Afghanistan Economic and Legal Studies Organization, Afghanistan

Foundation for Economic Freedom, Albania

Fundación Atlas 1853, Argentina

Fundación Bases, Argentina

Fundación Libertad y Progreso, Argentina

Fundación Libertad, Argentina

Institute for Public Affairs, Australia

Mannkoll Economic Education Foundation, Austria

My Choice, Australia

Austrian Economics Center, Austria

F.A. v. Hayek Institute, Austria

The Nassau Institute, Bahamas

New Direction, Belgium

CPA, Bosnia and Herzegovina

Multi, Bosnia and Herzegovina

Populi, Bolivia

Instituto Libre Empresa, Bolivia

Centre Des Affaires Humaines (CEDAH), Bulgaria

Market Economics, Bulgaria

Bolivia

Populi, Bosnia and Herzegovia

Multi, Bosnia and Herzegovia

Bosnia and Herzegovia

 xếp

IMANI Center for Policy and Education, Ghana

Greek Liberties Monitor (GLM), Greece

Thought 4 Action, Greece

KEFIM - Center for Liberal Studies "Markos Dragoumis", Greece

Guatemala

Instituto de Libertad y Desarrollo, Guatemala

CIEN, Guatemala

Fundación Electera, Honduras

The Lion Rock Institute, Hong Kong

Centre for Civil Society, India

Centre for Policy Research, India

Liberty Institute, India

India Institute, India

India Property Rights Alliance, India

Center for Indonesian Policy Studies, Indonesia

Iraq Institute for Economic Reform, Iraq

Hibernia Forum, Ireland

Jerusalem Institute for Market Studies, Israel

Competere, Italy

Campagne Liberal, Italy

Think-in, Italy

Istituto Bruno Leoni, Italy

Pacific Alliance Institute, Japan

Institute for Development and Economic Affairs (IDEA), Kazakhstan

Center for Free Enterprise, Korea

Bishkek Business Club, Kyrgyz Republic

Korea

Institute for Liberty and Democracy, Lebanon

IMANI Center for Policy and Development, Liberia

Pal-Think for Strategic Studies, Pakistan

Fundación Bases, Paraguay

Contrapunto, Peru

Istituto Libertà e Democrazia, Peru

Instituto de Libre Empresa, Peru

Freedom Research Association, Turkey

Centre de Estudios para el Desarrollo, Uruguay

Bow Group, UK

Geneva Network, UK

Institute for Economic Affairs, UK

Ukrainian Economic Freedom Foundation, Ukraine

Property Rights Alliance, USA

Acton Institute, USA

Center for the Dissemination of Economic Knowledge (CEDICE), Venezuela

Zambia Institute for Public Policy Analysis (ZIPPA), Zambia

FOR MORE INFORMATION, OR TO BECOME A PARTNER ORGANIZATION, PLEASE CONTACT LORENZO MONTANARI, EXECUTIVE DIRECTOR OF THE PROPERTY RIGHTS ALLIANCE AT LMONTANARI@PROPERTYRIGHTSALLIANCE.ORG
2017 IPRI – EXECUTIVE SUMMARY

The International Property Rights Index (IPRI) is the flagship publication of Property Rights Alliance (PRA), an organization based in Washington, D.C., dedicated to the promotion of property rights around the world. In 2007, PRA instituted the Hernando de Soto fellowship for the purpose of developing the IPRI. Since then, the yearly IPRI has served as a barometer for the status of property rights, ranking the strength of both physical and intellectual property rights in countries around the world.

During 2017, PRA worked with 111 think tanks and policy organizations in 72 countries to compile case studies, conduct research, formulate public policy, and educate the public on the important role property rights play in their countries.

Property rights underline the values and principles related to individual liberty and economic freedom. A strong property rights system, as shown by the correlations with the Index, is conducive to fostering economic growth, human capabilities, research and innovation, environmental performance, and the creation of social capital. Property rights are a key ingredient for the prosperity of society. This year the Index has added a liberty dimension of development to evaluate its correlations with the IPRI.

The IPRI is built up from 10 factors, gathered under three components: the Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR). The overall grading scale of the IPRI is [0 – 10], where 10 is the highest value and 0 is the lowest value in each category.

The 2017 edition covers 98.44% of world GDP and 93.43% of the world's population.

I. RESULTS

The 2017 IPRI ranks a total of 127 countries (Figure 1). The selection of countries was determined only by the availability of sufficient data.

