Economic Freedom of the Arab World: 2008 Annual Report

FRASER INSTITUTE

STIFTUNG FÜR DIE FREIHEIT

INTERNATIONAL RESEARCH FOUNDATION

Economic Freedom of the Arab World
2008 Annual Report

Economic Freedom of the Arab World
2008 Annual Report

Acknowledgments

The authors would like to acknowledge the contribution of Michael Walker, President of The Fraser Institute Foundation, James Gwartney of Florida State University, and Robert Lawson of Auburn University for their invaluable ideas and assistance. We would also like to thank Azzan Al Busaidi, CEO of the International Research Foundation, and Mark Mullins, Executive Director of the Fraser Institute, for their support.

We also wish to thank the Friedrich Naumann Foundation for Liberty, Cairo, Egypt, for supporting this project.

Disclaimer

Copyright

Economic Freedom of the Arab World
2008 Annual Report

Salem Ben Nasser Al Ismaily, Amela Karabegović, and Fred McMahon[1]

Introduction

This is the fifth report on economic freedom in the Arab world and the fourth annual edition. The first attempt to measure economic freedom in the Arab world was published by the same authors in the *Arab World Competitiveness Report 2005* (Lopez-Claros and Schwab, 2005). The second edition—and the first annual report—was published later in 2005 by the International Research Foundation (IRF) of Oman and the Fraser Institute, as have all subsequent editions. The index in this edition adds a new year of data, 2006, the most recent year for which data are available. *Economic Freedom of the Arab World* is modeled on the annual reports in the series, *Economic Freedom of the World* (Gwartney and Lawson, various years).[2]

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

1 We would like to thank Salem Al Ismaily for inspiring and spear-heading this work. To avoid a conflict of interest with his promotion of investment in Oman, he excused himself from calculating the index but undertook the bulk of the analysis.

2 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, a network of research organizations devoted to promoting economic freedom around the world, now has member institutes in 76 nations and territories, including Oman, Jordan, and Gaza.

> 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 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. It is only over the past few centuries that this lead has slipped away.

Overview of the Economy of the Arab World[3]

Like most other developing countries, the majority of Arab states have seen several decades of "import substitution" policies, saddling them with a legacy of high tariffs, heavy state intervention in production and, in many cases, uncompetitive industries. Due to the reluctance of governments to lose control over national industrial policy and their fear of losing tariff income, regional attempts at economic integration have yielded modest results. Various regional and subregional agreements since the 1950s have aimed at liberalization of trade,

[3] Salem Al Ismaily, the lead author of this report, is primarily responsible for this section.

capital, and labor flows but yielded little consistent follow-up and implementation.

States have been reluctant to expose local industries to competition from often very similar industries in neighboring countries or to yield any discretion over trade policy through binding regional agreements, not to speak of regional institutions. Multilateral economic agreements were usually concluded in a haphazard fashion and in reaction to regional political developments. They have mostly focused on tariff reduction, not addressing regional trade in services such as contracting, financial and transport services, or cross-border investments.

The most recent region-wide initiative, the *1997 Arab Free Trade*, which was signed by 17 of the 22 member states of the Arab League, was the exception to this pattern. The Greater Arab Free Trade Area (GAFTA), with an annual reduction of tariffs by 10%, resulted in full liberalization of intra-Arab trade in year 2005. Although narrow in scope, this has been a considerable achievement.

Beyond tariffs, intra-Arab exporters have had to cope with sometimes unpredictable and heavy non-tariff customs charges. This is closely related to the broader issue of non-tariff trade barriers, which remain considerable in most Arab countries and have not yet been comprehensively addressed on a regional level, as can be seen from the data in this report. Intrusive and time-consuming goods-inspection regimes, unnecessary or unusual product standards, and documentation requirements tend to drive transaction costs in Arab trade above global averages.

Subregional economic integration also has a very mixed record. The Arab Maghreb Union is politically dormant, as are a number of other agreements in North Africa and the Mashreq. The Gulf Cooperation Council (GCC) alone has had a discernible degree of success in integrating trade, creating labor and capital mobility, and setting common standards in various areas of regulation. In areas such as investment, stock-market participation, and government procurement, at least some of the GCC governments have extended national privileges to people from other GCC countries.

On the political and administrative level, several fundamental problems of GCC integration remain unsolved, however. The 2003 customs union is still not fully implemented, as GCC members request exceptions and bilateral agreements between the United States and individual GCC states undermine the coherence of its external tariff regime. The GCC monetary union has been seriously called into question by Oman's recent announcement that it was opting out and by the reluctance of heads of state to agree on official criteria for convergence, involving factors such as minimum inflation, GDP, budget deficit, and foreign debts.

The stagnation of regional integration on the political level stands in stark contrast to the dynamism of the regional economy during the last six years. GDP growth rates between 3% and 6% and fast-growing foreign reserves make the economies of the Arab world look much more hopeful than during the gloomy 1990s.

Both aggregate reserves and annual exports are now larger than aggregate international debt. Balances of payments of most states, including non-oil exporters, have been positive. Expansion is set to continue: the International Monetary Fund (IMF, 2007b) cited real GDP growth in the Middle East at 5.8% in 2006 and 5.4% in 2007. The Arab world is currently going through the second oil boom, as oil prices have reached levels never recorded before. Just as important, they probably will remain high for several years due to unprecedented capacity constraints in the upstream sector of the international oil market.

The boom appears to be more sustained and considerably better managed than the first one in the 1970s and early 1980s. The governments of the GCC countries in particular exhibit better management capacities and a much more cautious fiscal approach than a quarter of a decade ago (Euromoney, August 2008). Less money is wasted, projects are more targeted, and more reserves are built up and managed in more sophisticated and diversified ways. All this augurs well for stable and sustained economic expansion, improvements in public services, and the systematic removal of infrastructural bottlenecks.

The boom however is being felt unevenly across the region. Two thirds of Arabs do not live in major oil-producing countries. Looking forward, the key issue over the next decade is the ability of these economies to generate jobs and rising living standards for the millions of young people joining the economy. Today the region has the world's lowest employment rate: less than half of adults are formally employed. Yet throughout the region, labor forces are growing at a rate of 3.5% to 4.0% annually, posing a significant challenge for job creation (Arab Labor Organization, 2007). The World Bank (Nabli et al. , 2006) estimates that the Arab world will have to create 55 to 70 million jobs between now and 2020 to keep pace and bring the rate of unemployment down to the global norm.

On the back of the commodity boom of the last five years, growth in the region has accelerated and measured unemployment has come down, dropping several percentage points to around 11%. But underneath this good news is cause for concern. Estimated unemployment for young people aged 15 to 24 is more than 25% (Arab Labor Organization, 2007), roughly double the world average. Moreover, unemployment is associated with high levels of educational attainment. In Egypt, for example, unemployment among college graduates is almost ten times that of people with primary education and appears to be increasingly an urban phenomenon.

While this phenomenon of greater unemployment among the more educated has been documented for four decades and can be interpreted as a rational search for jobs that reward effort, the governments of the region cannot find solace in the rationality of the process. Those not finding work may still pose a political risk. And as the locus of employment has shifted from the public to the private sector, female graduates appear to have had a particularly difficult time gaining a toehold in the job market.

In some countries, most of the new jobs have gone to foreigners. In the smaller Gulf countries with their modest populations, this is not particularly surprising, nor is it necessarily a bad thing. It is unlikely that their indigenous populations could generate all the specialized skilled labor needed to support the boom. But this phenomenon is not limited to the Gulf. In Jordan, most of the new hires have been nonnationals, as garment manufacturers import labor from South Asia rather than employ locals (Arab Labor Organization, 2007). And the prominence of foreigners in employment is higher in the private sector, the anticipated source of economic dynamism moving forward. Local nationals are employed disproportionately in the public sector (Arab Labor Organization, 2007).Yet the region is also currently experiencing the most rapid economic growth in a generation. In effect, it faces a contest between two opposing forces: the demographic pressure to create jobs and the economy's capacity to absorb new entrants productively.

Players in the market have seen the formation of Sovereign Wealth Funds (SWF) increasing at a very rapid rate with oil prices so high. Estimates from the consulting firm Farrell (2007) show an accumulation of oil income in the Gulf Cooperation Council (GCC) countries at $2.4 trillion by 2010 and $8.8 trillion by 2020. In spite of significant spending within the GCC, Farrell expects $5 trillion to be invested outside the Gulf by 2020. Much of this large pool of investments is expected to end up in the Gulf SWFs. The reputedly largest of these funds is the Abu Dhabi Investment Authority (ADIA), which is reported by Deutsche Bank (Raphaeli and Gersten, Spring, 2008) to have about $875 billion under management today.

The corollary of these estimates is that this money must get invested somewhere and where better than in shares in the major financial institutions of Wall Street. The main concern is whether these funds will be influenced by political decisions when making commercial transitions and whether they will be transparent enough with proper corporate governance to avoid any security concerns.

The SWFs, like any investment vehicles, are looking for a good return for their investments. With the credit crunch and the collapse of the real estate market in the United States in particular and western Europe in general, the real-estate sector in these geographical locations look very attractive to the SWFs. Unlike the situation in the past though, when the Japanese investors in 1980s bought properties in the United States, the dominant SWFs today are from the Arab world. Thanks to the high oil prices, these funds are pilling up their reserves to the highest levels in history.

Unfortunately, the sentiments of the West towards Arab money will prompt financial protectionism. The United States is already on the defensive on this front and has created a number of task forces aiming at slowing down SWFs taking over of American institutions (*Economist*, January, 2008). Among the targeted SWFs are those from the Arab world, Russia, and China under the justification that these funds are from non-democratic countries. Unfortunately, financial protectionism, under political banners, will add another nail on the coffin of WTO with its efforts to remove trade protectionism.

Conclusion

While concerns have been raised that protectionist sentiment is rising around the world, with the reaction to SWFs being a possible example, the key challenge for the Arab world remains to reduce its own internal and external trade barriers to increase the economic freedom of individuals and families to exchange goods and services with anyone in the region—or the world, for that matter. One would hope that this would be part of an effort to boost economic freedom in all areas. As noted in the discussion of the newest index results later in this paper, it is encouraging that economic freedom has remained stable in the region despite a series of crises and rising oil prices, which can be used to build the power of government. Nonetheless, much remains to be done if Arab individuals and families are to enjoy the full benefits of economic freedom discussed in the next section.

