

For Immediate Release

U.S. Contact: Jim Weidman, (202) 675-1761, [jim.weidman@heritage.org](mailto:jim.weidman@heritage.org)

Asia Contact: Jacquelyn Drozdoff, +852 2831 2583, [jacquelyn.drozdoff@dowjones.com](mailto:jacquelyn.drozdoff@dowjones.com)

Europe Contact: Andy Robinson, +44 207 573 4016, [andy.robinson@dowjones.com](mailto:andy.robinson@dowjones.com)

## **2016 INDEX OF ECONOMIC FREEDOM: GLOBAL ECONOMIC FREEDOM EXPANDS; NEARLY 100 COUNTRIES IMPROVE**

**Hong Kong tops Index again despite drop in score; U.S. score declines, keeping it from rejoining the global top 10; all three North American countries decline; Sub-Saharan Africa is the most-improved region**

**WASHINGTON, FEB. 1, 2016**—The world economy is “moderately free,” with another rise in economic liberty leading to a fourth annual global increase, according to the editors of the 2016 *Index of Economic Freedom*, released today by The Heritage Foundation and *The Wall Street Journal*.

The world average score of 60.7 is the highest recorded in the 22-year history of the *Index*. Thirty-two countries, including **Burma, Germany, India, Israel, Lithuania, the Philippines, Poland** and **Vietnam**, achieved their highest-ever Index scores. Among the 178 countries ranked, scores improved for 97 countries and declined for 74. Over the period covered by the 2016 Index (mid-2014 to mid-2015), scores improved in half of the categories measured by the *Index* editors, most notably in investment freedom.

Five economies earned the *Index*’s designation of “free” (scores of 80 or above), while the next 87 are classified as “mostly free” (70-79.9) or “moderately free” (60-69.9). Yet the number of economically “unfree” economies remains high: 62 are considered “mostly unfree” (50-59.9) and 24 are “repressed” (scores below 50).

Economies rated ‘free’ or ‘mostly free’ enjoy incomes that are over twice the average in all other countries and more than four times higher than the average incomes of ‘repressed’ economies, the editors write. Nations with higher degrees of economic freedom prosper because they capitalize more fully on the ability of the market to generate and reinforce dynamic growth through efficient resource allocation, value creation and innovation.

Although its *Index* score declined, the **United States** moved up one slot to be ranked No. 11 globally. It remains the second-place economy in the North America region (behind **Canada**, which is again No. 6 globally, despite another 1.1-point drop in its score). With scores in labor freedom, business freedom and fiscal freedom suffering notable drops, the **United States** dipped .08 point to 75.4, matching its lowest score in *Index* history.

Although **Hong Kong** and **Singapore** each logged declines in their *Index* scores, both finished first and second in the rankings for the 22nd consecutive year, with the latter erasing the gains that led it to almost topple **Hong Kong** in the 2015 *Index*. **New Zealand**'s *Index* score dipped slightly, but it held onto its global and regional third-place slot, beating **Switzerland** (4<sup>th</sup>) and **Australia** (5<sup>th</sup>).

**Chile**'s score declined, but it took seventh place, while **Ireland** boosted its *Index* score enough to move up from ninth to eighth. **Estonia** took the No. 9 slot. The score for **Mauritius** declined 1.7 points, causing it to tumble from the 10<sup>th</sup> spot globally to the 15<sup>th</sup>, while the **United Kingdom** improved .06 point and is now ranked 10<sup>th</sup> globally.

#### The Most Free

1. Hong Kong
2. Singapore
3. New Zealand
4. Switzerland
5. Australia
6. Canada
7. Chile
8. Ireland
9. Estonia
10. United Kingdom

#### The Least Free

178. North Korea
177. Cuba
176. Venezuela
175. Zimbabwe
174. Turkmenistan
173. Eritrea
172. Rep. of Congo
171. Iran
170. Equatorial Guinea
169. Argentina

Launched in 1995, the *Index* evaluates countries in four broad policy areas that affect economic freedom: rule of law; limited government; regulatory efficiency; and open markets. There are 10 specific categories: property rights, freedom from corruption, fiscal freedom, government spending, business freedom, labor freedom, monetary freedom, trade freedom, investment freedom, and financial freedom. Scores in these categories are averaged to create an overall score.

Based on an average score, each of 178 countries graded in the 2015 *Index* is classified as “free” (i.e., combined scores of 80 or higher); “mostly free” (70-79.9); “moderately free” (60-69.9); “mostly unfree” (50-59.9); or “repressed” (under 50).

The world’s most-improved economy is **Seychelles**, which saw its score rise 4.7 points, thanks to “a notable turnaround in restoring fiscal sustainability” and the remote island nation’s ascension to the World Trade Organization. **Malawi**’s *Index* score declined the most worldwide (3.0 points) due largely to a large budget deficit and rising debt-service costs. The resulting 51.8 overall score is barely enough to keep the African nation out of the “repressed” category.

