

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, 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 Heritage Foundation claims rising government involvement in economic activity has restricted global economic freedom and interventions have so far proved ineffective.¹ The 2010 Index of Economic Freedom includes data for 179 countries although the following analysis excludes 28 developed countries as well as 22 countries appearing in the index for the first time in 2009, leaving 129 countries. For a list of excluded countries as well as more information on data used in this analysis, please see page 5.

Biggest Movers, 2008-2010

Tables 1 and 2 display the biggest movers from 2008-2010. Seven of the top ten most improved countries are in the Middle East and Europe and Eurasia. Bangladesh improved its overall score mainly from increased trade freedom, as it reduced its weighted average tariff rate from 55.8% in the 2008 index to 11% in 2010. Rwanda surged due to advances in business and labor freedom, the latter as a result of more flexible labor market regulations. Among the most regressed countries, Zimbabwe's overall score declined significantly due to the government's ever-increasing role in the economy and disastrous hyperinflation. Venezuela stumbled with declines in eight of the ten freedom scores.

Table 1. Most Improved, 2008-2010

Country	2010 IEF Rank	2008 Score	2010 Score	Change
Bangladesh	137	44.2	51.1	6.9
Qatar	39	62.2	69.0	6.8
Croatia	92	54.1	59.2	5.1
Rwanda	93	54.2	59.1	4.9
United Arab Emirates	46	62.6	67.3	4.7
Macedonia	56	61.1	65.7	4.6
Slovenia	61	60.2	64.7	4.5
Bahrain	13	72.2	76.3	4.1
Cape Verde	78	57.9	61.8	3.9
Turkey	67	59.9	63.8	3.9

Table 2. Most Regressed, 2008-2010

Country	2010 IEF Rank	2008 Score	2010 Score	Change
Zimbabwe	178	29.5	21.4	-8.1
Venezuela	174	44.7	37.1	-7.6
Ecuador	147	55.2	49.3	-5.9
Ukraine	162	51.0	46.4	-4.6
Uzbekistan	158	51.9	47.5	-4.4
Moldova	125	57.9	53.7	-4.2
Lesotho	155	52.1	48.1	-4.0
Sri Lanka	120	58.4	54.6	-3.8
Bahamas	47	71.1	67.3	-3.8
Trinidad and Tobago	55	69.5	65.7	-3.8

¹2010 Index of Economic Freedom: The Link Between Economic Opportunity and Prosperity.' 2010. Heritage Foundation and *The Wall Street Journal*. 26 Jan 2010. <http://www.heritage.org/Index/PDF/2010/Index2010_ExecutiveHighlights.pdf>.



Top and Bottom Ranked Countries

Tables 3 and 4 display the top and bottom twenty scoring countries in 2010. Each region has at least one country in the top twenty, but Europe and Eurasia and Latin America and the Caribbean lead the way with six representatives each (see Figure 1). USAID obligated \$365 million in FY2008 to ten of the top twenty highest scoring countries, with nearly 80% of that amount going to Botswana, Peru, Georgia, and Armenia. In addition, each region has at least one country in the bottom twenty but Africa stands out with ten countries in this category (see Figure 1). USAID obligated \$354 million in FY2008 to nineteen of the twenty lowest scoring countries, with 65% going to North Korea, Ukraine, Burma, and Cuba.

