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ECONOMIC FREEDOM
OF THE ARAB WORLD

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# ECONOMIC FREEDOM OF THE ARAB WORLD

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This is the second report on economic freedom in the Arab World. The first was published by the same authors in the Arab World Competitiveness Report 2005 (Lopez-Claros and Schwab, 2005). This edition adds a new year of data, 2003, the most recent year for which data are available.

*Economic Freedom of the Arab World* is modeled on Economic Freedom of the World: Annual Report (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 of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions. (Gwartney et al., 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 wealth throughout the economy.

# ECONOMIC FREEDOM AND ITS IMPORTANCE

Economic freedom is key to increasing prosperity, particularly among the emerging nations, according to empirical research. Fact-based studies in top academic journals have shown that economic freedom promotes growth, prosperity, and other positive outcomes. The relationship of economic freedom to prosperity is unsurprising. Individuals and families are best able to look after themselves when free to do so, without external constraints. Moreover, economic freedom has intrinsic value, and is inextricably linked to all other freedoms. The freedom of an individual or family to determine their own economic destiny liberates them from government dependence and opens the door to other freedoms.

Since the publication of the first edition of the Economic Freedom of the World in 1996, there have been about 200 scholarly articles which have used its index to explore the relationship between economic freedom and other socio-economic outcomes.

Here, we will briefly focus on the relationship between economic freedom and growth and prosperity. Intuitively, economic freedom should 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 workforce, and the level of investment are taken into account.

De Haan and Sturm (2000) empirically show that positive (negative) changes in economic freedom lead to positive (negative) changes in economic growth rates. Using the economic freedom index published in Gwartney et al. (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. For a summary of literature on economic freedom and economic prosperity, see Berggren (2003).

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) 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, they found that an increase in 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 freedomís relationship with other positive outcomes. For a sample of literature on economic freedom, see the web site, www.freetheworld.com.

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## THE INDEX OF ECONOMIC FREEDOM IN THE ARAB WORLD

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The index published in *Economic Freedom of the World* uses 38 variables in five areas. The Index published in *Economic Freedom of the Arab World* includes the same five areas and 39 variables, derived by averaging the components within each area.[3] However, underlying data for some of the variables used in the world index were not broadly

available for the Arab world. They were replaced by similar variables with broader coverage of the Arab world.

The overall rating was computed by averaging the five areas. Each variable was normalized on a scale of zero to 10 through the formula $(V_{max} - V_i) / (V_{max} - V_{min}) \times 10$. The Appendix describes the procedures by which scores of between zero and 10 were derived for each category. Details on sources and construction can also be found in the Appendix.

The minimums and maximums are from *Economic Freedom of the World (EFW)*, which includes 127 nations. For those variables not in the EFW report, minimums and maximums are derived from the 127 countries included in the report. Global rather than regional minimums and maximums were used because of the small variability in some of the components among Arab countries and in order to place the Arab nations in a broader context. Thus, a high score indicates that a nation is doing well, not only in comparison with its immediate regional neighbours, but also in comparison with best-practice nations.

The Arab Index includes 16 Arab states compared with 10 in the world index. The relative rankings of those nations in both indexes are very similar, although some more recent data and a slightly different menu of variables were used in the Arab Index. Four of the 16 states in the Arab Index are not ranked on their overall score because of missing data, which prevented us from giving them a score in at least one area. Three

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[3] 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.

states, Libya, Mauritania and Qatar, do not have data for Area 1, Size of Government. As well, Qatar and Bahrain lack data for two of the three sub-areas while Libya lacks data for all three sub-areas of Area 5, Regulation, and thus neither one of the three states are scored for this area. However, all these states are scored and ranked in the areas for which data are available. The full data-set is available at http://www.freetheworld.com/.

Following is a description of the variables used to measure economic freedom, explanations of why they are relevant, and the scores for each of the Arab nations where data are available.[4]

## AREA 1
### *Size of Government: Expenditures, Taxes and Enterprises*

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

*Table 1* shows the results for Area 1, Size of Government.[5] The oil states generally perform better in this category than non-oil states. Although their spending is relatively high, they typically feature relatively low rates of taxation. Lebanon is by far the best performer here, however. Unfortunately, several states have overly large government, which will stifle entrepreneurial activity by creating a too heavy state burden.

## AREA 2
### *Legal Structure and Security of Property Rights*

Protection of persons and their rightfully acquired property is a central element of both economic freedom and a civil society. Indeed, it is the most important 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 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

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[4] This description closely follows Gwartney and Lawson (2004):6–7.

[5] Note that Tables 1-6 contain economic freedom scores and ranks and not the underlying data. For full data-set, go to http://www.freetheworld.com/

system - provide measures of whether or not the rule of law is applied impartially and consistently. Component 2C, Registering property, provides information on how easy it is to establish property rights and 2D, Enforcing 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 2* shows the results for this area. Most Arab states, with the exception of Algeria, Libya, and Syria and, to a lesser extent, Egypt, Lebanon and Yemen, do well in the rule of law.

### 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 variable 3A) leads to inflation. High and volatile rates of inflation (variables 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 3* shows the results for this area. Many Arab states have among the best records in the world for Sound Money. Average scores in this area are typically higher than in other areas, though Algeria, Libya, Morocco, Syria, and Tunisia could improve their policy.

### AREA 4
*Freedom to Trade Internationally*

In our modern 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).

The oil states have successfully opened themselves to the world, as have both Lebanon and Jordan (see *Table 4*). However, the remaining states could increase the prosperity of their citizens by further opening to trade. The uneven performance in this area is one of the reasons that Arab states have achieved only limited trade integration, as discussed later in this report.

### 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. The first component (5A) reflects conditions in the domestic credit market. The variables 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. Many types of labor-market regulations (5B) infringe on the economic freedom of employees and employers. The more prominent of those measured in this index are difficulty in hiring, rigidity in hours, dismissal regulations and costs, and conscription. Like the regulation of the credit markets and labor markets, the regulation of business activities (5C) inhibits economic freedom. 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).

