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INNOVATION

INTERNATIONAL PROPERTY RIGHTS INDEX 2022

EXECUTIVE SUMMARY

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For more information, or to become a partner organization, please contact **Lorenzo Montanari**, Executive Director of The Property Rights Alliance at lmontanari@propertyrightsalliance.org



EXECUTIVE SUMMARY

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

Property rights are human rights and have shown their ability to nurture economic growth and social development, promote prosperity and innovation, and have shown to be the most effective mechanism to guarantee

civil rights and civil liberties. That is a fundamental reason for preference of a system of strong private property rights: private property rights protect individual liberty. The IPRI is built up from 11 factors, gathered under three components: 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 for a property rights system and 0 is the lowest value. The same logic is applied to its components. (Fig.1)

During 2022, PRA worked to compile case studies with 128 think tanks and policy organizations in 74 countries involved in research, policy development, education, and promotion of property rights in their countries.

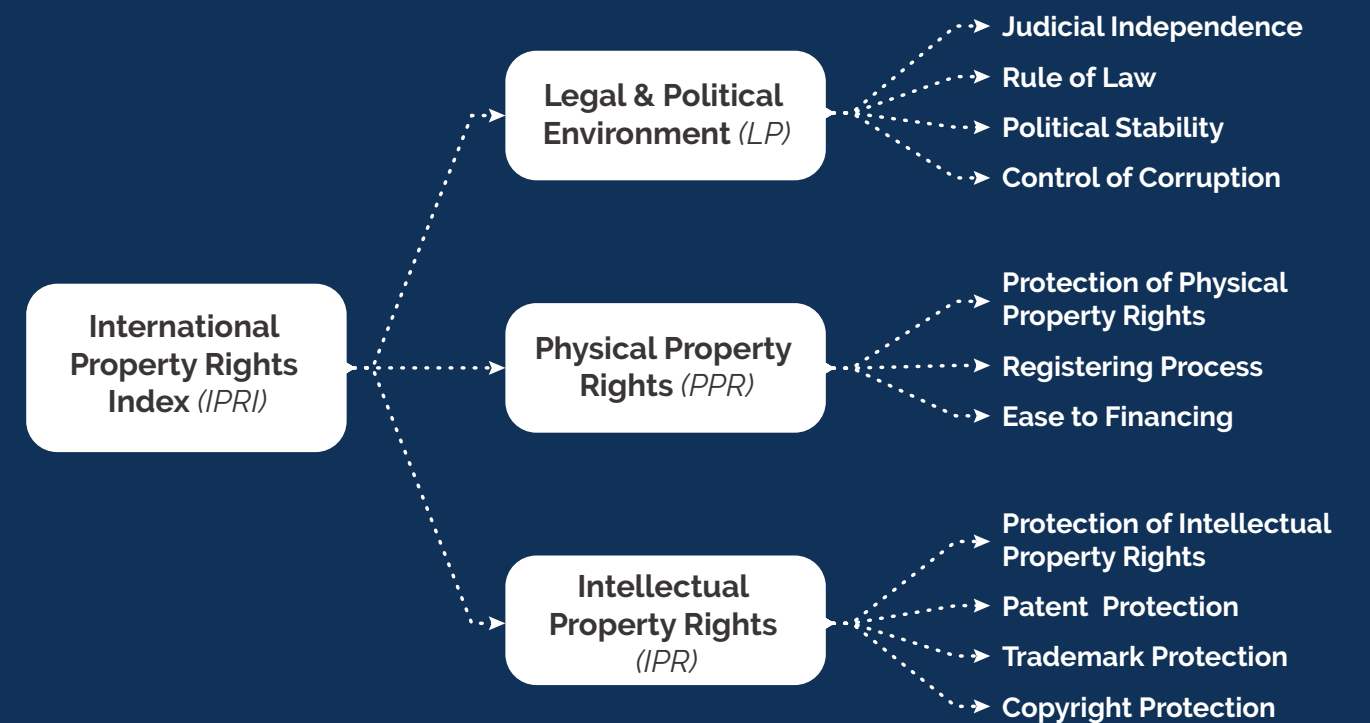


Figure 1. IPRI Structure.

RESULTS

TOP 5 COUNTRIES:

1. Finland
2. Singapore
3. Switzerland
4. New Zealand
5. Luxembourg

BOTTOM 5 COUNTRIES:

125. Chad
126. Congo Democratic Republic
127. Haiti
128. Yemen Republic
129. Bolivarian Republic of Venezuela

1

RESULTS

The 2022 IPRI ranks 129 countries, accounting for 93.91% of world population and 98.12% of the world GDP. The selection of countries was determined only by the availability of sufficient data. Results continue to suggest that countries with high IPRI scores also show high levels of income and development, indicating the positive relationships between a robust property rights system and citizen quality of life.

The average 2022-IPRI score is 5.19. For a 4th consecutive year, there is a setback of the average score of the IPRI in the LP components. We also found a setback of the other two components of the Index (PPR and IPR) since 2020. The Legal and Political Environment is the weakest component (5.06), followed by Intellectual Property Rights (5.24), while Physical Property Rights is the strongest component (5.27). (Fig.2)

Finland leads the 2022-IPRI (8.17) as well as the PPR (8.53), while New Zealand leads the LP (8.76), and the USA leads the IPR component (8.73). Singapore ranks 2nd in its IPRI score (7.97) followed by Switzerland (7.94) and New Zealand (7.93). IPRI scores of the 15 top countries come in a range of 8.17 to 7.47. All of these but the USA show their LP component as the strongest to build up the IPRI.