Table 3. Top 20 Countries, 2010

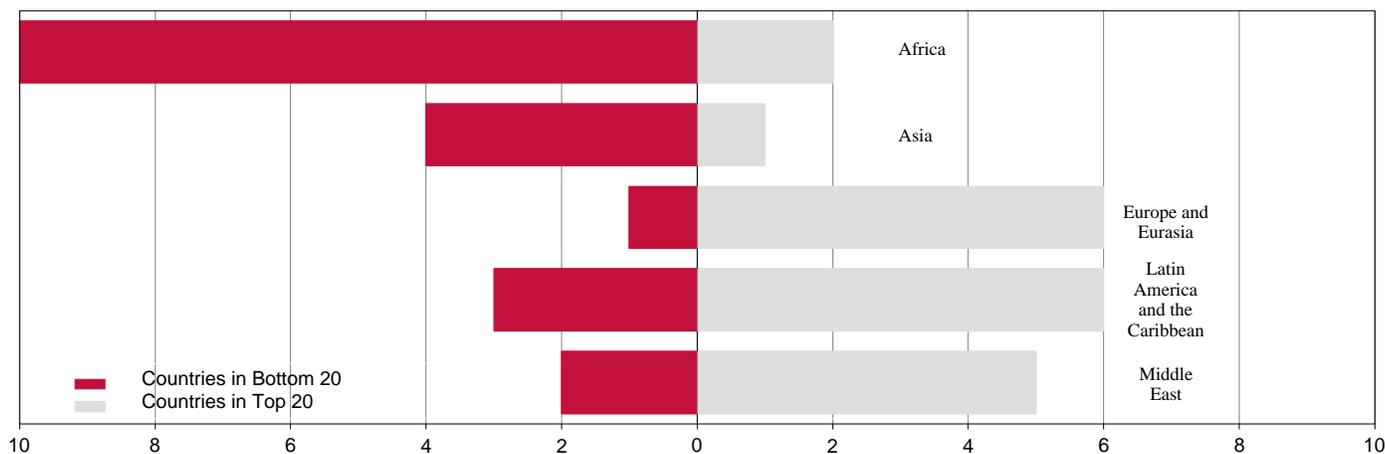
Country	IEF Rank	Score	FY08 USAID Assistance (millions \$US)
Chile	10	77.2	
Mauritius	12	76.3	0.1
Bahrain	13	76.3	
Estonia	16	74.7	
Cyprus	24	70.9	16.1
China, Republic of (Taiwan)	27	70.4	1.8
Georgia	26	70.4	52.8
Botswana	28	70.3	138.8
Lithuania	29	70.3	
El Salvador	32	69.9	21.9
Uruguay	33	69.8	
Slovak Republic	35	69.7	
Armenia	38	69.2	42.4
Qatar	39	69.0	
Barbados	40	68.3	
Mexico	41	68.3	32.4
Israel	44	67.7	3.9
Kuwait	42	67.7	
Oman	43	67.7	
Peru	45	67.6	55.1

Table 4. Bottom 20 Countries, 2010

Country	IEF Rank	Score	FY08 USAID Assistance (millions \$US)
Guyana	153	48.4	4.6
Central African Republic	152	48.4	15.9
Angola	154	48.4	15.3
Lesotho	155	48.1	1.6
Sierra Leone	157	47.9	2.8
Uzbekistan	158	47.5	10.0
Chad	159	47.5	9.2
Burundi	160	47.5	11.0
Togo	161	47.1	0.6
Ukraine	162	46.4	70.2
Guinea-Bissau	167	43.6	0.2
Iran	168	43.4	4.1
Congo (Brazzaville)	169	43.2	0.1
Turkmenistan	171	42.5	9.0
Libya	173	40.2	
Venezuela	174	37.1	14.1
Burma (Myanmar)	175	36.7	36.0
Cuba	177	26.7	30.1
Zimbabwe	178	21.4	25.1
Korea, Democratic Republic	179	1.0	94.0

NOTE: Countries that scored 80 or higher are considered 'free' economies; 70-79.9 'mostly free'; 60-69.9 'moderately free'; 50-59.9 'mostly unfree'; and below 50 'repressed'.

Figure 1. Top and Bottom 20 Countries by Region, 2010



Tables 5 and 6 contain the top and bottom five countries by region, respectively. Africa is the only region where USAID obligated more funds to the top five countries than the bottom five countries.

Table 5. Top 5 Developing Countries by Region, 2010

Country	IEF Rank	Score	FY08 USAID Assistance (millions \$US)
Africa			
Mauritius	12	76.3	0.1
Botswana	28	70.3	138.8
Madagascar	69	63.2	15.7
South Africa	72	62.8	27.1
Namibia	77	62.2	4.5
<i>Subtotal</i>			186.2
Asia			
China, Republic of (Taiwan)	27	70.4	1.8
Malaysia	59	64.8	0.1
Thailand	66	64.1	1.0
Kyrgyzstan	80	61.3	26.9
Kazakhstan	82	61.0	27.7
<i>Subtotal</i>			57.5
Europe and Eurasia			
Estonia	16	74.7	
Cyprus	24	70.9	16.1
Georgia	26	70.4	52.8
Lithuania	29	70.3	
Slovak Republic	35	69.7	
<i>Subtotal</i>			68.9
Latin America and the Caribbean			
Chile	10	77.2	
El Salvador	32	69.9	21.9
Uruguay	33	69.8	
Barbados	40	68.3	
Mexico	41	68.3	32.4
<i>Subtotal</i>			54.3
Middle East			
Bahrain	13	76.3	
Qatar	39	69.0	
Israel	44	67.7	3.9
Kuwait	42	67.7	
Oman	43	67.7	
<i>Subtotal</i>			3.9

