

# Economic Freedom of the Arab World

## 2010

Annual Report



**Salem Ben Nasser Al Ismaily,  
Fred McMahon,  
Miguel Cervantes,  
& Amela Karabegović**

Friedrich Naumann  
STIFTUNG **FÜR DIE FREIHEIT**





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Miguel Cervantes, and Amela Karabegović

Friedrich Naumann Foundation for Liberty  
International Research Foundation of Oman  
Fraser Institute

2010

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### International Research Foundation

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# **Economic Freedom of the Arab World**

## **2010 Annual Report**



## Introduction

This is the seventh report on economic freedom in the Arab world. The first was published by the same authors in the *Arab World Competitiveness Report 2005* (Lopez-Claros and Schwab, 2005). The second and subsequent editions were published by the International Research Foundation (IRF) of Oman and the Fraser Institute. In 2008, the Friedrich Naumann Foundation for Liberty, Cairo office, also became a co-publisher.

The index in this edition adds data for 2008, the most recent year for which data are available. As well, the scores for previous years have been recalculated using revised data from the World Bank for its Doing Business and World Development Indicators databases. *Economic Freedom of the Arab World* is modeled on the annual reports in the series, *Economic Freedom of the World* (Gwartney and Lawson, 2004–2009; Gwartney, Hall, and Lawson, 2010).<sup>1</sup>

The classical definition of economic freedom is:

Individuals have economic freedom when (a) property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and (b) they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. Thus, an index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions. (Gwartney, Lawson, and Block, 1996: 12)

The mechanics of economic freedom are easy to understand. Any transaction freely entered into must benefit both parties. Any transaction that does not benefit both parties would be rejected by the party that would come up short. This has consequences throughout the economy. Consumers who are free to choose will only be attracted by superior quality and price. A producer must constantly improve the price and quality of existing products or invent new products. Without this, customers will not freely enter into transactions with

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1 In 1984, Michael Walker, who was then Executive Director of the Fraser Institute, in conjunction with Milton and Rose Friedman, started the Economic Freedom project to enhance understanding of the connection between economic freedom and political and civil freedoms, and their collective role in influencing economic performance. The research phase of the project involved about 60 of the world's top scholars including three Nobel Laureates. The Economic Freedom Network now has member institutes in 76 nations and territories, including Oman, Jordan, and Gaza.

the producer. Many billions of mutually beneficial transactions occur every day, powering the dynamic that spurs increased productivity and prosperity throughout the economy.

Economic freedom has been shown in top-level, peer-reviewed research to promote prosperity, economic growth, and other positive outcomes, discussed later in this report. It is also highly consistent with Arab and Muslim culture and tradition. For much of the past millennium, it is likely that the Muslim world has enjoyed the greatest level of economic freedom, in general, and trade openness, in particular, in the world. (Hourani , 1992) It is only over the past few centuries that this lead has slipped away.

## Arab World Economies— After the Financial Crisis

In 2009, the world economy was confirmed as having entered the deepest recession since the Second World War. Declining growth, credit constraint, diminishing demand, and job losses are the most apparent problems associated with the world recession in 2009 (World Bank, 2010; unless otherwise specified, all economic data in this section are from this report)

Most of the Arab World registered positive economic growth, with the exception of two countries. In many cases, the crisis was avoided due to the countries' lack of economic global integration. The effect of the crisis has varied country to country, depending on the economic conditions. Economies that are oil based were strongly hit initially in their current accounts, as their trade balances depended on oil exports (El-Beblawi, 2010).

The high demand for energy in China and India compensated for the initial loss of demand in the developed world as the crude oil prices stabilized at US\$50 per barrel in 2009. Gross domestic product in the 22 Arab member states grew 3.2% on average last year. Further growth prospects for oil-producing economies is not expected, depending purely on Chinese and Indian demand. Any prospects of improvement will depend on how United States and Europe deal with their debts (El-Beblawi, 2010).

Growth in Arab economies will accelerate to at least 4% on average this year on higher oil prices, while there will be little, if any, impact from the euro-zone debt crisis in 2010 (Muslim, 2010). The economic situation in the Arab world is more stable this year than in 2008 and 2009 and this is a positive indicator for economic growth as many of the Arab governments have introduced more fiscal disciplinary measures.

Furthermore, with no further reduction in demand for oil, the oil prices have not come down and oil-producing countries are expected to spend more from their revenues as one of the stimulus measures adopted to deal with the crisis. High government spending will help the economies of oil exporters to grow at least in the short term but it is likely to produce little sustainable growth and introduce further economic distortions in those economies. Volatile, sluggish credit growth, on the other hand, will prevent total growth recovery. Volatility, uncertainty globally, and oil prices, which can fall from peaks to valleys in a matter of weeks, will be important factors for the stability of the economic growth in the most of the Arab World.

Some sectors such as tourism and housing are expected to register negative growth as consumer spending has still not bounced back. Many consumers would rather save at times like these than spend (Feuilherade, 2010). While most of the Arab economies will see their gross domestic product grow in low single digits, Qatar will keep expanding well ahead of the rest of the world's top oil exporting nations. Qatar with the world's biggest supply of liquefied natural gas (LNG) for export will book real GDP growth of close to 16% in 2010 on gas output rise and government spending (Dokoupil and Fuchs, 2010).

Saudi Arabia, the largest Arab economy and the world's biggest oil exporter, is anticipated to grow by 3.7% this year, below 3.9% seen in April but up from 0.6% growth in 2009. Kuwait's GDP should rise by 3.0% in 2010, a slower recovery than analysts saw in April and below the central bank's forecast of 4% to 5% growth. Non-OPEC Oman and Bahrain should see GDP up 4.0% and 3.1%, respectively, a small improvement from 2009. Oil prices, which have more than doubled since the lows of December 2008, should keep the fiscal balances of most of the oil-producing nations in the Arab world in surplus in 2010 (Dokoupil and Fuchs, 2010).

Algeria is among the top African countries holding hydrocarbons reserves. An increase of 22.7% in its hydrocarbons sector, which contributed to 45.6% of nominal GDP, was the main reason behind the real GDP growth of 3% in 2008. With the expectation of partial economic recovery in the international markets by this year, Algeria is expected to realize a growth of more than 3.5% in real terms. It is worth mentioning that Algeria reduced considerably its external debt from US\$17.2bn in 2005 to US\$5.6bn in 2006, which helped to alleviate the effects of the international crisis.

The Kingdom of Bahrain has for some time tried to diversify its economy from oil and gas. This sector still accounted for almost 29% of GDP in 2008. Another main contributor to GDP is the financial sector, which accounted for more than one fourth of GDP. Other service sectors such as housing were highly affected by the financial crisis with fewer home owners willing to take on further mortgages. It is anticipated that Bahrain will register a positive growth by the end of 2010.

After three consecutive years of real GDP growth of around 7%, the Egyptian economy grew by 4.7% in 2009, despite the negative effects of the world recession. The Egyptian economy, thanks for the reforms adopted since 2004, proved resilient amid the world financial crisis. The Egyptian economy has safely passed 2009 and is on the brink of successfully going through 2010 (Zineldin, 2010).

Another oil exporting country, Iraq, had its real GDP grow by 9.8% and 4.3% in 2008 and 2009, respectively. Iraq is expected to rebound partially in 2010 to 5.8%. Diversification and liberalization of economic policies in Iraq will be the key for further improvement in its economic development. Currently over 60% of its economy is derived from one sector, the hydrocarbons (Dokoupil and Fuchs, 2010).

The Jordanian economy witnessed a stable GDP growth between 8% and 9% over the past 5 years. This growth was mainly driven by the healthy performance in the financial services and trade sectors, in addition to the continuous inflows of FDI. The manufacturing sector is the major contributor to the GDP, accounting for around 20% in 2008. The slowdown in the global economy



negatively affected the Jordanian economy, resulting in a growth of 3% in real GDP during 2009, compared to 8.9% over the same period a year earlier. It is anticipated the Jordanian economy will grow by 4% in 2010 (Dokoupil and Fuchs, 2010). The Jordanian economy grew as a result of the government structural reforms, which included trade liberalization, privatization, and tax reforms.

Rapidly rising oil prices during much of 2008 resulted in a significant growth of 48.5% in the fiscal balance for the state of Kuwait. The oil sector generated 94.4% of fiscal revenue in year 2008, which contributed to remarkable growth boosting the overall fiscal revenue by approximately 42%. The Kuwaiti economy is more vulnerable to the negative consequences of the financial crisis than other oil economies because, besides its heavy dependence on the oil sector, most of the oil proceeds were invested in financial ventures that were severely hit in the crisis.

Jordan's next door neighbor, Lebanon, recorded a healthy real GDP growth of 8.5% in 2008, as opposed to 7.5% in 2007. The Lebanese economy is a service-oriented one, where the services sector accounts for around 66% of the total economy. Privatization of public companies could be a major tool to lower public debt and improve the fiscal balance. Tourism receipts increased, as arrivals increased by almost 30% in 2009 compared to 2008.

With oil and gas making up around 70% of the country's nominal GDP and about 98% of exports, the Libyan economy is highly dependent on hydrocarbons and lacks diversification. The country's wealth is greatly tied to the performance of the international hydrocarbons sector. Despite the financial crisis, real GDP rose by 6.1% in 2008, compared to 5.6%, a year before. The main driver was the soaring price of oil in 2008. In addition, positive performance of other non-oil sectors, including construction and transportation, contributed to the economic growth. A number of initial public offerings (IPOs) are planned in 2010, on the Libyan Stock Market, which was launched in 2007. The Libyan government is going through material changes in its regulatory capital market authority to conform to international norms, in order to attract regional, as well as international, investors into the stock market in 2010 (Zineldin, 2010).

The Moroccan economy is an export-oriented economy, tied to the European Union, where almost 66% of the country's exports in 2008 headed. The real growth rate of the economy reached 5.6% in 2008. As a result of the financial crisis, the real GDP is expected to grow at 5% in 2009, a lower rate, yet still fairly high. A good season for agricultural sector, triggered by abundant rainfall, is one of the factors that are expected to boost economic growth. Over the first half of 2009, GDP grew by 5.4%, showing an acceleration of the agricultural sector by around 29%. Morocco plans to enhance the performance of its stock market, which is considered the third-largest stock exchange in Africa, after Johannesburg and Egypt. Bourse de Casablanca currently consists of 77 listed companies and it plans to list 75 additional companies by 2015, in addition to the inclusion of a derivatives market. Since Morocco is not highly dependent on a single sector, the economy has proved to be somewhat resilient amid the financial crisis and was not considerably negatively impacted. It is expected that once the European economy recovers, the sectors that were mostly affected by the financial crisis, will be those driving economic growth.

The reduction of oil revenue due to relatively low prices of hydrocarbons in 2009, compared to 2008, reduced Oman's GDP growth, from 6.9% to almost 3% in 2009. It is expected to grow by 3.8% in 2010. The main source of revenue comes from hydrocarbons, which constituted 79.1% of the total government revenues in 2009. Gains from the unprecedented hikes in oil and gas prices pushed the fiscal surplus higher. With additional income, the government could afford additional spending and hence avoid a slowdown in economic activity.

Though the world financial turmoil and the international recession that followed have had a negative impact on economies around the world, its effect on the Palestinian economy has been limited in 2009: real GDP grew by 2.3% in 2008, after dropping by 1.2% in 2007. The GDP growth was triggered by the growth in service sector, the main contributor to the GDP, accounting for more than 60% in 2008. The 2009 GDP grew by 5.5%, and is expected to grow by 6.5% in 2010. The financial sector, especially in the West Bank, is the main reason for this growth. The fiscal balance surplus has improved between 2007 and 2008, thanks to international grants, that is, the support the Palestinian Authority receives for developmental programs.

The hydrocarbons sector contributed to 89.3% of Saudi Arabia fiscal revenue and 87% of its total exports proceeds in 2008. Saudi Arabian GDP recorded a growth rate of 22.1% in nominal values, whereas in real terms it grew by 4.4% in 2008. The Kingdom's real GDP increased 0.15% in 2009; it is expected to rebound to 3% growth in 2010. The Saudi Arabian government announced a stimulus package to mitigate the consequences of the financial crisis. This includes spending US\$400bn on development projects over the coming five years to support the level of investment in the economy (Muslim, 2010). Saudi Arabia is the largest recipient of FDI inflows in the region, capturing around 40% of FDI inflows in 2008.

Since the discovery of oil in economic quantities in Sudan, its exports have been the true driver of the economy, which grew by 10.2% and 6.8% in 2007 and 2008, respectively. Real GDP grew at around 4% in 2009, mainly influenced by the free-fall of the oil prices amid the world financial crisis. The 2010 projected growth in real GDP is 5.5%, based on anticipations of partial recovery for the world economy by then (Dokoupil and Fuchs, 2010).

Syria's GDP registered a lower-than-expected growth of 3.0% in 2009 but is anticipated to bounce back to above 4% in 2010. Economic reforms adopted by the Syrian government yielded fruit and FDI inflows improved remarkably, reaching US\$2.1bn in 2008, compared to US\$1.2bn in 2007. However, the world economic slowdown has adversely affected these inflows in 2009 and is not expected to bounce back in year 2010 to the previous levels.

Growth in the Tunisian economy in 2008 was achieved mainly through household demand, which is considered the main catalyst for growth, in addition to Foreign Direct Investments (FDI) inflows. Tunisia was successful in attracting investments in the last few years, especially from countries that are members of the Gulf Cooperation Council (GCC). Tunisia ranked 69<sup>th</sup> among 183 countries in 2010, in terms of the ease of doing business, which is considered an improved position, compared to the previous year, when it ranked 73<sup>rd</sup>.

The open-economy policy adopted by the Tunisian government will bring benefits once the global economies bounce back. Obviously, the external trade

sector suffered from the European recession, especially given the free-trade agreement between Tunisia and the EU on industrial products. Nevertheless, the trade agreement is expected to provide substantial paybacks in the recovery phase.

The outlook for the United Arab Emirates (UAE), the second largest economy in the Arab world, might be difficult as banks hesitate to lend due to exposure to debt-laden Dubai state firms. The UAE however is expected to grow by 2.1% this year, the slowest pace in the Gulf (El-Beblawi, 2010). There is still some uncertainty and risk aversion on the part of local banks about possible further debt restructurings in the UAE, and this is one of the reasons that credit growth so far this year has not been strong. The UAE, the world's third-largest oil exporter, saw oil exports contracted 1.29% in 2009. UAE banks were heavily exposed to Dubai World, which is yet to strike a deal with remaining creditors to restructure an estimated \$23.5 billion of debt.

Yemeni GDP is expected to grow in 2010, with the operation of the Liquefied Natural Gas (LNG) facility. Yemen also intends to launch its first stock exchange to be operated by Dubai Financial Markets.

Prospects of stability and internal conflicts in the Arab world are still fundamental stumbling blocks to economic freedom. Internal conflicts have bled the Arab world's resources whether in monetary terms or human. As countries are struggling to maintain conditions conducive to living they have even more challenging battles in creating conditions conducive to doing business.

The sanctions imposed on Iran, whatever one's views on the reason for the sanctions, also reduce economic freedom in the region. This directly affects economic freedom in Iran, one of the largest economies in the region with 70 million people, and it also lowers the economic freedom of Iran's regional trading partners, by reducing the free flow of goods through the region.

