



2015 INTERNATIONAL PROPERTY RIGHTS INDEX

THE 2015 EDITION REPRESENTS 99 PERCENT OF WORLD GROSS
DOMESTIC PRODUCT AND 94 PERCENT OF WORLD POPULATION



A Project of
the Property
Rights Alliance

STUDY BY

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IPRI 2015 - EXECUTIVE SUMMARY

The International Property Rights Index (IPRI) is the flagship publication of the Property Rights Alliance (PRA). PRA, based in Washington, D.C., is dedicated to promoting property rights around the world. In this year’s production of the IPRI, PRA worked with 92 think tanks and policy organizations in 65 countries involved in research, policy development, education and promotion of property rights in their countries, to compile data for the index.

The 2015 edition of the IPRI examines 129 countries.

The importance of property rights is directly related to the values and principles of individual liberty. A strong system of property rights not only promotes prosperity but also creates a virtuous cycle of human flourishing in society.

The IPRI is an annual comparative study that aims to quantify the strength of property rights – both physical and intellectual – and to rank countries accordingly. The IPRI scores and ranks each country based on 10 factors reflecting the state of its Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR).

The scope of this 2015 edition represents 98.66 percent of the world Gross Domestic Product and 93.56 percent of the world population.

IPRI 2015 RESULTS

The 2015 IPRI ranks a total of 129 countries from around the world. The selection of countries is determined solely by the availability of sufficient data. The increase in number of countries included in this year’s IPRI is due to an increase in available data.

The sample of 129 countries on the IPRI this year averaged a score of 5.3. The Legal and Political Environment (LP) was the weakest component with a score of 4.99, the Physical Property Rights (PPR) was the strongest component with a score of 5.77, and the Intellectual Property Rights (IPR) component fell in between with a score of 5.14.