The *Index* also studies economic freedom on a regional basis. In the 2016 *Index*, economic freedom levels rose in three regions (Asia-Pacific, Middle-East/North Africa, Sub-Saharan Africa) and declined in three: Europe, North America, South and Central America-Caribbean.

Asia-Pacific countries dominate both the top and the bottom of the 2015 *Index* rankings. **Hong Kong, Singapore, New Zealand** and **Australia** took four of the top five slots worldwide. **North Korea** remains least economically free in the world, and **Uzbekistan, Kiribati, Timor-Leste, Solomon Islands, and Turkmenistan** all rank 160<sup>th</sup> or lower. **Hong Kong** maintained its status as the world’s freest economy, despite a 1.0-point drop in its score, but only because perennial No. 2 **Singapore**’s score dropped 1.6 points.

Europe continues to boast a large number of economically free countries: half of the world’s 20 freest are in Europe, and the vast majority are considered at least “moderately free.” The region has five “mostly unfree” economies (**Bosnia/Herzegovina, Moldova, Croatia, Greece** and **Russia**) and two “repressed” ones (**Ukraine** and **Belarus**). According to the *Index* editors, Europe “struggles with a variety of policy barriers to dynamic economic expansion,” such as costly labor regulations, rising tax burdens, and high levels of corruption.

Three Baltic economies (**Estonia, Lithuania** and **Latvia**) continue to advance in the *Index*. Each has moved up in the global rankings every year since 2012. **Croatia** and **Russia** registered the biggest regional declines, with the latter facing “bleak prospects for long-term economic growth,” the editors say.

North America has two “mostly free” economies (**Canada** and the **United States**) and one “moderately free” (**Mexico**). All charted declines in the 2016 *Index*, yet the region is the world’s freest. The North American Free Trade Agreement (NAFTA) remains the lynchpin of massive trade and investment flows in the region.

South and Central America/Caribbean did not fare as well in the 2016 *Index*. Of its 29 countries, 12 recorded gains in economic freedom, 16 declined, and one stayed the same. Despite

a drop in its score, **Chile** easily retained the top spot, while **Bahamas** took second place with a regional-best 2.2-point rise in its score. But **Colombia**, a year after logging its highest *Index* score ever, declined by .09 point. **Guatemala**'s score improved by 1.4 points; **Nicaragua** by 1 point. **Argentina** and **Venezuela** continued to drop in the rankings, edging closer to the region's least free economy, **Cuba**.

Most of the 14 countries graded in the Middle East/North Africa region are in the "moderately free" or "mostly unfree" categories, with one repressed (**Iran**) and four "mostly free" (**Bahrain, United Arab Emirates, Qatar, and Israel**). **Bahrain** remained the region's top performer in the *Index* (and No. 18 globally). Among the Arab Spring countries, **Tunisia** and **Egypt** have shown some encouraging results, but Index editors had to suspend grading for **Libya, Syria** and **Yemen** due to worsening civil unrest and incursions by Islamic State.

Sub-Saharan Africa's overall level of economic freedom remains low, even though it charted widespread gains in economic freedom over the last year. It boasts no "free" economies, and only two "mostly free" economies (**Mauritius** and **Botswana**). A majority of its 46 nations are ranked either "mostly unfree" or "repressed." In fact, eight of the world's 24 "repressed" economies are in Sub-Saharan Africa. Yet it continues to be one of the fastest growing regions, with many of its economies showing improvements in economic freedom over the last year.

The 2016 *Index* was edited by Ambassador Terry Miller, director of Heritage's Center for Trade and Economics and Center for Data Analysis; and Anthony B. Kim, research manager and senior policy analyst in the Center for Trade and Economics. Copies of the *Index* (484 pages, \$24.95) may be ordered online at [www.heritage.org/index](http://www.heritage.org/index) or by calling 1-800-975-8625. The full text, including charts and graphs, also is available online.

---

---

#### **About The Heritage Foundation**

The Heritage Foundation is the nation's most broadly supported public policy research institute, with hundreds of thousands of individual, foundation and corporate donors. Founded in 1973, Heritage develops public policy solutions that advance free enterprise, limited government, individual freedom, traditional values and a strong national defense.

#### **About The Wall Street Journal**

*The Wall Street Journal* is a global news organization that provides leading news, information, commentary and analysis. Published by Dow Jones, *The Wall Street Journal* engages readers across print, digital, mobile, social, and video. Building on its heritage as the preeminent source of global business and financial news, the *Journal* includes coverage of U.S. & world news, politics, arts, culture, lifestyle, sports, and health. It holds 36 Pulitzer Prizes for outstanding journalism.