On average, the complete sample yielded an IPRI score of 5.6336. The Legal and Political Environment is the weakest component (5.1715) followed by Intellectual Property Rights (5.5027), while Physical Property Rights is the strongest component (6.2265). This year we found an overall improvement of the IPRI (+3.45%) and of its components (LP+0.81%, PPR+5.98% and IPR+3.18%).

New Zealand leads the 2017-IPRI with an overall score of 8.6335, and has the highest ratings in the LP (9.0311) and the PPR (8.8255) sub-indexes. Finland ranks second in the 2017-IPRI (8.6257) and has the second-highest IPR component (8.6714). Rounding out the top five 2017 IPRI scores are Sweden (8.6084), Switzerland (8.5614) and Norway (8.5326). The Scandinavian countries continue to report top IPRI rankings (Finland #2, Sweden #3, Norway #5, and Denmark #12). At the end of the top 15 list we find Austria (8.0122), the United States of America (8.0741) and the United Kingdom (8.1292). The USA leads the IPR component (8.7155), followed by Finland (8.6714), and Japan (8.3267). The group of top countries remains almost the same and their positions vary little from the previous IPRI edition (Figure 2).

Yemen ranks 127 in the 2017-IPRI (2.7281) followed by Venezuela (3.0566), Bangladesh (3.1170), Moldova (3.1781), Ukraine (3.4243), and Burundi (3.43). Considering the IPRI components the following countries have the smallest scores: For LP: Venezuela (1.6795), Yemen (1.6929), the Dem. Rep. of Congo (1.8236), and Burundi (2.0979). For PPR: Brunei (3.2598), Ukraine (3.3779), Bangladesh (3.5024), and Moldova (3.5102). For IPR: Yemen (1.7075), Bangladesh (2.6225), Moldova (2.6622), and Venezuela (2.8012). Most of the lowest scoring countries perform worst on the LP component. This situation is the opposite for the top countries and seems to hint at the ability of LP to pull the rest of the components upward.
FIGURE 1. IPRI 2017: IPRI and its Components Scores by Country
II. IPRI GROUPS

Countries were grouped according to their relevant geographical regions, income levels, degree of development, and participation in regional integration agreements. Averages were calculated for each grouping.

North America (8.126) and Western Europe (7.664) earned the top positions, while Africa (4.810) and CEECA (4.937) are at the bottom. According to the World Bank geographical classifications, Oceania leads the groups (8.439), followed by the EU (6.815), and North America (7.149). All regions but the Rest of Europe (-0.124) improved their scores. Central America and the Caribbean increased the most, with an increase of 10.25% from 2016. According to the World Bank income classification the High Income (+5.44%) and the Low Income countries (+7.79%) improved the most. The Low Income classification (4.608) received better scores than the Lower-Middle-Income group (4.487), so for the first year, the IPRI scores do not directly follow income classification (Figure 3).

The Regional and Development classification of the IMF shows that the top IPRI-2017 scores are held by the Advanced Economies (7.419), followed by MENA & Pakistan (5.210), Emerging and Developing Asia (5.146), and Latin American and Caribbean countries (5.117). Emerging and Developing Asia (+7.72%) and Latin American and Caribbean (+7.61%) improved the most. All regions improved their scores compared to those of 2015.
III. IPRI and POPULATION

This year’s sample of 127 countries has a population of 6.87 billion people, with 68% of the population living in 66 countries with an IPRI score between [4.5 and 6.4], while 15.2% of the population enjoys higher levels of property rights protection in 34 countries [6.5-9.4], 16.8% of the population live in 27 countries with the lowest levels of property rights [2.5-4.4] (Figure 4).

<table>
<thead>
<tr>
<th>IPRI 2017</th>
<th>Countries (number)</th>
<th>Population (thousand)</th>
<th>Population (%)</th>
<th>Incidence (%)</th>
<th>IPRI-Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5 a 3.4</td>
<td>6</td>
<td>279,008</td>
<td>4.06</td>
<td>2.646</td>
<td>2.307</td>
</tr>
<tr>
<td>3.5 a 4.4</td>
<td>21</td>
<td>873,551</td>
<td>12.72</td>
<td>11.846</td>
<td>9.062</td>
</tr>
<tr>
<td>4.5 a 5.4</td>
<td>44</td>
<td>1,693,397</td>
<td>24.66</td>
<td>30.365</td>
<td>22.571</td>
</tr>
<tr>
<td>5.5 a 6.4</td>
<td>22</td>
<td>2,978,506</td>
<td>43.38</td>
<td>18.510</td>
<td>44.605</td>
</tr>
<tr>
<td>6.5 a 7.4</td>
<td>13</td>
<td>285,176</td>
<td>4.15</td>
<td>12.615</td>
<td>5.215</td>
</tr>
<tr>
<td>7.5 a 8.4</td>
<td>15</td>
<td>723,165</td>
<td>10.53</td>
<td>16.830</td>
<td>15.472</td>
</tr>
<tr>
<td>8.5 a 9.4</td>
<td>6</td>
<td>33,888</td>
<td>0.49</td>
<td>7.187</td>
<td>0.768</td>
</tr>
<tr>
<td></td>
<td>127</td>
<td>6,866,690</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

