

Introduction

Since 1995 the Wall Street Journal and the Heritage Foundation have compiled the Index of Economic Freedom (IEF). The Heritage Foundation defines economic freedom as the, 'fundamental right of every human to control his or her own labor and property...with that freedom both protected by the state and unconstrained by the state.' The freedom index can thus be used to track developing countries' progress, or lack thereof, in making their societies more economically free. The overall freedom index score is generated using the equal weights of ten freedom scores: business, trade, fiscal, government size, monetary, investment, financial, property rights, corruption, and labor. The 2009 Index of Economic Freedom includes data for 179 countries although the following analysis excludes 28 developed countries as well 22 appearing in the index for the first time, leaving 129 countries.¹ Segments of the following analysis also utilize total USAID assistance for fiscal year 2007, obtained from the USAID U.S. Overseas Loans and Grants, Obligations and Loan Authorizations. These data are available at <http://qesdb.usaid.gov/gbk/>.

Biggest Movers, 2007-2009

Tables 1 and 2 display the biggest movers from 2007-2009. Seven of the top ten most improved countries hail from the Middle East and Africa. Libya significantly improved its trade freedom by eliminating import tariffs on over 3,500 product categories. Mauritius improved mostly due to gains in investment and financial freedom. On the other hand, Zimbabwe's score further deteriorated because of worsening business and fiscal freedom coupled with its bout of hyperinflation. Meanwhile, Venezuela continued to stumble with declines in eight of the ten freedoms.

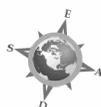
Table 1. Most Improved, 2007-2009

Country	IEF Rank	2007 Score	2009 Score	Change
Libya	171	37.0	43.5	6.5
Mauritius	18	69.4	74.3	4.9
Cape Verde	77	56.5	61.3	4.8
Burkina Faso	85	55.1	59.5	4.4
Turkey	75	57.4	61.6	4.2
Egypt	97	54.4	58.0	3.6
Bahrain	16	71.2	74.8	3.6
Azerbaijan	99	54.6	58.0	3.4
Saudi Arabia	59	60.9	64.3	3.4
Slovenia	68	59.6	62.9	3.3

Table 2. Most Regressed, 2007-2009

Country	IEF Rank	2007 Score	2009 Score	Change
Zimbabwe	178	32.0	22.7	-9.3
Venezuela	174	47.9	39.9	-8.0
Guyana	155	53.7	48.4	-5.3
Moldova	120	58.7	54.9	-3.8
Guinea	144	54.5	51.0	-3.5
Lesotho	151	53.2	49.7	-3.5
Sri Lanka	111	59.4	56.0	-3.4
Burma (Myanmar)	176	41.0	37.7	-3.3
Nicaragua	84	62.7	59.8	-2.9
Ecuador	137	55.3	52.5	-2.8

¹The 28 developed countries excluded are Australia, Austria, Belgium, Canada, China (P.R. Hong Kong), Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea Republic, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, and United States. The 22 countries excluded because they appear in the index for the first time in 2009 are Bhutan, Comoros, Congo (Kinshasa), Dominica, Eritrea, Kiribati, Liberia, Macau, Maldives, Micronesia (Federated States), Montenegro, Papua New Guinea, Samoa, Sao Tome and Principe, Serbia, Seychelles, Solomon Islands, St. Lucia, St. Vincent and Grenadines, Timor-Leste, Tonga, and Vanuatu.



Top and Bottom Ranked Countries

Tables 3 and 4 display the top and bottom twenty scoring countries, respectively, in 2009. Each region has at least one country in the top twenty: Africa has two, Asia has one, Europe and Eurasia has eight, Latin America and the Caribbean has six, and the Middle East has three (see Figure 1). USAID contributed \$442 million in FY2007 to thirteen of the top twenty highest scoring countries, with 60% of that amount going to Botswana and Israel. In addition, each region has at least one country in the bottom twenty: Africa has nine, Asia has four, Europe and Eurasia has two, Latin America and the Caribbean has three, and the Middle East has two (see Figure 1). USAID invested \$281 million in sixteen of the twenty lowest scoring countries, with 70% going to Ukraine, Bangladesh, Zimbabwe, and Angola. Countries that scored 80 or higher are considered 'free' economies; 70-79.9 are 'mostly free'; 60-69.9 are 'moderately free'; 50-59.9 are 'mostly unfree'; and below 50 are 'repressed'.

