



FREEDOM BAROMETER

Europe Edition 2017

TRENDS IN 2017 FREEDOM BAROMETER EDITION

A. POLITICAL FREEDOM: Illiberal opportunities and liberal hopes

A quick overview of the data and comments in the Political Freedom section of the Freedom Barometer 2017 Edition will unequivocally reveal a key trend and a clear conclusion – that political freedom is “paying a price” in the struggle for power in most of these countries. In some cases, it’s a more restrictive and controlled media environment, in some others, state capture and the legal empowering of autocracies. Also, the level of democratic development is directly correlated with the strength of countries to deal with global challenges like the rise of populism, the migrant crisis, extreme terrorism, or false information propaganda. Thus, the decline of political freedom, democratic setbacks and ever lower scores of some indicators were reserved for post-communist and post-Soviet countries and Turkey. On the other side, positive developments were mostly rare or minor; some noteworthy ones are the strengthening of democracy in Albania and Romania, and of media freedom in Greece. However, these can hardly count as a trend, just as some particular, positive deviations.

The most serious decline of freedom happened in Turkey, a consequence of the failed coup attempt. The subsequent hostile atmosphere allowed a referendum which changed the country’s parliamentary system into a presidential democracy in a process which was marred with frauds and irregularities. The coup also showed how influential the Turkish military is, able to interfere in the country’s politics, therefore the country’s score in the Absence of Unconstitutional Veto Players has been halved. The crackdown on media freedom which followed the failed coup made the environment more restrictive than ever and 158 journalists currently remain in prison. The rise of populism hit Central and Eastern Europe hard, fulfilling its main purpose, creating strong divisions in societies, and resulting in many protests. In Poland, after years of improvement, the absolute majority in Parliament achieved by the Law and Justice Party gave them an opportunity to take advantage of this global trend to strengthen their position through the firm control of all three branches of power by the executive, causing huge dissatisfaction in society. Their plan for gerrymandering will certainly further deepen this dissatisfaction. This way of governing was pioneered by Hungary in its policy towards the EU. This trend of undermining political pluralism and the fairness of the political playing field in this country doesn’t seem to be ending anytime soon. The opposition has limited access to media, a “Billboard law” has tightened regulation of political advertising on billboards, and the ongoing abuse of institutional power are all set to ensure Viktor Orbán’s position in the forthcoming elections. For the post-Yugoslav countries, the abuse of the institution of elections is considered a proof that democracy exists. This misuse of democracy, together with ethnic and nationalistic tensions, greatly contribute to the atmosphere of societal segregation. Citizens in Serbia are facing elections almost every year, while the ruling party dominates the legislative and executive branches and controls the judiciary. The huge increase in electoral violations in the 2016 parliamentary elections and the 2017 presidential elections caused mass protests in the capital. The division of society along political lines in Montenegro led to an alleged coup attempt and a lengthy boycott of parliament sessions by the opposition. Political and ethnic division reached a peak in Macedonia when the transfer of power

was followed by violent protests from the supporters of the former ruling party and by months of political uncertainty.

Instead of the strong influence of the business sector and the ability of wealthy oligarchs to navigate their countries' politics, the trend today is of dominant autocratic leaders with a political background who abuse their power and present a major challenge to democratic processes and the rule of law. For a long period of time this has been the case in Central Asia. In countries like Tajikistan and Azerbaijan, which are at the very bottom of the political freedom ranking in Freedom Barometer 2017 Edition – Tajikistan even became the first country to score 0 in an indicator (Free and Fair Elections) and complete power is in the hands of the ruling families who do not leave any space for the opposition to participate in political life. Reasons for further decline of their scores are the constitutional referendums they conducted which abounded with irregularities but gave more power to the president; they prolonged the presidential term in Azerbaijan from five to seven years while entirely removed term limitations in Tajikistan. Similar behaviour in the manner of Putin and Erdogan, although adjusted to the local context, was followed by many strong autocratic leaders such as Vladimir Plahotniuc in Moldova, Liviu Dragnea in Romania, Petro Poroshenko in Ukraine, Jaroslaw Kaczynski in Poland, Viktor Orbán in Hungary, and Aleksandar Vučić in Serbia.