It should be highlighted that Brunei Darussalam, in spite of its mid-low IPRI score of 4.87 is the country with the highest increase relative to 2021, not only in the overall IPRI score, but also in the LP and PPR components. (Fig.3)

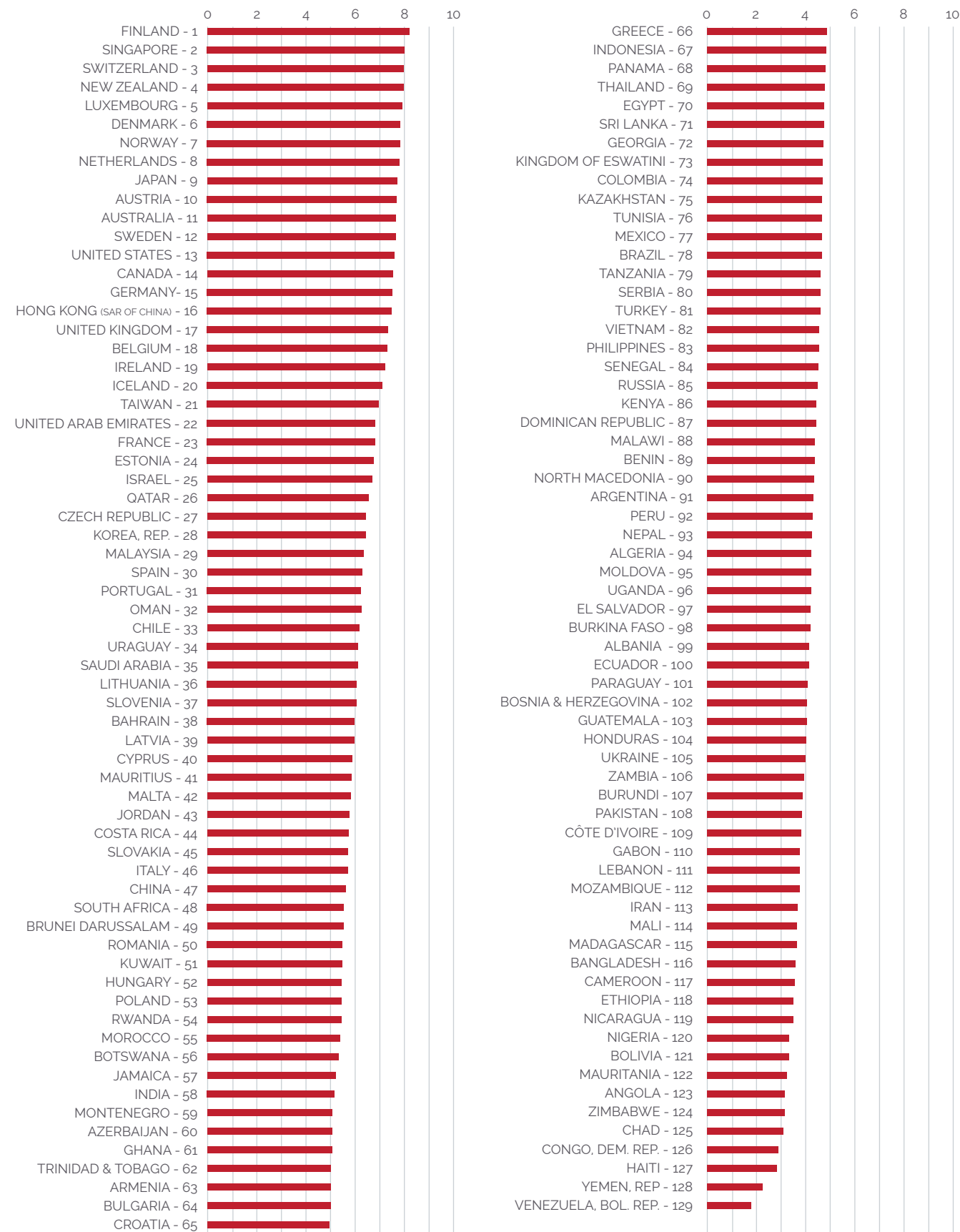


Figure 3. 2022-IPRI: IPRI Scores and Rankings.

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IPRI & GROUPS

Grouping countries according to relevant criteria (geographical regions, income levels, degree of development, and participation in regional integration agreements) formulated valuable information to be used by individuals and policy makers to improve their countries' performance. All groups reduced their IPRI score this year compared to 2021 from 2.7% to 10.5%. Below, a brief analysis of the groups' results:

a. Regional Groups: North America (7.52) leads the IPRI score, followed by Western Europe (7.08); and East Asia, South Asia & Pacific (5.76). On the other extreme we find Africa (4.08) and Latin America & the Caribbean (5.35) countries. This year, Africa is the group that deteriorated the most (-10.5%), followed by Latin America & the Caribbean (-10.4%), and Central and Eastern Europe and Central Asia (-8.5%). For the LP component, changes were slight with an improvement for East Asia, South Asia & Pacific (+0.56%), and a decrease for North America (-2.69%).

For PPR, negative changes were much more significant: Latin America & the Caribbean (-25.7%), Africa (-25.1%), CEECA (-21.4%) and MENA (-18.5%) countries showed the most relevant deterioration.

b. Income Group (World Bank classification): As in previous editions, the income classification groups show the same display of the IPRI score. High Income (6.66) remains at the top, followed by Upper Middle (4.74), Lower Middle (4.09) and Low Income (3.71) countries. The LP component showed improvement for Upper Middle (+4.13%), High (+1.01%) and Low Income (+0.18%) countries; while the decline in PPR component was widespread and relevant: Lower middle (-24.8%), Low Income (-24.3%), Upper Middle (-23.3%) and High Income (-10.13%) countries. The IPR component improved for the Upper Middle (+2.63%), High (+1.12%) and Low income (+0.26%) countries, while it decreased for Lower Middle (-0.57%) income group. (Fig.4)