*Table 5* shows how states score in regulation. Red tape can strangle new businesses and job creation. The Gulf states have typically managed to reduce red tape although many of the other states, with the partial exception of Lebanon and Jordan, still have overly heavy regulatory burdens.

## OVERALL RANKINGS

*Table 6* shows the overall scores and rankings. In the rankings of both the world index and in the first edition of the Arab economic freedom index, the oil states performed the best. However, Lebanon, with a long history as a trading nation, has also developed a strong economic freedom ranking.

Oman, tied with Lebanon for first place, is the most consistent of the top scorers in economic freedom. Although it exhibits some weakness in Area 1, Size of Government, in all other areas it is in the top four Arab nations. Lebanon has the highest score, or is tied for the highest score, in Area 1, Size of Government and Area 3, Sound

Money. However, Lebanon faces a serious problem. It does quite poorly in Area 2, Rule of Law. In the other areas, it is in the top half of rankings.

Kuwait and the United Arab Emirates are tied for the second place. Kuwait does well in Area 5, Regulation of Credit, Labor and Business, where it ranks first. In all the remaining areas, it ranks in the middle except for Area 3, Sound Money, where it ranks 9th. The United Arab Emirates does well in Area 1, Size of Government and, to a lesser extent, in Area 4, Freedom to Trade.

## A FOCUS ON REGIONAL INTEGRATION

In some respects, the Arab World as a region is unusually homogenous in its culture. Arabic is the main language in all countries. The Arab countries share a rich historic heritage. Reflecting religious and historical influences, the culture in several countries in the region gives strong backing to business activities. Nationals of the region have a well-established commercial and entrepreneurial reputation. This is illustrated by the success of Lebanese and Palestinian minorities in Latin America, West Africa, North America, and other parts of the world. Nevertheless, on the *economic* front, the Arab World is remarkable for its lack of integration – in terms of the extent of economic interaction within the region, particularly in trade (see *tables 7 and 8*).

It is often and correctly argued that the similarity of resource endowments among many countries in the region and the greater proximity of the Maghreb (Northwest African) countries to Europe than to the Mashreq (Arab nations to the east of Egypt) will continue to restrict intra-regional trade. Nonetheless, while countries in the region continue to trade mostly with non-regional

partners, the current levels of trade within the region are below those attainable if economic relations within the region were freer. Most types of economic interaction within the Arab World, with the important exception of labor flows, remain remarkably limited and inconsequential.

Although a number of nations in the region do have similar petrochemical endowments, in a broader sense there is a wide diversity in the factor endowments within the Arab World, most strikingly in labor and natural resources, as well as differences in the extent of economic diversification. Much of the trade within the region is based on this diversity, with oil the main traded commodity and labor the main traded factor.

The question then becomes why the flows of trade within the region are so low. We speculate that one of the answers is the wide diversity in economic freedom within the region. In the world index, Arab nations vary from close to the top of the index to close to the bottom. This means the Arab world is a patchwork quilt of economic regimes.

Economic freedom, as noted in the brief review of the research above, promotes economic efficiency and growth. Relatively affluent oil states can thus often find better and cheaper products outside the region rather than in the regionís labor-endowed states, where economic freedom tends to be relatively low. Similarly, low levels of economic freedom reduce the investment attractiveness of these states for investors within the region (see Gwartney and Lawson, 2004).

## CONCLUSION

The Arab world has considerable diversity in economic freedom, with some nations having high levels of economic freedom and others relatively low levels. Unfortunately, those nations with low levels deprive their citizens of the well-known benefits of economic freedom. This also limits the ability of the region to develop strong economic interconnections and trade links.

The index published in *Economic Freedom of the Arab World* was derived from 39 distinct pieces of data. The overall rating was computed by averaging the five areas and area scores were derived by averaging the components within each area.

Note that minimums and maximums used to compute the individual scores were from *Economic Freedom of the World: 2005 Annual Report* (EFW report) instead of the 16 countries included in the index. For those variables not used in the EFW report, minimums and maximums were derived from the 127 countries included in the EFW report. We used "global" instead of regional minimums and maximums because of the small variability in some of the components among the Arab countries.

## AREA 1
*Size of Government: Expenditures, Taxes and Enterprises*

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

The rating for this component is equal to: $(V_{max} - V_i) / (V_{max} - V_{min})$ 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 of this ratio for the year 2003 in the *Economic Freedom of the World: 2005 Annual Report*.

*Source: World Bank (2005a).*

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

The rating for this component is equal to: $(V_{max} - V_i) / (V_{max} - V_{min})$ 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 values of this ratio for the year 2003 in the Economic Freedom of the World: 2005 Annual Report.

*Source: World Bank (2005a).*

### C. Government enterprises and investment as a percentage of total investment

*Source: Gwartney and Lawson (2005).*

### D. Top marginal tax rate (and income threshold at which it applies)

Countries with higher marginal tax rates that take effect at lower income thresholds received lower ratings based on the matrix found as following.

| 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); Ernst & Young (2003).*

| Income Threshold Level (1982-84), in US Dollars | | | | |
|---|---|---|---|---|
| Top Marginal Tax Rate | <$ 25,000 | $25,000 - $50,000 | $50,000 - $150,000 | >$150,000 |
| Less than 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 |
| More than 70% | 0 | 0 | 0 | 0 |

**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.

*Source: The PRS Group (1979 – 2004).*

**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.

*Source: The PRS Group (1979 – 2004) .*

**C. Registering Property – measures the ease of registering property**

i) number of procedures

ii) time (days)

iii) cost (% of property value)

*Source: World Bank (2005b).*

**D. Enforcing Contracts – payment dispute**

i) number of procedures

ii) time (days)

iii) cost (% of debt)

*Source: World Bank (2005b).*

AREA 3
*Access to Sound Money*

**A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years**

The M1 money supply figures were used to measure the growth rate of the money supply. The rating is equal to: $(V_{max} - V_i) / (V_{max} - V_{min})$ 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.