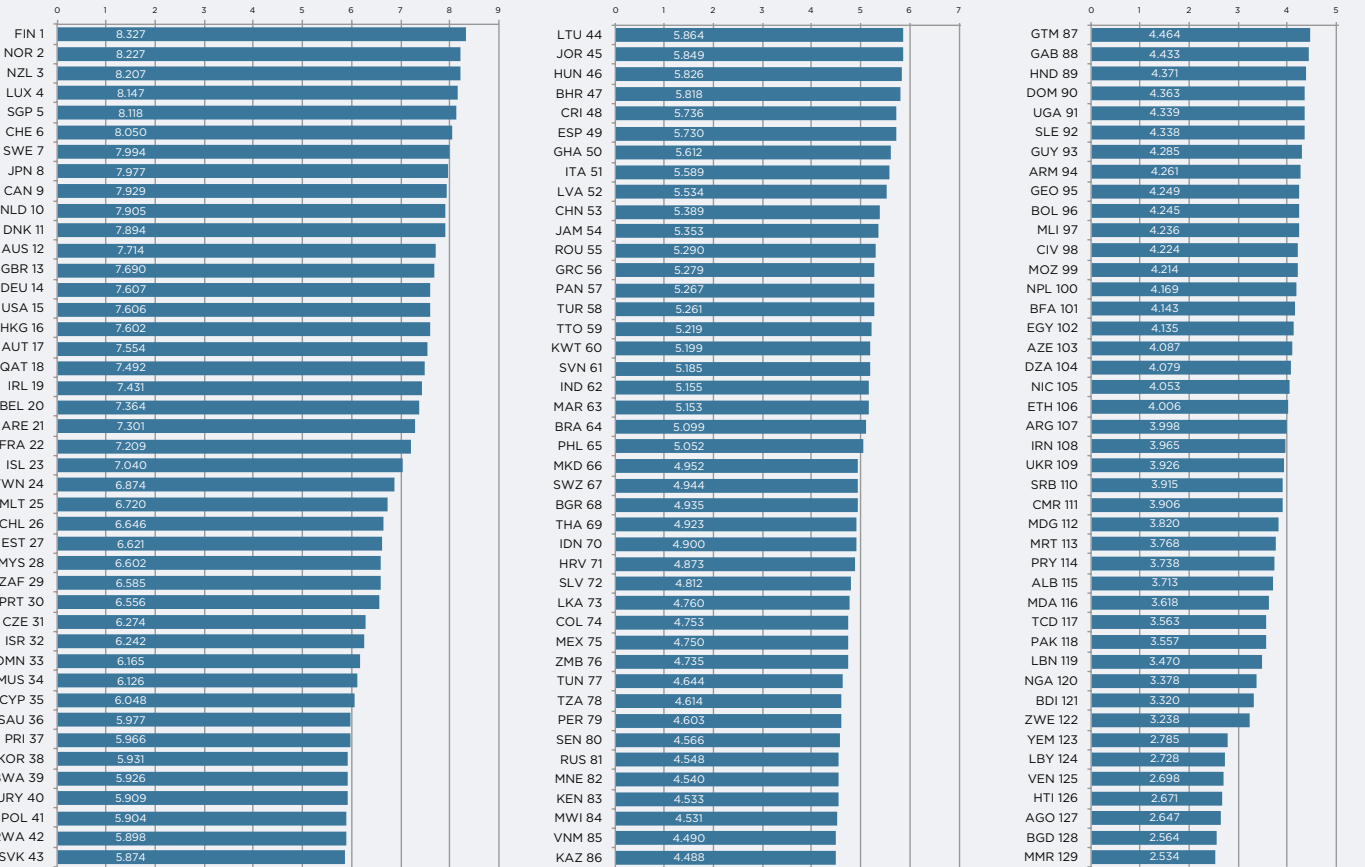


FIGURE 1 - 2015 IPRI Rankings by Country

2015 IPRI RESULTS (CONT.)

Finland came in first in the 2015 IPRI (8.32/10), followed by Norway (8.22/10), New Zealand (8.20/10), Luxemburg (8.14/10) and Singapore (8.10/10) [Figure 1]. Scandinavian countries reported (Figure 2) high IPRI score rankings (Finland #1, Norway #2, Sweden #7) and Northern European countries report strong property right systems (Luxemburg #4 and Netherlands #10). New Zealand (#3, 8.20/10) has the highest LP score (9.0), Singapore (#5, 8.10/10) has the highest PPR score (8.1) and Japan (#8, 8.0/10) has the highest IPR score (8.6).

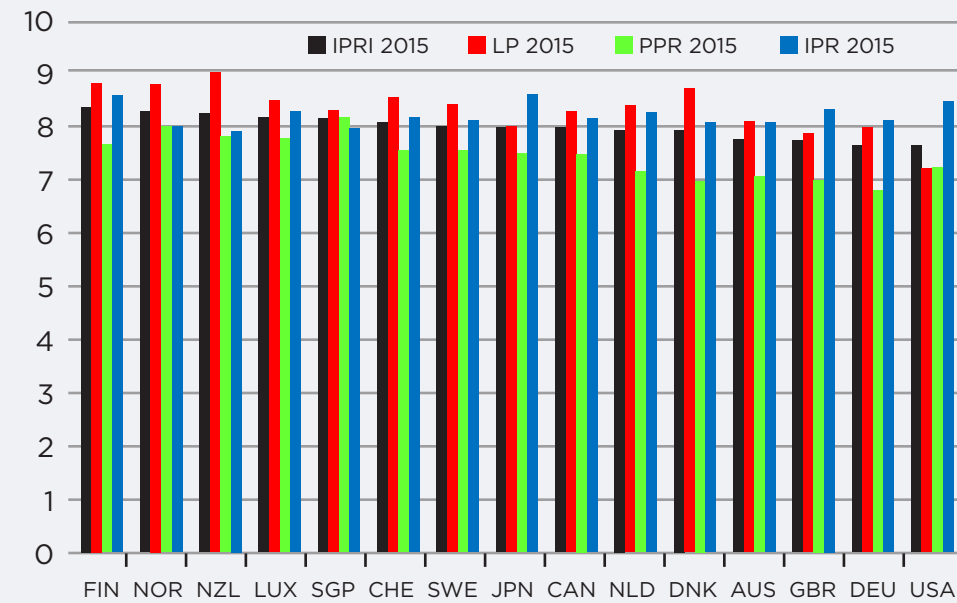


FIGURE 2
Top 15 Countries

At the bottom is Myanmar (2.53/10), followed by Bangladesh (2.56/10), Angola (2.64/10), Haiti (2.67/10) and the Bolivarian Republic of Venezuela (2.69/10). Seven of the fifteen countries at the bottom were not included in last year's IPRI (Myanmar, Angola, Haiti, Libya, Yemen, Lebanon and Albania). Although their scores are low, the availability of data this year is a good sign for future improvement.