FIGURE 4. IPRI 2017 and population
IV. IPRI and GENDER

Gender Equality (GE) is a goal in itself. Its development is linked particularly to health, education, agriculture and unbiased access to credit for reducing poverty. In this way, gender equality plays a decisive role for less developed and developing countries.

The GE scores were calculated on a scale of 0-10, using five indicators: women’s access to land, women’s access to credit, women’s access to property other than land, inheritance practices, and women’s social rights. After calculating gender equality as an independent measure the results were then added as an 11th component to the existing IPRI, to make the IPRI-GE using a scale [0-12].

The 2017 IPRI-GE shows results for 123 of the 127 countries included in this year’s sample. The GE world average is 7.118 which is lower than the prior two years (2016=7.466; 2015=7.39), while the IPRI-GE score is 7.438 showing a sustained improvement (2016=6.933; 2015= 6.76). This means that gender equality is deteriorating as an average, while the property rights protection improves. Looking in detail at the GE component we find that the Inheritance Practices and Women Access to Land Ownership are the two items with the lowest scores.

New Zealand leads the IPRI-GE (10.628), followed by Finland (10.62), Sweden (10.61), Norway (10.53), Luxembourg (10.46), Switzerland (10.45), Japan (10.31), Netherlands (10.29), Australia (10.24), Canada (10.17), Denmark (10.16), USA (10.07), and Austria (10.01). On the other extreme of the IPRI-GE, with scores below 5, we find Yemen Rep. (3.45), Bangladesh (3.91), Congo Dem. Rep. (4.35), Pakistan (4.47), Nigeria (4.57), Burundi (4.63), Chad (4.63), Moldova (4.76), Mauritania (4.86), and Algeria (4.998) (Figure 5).

The top geographical regions are North America (10.121) and Western Europe (9.655), while at the bottom we find Africa (5.887) and MENA countries (6.463). Advanced Economies (9.367) lead the Regional and Development groups, followed by Latin America and the Caribbean (6.785) and Emerging and Developing Europe (6.630). At the bottom we find CIS (5.664) and Sub-Saharan Africa (5.926). CIS countries show a high GE score (8.422) but the IPRI score (3.980) pulls down the IPRI-GE.
A similar situation happens with Latin America and the Caribbean (GE=8.336; IPRI=5.117; IPRI-GE=6.785), while the opposite happens with MENA & Pakistan (GE= 4.377) and Emerging and Developing Asia (GE= 5.952), where the GE score is low (Figure 6).

![Figure 6. IPRI-GE. Geographical Regions](image)

V. IPRI and DEVELOPMENT

Given the extensive literature that reports the important interactions between property rights and development, we analyzed different dimensions of development: Economic Outcomes; Liberties; Social Capital; Human Capabilities; Research and Innovation; and Ecological Performance with the IPRI and its sub-index components. Most of the correlations found were significant and robust (Figure 7).

For the Economic Dimension, the Entrepreneurial Environment (GEI) presented the strongest correlation with the IPRI (0.8781) especially with LP (0.8861). This is a very important finding, as entrepreneurship is the building block of innovation, investment, production, and economic growth. It is also important to highlight that the GDP per capita correlations increased when adjusted by the GINI Coefficient, which is a measure of dispersion (or inequality).

The propensity of countries to exploit opportunities offered by Information Communication Technology (ICT) as recorded in the NRI, a measure included in the new Liberties dimension, showed a correlation of 0.8570. The strongest correlation is in the IPRI LP category (0.881). All measures in the Liberties Dimension were stronger with the LP component. From the Social Capital Dimension, Civic Activism (0.8013) showed the strongest correlation, and from Research and Innovation Dimension, Human Resources (0.7607) showed the greatest fit.