Press freedom has deteriorated the most, since 12 out of 30 countries have lowered their rating by this indicator. Besides, some regress in this regard can be noticed in other countries, which have kept their ratings up so far yet are expected to have them decline in the future. Common for almost all the countries observed is that media outlets are facing enormous political and economic pressure. State advertising in many countries, including in the most developed ones like Austria, plays a significant role in shaping the outlets' narrative and keeping up their existence. The concentration of ownership in the hands of a few companies or people is becoming a bigger problem every day, especially since these huge conglomerates are often used as a mouthpiece for certain political parties. Freedom has deteriorated the most in those countries where autocratic regimes aim to secure or further empower their position, like Turkey, Russia, Hungary, Poland or Serbia, but also are being threatened in their own countries by false information propaganda, mostly from Russia, like the Baltic countries, the Czech Republic, Ukraine, and Moldova. In many countries, media freedom and the independence of journalists are highly limited. Some journalists have had their programmes cancelled or face criticism, threats, violence, and even imprisonment while others, toeing the line of the ruling elites, enjoy an undue advantage in getting information, financing their work, etc.. In Ukraine, a journalist was killed in a bomb attack. Many journalists are behind bars in Turkey, Tajikistan, Azerbaijan, and Russia. Social media as a source of free and independent information are censored in some countries, while at the same time serve as the perfect platform for fake news in almost all of Europe.

Still, some positive trends are visible in developed democracies. Elections held in Netherlands, France (a country not assessed in this publication), and Austria, have managed to mitigate the wave of populism. Answers were presented to the challenges of the migrant crisis and extreme terrorism while protecting basic democratic values. The radically illiberal ideas of political parties which had been on the rise previously this time didn't succeed in changing the democratic course of those countries. However, one should not be misled by this, since the popularity of those parties among society in many countries is bigger than ever.

B. RULE OF LAW: A few more improvements than setbacks

The overall situation in the 30 countries monitored by the Freedom Barometer regarding rule of law has not been as bad in the observed period (July 2016 to June 2017) as intuition and media headlines might lead one to believe. In fact, there was generally a small improvement yet the situation remains mixed.

In some countries, mainly new EU members such as Estonia, Latvia, Slovakia, Slovenia and the (not quite so new) Czech Republic, and even in old members (Austria, Greece), the rule of law has over one year become better. Almost all progress results from the improvements in the position, professionalism and/or independence of the judiciary (either during the past year alone, or as a cumulative result of past reforms). Notably, Latvia's improvement in the anti-graft struggle also contributed to its overall improvement in the rule of law.

On the other hand, the most notable setbacks were noted in Turkey, especially in the independence of the judiciary and human rights. In Hungary, a steady decline has been recently noted in all three aspects of the rule of law (judiciary, corruption and human rights). In numerous countries, the rise in one aspect (usually more judicial independence) was offset by a fall in others (more corruption and/or a worse respect for human rights).

Governments should understand that a professional, independent and efficient judiciary is not just helpful to freedom in general, to the viability of democracy, and to economic progress via enlarged economic freedom and stability, but even for their own narrow interests over the long run. Legal uncertainty has often backfired against the very ones that let it flourish even though they could and should have had eliminated it. However, authoritarian-minded regimes, and populist governments that head in such a direction, unscrupulously stamp on the judiciary, which is often the first victim of any campaign aiming for "illiberal democracy".

Corruption often accompanies authoritarianism, and lately also populism. If there are no free and fair elections to replace corrupt or incompetent officials, or if media freedom is restricted so that there is no way to investigate and freely discuss issues of transparency, or if all institutions are put under the control of one single executive without proper checks and balances, there is no real obstacle to the rise of corruption, from the top to the bottom of society. Likewise, the less economic freedom, i.e., the more government intervention in the economy and over-regulation there is, the more ground is open for corruption, i.e., for the misuse of the huge authority given to the state. This interdependency of the various aspects of freedom is an added value of the Freedom Barometer, springing from its basic liberal credo.

The comments on old EU members such as the Netherlands, Belgium, Germany, etc., show how a social market economy without excessive government intervention, accompanied by a developed state (e.g., anti-corruption bodies, or independent courts and prosecutors) and non-governmental (e.g., anti-graft watchdogs, or investigation journalists) institutions, together lead to nearly corruption-free countries. They also explain the miracle in a few transition countries, such as Estonia or Georgia, where bold economic reformers have eased the task of classical anti-corruption bodies and, supported by a strong civil society and media, have brought these countries to high levels of transparency and integrity.