IPRI AND ECONOMIC OUTCOMES

Property rights are important in part because of their close relation with economic performance, prosperity and wellbeing of populations.

The relationship between the IPRI scores and GDP per capita are strong and significant, with a Pearson coefficient of 0.822 ($p < 0.01$). In addition, the best-fit curve for this case is a 2nd grade polynomial with a coefficient of determination of $R^2 = 0.7919$. The components of the IPRI also show significant relationship with GDP per capita, and their best-fit curve is a 2nd degree polynomial. The strongest relationship is reported for LP with an $R^2 = 0.7804$, followed by IPR with an $R^2 = 0.7523$, and then PPR with an $R^2 = 0.5167$. (Figure 3). The same behavior is found in analyzing the relationship of GDP per capita and IPRI-2015 by groups of countries. (Figure 4)

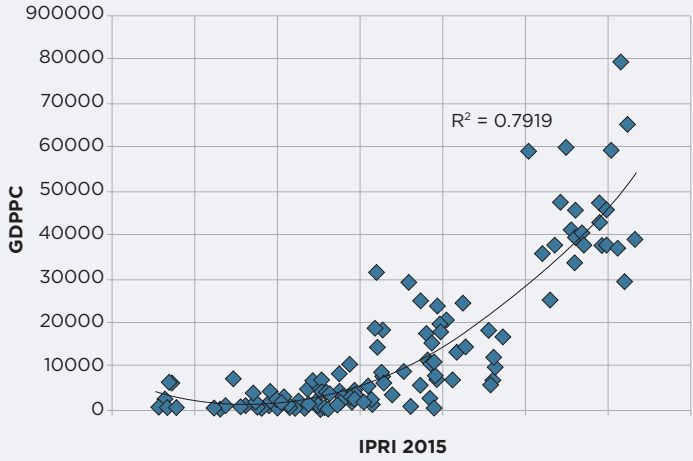


FIGURE 3
Relationship between IPRI and GDP per capita

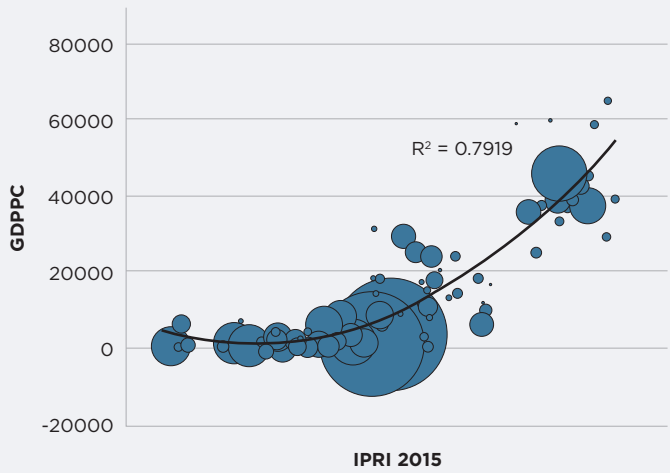


FIGURE 4
IPRI and GDP per capita. Countries sized by population

These results show the significant and positive relationship between prosperity and a robust property right system measured at an individual level. The statistical dispersion of the GDP distribution in each country was not considered in this analysis.