## Research on Economic Freedom

Increases in economic freedom that are, in effect, a return to the classical Arab model of free trade and open markets would help meet the challenges discussed above and generate the economic dynamism needed to create the jobs and prosperity that the region requires for a successful future. The era of government-directed economies, import substitution, and other uses of government power (largely based on Western socialist models) to direct the economy did not produce the results needed for regional prosperity and advancement.

A large body of empirical research has found that economic freedom is key to increasing prosperity, particularly among the emerging nations. Fact-based studies in top academic journals have shown that economic freedom promotes growth, prosperity, and other positive outcomes. The relationship of economic freedom to prosperity is unsurprising. Individuals and families are best able to look after themselves when free to do so, without external constraints.

Moreover, economic freedom has intrinsic value and is inextricably linked to all other freedoms. Individuals and families should have the inherent right to make their own economic decisions. When they do, that economic freedom liberates them from government dependence and opens the door to other freedoms.

Economic freedom creates positive social and economic dynamics. In economically free nations, people succeed by creating goods or services that others want to buy. In other words, people get ahead by creating benefits for other people. Where economic freedom does not exist, economies grow slowly, if at all, and people gain by rent-seeking and limiting the possibilities of others. In the case of economic freedom, the biggest gains are achieved by people who increase the size of the pie for everyone; without economic freedom, the biggest gains are by those who cut a bigger slice of the pie for themselves to the disadvantage of others. This is a key reason that economic freedom has been shown to promote democracy and other freedoms (Griswold, 2004). A society where individuals gain by promoting the well-being of other individuals (by efficiently creating goods and services people want) differs dramatically from one where, in the absence of economic freedom, rent seeking—cutting a bigger slice of the pie for oneself—and power hoarding to the disadvantage of others is the path to increased wealth and power. In the first, positive social and economic dynamics lead to a stable, peaceful, civil society marked by freedom; in the second, negative dynamics create incentives to reduce freedoms.

Since the publication of the first edition of the *Economic Freedom of the World* in 1996 and, more recently, national and regional indexes like this one, there have been about 350 scholarly and policy articles that have used the

economic freedom indexes to explore the relationship between economic freedom and other socioeconomic outcomes. Here, we will focus briefly on the relationship of economic freedom to economic growth and prosperity.

Intuitively, one would expect that economic freedom would have a positive impact on economic growth because economic freedom creates a climate that allows individuals and business to allocate their resources to the highest end use. However, the question is ultimately an empirical one. One of the first studies, Easton and Walker (1997) found that changes in economic freedom have a significant impact on the steady-state level of income even after the level of technology, the level of education of the work-force, and the level of investment are taken into account. De Haan and Sturm (2000) show empirically that positive (negative) changes in economic freedom lead to positive (negative) changes in economic growth rates. Using the economic freedom index published in Gwartney, Lawson, and Block (1996) and per-capita GDP data for 80 countries, their results indicate that, after educational level, investment, and population growth have been taken into account, changes in economic freedom have a significant impact on economic growth.

Gwartney and Lawson (2004) examined the impact of economic freedom on economic growth but with a specific focus on investment and productivity. They found that economic freedom strongly promotes investment. Nations with an economic freedom score below 5 (on a scale from zero to 10 where higher value indicates higher level of economic freedom) attracted US\$845 in investment per worker over the period from 1980 to 2000 and only US\$68 per worker in foreign direct investment. Nations with an economic freedom score above 7 attracted US\$10,871 in investment per worker, including US\$3,117 of foreign direct investment. Moreover, investment is more productive in economically free nations. Holding constant factors thought to affect growth and productivity, such as initial per-capita GDP, tropical location, coastal location, change in human investment, and public investment, Gwartney and Lawson found that an increase of one percentage point in the ratio of private investment to GDP leads to increases in the growth rate of per-capita GDP by 0.33 percentage point in an economically free country. The same increase in private investment in a less economically free country increases the growth rate of per-capita GDP by 0.19 percentage point. In other words, investment in economically free nations (with a score above 7) had a positive impact on growth that was 70% greater than investment in nations with poor levels of economic freedom (score below 5). Using the same regression model, Gwartney and Lawson also calculated the impact of economic freedom on overall growth through both direct and indirect effects. They found that, if a nation increased its economic freedom by one unit (on a scale from zero to 10) in the 1980s, it would have seen increased growth of 1.9 percentage points a year over the period from 1980 to 2000. Because of the high rates of growth associated with economic freedom, they also found that over the long term economic freedom explains over two thirds of the cross-country variation in GDP.

Increases in economic freedom also reduce poverty (Norton and Gwartney, 2008). Specifically, the weighted \$1-per-day poverty rate was 29.7% in 2004 for countries with EFW ratings of less than 5 but only 7.7% for countries with EFW

ratings between 6 and 7; the \$2-per-day poverty rate declines from 51.5% to 46.2% to 38.9% as one moves from the least-free to the most-free economies. Moreover, a one-unit increase in the EFW rating between 1980 and 1995 was associated with a 5.21 percentage-point reduction in the \$1-per-day poverty rate and a 5.22 percentage-point reduction in the \$2-per-day poverty rate. Norton and Gwartney also examined the relationship between economic freedom and other measures of well-being. In the most unfree economies, 72.6% of the population has access to safe water compared to nearly 100% in the most free economies. Life expectancy of people in the mostly free group is over 20-years greater than for those in mostly unfree economies. Mostly free economies have more than twice as many physicians per 1,000 population than mostly unfree economies. For every 1,000 births, 64 more babies survive in mostly free economies per year than in the mostly unfree countries. For every thousand children under age of five, 109 more children survive in mostly free countries each year than in those countries that are mostly unfree.

For a sample of literature on economic freedom, see the web site, <<http://www.freetheworld.com>>. For a summary of literature on economic freedom and economic prosperity, see Berggren, 2003 and Doucouliagos and Ulubasoglu, 2006.

# The Index of Economic Freedom in the Arab World

## The structure of the index

The index published in *Economic Freedom of the World* uses 42 components in five areas. Because underlying data for some of the components used in the world index were not broadly available for the Arab world, they were replaced by similar components with broader coverage of the Arab world. The index published in *Economic Freedom of the Arab World* includes the same five areas as *Economic Freedom of the World* but has 39 components. The score for each of the five areas is derived by averaging the components within that area. The most recent data available for this report are from 2008.

The five areas, described in more detail below, are

Area 1: Size of Government: Expenditures, Taxes and Enterprises;

Area 2: Commercial and Economic Law and Security of Property Rights;

Area 3: Access to Sound Money;

Area 4: Freedom to Trade Internationally;

Area 5: Regulation of Credit, Labor, and Business.

The overall rating was computed by averaging the scores of the five areas. Each component was normalized on a scale of zero to 10. Appendix A describes the procedures by which scores between zero and 10 were derived for each category. Details on sources and methodology can also be found in Appendix A.

For consistency, the minimums and maximums used in last year's report are also used in this year's report. Global rather than regional minimums and maximums were used because of the small variability in some of the components among Arab countries and in order to place the Arab nations in a broader context. Thus, a high score indicates that a nation is doing well, not only in comparison with its immediate regional neighbors but also in comparison with nations around the world whose economic practices encourage economic freedom.

The index published in *Economic Freedom of the Arab World* includes data for the 22 nations of the League of Arab States. Eleven of these nations also appear in *Economic Freedom of the World* and the relative rankings of these nations in both indexes are very similar, despite the slightly different menu of components used in the index published in *Economic Freedom of the Arab*

*World*. An overall score was computed for 16 of the nations included in *Economic Freedom of the Arab World*; an overall score could not be computed for the remaining jurisdictions because of a lack of data. This is an advance from last year's report, when scores for only 15 nations could be calculated, and the previous year's report, which published overall scores for only 13 nations. New overall scores are included for Comoros and Djibouti though we were not able to compute an overall score for Yemen, though we were able to last year.

The index published in *Economic Freedom of the Arab World* is compiled only from third-party data: in order to ensure objectivity, none of the sponsoring institutions provides any original data. As well, the formulas used in the calculations have remained the same for each year of the report. Thus, the authors of the report are unable to influence the standings of the nations in the report. Moreover, any outside observer would be able to replicate the index in full, producing identical results.

## A review of the results

As noted above, to increase coverage of the Arab world *Economic Freedom of the Arab World* uses a menu of variables somewhat different from that used in *Economic Freedom of the World*. The indexes are highly consistent with one another. Of course, even hard economic data, such as the data on government expenditure used in the index, are constantly revised, while other data streams are based on surveys. The scores in this index should be treated as highly precise, though not exact, estimates. Thus, there are very small differences between the two indexes.

Changes in economic freedom come slowly as policies and attitudes change and develop. Nonetheless, it is encouraging that levels of economic freedom have remained constant over a difficult period. The years from 2002 to 2008 reflected by survey data have seen great political stress in the region such as the continuing fallout of the Iraq war, instability in Palestine, troubles in Lebanon, and other factors. Yet, economic freedom in the region has remained relatively constant.

As *Economic Freedom of the Arab World* evolves, it will offer a key insight on where progress is being made and, because of the extensive descriptive capacity of its 39 components, will provide a detailed prescription indicating where policy improvements are required.

## The rankings

Bahrain holds the top spot this year with a score of 8.0, Kuwait follows with 7.8, Lebanon, with 7.6, Oman with 7.5, and Jordan and Qatar tie for fifth with a score of 7.4.<sup>2</sup>

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2 Jurisdictions involved in on-going, high-level internal conflicts (in this case, the West Bank and Gaza, and Iraq), have not been ranked overall. Economic freedom is clearly eroded by lack of personal security and the data that are available would fail to reflect this. Nonetheless, we have included data in individual areas for these jurisdictions.



The Gulf States have achieved the highest level of economic freedom in the Arab world on average. Contrary to what one might think, this is not made easier by wealth from oil production and export, which presents a great temptation for governments to overspend and crowd out private-sector economic activity and weaken free markets so that economic power remains concentrated in the hands of those who control the oil revenues. Because of the oil wealth, governments have the means to protect their positions, even if economic activity outside the oil sector is weak. Despite this, the Gulf States have worked to open their economies internally and externally to world trade and this is a credit to governance in the region.

Algeria, Syria, Tunisia, and Mauritania, tied for third worst, have the weakest levels of economic freedom. And, while the top scorers all rank very close to each other, there are significant gaps among the bottom four with Algeria at 5.5 and Syria at 5.7, while Tunisia and Mauritania are tied at 6.3.

## Individual areas

Following is a description of the variables used to measure economic freedom, explanations of why they are relevant, and the scores for each of the Arab nations where data are available.<sup>3</sup>

### Area 1: Size of Government: Expenditures, Taxes and Enterprises

The four components of Area 1 indicate the extent to which countries rely on individual choice and markets rather than the political process to allocate resources and goods and services. When government spending increases relative to spending by individuals, households, and businesses, government decision-making is substituted for personal choice and thus economic freedom is reduced. The first two components address this issue: Government consumption as a share of total consumption (1A) and Transfers and subsidies as a share of GDP (1B).

Government consumption (1A) refers to the extent to which the government itself provides goods and services. If government employees build a road, it is included as government consumption; if the construction is contracted to a private company, it is no longer included in government consumption though it is categorized as government spending. Competitive contracting builds efficiency and lessens the politicization of the economy, if the contracting is done impartially. Transfers and subsidies (1B) weaken markets by rewarding political power and position rather than the ability to produce goods and services the world wants and will pay for.

The third component (1C) measures the extent to which countries use private enterprise and free markets rather than government enterprises to produce goods and services. The fourth component (1D) is based on the top marginal income-tax rate and the income threshold at which it applies. High marginal tax rates that apply at relatively low income levels increasingly deny individuals the fruits of their labor.

<sup>3</sup> This description closely follows Gwartney and Lawson, 2006: 10–12.

Table 2 shows the results for Area 1: Size of Government. Lebanon is the best performer, followed by Comoros and the West Bank and Gaza.<sup>4</sup> Algeria is the worst performer, followed by Saudi Arabia; Djibouti and Oman are tied for third.

## **Area 2: Commercial and Economic Law and Security of Property Rights**

Security of persons, contracts, and rightfully acquired property are central elements of both economic freedom and a civil society. Indeed, the legal system is the most important internal function of government. Security of property rights, protected by the rule of law, is essential to economic freedom. Freedom to exchange, for example, is meaningless if individuals do not have secure rights to property, including the fruits of their labor. Failure of a country's legal system to provide for the security of property rights, enforcement of contracts, and the mutually agreeable settlement of disputes will undermine the operation of a market-exchange system.

As is appropriate for an assessment of economic freedom, the index focuses on economic and commercial law. However, the first two components in this area—2A, Military interference in the rule of law and the political process and 2B, Integrity of the legal system—are measures of whether or not the rule of law is applied impartially and consistently, which is also essential for effective economic and commercial law. Component 2C, Regulatory restrictions on the sale of real property, provides information on how easy it is to establish property rights and 2D, Legal enforcement of contracts, indicates whether agreements freely entered into are effectively protected by the rule of law. Both 2C and 2D are composites of other sub-components that measure the number of procedures, delays in judgments, and costs. Procedures that are too numerous, time-consuming, or costly lead to deterioration of the legal system's ability to protect freely made agreements.

Table 3 shows the results for this area. The Gulf States on average lead here, though Tunisia and Mauritania also have relatively strong scores. The top three jurisdictions are Saudi Arabia, Oman, and Kuwait. The weakest performers are Somalia, Iraq, and Sudan.

## **Area 3: Access to Sound Money**

Money is essential to exchange. An absence of sound money undermines gains from trade and erodes the value of property held in monetary instruments. Sound money is essential to protect property rights and, thus, economic freedom. When governments print money to finance their expenditures, they are in effect expropriating the property and violating the economic freedom of their citizens. This (measured in component 3A) leads to inflation. High and volatile rates of inflation (components 3B and 3C) distort relative prices, alter the fundamental terms of long-term contracts, and make it virtually impossible for individuals and businesses to plan sensibly for the future. Component 3D

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<sup>4</sup> Though available data combine the two areas, the West Bank and Gaza are under very different administrations, likely producing differing levels of economic freedom.

is designed to measure the ease with which other currencies can be used via domestic and foreign bank accounts: that is, can one freely exchange and obtain differing currencies.

Table 4 shows the results for this area. The leaders in this area are Bahrain, Kuwait, and Lebanon. Libya, Iraq, and Sudan are at the bottom of the rankings and could improve their policy.

#### **Area 4: Freedom to Trade Internationally**

In a world of high technology and low costs for communication and transportation, freedom of exchange across national boundaries is a key ingredient of economic freedom. The components in this area are designed to measure a wide variety of restraints that affect international exchange: these include tariffs (4A and its sub-components), exchange rate distortions (4B), and exchange rate and capital controls (4C). Individuals in the Arab world should have the right to buy and sell from each other and from everyone in the world: Arab consumers should be able to buy the products they want regardless of origin and Arab producers should be able to sell freely to the world market.

The leaders are Yemen, Bahrain, and Qatar. The Gulf States along with Yemen have in general the strongest scores in this area (table 5). Somalia, Tunisia, and Algeria, tied with Syria, are at the bottom of the ranks.