Human rights also are highly dependent on political freedom and the rule of law. If there is no political will and no democratic mechanism to protect and advance them, and if there is no equal judicial protection of each and every individual, then human rights are at the mercy of the political elite and their overall situation is mixed at best and catastrophic at worst. Some of the most authoritarian regimes among the monitored countries (such as Russia, Azerbaijan and Tajikistan) are at the same time the worst in their attitude towards human rights. Trends towards authoritarianism often coincide with heavy breaches of human rights, such as in Turkey after the failed coup of July 2016. Populists who take a position against an independent judiciary and media in their countries (such as in Hungary and lately also in Poland) soon turn also against other human rights and freedoms.

Another added value of the Freedom Barometer is that it underlines the linkage between economic freedoms on one side and political freedoms and human rights on the other. If the state possesses or controls too much, no political or civic opposition can survive in the long run, nor can efficient human rights' protection mechanisms. On the other hand, de-monopolization and de-regulation of some sectors of economy (as seen in post-2015 Greece) have correlated with more media freedom, thus more freedom of expression and a better human rights situation in general.

Finally, despite many divergent trends, an optimistic one is clear throughout Europe – slow albeit steady recognition of equality for LGBT citizens. In the observed period, same-sex marriages were fully legalized in Germany and Slovenia and partially in Estonia and Armenia. Recognition of same-sex unions (in Lithuania), improved adoption rights (in Germany, Greece and Macedonia), various other anti-discrimination regulation (e.g., in Bosnia and Herzegovina, Bulgaria, Belgium, etc.), or the ascension of declared LGBTs to high political posts (e.g., in Serbia), were additional gains. In many transition countries that until recently were bastions of homophobia or at least silent about it, through free pride rallies, LGBTs are able to raise the issues of their legal and/or societal equality. Turkey seems to be the only exception, whereby trends towards the further social marginalization of LGBTs are visible, despite centuries-old traditions of relative tolerance. However, though this issue affects a relatively small percentage of people, it is a powerful indicator of the overall trends towards treating minorities and the freedom of the individual in general, thus of human rights trends in the future.

C. ECONOMIC FREEDOM: Business as usual

There were few changes in the Freedom Barometer 2017 edition in the field of economic freedom. Score changes were minor, fluctuating around their trend – there were only two noticeable but positive changes, Slovenia and Tajikistan. However, the political situation in some countries and regions remains volatile, which could have significant repercussions on economic freedom. Populist threats seem more rooted now in Central and Eastern Europe than ever before but some of them are being addressed by the supranational authorities within the EU. For countries outside this block, populism remains a threat to both economic and political freedom.

Little changes

Country scores in the field of economic freedom measured by the Freedom Barometer have been very stable. Overall, if there were some slightly positive changes in one indicator, it was usually

followed by some slightly negative one in others. Therefore, the total economic scores were surprisingly stable, despite the volatile political situation in some countries and regions. Minor score changes could also be attributed to noise in the data used to construct the index, so those minuscule changes that can be seen should be taken with a grain of salt. There were only two changes that surpassed the 1 percentage point significance threshold: Slovenia and Tajikistan. All the others were much less pronounced.

Slovenia increased its economic freedom score from 23,71 in 2016 to 25,49 in 2017. The main reason for this is a strong recovery in the Government Spending section: rebounding growth rates due to higher exports, a good tourist season, and improvements in the financial system led to higher public revenues. These in turn lowered the deficit and the government's share in GDP, leading to a higher score in Freedom Barometer 2017.

Tajikistan, on the other hand, experienced increases in Trade Freedom and the Security of Property Rights. While property rights were considered slightly more protected in all covered aspects by the Global Competitiveness Report, the freedom to trade internationally was mostly lifted by better customs office organization and the introduction of electronic filing services. A more flexible exchange rate policy was also introduced, aiming at unifying the official and the market exchange rate of the national currency, the somony.

However, some of the changes that took place are not yet fully accounted for in the Freedom Barometer data and texts, due to the inherent time lag: Freedom Barometer 2017 covers the situation from July 2016 to June 2017. Therefore, the most recent changes will be captured by the next Freedom Barometer edition.

Regional trends remain strong

When Freedom Barometer economic freedom scores are more closely inspected, a clear regional pattern emerges. Advanced countries from Europe – for example: Germany, Austria, the Netherlands and Belgium, have strong property rights protection through independent and professional judiciary and prosecution offices, and at the same time high public expenditures, the most important portion of which goes to income redistribution through welfare state policies. The opposite trend is present within former countries in transition: they have weak institutions, so property rights are guaranteed only to those connected to powerful political groups, while more resources are controlled by the government through state-owned enterprises or via subsidies. These countries are more frugal, with lower levels of income redistribution. Successful ex-transition countries that entered the EU are somewhere in the middle between those two opposites.