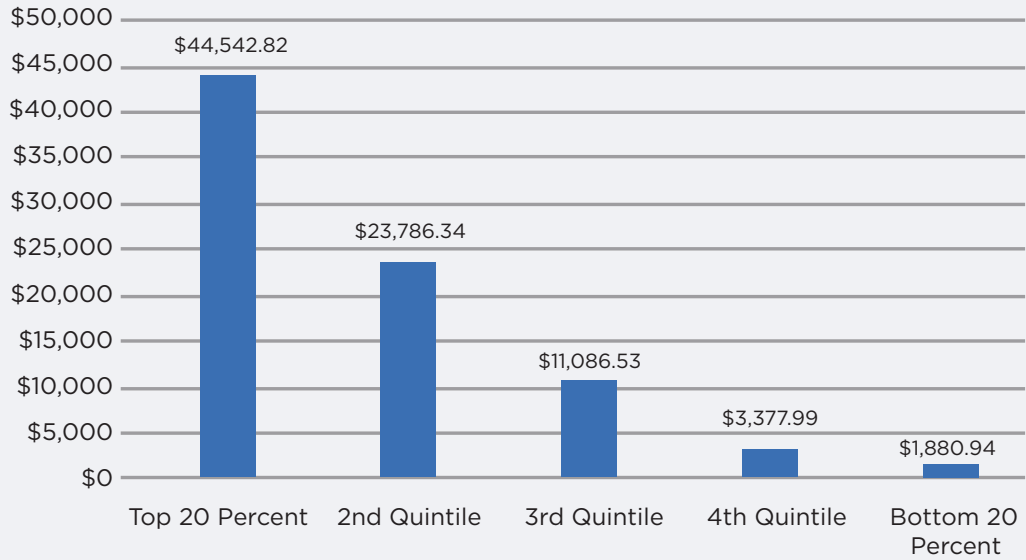


FIGURE 5
Average per capita Income by IPRI Quintile

Figure 5 shows that, on average, countries in the top quintile of IPRI scores (i.e. top 20%) show a per capita income almost 24 times that of the countries in the bottom quintile. Statistics are based on the averages of IPRI-2015 scores and corresponding data on average GDP per capita in US Dollar constant terms (2005=100, source: World Bank data) for the last available year (generally 2013 and for some countries 2012).

The relationship between GDP growth and IPRI or its components is much weaker (and mildly indirect) compared to the GDP per capita, with just a statistically significant correlation among IPRI, LP and IPR. For IPRI $r=-0.252$ ($p < 0.01$), for LP $r=-0.290$ ($p < 0.01$), and then IPR $r=-0.281$ ($p < 0.01$). Those relationships are mildly negative, possibly linked to the fact that most developed or higher income economies hold high IPRI scores but show lower growth rates. The same behavior is found in the analysis by groups of countries.

Finally, the relationship between FDI net inflows, measured as a percentage of GDP, and IPRI or its components showed a weak relationship. For the IPRI $R^2=0.0098$, for LP $R^2=0.0112$, followed by PPR $R^2=0.0082$, and then IPR $R^2=0.0056$. We expected that well-established legal system and stable political environment (and with strong protection of physical property rights) receive more FDI compared to those countries with low levels. This suggests that deeper analysis is needed in choosing the variable to contrast.

IPRI 2015 GROUPS RESULTS

This year, the countries were grouped following different criteria: Geographical regions, Income classification (World Bank, July, 2014), Regional and Development classification (International Monetary Fund, April, 2014) and Economic and Regional Integration Agreements.

Compared to the IPRI-2014, the geographical regions with better rankings (Western Europe and North America) decreased their IPRI scores, while the rest of the groups improved their scores.

The Income criteria of the World Bank gather countries into five different groups based on income: Low Income (3.93), Lower Middle Income (4.33), Upper Middle Income (4.74), High Income Non-OECD (6.15) and High Income OECD (7.09). (Figure 6)