Research on economic freedom

Increases in economic freedom, 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, including the emerging nations. Factbased 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 also creates positive social 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. The dynamics of a society where individuals gain by promoting the well-being of other individuals (by efficiently creating goods and services people want) differ dramatically from the dynamics of society where, in the absence of economic freedom, rent seeking, and power hoarding to the disadvantage of others is the path to increased wealth and power. The first dynamic is conducive to a stable, peaceful, civil society marked by freedom; the latter produces dynamics that 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 socio-economic 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 accounting for educational level, investment, and population growth, 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 (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.

A large body of peer-reviewed empirical research shows similar results as well as economic freedom's relationship with other positive outcomes. 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 report

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: 2008 Annual Report* 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.[4] The most recent data available for this report are from 2006.

The five areas, described in more detail below, are:

1) Size of Government: Expenditures, Taxes and Enterprises
2) Commercial and Economic Law and Security of Property Rights
3) Access to Sound Money
4) Freedom to Trade Internationally
5) Regulation of:
    a) Credit
    b) Labour
    c) 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. The Appendix describes the procedures by which scores of between zero and 10 were derived for each category. Details on sources and methodology can also be found in the Appendix.

For consistency, the minimums and maximums used in last year's report are maintained in this year's report. Global rather than regional

[4] The five categories are being used as the basis for the Arab Economic Freedom Awards. For example, the Lean Government award is based on the results in Area 1: Size of Government: Expenditures, Taxes and Enterprises.

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 neighbours, but also in comparison with best-practice nations around the world.

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 13 of the nations included in *Economic Freedom of the Arab World*; an overall score could not be computed for the remaining nine because of a lack of data. This is an advance from last year's report when scores for only 12 nations could be calculated. Due to additional data, this year we were able to calculate a score for Mauritania.

The index published in *Economic Freedom of the Arab World* is compiled only from third-party data: in order to ensure objectivity, neither 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*. Both indexes are highly consistent with each other. 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 in economic freedom have remained constant over a difficult period. The years from 2002 to 2006 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, it will provide a detailed prescription indicating where policy improvements are required.

The rankings[5]

This year Kuwait and Lebanon are tied for top spot with a score of 7.7 Oman is 3rd with a score of 7.6 while Jordan is fourth with a score of 7.5. The closeness of the scores suggests a near tie for top spot. These four nations were also in a near tie for top spot last year Oman and Kuwait were tied for the top spot with a score of 7.8 while Jordan, Lebanon, and United Arab Emirates were tied for 3rd with a score of 7.7 (See Table 1).

This is the fifth edition of the report and thus it is appropriate to celebrate the nations that have performed at the top over this period. Remarkably, three nations have tied for the best performance over these five years, Oman, Kuwait, and Lebanon, with an average score of 7.9.[6]

---

[5] Jurisdictions involved in on-going, high-level internal conflicts (in this case, the West Bank and Gaza, and Iraq), have not been ranked. Economic freedom is clearly eroded by lack of personal security and the data that are available would fail to reflect this.

[6] This is calculated using unrounded numbers. The index reports numbers rounded to one place.

Interestingly, the Gulf States have achieved the highest level of economic freedom in the Arab world on average. This is actually not made easier by wealth from oil, 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.

Nonetheless, the current and sustained increase in oil prices may encourage some states to increase the size of government and thus decrease the economic space for free economic activity. Given that the most recent data available for this index is from 2006, this will bear watching in the future as data from more recent years is added to the Index.

The achievements of Lebanon and Jordan in posting high levels of economic freedom are considerable. However, these nations also face great challenges. Lebanon has had to deal with an Israeli invasion and considerable internal turmoil. Meanwhile, Jordan has received an influx of Iraqi refugees. Both sets of circumstances create problems for sensible policy formation but these governments have exhibited great resilience in the past.

Morocco, Tunisia, Mauritania, Syria, and Algeria have the weakest levels of economic freedom. And, while the top scorers all rank very close to each other, there are significant gaps among Syria at 5.7, Algeria at 6.0, Tunisia and Mauritania at 6.3, and Morocco at 6.5.

Individual areas

Following is a description of the components used to measure economic freedom, explanations of why they are relevant, and the scores for each of the Arab nations where data are available.[7]

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: General government consumption spending as a share of total consumption (1A) and Transfers and subsidies as a share of GDP (1B).

Government consumption 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. Subsidies and transfers 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.

[7] This description closely follows Gwartney and Lawson, 2006: 10–12.

Table 2 shows the results for Area 1, Size of Government. The Gulf States generally seem to be in the middle of the rankings in this area. Although their spending is relatively high, they typically feature relatively low rates of taxation. Lebanon is by far the best performer. Unfortunately, several states have overly large government sectors, which will stifle entrepreneurial activity by imposing a state burden that is too heavy. The top three scores in this area are Lebanon, followed by the Egypt and Bahrain. Syria, Saudi Arabia, and Oman have the lowest scores. The UAE had the biggest increase in the size of government, and thus a lower score in this area, while Algeria and Morocco saw significant improvements.

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 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—provide 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-variables 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 systems' ability to protect freely made agreements.

Table 3 shows the results for this area. The Gulf States clearly lead here, though Tunisia, Morocco and Mauritania also have relatively strong scores. The top three jurisdictions are Saudi Arabia, Oman, and Kuwait.

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

Table 4 shows the results for this area. The leaders in this area, Saudi Arabia, Lebanon, and Djibouti, have among the best records in the world for Sound Money. Bahrain and Oman also have scores over 9. Average scores in this area are typically higher than in other areas, though Syria, Libya, Sudan, and Comoros 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 subcomponents), 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. In other words, 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, in top spot, followed by Qatar, and, tied for third spot, the United Arab Emirates and Bahrain. The Gulf States along with Jordan and Yemen have in general the strongest scores in this year (Table 5). Aside from these countries, the nations that do very poorly are Morocco, Tunisia, and Comoros. They are in the bottom ranks with very weak scores whether by world or regional standards. The uneven performance in this area is one of the reasons that Arab states have achieved only limited trade integration.

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 Bahrain, followed by Lebanon, and Oman

Many types of labor-market regulations (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. Components include difficulty in hiring, rigidity in hours, dismissal regulations and costs, and conscription. Oman is the leader in labor-market freedom followed by Saudi Arabia and Jordan. The worst scores are held by Mauritania, Algeria, Sudan, and Egypt.

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 components are designed to identify the extent to which regulatory restraints and bureaucratic procedures limit establishing a business (5Ci) and closing it (5Cii). Tunisia comes in first followed by Sudan and Morocco. The worst performer is Mauritania but United Arab Emirates, Syria, Yemen, Djibouti, Yemen and West Bank and Gaza all have very poor scores.

In regulation overall, the Gulf States on average have the best scores, along with Comoros, Jordan, and Lebanon. The leaders are Oman, followed by Comoros and Kuwait. Unfortunately for the region, the largest economy, Egypt, scores last in this area, though its score has improved from last year (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.

References

Arab Labor Organization (ALO) (2007), *Employment and Unemployment in Arab States: Towards Effective Policies and Mechanisms*. Cairo: Arab Labor Organization.

Ayal, E.B., and K. Georgios (1998). “Components of Economic Freedom and Growth: An Empirical Study.” *Journal of Developing Areas* 32 (Spring): 327–38.

Al Ismaily, Salem Ben Nasser, Amela Karabegović, and Fred McMahon (2005). “Economic Freedom of the Arab World.” In Augusto Lopez-Claros and Klaus Schwab, *The Arab World Competitiveness Report 2005* (Geneva: World Economic Forum, 2005): 129–141.

Arab Banking Corporation (2006). *Public BSH-ABC*. Available online at http:// www.arabbanking.com.

Bengoa, M., and B. Sanchez-Robles (2003). “Foreign Direct Investment, Economic Freedom and Growth: New Evidence from Latin America.” *European Journal of Political Economy* 19, 3 (September): 529–45.

Berggren, Niclas (2003). “The Benefits of Economic Freedom: A Survey.” *The Independent Review* 8, 2 (Fall): 193–211.

Bolbol, Ali A., and Ayten M. Fatheldin (2006). “Foreign and Intra-Arab Capital Flows in the Arab Countries, 1990–2003. ” *The World Economy* 29, 9 (September): 1267–93.

Carlsson, F., and S. Lundstrom (2002). “Economic Freedom and Growth: Decomposing the Effects.” *Public Choice* 112, 3/4 (September): 335–44.

Dawson, J.W. (1998). “Institutions, Investment, and Growth: New Cross-Country and Panel Data Evidence.” *Economic Inquiry* 36 (October): 603–19.

Dawson, J.W. (2003). "Causality in the Freedom-Growth Relationship." *European Journal of Political Economy* 19, 3 (September): 479–95.

De Haan, J., and J-E. Sturm (2000). "On the Relationship between Economic Freedom and Economic Growth." *European Journal of Political Economy* 16: 215–41.

De Haan, Jakob, and C.L.J. Sierman (1998). "Further Evidence on the Relationship between Economic Freedom and Economic Growth." *Public Choice* 95: 363–80.

Doucouliagos, Chris, and Mehmet Ali Ulubasoglu (2006). "Economic Freedom and Economic Growth: Does Specification Make a Difference?" *European Journal of Political Economy* 22, 1: 60–81.

Drzeniek Hanouz, Margareta, Sherif el Diwany, and Tarik Yousef (2007). *Global Competitiveness Report 2007*. Geneva: World Economic Forum.

Easton, S.T., and M.A. Walker (1997). "Income, Growth, and Economic Freedom." *American Economic Review* 87, 2 (May): 328–32.

Economist Intelligence Unit (2006). Available online at http://www.economistgroup.com.

The Economist (January 2008) "The invasion of the sovereign-wealth funds." *The Economist*: London.

EconStats Database (2005). Available online at http://www.econstats.com/home.htm (as of September, 2005).

Eid, Florence (undated). "Entrepreneurial Finance for Job Creation in the Arab World: Elements of a Strategy". MENA-OECD Investment Programme. http://www.oecd.org/dataoecd/37/47/36086917.pdf

El'Naggar, Dina (2006). *World Bank Report (September)*. Washington, DC: The World Bank.