#### **Area 5: Regulation of Credit, Labor, and Business**

When regulations restrict entry into markets and interfere with the freedom to engage in voluntary exchange, they reduce economic freedom. Regulatory restraints that limit the freedom of exchange in credit, labor, and product markets are included in the index. Red tape can strangle business expansion, entrepreneurship, and job creation.

The first component (5A) reflects conditions in the domestic credit market. Individuals should be able to make their own decisions in credit markets and deal with the institutions they would choose freely. The components are designed to measure whether government allows free markets to determine credit or whether this is politically determined and whether credit is available in a timely, cost-efficient manner to credit-worthy individuals and businesses that freely seek it. The top three in this category are Lebanon, followed by Bahrain and Saudi Arabia.

Many types of labor-market regulation (5B) infringe upon the economic freedom of employees and employers. Individuals should be able to work for whom they wish and employers should be able to hire whom they wish. Variables include difficulty in hiring, rigidity in hours, dismissal regulations and costs, and conscription. Bahrain is the leader in labor-market freedom followed by Oman and Jordan. Mauritania, Syria, Algeria, Sudan, and Egypt had the lowest scores.

Like the regulation of the credit markets and labor markets, the regulation of business activities (5C) inhibits economic freedom. Individuals should be able to open the business they wish when they wish and close it when they choose. The regulation-of-business sub-components are designed to identify the extent to which regulatory restraints and bureaucratic procedures limit

establishing a business (5Ci) and closing it (5Cii). Bahrain comes in first, followed by Tunisia and Sudan. The worst performer is Djibouti but Mauritania, Syria, United Arab Emirates, and Egypt all have very poor scores.

In regulation overall, the Gulf States along with Lebanon on average have the best scores. The leaders are Bahrain in first, followed by Saudi Arabia and Lebanon. Unfortunately for the region, those with the lowest scores include the region's largest economy, Egypt. Syria, Mauritania, Egypt, and Sudan all score below 6.0 (table 6).

## **Conclusion**

The Arab world has considerable diversity in economic freedom, with some nations having high levels of economic freedom by world standards and others relatively low levels. Unfortunately, those nations with low levels deprive their citizens of the well-known benefits of economic freedom. Economic freedom in the region has remained stable over the period of the index. This is a considerable achievement given the challenges the region has faced in recent years. As discussed in the analysis of recent economic development, the impact of high oil prices may also present economic challenges to the oil states.

## Data Tables

The index published in *Economic Freedom of the Arab World* includes data for the 22 nations of the League of Arab States. Eleven of these nations also appear in *Economic Freedom of the World* and the relative rankings of these nations in both indexes are very similar, despite the slightly different menu of components used in the index published in *Economic Freedom of the Arab World*. An overall score was computed for 16 of the nations included in *Economic Freedom of the Arab World*; an overall score could not be computed for the remaining jurisdictions because of a lack of data. This is an advance from last year's report, when scores for only 15 nations could be calculated, and the previous year's report, which published overall scores for only 13 nations. New overall scores are included for Comoros and Djibouti though we were not able to compute an overall score for Yemen, though we were able to last year.

For all countries, we present area scores as well as scores for each component, where data were available. All the scores in the index are values out of 10: 10 is the highest possible score and zero (0) is the lowest. A higher score indicates a greater degree of economic freedom.

A more complete description of each component, including the methodology used to calculate the scores, can be found in the Appendix A: Explanatory Notes and Data Sources

### Data available to Researchers

The full data-set, including all of the scores published in this report as well as data on which these scores were based, can be freely downloaded at <http://www.freetheworld.com>. If you have any difficulties retrieving the data, please feel free to contact us via e-mail: [freetheworld@fraserinstitute.org](mailto:freetheworld@fraserinstitute.org).

**Table 1: Overall Economic Freedom Scores and Ranks**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania
<b>2008</b>											
Score	5.5	8.0	6.9	6.5	6.9		7.4	7.8	7.6		6.3
Rank	16	1	9	11	9		5	2	3		13
<b>2007</b>											
Score	5.7	8.0			7.0		7.6	7.8	7.7		6.4
Rank	15	1			10		5	2	3		12
<b>2006</b>											
Score	5.7	8.0			6.8		7.5	7.9	7.6		6.2
Rank	14	1			10		6	2	4		13
<b>2005</b>											
Score	5.7	8.0			6.7		7.7	7.8	7.7		6.6
Rank	14	1			10		4	3	4		11
<b>2004</b>											
Score	5.6	7.9			6.5		7.6	7.9	7.7		6.5
Rank	14	1			10		6	1	5		10
<b>2003</b>											
Score	5.3	8.0			6.3		7.6	7.9	7.8		6.5
Rank	14	1			13		6	3	4		10
<b>2002</b>											
Score	5.1	8.1			6.3		7.6	7.9	7.8		6.6
Rank	15	1			12		6	3	4		10

Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank & Gaza	Yemen, Republic
6.5	7.5	7.4	7.3			5.7	6.3	7.3		
11	4	5	7			15	13	7		
6.6	7.7	7.6	7.4			5.8	6.4	7.3		7.3
11	3	5	7			14	12	8		8
6.5	7.6	7.7	7.4			5.5	6.3	7.4		7.3
11	4	3	7			15	12	7		9
6.5	7.5	7.9	7.4			5.6	6.4	7.4		7.3
12	6	2	7			15	13	7		9
6.5	7.8	7.9	7.3			5.6	6.4	7.3		7.2
10	4	1	7			14	13	7		9
6.4	7.8	8.0	7.3			5.0	6.4	7.3		7.2
11	4	1	7			15	11	7		9
6.4	7.8	8.0	7.3			5.4	6.3	7.3		7.2
11	4	2	7			14	12	7		9

**Table 2: Area 1. Size of Government: Expenditures, Taxes, and Enterprises**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2008</b>									
A. General government consumption spending	2.4	2.8	8.5	2.6	7.9		4.8	2.4	7.5
B. Transfers and subsidies as a percentage of GDP	7.0	9.1			6.3		6.6	8.2	7.7
C. Government enterprises and investment	2.0	4.0			4.0		6.0	7.0	
D. Top marginal tax rate	7.0	10.0	8.0	8.0	10.0	10.0	7.0	10.0	10.0
<b>Area 1 Score</b>	4.6	6.5	8.3	5.3	7.1		6.1	6.9	8.4
<b>Area 1 Rank</b>	17	7	2	14	4		10	5	1
<b>2007</b>									
A. General government consumption spending	4.0	3.1	8.5	2.6	7.8		5.3	2.3	7.5
B. Transfers and subsidies as a percentage of GDP	8.5	9.6			7.0		7.7	6.8	8.2
C. Government enterprises and investment	2.0	4.0			4.0		6.0	7.0	
D. Top marginal tax rate		10.0			10.0		7.0	10.0	10.0
<b>Area 1 Score</b>	4.8	6.7			7.2		6.5	6.5	8.6
<b>Area 1 Rank</b>	15	3			2		5	5	1
<b>2006</b>									
A. General government consumption spending	4.1	3.4	8.5	2.4	7.4		5.4	2.1	7.2
B. Transfers and subsidies as a percentage of GDP	8.6	9.5			6.3		7.3	8.5	8.2
C. Government enterprises and investment	0.0	4.0			2.0		4.0	7.0	
D. Top marginal tax rate		10.0			10.0		7.0	10.0	10.0
<b>Area 1 Score</b>	4.2	6.7			6.4		5.9	6.9	8.5
<b>Area 1 Rank</b>	15	3			5		9	2	1
<b>2005</b>									
A. General government consumption spending	4.2	2.9	8.2	3.0	7.3		6.4	2.1	7.3
B. Transfers and subsidies as a percentage of GDP	8.6	9.5			8.1		6.4	7.8	8.5
C. Government enterprises and investment	2.0	4.0			0.0		6.0	7.0	
D. Top marginal tax rate		10.0			8.0		7.0	10.0	10.0
<b>Area 1 Score</b>	5.0	6.6			5.9		6.5	6.7	8.6
<b>Area 1 Rank</b>	13	3			10		5	2	1



Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2.7	4.5	5.2	1.7	0.0	0.0		5.4	6.8	6.2	6.4	4.3	
		7.2	9.4	9.2					6.8			
	8.0	10.0	0.0					2.0	2.0	2.0		
	5.0	4.0	10.0	10.0	10.0	7.0		10.0	7.0	10.0	10.0	7.0
	5.8	6.6	5.3	6.4	5.0			6.3	5.5	6.1	7.2	
	12	6	14	8	16			9	13	10	3	
2.5	4.5	4.8	1.7	0.0	0.0		6.3	7.4	6.3	6.4	4.3	5.6
		7.8	9.4	9.2					7.2			
	8.0	10.0	0.0					2.0	2.0	2.0		
	5.0	4.0	10.0	10.0	10.0	7.0		8.0	7.0	10.0	10.0	7.0
	5.8	6.6	5.3	6.4	5.0			5.8	5.6	6.1		6.3
	10	4	13	7	14			10	12	9		8
2.7	4.6	4.6	0.7	0.0	0.0		6.1	7.0	6.2	6.4	4.3	5.6
		8.1	9.4	9.1					7.4			
	7.0	10.0	0.0					0.0	2.0	2.0		
	5.0	4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
	5.5	6.7	5.0	6.4	5.0			5.0	5.6	6.1		6.3
	11	3	12	5	12			12	10	8		7
2.5	6.0	4.4	0.3	0.4	0.0		5.9	6.7	6.0	6.2	4.3	5.6
		8.1	9.4	9.2					7.5			
	8.0	10.0	0.0					2.0	2.0	2.0		
	5.0	4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
	6.3	6.6	4.9	6.5	5.0			5.6	5.6	6.1		6.3
	7	3	15	5	13			11	11	9		7

Table 2, continued: Area 1. Size of Government: Expenditures, Taxes, and Enterprises

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2004</b>									
A. General government consumption spending	4.0	2.9	8.0	2.8	7.3		5.7	1.6	7.3
B. Transfers and subsidies as a percentage of GDP	8.4	9.5			8.3		8.6	7.9	9.0
C. Government enterprises and investment	2.0	4.0			0.0		2.0	7.0	
D. Top marginal tax rate		10.0			7.0		7.0	10.0	10.0
<b>Area 1 Score</b>	4.8	6.6			5.6		5.8	6.6	8.8
<b>Area 1 Rank</b>	15	2			10		8	2	1
<b>2003</b>									
A. General government consumption spending	3.9	3.0	7.8	2.6	7.4		5.0	1.5	6.9
B. Transfers and subsidies as a percentage of GDP	8.4	8.9			8.4		9.2	7.7	9.2
C. Government enterprises and investment	2.0	4.0			0.0		2.0	7.0	
D. Top marginal tax rate		10.0			7.0		7.0	10.0	10.0
<b>Area 1 Score</b>	4.7	6.5			5.7		5.8	6.5	8.7
<b>Area 1 Rank</b>	15	2			8		7	2	1
<b>2002</b>									
A. General government consumption spending	4.1	3.3	6.9	3.0	7.5		5.1	1.8	6.7
B. Transfers and subsidies as a percentage of GDP	6.9	9.8			8.4		9.3	6.9	9.5
C. Government enterprises and investment	2.0	4.0			0.0		2.0	7.0	
D. Top marginal tax rate		10.0			7.0		7.0	10.0	10.0
<b>Area 1 Score</b>	4.3	6.8			5.7		5.9	6.4	8.7
<b>Area 1 Rank</b>	15	2			9		8	3	1

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
3.8	5.5	4.5	0.6	0.0	0.0		7.5	6.0	6.0	5.8	4.6	5.6
		7.7	9.4	9.2					7.6			
	8.0	10.0	0.0					2.0	2.0	0.0		
	5.0	4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
	6.2	6.6	5.0	6.4	5.0			5.3	5.7	5.3		6.3
	7	2	13	5	13			11	9	11		6
3.9	3.3	4.7	0.7	0.0	0.0		8.0	6.4	5.9	5.1	5.1	5.6
		8.0	9.4	9.2					7.6			
	8.0	8.0	0.0					0.0	2.0	0.0		
	5.0	4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
	5.4	6.2	5.0	6.4	5.0			4.8	5.6	5.0		6.3
	10	6	11	4	11			14	9	11		5
5.1	5.3	4.7	0.0	0.0	0.0		8.3	6.7	5.8	5.1	4.8	5.7
		7.7	9.4	9.2					7.6			
	8.0	8.0	0.0					0.0	2.0	0.0		
	5.0	4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
	6.1	6.1	4.9	6.4	5.0			4.9	5.6	5.0		6.3
	6	6	13	3	11			13	10	11		5

**Table 3: Area 2. Commercial and Economic Law and Security of Property Rights**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2008</b>									
A. Military interference in rule of law & political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	5.0	8.3			5.8	2.5	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	8.7	8.6	7.7	8.6	8.1
<i>i. Number of procedures</i>	3.5	9.5	8.0	7.0	7.0	8.0	6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5	9.7	9.8	9.6	9.3	9.9	9.8	9.4	9.7
<i>iii. Cost (% of property value)</i>	7.6	9.7	3.2	5.7	9.7	7.9	6.7	9.9	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	2.5	2.3	3.4	4.1	3.6	1.6	4.3	1.8	4.8
<i>ii. Time (days)</i>	6.1	6.1	7.1	1.7	3.3	7.0	5.7	6.6	5.5
<i>iii. Cost (% of debt)</i>	9.3	9.6	6.2	8.7	9.1	8.8	8.8	9.6	8.9
<b>Area 2 Score</b>	5.7	7.2	6.3	6.1	6.2	4.2	7.2	7.8	6.1
<b>Area 2 Rank</b>	18	10	13	15	14	21	10	3	15
<b>2007</b>									
A. Military interference in rule of law & political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	5.0	8.3			5.8	2.5	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	8.2	8.6	7.7	8.6	8.1
<i>i. Number of procedures</i>	3.5	9.5	8.0	7.0	7.0	8.0	6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5	9.7	9.8	9.6	8.0	9.9	9.8	9.4	9.7
<i>iii. Cost (% of property value)</i>	7.6	9.7	3.2	5.7	9.7	8.0	6.7	9.9	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	2.5	2.3	3.4	4.1	3.6	1.6	4.3	1.8	4.8
<i>ii. Time (days)</i>	6.1	6.1	7.1	1.7	3.3	7.0	5.7	6.6	5.5
<i>iii. Cost (% of debt)</i>	9.3	9.6	6.2	8.7	9.1	8.8	8.8	9.6	8.9
<b>Area 2 Score</b>	5.7	7.2	6.3	6.1	6.1		7.2	7.8	6.1
<b>Area 2 Rank</b>	17	9	12	13	13		9	3	13