*Source: World Bank (2005a).*

**B. Standard inflation variability during the last five years**

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.

*Sources: World Bank (2005a); EconStats Database (2005).*

**C. Recent inflation rate**

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.

*Sources: World Bank (2005a); EconStats Database (2005).*

**D. Freedom to own foreign currency bank accounts domestically and abroad**

*Source: International Monetary Fund (2004a).*

AREA 4
*Freedom to Trade Internationally*

**A. Taxes on international trade**

*i) Revenue from taxes on international trade as a percentage of exports plus imports*

The formula used to calculate the ratings for this component was: $(V_{max} - V_i)$ / $(V_{max} - V_{min})$ multiplied by 10. $V_i$ represents the revenue derived from taxes on international trade as a share of the trade sector. The values for $V_{min}$ and $V_{max}$ were set at zero and 15%, respectively.

*Sources: World Bank (2005a); International Monetary Fund (2004b and 2004c).*

*ii) Mean tariff rate*

The formula used to calculate the zero-to-10 rating for each country was: $(V_{max} - V_i)$ / $(V_{max} - V_{min})$ 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.

*Sources: World Bank (2005c); Gwartney and Lawson (2005).*

*iii) Standard deviation of tariff rates*

Compared to a uniform tariff, wide variation in tariff rates exerts a more restrictive impact on trade, and therefore on economic freedom. Thus, countries with greater variation in their tariff rates should be given lower ratings. The formula used to calculate the zero-to-10 ratings for this component was: $(V_{max} - V_i) / (V_{max} - V_{min})$ 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.

*Sources: World Bank (2005c); Gwartney and Lawson (2005).*

**B. Difference between official exchange rate and black market rate**

The formula used to calculate the zero-to-10 ratings for this component was the following: $(V_{max} - V_i) / (V_{max} - V_{min})$ 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.

*Source: Monetary Research (2003).*

**C. Restrictions on the freedom of citizens to engage in capital market exchange with foreignersóindex of capital controls among 13 IMF categories**

*Source: International Monetary Fund (2004a).*

AREA 5
*Regulation of Credit, Labor, and Business*

**A. Credit Market Regulations**

*i) Ownership of banks*

*Source: World Bank Group (2003).*

*ii) Competition: domestic banks face competition from foreign banks*

If a country approved all or most foreign bank applications and if 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 |

*Source: The World Bank Group (2003).*

*iii) Avoidance of interest rate controls and regulations that lead to negative real interest rates*

Data on credit-market controls and regulations were used to construct rating intervals. Countries with interest rates determined by the market, stable monetary policy, and positive real deposit and lending rates received higher ratings. When interest rates were determined primarily by market forces and the real rates were positive, countries were given a rating of 10. When interest rates were primarily market-determined but the real rates were sometimes slightly negative (less than 5%) or the differential between the deposit and lending rates was large (8% or more), countries received a rating of 8. When the real deposit or lending rate was persistently negative by a single-digit amount or the differential between them was regulated by the government, countries were rated at 6. When the deposit and lending rates were fixed by the government and the real rates were often negative by single-digit amounts, countries were assigned a rating of 4. When the real deposit or lending rate was persistently negative by a double-digit amount, countries received a rating of 2. A zero rating was assigned when the deposit and lending rates were fixed by the government and real rates were persistently negative by double-digit amounts or hyperinflation had virtually eliminated the credit market.

*Sources: International Monetary Fund (2004c); World Bank (2005a).*

*iv) Getting Credit*

a) Legal Rights Index

b) Credit Information Index

*Source: World Bank (2005b).*

**B. Labour Market Regulations**

*i) Rigidity of Employment Index*

a) Difficulty of Hiring Index

b) Rigidity of Hours Index

c) Difficulty of Firing Index

*Source: World Bank (2005b).*

*ii) Hiring costs (% of salary)*

*Source: World Bank (2005b).*

*iii) Firing costs (weeks of wages)*

*Source: World Bank (2005b).*

*iv) Use of conscripts to obtain military personnel*

*Source: Gwartney and Lawson (2005).*

**C. Business Regulations**

*i) Starting a business (the ease of starting a business)*

a) number of procedures

b) duration (days)

c) cost (% of income per capita)

d) minimum capital (% of income per capita)

*Source: World Bank (2005b).*

*ii) Closing a business (difficulty of closing a business)*

a) time (years)

b) cost (% of estate)

c) recovery rate (cents on the dollar)

*Source: World Bank (2005b).*

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## Table 1: Area 1. Size of Government: expenditures, taxes, and enterprises

| 2003 | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
|---|---|---|---|---|---|---|---|
| A. General government consumption spending as a percentage of total consumption | 5.7 | 4.7 | 7.8 | 6.2 | 3.9 | 8.4 | 6.2 |
| B. Transfers and subsidies as a percentage of GDP | 5.9 | 9.2 | 9.2 | 8.8 | | 9.1 | |
| C. Government enterprises and investment as a percentage of total investment | 0.0 | 4.0 | 4.0 | 0.0 | 6.0 | | |
| D. Top marginal tax rate (and income threshold at which it applies) | | 10.0 | 7.0 | 7.0 | 10.0 | 10.0 | |
| Area 1 Score | 3.9 | 7.0 | 7.0 | 5.5 | 6.6 | 9.2 | |
| Area 1 Rank | 13 | 4 | 4 | 9 | 6 | 1 | |
| **2002** | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
| A. General government consumption spending as a percentage of total consumption | 5.6 | 4.7 | 8.5 | 6.4 | 4.1 | 8.3 | 6.2 |
| B. Transfers and subsidies as a percentage of GDP | 5.9 | 9.2 | 9.2 | 8.9 | | 9.1 | |
| C. Government enterprises and investment as a percentage of total investment | 0.0 | 4.0 | 4.0 | 0.0 | 6.0 | | |
| D. Top marginal tax rate (and income threshold at which it applies) | | 10.0 | 7.0 | 7.0 | 10.0 | 10.0 | |
| Area 1 Score | 3.8 | 7.0 | 7.2 | 5.6 | 6.7 | 9.1 | |
| Area 1 Rank | 13 | 5 | 3 | 9 | 6 | 1 | |