Ernst & Young (2003). *Ernst & Young in the Middle East.* Compiled and published by Ernst & Young offices throughout the region.

Euromoney (August, 2008). *Asset Management in the GCC – A market worth watching.* London: Euromoney.

Farrell, Diana (February, 2007), "Gulf States Must Use Oil Wealth Wisely." New York: *BusinessWeek*.

Griswold, D.T. (2004). "Trading Tyranny for Freedom: How Open Markets Till the Soil for Democracy." *Trade Policy Analysis* 26 (January). Washington, DC: Cato Institute.

Gwartney, James, Robert Lawson, and Walter Block (1996). *Economic Freedom of the World: 1975–1995*. Vancouver, BC: The Fraser Institute.

Gwartney, James, and Robert Lawson (2004). *Economic Freedom of the World: 2004 Annual Report*. Vancouver, BC: The Fraser Institute. Available online at www.freetheworld.com.

Gwartney, James, and Robert Lawson, with Erik Gartzke (2005). *Economic Freedom of the World: 2005 Annual Report*. Vancouver, BC: The Fraser Institute. Available online at www.freetheworld.com.

Gwartney, James, and Robert Lawson, with William Easterly (2006). *Economic Freedom of the World: 2006 Annual Report.* Vancouver, BC: The Fraser Institute. Available online at http://www.freetheworld.com.

Gwartney, James, and Robert Lawson, with Russell S. Sobel and Peter T. Leeson (2007). *Economic Freedom of the World: 2007 Annual Report.* Vancouver, BC: The Fraser Institute. Available online at http://www.freetheworld.com.

Gwartney, James, and Robert Lawson, with Seth Norton (2008). *Economic Freedom of the World: 2008 Annual Report.* Vancouver, BC: The Fraser Institute. Available online at http://www.freetheworld.com.

Hertog, Steffen (2007) "The GCC and Arab Economic Integration: A New Paradigm." *Middle East Policy* 14, 1: 52–68.

International Institute for Strategic Studies (2007). *The Military Balance 2007*. London, UK: The International Institute for Strategic Studies.

International Monetary Fund (2004a). *Annual Report on Exchange Arrangements and Exchange Restrictions*. Washington, DC: IMF.

International Monetary Fund (2004b). *Government Finance Statistics Yearbook*. Washington, DC: IMF.

International Monetary Fund (2005). *Annual Report on Exchange Arrangements and Exchange Restrictions*. Washington, DC: IMF.

International Monetary Fund (2006a). *Annual Report on Exchange Arrangements and Exchange Restrictions*. Washington, DC: IMF.

International Monetary Fund (2006b). *Government Finance Statistics Yearbook*. Washington, DC: IMF.

International Monetary Fund (2006c). *World Economic and Financial Surveys. Regional Economic Outlook: Middle East and Central Asia (September)*. Washington, DC: IMF.

International Monetary Fund (2007a). *Annual Report on Exchange Arrangements and Exchange Restrictions*. Washington, DC: IMF.

International Monetary Fund (2007b). *World Economic Outlook*. Washington, DC: IMF

International Monetary Fund (2008). *World Economic and Financial Surveys. Regional Economic Outlook: Middle East and Central Asia (May)*. Washington, DC: IMF.

Lopez-Claros, Augusto, and Klaus Schwab (2005). *The Arab World Competitiveness Report 2005.* Geneva: World Economic Forum.

Monetary Research (2003). *MRI Bankers' Guide to Foreign Currency* (49th Edition). Houston, TX: Monetary Research, Inc.

Morgan Stanley (2007). Sovereign Wealth Funds. New York: Morgan Stanley.

Monetary Research (2005/06). *MRI Bankers' Guide to Foreign Currency*. Houston, TX: Monetary Research, Inc.

Monetary Research (2006/07). *MRI Bankers' Guide to Foreign Currency*. Houston, TX: Monetary Research, Inc.

Nabli, Mustapha K., World Bank, and Marie-Ange Veganzones (2006). "Reform Complimentaries and Economic Growth in the Middle East and North Africa." *Journal of International Development* 19, 1: 17–54.

Noland, Marcus, and Howard Pack (2007). *Arab Economies in the Changing World, 2007*. Washington, DC; Peterson Institute for International Economics.

Mahyra Roy (2005). "Free-trade zone eliminates customs duty on intra-Arab trade" London: *International Tax Review*. http://www.internationaltaxreview.com/default.asp?Page=10&PUBID=35&ISS=14050&SID=494287

PRS Group (1979–2004). *International Country Risk Guide*. East Syracuse, NY: PRS.

PRS Group (2006). *International Country Risk Guide*. Data purchased from http://www.prsgroup.com.

PRS Group (2007). *International Country Risk Guide*. Data purchased from http://www.prsgroup.com.

PRS Group (2008). *International Country Risk Guide*. Data purchased from http://www.prsgroup.com.

Raphaeli, Nimrod and Bianca Gersten (Spring 2008). "Sovereign Wealth Funds: Investment Vehicles for the Persian Gulf Countries" Philadelphia, Pennsylvania: *Middle East Quarterly*.

World Bank (2005a). *World Development Indicators 2005 (CD-ROM).* Washington, DC: The World Bank.

World Bank (2005b). Doing Business Database. Available online at http://rru.worldbank.org/DoingBusiness/.

World Bank (2005c). *World Development Indicators 2005*. Washington, DC: International Bank for Reconstruction and Development and World Bank.

World Bank (2006a). *World Development Indicators 2006 (CD-ROM).* Washington, DC: The World Bank.

World Bank (2006b). Doing Business Database. Available online at http://rru.worldbank.org/DoingBusiness/.

World Bank (2006c). *World Development Indicators 2006*. Washington, DC: International Bank for Reconstruction and Development and World Bank.

World Bank Group (2003). *World Bank Survey of Bank Regulation and Supervision.* Available online at http://www.worldbank.org/research/interest/2003_bank_survey/2003_bank_regulation_database.htm .

World Bank (2007a). *World Development Indicators 2007 (CD-ROM).* Washington, DC: The World Bank.

World Bank (2007b). Doing Business Database. Available online at http://www.doingbusiness.org.

World Bank (2007c). *World Development Indicators 2007*. Washington, DC: International Bank for Reconstruction and Development and World Bank.

World Bank (2008a). *World Development Indicators 2008 (online).* Washington, DC: The World Bank.

World Bank (2008b). Doing Business Database. Available online at http://www.doingbusiness.org (accessed on August 18, 2008).

World Bank (2008c). *World Development Indicators 2008*. Washington, DC: International Bank for Reconstruction and Development and World Bank.

World Bank Group (2007). *World Bank Survey of Bank Regulation and Supervision*. Available at http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:20345037~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html#Survey_III (accessed on July 24, 2007.) .

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* (EFW) instead of the 22 countries included in the index. For those components 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.

Although the international data are constantly subject to small revisions, once *Economic Freedom of the Arab World* has been published, to preserve the stability of the index, we do not incorporate those revisions.

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 were 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.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a.

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 were 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.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a.

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.

Sources: Gwartney and Lawson, 2005, 2006, 2007, 2008.

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.

Income Threshold Level, in US Dollars				
Top Marginal Tax Rate	<$ 25,000	$25,000 - $50,000	$50,000 - $150,000	>$150,000
< 20%	10	10	10	10
21 to 25	9	9	10	10
26 to 30	8	8	9	9
31 to 35	7	7	8	9
36 to 40	5	6	7	8
41 to 45	4	5	6	7
46 to 50	3	4	5	5
51 to 55	2	3	4	4
56 to 60	1	2	3	3
61 to 65	0	1	2	2
66 to 70	0	0	1	1
> 70%	0	0	0	0

Sources: World Bank, 2005a, 2006a, 2007a, 2008a; Ernst & Young, 2003.

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.

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.

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. The V_{max} and V_{min} were set to 21.0 procedures, 956 days, and 30.4% and 1.0 procedure, 1.0 day, and 0.1% respectively. Nations with values which 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 property value)

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

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. The V_{max} and V_{min} were set to 58.0 procedures, 1459.0 days, and 227.3% and 14.0 procedures, 109.0 days, and 5.5%, respectively. 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, 2005b, 2006b, 2007b, 2008b.

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 ten 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 ten 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.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a.

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 get a score of 10. The higher the inflation variability, the lower the rating a nation receives. Those nations which have a standard deviation great than 25% get a score of zero.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a; EconStats Database, 2005; International Monetary Fund 2006c and 2008.

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 which have an inflation rate higher than 50% get a score of zero.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a; EconStats Database, 2005; International Monetary Fund, 2006c and 2008.

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 ten. If foreign bank accounts are allowed domestically but not abroad, or vice versa, a nation gets a rating of 5.

Sources: International Monetary Fund, 2004a, 2005, 2006a, 2007.

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.

Sources: World Bank, 2005a, 2006a, 2007a, 2008a; International Monetary Fund, 2004b, 2006b.

ii) Mean tariff rate

This sub-component measure 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. Higher mean tariff rate results in lower rating. Nations with a mean tariff rate of over 50% get a score of zero.

Sources: World Bank, 2005c, 2006c, 2007c, 2008c.

iii) Standard deviation of tariff rates

This sub-component measures 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.

Sources: Gwartney and Lawson, 2005, 2006, 2007, 2008.

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.

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, 2004a, 2005, 2006a, 2007a.

Area 5: Regulation of Credit, Labour, and Business

A. Credit Market Regulations

i) Ownership of banks

The rating for this sub-component is based on the percentage of bank deposits that is held in privately owned banks. When private deposits were between 95% and 100%, nations received a score of 10. When private deposits totalled 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 different sub-components: 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: The World Bank Group, 2003, 2007.

iii) Interest rate controls/negative real interest rates

This sub-component is based on two sub-components: real interest rate (i.e., lending interest rate minus inflation as measured by CPI, 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, 2005a, 2006a, 2007a, 2008a; EconStats Database, 2005; 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 measure the extent to which collateral and bankruptcy laws facilitate lending and the availability of credit information from either public or private registries.

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.

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

B. Labour 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.

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

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 which have values above V_{max} received a score of zero.

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

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.

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

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 conscript of over 18 months were given a score of zero.