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
	8.8	8.1	9.5	8.4	9.8		8.8	6.4	8.7	9.4	8.7	8.7
	8.5	6.5	9.5	5.5	9.5		7.5	8.5	8.5	9.0	7.0	7.5
	9.5	9.5	9.8	9.8	10.0		9.9	9.8	9.6	9.9	9.4	9.8
	8.3	8.4	9.0	9.9	10.0		9.0	0.8	8.0	9.4	9.7	8.8
	6.7	6.5	5.9	6.4	6.1		5.1	4.7	6.7	5.7	6.0	7.1
	2.7	4.1	1.6	3.4	3.2		1.1	0.7	4.3	1.8	3.2	4.8
	8.1	6.3	6.4	6.6	6.1		4.8	4.3	6.6	6.3	5.6	7.0
	9.2	9.1	9.6	9.3	9.0		9.4	8.9	9.3	9.1	9.3	9.5
5.8	7.7	7.4	8.0	7.5	8.2	1.3	4.5	5.7	7.6	7.5	7.4	6.4
17	4	8	2	6	1	22	20	18	5	6	8	12

5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
	8.8	8.1	9.5	8.4	9.5		8.8	6.3	8.7	9.4	8.6	8.7
	8.5	6.5	9.5	5.5	8.5		7.5	8.5	8.5	9.0	7.0	7.5
	9.5	9.5	9.8	9.8	10.0		9.9	9.7	9.6	9.9	9.3	9.8
	8.3	8.4	9.0	9.9	10.0		9.0	0.8	8.0	9.4	9.6	8.7
	6.6	6.5	5.9	6.4	6.1		5.1	4.7	6.7	5.7	6.0	7.1
	2.7	4.1	1.6	3.4	3.2		1.1	0.7	4.3	1.8	3.2	4.8
	7.8	6.3	6.4	6.6	6.1		4.8	4.3	6.6	6.3	5.6	7.0
	9.2	9.1	9.6	9.3	9.0		9.4	8.9	9.3	9.1	9.3	9.5
5.8	7.7	7.4	8.0	7.5	8.1	1.3	4.5	5.7	7.6	7.5		6.4
16	4	8	2	6	1	20	19	17	5	6		11

Table 3, continued: Area 2. Commercial and Economic Law and Security of Property Rights

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2006</b>									
A. Military interference in rule of law & political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	7.6	8.6	7.7	8.6	8.1
<i>i. Number of procedures</i>	3.5				7.0	8.0	6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5				8.0	9.9	9.8	9.2	9.7
<i>iii. Cost (% of property value)</i>	7.6				7.8	7.8	6.7	9.8	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	2.5				3.6	1.6	4.3	1.8	4.8
<i>ii. Time (days)</i>	6.1				3.3	7.0	5.7	6.6	5.5
<i>iii. Cost (% of debt)</i>	9.3				9.1	8.8	8.8	9.6	8.9
<b>Area 2 Score</b>	5.7	7.2	6.3	6.1	6.2		7.2	7.8	6.1
<b>Area 2 Rank</b>	17	9	12	14	13		9	3	14
<b>2005</b>									
A. Military interference in rule of law & political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	7.6	8.6	7.7	8.5	8.1
<i>i. Number of procedures</i>	3.5				7.0		6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5				8.0		9.8	9.2	9.7
<i>iii. Cost (% of property value)</i>	7.6				7.8		6.7	9.8	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	2.5				3.6		4.3	1.8	4.8
<i>ii. Time (days)</i>	6.1				3.3		5.7	6.6	5.5
<i>iii. Cost (% of debt)</i>	9.3				9.1		8.8	9.6	8.9
<b>Area 2 Score</b>	5.7	7.2	6.3	6.1	6.2		7.2	7.8	6.1
<b>Area 2 Rank</b>	17	9	12	14	13		9	3	14

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
	8.8	8.7	9.5	8.4	9.5		8.8	6.4	8.7	9.4	8.6	8.7
	8.5	8.0	9.5		8.5		7.5	8.5	8.5	9.0	7.0	7.5
	9.5	9.5	9.8		10.0		9.9	9.7	9.5	9.9	9.3	9.8
	7.8	7.7	9.0		10.0		8.8	0.0	8.0	9.4	9.6	8.7
	6.5	6.5	5.9	6.4	6.1		5.1	4.7	6.7	5.7	6.0	7.1
	2.5	4.1	1.6		3.2		0.9	0.7	4.3	1.8	3.2	4.8
	7.8	6.3	6.4		6.1		4.8	4.3	6.6	6.3	5.6	7.0
	9.2	9.1	9.6		9.0		9.4	8.9	9.3	9.1	9.3	9.5
5.8	7.6	7.5	8.0	7.5	8.1	1.3	4.5	5.7	7.6	7.5		6.4
16	4	6	2	6	1	20	19	17	4	6		11

5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
	8.6	8.4	9.5	8.4	9.5		8.8	6.1	8.7	9.4	8.6	8.7
	8.5	8.0	9.5		8.5			8.5	8.5	9.0		7.5
	9.5	9.5	9.8		10.0			9.7	9.5	9.9		9.8
	7.8	7.9	9.0		10.0			0.0	8.0	9.3		8.7
	6.5	6.5	5.9	6.4	6.1		5.0	4.7	6.7	5.7	6.0	7.1
	2.5	4.1	1.6		3.2			0.7	4.3	1.8		4.8
	7.8	6.3	6.4		6.1			4.3	6.6	6.3		7.0
	9.2	9.1	9.6		9.0			8.9	9.3	9.1		9.5
5.8	7.6	7.5	8.0	7.5	8.1	1.3	4.5	5.6	7.6	7.5		6.4
16	4	6	2	6	1	20	19	18	4	6		11

Table 3, continued: Area 2. Commercial and Economic Law and Security of Property Rights

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2004</b>									
A. Military interference in rule of law 7 political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	7.6	8.6	7.7	8.5	8.1
<i>i. Number of procedures</i>	3.0		8.0	7.0	7.0	8.0	6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5		9.8	9.5	8.0	9.9	9.8	9.4	9.7
<i>iii. Cost (% of property value)</i>	7.6		3.2	5.6	8.1	7.9	6.7	9.9	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	2.5				3.6		4.3	1.8	4.8
<i>ii. Time (days)</i>	6.1				3.3		5.7	6.6	5.5
<i>iii. Cost (% of debt)</i>	9.3				9.1		8.8	9.6	8.9
<b>Area 2 Score</b>	5.7	7.2	6.3	6.1	6.2		7.2	7.8	6.1
<b>Area 2 Rank</b>	17	9	12	14	13		9	3	14
<b>2003</b>									
A. Military interference in rule of law 7 political process	0.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	3.3	8.3			6.7	3.3	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	7.6	8.6	7.7	8.5	8.1
<i>i. Number of procedures</i>	2.5				7.0		6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5				8.0		9.8	9.2	9.7
<i>iii. Cost (% of property value)</i>	7.1				8.0		6.7	9.8	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	1.9				0.6		3.2	1.3	4.0
<i>ii. Time (days)</i>	7.3				7.3		7.8	7.5	5.2
<i>iii. Cost (% of debt)</i>	9.0				9.4		9.8	9.6	9.1
<b>Area 2 Score</b>	4.0	7.2	6.3	6.1	6.2		7.2	7.8	6.1
<b>Area 2 Rank</b>	19	9	12	14	13		9	3	14



Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
	8.6	8.5	9.5	8.4	9.5		8.8	6.1	8.7	9.4	8.6	8.7
	8.5	8.5	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
	9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
	8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
	6.5	6.5	5.9	6.4	6.1		5.0	4.7	6.7	5.7	6.0	7.1
	2.5	4.1	1.6		3.2			0.7	4.3	1.8		4.8
	7.8	6.3	6.4		6.1			4.3	6.6	6.3		7.0
	9.2	9.1	9.6		9.0			8.9	9.3	9.1		9.5
5.8	7.6	7.5	8.0	7.5	8.1	1.3	4.5	5.6	7.6	7.5		6.4
16	4	6	2	6	1	20	19	18	4	6		11

5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		8.3	8.3	8.3	8.3	3.3	5.0	8.3	8.3	6.7		3.3
	8.6	8.5	9.5	8.4	9.5		8.8	6.1	8.7	9.4	8.6	8.7
	8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
	9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
	7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7
	6.5	6.5	5.9	6.4	6.1		5.0	4.7	6.7	5.7	6.0	7.1
	6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
	7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
	9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
5.8	7.6	7.5	8.0	7.5	8.1	2.5	4.7	5.6	7.6	7.5		6.4
16	4	6	2	6	1	20	18	17	4	6		11

Table 3, continued: Area 2. Commercial and Economic Law and Security of Property Rights

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2002</b>									
A. Military interference in rule of law & political process	0.0	5.0			5.0	0.0	8.3	8.3	3.3
B. Integrity of the legal system	3.3	8.3			6.7	3.3	6.7	8.3	6.7
C. Regulatory restrictions on the sale of real property	6.8	9.6	7.0	7.4	7.6	8.6	7.7	8.5	8.1
<i>i. Number of procedures</i>	2.5				7.0		6.5	6.5	6.5
<i>ii. Time (days)</i>	9.5				8.0		9.8	9.2	9.7
<i>iii. Cost (% of property value)</i>	7.1				8.0		6.7	9.8	8.1
D. Legal enforcement of contracts	6.0	6.0	5.6	4.8	5.3	5.8	6.3	6.0	6.4
<i>i. Number of procedures</i>	1.9				0.6		3.2	1.3	4.0
<i>ii. Time (days)</i>	7.3				7.3		7.8	7.5	5.2
<i>iii. Cost (% of debt)</i>	9.0				9.4		9.8	9.6	9.1
<b>Area 2 Score</b>	4.0	7.2	6.3	6.1	6.2		7.2	7.8	6.1
<b>Area 2 Rank</b>	19	9	12	14	13		9	4	14

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
6.7		10.0	8.3	8.3	8.3	3.3	5.0	8.3	8.3	6.7		3.3
	8.6	8.5	9.5	8.4	9.5		8.8	6.1	8.7	9.4	8.6	8.7
	8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
	9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
	7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7
	6.5	6.5	5.9	6.4	6.1		5.0	4.7	6.7	5.7	6.0	7.1
	6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
	7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
	9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
5.8	7.6	7.9	8.0	7.5	8.1	2.5	4.7	5.6	7.6	7.5		6.4
16	5	3	2	7	1	20	18	17	5	7		11

**Table 4: Area 3. Access to Sound Money**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2008</b>									
A. Money growth	5.6	7.5	8.7	7.8	8.2		8.4	9.0	9.0
B. Standard deviation of inflation	9.6	9.8	9.5	8.5	8.0	1.6	8.1	8.6	8.3
C. Inflation: Most recent year	9.1	9.3	8.7	7.6	6.3	9.5	7.0	7.9	7.8
D. Freedom to own foreign currency bank accounts	0	10	0	10	10	5	10	10	10
<b>Area 3 Score</b>	6.1	9.1	6.7	8.5	8.1	5.4	8.4	8.9	8.8
<b>Area 3 Rank</b>	16	1	14	5	8	20	6	2	3
<b>2007</b>									
A. Money growth	5.8	7.2	9.2	7.7	7.8		7.9	7.9	9.2
B. Standard deviation of inflation	9.7	9.8	9.7	9.6	8.8	3.5	9.3	9.2	9.0
C. Inflation: Most recent year	9.3	9.3	9.1	9.0	8.1	3.8	8.9	8.9	9.2
D. Freedom to own foreign currency bank accounts	0	10	0	10	10	5	10	10	10
<b>Area 3 Score</b>	6.2	9.1	7	9.1	8.7		9	9	9.4
<b>Area 3 Rank</b>	17	2	12	2	9		5	5	1
<b>2006</b>									
A. Money growth	6.6	7.4	9.4	7.4	8.2		7.7	7.9	9.0
B. Standard deviation of inflation	9.7	9.5	9.8	9.5	8.7	3.0	9.3	9.4	9.1
C. Inflation: Most recent year	9.5	9.6	9.3	9.3	8.5	0.0	8.7	9.4	8.9
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0	10.0	10.0
<b>Area 3 Score</b>	6.4	9.1	7.1	9.1	8.8		8.9	9.2	9.2
<b>Area 3 Rank</b>	15	5	12	5	9		7	3	3
<b>2005</b>									
A. Money growth	7.5	7.2	8.2	7.9	8.7		7.9	7.1	9.6
B. Standard deviation of inflation	9.5	9.3	9.6	9.5	8.6	3.0	9.6	9.5	9.1
C. Inflation: Most recent year	9.7	9.5	9.4	9.4	9.0	2.6	9.3	9.2	9.9
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0	10.0	10.0
<b>Area 3 Score</b>	6.7	9.0	6.8	9.2	9.1		9.2	8.9	9.6
<b>Area 3 Rank</b>	17	7	16	3	5		3	9	1

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
4.6		8.2	7.1	5.3	7.9		6.5	9.5	8.5	5.3	8.3	7.9
8.1	9.0	9.5	8.2	8.6	8.4		8.9	8.1	9.5	8.8	8.2	8.4
7.9	8.5	9.2	7.6	7.0	8.0		7.1	6.9	9.0	7.7	7.3	6.2
0	0	0	10	10	10	10	0	0	0	10		10
5.2	5.8	6.7	8.2	7.7	8.6		5.6	6.1	6.8	8	7.9	8.1
21	18	14	7	12	4		19	16	13	10	11	8
6.5	8.2	8.1	8.3		7.9		6.0	9.0	8.8	4.9	8.3	7.8
8.1	8.8	9.6	9.1	8.2	9.4		9.8	9.0	9.6	8.7	9.7	9.3
8.7	8.5	9.6	8.8	7.2	9.2		8.4	9.2	9.4	7.8	9.5	8.4
0	0	0	10	10	10	0	0	0	0	10		10
5.8	6.4	6.8	9	8.5	9.1		6	6.8	6.9	7.9		8.9
19	16	14	5	10	2		18	14	13	11		8
6.5	8.2	8.4	8.3		8.3		5.1	8.6	9.3	6.2	8.3	8.0
8.1	8.6	9.6	9.4	8.1	9.7		9.8	8.5	9.6	9.0	9.6	9.7
9.7	8.8	9.3	9.4	7.6	9.6		8.6	8.0	9.1	8.1	9.2	7.8
0.0	0.0	0.0	10.0	10.0	10.0	0.0	0.0	0.0	0.0	10.0		10.0
6.1	6.4	6.8	9.3	8.6	9.4		5.9	6.3	7.0	8.3		8.9
18	15	14	2	10	1		19	17	13	11		7
6.5	8.2	8.6	7.2		8.3		5.6	7.9	9.5	6.1	8.3	8.5
7.9	8.5	9.7	9.6	8.5	9.7		9.4	8.9	9.7	8.7	9.3	9.7
9.5	7.6	9.8	9.6	8.2	9.9		8.3	8.6	9.6	8.8	9.3	7.6
0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	0.0	0.0	10.0		10.0
6.0	7.3	7.0	9.1	8.9	9.5		7.1	6.3	7.2	8.4		9.0
19	12	15	5	9	2		14	18	13	11		7