## Table 2: Area 2. Legal Structure and Security of Property Rights

| 2003 | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
|---|---|---|---|---|---|---|---|
| A. Military interference in rule of law and the political process | 0.0 | 5.0 | 5.0 | 8.3 | 8.3 | 3.3 | 5.0 |
| B. Integrity of the legal system | 3.3 | 8.3 | 6.7 | 6.7 | 8.3 | 6.7 | 6.7 |
| C. Registering Property-measures the ease of registering property | 6.3 | | 7.7 | 7.7 | 8.5 | 8.1 | |
| i) Number of Procedures | 2.5 | | 7.0 | 6.5 | 6.5 | 6.5 | |
| ii) Time (days) | 9.5 | | 8.0 | 9.8 | 9.2 | 9.7 | |
| iii) Cost (% of property value) | 7.1 | | 8.0 | 6.7 | 9.8 | 8.1 | |
| D. Enforcing Contracts— payment dispute | 6.1 | | 5.8 | 6.9 | 6.1 | 6.1 | |
| i) Number of Procedures | 1.9 | | 0.6 | 3.2 | 1.3 | 4.0 | |
| ii) Time (days) | 7.3 | | 7.3 | 7.8 | 7.5 | 5.2 | |
| iii)Cost (% of debt) | 9.0 | | 9.4 | 9.8 | 9.6 | 9.1 | |
| Area 2 Score | 3.9 | 6.7 | 6.3 | 7.4 | 7.8 | 6.1 | 5.8 |
| Area 2 Rank | 16 | 10 | 12 | 9 | 6 | 13 | 14 |
| **2002** | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
| A. Military interference in rule of law and the political process | 0.0 | 5.0 | 5.0 | 8.3 | 8.3 | 3.3 | 5.0 |
| B. Integrity of the legal system | 3.3 | 8.3 | 6.7 | 6.7 | 8.3 | 6.7 | 6.7 |
| C. Registering Property-measures the ease of registering property | 6.3 | | 7.7 | 7.7 | 8.5 | 8.1 | |
| i) Number of Procedures | 2.5 | | 7.0 | 6.5 | 6.5 | 6.5 | |
| ii) Time (days) | 9.5 | | 8.0 | 9.8 | 9.2 | 9.7 | |
| iii)Cost (% of property value) | 7.1 | | 8.0 | 6.7 | 9.8 | 8.1 | |
| D. Enforcing Contracts—payment dispute | 6.1 | | 5.8 | 6.9 | 6.1 | 6.1 | |
| i) Number of Procedures | 1.9 | | 0.6 | 3.2 | 1.3 | 4.0 | |
| ii) Time (days) | 7.3 | | 7.3 | 7.8 | 7.5 | 5.2 | |
| iii)Cost (% of debt) | 9.0 | | 9.4 | 9.8 | 9.6 | 9.1 | |
| Area 2 Score | 3.9 | 6.7 | 6.3 | 7.4 | 7.8 | 6.1 | 5.8 |
| Area 2 Rank | 16 | 10 | 12 | 9 | 6 | 13 | 14 |

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
| 6.9 | 5.9 | 3.8 |  | 2.3 | 7.9 | 6.6 |  | 7.6 |
|  |  | 9.1 |  |  |  |  |  |  |
|  | 4.0 | 2.0 |  |  | 0.0 | 2.0 | 6.0 |  |
|  | 4.0 | 10.0 | 10.0 | 10.0 | 8.0 | 7.0 | 10.0 | 7.0 |
|  | 4.6 | 6.2 |  | 6.1 | 5.3 | 5.2 | 8.0 | 7.3 |
|  | 12 | 7 |  | 8 | 10 | 11 | 2 | 3 |
| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
| 6.9 | 6.1 | 3.8 |  | 2.5 | 7.7 | 6.6 |  | 7.4 |
|  |  | 9.1 |  |  |  |  |  |  |
|  | 4.0 | 2.0 |  |  | 0.0 | 2.0 | 6.0 |  |
|  | 4.0 | 10.0 | 10.0 | 10.0 | 8.0 | 7.0 | 10.0 | 7.0 |
|  | 4.7 | 6.2 |  | 6.3 | 5.2 | 5.2 | 8.0 | 7.2 |
|  | 12 | 8 |  | 7 | 10 | 10 | 2 | 3 |