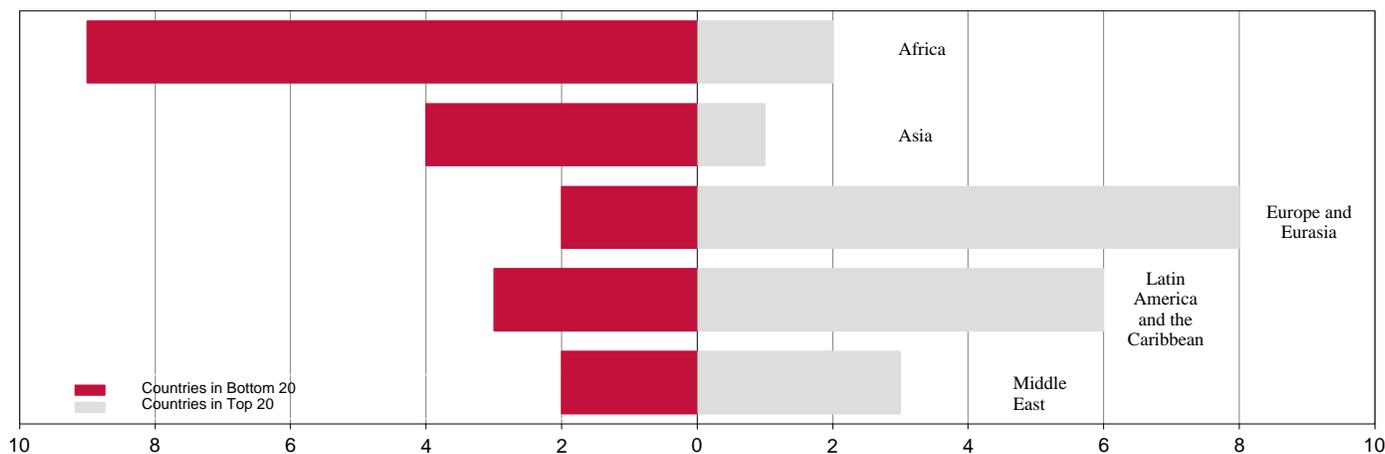
Table 3. Top 20 Developing Countries, 2009

Country	IEF Rank	Score	FY07 USAID Assistance (millions USD)
Chile	11	78.3	0.0
Estonia	13	76.4	
Bahrain	16	74.8	
Mauritius	18	74.3	0.0
Barbados	22	71.5	0.1
Cyprus	24	70.8	14.3
Bahamas	27	70.3	
Lithuania	30	70.0	
Armenia	31	69.9	67.0
Georgia	32	69.8	51.7
El Salvador	33	69.8	27.8
Botswana	34	69.7	156.5
China, Republic of (Taiwan)	35	69.5	1.3
Slovak Republic	36	69.4	
Uruguay	38	69.1	0.1
Trinidad and Tobago	41	68.0	
Israel	42	67.6	123.0
Oman	43	67.0	0.2
Hungary	44	66.8	0.0
Latvia	45	66.6	

Table 4. Bottom 20 Developing Countries, 2009

Country	IEF Rank	Score	FY07 USAID Assistance (millions USD)
Ukraine	152	48.8	57.0
Burundi	153	48.8	15.4
Togo	154	48.7	
Guyana	155	48.4	4.6
Central African Republic	156	48.3	20.7
Sierra Leone	158	47.8	5.9
Bangladesh	160	47.5	50.3
Chad	161	47.5	8.7
Angola	162	47.0	34.8
Guinea-Bissau	165	45.4	
Congo (Brazzaville)	166	45.4	1.0
Belarus	167	45.0	10.2
Iran	168	44.6	
Turkmenistan	169	44.2	4.9
Libya	171	43.5	
Venezuela	174	39.9	5.6
Burma (Myanmar)	176	37.7	13.0
Cuba	177	27.9	8.4
Zimbabwe	178	22.7	36.4
Korea, Democratic Republic	179	2.0	4.1

Figure 1. Top and Bottom 20 Countries by Region, 2009



Tables 5 and 6 contain the top and bottom five countries by region, respectively. Africa and the Middle East are the only two regions where USAID contributed more funds to the top five countries than the bottom five countries.