Table 6. Bottom 5 Developing Countries by Region, 2010

Country	IEF Rank	Score	FY08 USAID Assistance (millions \$US)
Africa			
Zimbabwe	178	21.4	25.1
Congo (Brazzaville)	169	43.2	0.1
Guinea-Bissau	167	43.6	0.2
Togo	161	47.1	0.6
Burundi	160	47.5	11.0
<i>Subtotal</i>			37.0
Asia			
Korea, Democratic Republic	179	1.0	94.0
Burma (Myanmar)	175	36.7	36.0
Turkmenistan	171	42.5	9.0
Uzbekistan	158	47.5	10.0
Vietnam	144	49.8	15.5
<i>Subtotal</i>			164.5
Europe and Eurasia			
Ukraine	162	46.4	70.2
Belarus	150	48.7	8.0
Russia	143	50.3	74.0
Moldova	125	53.7	14.6
Bosnia and Herzegovina	110	56.2	24.7
<i>Subtotal</i>			191.5
Latin America and the Caribbean			
Cuba	177	26.7	30.1
Venezuela	174	37.1	14.1
Guyana	153	48.4	4.6
Ecuador	147	49.3	19.7
Bolivia	146	49.4	53.0
<i>Subtotal</i>			121.5
Middle East			
Libya	173	40.2	
Iran	168	43.4	4.1
Syria	145	49.4	0.0
Yemen	121	54.4	13.8
Algeria	105	56.9	
<i>Subtotal</i>			17.9

Regional Changes, 2008-2010

Europe and Eurasia is the most 'free' region in 2010 followed by the Middle East, Latin America and the Caribbean, Africa, and Asia (see Figures 2 and 3 below). Approximately 60% of countries in Asia and Latin America and the Caribbean regressed in terms of economic freedom from 2008 to 2010, perhaps reflecting policy reactions to the global economic crisis. In fact, 14 Asian countries' overall freedom scores declined from 2008-2010, compared to only 7 countries from 2007-2009. The Heritage Foundation contends that several Asian governments used an assortment of fiscal outlays, trade barriers, financial regulation and monetary policy tools for short-term gain. Lastly, Figure 3 displays 2010 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, 2008-2010

Region	Regressed		Improved or Unchanged		Total
	Number	%	Number	%	
Africa	20	50	20	50	40
Asia	14	61	9	39	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	64	50	65	50	129