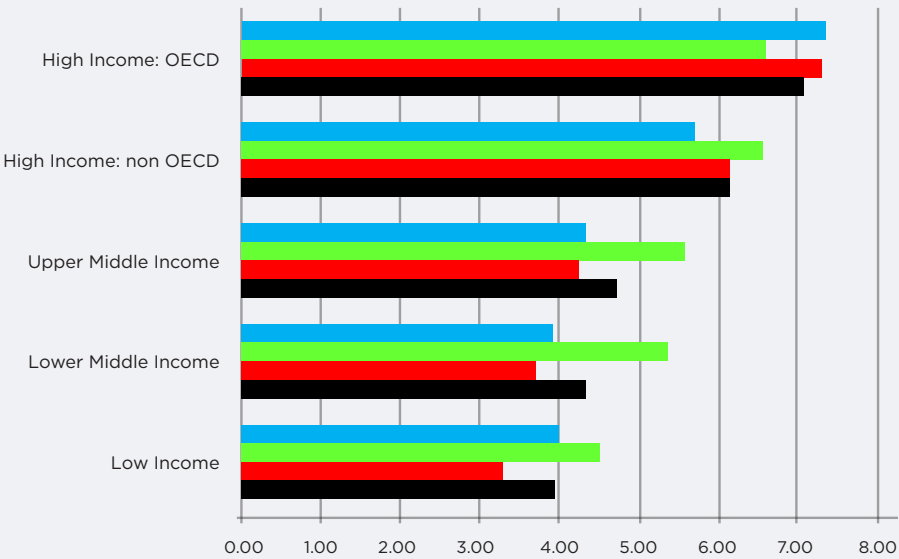


FIGURE 6
Income Groups Score

IPRI-POPULATION

The IPRI-2015 adds a demographic incidence to the index (Table 1). We note that although the IPRI-2015 average value is 5.30, when it is weighted by population it is reduced to 5.17, thereby showing the imperative to improve property rights in highly populated countries. Our sample of 129 countries had a population of 6.78 billion people. 61 percent of the world’s population lives in 35 countries with an IPRI between (4.5-5.4). Only 14 percent of the population enjoys the higher ranges of IPRI score [6.5-8.4] found in 30 countries.

TABLE 1: IPRI AND POPULATION

IPRI 2015 (Score Ranges)	Number of Countries	Population (millions)	Population (%)	IPRI Incidence in Total Score (%)	IPRI Population Incidence in Total Score (%)
2.5 - 3.4	10	512.9	7.56	4.17	4.24
3.5 - 4.4	32	877.7	12.94	18.89	9.87
4.5 - 5.4	35	4,114.7	60.66	25.04	60.07
5.5 - 6.4	22	328.5	4.84	18.98	5.45
6.5 - 7.4	12	224.7	3.31	12.13	4.41
7.5 - 8.4	18	724.3	10.67	20.77	15.95
	129	6,783.1	100	100	100

IPRI AND GENDER

The IPRI 2015 includes a separate measurement that includes gender equality to illustrate the gender differences in access to property rights (Figure 7). Gender equality is an issue of human rights and social justice and is therefore a goal in itself. It plays a crucial role for less developed and developing countries. This year the IPRI-GE shows results for 124 of the 129 countries included in the IPRI-2015. On average, the 124 countries show a GE of 7.39 and an IPRI-GE of 6.76.

Finland tops the IPRI-GE (10.32/12), followed by Norway (10.22/12), New Zealand (10.20/12), Luxemburg (10.15/12), Sweden (9.99/12), Japan (9.96/12), Switzerland (9.94/12), Canada (9.92/12) and Netherlands (9.90/12). On the other extreme of the IPRI-GE we find Bangladesh (3.35/12), Myanmar (3.47/12), Rep. of Yemen (3.50/12), Libya (3.57/12), Angola (3.85/12) and Nigeria (4.00/12).

The top three geographical groups are Oceania (9.96/12), North America (8.55/12), and the European Union (7.89/12), followed by ‘Rest of Europe’. Even though ‘Rest of Europe’ shows a lower overall IPRI value (7.08/12), it has a higher level of GE (8.92) than the EU. The bottom region is Africa (5.69/12) followed by South America (6.29/12), which is mostly due to its IPRI value, as South America’s GE is 8.29.