Table 4, continued: Area 3. Access to Sound Money

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2004</b>									
A. Money growth	7.0	7.9	7.1	8.1	9.3		8.4	7.5	9.4
B. Standard deviation of inflation	9.4	9.4	9.6	9.5	8.5	3.0	9.6	9.7	9.1
C. Inflation: Most recent year	9.3	9.5	9.1	9.4	7.7	8.4	9.3	9.8	9.7
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0	10.0	10.0
<b>Area 3 Score</b>	6.4	9.2	6.5	9.3	8.9		9.3	9.3	9.5
<b>Area 3 Rank</b>	17	7	16	3	9		3	3	1
<b>2003</b>									
A. Money growth	7.8	7.3	6.1	8.3	8.9		8.4	7.3	9.3
B. Standard deviation of inflation	9.4	9.5	9.2	9.5	9.7	3.0	9.8	9.6	9.1
C. Inflation: Most recent year	9.5	9.7	9.3	9.6	9.1	2.8	9.7	9.8	9.7
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	10.0
<b>Area 3 Score</b>	6.7	9.1	6.2	9.4	9.4		9.5	9.2	9.5
<b>Area 3 Rank</b>	16	9	17	6	6		2	8	2
<b>2002</b>									
A. Money growth	7.3	8.3	6.3	9.3	9.0		9.4	9.1	9.5
B. Standard deviation of inflation	9.2	9.8	9.2	9.5	9.8	3.0	9.6	9.5	9.1
C. Inflation: Most recent year	9.7	9.9	9.3	9.9	9.5	6.1	9.6	9.8	9.6
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	10.0
<b>Area 3 Score</b>	6.6	9.5	6.2	9.7	9.5		9.7	9.6	9.6
<b>Area 3 Rank</b>	16	8	18	2	8		2	4	4

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
6.5	8.2	8.6	7.9		8.3		5.3	7.8	9.6	6.8	7.9	8.4
8.5	8.9	9.7	9.6	9.0	9.7		9.4	8.5	9.8	9.0	9.3	8.7
9.6	7.9	9.7	9.8	8.6	9.9		8.3	9.1	9.3	9.0	9.4	7.5
0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	0.0	0.0	10.0		10.0
6.1	7.5	7.0	9.3	9.2	9.5		7.0	6.3	7.2	8.7		8.6
19	12	14	3	7	1		14	18	13	10		11
6.5	8.2	8.7	8.4		8.5		5.3	7.2	9.3	7.9	7.9	8.2
7.9	9.7	9.6	9.6	9.7	9.6		8.3	8.3	9.9	9.0	9.2	8.7
9.6	9.0	9.8	10.0	9.5	9.9		8.5	8.8	9.5	9.4	9.1	7.8
0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	0.0	0.0	10.0		10.0
6.0	8.0	7.0	9.5	9.7	9.5		6.8	6.1	7.2	9.1		8.7
19	12	14	2	1	2		15	18	13	9		11
6.5	8.5	8.6	9.0		8.8		5.3	8.0	9.2	8.2	7.9	8.5
7.5	9.2	9.6	9.6	9.6	9.7		7.8	8.9	9.8	9.0	9.2	8.6
8.0	9.2	9.4	9.9	10.0	10.0		8.3	10.0	9.5	9.4	8.9	7.6
0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	5.0	0.0	10.0		10.0
5.5	8.0	6.9	9.6	9.9	9.6		6.6	8.0	7.1	9.2		8.7
19	12	15	4	1	4		16	12	14	10		11

**Table 5: Area 4. Freedom to Trade Internationally**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2008</b>									
A. Taxes on international trade	7.0	8.3		4.0	4.9		7.0	8.9	8.8
<i>i. Revenue from trade taxes (% of trade sector)</i>	8.5	9.5			8.5		9.1	9.6	8.8
<i>ii. Mean tariff rate</i>	6.8	9.2		4.0	6.2		7.9	9.1	8.9
<i>iii. Standard deviation of tariff rates</i>	5.8	6.1			0.0		4.2	7.9	
B. Black-market exchange rates	7.5	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Capital controls	0.8	6.9	2.5	5.4	6.2	6.9	6.9	4.2	1.5
<b>Area 4 Score</b>	5.1	8.4	6.3	6.4	7		8	7.7	6.8
<b>Area 4 Rank</b>	17	2	14	12	8		4	7	11
<b>2007</b>									
A. Taxes on international trade	7.1	8.7		4.0	4.9		6.8	9.3	8.7
<i>i. Revenue from trade taxes (% of trade sector)</i>	8.6	9.5			8.6		8.6	9.6	8.6
<i>ii. Mean tariff rate</i>	6.8	9.2		4.0	6.2		7.9	9.1	8.9
<i>iii. Standard deviation of tariff rates</i>	5.8	7.3			0.0		4.0	9.2	
B. Black-market exchange rates	8.2	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Capital controls	2.3	6.2	1.8	5.4	6.7	7.7	6.9	4.6	1.5
<b>Area 4 Score</b>	5.8	8.3	5.9	6.4	7.2		7.9	8.0	6.8
<b>Area 4 Rank</b>	17	3	16	14	9		7	5	11
<b>2006</b>									
A. Taxes on international trade	7.1	8.7		4.0	4.8		6.7	8.9	8.7
<i>i. Revenue from trade taxes (% of trade sector)</i>	8.7	9.6			8.3		8.4	9.6	8.6
<i>ii. Mean tariff rate</i>	6.8	9.1		4.0	6.2		7.8	9.1	8.8
<i>iii. Standard deviation of tariff rates</i>	5.8	7.3			0.0		3.9	7.9	
B. Black-market exchange rates	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Capital controls	2.3	6.2	1.0	5.4	6.7	7.7	6.9	4.6	1.5
<b>Area 4 Score</b>	6.1	8.3	5.5	6.4	7.2		7.9	7.8	6.7
<b>Area 4 Rank</b>	16	3	17	14	9		5	7	11



Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
10.0	7.3	5.8	7.2	9.1	9.2		6.6	4.5	5.9	7.8		8.7
		8.4		9.0					9.0			
10.0	7.5	7.3	9.2	9.2	9.2		6.6	7.1	5.4	9.2		8.7
	7.2	1.7	5.1					1.9	3.4	6.4		
10.0	10.0	10.0	10.0	10.0	10.0	0.0	10.0	10.0	8.2	10.0		10.0
1.0	1.0	0.0	6.7	5.4	1.5	8.9	2.5	0.8	0.8	5.8		7.5
7	6.1	5.3	7.9	8.2	6.9	4.4	6.4	5.1	4.9	7.9		8.7
8	15	16	5	3	10	20	12	17	19	5		1

10.0	7.3	5.5	7.6	9.1	9.2		6.6	4.5	4.8	8.0		8.7
		8.0		9.0					8.9			
10.0	7.5	7.3	9.2	9.2	9.2		6.6	7.1	5.4	9.2		8.7
	7.2	1.1	5.9					1.9	0.0	6.8		
10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.5	10.0		10.0
3.1	1.5	0.8	6.9	6.2	1.5	3.1	3.1	1.7	0.8	6.2		7.7
7.7	6.3	5.4	8.2	8.4	6.9	6.5	6.6	5.4	5.0	8.0		8.8
8	15	18	4	2	10	13	12	18	20	5		1

10.0	7.4	5.1	6.8	9.2	9.2		6.6	4.5	4.7	8.3		8.7
		7.8		9.2					8.8			
10.0	7.7	6.9	9.2	9.2	9.2		6.6	7.1	5.4	9.1		8.7
	7.1	0.6	4.4					1.9	0.0	7.6		
10.0	10.0	8.7	10.0	10.0	10.0	10.0	10.0	9.5	9.2	10.0		10.0
3.1	1.5	0.8	6.9	6.2	1.5	3.1	3.1	1.7	0.8	6.2		7.7
7.7	6.3	4.9	7.9	8.4	6.9	6.5	6.6	5.2	4.9	8.2		8.8
8	15	19	5	2	10	13	12	18	19	4		1

Table 5, continued: Area 4. Freedom to Trade Internationally

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2005</b>									
A. Taxes on international trade	7.0	8.7		3.8	4.9		6.5	8.8	8.5
<i>i. Revenue from trade taxes (% of trade sector)</i>	8.2	9.6			8.5		8.2	9.5	8.5
<i>ii. Mean tariff rate</i>	6.8	9.1		3.8	6.2		7.5	9.1	8.6
<i>iii. Standard deviation of tariff rates</i>	5.8	7.3			0.0		3.9	7.9	
B. Black-market exchange rates	8.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Capital controls	0.9	6.2	3.1	5.4	6.2	0.0	7.7	4.6	1.5
<b>Area 4 Score</b>	5.3	8.3	6.5	6.4	7.0		8.1	7.8	6.7
<b>Area 4 Rank</b>	15	3	11	12	8		5	6	10
<b>2004</b>									
A. Taxes on international trade	6.1	8.6		3.8	4.7		6.3	8.9	8.4
<i>i. Revenue from trade taxes (% of trade sector)</i>	7.7	9.5			7.8		8.1	9.4	8.3
<i>ii. Mean tariff rate</i>	6.4	9.1		3.8	6.2		7.1	9.3	8.6
<i>iii. Standard deviation of tariff rates</i>	4.3	7.3			0.0		3.8	7.9	
B. Black-market exchange rates	8.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
C. Capital controls	0.8	5.4	3.1	5.4	5.4	0.0	7.7	4.6	2.3
<b>Area 4 Score</b>	5.0	8.0	6.5	6.4	6.7		8.0	7.8	6.9
<b>Area 4 Rank</b>	18	5	11	12	10		5	7	9
<b>2003</b>									
A. Taxes on international trade	5.9	8.6		3.8	4.5		6.3	8.9	8.3
<i>i. Revenue from trade taxes (% of trade sector)</i>	7.1	9.4			7.2		8.0	9.5	8.1
<i>ii. Mean tariff rate</i>	6.4	9.1		3.8	6.2		7.1	9.3	8.6
<i>iii. Standard deviation of tariff rates</i>	4.3	7.3			0.0		3.8	7.9	
B. Black-market exchange rates	8.1	10.0	10.0	10.0	5.5	10.0	10.0	10.0	10.0
C. Capital controls	0.8	6.9	3.1	5.4	5.4	0.9	7.7	4.6	3.8
<b>Area 4 Score</b>	4.9	8.5	6.5	6.4	5.1		8.0	7.8	7.4
<b>Area 4 Rank</b>	16	2	10	11	14		6	7	8

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
6.0	7.4	4.7	6.8	9.2	9.2		5.8	4.5	5.3	8.3		8.7
		7.5		9.3					8.7			
6.0	7.7	6.1	9.2	9.2	9.2		5.8	7.1	7.3	9.0		8.7
	7.1	0.6	4.4					1.9	0.0	7.6		
10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
0.0	0.8	0.8	6.7	7.7	1.5	0.0	1.8	1.0	0.8	6.2		7.7
5.3	6.1	5.0	7.8	9.0	6.9	5.0	5.9	5.2	5.1	8.2		8.8
15	13	19	6	1	9	19	14	17	18	4		2

6.0	7.4	4.4	8.9	9.2	8.7		5.8	4.5	6.1	8.3		8.7
		7.1		9.2					8.5			
6.0	7.7	4.3	8.4	9.2	8.7		5.8	7.1	4.9	9.0		8.7
	7.1	1.8	9.5					1.9	5.0	7.6		
10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
0.0	0.8	0.8	6.7	7.7	2.3	0.0	1.8	1.0	0.8	6.2		6.9
5.3	6.1	4.9	8.5	9.0	7.0	5.0	5.9	5.2	5.4	8.2		8.5
16	13	20	2	1	8	18	14	17	15	4		2

6.0	7.4	4.4	8.9	9.2	8.7		5.8	4.5	6.1	8.3		8.7
		7.0		9.2					8.4			
6.0	7.7	4.3	8.4	9.2	8.7		5.8	7.1	4.9	9.0		8.7
	7.1	1.8	9.5					1.9	5.0	7.6		
5.8	10.0	7.9	10.0	10.0	10.0	10.0	10.0	5.3	7.8	10.0		10.0
0.0	0.8	1.5	6.7	7.7	2.3	0.0	1.8	0.0	0.8	6.2		6.9
3.9	6.1	4.6	8.5	9.0	7.0	5.0	5.9	3.3	4.9	8.2		8.5
19	12	18	2	1	9	15	13	20	16	5		2

Table 5, continued: Area 4. Freedom to Trade Internationally

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2002</b>									
A. Taxes on international trade	5.2	8.6		3.8	4.4		6.2	8.9	7.9
<i>i. Revenue from trade taxes (% of trade sector)</i>	5.0	9.3			6.9		7.8	9.4	7.3
<i>ii. Mean tariff rate</i>	6.4	9.1		3.8	6.2		7.1	9.3	8.6
<i>iii. Standard deviation of tariff rates</i>	4.3	7.3			0.0		3.8	7.9	
B. Black-market exchange rates	8.1	10.0	10.0	10.0	5.5	10.0	10.0	10.0	10.0
C. Capital controls	0.8	6.9	3.1	5.4	5.4	0.9	7.7	4.6	3.8
<b>Area 4 Score</b>	4.7	8.5	6.5	6.4	5.1		8.0	7.8	7.3
<b>Area 4 Rank</b>	17	2	10	11	14		6	7	8

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
6.0	7.4	4.2	8.9	9.2	8.7		5.8	4.5	6.0	8.3		8.7
		6.6		9.2					8.1			
6.0	7.7	4.3	8.4	9.2	8.7		5.8	7.1	4.9	9.0		8.7
	7.1	1.8	9.5					1.9	5.0	7.6		
5.8	10.0	7.9	10.0	10.0	10.0	10.0	10.0	5.3	7.8	10.0		10.0
0.0	0.8	1.5	6.7	7.7	2.3	0.0	1.8	0.0	0.8	6.2		6.9
3.9	6.1	4.6	8.5	9.0	7.0	5.0	5.9	3.3	4.9	8.2		8.5
19	12	18	2	1	9	15	13	20	16	5		2

**Table 6: Area 5. Regulation of Credit, Labor, and Business**

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2008</b>									
<b>A. Credit Market Regulations</b>	5.3	8.3	5.8	5.2	5.7	5.3	6.4	7.1	8.7
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	8.0			6.0		3.0	3.0	9.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0	10.0	9.0	9.0	9.0	9.0	10.0	10.0
<i>iv. Getting Credit</i>	3.2	5.3	1.5	1.3	5.7	1.5	3.7	5.3	5.7
a. Legal Rights Index	3.0	4.0	3.0	1.0	3.0	3.0	4.0	4.0	3.0
b. Credit Information Index	3.3	6.7	0.0	1.7	8.3	0.0	3.3	6.7	8.3
<b>B. Labour Market Regulations</b>	5.2	9.2	7.5	7.7	4.8	8.5	8.7	8.6	8.3
<i>i. Rigidity of Employment Index</i>	5.2	7.7	5.4	5.4	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	5.6	10.0	6.1	3.3	10.0	6.7	8.9	10.0	5.6
b. Rigidity of Hours Index	4.0	8.0	4.0	6.0	8.0	4.0	8.0	6.0	10.0
c. Difficulty of Firing Index	6.0	5.0	6.0	7.0	4.0	8.0	4.0	10.0	7.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.3	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	10.0	10.0	10.0	10.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	7.2	7.3	7.2	7.3	7.2
<i>i. Starting a business</i>	7.9	9.1	7.7	7.4	9.3	7.3	8.5	7.9	9.2
a. Number of procedures	2.9	7.1	4.7	4.7	7.6	4.7	5.3	3.5	8.2
b. Duration (days)	8.9	9.7	9.0	8.3	9.8	6.3	9.4	8.4	9.6
c. Cost (% of income per capita)	9.9	10.0	7.7	7.6	9.8	8.2	9.3	10.0	9.0
d. Minimum capital (% of income per capita)	9.9	9.6	9.5	9.0	10.0	9.9	10.0	9.8	9.9
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		5.9	6.6	5.2
a. Time (years)	7.8	7.8		5.2	6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.2	8.8		7.7	7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	4.5	6.8	0.0	1.7	1.8	0.0	2.9	3.7	2.1
<b>Area 5 Score</b>	6.0	8.7	7.0	6.3	5.9	7.0	7.5	7.7	8.0
<b>Area 5 Rank</b>	16	1	10	15	17	10	6	5	3