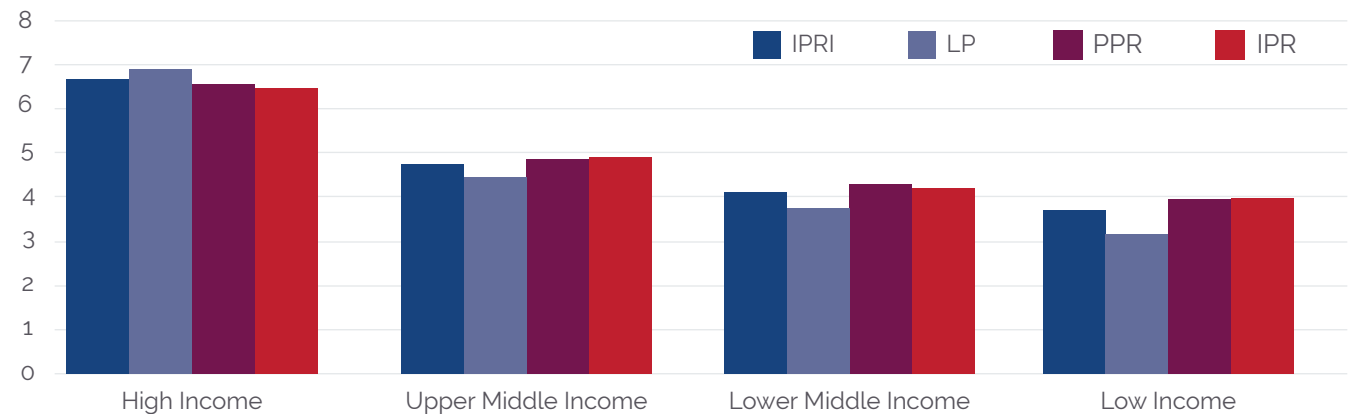


Figure 4. 2022 IPRI and Components: Income Groups Score.

c. Geographical Groups: At the top we find Oceania (7.77), North America (6.55) and the European Union (6.41), while at the bottom are Africa (4.16), South America (4.32) and Central America and the Caribbean (4.35). The IPRI scores' changes compared to 2021 were negative, from -10.73% for South America, to -2.73% for Oceania. For the LP component, changes were mild and mixed: Africa with -0.74% to the rest of Europe and North America with +2.6% and +2.78% respectively. The decline was shown for all groups in the PPR component: South America (-26.5%), Africa (-24.9%) and Central America & the Caribbean (-24.7%) more pronounced. For the IPR component, European Union showed a decline (-0.5%) while Rest of Europe an improvement (+2.9%). (Fig.5)

d. Regional & Development Groups (IMF classification): Advanced Economies (6.97) leads the IPRI scores, followed by MENA & Pakistan (4.88), Emerging and Developing Asia (4.87), Emerging and Developing Europe (4.68), Latin America and the Caribbean (4.35), ending with Sub-Saharan Africa (4.11). All the groups deteriorated in their IPRI score with Emerging and Developing Europe, Latin America and the Caribbean, and Sub-Saharan Africa decreased by more than 10%. Emerging and Developing Asia was the only group with a slight improvement in the LP component (+1.42%). The deterioration of the PPR component was widespread, led by Latin America & Caribbean (-25.8%), Emerging and Developing Europe (-25.2%), and Sub-Saharan Africa (-24.6%).

e. Integration Agreements: Since 2017, the five top groups are EFTA (7.61), OECD (6.67), USMCA (6.55), EU (6.41) and TPP-11 (6.36). However, all Integration Agreements groups reduced their IPRI score, heading the setback were CEMAC (-13.4%), PARLACEN (-12.82%), IGAD (-12.79%) and CAN (-12.16%). Slight changes were registered for the LP component, and a widespread decrease for the PPR component with the exception of CARICOM. That showed an improvement of 7.72%. For the IPR component, just the CIS group showed and improvement of 1.14%. (Fig.6)

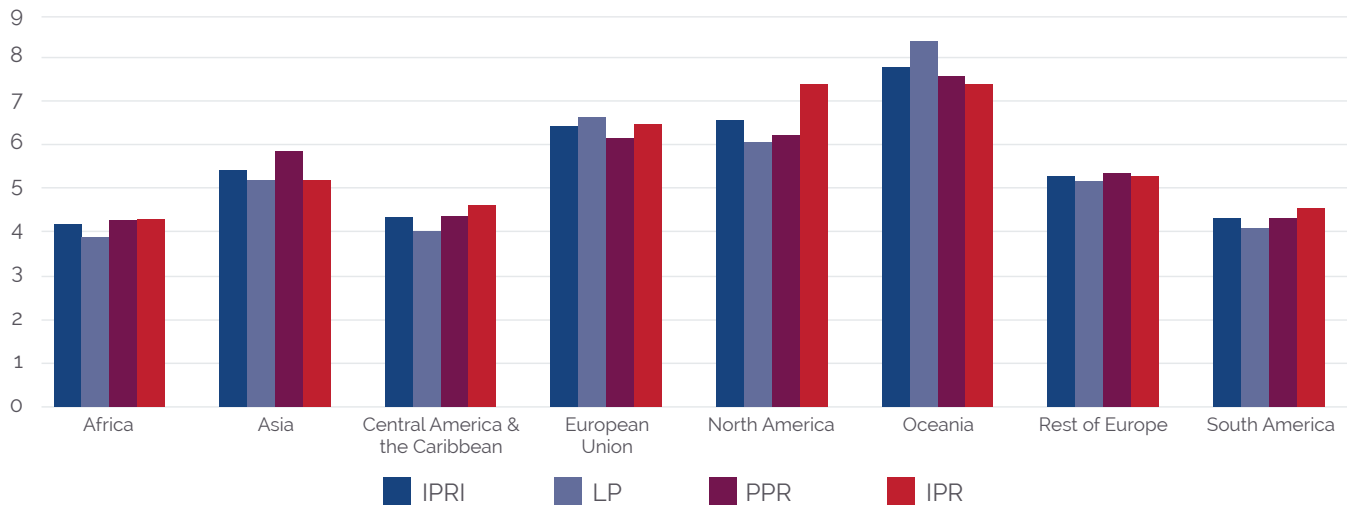


Figure 5. 2022 IPRI and Components: Geographical Groups Score.