Sources: Gwartney and Lawson, 2005, 2006; The International Institute for Strategic Studies 2007.

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. The V_{max} and V_{min} were set to 19.0 procedures, 203.0 days, 835.4%, 5111.9% and 2.0 procedures, 2.0 days, 0.0%, 0.0%, respectively. Nations with values which fall below V_{min} received a score of 10 whereas those nations which 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)

Sources: World Bank, 2005b, 2006b, 2007b, 2008b.

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. The V_{max} and V_{min} were set to 10.0 years, 76.0%, 92.6% and 0.4 years, 1.0%, 0.0%, respectively.

a) time (years)

b) cost (% of estate)

c) recovery rate (cents on the dollar)

Sources: World Bank, 2005b; 2006b, 2007b, 2008b.

This section presents detailed economic freedom scores for all components used in constructing the index for the 22 countries of the League of Arab States. An overall score was computed for 13 of the nations included in *Economic Freedom of the Arab World: 2008 Annual Report*; an overall score could not be computed for the remaining nine due to a lack of data. This is an advance from last year's report when scores for only 12 nations could be calculated. Due to additional data, this year we were able to calculate a score for Mauritania.

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: 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 to freetheworld@fraserinstitute.org.

Table 1: Overall Economic Freedom Scores and Ranks

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania
2006											
Score	6.0				7.0		7.5	7.7	7.7		6.3
Rank	12				8		4	1	1		10
2005											
Score	5.4				6.8		7.7	7.8	7.7		
Rank	12				8		3	1	3		
2004											
Score	5.3				6.6		7.6	7.8	7.7		
Rank	12				8		5	2	3		
2003											
Score	5.0				6.6		7.5	7.9	8.1		
Rank	12				8		6	3	1		
2002											
Score	5.0				6.7		7.6	8.0	8.1		
Rank	12				8		6	3	1		

	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2006											
	6.5	7.6		7.4			5.7	6.3	7.3		7.1
	9	3		5			13	10	6		7
2005											
	6.2	7.8		7.4			5.8	6.5	7.7		7.4
	10	1		6			11	9	3		6
2004											
	6.0	8.0		7.5			6.1	6.4	7.7		7.4
	11	1		6			10	9	3		7
2003											
	6.1	8.1		7.8			5.7	6.4	7.9		7.4
	10	1		5			11	9	3		7
2002											
	6.2	8.1		7.8			5.8	6.4	7.9		7.4
	10	1		5			11	9	4		7

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

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2006							
A. General government consumption spending as a percentage of total consumption	3.9	6.0	8.5	2.4	7.4		5.9
B. Transfers and subsidies as a percentage of GDP	8.6	9.2			7.7		7.2
C. Government enterprises and investment	4.0	4.0			4.0		4.0
D. Top marginal tax rate		10.0			10.0		7.0
Area 1 Score	5.5	7.3			7.3		6.0
Area 1 Rank	12	2			2		8
2005							
A. General government consumption spending as a percentage of total consumption	4.0	3.3	8.6	3.4	7.3		8.0
B. Transfers and subsidies as a percentage of GDP	6.9	8.9			9.0		9.8
C. Government enterprises and investment	0.0	4.0			4.0		0.0
D. Top marginal tax rate		10.0			8.0		7.0
Area 1 Score	3.6	6.6			7.1		6.2
Area 1 Rank	14	4			3		7
2004							
A. General government consumption spending as a percentage of total consumption	3.7	3.3	6.7		7.4		7.6
B. Transfers and subsidies as a percentage of GDP	6.8	9.5			9.5		8.6
C. Government enterprises and investment	0.0	4.0			4.0		0.0
D. Top marginal tax rate		10.0			7.0		7.0
Area 1 Score	3.5	6.7			7.0		5.8
Area 1 Rank	14	5			4		7

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2006														
2.1	7.6	5.1	4.6	4.5	1.3	0.4	0.0		6.2	6.8	6.4	6.0	4.3	5.6
7.8	9.0			8.3	9.4	9.2					7.3			
6.0			7.0	10.0	0.0					0.0	2.0	2.0		
10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
6.5	8.9		5.8	6.7	5.2	6.5	5.0			4.9	5.7	6.0		6.3
5	1		10	4	13	5	14			15	11	8		7
2005														
2.1	7.4	5.1	6.0	3.5	1.9	0.4	0.0		6.0	7.0	6.0	6.0	4.3	5.7
7.8	9.0			8.1	9.4						7.4			
6.0				4.0	2.0					0.0	2.0	6.0		
10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
6.5	8.8			4.9	5.8	5.2	5			5	5.6	7.3		6.4
5	1			13	8	10	11			11	9	2		6
2004														
1.3	6.8	5.1	5.9	4.2	1.9		0.0		7.4	6.5	5.8	5.7	0.3	7.2
7.0	9.2				9.4									
6.0				4.0	2.0					0.0	2.0	6.0		
10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
6.1	8.7			4.1	5.8		5.0			4.8	4.9	7.2	5.1	7.1
6	1			13	7		10			12	11	2	9	3

Table 2 cont'd: Area 1. Size of Government: Expenditures, Taxes, and Enterprises

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2003							
A. General government consumption spending as a percentage of total consumption	5.7	4.7			7.8		6.2
B. Transfers and subsidies as a percentage of GDP	5.9	9.2			9.2		8.8
C. Government enterprises and investment	0.0	4.0			4.0		0.0
D. Top marginal tax rate		10.0			7.0		7.0
Area 1 Score	3.9	7.0			7.0		5.5
Area 1 Rank	13	4			4		9
2002							
A. General government consumption spending as a percentage of total consumption	5.6	4.7			8.5		6.4
B. Transfers and subsidies as a percentage of GDP	5.9	9.2			9.2		8.9
C. Government enterprises and investment	0.0	4.0			4.0		0.0
D. Top marginal tax rate		10.0			7.0		7.0
Area 1 Score	3.8	7.0			7.2		5.6
Area 1 Rank	13	5			3		9

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2003														
3.9	8.4	6.2	6.9	5.9	3.8		2.3			7.9	6.6			7.6
	9.1				9.1									
6.0				4.0	2.0					0.0	2.0	6.0		
10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0		7.0
6.6	9.2			4.6	6.2		6.1			5.3	5.2	8.0		7.3
6	1			12	7		8			10	11	2		3
2002														
4.1	8.3	6.2	6.9	6.1	3.8		2.5			7.7	6.6			7.4
	9.1				9.1									
6.0				4.0	2.0					0.0	2.0	6.0		
10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0		7.0
6.7	9.1			4.7	6.2		6.3			5.2	5.2	8.0		7.2
6	1			12	8		7			10	10	2		3

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

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2006							
A. Military interference in rule of law and the political process	5.0	5.0			5.0	0.0	8.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7
C. Regulatory restrictions on the sale of real property	6.8		7.0	7.4	7.6	8.6	7.7
i) Number of procedures	3.5		8.0	7.0	7.0	8.0	6.5
ii) Time (days)	9.5		9.8	9.5	8.0	9.9	9.8
iii) Cost (% of property value)	7.6		3.2	5.6	7.9	7.9	6.7
D. Legal enforcement of contracts	6.0		5.6	4.8	5.4	5.8	6.3
i) Number of procedures	2.5		3.4	4.1	3.6	1.6	4.3
ii) Time (days)	6.1		7.1	1.7	3.3	7.0	5.7
iii) Cost (% of debt)	9.5		6.2	8.7	9.1	8.8	8.8
Area 2 Score	5.7	6.7	6.3	6.1	6.2		7.2
Area 2 Rank	17	10	12	14	13		9
2005							
A. Military interference in rule of law and the political process	5.0	5.0			5.0	0.0	8.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7
C. Regulatory restrictions on the sale of real property	6.7		7.0	7.4	7.7	8.6	7.7
i) Number of procedures	3.0		8.0	7.0	7.0	8.0	6.5
ii) Time (days)	9.5		9.8	9.5	8.0	9.9	9.8
iii) Cost (% of property value)	7.6		3.2	5.6	8.1	7.9	6.7
D. Legal enforcement of contracts	6.6		4.8	3.6	4.5	5.5	7.1
i) Number of procedures	2.0		0.0	0.0	0.7	0.0	3.4
ii) Time (days)	7.9		5.5	1.7	3.3	7.0	8.3
iii) Cost (% of debt)	9.8		8.9	9.0	9.4	9.6	9.5

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2006														
8.3	3.3	5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		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	8.1		8.8	8.7	9.5		9.5		8.8	6.3	8.5	9.4	8.0	8.7
6.5	6.5		8.5	8.0	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
9.4	9.7		9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
9.9	8.1		8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
6.0	6.4		6.5	6.5	5.9		6.1		5.1	4.7	6.7	5.7	6.0	7.1
1.8	4.8		2.5	4.1	1.6		3.2		1.1	0.7	4.3	1.8	3.2	4.8
6.6	5.5		7.8	6.3	6.4		6.1		4.8	4.3	6.6	6.3	5.6	7.0
9.6	8.9		9.2	9.1	9.6		9.0		9.4	8.9	9.3	9.1	9.3	9.5
7.8	6.1	5.8	7.6	7.5	8.0	7.5	8.1	1.3	4.5	5.7	7.6	7.5		6.4
3	14	16	4	6	2	6	1	20	19	17	4	6		11
2005														
8.3	3.3	5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		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	8.1		8.8	8.9	9.5		9.5		8.8	6.3	8.5	9.4	8.0	8.7
6.5	6.5		8.5	8.5	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
9.4	9.7		9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
9.9	8.1		8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
6.3	6.3		7.1	6.5	6.6		6.9		4.8	5.4	8.4	7.1	7.4	7.6
1.4	4.3		4.1	3.6	3.9		3.2		0.0	2.5	8.4	5.5	7.3	4.8
7.9	5.5		7.8	6.3	6.4		8.1		5.1	4.3	7.2	6.3	5.6	8.1
9.6	9.0		9.4	9.5	9.7		9.3		9.3	9.3	9.5	9.4	9.3	9.8

Table 3 cont'd: Area 2. Commercial and Economic Law and Security of Property Rights