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
|  | 6.7 | 8.3 | 6.7 | 8.3 | 3.3 | 6.7 | 8.3 | 6.7 |
|  | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 6.7 | 3.3 |
| 8.6 | 8.7 | 9.1 |  | 9.5 | 6.1 | 8.5 | 9.4 | 8.7 |
| 8.5 | 9.0 | 8.5 |  | 8.5 | 8.5 | 8.0 | 9.0 | 7.5 |
| 9.5 | 9.2 | 9.8 |  | 10.0 | 9.7 | 9.4 | 9.9 | 9.8 |
| 7.8 | 8.0 | 9.0 |  | 10.0 | 0.0 | 8.0 | 9.4 | 8.7 |
| 7.6 | 8.9 | 6.8 |  | 6.7 | 5.5 | 9.7 | 5.5 | 7.3 |
| 6.4 | 8.7 | 3.6 |  | 3.0 | 2.3 | 9.4 | 1.1 | 4.5 |
| 7.3 | 8.5 | 7.0 |  | 7.7 | 5.5 | 10.0 | 5.9 | 7.7 |
| 9.0 | 9.5 | 9.8 |  | 9.4 | 8.8 | 9.7 | 9.5 | 9.8 |
| 8.1 | 8.2 | 8.1 | 7.5 | 8.2 | 5.8 | 8.3 | 7.5 | 6.5 |
| 4 | 2 | 4 | 7 | 2 | 14 | 1 | 7 | 11 |
| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|  | 6.7 | 8.3 | 6.7 | 8.3 | 3.3 | 6.7 | 8.3 | 6.7 |
|  | 10.0 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 | 6.7 | 3.3 |
| 8.6 | 8.7 | 9.1 |  | 9.5 | 6.1 | 8.5 | 9.4 | 8.7 |
| 8.5 | 9.0 | 8.5 |  | 8.5 | 8.5 | 8.0 | 9.0 | 7.5 |
| 9.5 | 9.2 | 9.8 |  | 10.0 | 9.7 | 9.4 | 9.9 | 9.8 |
| 7.8 | 8.0 | 9.0 |  | 10.0 | 0.0 | 8.0 | 9.4 | 8.7 |
| 7.6 | 8.9 | 6.8 |  | 6.7 | 5.5 | 9.7 | 5.5 | 7.3 |
| 6.4 | 8.7 | 3.6 |  | 3.0 | 2.3 | 9.4 | 1.1 | 4.5 |
| 7.3 | 8.5 | 7.0 |  | 7.7 | 5.5 | 10.0 | 5.9 | 7.7 |
| 9.0 | 9.5 | 9.8 |  | 9.4 | 8.8 | 9.7 | 9.5 | 9.8 |
| 8.1 | 8.6 | 8.1 | 7.5 | 8.2 | 5.8 | 8.3 | 7.5 | 6.5 |
| 4 | 1 | 4 | 7 | 3 | 14 | 2 | 7 | 11 |

## Table 3: Area 3. Access to Sound Money

| 2003 | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
|---|---|---|---|---|---|---|---|
| A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years | 7.7 | 8.2 | 8.9 | 8.4 | 6.9 | 9.3 | |
| B. Standard inflation variability during the last five years | 9.4 | 9.6 | 9.7 | 9.7 | 9.7 | 9.6 | 7.9 |
| C. Recent inflation rate | 9.5 | 9.8 | 9.1 | 9.5 | 9.8 | 9.7 | 9.6 |
| D. Freedom to own foreign currency bank accounts domestically and abroad | 0.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 5.0 |
| Area 3 Score | 6.6 | 9.4 | 9.4 | 9.4 | 9.1 | 9.7 | 7.5 |
| Area 3 Rank | 16 | 5 | 5 | 5 | 9 | 1 | 12 |
| **2002** | **Algeria** | **Bahrain** | **Egypt** | **Jordan** | **Kuwait** | **Lebanon** | **Libya** |
| A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years | 7.2 | 8.2 | 9.0 | 9.4 | 8.7 | 9.6 | |
| B. Standard inflation variability during the last five years | 9.2 | 9.6 | 9.8 | 9.6 | 9.6 | 9.2 | 7.5 |
| C. Recent inflation rate | 9.7 | 9.8 | 9.5 | 9.6 | 9.7 | 9.6 | 8.0 |
| D. Freedom to own foreign currency bank accounts domestically and abroad | 0.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 5.0 |
| Area 3 Score | 6.5 | 9.4 | 9.6 | 9.7 | 9.5 | 9.6 | 6.8 |
| Area 3 Rank | 16 | 8 | 4 | 2 | 7 | 4 | 15 |

## Table 4: Area 4. Freedom to Trade Internationally

| 2003 | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
|---|---|---|---|---|---|---|---|
| A. Taxes on international trade | 5.2 | 9.2 | 6.0 | 6.3 | 9.3 | 7.9 | 6.0 |
| i. Revenue from taxes on international trade as a percentage of exports plus imports | 4.9 | 9.2 | 5.9 | 7.9 | | 7.2 | |
| ii. Mean tariff rate | 6.3 | | 6.2 | 7.1 | 9.3 | 8.5 | 6.0 |
| iii. Standard deviation of tariff rates | 4.3 | | | 3.8 | | | |
| B. Difference between official exchange rate and black market rate | 8.1 | 10.0 | 5.5 | 10.0 | 10.0 | 10.0 | 5.8 |
| C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners-index of capital controls among 13 IMF categories | 0.8 | 6.9 | 5.4 | 7.7 | 4.6 | 6.2 | 0.0 |
| Area 4 Score | 4.7 | 8.7 | 5.6 | 8.0 | 8.0 | 8.0 | 3.9 |
| Area 4 Rank | 13 | 2 | 11 | 6 | 6 | 6 | 16 |
| **2002** | **Algeria** | **Bahrain** | **Egypt** | **Jordan** | **Kuwait** | **Lebanon** | **Libya** |
| A. Taxes on international trade | 5.2 | 9.3 | 6.0 | 6.2 | 9.3 | 7.9 | 6.0 |
| i. Revenue from taxes on international trade as a percentage of exports plus imports | 4.9 | 9.3 | 5.9 | 7.7 | | 7.2 | |
| ii. Mean tariff rate | 6.3 | | 6.2 | 7.1 | 9.3 | 8.5 | 6.0 |
| iii. Standard deviation of tariff rates | 4.3 | | | 3.8 | | | |
| B. Difference between official exchange rate and black market rate | 8.1 | 10.0 | 5.5 | 10.0 | 10.0 | 10.0 | 5.8 |
| C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners index of capital controls among 13 IMF categories | 0.8 | 6.9 | 5.4 | 7.7 | 4.6 | 6.2 | 0.0 |
| Area 4 Score | 4.7 | 8.7 | 5.6 | 8.0 | 8.0 | 8.0 | 3.9 |
| Area 4 Rank | 13 | 2 | 11 | 6 | 6 | 6 | 16 |