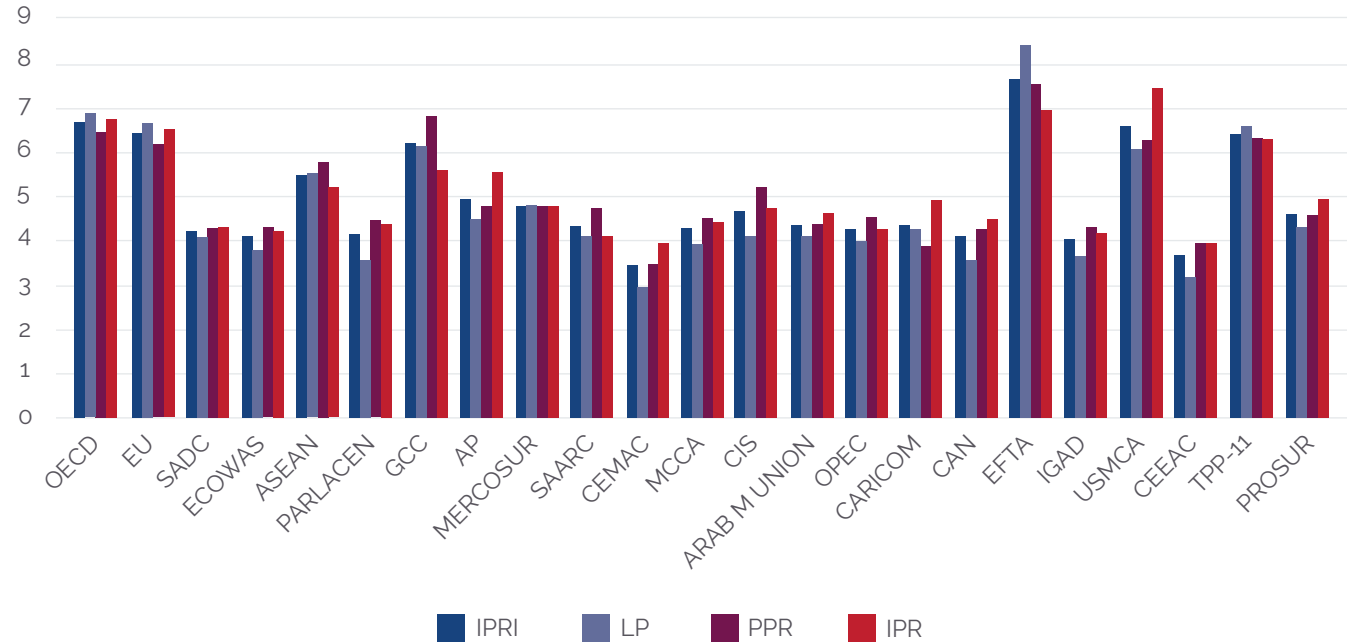


Figure 6. 2022 IPRI and Components: Integration Agreements Groups Scores.

IPRI AND POPULATION

Even though the IPRI unit of analysis is countries/territories, a demographic perspective is highly relevant for our Index, as its goal is to assess the level of property rights that people enjoy. Given the former, since 2015 we include a population incidence to the Index.

The 129 countries included in 2022-IPRI have a population of 7.32 billion people – representing 93.91% of world population – and it shows that 73% of that population live in 84 countries with an IPRI between 4.5 and 7.4. Although the 2022 IPRI average score is 5.19, when population weighs in, it reduces to 5.12. Particularly 53% of the total GDP is from 23 countries with 11.8% of total population with an IPRI score in a range of [6.8 – 8.7]. (Fig.7)