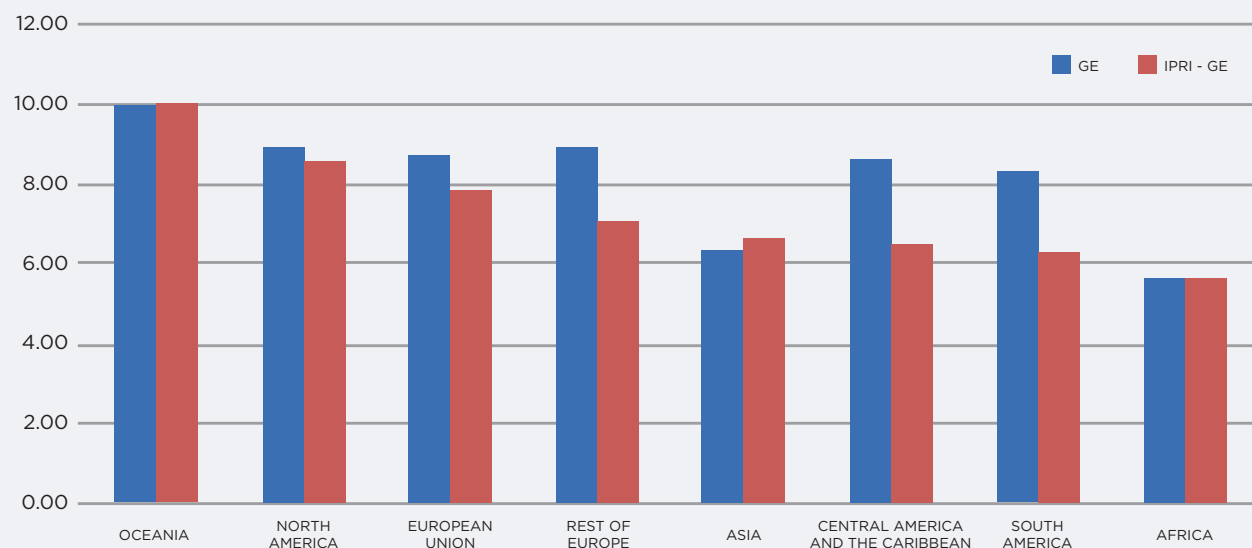


FIGURE 7
GE and IPRI-GE Groups of Countries

IPRI CLUSTER ANALYSIS

This year we performed a cluster analysis in order to gather homogeneous countries (Figure 8). The 129 countries were classified according to their values in LP, PPR and IPR into three different clusters. Each cluster represents a different group with common characteristics beyond merely property rights. The cluster analysis revealed countries grouped with a high degree of homogeneity and property rights, which confirms the relevance of property rights in shaping societies.