Table 5. Top 5 Developing Countries by Region, 2009

Country	IEF Rank	Score	FY07 USAID Assistance (millions USD)
Africa			
Mauritius	18	74.3	0.0
Botswana	34	69.7	156.5
South Africa	61	63.8	45.5
Uganda	63	63.5	86.0
Namibia	71	62.4	8.2
<i>Subtotal</i>			296.2
Asia			
China, Republic of (Taiwan)	35	69.5	1.3
Malaysia	58	64.6	0.1
Thailand	67	63.0	2.9
Mongolia	69	62.8	7.0
Kyrgyzstan	74	61.8	27.7
<i>Subtotal</i>			39.0
Europe and Eurasia			
Estonia	13	76.4	
Cyprus	24	70.8	14.3
Lithuania	30	70.0	
Armenia	31	69.9	67.0
Georgia	32	69.8	51.7
<i>Subtotal</i>			133.0
Latin America and the Caribbean			
Chile	11	78.3	0.0
Barbados	22	71.5	0.1
Bahamas	27	70.3	
El Salvador	33	69.8	27.8
Uruguay	38	69.1	0.1
<i>Subtotal</i>			28.0
Middle East			
Bahrain	16	74.8	
Israel	42	67.6	123.0
Oman	43	67.0	0.2
Qatar	48	65.8	
Kuwait	50	65.6	
<i>Subtotal</i>			123.2

Table 6. Bottom 5 Developing Countries by Region, 2009

Country	IEF Rank	Score	FY07 USAID Assistance (millions USD)
Africa			
Zimbabwe	178	22.7	36.4
Congo (Brazzaville)	166	45.4	1.0
Guinea-Bissau	165	45.4	
Angola	162	47.0	34.8
Chad	161	47.5	8.7
<i>Subtotal</i>			80.9
Asia			
Korea, Democratic Republic	179	2.0	4.1
Burma (Myanmar)	176	37.7	13.0
Turkmenistan	169	44.2	4.9
Bangladesh	160	47.5	50.3
Laos	150	50.4	1.3
<i>Subtotal</i>			73.6
Europe and Eurasia			
Belarus	167	45.0	10.2
Ukraine	152	48.8	57.0
Russia	146	50.8	77.9
Bosnia and Herzegovina	134	53.1	36.4
Moldova	120	54.9	18.5
<i>Subtotal</i>			200.0
Latin America and the Caribbean			
Cuba	177	27.9	8.4
Venezuela	174	39.9	5.6
Guyana	155	48.4	4.6
Haiti	147	50.5	115.3
Argentina	138	52.3	
<i>Subtotal</i>			133.9
Middle East			
Libya	171	43.5	
Iran	168	44.6	
Syria	141	51.3	
Algeria	107	56.6	
Yemen	103	56.9	17.3
<i>Subtotal</i>			17.3

Regional Changes, 2007-2009

Excluding developed countries as well as those appearing in the index for the first time, Europe and Eurasia is the most 'free' region in 2009 followed by the Middle East, Latin America and the Caribbean, Africa, and Asia (see Figures 2 and 3 below). Most regions improved their scores between 2007 and 2009 (see Table 7). Latin America and the Caribbean is the only region where over half of the countries' scores declined. Lastly, Figure 3 displays 2009 average scores and ranges for the five regions. While Asia has the lowest score, it also has the greatest variation in scores.

Table 7. Progress by Region, 2007-2009

Region	Regressed		Improved or Unchanged		Total Number
	Number	%	Number	%	
Africa	17	43	23	58	40
Asia	7	30	16	70	23
Europe and Eurasia	10	45	12	55	22
Latin America and the Caribbean	16	59	11	41	27
Middle East	4	24	13	76	17
World	54	42	75	58	129