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
| 8.5 | 8.6 | 9.3 |  | 8.5 | 7.2 | 9.3 | 8.2 | 8.3 |
| 9.7 | 9.6 | 9.7 | 9.7 | 9.6 | 8.4 | 9.9 | 9.7 | 8.7 |
| 9.0 | 9.8 | 9.9 | 9.5 | 9.9 | 9.0 | 9.5 | 9.4 | 7.8 |
| 5.0 | 0.0 | 10.0 | 10.0 | 10.0 | 5.0 | 0.0 | 10.0 | 10.0 |
| 8.0 | 7.0 | 9.7 | 9.7 | 9.5 | 7.4 | 7.2 | 9.3 | 8.7 |
| 11 | 15 | 1 | 1 | 4 | 13 | 14 | 8 | 10 |
| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
| 8.8 | 8.6 | 9.3 |  | 8.8 | 8.0 | 9.2 | 8.2 | 8.5 |
| 9.2 | 9.6 | 9.7 | 9.6 | 9.7 | 8.8 | 9.8 | 9.7 | 8.6 |
| 9.2 | 9.4 | 9.9 | 10.0 | 10.0 | 9.8 | 9.5 | 9.4 | 7.6 |
| 5.0 | 0.0 | 10.0 | 10.0 | 10.0 | 5.0 | 0.0 | 10.0 | 10.0 |
| 8.1 | 6.9 | 9.7 | 9.9 | 9.6 | 7.9 | 7.1 | 9.3 | 8.7 |
| 11 | 14 | 2 | 1 | 4 | 12 | 13 | 9 | 10 |

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
| 7.6 | 3.0 | 9.0 |  | 8.7 | 7.1 | 6.1 |  |  |
|  |  |  |  |  |  | 8.3 |  |  |
| 7.6 | 4.2 | 8.4 |  | 8.7 | 7.1 | 4.9 |  |  |
|  | 1.8 | 9.5 |  |  |  | 5.0 |  |  |
| 10.0 | 7.9 | 10.0 | 10.0 | 10.0 | 5.3 | 7.8 | 10.0 | 10.0 |
| 1.7 | 1.5 | 6.4 | 8.5 | 5.4 | 0.0 | 0.8 | 6.2 | 6.9 |
| 6.4 | 4.2 | 8.4 | 9.2 | 8.0 | 4.1 | 4.9 | 8.1 | 8.5 |
| 10 | 14 | 4 | 1 | 6 | 15 | 12 | 5 | 3 |
| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
| 7.6 | 3.0 | 9.0 |  | 8.7 | 7.1 | 6.0 |  |  |
|  |  |  |  |  |  | 8.1 |  |  |
| 7.6 | 4.2 | 8.4 |  | 8.7 | 7.1 | 4.9 |  |  |
|  | 1.8 | 9.5 |  |  |  | 5.0 |  |  |
| 10.0 | 7.9 | 10.0 | 10.0 | 10.0 | 5.3 | 7.8 | 10.0 | 10.0 |
| 1.7 | 1.5 | 6.4 | 8.5 | 5.4 | 0.0 | 0.8 | 6.2 | 6.9 |
| 6.4 | 4.2 | 8.4 | 9.2 | 8.0 | 4.1 | 4.8 | 8.1 | 8.5 |
| 10 | 14 | 4 | 1 | 6 | 15 | 12 | 5 | 3 |