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
Area 2 Score	5.8	6.7	5.9	5.5	6.0		7.4
Area 2 Rank	15	10	14	18	13		9
2004							
A. Military interference in rule of law and the political process	5.0	5.0			5.0	0.0	8.3
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7
C. Regulatory restrictions on the sale of real property	6.7		7.0	7.4	7.7	8.6	7.7
i) Number of procedures	3.0		8.0	7.0	7.0	8.0	6.5
ii) Time (days)	9.5		9.8	9.5	8.0	9.9	9.8
iii) Cost (% of property value)	7.6		3.2	5.6	8.1	7.9	6.7
D. Legal enforcement of contracts	6.6		4.8	3.6	4.5	5.5	7.1
i) Number of procedures	2.0		0.0	0.0	0.7	0.0	3.4
ii) Time (days)	7.9		5.5	1.7	3.3	7.0	8.3
iii) Cost (% of debt)	9.8		8.9	9.0	9.4	9.6	9.5
Area 2 Score	5.8	6.7	5.9	5.5	6.0	4.1	7.4
Area 2 Rank	16	11	15	19	14	21	10
2003							
A. Military interference in rule of law and the political process	0.0	5.0			5.0		8.3
B. Integrity of the legal system	3.3	8.3			6.7		6.7
C. Regulatory restrictions on the sale of real property	6.3				7.7		7.7
i) Number of procedures	2.5				7.0		6.5
ii) Time (days)	9.5				8.0		9.8
iii) Cost (% of property value)	7.1				8.0		6.7

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
7.9	6.1	5.8	7.9	7.6	8.2	7.5	8.3	1.3	4.4	5.8	8.0	7.9		6.6
4	12	15	4	7	2	8	1	20	19	15	3	4		11
2004														
8.3	3.3	5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		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	8.1		8.8	8.9	9.5		9.5		8.8	6.3	8.5	9.4	8.0	8.7
6.5	6.5		8.5	8.5	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
9.4	9.7		9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
9.9	8.1		8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
6.3	6.3		7.1	6.5	6.6		6.9		4.8	5.4	8.4	7.1	7.4	7.6
1.4	4.3		4.1	3.6	3.9		3.2		0.0	2.5	8.4	5.5	7.3	4.8
7.9	5.5		7.8	6.3	6.4		8.1		5.1	4.3	7.2	6.3	5.6	8.1
9.6	9.0		9.4	9.5	9.7		9.3		9.3	9.3	9.5	9.4	9.3	9.8
7.9	6.1	5.8	7.9	7.6	8.2	7.5	8.3	1.3	4.4	5.8	8.0	7.9	7.7	6.6
4	13	16	4	8	2	9	1	22	20	16	3	4	7	12
2003														
8.3	3.3	5.0		6.7	8.3	6.7	8.3			3.3	6.7	8.3		6.7
8.3	6.7	6.7		8.3	8.3	8.3	8.3			8.3	8.3	6.7		3.3
8.5	8.1		8.6	8.7	9.1		9.5			6.1	8.5	9.4		8.7
6.5	6.5		8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
9.2	9.7		9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
9.8	8.1		7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7

Table 3 cont'd: Area 2. Commercial and Economic Law and Security of Property Rights

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
D. Legal enforcement of contracts	6.1				5.8		6.9
i) Number of procedures	1.9				0.6		3.2
ii) Time (days)	7.3				7.3		7.8
iii) Cost (% of debt)	9.0				9.4		9.8
Area 2 Score	3.9	6.7			6.3		7.4
Area 2 Rank	16	10			12		9
2002							
A. Military interference in rule of law and the political process	0.0	5.0			5.0		8.3
B. Integrity of the legal system	3.3	8.3			6.7		6.7
C. Regulatory restrictions on the sale of real property	6.3				7.7		7.7
i) Number of procedures	2.5				7.0		6.5
ii) Time (days)	9.5				8.0		9.8
iii) Cost (% of property value)	7.1				8.0		6.7
D. Legal enforcement of contracts	6.1				5.8		6.9
i) Number of procedures	1.9				0.6		3.2
ii) Time (days)	7.3				7.3		7.8
iii) Cost (% of debt)	9.0				9.4		9.8
Area 2 Score	3.9	6.7			6.3		7.4
Area 2 Rank	16	10			12		9

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
6.1	6.1		7.6	8.9	6.8		6.7			5.5	9.7	5.5		7.3
1.3	4.0		6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
7.5	5.2		7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
9.6	9.1		9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
7.8	6.1	5.8	8.1	8.2	8.1	7.5	8.2			5.8	8.3	7.5		6.5
6	13	14	4	2	4	7	2			14	1	7		11
							2002							
8.3	3.3	5.0		6.7	8.3	6.7	8.3			3.3	6.7	8.3		6.7
8.3	6.7	6.7		10.0	8.3	8.3	8.3			8.3	8.3	6.7		3.3
8.5	8.1		8.6	8.7	9.1		9.5			6.1	8.5	9.4		8.7
6.5	6.5		8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
9.2	9.7		9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
9.8	8.1		7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7
6.1	6.1		7.6	8.9	6.8		6.7			5.5	9.7	5.5		7.3
1.3	4.0		6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
7.5	5.2		7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
9.6	9.1		9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
7.8	6.1	5.8	8.1	8.6	8.1	7.5	8.2			5.8	8.3	7.5		6.5
6	13	14	4	1	4	7	3			14	2	7		11

Table 4: Area 3. Access to Sound Money

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2006							
A. Money growth	6.6	7.2	9.9	7.9	8.2		7.6
B. Standard deviation of inflation	9.7	9.5		9.5	8.7	3.0	9.3
C. Inflation: Most recent year	9.5	9.6		9.3	8.5	0.0	8.7
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0
Area 3 Score	6.4	9.1	4.9	9.2	8.8		8.9
Area 3 Rank	14	4	19	3	8		6
2005							
A. Money growth	7.1	7.2	7.5	7.9	8.7		7.9
B. Standard deviation of inflation	9.5	9.3		9.5	8.6	4.3	9.6
C. Inflation: Most recent year	9.7	9.5		9.4	9.0	2.3	9.3
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0
Area 3 Score	6.6	9.0	3.7	9.2	9.1		9.2
Area 3 Rank	16	7	19	4	6		4
2004							
A. Money growth	6.8	7.9	7.0	8.1	8.3		8.4
B. Standard deviation of inflation	9.4	9.5			8.5		9.6
C. Inflation: Most recent year	9.3	9.7			7.7		9.3
D. Freedom to own foreign currency bank accounts	0.0	10.0	0.0	10.0	10.0	5.0	10.0
Area 3 Score	6.4	9.3	3.5	9.1	8.6		9.3
Area 3 Rank	18	4	19	7	11		4

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2006														
6.7	9.1	7.4	8.2	8.4	7.6		8.3		5.2	8.6	9.3	6.3	8.1	8.0
9.4	9.1	7.9	8.6	9.6	9.4	8.1	9.7		9.5	8.5	9.6	9.0	9.3	8.4
9.4	8.9	9.3	8.8	9.3	9.4	7.6	9.6		8.6	8.0	9.1	8.1	9.3	5.8
10.0	10.0	0.0	0.0	0.0	10.0	10.0	10.0	0.0	0.0	0.0	0.0	10.0		10.0
8.9	9.3	6.2	6.4	6.8	9.1	8.6	9.4		5.8	6.3	7.0	8.3		8.0
6	2	17	14	13	4	9	1		18	16	12	10		11
2005														
6.7	9.7	8.2	8.2	8.5	8.2		8.4		5.6	7.5	9.5	6.3		8.4
9.5	9.5	7.9	8.5	9.7	9.6	8.5	9.7		9.6	9.0	9.7	9.1		9.7
9.2	9.9	9.5	7.6	9.8	9.8	8.2	9.9		8.3	8.6	9.6	8.4		7.6
10.0	10.0	0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	0.0	0.0	10.0		10.0
8.8	9.8	6.4	7.3	7.0	9.4	8.9	9.5		7.1	6.3	7.2	8.4		8.9
10	1	17	12	15	3	8	2		14	18	13	11		8
2004														
6.9	9.5	9.1	8.5	8.5	8.2		8.3		5.2	7.2	9.6	6.9		8.4
9.7	9.6	8.5	8.9	9.7	9.8	9.0	9.7		9.5	8.8	9.8	9.7		8.7
9.8	9.7	9.6	7.9	9.8	9.9	8.6	9.9		8.3	9.8	9.3	9.4		7.8
10.0	10.0	0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	5.0	0.0	10.0		10.0
9.1	9.7	6.8	7.6	7.0	9.5	9.2	9.5		7.0	7.7	7.2	9.0		8.7
7	1	17	13	15	2	6	2		15	12	14	9		10

Table 4 cont'd: Area 3. Access to Sound Money

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2003							
A. Money growth	7.7	8.2			8.9		8.4
B. Standard deviation of inflation	9.4	9.6			9.7		9.7
C. Inflation: Most recent year	9.5	9.8			9.1		9.5
D. Freedom to own foreign currency bank accounts	0.0	10.0			10.0		10.0
Area 3 Score	6.6	9.4			9.4		9.4
Area 3 Rank	16	5			5		5
2002							
A. Money growth	7.2	8.2			9.0		9.4
B. Standard deviation of inflation	9.2	9.6			9.8		9.6
C. Inflation: Most recent year	9.7	9.8			9.5		9.6
D. Freedom to own foreign currency bank accounts	0.0	10.0			10.0		10.0
Area 3 Score	6.5	9.4			9.6		9.7
Area 3 Rank	16	8			4		2

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
							2003							
6.9	9.3		8.5	8.6	9.3		8.5			7.2	9.3	8.2		8.3
9.7	9.6	7.9	9.7	9.6	9.7	9.7	9.6			8.4	9.9	9.7		8.7
9.8	9.7	9.6	9.0	9.8	9.9	9.5	9.9			9.0	9.5	9.4		7.8
10.0	10.0	5.0	5.0	0.0	10.0	10.0	10.0			5.0	0.0	10.0		10.0
9.1	9.7	7.5	8.0	7.0	9.7	9.7	9.5			7.4	7.2	9.3		8.7
9	1	12	11	15	1	1	4			13	14	8		10
							2002							
8.7	9.6		8.8	8.6	9.3		8.8			8.0	9.2	8.2		8.5
9.6	9.2	7.5	9.2	9.6	9.7	9.6	9.7			8.8	9.8	9.7		8.6
9.7	9.6	8.0	9.2	9.4	9.9	10.0	10.0			9.8	9.5	9.4		7.6
10.0	10.0	5.0	5.0	0.0	10.0	10.0	10.0			5.0	0.0	10.0		10.0
9.5	9.6	6.8	8.1	6.9	9.7	9.9	9.6			7.9	7.1	9.3		8.7
7	4	15	11	14	2	1	4			12	13	9		10