Figure 2. Progress (2008-2010) and Average Scores (2010) by Region

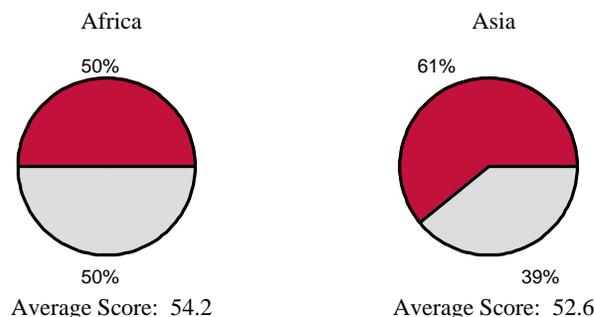
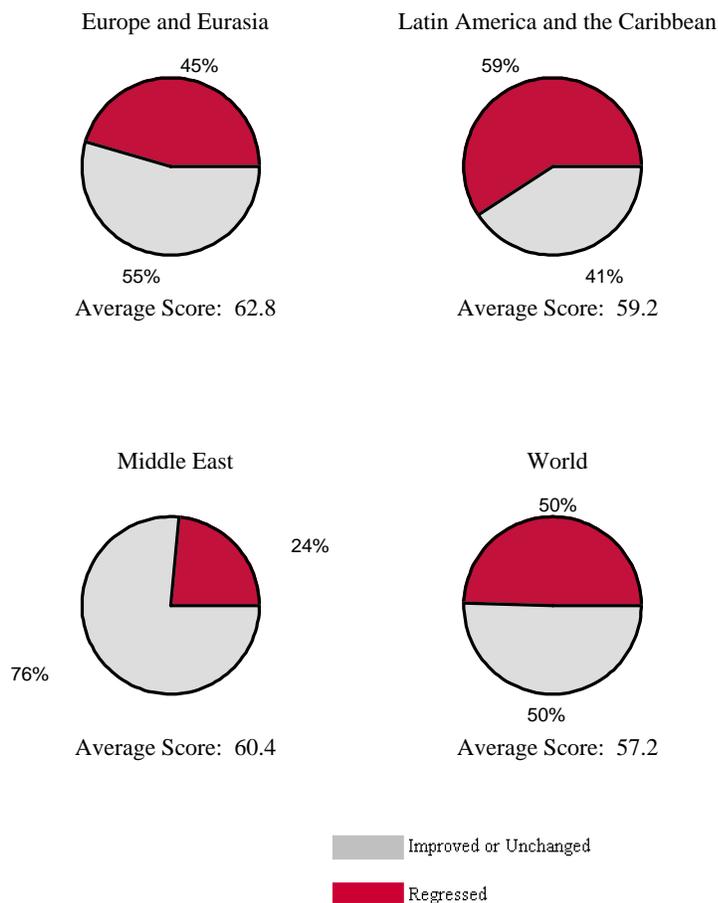
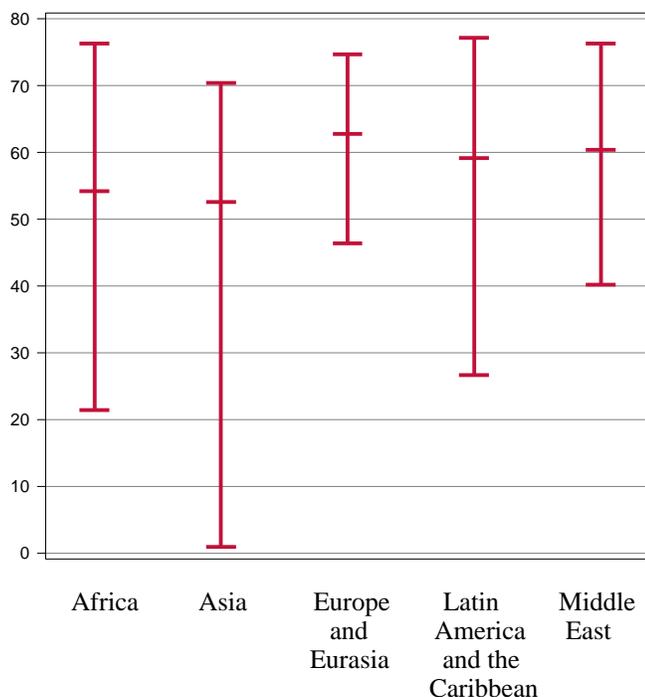


Figure 3. Score Range and Average by Region, 2010



Legend:
 Improved or Unchanged (Grey)
 Regressed (Red)

Countries Excluded from Analysis

Developed		Appear for First Time in 2009	
Australia	Japan	Bhutan	Serbia
Austria	Korea Republic	Comoros	Seychelles
Belgium	Luxembourg	Congo (Kinshasa)	Solomon Islands
Canada	Malta	Dominica	St. Lucia
China (P.R. Hong Kong)	Netherlands	Eritrea	St. Vincent and Grenadines
Czech Republic	New Zealand	Kiribati	Timor-Leste
Denmark	Norway	Liberia	Tonga
Finland	Portugal	Macau	Vanuatu
France	Singapore	Maldives	
Germany	Spain	Micronesia (Federated States)	
Greece	Sweden	Montenegro	
Iceland	Switzerland	Papua New Guinea	
Ireland	United Kingdom	Samoa	
Italy	United States	Sao Tome and Principe	

USAID FY 2008 obligations

This snapshot utilizes total USAID assistance amounts for fiscal year 2008, obtained from the USAID U.S. Overseas Loans and Grants, Obligations and Loan Authorizations. These data are available at <http://gbk.eads.usaidallnet.gov/>. This source provides a complete historical record of U.S foreign aid to the rest of the world by reporting all loans and grants authorized each fiscal year.

How can I get more Heritage Foundation data?

To access the entire Index of Economic Freedom dataset, visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB website also offers related datasets from the IMF, World Bank, and other sources. Through the ESDB website you can also access standard country profiles, generate customized tables and graphs, and utilize a wide array of analytic tools including MCC Radar Graphs.