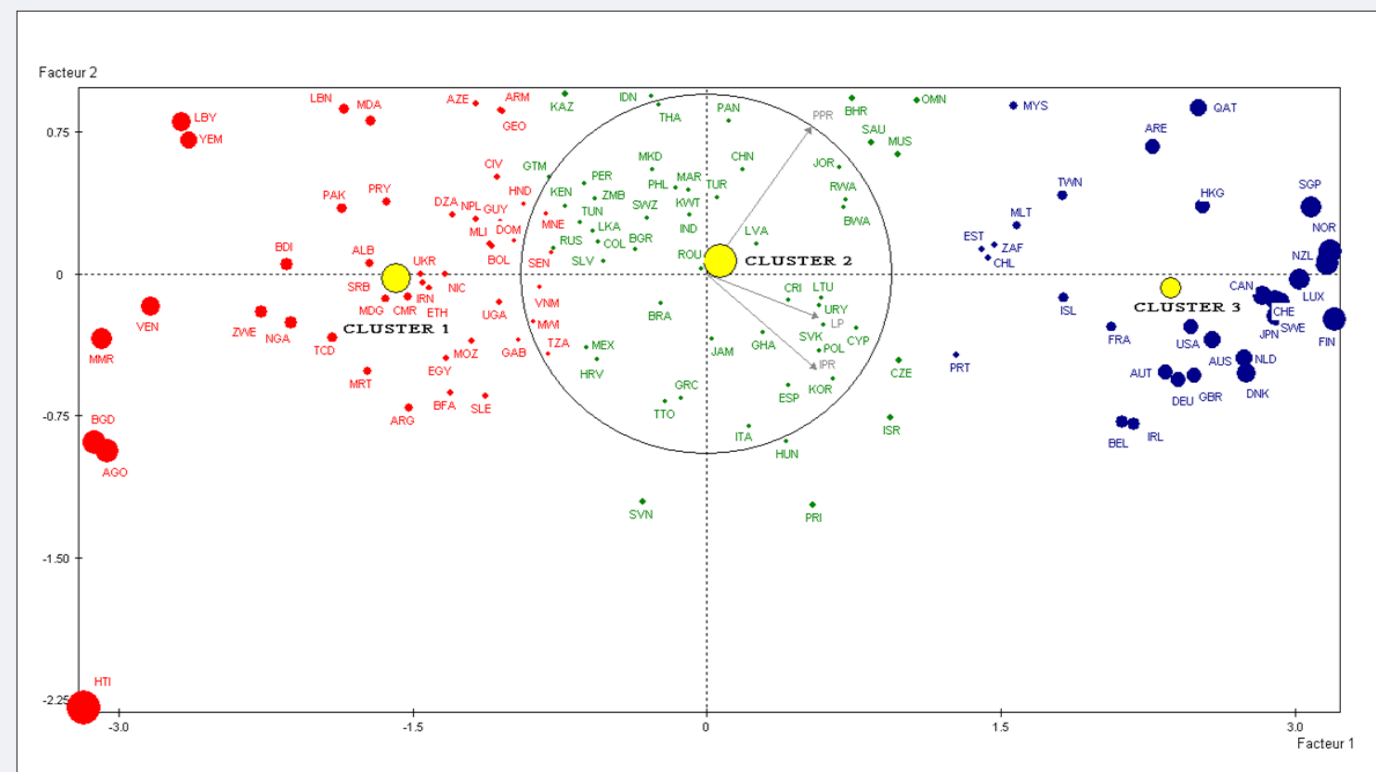


FIGURE 8
Clusters' Members and Centroids. Factor 1 and Factor 2

CASE STUDIES

Case study on Peru. The Hidden History of the Defeat of the Shining Path - and the Birth of Peru's New Middle Class

By Dr. Hernando De Soto, Institute for Liberty and Democracy

Over the past year the Institute for Liberty and Democracy (ILD) has been reviewing its archives as a reminder of the great success it has had in Peru. The ILD managed to steer Peru away from the dangerous path to state induced violence and towards economic prosperity and freedom. The Peruvian elite denied people access to property and business rights based on the assumption that the poor and uneducated were incapable of economic contribution. The ILD helped distinguish between those who wanted to be included in the economic system (DECAS) and those who supported radical terrorism. Reforms to the economy proposed and defended by the ILD allowed business registration to decrease from 278 days to 1 day and at a fraction of the previous cost. As a result, 388,000 new businesses and 558,000 new jobs were created. Terrorists could no longer find recruits, as people chose economic prosperity over radical terrorism. The ILD remembers its success and hopes to bring the same ideas to the Middle East and North Africa, where 300 million people are currently searching for the same alternative to terrorism that Peruvians once were.

Case Study on Brazil. Reflections on the Social Function of Property in Brazil

By Wagner Lenhart, Instituto Liberdade

Property rights are protected as among the fundamental rights in the Brazilian Constitution. However such recognition is made with exceptions, and these rights are relativized by several mechanisms of state intervention in the private domain. This study analyzes the “social function” of property, a conception of the public interest in property that limits and relativizes property rights in the Brazilian legal system. The social function of property has been understood by many Brazilian scholars and judges as an advancement in the realm of property rights. The problem is that the social function of property generates by its own nature, a culture of devaluation and disrespect of private assets, creates legal insecurity, and results in repeated cases of arbitrary conduct by public administrators. As a result, it negatively affects the country's economy. For these reasons, the social function of property can and should be questioned and rethought.

Case Study on Turkey. Understanding the Future of Political Reform in Turkey

By Dr. Buğra Kalkan, Association for Liberal Thinking

A decentralized free market relies heavily on the implementation of a strong system of property rights. Turkey was never a communist state but shared some common features. Turkey created state owned Import-Substitute Industries (ISI) from 1930 to 1980 in order to match the industrialization of western countries. ISI industrialized Turkey faster than the free market could have, but governmental organizations turned into a rent-seeking mechanism that corrupted the political system deeply. Turkey's transition to democracy in 1950 increased the power of elected politicians over the distribution of 'rents' and ended up with military intervention establishing bureaucratic tutelage in 1960. Economic interventionism and weak political institutions prevented a property rights system from flourishing. The Justice and Development Party (JDP) of Turkey has had success in recent years reducing rent-seeking and increasing the power of democratic politics. However, during the JDP era, rent-seeking activities continue to destabilize the political system where bureaucratic organizations have huge influence over economic resources and cultural issues. The instability of Turkey's legal and political environment prevents the establishment of a robust system of property rights. The judiciary branch must achieve independence from special interest groups, both the old secular businessmen/bureaucrats and the new conservative businessmen/organizations, if Turkey hopes to improve its score on the International Property Rights Index.