| Table 5: Area 5. Regulation of Credit, Labour, and Business | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2003** | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
| A. Credit Market Regulations | 4.9 | 9.0 | 4.3 | 7.2 | 8.5 | 8.3 | |
| i.  Ownership of banks | 0.0 | 10.0 | 2.0 | 10.0 | 10.0 | 10.0 | |
| ii. Competition: domestic banks face competition from foreign banks | 8.0 | 7.0 | 3.0 | 4.0 | 8.0 | 8.0 | |
| iii. Avoidance of interest rate controls and regulations that lead to negative real interest rates | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| iv. Getting Credit | 1.5 | | 2.2 | 4.7 | 5.8 | 5.3 | |
| a) Legal Rights Index | 3.0 | | 1.0 | 6.0 | 5.0 | 4.0 | |
| b) Credit Information Index | 0.0 | | 3.3 | 3.3 | 6.7 | 6.7 | |
| B. Labour Market Regulations | 5.0 | | 2.8 | 7.5 | 8.4 | 6.4 | |
| i.  Rigidity of Employment Index | 4.9 | | 4.7 | 6.6 | 8.0 | 7.6 | |
| a) Difficulty of Hiring Index | 5.6 | | 10.0 | 8.9 | 10.0 | 6.7 | |
| b) Rigidity of Hours Index | 4.0 | | 2.0 | 6.0 | 4.0 | 10.0 | |
| c) Difficulty of Firing Index | 5.0 | | 2.0 | 5.0 | 10.0 | 6.0 | |
| ii. Hiring Costs (% of salary) | 5.0 | | 5.3 | 8.0 | 8.0 | 6.1 | |
| iii. Firing Costs (weeks of wages) | 9.1 | | 1.4 | 5.2 | 7.7 | 9.1 | |
| iv. Use of conscripts to obtain military personnel | 1.0 | 10.0 | 0.0 | 10.0 | 10.0 | 3.0 | 1.0 |
| C. Business Regulations | 7.7 | | 7.5 | 7.5 | 7.6 | 7.9 | |
| i.  Starting a Business (the ease of starting a business) | 7.9 | | 7.9 | 7.7 | 7.9 | 8.6 | |
| a) Number of Procedures | 2.9 | | 5.3 | 4.7 | 3.5 | 7.6 | |
| b) Duration (days) | 8.8 | | 8.4 | 8.3 | 8.4 | 7.8 | |
| c) Cost (% Income per capita) | 9.8 | | 9.3 | 9.7 | 10.0 | 9.2 | |
| d) Min. Capital (% Income per capita) | 9.9 | | 8.6 | 8.0 | 9.7 | 9.9 | |
| ii. Closing a Business (difficulty of closing a business) | 7.4 | | 7.2 | 7.3 | 7.3 | 7.1 | |
| a) Time (years) | 6.8 | | 6.0 | 5.9 | 6.0 | 6.3 | |
| b) Cost (% of estate) | 9.6 | | 7.2 | 8.9 | 10.0 | 7.2 | |
| c) Recovery rate (cents on the dollar) | 6.0 | | 8.3 | 7.0 | 5.9 | 8.0 | |
| Area 5 Score | 5.8 | | 4.9 | 7.4 | 8.2 | 7.6 | |
| Area 5 Rank | 11 | | 13 | 4 | 1 | 3 | |
| **2002** | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
| A. Credit Market Regulations | 4.9 | 9.0 | 4.3 | 7.2 | 8.5 | 8.3 | |
| i.  Ownership of banks | 0.0 | 10.0 | 2.0 | 10.0 | 10.0 | 10.0 | |
| ii. Competition: domestic banks face competition from foreign banks | 8.0 | 7.0 | 3.0 | 4.0 | 8.0 | 8.0 | |
| iii. Avoidance of interest rate controls and regulations that lead to negative real interest rates | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| iv. Getting Credit | 1.5 | | 2.2 | 4.7 | 5.8 | 5.3 | |
| a) Legal Rights Index | 3.0 | | 1.0 | 6.0 | 5.0 | 4.0 | |
| b) Credit Information Index | 0.0 | | 3.3 | 3.3 | 6.7 | 6.7 | |
| B. Labour Market Regulations | 5.0 | | 2.8 | 7.5 | 8.4 | 6.4 | |
| i.  Rigidity of Employment Index | 4.9 | | 4.7 | 6.6 | 8.0 | 7.6 | |
| a) Difficulty of Hiring Index | 5.6 | | 10.0 | 8.9 | 10.0 | 6.7 | |
| b) Rigidity of Hours Index | 4.0 | | 2.0 | 6.0 | 4.0 | 10.0 | |
| c) Difficulty of Firing Index | 5.0 | | 2.0 | 5.0 | 10.0 | 6.0 | |
| ii. Hiring Costs (% of salary) | 5.0 | | 5.3 | 8.0 | 8.0 | 6.1 | |
| iii. Firing Costs (weeks of wages) | 9.1 | | 1.4 | 5.2 | 7.7 | 9.1 | |
| iv. Use of conscripts to obtain military personnel | 1.0 | 10.0 | 0.0 | 10.0 | 10.0 | 3.0 | 1.0 |
| C. Business Regulations | 7.7 | | 7.5 | 7.5 | 7.6 | 7.9 | |
| i.  Starting a Business (the ease of starting a business) | 7.9 | | 7.9 | 7.7 | 7.9 | 8.6 | |
| a) Number of Procedures | 2.9 | | 5.3 | 4.7 | 3.5 | 7.6 | |
| b) Duration (days) | 8.8 | | 8.4 | 8.3 | 8.4 | 7.8 | |
| c) Cost (% Income per capita) | 9.8 | | 9.3 | 9.7 | 10.0 | 9.2 | |
| d) Min. Capital (% Income per capita) | 9.9 | | 8.6 | 8.0 | 9.7 | 9.9 | |
| ii. Closing a Business (difficulty of closing a business) | 7.4 | | 7.2 | 7.3 | 7.3 | 7.1 | |
| a) Time (years) | 6.8 | | 6.0 | 5.9 | 6.0 | 6.3 | |
| b) Cost (% of estate) | 9.6 | | 7.2 | 8.9 | 10.0 | 7.2 | |
| c) Recovery rate (cents on the dollar) | 6.0 | | 8.3 | 7.0 | 5.9 | 8.0 | |
| Area 5 Score | 5.8 | | 4.9 | 7.4 | 8.2 | 7.6 | |
| Area 5 Rank | 11 | | 13 | 4 | 1 | 3 | |

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
| 6.7 | 6.0 | 7.4 | 6.5 | 5.7 | 6.3 | 5.6 | 5.6 | 6.3 |
|  | 5.0 | 10.0 | 5.0 | 8.0 |  | 5.0 | 5.0 |  |
|  | 8.0 | 8.0 | 8.0 | 3.0 |  | 8.0 | 8.0 |  |
| 9.0 | 9.0 | 10.0 |  |  | 10.0 |  |  | 10.0 |
| 4.3 | 1.8 | 1.5 |  | 6.2 | 2.5 | 3.7 | 3.7 | 2.7 |
| 7.0 | 2.0 | 3.0 |  | 4.0 | 5.0 | 4.0 | 4.0 | 2.0 |
| 1.7 | 1.7 | 0.0 |  | 8.3 | 0.0 | 3.3 | 3.3 | 3.3 |
| 4.5 | 5.3 | 8.6 |  | 8.1 | 4.7 | 5.7 | 7.3 | 5.6 |
| 2.7 | 4.0 | 6.5 |  | 8.7 | 6.0 | 4.6 | 6.7 | 6.3 |
| 0.0 | 0.0 | 5.6 |  | 10.0 | 8.9 | 3.9 | 10.0 | 10.0 |
| 4.0 | 6.0 | 4.0 |  | 6.0 | 4.0 | 10.0 | 2.0 | 2.0 |
| 4.0 | 6.0 | 10.0 |  | 10.0 | 5.0 | 0.0 | 8.0 | 7.0 |
| 6.9 | 6.8 | 8.4 |  | 8.0 | 6.9 | 6.6 | 7.7 | 6.9 |
| 8.4 | 5.6 | 9.3 |  | 5.8 | 5.8 | 8.5 | 4.9 | 9.1 |
| 0.0 | 5.0 | 10.0 | 10.0 | 10.0 | 0.0 | 3.0 | 10.0 | 0.0 |
| 6.9 | 8.3 | 7.6 |  | 7.0 | 6.4 | 8.2 | 7.2 | 6.9 |
| 7.0 | 9.1 | 8.5 |  | 6.9 | 5.4 | 8.8 | 7.6 | 6.0 |
| 4.7 | 8.2 | 5.9 |  | 3.5 | 4.1 | 5.9 | 4.1 | 4.1 |
| 6.0 | 9.6 | 8.4 |  | 6.9 | 7.8 | 9.4 | 7.4 | 7.0 |
| 9.0 | 9.9 | 10.0 |  | 9.5 | 9.8 | 9.9 | 9.7 | 8.3 |
| 8.3 | 8.6 | 9.8 |  | 7.6 | 0.0 | 9.9 | 9.2 | 4.7 |
| 6.7 | 7.5 | 6.7 |  | 7.2 | 7.3 | 7.6 | 6.9 | 7.8 |
| 2.1 | 8.5 | 3.1 |  | 7.5 | 6.1 | 9.1 | 5.1 | 7.3 |
| 8.9 | 7.7 | 9.6 |  | 7.2 | 8.9 | 9.2 | 6.1 | 9.1 |
| 9.1 | 6.2 | 7.3 |  | 6.9 | 6.9 | 4.4 | 9.4 | 6.9 |
| 6.0 | 6.5 | 7.8 |  | 7.0 | 5.8 | 6.5 | 6.7 | 6.3 |
| 10 | 7 | 2 |  | 5 | 11 | 7 | 6 | 9 |