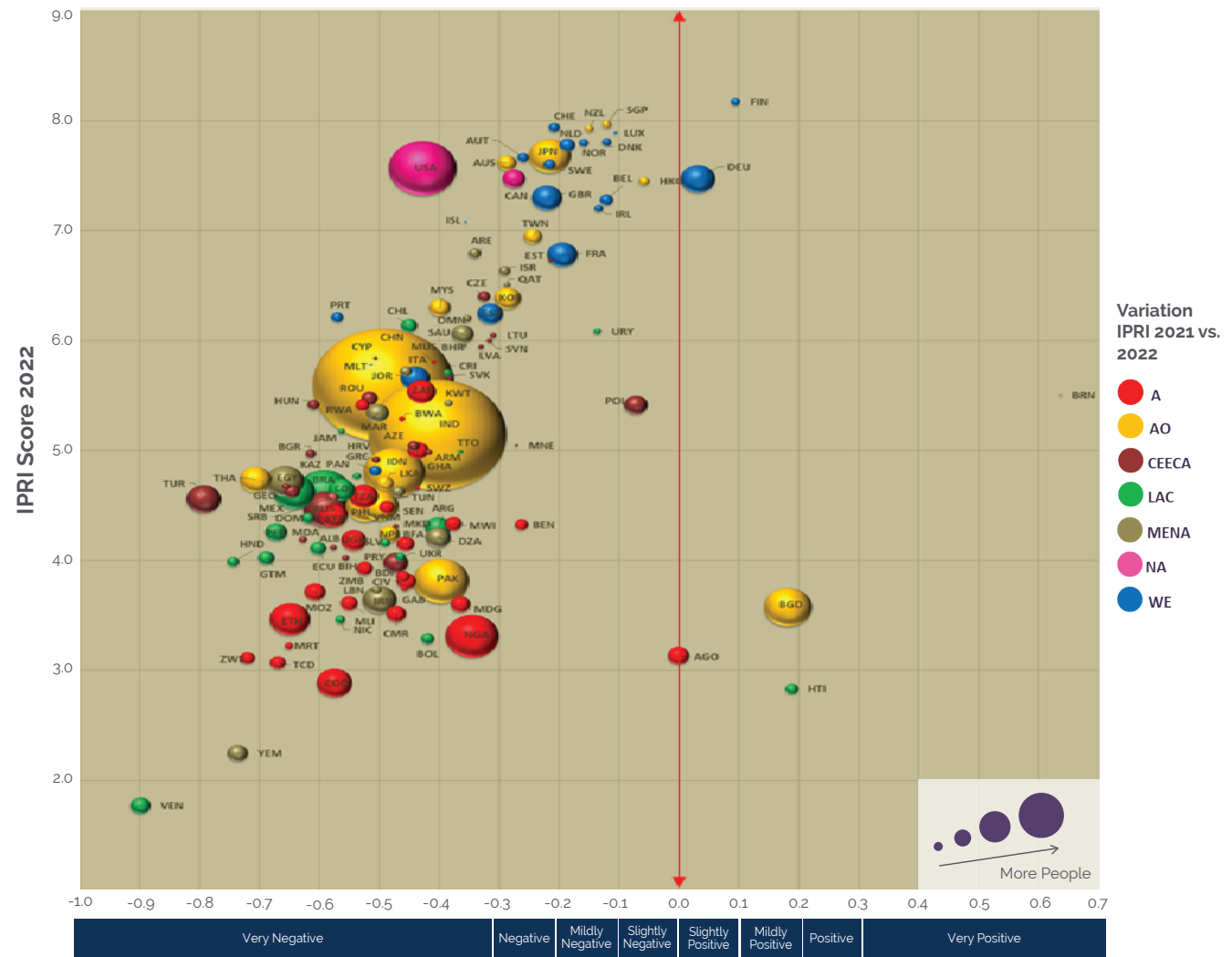


Figure 7. Shows a combination of elements for analyzing changes in the IPRI scores: country, population, and their belonging to a regional group.

IPRI AND GENDER

The GE component score was calculated, using 10 items gathered in five indicators: (1) Women's access to land, (2) Women's access to credit, (3) Women's access to property other than land, (4) Inheritance practices and (5) Women's social rights. This measure allowed us to extend the standard IPRI, giving rise to the IPRI-GE [0-10].

As an average, the 129 countries show a GE component score of 7.248, while the IPRI-GE score is 4.48. Fifteen countries show a range of [9.5-9.79] for the GE score: Austria, Malta, Sweden, Belgium, Portugal, Norway, Austra-

lia, New Zealand, Denmark, Estonia, Iceland, Ireland, Netherlands, Switzerland, and USA. Finland leads the IPRI-GE (7.91), followed by New Zealand (7.76), Switzerland (7.74), Norway (7.66), Luxembourg (7.64) and Denmark (7.61).

Ranking the IPRI-GE by quintile we find that the number of countries belonging to each quintile increases from the top 20% to the bottom 20% (1st quintile:15, 2nd quintile: 19, 3rd quintile: 25, 4th quintile: 29, and 5th quintile: 41). Hence, the 4th and the 5th quintiles include 70 countries (54%). (Fig.8)

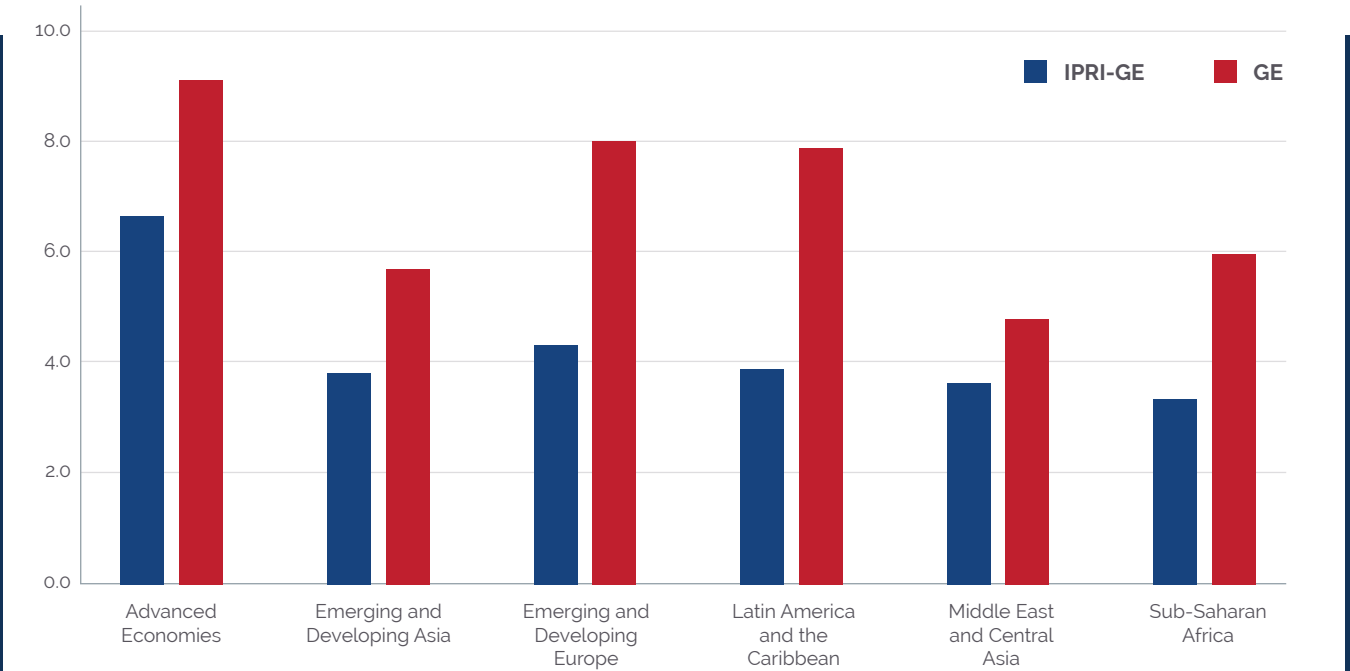


Figure 8. 2022 IPRI-GE and GE Scores: Regional and Development Groups. Advanced Economies is leading the group followed by Emerging and Developing Europe and Latin America and the Caribbean. Emerging and Developing Europe show a high GE score (8.0) but its IPRI pulls down their IPRI-GE, similarly with Latin America and the Caribbean, and Emerging and Developing Asia.



