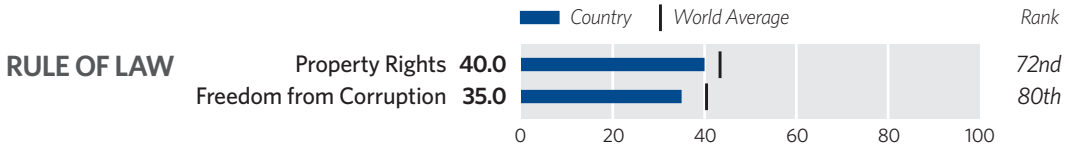
- Population:** 29.6 million
- GDP (PPP):** \$275.7 billion
- 8.8% growth in 2010
- 5-year compound annual growth 7.2%
- \$9,330 per capita
- Unemployment:** 7.9%
- Inflation (CPI):** 1.5%
- FDI Inflow:** \$7.3 billion
- Public Debt:** 24.5% of GDP

How Do We Measure Economic Freedom?

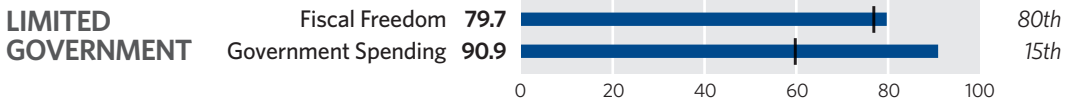
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

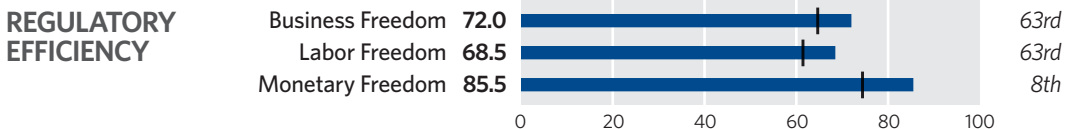
THE TEN ECONOMIC FREEDOMS



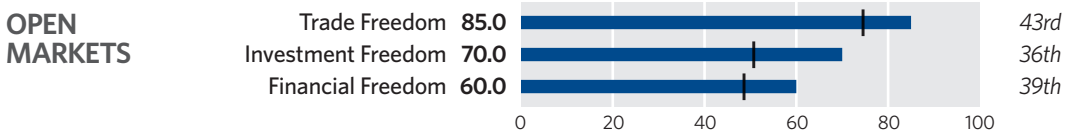
The rule of law is not strongly upheld. The judicial system continues to lack independence and efficiency, and political interference lingers. Since 2008, Peruvian law enforcement has worked with political and civil society organizations to reduce opportunities for corruption, but Peruvians remain skeptical of the government’s commitment to eliminating high-level graft. Enforcement of intellectual property rights is weak.



The top income and corporate tax rates are 30 percent. Other taxes include a value-added tax (VAT) and a financial transactions tax, with the overall tax burden amounting to 15.2 percent of total domestic income. Government spending is equivalent to 17.4 percent of GDP. The budget balance has fallen into deficit in recent years, and public debt has climbed to almost 25 percent of total domestic output.



Recent reforms dismantled barriers to launching and running private enterprises. With no minimum capital required, it now takes less than the world average of seven procedures and 30 days to start a business. Licensing requirements are now much simpler. Employment regulations continue to evolve, with more flexibility gradually being introduced into the labor market. Inflation remains low.



The trade weighted average tariff rate is low at 2.5 percent, but numerous non-tariff barriers raise the cost of trade. Most sectors are open to foreign investment, but bureaucratic deficiencies continue to hamper investment growth. The financial sector has undergone gradual transformation. Credit to the private sector has increased steadily, and foreign ownership in the financial sector is also growing.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.3	Business Freedom	+0.1	Trade Freedom	-1.0
Freedom from Corruption	-2.0	Government Spending	-0.1	Labor Freedom	+0.8	Investment Freedom	0
				Monetary Freedom	+2.4	Financial Freedom	0