This trend is explained by the fact that a good institutional framework (including the rule of law and security for property rights) is important for economic growth in the long run. Also, higher income per capita has been historically correlated with higher government expenditures, the so-called Wagner law. Ex-transition countries, with a few notable exceptions (most notably Baltic states), have not yet built strong institutions that promoted the rule of law and property rights, this has hampered their economic and social progress. On the other hand, old advanced countries also face challenges stemming from their high level of public spending: high public expenditures lead to low growth rates through higher taxes, which erode savings and decrease

investments. Furthermore, demographic changes (an aging population and longer life expectancy) will lead to even higher social spending on an already unsustainable basis – sluggish growth rates coupled with high public debt levels and enormous unfunded government liabilities for pension and healthcare estimated above 250% of GDP for most advanced EU countries; this all calls for the questioning of the feasibility of the so-called European social model.

Freedom of trade is respected in all countries at a similar, relatively high level. It seems that globalization does not have an alternative. Even the Russian Federation, which continually uses protectionist policies for export substitution and has on more than one occasion used trade policy as an instrument of diplomacy and political pressure, is more open to trade than one would suppose. Trade tariffs have lost their importance for trade policy, but non-tariff trade barriers have increasingly gained in importance, posing obstacles to trade, especially with less developed counterparts.

Business regulation has been increasing in quality, providing a more business friendly environment. Public administration now uses more e-services and less red tape; bureaucratic procedures are fewer, less costly and shorter, or so says the Doing Business data. However, apart from the word of the law, its actual application is also important, and in many instances an unprofessional and captured civil service fails in this regard. Laws are often disregarded or are partially implemented, favouring those with political connections. Regulations are often numerous and conflicting, creating an environment suitable for corruption. However, in most countries starting a business now is a much better organized procedure, while obtaining a construction permit is more effective. Labour relations have been made more flexible, following the principle of “flexicurity”.

Is democracy good for economic freedom? The threat of populism.

Populism is now perceived as a strong threat to the regime of liberal democracy in Europe. But what does populism have to do with economic freedom? At their core, populist movements maintain a strong distrust of the free market and of spontaneous order: they have a strong foreign bias, visible in recent policies of the “polonization” and “hungarization” of strategic industries in Poland and Hungary that are foreign owned. Furthermore, the urge to remove intermediary political institutions between “the people” and “the leader”, as well as all existing checks and balances, and to concentrate executive power into a single focal point is a threat to the rule of law and to judicial independence, especially in countries where these traditions are still new and not well established. Business regulation is often used as a political weapon by authoritarian populists, punishing opponents and rewarding supporters, i.e., providing the latter with market privileges and rents. Populist policies of high income redistribution are mostly not a viable threat, but are due to the high levels of government spending already achieved. But even in this area, populist policies, mostly in the field of family planning, are taking shape.

This means that populist movements could have a strong negative impact on all the economic freedoms measured by the Freedom Barometer. For the time being, liberal democracy and free markets have been able to resist the populist threat. But is this just a short respite from a gathering storm? We hope that the next edition of the Freedom Barometer will see our hopes again high and that economic freedom will continue to rise and bring prosperity to an ever-growing number of people.

RANKING OF THE COUNTRIES IN 2017 FREEDOM BAROMETER EDITION

The Freedom Barometer ranks countries based on their performance in the areas of political freedom, the rule of law and economic freedom. A detailed description of its methodology can be found in the **Methodology of Freedom Barometer: Measuring Freedom** section of this publication. The table below presents the scores and ranks for each country assessed in this publication.

Country	Ranking 2017	Score 2017
Netherlands	1.	83,8
Estonia	2.	80,1
Germany	3.	80,1
Austria	4.	79,0
Belgium	5.	78,4
Lithuania	6.	75,6
Czechia	7.	74,5
Slovenia	8.	72,5
Latvia	9.	71,9
Poland	10.	70,7
Slovakia	11.	68,3
Romania	12.	68,2
Georgia	13.	67,1
Croatia	14.	64,9
Bulgaria	15.	64,3
Greece	16.	61,5
Albania	17.	60,6
Hungary	18.	60,6
Montenegro	19.	59,4
Serbia	20.	57,5
Macedonia	21.	56,4
Armenia	22.	55,0
Moldova	23.	53,1
Ukraine	24.	52,3
Bosnia and Herzegovina	25.	52,2
Turkey	26.	49,6
Kyrgyz Republic	27.	49,6
Azerbaijan	28.	43,9
Tajikistan	29.	42,0
Russian Federation	30.	41,8