Table 5: Area 4. Freedom to Trade Internationally

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2006							
A. Taxes on international trade	6.9	8.4		4.0	4.8		6.7
i) Revenue from trade taxes (% of trade sector)	8.2	8.6			8.3		8.4
ii) Mean tariff rate	6.8	9.1		4.0	6.2		7.8
iii) Standard deviation of tariff rates	5.8	7.3			0.0		3.9
B. Black-market exchange rates	9.0	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
Area 4 Score	6.1	8.2	5.5	6.4	7.2		7.9
Area 4 Rank	16	3	18	13	8		5
2005							
A. Taxes on international trade	5.9	8.3		3.8	4.1		6.5
i) Revenue from trade taxes (% of trade sector)	5.0	9.4			6.0		8.2
ii) Mean tariff rate	6.8			3.8	6.2		7.5
iii) Standard deviation of tariff rates	5.8	7.3			0.0		3.9
B. Black-market exchange rates	8.1	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
Area 4 Score	5.0	8.2	6.5	6.4	6.7		8.1
Area 4 Rank	18	3	11	12	9		5
2004							
A. Taxes on international trade	5.2	9.4		3.8	4.1		6.3
i) Revenue from trade taxes (% of trade sector)	5.0	9.4			6.0		8.0
ii) Mean tariff rate	6.4			3.8	6.2		7.1
iii) Standard deviation of tariff rates	4.3				0.0		3.8

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
8.8	8.5	6.0	7.4	5.1	6.8	9.2	9.2		6.6	7.1	4.8	8.3		
9.5	8.2			7.8		9.3					8.8			
9.1	8.8	6.0	7.7	6.9	9.2	9.2	9.2		6.6	7.1	5.4	9.1		
7.9			7.1	0.6	4.4						0.0	7.6		
10.0	10.0	10.0	10.0	8.7	10.0	10.0	10.0	10.0	10.0	9.5	9.2	10.0		10.0
4.6	1.5	3.1	1.5	0.8	6.9	6.2	1.5	3.1	3.1	1.7	0.8	6.2		7.7
7.8	6.7	6.3	6.3	4.9	7.9	8.5	6.9	6.5	6.6	6.1	4.9	8.2		8.8
7	10	14	14	19	5	2	9	12	11	16	19	3		1
8.8	8.4	6.0	7.3	4.6	6.8	9.2	9.2		5.8	7.1	5.3	8.3	2.2	
9.5	8.3			7.2							8.7		2.2	
9.1	8.6	6.0	7.4	6.1	9.2	9.2	9.2		5.8	7.1	7.3	9.0		
7.9			7.1	0.6	4.4						0.0	7.6		
10.0	10.0	10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
4.6	1.5	0.0	0.8	0.8	6.7	7.7	1.5	0.0	1.8	1.0	0.8	6.2		7.7
7.8	6.7	5.3	6.0	5.0	7.8	9.0	6.9	5.0	5.9	6.0	5.1	8.2		8.8
6	9	16	13	18	6	1	8	18	15	13	17	3		2
9.2	8.3	6.0	7.4	3.1	9.0	9.2	8.7		5.8	7.1	6.1			
9.2	8.1										8.5			
9.3	8.6	6.0	7.4	4.3	8.4	9.2	8.7		5.8	7.1	4.9			
				1.8	9.5						5.0			

Table 5 cont'd: Area 4. Freedom to Trade Internationally

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
B. Black-market exchange rates	8.1	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
Area 4 Score	4.7	8.3	6.5	6.4	6.5	5.0	8.0
Area 4 Rank	20	4	10	12	10	18	6
2003							
A. Taxes on international trade	5.2	9.2			6.0		6.3
i) Revenue from trade taxes (% of trade sector)	4.9	9.2			5.9		7.9
ii) Mean tariff rate	6.3				6.2		7.1
iii) Standard deviation of tariff rates	4.3						3.8
B. Black-market exchange rates	8.1	10.0			5.5		10.0
C. Capital controls	0.8	6.9			5.4		7.7
Area 4 Score	4.7	8.7			5.6		8.0
Area 4 Rank	13	2			11		6
2002							
A. Taxes on international trade	5.2	9.3			6.0		6.2
i) Revenue from trade taxes (% of trade sector)	4.9	9.3			5.9		7.7
ii) Mean tariff rate	6.3				6.2		7.1
iii) Standard deviation of tariff rates	4.3						3.8
B. Black-market exchange rates	8.1	10.0			5.5		10.0
C. Capital controls	0.8	6.9			5.4		7.7
Area 4 Score	4.7	8.7			5.6		8.0
Area 4 Rank	13	2			11		6

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
10.0	10.0	10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
4.6	2.3	0.0	0.8	0.8	6.7	7.7	2.3	0.0	1.8	1.0	0.8	6.2		6.9
7.9	6.9	5.3	6.1	4.5	8.5	9.0	7.0	5.0	5.9	6.0	5.4	8.1		8.5
7	9	17	13	21	2	1	8	18	15	14	16	5		2
9.3	7.9	6.0	7.6	3.0	9.0		8.7			7.1	6.1			
	7.2										8.3			
9.3	8.5	6.0	7.6	4.2	8.4		8.7			7.1	4.9			
				1.8	9.5						5.0			
10.0	10.0	5.8	10.0	7.9	10.0	10.0	10.0			5.3	7.8	10.0		10.0
4.6	6.2	0.0	1.7	1.5	6.4	8.5	5.4			0.0	0.8	6.2		6.9
8.0	8.0	3.9	6.4	4.2	8.4	9.2	8.0			4.1	4.9	8.1		8.5
6	6	16	10	14	4	1	6			15	12	5		3
9.3	7.9	6.0	7.6	3.0	9.0		8.7			7.1	6.0			
	7.2										8.1			
9.3	8.5	6.0	7.6	4.2	8.4		8.7			7.1	4.9			
				1.8	9.5						5.0			
10.0	10.0	5.8	10.0	7.9	10.0	10.0	10.0			5.3	7.8	10.0		10.0
4.6	6.2	0.0	1.7	1.5	6.4	8.5	5.4			0.0	0.8	6.2		6.9
8.0	8.0	3.9	6.4	4.2	8.4	9.2	8.0			4.1	4.8	8.1		8.5
6	6	16	10	14	4	1	6			15	12	5		3

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

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2006							
A. Credit Market Regulations	5.3	9.3		5.7	5.0		6.8
i) Ownership of banks	0.0	10.0			2.0		10.0
ii) Foreign bank competition	8.0	8.0			6.0		3.0
iii) Interest rate controls/negative real interest rates	10.0	10.0		9.0	10.0		10.0
iv) Getting Credit	3.2		1.5	2.3	2.2	2.0	4.2
a) Legal Rights Index	3.0		3.0	3.0	1.0	4.0	5.0
b) Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3
B. Labour Market Regulations	5.2		7.5	7.7	4.8	8.5	8.7
i) Rigidity of Employment Index	5.2		5.4	5.4	7.3	6.2	7.0
a) Difficulty of Hiring Index	5.6		6.1	3.3	10.0	6.7	8.9
b) Rigidity of Hours Index	4.0		4.0	6.0	8.0	4.0	8.0
c) Difficulty of Firing Index	6.0		6.0	7.0	4.0	8.0	4.0
ii) Mandated cost of hiring (% of salary)	4.9		10.0	7.1	5.5	7.8	8.0
iii) Mandated cost of worker dismissal (weeks of wages)	9.5		7.2	8.4	6.3	10.0	9.9
iv) Conscription	1.0	10.0		10.0	0.0	10.0	10.0
C. Business Regulations	7.5		7.7	6.1	6.5	7.5	6.9
i) Starting a business	7.9		7.7	7.3	8.1	7.5	7.8
a) Number of procedures	2.9		4.7	4.7	5.3	4.7	4.7
b) Duration (days)	8.9		9.0	8.3	9.2	6.3	9.2
c) Cost (% of income per capita)	9.8		7.7	7.3	9.2	9.2	9.1
d) Minimum capital (% of income per capita)	9.9		9.4	8.9	8.6	9.9	8.3
ii) Closing a business	7.2			4.9	5.0		6.0
a) Time (years)	7.8			5.2	6.0		5.9
b) Cost (% of estate)	9.2			7.7	7.2		8.9
c) Recovery rate (cents on the dollar)	4.5		0.0	1.7	1.8	0.0	3.0
Area 5 Score	6.0		7.6	6.5	5.5		7.5
Area 5 Rank	11		2	8	16		4