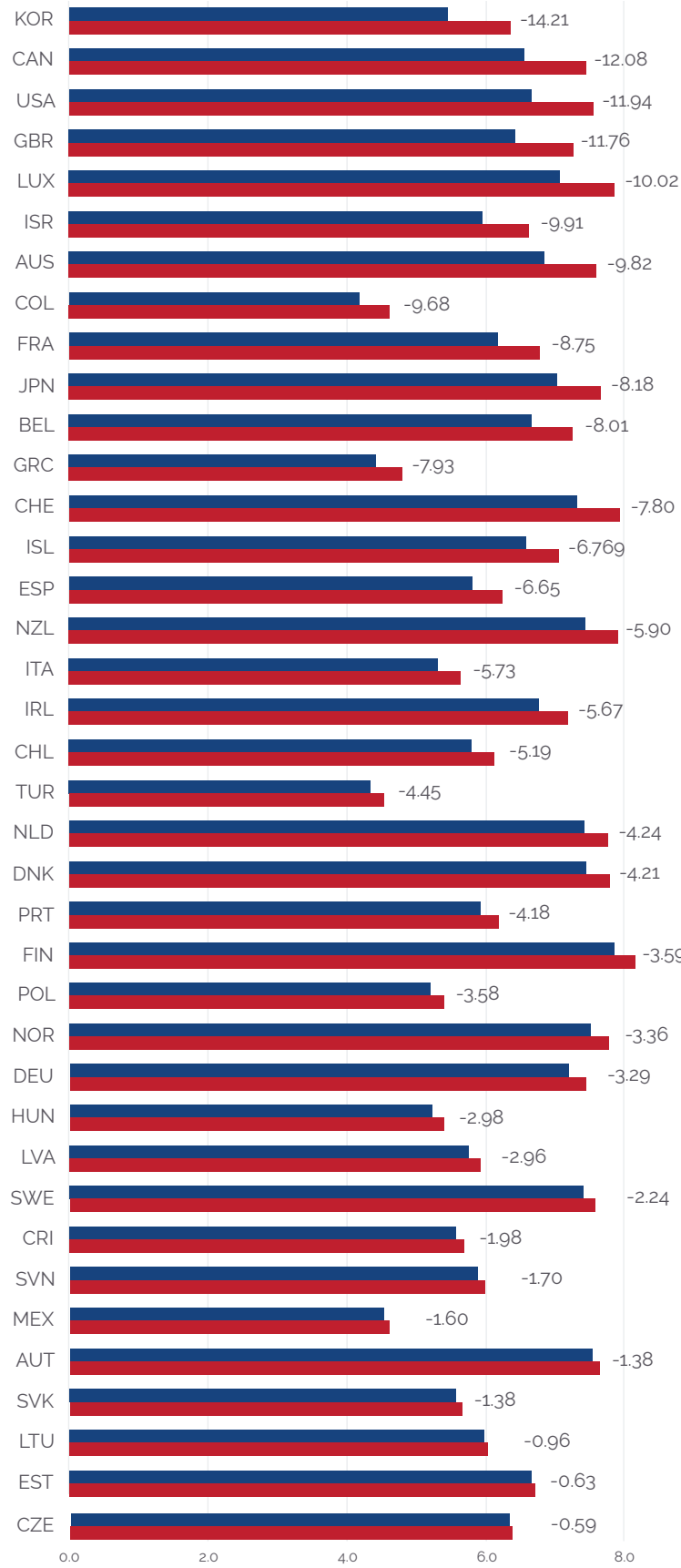
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IPRI & TAXES

A property tax (PT) implies a constraint, a restriction to that right; and to account for this impact we extended the IPRI using data on property tax revenues as a % of total tax revenue. Results show that on average, the IPRI-PT score for OECD countries is 5.79% lower than their IPRI score, with some of them showing a reduction of over 12%. South Korea (-14.21%), Canada (-12.08%), USA (-11.94%), UK (-11.76%), and Luxembourg (-10.02%) show the highest negative impact, while Czech Rep., Estonia and Lithuania are the lower ones, with less than 1%. (Fig. 9)

Figure 9. 2022 IPRI vs 2022 IPRI-PT (%) OECD Countries.

■ IPRI - PTax ■ IPRI 2022



6

IPRI AND VIRTUOUS ECOSYSTEM

There's broad academic literature highlighting relevant impacts between respect for property rights and making strides in the quality of life of citizens, turning property rights into a fundamental piece of a virtuous ecosystem for human development. In light of the above,

we examined different elements to assess conceivable relationships, showing relevant correlations. Those variables were gathered in 5 groupings: Economic, Social, Institutional, Ecological and Emerging Environment. (Fig.10)

			IPRI	LP	PPR	IPR	
ECONOMIC ENVIRONMENT	Production	GDP per capita	0.849	0.829	0.794	0.805	Correlation Code: <div>Weak</div> <div>Soft</div> <div>Moderate</div> <div>Good</div> <div>Strong</div> <div>Perfect</div>
		GDP per capita *GINI	0.830	0.796	0.780	0.815	
	Investment	Gross Domestic Formation per capita	0.780	0.770	0.735	0.726	
	Sustainability	Global Sustainable Competitiveness Index	0.709	0.718	0.604	0.706	
	Competitivy	Competitive Industrial Performance Index	0.647	0.568	0.572	0.741	
SOCIAL ENVIRONMENT	Tolerance	Social Tolerance	0.572	0.582	0.498	0.562	
	Participation	E-Participation Index	0.698	0.652	0.646	0.716	
	Health Security	Global Health Security Index	0.759	0.715	0.689	0.788	
INSTITUTIONAL ENVIRONMENT	Delinquency	Global Organized Crime Index	0.550	0.643	0.513	0.381	
	Corruption	Corruption Perception Index	0.954	0.974	0.891	0.865	
	Absence of Coercion	Human Freedom Index	0.697	0.722	0.592	0.679	
ECOLOGICAL ENVIRONMENT	Performance	Environmental Performance Index	0.799	0.778	0.691	0.829	
	Adaptability	Notre-Dame Global Adaptation Index	0.898	0.881	0.829	0.865	
EMERGING ENVIRONMENT	Innovative Drive	Global Artificial Intelligence Index	0.599	0.486	0.520	0.737	
		Global Innovation Index	0.871	0.815	0.791	0.899	
	Connectivity	Global Biotech Innovation	0.699	0.688	0.658	0.608	
		Telecommunication Infrastructure Index	0.814	0.803	0.753	0.776	
	E-Gov	E-Government Development Index	0.805	0.779	0.746	0.788	

Figure 10. Pearson's Correlation Coefficients (absolute values). The correlations of the IPRI and its components with 19 measurements showed the relevance of property rights systems and their association with the best performances and practices in societies.