Figure 8 shows that, on average, countries in the top quintile of IPRI scores (i.e. top 20%) have a per capita income almost 13 times that of countries in the bottom quintile. This disparity has reduced over time, in 2016 it was almost 21 times and in 2015 almost 24 times greater.
<table>
<thead>
<tr>
<th>Economic Outcomes</th>
<th>Pearson's Correlation Coefficients</th>
<th>IPRI</th>
<th>LP</th>
<th>PPR</th>
<th>IPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>GDP per capita</td>
<td>0.814</td>
<td>0.821</td>
<td>0.630</td>
<td>0.788</td>
</tr>
<tr>
<td></td>
<td>GDP per capita *GINI</td>
<td>0.839</td>
<td>0.826</td>
<td>0.659</td>
<td>0.834</td>
</tr>
<tr>
<td>Investment</td>
<td>Gross Capital Formation per capita</td>
<td>0.764</td>
<td>0.767</td>
<td>0.635</td>
<td>0.707</td>
</tr>
<tr>
<td>Complexity of Production</td>
<td>Economic Complexity</td>
<td>0.720</td>
<td>0.721</td>
<td>0.514</td>
<td>0.744</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>Global Entrepreneurship (GEI)</td>
<td><strong>0.878</strong></td>
<td>0.886</td>
<td>0.690</td>
<td>0.840</td>
</tr>
</tbody>
</table>

| Liberties         | Economic Freedom of the World, EFW | 0.675| 0.722| 0.576| 0.565 |
|                   | Index of Economic Freedom, IEF    | 0.768| 0.812| 0.633| 0.669 |
| Absence of Coercion | Human Freedom Index, HFI          | 0.732| 0.792| 0.499| 0.708 |
| Connectivity      | Networked Readiness Index, NRI   | **0.857**| 0.881| 0.678| 0.812 |

| Social Capital    | Social Capital comp. (Prosperity Index) | 0.747| 0.711| 0.694| 0.685 |
| Social Capital    | Civic Activism                     | **0.801**| 0.800| 0.605| 0.810 |
| Cohesion          | Intergroup Cohesion                | 0.565| 0.631| 0.394| 0.523 |
| Trust             | Interpersonal Safety & Trust       | 0.656| 0.712| 0.498| 0.595 |
| Inclusion         | Inclusion of Minorities            | 0.635| 0.674| 0.445| 0.618 |

| Human Capabilities | Human Development Index, HDI        | **0.679**| 0.738| 0.477| 0.638 |
|                    | Global Index on Freedom of Education, GIFE | 0.605| 0.590| 0.477| 0.610 |

| R&I                | Researchers in R&D                 | **0.761**| 0.752| 0.553| 0.796 |
| Financial Resource | Research & Development expenditure | 0.685| 0.635| 0.495| 0.758 |
| EP                 | EPI-Yale                           | **0.594**| 0.648| 0.395| 0.574 |

**FIGURE 7.** Pearson’s Correlation Coefficients
VI. IPRI CLUSTERS

A cluster analysis was performed for all 127 countries according to their values in LP, PPR and IPR aiming to group similar countries. The analysis showed that three clusters were sufficient to explain country groupings. Each cluster represents more than a grouping by variables directly associated with property rights; they are groups with common characteristics within them and with different features between clusters, which confirms the consistency of the IPRI and the relevance of property right systems influencing societies. It is important to notice that this year we found a significant movement of most of the countries to an improved position (Figure 9).
2017 Case Study Abstracts

Patent Box in Italy: Light and Shadow of a Special Tax Regime
By Prof. Cesare Galli, Istituto Bruno Leoni

In 2015 Italy implemented the “Patent Box”, an optional tax system for income arising from the use of IP rights. The first European country to introduce such an incentive was Ireland in 2000. Then France, Belgium, Hungary, Luxembourg, the Netherlands, Spain and the United Kingdom followed. As part of its Base Erosion and Profit Shifting project, the OECD has recommended the implementation of a common approach aimed at ensuring that only the income created in one country can benefit from that country’s corresponding tax relief, proportionate to the investment made there. Despite its name, however, the Italian patent box applied not only to patents and know-how, but also to copyright (at least partially), designs and trademarks (the latter, however, were excluded in 2017). Furthermore, the Italian Ministry of Economic Development issued implementation rules aimed at facilitating use of this system by SMEs. However, the Ministry of Economy and Finance took an inconsistent approach, which multiplied the burdens of those who want to benefit from the system, by requiring analytical documentation of costs incurred for the creation of every single intellectual property product – often an impossible task. It has thus lost the opportunity to encourage Italian companies to re-shore their IP rights and manufacturing activity. Instead, since IP revenue and production of many important Italian companies remain parked in foreign subsidiaries the Italian Patent Box led to a reduction in the amount of tax revenue, rather than increasing the taxable income in Italy. This has created disappointment and garnered distrust from Italian tax authorities.