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
							2006							
6.9	8.8		5.9	5.8	7.4		7.2		4.3	5.8	5.5	5.4	7.1	5.3
10.0	10.0			8.0	10.0	5.0	8.0		8.0		5.0	5.0		
3.0	9.0			3.0	6.0		8.0		3.0		8.0	8.0		
10.0	10.0	10.0	9.0	10.0	10.0					10.0			10.0	9.0
4.5	6.2		2.8	2.3	3.7		5.7		2.0	1.5	3.5	3.2	4.2	1.5
4.0	4.0		4.0	3.0	4.0		3.0		4.0	3.0	2.0	3.0	5.0	3.0
5.0	8.3		1.7	1.7	3.3		8.3		0.0	0.0	5.0	3.3	3.3	0.0
8.6	6.5		5.3	5.8	8.9		8.8		5.0	5.4	5.9	8.3	8.6	6.1
8.7	7.5		5.1	3.7	7.6		9.3		6.4	7.0	5.1	8.0	6.9	6.7
10.0	5.6		3.3	0.0	6.7		10.0		6.1	10.0	7.2	10.0	6.7	10.0
6.0	10.0		6.0	6.0	6.0		8.0		8.0	6.0	6.0	4.0	6.0	4.0
10.0	7.0		6.0	5.0	10.0		10.0		5.0	5.0	2.0	10.0	8.0	6.0
8.0	6.0		7.1	6.7	8.2		8.0		6.9	6.9	6.0	7.6	10.0	8.4
7.8	9.5		9.1	7.6	9.9		7.8		6.7	7.8	9.5	7.7	7.5	9.5
10.0	3.0	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
7.3	6.9		5.5	8.0	7.4		6.6		8.2	6.0	8.3	5.9	6.4	6.2
7.9	8.6		7.0	9.2	8.3		7.2		8.2	5.9	8.7	7.6	6.4	5.8
3.5	7.6		4.7	7.6	5.9		3.5		5.3	4.1	5.3	4.7	4.1	4.1
8.4	7.8		6.0	9.5	8.4		8.2		8.2	8.0	9.6	7.0	5.5	7.0
10.0	8.9		8.5	9.8	9.9		9.3		9.3	9.7	9.9	9.5	6.1	7.3
9.8	9.9		8.8	9.9	8.9		7.9		10.0	1.7	9.9	9.3	9.9	5.0
6.6	5.2		4.0	6.7	6.5		5.9			6.1	7.9	4.1		6.5
6.0	6.3		2.1	8.5	6.1		7.5			6.1	9.1	5.1		7.3
10.0	7.2		8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
3.8	2.1		0.9	3.8	3.8		2.9		0.0	3.2	5.5	1.1	0.0	3.1
7.6	7.4		5.6	6.5	7.9		7.5		5.8	5.7	6.6	6.5		5.9
2	6		15	8	1		4		13	14	7	8		12

Table 6 cont'd: Area 5. Regulation of Credit, Labour, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2005							
A. Credit Market Regulations	5.3	9.3		5.9	5.0		6.8
i) Ownership of banks	0.0	10.0			2.0		10.0
ii) Foreign bank competition	8.0	8.0			6.0		3.0
iii) Interest rate controls/negative real interest rates	10.0	10.0		9.0	10.0		10.0
iv) Getting Credit	3.2		1.5	2.8	2.2	2.0	4.2
a) Legal Rights Index	3.0		3.0	4.0	1.0	4.0	5.0
b) Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3
B. Labour Market Regulations	5.3		7.5	7.7	3.7	8.0	8.8
i) Rigidity of Employment Index	5.5		5.4	5.4	4.7	4.1	7.3
a) Difficulty of Hiring Index	5.6		6.1	3.3	10.0	2.2	8.9
b) Rigidity of Hours Index	4.0		4.0	6.0	4.0	4.0	8.0
c) Difficulty of Firing Index	7.0		6.0	7.0	0.0	6.0	5.0
ii) Mandated cost of hiring (% of salary)	5.0		10.0	7.2	5.3	7.8	8.0
iii) Mandated cost of worker dismissal (weeks of wages)	9.5		7.2	8.4	4.8	9.9	9.9
iv) Conscription	1.0	10.0		10.0	0.0	10.0	10.0
C. Business Regulations	7.5		7.7	6.1	6.5	7.5	6.9
i) Starting a business	7.9		7.7	7.3	8.1	7.5	7.8
a) Number of procedures	2.9		4.7	4.7	5.3	4.7	4.7
b) Duration (days)	8.9		9.0	8.3	9.2	6.3	9.2
c) Cost (% of income per capita)	9.7		7.7	7.3	9.2	9.2	9.1
d) Minimum capital (% of income per capita)	9.9		9.4	8.9	8.6	9.9	8.3
ii) Closing a business	7.2			4.9	5.0		6.0
a) Time (years)	7.8			5.2	6.0		5.9
b) Cost (% of estate)	9.2			7.7	7.2		8.9
c) Recovery rate (cents on the dollar)	4.5		0.0	1.7	1.8	0.0	3.0
Area 5 Score	6.0		7.6	6.6	5.1		7.5
Area 5 Rank	12		2	8	16		3

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
							2005							
7.4	8.8		6.2	5.8	6.3		7.2		4.3	6.3	5.7	5.4		6.6
10.0	10.0			8.0	10.0	5.0	8.0		8.0		5.0	5.0		
5.0	9.0			3.0	3.0		8.0		3.0		8.0	8.0		
10.0	10.0	10.0	9.0	10.0	10.0					10.0				10.0
4.5	6.2		3.3	2.3	2.3		5.7		2.0	2.5	4.0	3.2	5.0	3.2
4.0	4.0		5.0	3.0	3.0		3.0		4.0	5.0	3.0	3.0	5.0	3.0
5.0	8.3		1.7	1.7	1.7		8.3		0.0	0.0	5.0	3.3	5.0	3.3
8.9	6.6		5.1	5.8	8.7		8.8		4.2	5.4	6.0	8.4	8.0	6.1
8.7	7.6		4.1	3.7	6.5		9.3		4.5	7.0	5.4	8.0	6.9	6.7
10.0	6.7		3.3	0.0	5.6		10.0		4.4	10.0	8.3	10.0	6.7	10.0
6.0	10.0		4.0	6.0	4.0		8.0		4.0	6.0	6.0	4.0	6.0	4.0
10.0	6.0		5.0	5.0	10.0		10.0		5.0	5.0	2.0	10.0	8.0	6.0
8.0	6.1		7.2	6.8	8.2		8.0		5.5	6.9	6.1	7.7	7.6	8.4
8.8	9.5		9.1	7.6	9.9		7.8		6.7	7.8	9.5	7.7	7.5	9.5
10.0	3.0	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
7.3	6.8		5.5	8.0	7.5		6.6		8.2	6.0	8.3	5.8	5.5	6.2
7.9	8.5		7.0	9.2	8.5		7.2		8.2	5.9	8.7	7.5	5.5	5.8
3.5	7.6		4.7	7.6	5.9		3.5		5.3	4.1	5.3	4.1	4.1	4.1
8.4	7.8		6.0	9.5	8.4		8.2		8.2	8.0	9.6	7.0	5.5	7.0
10.0	8.7		8.5	9.8	9.9		9.3		9.3	9.7	9.9	9.6	6.1	7.3
9.8	9.9		8.8	9.9	9.8		7.9		10.0	1.7	9.9	9.3	6.3	5.0
6.6	5.2		4.0	6.7	6.6		5.9			6.1	7.9	4.1		6.5
6.0	6.3		2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
10.0	7.2		8.9	7.7	9.7		7.2			8.9	9.2	6.1		9.1
3.7	2.1		0.8	3.8	3.8		2.9		0.0	3.2	5.5	1.1	0.0	3.1
7.8	7.4		5.6	6.5	7.5		7.5		5.6	5.9	6.7	6.5		6.3
1	6		14	9	3		3		14	13	7	9		11

Table 6 cont'd: Area 5. Regulation of Credit, Labour, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2004							
A. Credit Market Regulations	5.3	9.0			4.3		7.0
i) Ownership of banks	0.0	10.0			2.0		10.0
ii) Foreign bank competition	8.0	7.0			3.0		4.0
iii) Interest rate controls/negative real interest rates	10.0	10.0			10.0		10.0
iv) Getting Credit	3.2		1.5	2.8	2.2	2.0	4.2
a) Legal Rights Index	3.0		3.0	4.0	1.0	4.0	5.0
b) Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3
B. Labour Market Regulations	5.3		7.5	7.7	3.7	5.5	8.8
i) Rigidity of Employment Index	5.5		5.4	5.4	4.7	4.1	7.3
a) Difficulty of Hiring Index	5.6		6.1	3.3	10.0	2.2	8.9
b) Rigidity of Hours Index	4.0		4.0	6.0	4.0	4.0	8.0
c) Difficulty of Firing Index	7.0		6.0	7.0	0.0	6.0	5.0
ii) Mandated cost of hiring (% of salary)	5.0		10.0	7.2	5.3	7.8	8.0
iii) Mandated cost of worker dismissal (weeks of wages)	9.5		7.2	8.4	4.8	9.9	9.9
iv) Conscription	1.0	10.0		10.0	0.0	0.0	10.0
C. Business Regulations	7.5		7.7	6.1	6.5	7.5	6.9
i) Starting a business	7.9		7.7	7.3	8.1	7.5	7.8
a) Number of procedures	2.9		4.7	4.7	5.3	4.7	4.7
b) Duration (days)	8.9		9.0	8.3	9.2	6.3	9.2
c) Cost (% of income per capita)	9.7		7.7	7.3	9.2	9.2	9.1
d) Minimum capital (% of income per capita)	9.9		9.4	8.9	8.6	9.9	8.3
ii) Closing a business	7.2			4.9	5.0		6.0
a) Time (years)	7.8			5.2	6.0		5.9
b) Cost (% of estate)	9.2			7.7	7.2		8.9
c) Recovery rate (cents on the dollar)	4.5		0.0	1.7	1.8	0.0	3.0
Area 5 Score	6.0		7.6	6.9	4.8	6.5	7.6
Area 5 Rank	14		3	7	18	11	3