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	6.0	7.2	5.7	7.7		4.5	4.8	6.2	6.4	5.8	5.5
		8.0	10.0	5.0	8.0		8.0		5.0	5.0		
		3.0	6.0		8.0		3.0		8.0	8.0		
10.0	9.0	10.0	9.0	9.0				9.0			9.0	10.0
	2.3	3.2	3.7	3.2	7.0		2.5	0.5	5.7	6.2	2.5	1.0
	3.0	3.0	4.0	3.0	4.0		5.0	1.0	3.0	4.0	0.0	2.0
	1.7	3.3	3.3	3.3	10.0		0.0	0.0	8.3	8.3	5.0	0.0
	5.4	5.8	8.9	8.5	8.6		5.0	5.3	5.9	8.5	8.6	6.1
	5.5	3.7	7.6	7.3	8.7		6.4	6.6	5.1	8.7	6.9	6.7
	4.4	0.0	6.7	10.0	10.0		6.1	8.9	7.2	10.0	6.7	10.0
	6.0	6.0	6.0	4.0	6.0		8.0	6.0	6.0	6.0	6.0	4.0
	6.0	5.0	10.0	8.0	10.0		5.0	5.0	2.0	10.0	8.0	6.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	7.6	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	0.0	0.0	3.0	10.0	10.0	0.0
	6.2	8.0	7.7	8.0	7.9		8.2	6.4	8.3	6.4	7.9	7.7
	8.5	9.2	8.9	9.3	9.1		8.2	6.7	8.7	8.7	7.9	8.8
	5.9	7.6	7.1	7.6	7.1		5.3	6.5	5.3	6.5	4.7	7.1
	9.2	9.5	9.4	9.8	9.5		8.2	9.3	9.6	9.3	7.7	9.5
	9.6	9.9	10.0	9.9	9.8		9.4	9.8	9.9	9.8	9.2	8.9
	9.2	9.9	9.1	9.9	10.0		10.0	1.5	10.0	9.4	9.9	10.0
	3.9	6.7	6.5	6.8	6.7			6.1	8.0	4.1		6.5
	2.1	8.5	6.3	7.5	8.9			6.1	9.1	5.1		7.3
	8.9	7.7	9.6	7.2	7.2			8.9	9.2	6.1		9.1
	0.7	3.8	3.8	5.7	4.0		0.0	3.2	5.6	1.1		3.1
	5.8	6.6	7.9	7.4	8.1		5.9	5.5	6.8	7.1	7.4	6.4
	19	13	4	7	2		17	20	12	9	7	14

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2007</b>									
<b>A. Credit Market Regulations</b>	5.3	8.3		5.2	5.7	3.8	6.7	7.1	8.7
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	8.0			6.0		3.0	3.0	9.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	6.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	3.2	5.3	1.5	1.3	4.8	1.5	3.7	5.3	5.7
a. Legal Rights Index	3.0	4.0	3.0	1.0	3.0	3.0	4.0	4.0	3.0
b. Credit Information Index	3.3	6.7	0.0	1.7	6.7	0.0	3.3	6.7	8.3
<b>B. Labour Market Regulations</b>	5.2	9.2	7.5	7.7	4.8	8.5	8.7	8.6	8.3
<i>i. Rigidity of Employment Index</i>	5.2	7.7	5.4	5.4	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	5.6	10.0	6.1	3.3	10.0	6.7	8.9	10.0	5.6
b. Rigidity of Hours Index	4.0	8.0	4.0	6.0	8.0	4.0	8.0	6.0	10.0
c. Difficulty of Firing Index	6.0	5.0	6.0	7.0	4.0	8.0	4.0	10.0	7.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.3	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	10.0	10.0	10.0	10.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	7.0	7.4	7.0	7.2	6.9
<i>i. Starting a business</i>	7.9	9.1	7.7	7.4	9.1	7.4	8.1	7.9	8.6
a. Number of procedures	2.9	7.1	4.7	4.7	7.1	4.7	5.3	3.5	7.6
b. Duration (days)	8.9	9.7	9.0	8.3	9.7	6.3	9.4	8.4	7.8
c. Cost (% of income per capita)	9.8	10.0	7.7	7.5	9.7	8.9	9.2	10.0	8.9
d. Minimum capital (% of income per capita)	9.9	9.5	9.5	9.0	10.0	9.9	8.4	9.8	9.9
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		6.0	6.6	5.2
a. Time (years)	7.8	7.8		5.2	6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.2	8.8		7.7	7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	4.5	6.8	0.0	1.7	1.8	0.0	3.0	3.6	2.1
<b>Area 5 Score</b>	6.0	8.7	7.6	6.3	5.8		7.5	7.7	7.9
<b>Area 5 Rank</b>	13	1	6	12	16		7	5	2



Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	5.8	7.4	5.7	7.7		4.5	5.3	5.7	5.6	6.3	5.5
		8.0	10.0	5.0	8.0		8.0		5.0	5.0		
		3.0	6.0		8.0		3.0		8.0	8.0		
10.0	9.0	10.0	10.0	9.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	7.0		2.5	0.5	4.0	3.7	2.5	1.0
	3.0	3.0	4.0	3.0	4.0		5.0	1.0	3.0	4.0	0.0	2.0
	1.7	1.7	3.3	3.3	10.0		0.0	0.0	5.0	3.3	5.0	0.0
	5.4	5.8	8.9	8.5	8.6		5.0	5.2	5.9	8.5	8.6	6.1
	5.5	3.7	7.6	7.3	8.7		6.4	6.3	5.1	8.7	6.9	6.7
	4.4	0.0	6.7	10.0	10.0		6.1	7.8	7.2	10.0	6.7	10.0
	6.0	6.0	6.0	4.0	6.0		8.0	6.0	6.0	6.0	6.0	4.0
	6.0	5.0	10.0	8.0	10.0		5.0	5.0	2.0	10.0	8.0	6.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	7.6	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	0.0	0.0	3.0	10.0	10.0	0.0
	5.7	8.0	7.3	8.0	7.5		8.2	6.0	8.3	6.4	7.1	6.4
	7.5	9.2	8.1	9.3	9.0		8.2	5.9	8.7	8.7	7.1	6.3
	4.7	7.6	5.3	7.6	7.1		5.3	3.5	5.3	6.5	4.1	4.1
	6.9	9.5	8.4	9.8	9.4		8.2	8.0	9.6	9.3	5.5	7.0
	9.3	9.9	9.9	9.9	9.6		9.3	9.3	9.9	9.7	8.8	7.9
	9.0	9.9	8.9	9.8	10.0		10.0	2.8	10.0	9.4	9.9	6.1
	4.0	6.7	6.6	6.8	6.0			6.1	7.9	4.1		6.5
	2.1	8.5	6.3	7.5	7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6	7.2	7.2			8.9	9.2	6.1		9.1
	0.8	3.8	3.8	5.7	3.2		0.0	3.3	5.6	1.1	0.0	3.1
	5.6	6.5	7.9	7.4	7.9		5.9	5.5	6.6	6.8		6.0
	17	11	2	8	2		15	18	10	9		13

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2006</b>									
<b>A. Credit Market Regulations</b>	5.3	8.3		5.2	5.3	4.3	6.7	6.9	8.7
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	8.0			6.0		3.0	3.0	9.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	7.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	3.2	5.3	1.5	1.3	3.2	1.5	3.7	4.5	5.7
a. Legal Rights Index	3.0		3.0	1.0	3.0	3.0	4.0	4.0	3.0
b. Credit Information Index	1.7				3.3	0.0	3.3	5.0	6.7
<b>B. Labour Market Regulations</b>	5.2	9.2	7.5	7.7	4.8	8.5	8.7	8.6	6.5
<i>i. Rigidity of Employment Index</i>	5.2	7.7	5.4	5.4	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	5.6	10.0	6.1	8.3	10.0	6.7	8.9	10.0	5.6
b. Rigidity of Hours Index	4.0	8.0	4.0	6.0	8.0	4.0	8.0	6.0	10.0
c. Difficulty of Firing Index	6.0	5.0	6.0	7.0	4.0	8.0	4.0	10.0	7.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.3	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	10.0	10.0	10.0	3.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	6.5	7.5	6.9	7.3	6.9
<i>i. Starting a business</i>	7.9	9.1	7.7	7.3	8.1	7.5	7.8	7.9	8.6
a. Number of procedures	2.9				5.3	4.7	4.7	3.5	7.6
b. Duration (days)	8.9				9.0	6.3	9.2	8.4	7.8
c. Cost (% of income per capita)	9.9				8.7	9.5	9.0	10.0	8.7
d. Minimum capital (% of income per capita)	9.9				8.6	9.9	8.0	9.7	9.9
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		6.0	6.6	5.2
a. Time (years)	7.8			5.2	6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.2			7.7	7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	4.5			1.7	1.7		3.0	4.1	2.0
<b>Area 5 Score</b>	6.0	8.7	7.6	6.3	5.5		7.4	7.6	7.3
<b>Area 5 Rank</b>	13	1	3	12	17		7	3	8

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.2	5.8	7.4	6.1	7.4		4.5	5.3	5.4	5.6	5.8	5.5
		8.0	10.0	5.0	8.0		8.0		5.0	5.0		
		3.0	6.0		8.0		3.0		8.0	8.0		
10.0	8.0	10.0	10.0	10.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	6.2		2.5	0.5	3.2	3.7	1.7	1.0
	3.0	3.0	4.0		4.0		5.0	1.0	3.0	4.0	0.0	2.0
	1.7	1.7	3.3		8.3		0.0	0.0	3.3	3.3		0.0
	5.3	5.8	8.9	8.5	8.8		5.0	5.4	5.9	8.5	8.6	6.1
	5.1	3.7	7.6	7.3	9.3		6.4	7.0	5.1	8.7	6.9	6.7
	3.3	0.0	5.6	10.0	10.0		6.1	8.9	7.2	10.0	6.7	10.0
	6.0	6.0	6.0	4.0	8.0		8.0	6.0	6.0	6.0	6.0	4.0
	6.0	5.0	10.0	8.0	10.0		5.0	5.0	2.0	10.0	8.0	6.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	7.6	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	0.0	0.0	3.0	10.0	10.0	0.0
	5.5	8.0	7.3	8.0	6.6		8.2	6.0	8.3	6.4	7.0	6.2
	7.0	9.2	8.1	9.3	7.2		8.2	5.9	8.7	8.7	7.0	5.8
	4.7	7.6	5.3		3.5		5.3	4.1	5.3	6.5	4.1	4.1
	6.0	9.5	8.4		6.9		8.2	8.0	9.6	9.3	5.5	7.0
	8.3	9.8	9.9		9.2		9.2	9.6	9.9	9.6	9.0	7.1
	8.3	8.6	8.7		7.6		10.0	0.0	9.9	9.2	8.3	4.7
	4.0	6.7	6.6	6.8	5.9			6.1	7.9	4.1		6.5
	2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
	0.8	3.8	3.7		3.1			3.1	5.6	1.3	0.0	3.1
	5.3	6.5	7.9	7.5	7.6		5.9	5.6	6.5	6.8		5.9
	18	10	2	6	3		14	16	10	9		14

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2005</b>									
<b>A. Credit Market Regulations</b>	5.1	8.3		5.2	5.3	4.3	6.7	6.9	8.5
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	8.0			6.0		3.0	3.0	9.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	7.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	2.3	5.3	1.5	1.3	3.2	1.5	3.7	4.5	4.8
a. Legal Rights Index	3.0		3.0	1.0	3.0	3.0	4.0	4.0	3.0
b. Credit Information Index	1.7				3.3		3.3	5.0	6.7
<b>B. Labour Market Regulations</b>	5.2	9.2	7.5	8.2	4.8	8.5	8.7	8.6	6.5
<i>i. Rigidity of Employment Index</i>	5.2	7.7	5.4	7.1	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	4.4	10.0	6.1	8.3	10.0	6.7	8.9	10.0	5.6
b. Rigidity of Hours Index	4.0	8.0	4.0	6.0	8.0	4.0	8.0	6.0	10.0
c. Difficulty of Firing Index	6.0	5.0	6.0	7.0	4.0	8.0	4.0	10.0	7.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.3	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	10.0	10.0	10.0	3.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	6.4	7.6	6.8	7.3	6.8
<i>i. Starting a business</i>	7.9	9.1	7.7	7.3	7.9	7.6	7.7	7.9	8.5
a. Number of procedures	2.9				3.5		4.7	3.5	7.6
b. Duration (days)	8.9				8.3		8.7	8.4	7.8
c. Cost (% of income per capita)	9.8				9.2		8.8	10.0	8.5
d. Minimum capital (% of income per capita)	9.9				8.4		7.8	9.7	9.8
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		6.0	6.7	5.2
a. Time (years)	7.8			5.2	6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.2			7.7	7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	4.5			1.7	1.7		2.8	4.2	1.8
<b>Area 5 Score</b>	5.9	8.7	7.6	6.5	5.5		7.4	7.6	7.3
<b>Area 5 Rank</b>	13	1	2	10	16		7	2	8

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	5.8	6.7	6.1	7.4		4.5	5.3	5.4	5.6	5.8	5.5
		8.0	10.0	5.0	8.0		8.0		5.0	5.0		
		3.0	3.0		8.0		3.0		8.0	8.0		
10.0	9.0	10.0	10.0	10.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	6.2		2.5	0.5	3.2	3.7	1.7	1.0
	3.0	3.0	4.0		4.0		5.0	1.0	3.0	4.0	0.0	2.0
	1.7	1.7	3.3		0.0			0.0	3.3	3.3		3.3
	5.3	5.8	8.8	8.5	8.8		5.0	5.3	5.9	8.5	8.6	6.1
	5.1	3.7	7.2	7.3	9.3		6.4	6.6	5.1	8.7	6.9	6.7
	1.1	0.0	5.6	10.0	10.0		6.1	10.0	7.2	10.0	6.7	10.0
	4.0	6.0	6.0	4.0	8.0		8.0	6.0	6.0	6.0	6.0	4.0
	4.0	6.0	10.0	8.0	10.0		5.0	5.0	2.0	10.0	8.0	6.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	7.6	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	0.0	0.0	3.0	10.0	10.0	0.0
	5.4	7.8	7.3	8.0	6.4		8.2	5.7	8.3	6.4	6.7	6.1
	6.8	8.9	8.1	9.3	6.8		8.2	5.4	8.7	8.6	6.7	5.7
	4.7	7.6	5.3		3.5			4.1	5.3	6.5		4.1
	6.0	9.5	8.4		6.6			8.0	9.6	9.3		7.0
	8.3	9.8	9.9		9.2			9.6	9.9	9.6		6.8
	8.3	8.6	8.7		7.0			0.1	9.4	9.2		6.9
	4.0	6.7	6.5	6.8	5.9			6.0	7.9	4.2		6.5
	2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
	1.8	3.7	3.7		2.3			3.1	0.0	0.0		0.0
	5.5	6.5	7.6	7.5	7.5		5.9	5.4	6.5	6.8		5.9
	16	10	2	5	5		13	18	10	9		13