On average, countries in the top quintile of IPRI scores show a *per capita* income more than 21 times the countries at the bottom quintile. That disparity is higher than last year, however it is lower than 2015 when it was almost 24 times. These results reinforce the significant and positive relationship between prosperity and a robust property rights system. (Fig.11)

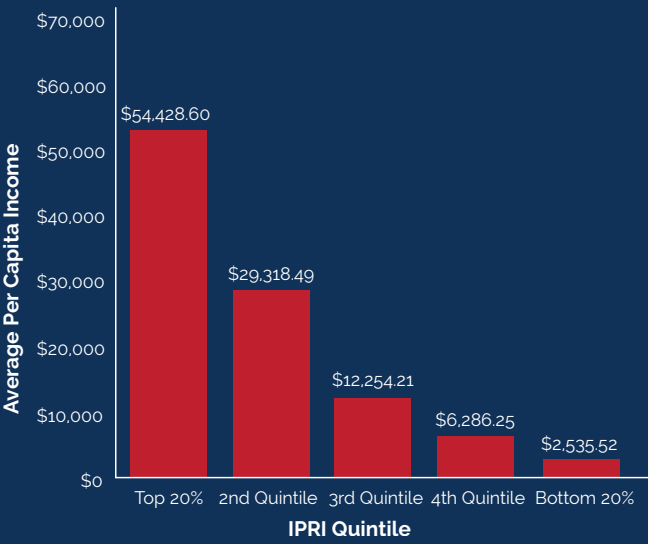


Figure 11. Average Per Capita Income by IPRI Quintiles.

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IPRI CLUSTERS

Cluster analysis is useful for gathering similar entities into groups, based on pre-defined indicators. This year we performed two kinds of cluster analysis for all 129 countries: the first one according to the IPRI components' values (LP, PPR, IPR), and the second considering the IPRI and 19 different measurements we used to evaluate correlations. In both cases three clus-

ters were acceptable to explain the groupings of countries. There was a relevant matching of cluster members (59% to 84%), exemplifying the significance of the IPRI as a robust tool in the examination of societies, and of the key role of property rights promoting virtuous incentives and fostering the development of liberty in societies. (Fig.12)

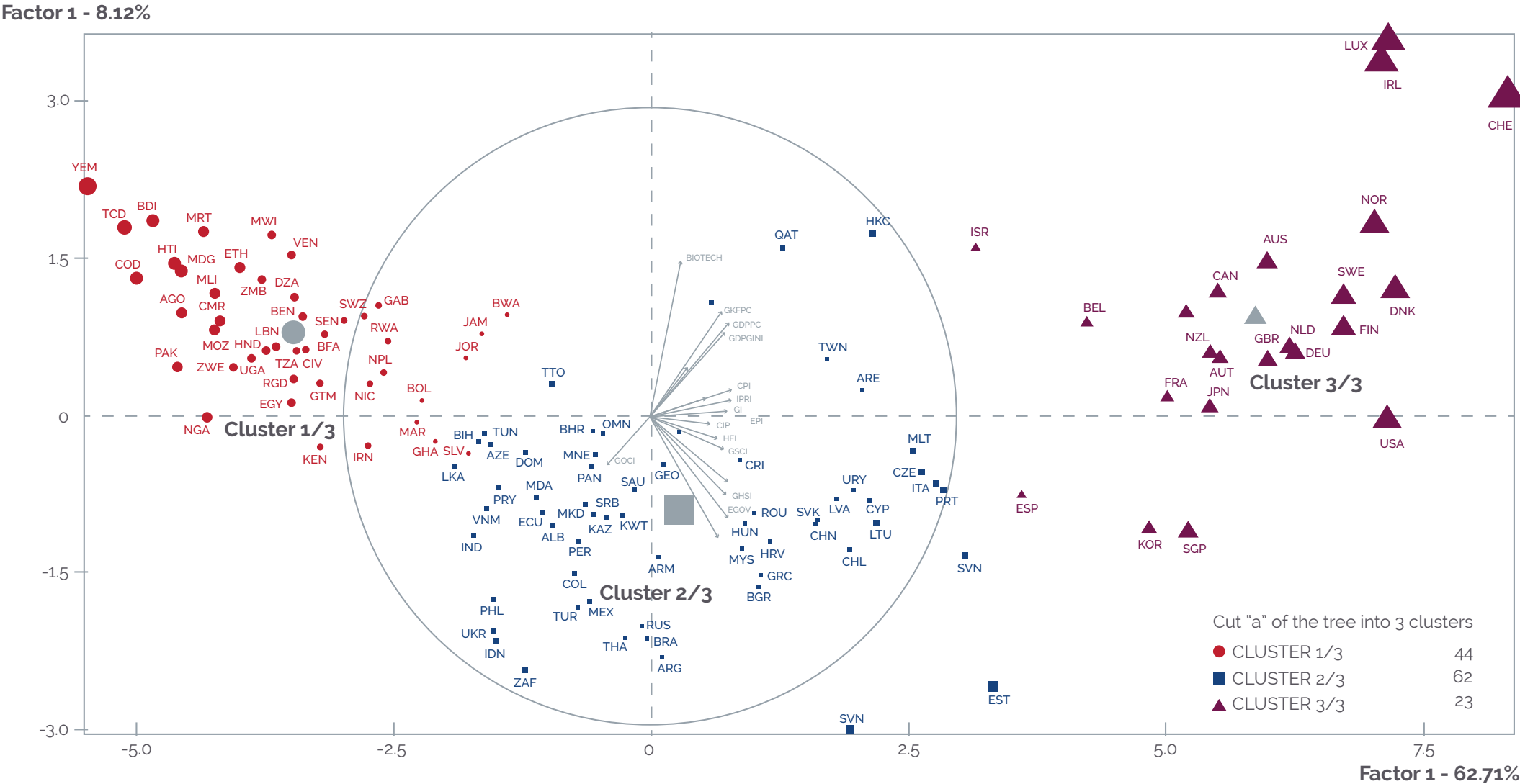
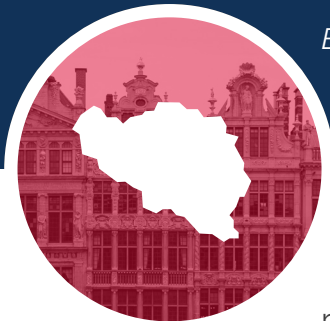