| Table 6: Overall Economic Freedom Scores and Ranks | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2003** | Algeria | Bahrain | Egypt | Jordan | Kuwait | Lebanon | Libya |
| Overall Economic Freedom Score | 5 | | 6.6 | 7.5 | 7.9 | 8.1 | |
| Overall Economic Freedom Rank | 12 | | 8 | 6 | 3 | 1 | |
| | | | | | | | |
| **2002** | | | | | | | |
| Overall Economic Freedom Score | 5 | | 6.7 | 7.6 | 8 | 8.1 | |
| Overall Economic Freedom Rank | 12 | | 8 | 6 | 3 | 1 | |

| Table 7: Intra-regional Trade, % of total trade | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|---|
| EU | 66.4 | 66.3 | 62.3 | 63.2 | 64.0 |
| CEE+CIS | 21.4 | 24.1 | 25.3 | 31.6 | 32.6 |
| Asia | 35.8 | 37.2 | 37.3 | 39.0 | 39.4 |
| Africa | 7.5 | 8.2 | 8.8 | 9.4 | 9.8 |
| Middle East | 7.1 | 7.1 | 7.7 | 8.0 | 7.7 |
| Western Hemisphere | 15.6 | 16.6 | 18.2 | 18.1 | 18.7 |

"Source: International Monetary Fund, Direction of Trade Statistics Yearbook (various years)."

| Table 8: Trade and Investment in MENA Countries | Trade (% of GDP) 2003 | Manufactures exports (% of merchandise exports) |
|---|---|---|
| Algeria | 63.3 | 2.1 |
| Bahrain | 146.1* | 9.3 |
| Comoros | 37.0 | |
| Djibouti | | |
| Egypt | 45.3 | 31.0 |
| Iraq | | |
| Jordan | 114.6 | 68.8 |
| Kuwait | 87.9 * | |
| Lebanon | 52.4 | 68.1 |
| Mauritania | 109.4 | 20.8 |
| Morocco | 68.7 | 68.6 |
| Oman | 92.3 * | 13.8 * |
| Qatar | | 10.5 |
| Saudi Arabia | 71.0 | 9.7 * |
| Somalia | | |
| Sudan | 28.4 | 3.3 * |
| Syrian Arab Republic | 73.2 | 10.7 |
| Libya | 84.4 * | |
| Tunisia | 90.3 | 81.5 |
| United Arab Emirates | | |
| West Bank and Gaza | 59.0 | |
| Yemen | 67.1 | |
| | | |
| World | 47.6 * | 76.5 |
| Middle East & North Africa | 61.6 | 19.2 * |
| Sub-Saharan Africa | 64.5 | |
| East Asia & Pacific | 80.8 | 81.1 |
| Europe & Central Asia | 69.8 | 60.2 |
| Latin America & Caribbean | 45.8 | 55.2 |
| South Asia | 33.5 | 78.3 |

"Source: World Bank (2005). World Development Indicators 2005 (CD-ROM). Washington, DC: The World Bank."
*2002 data.
**2001 data.

| Mauritania | Morocco | Oman | Qatar | Saudi Arabia | Syria | Tunisia | United Arab Emirates | Yemen |
|---|---|---|---|---|---|---|---|---|
| | 6.1 | 8.1 | | 7.8 | 5.7 | 6.4 | 7.9 | 7.4 |
| | 10 | 1 | | 5 | 11 | 9 | 3 | 7 |
| | | | | | | | | |
| | 6.2 | 8.1 | | 7.8 | 5.8 | 6.4 | 7.9 | 7.4 |
| | 10 | 1 | | 5 | 11 | 9 | 4 | 7 |

| 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|
| 63.1 | 61.9 | 62.6 | 63.4 | 61.5 | 61.2 | 61.7 | 62.0 |
| 31.9 | 31.9 | 28.6 | 25.8 | 28.4 | 26.8 | 27.1 | 27.5 |
| 39.6 | 40.1 | 39.3 | 39.0 | 40.2 | 40.2 | 41.7 | 42.0 |
| 10.5 | 10.3 | 9.6 | 9.9 | 9.6 | 9.3 | 9.5 | 9.7 |
| 7.5 | 7.4 | 8.0 | 8.4 | 6.9 | 8.1 | 8.8 | 8.2 |
| 19.1 | 20.1 | 19.2 | 16.7 | 18.0 | 17.6 | 16.4 | 16.9 |

| 2003 | Foreign direct investment, net inflows (% of GDP) 2003. |
|---|---|
| | 1.0 |
| | 0.3 |
| | 1.8 |
| | 0.3 |
| | 3.8 |
| | -0.2 |
| | 1.9 |
| | 19.6 |
| | 5.2 |
| | 0.1 * |
| | 7.6 |
| | 0.7 |
| | 2.2 |
| | -0.8 |
| | 1.5 |
| | 0.9 ** |
| | 2.5 |
| | 3.0 |
| | 2.5 |
| | 2.1 |
| | 0.7 |