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2004														
8.1	8.5		6.2	6.3	7.6		7.2		4.3	6.3	5.7	5.4		6.6
10.0	10.0			5.0	10.0	5.0	8.0		8.0		5.0	5.0		
8.0	8.0			8.0	8.0		8.0		3.0		8.0	8.0		
10.0	10.0	10.0	9.0	10.0	10.0					10.0				10.0
4.5	6.2		3.3	2.3	2.3		5.7		2.0	2.5	4.0	3.2	5.0	3.2
4.0	4.0		5.0	3.0	3.0		3.0		4.0	5.0	3.0	3.0	5.0	3.0
5.0	8.3		1.7	1.7	1.7		8.3		0.0	0.0	5.0	3.3	5.0	3.3
8.9	6.6		5.1	5.8	8.7		8.8		4.4	5.4	6.0	8.4	8.0	6.1
8.7	7.6		4.1	3.7	6.5		9.3		4.5	7.0	5.4	8.0	6.9	6.7
10.0	6.7		3.3	0.0	5.6		10.0		4.4	10.0	8.3	10.0	6.7	10.0
6.0	10.0		4.0	6.0	4.0		8.0		4.0	6.0	6.0	4.0	6.0	4.0
10.0	6.0		5.0	5.0	10.0		10.0		5.0	5.0	2.0	10.0	8.0	6.0
8.0	6.1		7.2	6.8	8.2		8.0		5.5	6.9	6.1	7.7	7.6	8.4
8.8	9.5		9.1	7.6	9.9		7.8		6.7	7.8	9.5	7.7	7.5	9.5
10.0	3.0	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
7.3	6.8		5.5	8.0	7.5		6.6		8.2	6.0	8.3	5.8	5.5	6.2
7.9	8.5		7.0	9.2	8.5		7.2		8.2	5.9	8.7	7.5	5.5	5.8
3.5	7.6		4.7	7.6	5.9		3.5		5.3	4.1	5.3	4.1	4.1	4.1
8.4	7.8		6.0	9.5	8.4		8.2		8.2	8.0	9.6	7.0	5.5	7.0
10.0	8.7		8.5	9.8	9.9		9.3		9.3	9.7	9.9	9.6	6.1	7.3
9.8	9.9		8.8	9.9	9.8		7.9		10.0	1.7	9.9	9.3	6.3	5.0
6.6	5.2		4.0	6.7	6.6		5.9			6.1	7.9	4.1		6.5
6.0	6.3		2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
10.0	7.2		8.9	7.7	9.7		7.2			8.9	9.2	6.1		9.1
3.7	2.1		0.8	3.8	3.8		2.9		0.0	3.2	5.5	1.1	0.0	3.1
8.1	7.3		5.6	6.7	7.9		7.5		5.6	5.9	6.7	6.5	6.8	6.3
1	6		16	9	2		5		16	15	9	11	8	13

Table 6 cont'd: Area 5. Regulation of Credit, Labour, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2003							
A. Credit Market Regulations	4.9	9.0			4.3		7.2
i) Ownership of banks	*0.0*	*10.0*			*2.0*		*10.0*
ii) Foreign bank competition	*8.0*	*7.0*			*3.0*		*4.0*
iii) Interest rate controls/negative real interest rates	*10.0*	*10.0*			*10.0*		*10.0*
iv) Getting Credit	*1.5*				*2.2*		*4.7*
a) Legal Rights Index	*3.0*				*1.0*		*6.0*
b) Credit Information Index	*0.0*				*3.3*		*3.3*
B. Labour Market Regulations	*5.0*				*2.8*		*7.5*
i) Rigidity of Employment Index	*4.9*				*4.7*		*6.6*
a) Difficulty of Hiring Index	*5.6*				*10.0*		*8.9*
b) Rigidity of Hours Index	4.0				2.0		6.0
c) Difficulty of Firing Index	5.0				2.0		5.0
ii) Mandated cost of hiring (% of salary)	5.0				5.3		8.0
iii) Mandated cost of worker dismissal (weeks of wages)	9.1				1.4		5.2
iv) Conscription	1.0	10.0			0.0		10.0
C. Business Regulations	7.7				7.5		7.5
i) Starting a business	7.9				7.9		7.7
a) Number of procedures	2.9				5.3		4.7
b) Duration (days)	8.8				8.4		8.3
c) Cost (% of income per capita)	9.8				9.3		9.7
d) Minimum capital (% of income per capita)	9.9				8.6		8.0
ii) Closing a business	7.4				7.2		7.3
a) Time (years)	6.8				6.0		5.9
b) Cost (% of estate)	9.6				7.2		8.9
c) Recovery rate (cents on the dollar)	6.0				8.3		7.0
Area 5 Score	5.8				4.9		7.4
Area 5 Rank	11				13		4

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
							2003							
8.5	8.3		6.7	6.0	7.4	6.5	5.7			6.3	5.6	5.6		6.3
10.0	*10.0*			*5.0*	*10.0*	*5.0*	*8.0*				*5.0*	*5.0*		
8.0	*8.0*			*8.0*	*8.0*	*8.0*	*3.0*				*8.0*	*8.0*		
10.0	*10.0*	*10.0*	*9.0*	*9.0*	*10.0*					*10.0*				*10.0*
5.8	*5.3*		*4.3*	*1.8*	*1.5*		*6.2*			*2.5*	*3.7*	*3.7*		*2.7*
5.0	*4.0*		*7.0*	*2.0*	*3.0*		*4.0*			*5.0*	*4.0*	*4.0*		*2.0*
6.7	*6.7*		*1.7*	*1.7*	*0.0*		*8.3*			*0.0*	*3.3*	*3.3*		*3.3*
8.4	*6.4*		*4.5*	*5.3*	*8.6*		*8.1*			*4.7*	*5.7*	*7.3*		*5.6*
8.0	*7.6*		*2.7*	*4.0*	*6.5*		*8.7*			*6.0*	*4.6*	*6.7*		*6.3*
10.0	*6.7*		*0.0*	*0.0*	*5.6*		*10.0*			*8.9*	*3.9*	*10.0*		*10.0*
4.0	10.0		4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
10.0	6.0		4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
8.0	6.1		6.9	6.8	8.4		8.0			6.9	6.6	7.7		6.9
7.7	9.1		8.4	5.6	9.3		5.8			5.8	8.5	4.9		9.1
10.0	3.0	1.0	0.0	5.0	10.0	10.0	10.0			0.0	3.0	10.0		0.0
7.6	7.9		6.9	8.3	7.6		7.0			6.4	8.2	7.2		6.9
7.9	8.6		7.0	9.1	8.5		6.9			5.4	8.8	7.6		6.0
3.5	7.6		4.7	8.2	5.9		3.5			4.1	5.9	4.1		4.1
8.4	7.8		6.0	9.6	8.4		6.9			7.8	9.4	7.4		7.0
10.0	9.2		9.0	9.9	10.0		9.5			9.8	9.9	9.7		8.3
9.7	9.9		8.3	8.6	9.8		7.6			0.0	9.9	9.2		4.7
7.3	7.1		6.7	7.5	6.7		7.2			7.3	7.6	6.9		7.8
6.0	6.3		2.1	8.5	3.1		7.5			6.1	9.1	5.1		7.3
10.0	7.2		8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
5.9	8.0		9.1	6.2	7.3		6.9			6.9	4.4	9.4		6.9
8.2	7.6		6.0	6.5	7.8		7.0			5.8	6.5	6.7		6.3
1	3		10	7	2		5			11	7	6		9

Table 6 cont'd: Area 5. Regulation of Credit, Labour, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan
2002							
A. Credit Market Regulations	4.9	9.0			4.3		7.2
i) Ownership of banks	0.0	10.0			2.0		10.0
ii) Foreign bank competition	8.0	7.0			3.0		4.0
iii) Interest rate controls/negative real interest rates	10.0	10.0			10.0		10.0
iv) Getting Credit	1.5				2.2		4.7
a) Legal Rights Index	3.0				1.0		6.0
b) Credit Information Index	0.0				3.3		3.3
B. Labour Market Regulations	5.0				2.8		7.5
i) Rigidity of Employment Index	4.9				4.7		6.6
a) Difficulty of Hiring Index	5.6				10.0		8.9
b) Rigidity of Hours Index	4.0				2.0		6.0
c) Difficulty of Firing Index	5.0				2.0		5.0
ii) Mandated cost of hiring (% of salary)	5.0				5.3		8.0
iii) Mandated cost of worker dismissal (weeks of wages)	9.1				1.4		5.2
iv) Conscription	1.0	10.0			0.0		10.0
C. Business Regulations	7.7				7.5		7.5
i) Starting a business	7.9				7.9		7.7
a) Number of procedures	2.9				5.3		4.7
b) Duration (days)	8.8				8.4		8.3
c) Cost (% of income per capita)	9.8				9.3		9.7
d) Minimum capital (% of income per capita)	9.9				8.6		8.0
ii) Closing a business	7.4				7.2		7.3
a) Time (years)	6.8				6.0		5.9
b) Cost (% of estate)	9.6				7.2		8.9
c) Recovery rate (cents on the dollar)	6.0				8.3		7.0
Area 5 Score	5.8				4.9		7.4
Area 5 Rank	11				13		4

Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
							2002							
8.5	8.3		6.7	6.0	7.4	6.5	5.7			6.3	5.6	5.6		6.3
10.0	10.0			5.0	10.0	5.0	8.0				5.0	5.0		
8.0	8.0			8.0	8.0	8.0	3.0				8.0	8.0		
10.0	10.0	10.0	9.0	9.0	10.0					10.0				10.0
5.8	5.3		4.3	1.8	1.5		6.2			2.5	3.7	3.7		2.7
5.0	4.0		7.0	2.0	3.0		4.0			5.0	4.0	4.0		2.0
6.7	6.7		1.7	1.7	0.0		8.3			0.0	3.3	3.3		3.3
8.4	6.4		4.5	5.3	8.6		8.1			4.7	5.7	7.3		5.6
8.0	7.6		2.7	4.0	6.5		8.7			6.0	4.6	6.7		6.3
10.0	6.7		0.0	0.0	5.6		10.0			8.9	3.9	10.0		10.0
4.0	10.0		4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
10.0	6.0		4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
8.0	6.1		6.9	6.8	8.4		8.0			6.9	6.6	7.7		6.9
7.7	9.1		8.4	5.6	9.3		5.8			5.8	8.5	4.9		9.1
10.0	3.0	1.0	0.0	5.0	10.0	10.0	10.0			0.0	3.0	10.0		0.0
7.6	7.9		6.9	8.3	7.6		7.0			6.4	8.2	7.2		6.9
7.9	8.6		7.0	9.1	8.5		6.9			5.4	8.8	7.6		6.0
3.5	7.6		4.7	8.2	5.9		3.5			4.1	5.9	4.1		4.1
8.4	7.8		6.0	9.6	8.4		6.9			7.8	9.4	7.4		7.0
10.0	9.2		9.0	9.9	10.0		9.5			9.8	9.9	9.7		8.3
9.7	9.9		8.3	8.6	9.8		7.6			0.0	9.9	9.2		4.7
7.3	7.1		6.7	7.5	6.7		7.2			7.3	7.6	6.9		7.8
6.0	6.3		2.1	8.5	3.1		7.5			6.1	9.1	5.1		7.3
10.0	7.2		8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
5.9	8.0		9.1	6.2	7.3		6.9			6.9	4.4	9.4		6.9
8.2	7.6		6.0	6.5	7.8		7.0			5.8	6.5	6.7		6.3
1	3		10	7	2		5			11	7	6		9