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2004</b>									
<b>A. Credit Market Regulations</b>	5.1	8.1		5.2	4.5	5.8	6.9	8.1	8.2
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	7.0			3.0		4.0	8.0	8.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	10.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	2.3	5.3	1.5	1.3	3.2	1.5	3.7	4.5	4.8
a. Legal Rights Index	3.0		3.0	4.0	1.0	4.0	5.0	4.0	4.0
b. Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3	5.0	8.3
<b>B. Labour Market Regulations</b>	5.1	9.2	7.5	8.2	4.8	6.0	8.7	8.6	6.5
<i>i. Rigidity of Employment Index</i>	4.8	7.7	5.4	7.1	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	4.4	10.0	6.1	8.3	10.0	6.7	8.9	10.0	5.6
b. Rigidity of Hours Index	4.0	8.0	4.0	6.0	8.0	4.0	8.0	6.0	10.0
c. Difficulty of Firing Index	6.0	5.0	6.0	7.0	4.0	8.0	4.0	10.0	7.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.3	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	0.0	10.0	10.0	3.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	6.2	7.6	6.7	7.3	6.8
<i>i. Starting a business</i>	7.9	9.1	7.7	7.3	7.4	7.6	7.5	7.9	8.4
a. Number of procedures	2.9				3.5		2.9	3.5	7.6
b. Duration (days)	8.9				8.3		6.1	8.4	7.8
c. Cost (% of income per capita)	9.8				9.2		8.8	10.0	8.4
d. Minimum capital (% of income per capita)	9.9				8.3		7.7	9.7	9.8
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		5.9	6.7	5.1
a. Time (years)	7.8			5.2	6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.2			7.7	7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	4.5			1.7	1.7		2.9	4.1	1.7
<b>Area 5 Score</b>	5.9	8.6	7.6	6.5	5.2		7.4	8.0	7.2
<b>Area 5 Rank</b>	15	1	4	11	18		6	2	7

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	6.3	7.9	6.1	6.0		4.5	5.3	5.4	5.6	5.8	6.3
		5.0	10.0	5.0	8.0		8.0		5.0	5.0		
		8.0	8.0		8.0		3.0		8.0	8.0		
10.0	9.0	10.0	10.0	10.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	2.0		2.5	0.5	3.2	3.7	1.7	2.7
	5.0	3.0	3.0		3.0		4.0	5.0	3.0	3.0	5.0	3.0
	1.7	1.7	1.7		8.3		0.0	0.0	5.0	3.3	5.0	3.3
	4.8	6.1	8.8	8.5	8.8		5.3	5.4	5.9	8.5	8.6	6.1
	3.0	4.0	7.2	7.3	9.3		6.4	7.0	5.1	8.7	6.9	6.7
	1.1	0.0	5.6	10.0	10.0		6.1	10.0	7.2	10.0	6.7	10.0
	4.0	6.0	6.0	4.0	8.0		8.0	6.0	6.0	6.0	6.0	4.0
	4.0	6.0	10.0	8.0	10.0		5.0	5.0	2.0	10.0	8.0	6.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	8.5	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	1.0	0.0	3.0	10.0	10.0	0.0
	5.6	7.8	7.3	8.0	6.1		8.2	5.7	7.3	6.2	6.7	5.8
	6.8	8.9	8.1	9.3	6.6		8.2	5.4	8.5	8.6	6.7	6.2
	4.7	4.7	5.3		3.5			4.1	5.3	6.5		4.1
	6.0	8.3	8.4		6.6			8.0	9.6	9.3		6.5
	8.3	9.7	9.9		9.2			9.6	9.9	9.6		6.9
	8.3	8.5	8.7		7.0			0.0	9.3	9.1		6.6
	4.3	6.7	6.5	6.8	5.7			6.0	6.1	3.8		5.5
	2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
	0.8	3.7	3.6		3.1			3.1	5.5	1.1		3.1
	5.3	6.7	8.0	7.5	7.0		6.0	5.5	6.2	6.8		6.1
	17	10	2	5	8		14	16	12	9		13

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2003</b>									
<b>A. Credit Market Regulations</b>	5.1	8.1		5.2	4.5	5.8	6.9	8.1	8.2
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	7.0			3.0		4.0	8.0	8.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	10.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	2.3	5.3	1.5	1.3	3.2	1.5	3.7	4.5	4.8
a. Legal Rights Index	3.0				1.0		6.0	5.0	4.0
b. Credit Information Index	0.0				3.3		3.3	6.7	6.7
<b>B. Labour Market Regulations</b>	5.1	9.2	7.5	8.2	4.8	6.0	8.7	8.6	6.5
<i>i. Rigidity of Employment Index</i>	4.8	7.7	5.4	7.1	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	5.6				10.0		8.9	10.0	6.7
b. Rigidity of Hours Index	4.0				2.0		6.0	4.0	10.0
c. Difficulty of Firing Index	5.0				2.0		5.0	10.0	6.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.6	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	0.0	10.0	10.0	3.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	6.2	7.6	6.1	7.3	6.7
<i>i. Starting a business</i>	7.9	9.1	7.7	7.3	7.3	7.6	6.4	7.9	8.4
a. Number of procedures	2.9				5.3		4.7	3.5	7.6
b. Duration (days)	8.8				8.4		8.3	8.4	7.8
c. Cost (% of income per capita)	9.8				9.3		9.7	10.0	9.2
d. Minimum capital (% of income per capita)	9.9				8.6		8.0	9.7	9.9
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		5.9	6.7	5.1
a. Time (years)	6.8				6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.6				7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	6.0				8.3		7.0	5.9	8.0
<b>Area 5 Score</b>	5.9	8.6	7.6	6.5	5.2		7.3	8.0	7.2
<b>Area 5 Rank</b>	15	1	4	10	18		6	2	7



Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	6.1	7.9	6.1	6.0		4.5	5.3	5.4	5.6	5.8	6.3
		5.0	10.0	5.0	8.0		8.0		5.0	5.0		
		8.0	8.0		8.0		3.0		8.0	8.0		
10.0	9.0	9.0	10.0	10.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	2.0		2.5	0.5	3.2	3.7	1.7	2.7
	7.0	2.0	3.0		4.0			5.0	4.0	4.0		2.0
	1.7	1.7	0.0		8.3			0.0	3.3	3.3		3.3
	4.8	6.1	8.8	8.5	8.8		5.3	5.4	5.9	8.5	8.6	6.1
	3.0	4.0	7.2	7.3	9.3		6.4	7.0	5.1	8.7	6.9	6.7
	0.0	0.0	5.6		10.0			8.9	3.9	10.0		10.0
	4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
	4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	8.5	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	1.0	0.0	3.0	10.0	10.0	0.0
	5.4	7.2	7.3	8.0	6.2		8.2	5.7	8.2	6.4	6.7	6.3
	6.8	7.8	8.1	9.3	6.6		8.2	5.4	8.5	8.6	6.7	6.0
	4.7	8.2	5.9		3.5			4.1	5.9	4.1		4.1
	6.0	9.6	8.4		6.9			7.8	9.4	7.4		7.0
	9.0	9.9	10.0		9.5			9.8	9.9	9.7		8.3
	8.3	8.6	9.8		7.6			0.0	9.9	9.2		4.7
	4.0	6.7	6.5	6.8	5.9			6.0	7.9	4.1		6.5
	2.1	8.5	3.1		7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
	9.1	6.2	7.3		6.9			6.9	4.4	9.4		6.9
	5.3	6.5	8.0	7.5	7.0		6.0	5.5	6.5	6.8		6.2
	17	10	2	5	8		14	16	10	9		13

Table 6, continued: Area 5. Regulation of Credit, Labor, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon
<b>2002</b>									
<b>A. Credit Market Regulations</b>	5.1	8.1		5.2	4.5	5.8	6.9	8.1	8.2
<i>i. Ownership of banks</i>	0.0	10.0			2.0		10.0	10.0	10.0
<i>ii. Foreign bank competition</i>	8.0	7.0			3.0		4.0	8.0	8.0
<i>iii. Interest rate controls/negative real interest rates</i>	10.0	10.0		9.0	10.0	10.0	10.0	10.0	10.0
<i>iv. Getting Credit</i>	2.3	5.3	1.5	1.3	3.2	1.5	3.7	4.5	4.8
a. Legal Rights Index	3.0				1.0		6.0	5.0	4.0
b. Credit Information Index	0.0				3.3		3.3	6.7	6.7
<b>B. Labour Market Regulations</b>	5.1	9.2	7.5	8.2	4.8	6.0	8.7	8.6	6.5
<i>i. Rigidity of Employment Index</i>	4.8	7.7	5.4	7.1	7.3	6.2	7.0	8.7	7.5
a. Difficulty of Hiring Index	5.6				10.0		8.9	10.0	6.7
b. Rigidity of Hours Index	4.0				2.0		6.0	4.0	10.0
c. Difficulty of Firing Index	5.0				2.0		5.0	10.0	6.0
<i>ii. Mandated cost of hiring (% of salary)</i>	4.9		10.0	7.1	5.5	7.8	8.0	8.0	6.0
<i>iii. Mandated cost of worker dismissal (weeks of wages)</i>	9.5	9.9	7.2	8.4	6.6	10.0	9.9	7.8	9.5
<i>iv. Conscription</i>	1.0	10.0		10.0	0.0	0.0	10.0	10.0	3.0
<b>C. Business Regulations</b>	7.5	8.4	7.7	6.1	6.2	7.6	6.1	7.3	6.7
<i>i. Starting a business</i>	7.9	9.1	7.7	7.3	7.3	7.6	6.4	7.9	8.4
a. Number of procedures	2.9				5.3		4.7	3.5	7.6
b. Duration (days)	8.8				8.4		8.3	8.4	7.8
c. Cost (% of income per capita)	9.8				9.3		9.7	10.0	9.2
d. Minimum capital (% of income per capita)	9.9				8.6		8.0	9.7	9.9
<i>ii. Closing a business</i>	7.2	7.8		4.9	5.0		5.9	6.7	5.1
a. Time (years)	6.8				6.0		5.9	6.0	6.3
b. Cost (% of estate)	9.6				7.2		8.9	10.0	7.2
c. Recovery rate (cents on the dollar)	6.0				8.3		7.0	5.9	8.0
<b>Area 5 Score</b>	5.9	8.6	7.6	6.5	5.2		7.3	8.0	7.2
<b>Area 5 Rank</b>	15	1	4	10	18		6	2	7

Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
	5.7	6.1	7.9	6.1	6.0		4.5	5.3	5.4	5.6	5.8	6.3
		5.0	10.0	5.0	8.0		8.0		5.0	5.0		
		8.0	8.0		8.0		3.0		8.0	8.0		
10.0	9.0	9.0	10.0	10.0				10.0			10.0	10.0
	2.3	2.3	3.7	3.2	2.0		2.5	0.5	3.2	3.7	1.7	2.7
	7.0	2.0	3.0		4.0			5.0	4.0	4.0		2.0
	1.7	1.7	0.0		8.3			0.0	3.3	3.3		3.3
	4.8	6.1	8.8	8.5	8.8		5.3	5.4	5.9	8.5	8.6	6.1
	3.0	4.0	7.2	7.3	9.3		6.4	7.0	5.1	8.7	6.9	6.7
	0.0	0.0	5.6		10.0			8.9	3.9	10.0		10.0
	4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
	4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
	7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
	9.1	8.5	9.9	8.1	7.8		6.7	7.8	9.5	7.7	7.5	9.5
1.0	0.0	5.0	10.0	10.0	10.0	10.0	1.0	0.0	3.0	10.0	10.0	0.0
	5.4	7.2	7.3	8.0	6.2		8.2	5.7	8.2	6.4	6.7	6.3
	6.8	7.8	8.1	9.3	6.6		8.2	5.4	8.5	8.6	6.7	6.0
	4.7	8.2	5.9		3.5			4.1	5.9	4.1		4.1
	6.0	9.6	8.4		6.9			7.8	9.4	7.4		7.0
	9.0	9.9	10.0		9.5			9.8	9.9	9.7		8.3
	8.3	8.6	9.8		7.6			0.0	9.9	9.2		4.7
	4.0	6.7	6.5	6.8	5.9			6.0	7.9	4.1		6.5
	2.1	8.5	3.1		7.5			6.1	9.1	5.1		7.3
	8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
	9.1	6.2	7.3		6.9			6.9	4.4	9.4		6.9
	5.3	6.5	8.0	7.5	7.0		6.0	5.5	6.5	6.8		6.2
	17	10	2	5	8		14	16	10	9		13



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## Appendix: Explanatory Notes and Data Sources

The index published in *Economic Freedom of the Arab World* was derived from 39 distinct pieces of data (“components”). The overall rating was computed by averaging the five areas and area scores were derived by averaging the components within each area. Economic freedom is measured on a scale from zero to 10 where a higher value indicates a higher level of economic freedom.

Note that minimums and maximums used to compute the individual scores were taken from *Economic Freedom of the World* instead of the 22 countries included in the index. For those variables not used in the EFW report, minimums and maximums were derived from the 141 countries included in the EFW report. We used “global” instead of regional minimums and maximums because of the small variability in some of the components among the Arab countries.

### Area 1 Size of Government: Expenditures, Taxes, and Enterprises

#### A General government consumption spending as a percentage of total consumption

This component measures general government final consumption expenditure as a percentage of final consumption expenditure (formerly known as total consumption). The rating for this component was derived using the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  is the country’s actual government consumption as a proportion of total consumption, while the  $V_{\max}$  and  $V_{\min}$  were the maximum and minimum values set to 40% and 6%, respectively. The 1990 data in *Economic Freedom of the World* were used to derive maximum and minimum value for this component. Nations with higher government expenditure relative to total consumption receive lower scores.

Source World Bank, 2010a.

#### B Transfers and subsidies as a percentage of GDP

This component measures government subsidies and other transfers as a percentage of GDP. The rating for this component was derived using the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  is the country’s ratio

of transfers and subsidies to GDP, while the  $V_{\max}$  and  $V_{\min}$  were the maximum and minimum set to 37.2% and 0.5%, respectively. The 1990 data in the *Economic Freedom of the World* were used to derive maximum and minimum value for this component. Countries with higher government subsidies and other transfers relative to GDP receive lower scores.

**Source** World Bank, 2010a.

### C Government enterprises and investment

The rating for this component was computed using (a) government investment as a share of total investment and (b) the number, composition, and share of output generated by State-Operated Enterprises (SOEs). Nations with lower government investment as proportion of total investment and fewer SOEs receive higher scores.

**Source** Gwartney, Hall, and Lawson, 2010.

### D Top marginal tax rate

This component measures the highest marginal income-tax rate (individual rate) and the threshold at which this rate applies. Countries with higher marginal income-tax rates that take effect at lower income thresholds received lower ratings based on the matrix found below.