Case Study on Sweden. Property Rights Report – Sweden 2015

By Dr. Björn Hasselgren & Patrick Krassén, Timbro

Protection of property rights in Sweden has solid support in the Instrument of Government and in general civil law. When it comes to expropriation of land, the rights of private property owners have been strengthened during the most recent years. As regards the protection of IP rights and the freedom to pursue for-profit business activities, fundamental constitutional law also provides solid protection. At the same time, there are some worrying signs of developments that weaken property rights protection in the above mentioned areas in Sweden. Conflicting principles between private and public interests in relation to land-value capture and the protection of property rights have not been resolved. Far-reaching limitations on the use of trademarks and proposals to limit the right to pursue business with profit motivations in certain sectors additionally present challenges seemingly in conflict with constitutional rights. These worrying signs motivate further monitoring from a property rights protection perspective.

Case Study on Middle East & North Africa. Women's Property Rights in the MENA Region

By Souad Adnane, Arab Center for Scientific Research and Humane Studies

According to the Rockefeller foundation, women's property rights are the most insecure in the MENA region, South Asia and Sub-Saharan Africa. Women in the MENA, as well as in the other regions above, lack secure property rights for three major reasons as summarized by the foundation: lack of formal legal property rights, lack of the ability to exercise existing property rights, and lack of property rights due to customary laws and cultural norms. The case study aims at analyzing the situation of women's property rights in the MENA region on the basis of a "comprehensive" definition of property rights accounting for women's property. It identifies and illustrates the obstacles that limit their access to property, the interplay between those, and suggests possible venues for change. The paper focuses on the issues related to women's ownership of land, and access to and control of financial assets.

Case Study on ASEAN Countries. Intellectual Property Rights Protection in 6 ASEAN Countries – Singapore, Malaysia, Thailand, Philippines, Indonesia and Vietnam

By Bienvenido Oplas, Jr., Southeast Asia Network for Development

There is a vast difference across ASEAN in the scores for Intellectual Property Rights (IPR) with the best performing ASEAN country, Singapore (5th) and the worst performing ASEAN country, Vietnam (85th). Free Trade Agreements (FTAs) and Economic Partnership Agreements (EPAs) such as the Trans-Pacific Partnership Agreement (TPPA) and European Union FTAs have exerted pressure on ASEAN to increase protection of IPR. However, there is as of yet no definite ASEAN IPR Action Plan to succeed the existing plan which runs only through 2015. In order to ensure that ASEAN countries can benefit from a robust IP system, ASEAN member states should encourage competitive and deregulated economies and ensure that the rule of law is upheld.

Case Study on Fashion & Intellectual Property Rights. Globalisation: a New Opportunity for Counterfeiting? The Case of the Italian Fashion Industry

By Giammarco Brenelli, Competere

The law regarding industrial property rights encompasses both the definition and protection of new ideas, applied to industry. It originally developed together with the industrial revolution, first in the single countries and later with international conventions. With the advent of globalisation, however, it has become apparent that there are many gaps in the protection of ideas and innovation afforded by legislation, and in fact development on a global scale has brought with it the “poisoned fruit” of increased opportunity for counterfeiting. The huge and easy profits from counterfeiting have attracted organised crime, with a consequent need for standardised protection and continuous updating of the remedial measures. While the EU is still limited in its action in this sphere, some national legal systems are already reacting. Italy, for its part, in 2009 introduced new probative tools and also effective precautionary measures to be implemented before trial. From the perspective of the criminal code, the law today gives stronger protection, not only of trademarks and patents but of a company’s entire heritage of know-how, and the action taken by damaged companies and their defence counsels is more incisive.

Special Case Study on Religion & Property Rights. Property Rights from a Christian Perspective

By Prof. Wolfgang Grassl, Acton Institute

A proper understanding of private property is contingent upon two interdependent components. First, private property is essential for freedom and personal development. Second, God has destined the goods of the earth to benefit all people and nations. Failure to appreciate both aspects of private property leads to either *laissez-faire* capitalism or the all-encompassing state, what Pius XI called the “twin rocks of shipwreck.” Such teaching calls for asceticism and detachment, and the rejection of private property among some of its members, recalling the fact that the apostles of the early Church held property in common. The ever-expanding secular powers of kings, emperors and lords eventually led the Church to have to define property rights to keep the state at bay. Saint Thomas Aquinas declared while it is natural for individuals to own things, God as Creator is the ultimate owner of all goods of the earth. Through ownership and work the human person can glorify God in all things, while being prudent to make sure what one has does not prevent another from being. The relationship between the human being and property is best understood as a steward: the person has the responsibility to treat his property as Christ would, never forgetting that God is the true owner of all in this world.