A Century of Injustice: Rule of Law, Constitutions and Property Rights in Mexico
By Esteban Gonzalez Herrejón, Caminos de la Libertad

This case study is about institutional rules of the political game: collective decision making, legislation, government in general, and their role in protecting individual rights. It focuses on a thin, but substantial, conception of the rule of law to restate the normative argument for constitutional justice mechanisms as part of the basic institutions of a free society. Then, through an analysis of the Mexican juicio de amparo judicial review mechanism, this study argues that constitutional justice and the protection of human rights require judicial review to have general effects over unconstitutional fiscal laws. The fact that fiscal amparo protects only the rights of those who go to court damages judicial rationality and institutional legitimacy. Independence is hurt as the courts are used by interest groups to advance their economic interests over others without the resources to defend their rights. This generates incentives for politicians to take into account judicial review, but nonetheless enact unconstitutional laws every year as only a few individuals will be protected against them, and incentivizes firms to engage in rent-seeking behavior. In the end, I draw some reflections upon methodological concerns for the rule of law measurement and consolidation.

Weak Governments and Partial Protection: Property Rights in the Western Balkans
By Admir Čavalić and Mihailo Gajić, MULTI & Libek

The Western Balkan countries of Serbia, Montenegro, Macedonia, Bosnia and Herzegovina, Albania and Kosovo lag behind other European transition countries in terms of economic development and European Union accession. Although these countries have introduced deep reforms in many areas, especially during the transition process of privatization and democratization, property rights in these countries are not well protected which hinders further economic development and social change. Instead of protecting property rights, state governments in these countries choose to infringe these rights to pursue political goals. Instead of protecting property rights, state governments in these countries choose
to infringe these rights to pursue political goals. The aim of this paper is to point out differences between Western Balkan countries in their transition path from other transition countries in the region. The paper illustrates the impact of these differences on property right protections with case studies from Serbia, and Bosnia and Herzegovina. The paper describes the present and past state of private property rights in Western Balkan countries with a focus on the transition period from communism to democracy. In conclusion, based on the comparative analysis, this paper offers a set of recommendations for improving private property rights in the Western Balkans.

Property Rights in the Unique and Profitable Venezuelan Energy Sector
By Víctor J. Poleo Uzcátegui, CEDICE

There is a debate in Venezuela over who owns natural energy resources and who should receive revenue derived from their sale. Currently, the resources are said to be owned by the nation, yet revenue from these resources do not go to the public but to the Executive Branch, which is under the control of the dominant political party. This has created a power imbalance and caused a great deal of political instability as the incumbent party is able to take advantage of the national resources for partisan purposes. This paper suggests the creation of an Energy Council to oversee revenue distribution from resource extraction industries. This is a stark contrast from the current policy, which is a product of “socialism in the twenty-first century” ideas. With an Energy Council, management decisions to use revenues derived from resource extraction industries would be tied together and allocated more efficiently, sterilized from political manipulation. The existing socialist policy, implemented by the past and current Bolivarian governments has nationalized electricity, oil, gas, and mining industries. The results have been nothing short of disastrous: shortages of essential goods and declining revenue. It is time for change and new ideas. The Energy Council will play a stabilizing role by separating the oil, gas, coal, and gold industries from partisan politics. The paper contains details on how the current system operates and how an independent energy council can be formed to play a constructive role in solving the Venezuelan crisis.

A Special Case Study on Religion & Property Rights: Property Rights from a Judaism Perspective. Dominion and Property Rights in Judaism
By Dr. Rabbi Joseph Isaac Lifshitz, Shalem College

Jewish economics is derived from its theology and its legal system – the Halakha. According to its theology, man was created “in God’s image” with a Godly portion within him. Jewish tradition insists that man can, and should, have a powerful impact upon the material world, to have dominion and to accumulate wealth. This insistence plays itself out in a vastly different view of property rights. Ownership does not generate only pleasure, but also responsibility towards the needy, and through this responsibility it expresses the Godly portion within man. Ownership, or property rights, in Judaism, are not given to the individual from the state and they are not respected because of their contribution to society. According to the Jewish legal system, the Halakha, property rights are perceived as a just right, and they are generated from the divine law, as prohibitions and obligations of every person towards his fellow’s dominion over his property.