Top Marginal Tax Rate	Income Threshold at Which the Top Marginal Rate Applies (1982–1984 US\$)			
	< \$25,000	\$25,000–\$50,000	\$50,000–\$150,000	> \$150,000
< 20%	10	10	10	10
21%–25%	9	9	10	10
26%–30%	8	8	9	9
31%–35%	7	7	8	9
36%–40%	5	6	7	8
41%–45%	4	5	6	7
46%–50%	3	4	5	5
51%–55%	2	3	4	4
56%–60%	1	2	3	3
61%–65%	0	1	2	2
66%–70%	0	0	1	1
> 70%	0	0	0	0

**Sources** World Bank, 2010b; Ernst & Young, 2003, 2009; Deloitte, 2007, 2009, 2010; KPMG, 2010; PricewaterhouseCoopers, 2010; Dahalane, 2003; Champagne-Ardenne Export, 2010; Ministère de Finances de Djibouti, 2010.

## Area 2 Commercial and Economic Law and Security of Property Rights

### A Military interference in rule of law and the political process

This component is based on the Political Risk Component G (Military in Politics) from the *International Country Risk Guide* (ICRG), which measures the extent to which military is involved in politics. “Since the military is not elected, involvement, even at a peripheral level, diminishes democratic accountability. Military involvement might stem from an external or internal threat, be symptomatic of underlying difficulties, or be a full-scale military takeover. Over the long term, a system of military government will almost certainly diminish effective governmental functioning, become corrupt, and create an uneasy environment for foreign businesses.” The *International Country Risk Guide* measures military involvement on a scale from zero to 6 where a higher value indicates a lower potential risk. These values were then transformed into a zero-to-10 scale.

**Sources** PRS Group, 1979–2004, 2006, 2007, 2008, 2009, 2010.

### B Integrity of the legal system

This component is based on the Political Risk Component I (Law and Order) from the *International Country Risk Guide*. The component is based on “[t]wo measures comprising one risk component. Each sub-component equals half of the total. The ‘law’ sub-component assesses the strength and impartiality of the legal system, and the ‘order’ sub-component assesses popular observance of the law.” The *International Country Risk Guide* measures law and order on a scale from zero to six, where a higher value indicates a lower potential risk. These values were then transformed into a zero-to-ten scale.

**Sources** PRS Group, 1979–2004, 2006, 2007, 2008, 2009, 2010.

### C Regulatory restrictions on the sale of real property

This component is based on the World Bank’s *Doing Business* dataset and it measures the steps, time, and cost involved in registering property. The World Bank uses “a standardized case of an entrepreneur who wants to purchase land and a building in the largest business city—already registered and free of title dispute.” The cost includes costs such “as fees, transfer taxes, stamp duties, and any other payment to the property registry, notaries, public agencies or lawyers. The cost is expressed as a percentage of the property value, assuming a property value of 50 times income per capita.”

The rating for this component was derived using the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the steps, time, and cost as a percentage of property value.  $V_{\max}$  was set to 21.0 procedures, 956 days, and 30.4% and  $V_{\min}$  to 1.0 procedure, 1.0 day, and 0.1%. Nations with values that fall below  $V_{\min}$  received a score of 10 whereas those nations that have values above  $V_{\max}$  received a score of zero.

- i number of procedures
- ii time (days)
- iii cost (% of property value)

**Sources** World Bank, 2010a.

#### **D Legal enforcement of contracts**

This component is based on the World Bank's *Doing Business* dataset. The component measures "the efficiency of contract enforcement by following the evolution of a sale of goods dispute and tracking the time, cost, and number of procedures involved from the moment the plaintiff files the lawsuit until actual payment." The rating for this component was derived using the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the procedures, time and cost as a percentage of debt.  $V_{\max}$  was set to 58.0 procedures, 1,459.0 days, and 227.3% and  $V_{\min}$  to 14.0 procedures, 109.0 days, and 5.5%. Nations with values that fall below  $V_{\min}$  received a score of 10 whereas those nations which have values above  $V_{\max}$  received a score of zero.

- i number of procedures
- ii time (days)
- iii cost (% of debt)

**Sources** World Bank, 2010a.

### **Area 3 Access to Sound Money**

#### **A Money growth**

The M1 money supply figures were used to measure the growth rate of the money supply. This component measures the growth of the money supply in the last five years minus the annual growth of real GDP in the last 10 years. The rating for this component was derived using the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the average annual growth rate of the money supply during the last five years adjusted for the growth of real GDP during the previous 10 years. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 50%, respectively. If money growth equals the long-term growth of real output (i.e. growth of real GDP in the last 10 years), then a nation gets a rating of 10. If the growth of money supply is greater than the long-run growth in real output, a nation gets a score less than 10. Nations with a value greater than 50% receive a rating of zero.

**Source** World Bank, 2010b.

**B Standard deviation of inflation**

The Consumer Price Index (CPI) was used as the measure of inflation for this component. The following formula was used to determine the zero-to-10 scale rating for each country:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the country's standard deviation of the annual rate of inflation during the last five years. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 25%, respectively. If there is no variation in inflation rate over the past five years, a nation gets a score of 10. The higher the inflation variability, the lower the rating a nation receives. Those nations that have a standard deviation greater than 25% get a score of zero.

**Sources** World Bank, 2010b; International Monetary Fund 2006c and 2008b.

**C Inflation: Most recent year**

The Consumer Price Index (CPI) was used as the measure of inflation for this component. The zero-to-10 country ratings were derived by the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the rate of inflation during the most recent year. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 50%, respectively; the lower the rate of inflation, the higher the rating. Those nations that have an inflation rate higher than 50% get a score of zero.

**Sources** World Bank, 2010b; International Monetary Fund, 2006c, 2008b, 2010; Banque de France, 2010.

**D Freedom to own foreign currency bank accounts**

This component measures if foreign bank accounts are allowed, both domestically and abroad, without any restrictions. If foreign bank accounts are allowed both domestically and abroad without any restrictions a nation gets a score of 10. If foreign bank accounts are allowed domestically but not abroad, or vice versa, a nation gets a rating of 5.

**Sources** International Monetary Fund, 2009.

**Area 4 Freedom to Trade Internationally****A Taxes on international trade****i Revenue from trade taxes (% of trade sector)**

This sub-component measures taxes on international trade as a percentage of imports and exports. The zero-to-10 country ratings were derived by the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the revenue derived from taxes on international trade as a share of imports and exports. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 15%, respectively. The greater the taxes on international trade as a share of exports and imports, the lower the score. Nations that have a value greater than 15% get a rating of zero.

**Source** World Bank, 2009b.



**ii Mean tariff rate**

This sub-component measures the unweighted average of tariff rates. The zero-to-10 country ratings were derived by the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the country's mean tariff rate. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 50%, respectively. A higher mean tariff rate results in lower rating. Nations with a mean tariff rate of over 50% get a score of zero.

**Source** World Bank, various years, 2005–2009.

**iii Standard deviation of tariff rates**

This sub-component measures the standard deviation of tariff rates. The zero-to-10 country ratings were derived by the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  represents the standard deviation of the country's tariff rates. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 25%, respectively. Countries with greater variation in their tariff rates get lower ratings. Nations with standard deviation of over 25% get a score of zero.

**Source** Gwartney, Hall, and Lawson, 2010.

**B Black-market exchange rates**

This component measures the difference between the official rate and parallel black market exchange rate. The zero-to-10 country ratings were derived by the following formula:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10.  $V_i$  is the country's black-market exchange rate premium. The values for  $V_{\min}$  and  $V_{\max}$  were set at zero and 50%, respectively. If there is no black market exchange rate, a nation gets a score of 10. The higher the difference between the two rates, the lower the rating. Nations with a value greater than 50% get a score of zero.

**Sources** Monetary Research, 2003, 2005/06, 2006/07, 2007/08.

**C Capital controls**

This component measures restrictions on capital transactions. Specifically, this component looks at 13 different types of international capital controls as reported by the International Monetary Fund. The zero-to-10 country ratings were derived by computing the number of controls not levied as a percentage of the total number of controls which was then multiplied by 10.

**Sources** International Monetary Fund, 2009.

## Area 5 Regulation of Credit, Labor, and Business

### A Credit Market Regulations

#### i Ownership of banks

The rating for this sub-component is based on the percentage of bank deposits held in privately owned banks. When private deposits were between 95% and 100%, nations received a score of 10. When private deposits totaled between 75% and 95%, countries received a score of 8. When private deposits were between 40% and 75%, nations received a score of 5. When private deposits were between 10% and 40%, nations received a score of 2. Nations received a rating of zero if private deposits were less than 10% of total bank deposits.

**Sources** World Bank Group, 2003, 2007.

#### ii Foreign bank competition

This sub-component is based on two variables: percentage of banking assets held by foreign-owned banks and the number of applications for commercial banking licenses from foreign entities denied as a percentage of total number of applications for commercial banking licenses received from foreign entities. If a country approved all or most foreign bank applications and foreign banks had a large share of the banking sector assets, then the country received a higher rating according to table below.

		Foreign Bank License Denial Rate (Denials/Applications)		
		0%	0%–49%	50%–100%
Foreign bank assets as a share of total banking sector assets	80%–100%	10	8	5
	40%–79%	9	7	4
	0%–39%	8	6	3

**Sources** World Bank Group, 2003, 2007.

#### iii Interest rate controls/negative real interest rates

This sub-component is based on two variables: real interest rate (i.e., lending interest rate minus inflation as measured by the Consumer Price Index) and lending minus deposit interest rate. When interest rates were determined primarily by market forces (i.e., lending interest rate is not too much higher [less than 8%] than the deposit interest rate) and the real interest rate was positive, countries were given a rating of 10. When the real rates were sometimes slightly negative (less than 5%) and the differential between the deposit and lending rates was large (8% or more), countries received a rating of 8. When the real lending interest rate was persistently negative by a single-digit amount and the differential between the lending and deposit interest rate was 16% or higher, nations received a score of 6. When the lending and deposit interest rates differ by 24%

or more and the real rates were often negative by 10% or more, countries were assigned a rating of 4. When the real lending rate was persistently negative by a double-digit amount and the difference between the lending and deposit rate was 32% or more, countries received a rating of 2. A zero rating was assigned when the deposit and lending rates differ by 36% or more and real lending rates were persistently negative by double-digit amounts or hyperinflation had virtually eliminated the credit market.

**Sources** World Bank, 2009a; International Monetary Fund, 2006c and 2008.

iv **Getting credit**

The following two sub-components are based on the World Bank's Doing Business dataset, which measures the extent to which collateral and bankruptcy laws facilitate lending and the availability of credit information from either public or private registries.

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <<http://www.doingbusiness.org>> (accessed on August 25, 2010)

a *Legal rights index*

The "legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. The index includes 7 aspects related to legal rights in collateral law and 3 aspects in bankruptcy law." A score of 1 is assigned for each aspect of the index. "The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit."

b *Credit information index*

The "credit information index measures rules affecting the scope, accessibility and quality of credit information available through either public or private credit registries." A score of 1 is assigned for each of the six aspects of the index. "The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions." The values from zero to 6 were then transformed into a zero-to-10 scale.

**Source** World Bank, 2009b.

## **B Labor market regulations**

i **Rigidity of employment index**

a *Difficulty of hiring index*

"The difficulty of hiring index measures (i) whether term contracts can be used only for temporary tasks; (ii) the maximum cumulative duration of term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker." The index is measured on a

scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale, where a higher value indicates more flexible regulation.

*b Rigidity of hours index*

“The rigidity of hours index has 5 components: (i) whether night work is unrestricted; (ii) whether weekend work is unrestricted; (iii) whether the workweek can consist of 5.5 days; (iv) whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year; and (v) whether paid annual vacation is 21 working days or fewer.” For each one of these questions, the answer “no” indicates more rigid regulation. The index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale, where a higher value indicates more flexible regulation.

*c Difficulty of firing index*

“The difficulty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (iv) whether the employer needs approval from a third party to terminate 1 redundant worker; (v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment.” The index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale, where a higher value indicates more flexible regulation.

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <<http://www.doingbusiness.org>> (accessed on August 25, 2010).

ii Mandated cost of hiring (% of salary)

This sub-component measures the non-wage cost of hiring an employee as a percentage of salary. It includes social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions) and payroll taxes. The lower the non-wage cost, the higher the rating. The rating for this component was equal to:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the non-wage cost of hiring an employee. The  $V_{\max}$  and  $V_{\min}$  were set to 55.2% and 0.0 %, respectively. Nations with values that fall below  $V_{\min}$  received a score of 10 whereas those nations that have values above  $V_{\max}$  received a score of zero.

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <<http://www.doingbusiness.org>> (accessed on August 25, 2010).

### iii Mandated cost of worker dismissal (weeks of wages)

This sub-component measures “the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of wages.” The rating for this component was equal to:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the cost of firing an employee. The  $V_{\max}$  and  $V_{\min}$  were set to 359.7 weeks and 0.0 weeks, respectively. Nations with values that fall below  $V_{\min}$  received a score of 10 whereas those nations that have values above  $V_{\max}$  received a score of zero.

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <http://www.doingbusiness.org> (accessed on August 25, 2010).

### iv Conscription

This sub-component measures the duration of military conscription. Nations without military conscription received a rating of 10. If the duration of conscription was six months or less, nations were given a score of 5. When the length of the conscription was more than 6 months but not more than 18 months, countries were given a rating of 3. If the duration of conscription was more than 12 months but not more than 18 months, countries were given a score of 1. Nations with military conscription of over 18 months were given a score of zero.

**Source** International Institute for Strategic Studies, 2007, 2009.

## C Business regulations

### i Starting a business

This sub-component measures how easy it is to start a business. It looks at the number of procedures, the time it takes to go through these procedures, the costs of starting a business such as fees, and minimum capital requirement needed to formally start a business. The rating for this component was equal to:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the procedures, time (in days), cost as a percentage of income per capita and minimum capital requirement as a percentage of income per capita.  $V_{\max}$  was set to 19.0 procedures, 203.0 days, 835.4%, 5111.9%; and  $V_{\min}$  to 2.0 procedures, 2.0 days, 0.0%, 0.0%. Nations with values that fall below  $V_{\min}$  received a score of 10 whereas those nations that have values above  $V_{\max}$  received a score of zero.

*a number of procedures*

*b duration (days)*

*c cost (% of income per capita)*

*d minimum capital (% of income per capita)*

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <http://www.doingbusiness.org> (accessed on August 25, 2010).

**ii Closing a business**

This sub-component measures how difficult it is to close a business. It specifically measures the time and costs (as a percent of the estate) of closing a business as well as the recovery rate (cents on the dollar). The time and cost rating was equal to:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$  multiplied by 10. For the recovery rate, the following formula was used:  $(V_i - V_{\min}) / (V_{\max} - V_{\min})$  multiplied by 10. The  $V_i$  represents the time, cost and the recovery rate.  $V_{\max}$  was set to 10.0 years, 76.0%, 92.6%; and  $V_{\min}$  to 0.4 years, 1.0%, 0.0%.

*a time (years)*

*b cost (% of estate)*

*c recovery rate (cents on the dollar)*

**Source** World Bank. Doing Business Database (2004 to 2009 data downloaded). Available online at <http://www.doingbusiness.org> (accessed on August 25, 2010)