Figure 2. Progress (2007-2009) and Average Scores (2009) by Region

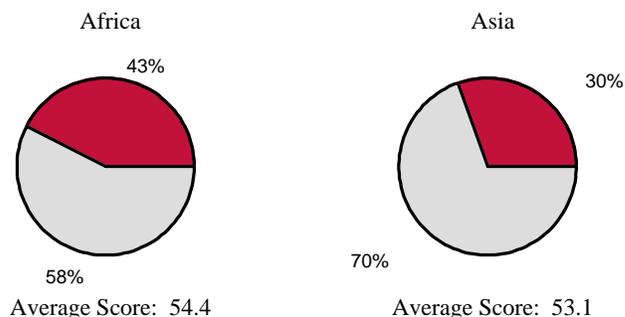
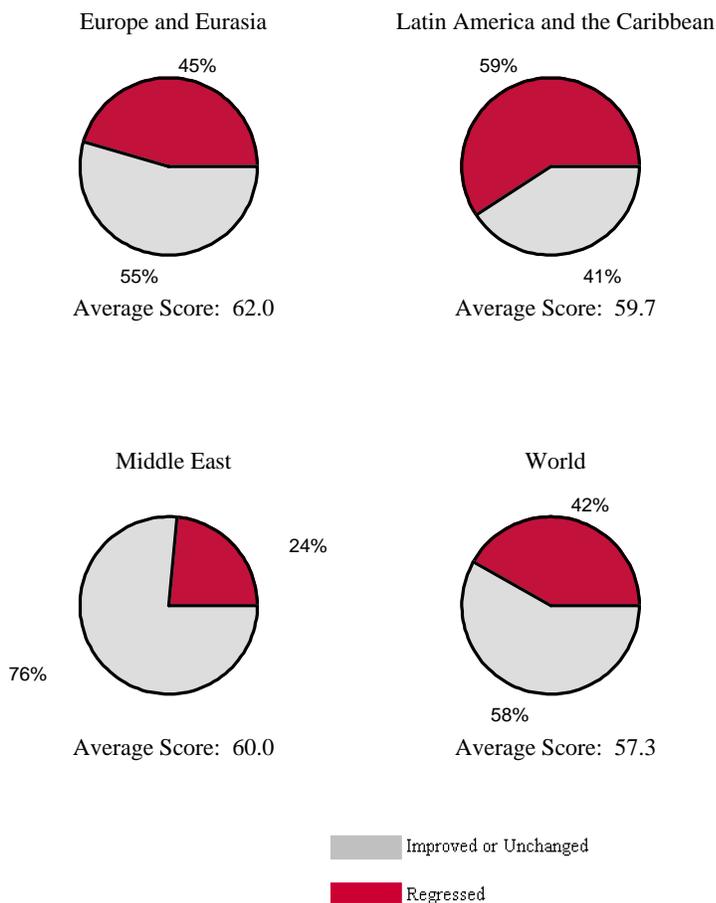
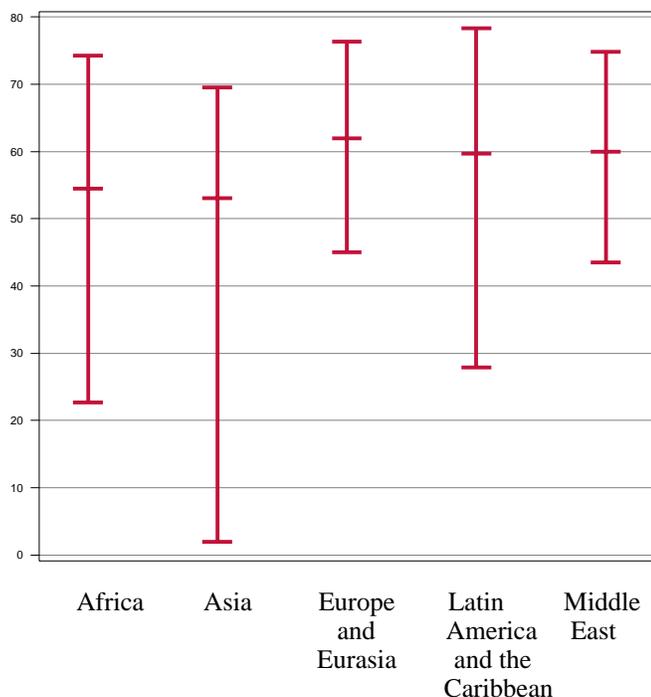


Figure 3. Score Range and Average by Region, 2009



Legend:
 Improved or Unchanged
 Regressed