Figure 12. Cluster Members & Centroids (w/IPRI +19 variables)

COLLATERAL DAMAGE: PROPERTY RIGHTS AS A CASUALTY OF WAR.

By Robert Tyler, Senior Policy Advisor, New Direction – the Foundation for European Reform, Belgium



During times of conflict, property rights are more often than not ignored. This impacts both intellectual property and physical property. In the case of intellectual property, governments have historically appropriated patents and designs as a means of streamlining production of weapons and other equipment to support the war effort. In the case of physical property rights, looting, theft, and damage are natural occurrences

in theatres of war. The impact of such damage can be felt for many decades after a conflict has ended. Existing War Crimes legislation reflects the need to protect property, however, is not universally implemented – with reparations for damage to physical property often taking years to deliver. Likewise, legal mechanisms for the seizure of intellectual property often make it difficult for it to be returned to the original owners.

THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN MALAYSIA: A CASE STUDY.

By Prof. Sitara Karim and Dr. Carmelo Ferlito, Center for Market Education, Malaysia



Malaysian intellectual property rights are administered by the Intellectual Property Corporation of Malaysia (MyIPO) that works under the Ministry of Domestic Trade and Consumer Affairs. This case study presents one of the unique pieces of evidence on the protection of intellectual property rights in Malaysia through launching a social gaming app, “Wooo!” Wooo! is the first social game in the world with a slogan of “Win with your everyday life!” by taking part in photo or video contests, calling friends, and eventually becoming a social media influencer. The current

case study elaborates several aspects of gaming app launch in the Malaysian Institutional and Regulatory framework including steps involved in intellectual rights protection, prospective pros and cons involved in the rights protection process, social benefits and costs, etc. For conducting this study, we employed content analysis of several official reports. In addition, we interviewed the key personnel of social gaming app to examine their common interests and motives in the Malaysian institutional framework. We outlined several policy and practical implications in the case study.

A CLOSER LOOK AT HOW INTELLECTUAL PROPERTY RIGHTS AND PROPERTY PROTECTION LED TO THE PFIZER/BIONTECH COVID-19 VACCINE—AND HOW THE WORLD TRADE ORGANIZATION'S ASSAULT ON IP THREATENS FUTURE INNOVATION

By Pieter Cleppe, Editor in Chief of Brussels Report, Belgium



Low COVID-19 vaccination rates in low- and middle-income countries have stymied progress toward the World Health Organization's (WHO) target to fully vaccinate 70% of the global population by June 2022. Developing nations, led by India and South Africa, have argued that the World Trade Organization should waive intellectual property (IP) protections for vaccines and other COVID-related technology. And in May 2022, the United States, the European Union, India, and South Africa released a proposal to suspend IP protections for COVID-19 vaccines. But will a waiver of IP rights redress the problem of vaccine inequity? Researchers tracking worldwide vaccine distribution report that

global manufacturing supply is sufficient to meet the WHO's target, which suggests that vaccine supply is not the inhibiting factor. This report presents a case study of the Pfizer/BioNTech COVID-19 vaccine, Comirnaty®, the first vaccine to utilize mRNA technology. Through a review of the scientific research that led to the discovery of mRNA technology, it will demonstrate that IP rights were crucial to the rapid development and manufacture of the vaccine. Waiving IP rights will not alleviate vaccine inequities – which have more complex causes, ranging from inadequate infrastructure to vaccine hesitancy – and threatens to destabilize the innovation ecosystem that made mRNA vaccines possible.

PROPERTY RIGHTS IN THE CONSTITUTIONAL PROPOSAL BY THE CONSTITUTIONAL CONVENTION IN CHILE.

By Natalia Gonzalez, Libertad y Desarrollo, Chile



Property rights, acknowledged in the Universal Declaration of Human Rights and in the Fundamental Charter currently in force in Chile, grants owners the capacity to use, enjoy and dispose the material or immaterial asset that lies within such rights, together with the certainty that such protected rights shall remain so indefinitely. The current Constitution of the Republic of Chile, in force, acknowledges property rights and the freedom to own all types of property, except over those assets which nature has made common to all mankind or that belong to the Nation in its entirety. Solid protection of property rights is crucial for the progress of nations and the welfare of its countrymen. The degree to which such a right is protected strongly affects the levels of investment, and hence, of opportunities

for all citizens. In Chile, however, the political narrative from certain academics and more radical left-wing groups is that property rights have prevented the State from taking action in areas where it may be needed. They correlate a robust protection of property rights with inequality, and therefore stand for a thorough review. Notwithstanding the fact that such a narrative does not find grounds in evidence, the Constitutional Convention of Chile has produced a proposal that must be voted on in a national referendum in early September. It echoes such a narrative to primarily interpret property rights as one to be inspected both in its range and scope in such a way undermining the solid protection that the current constitutional framework grants to this right, that is essential and the basis to exercise other rights and liberties.

PROPERTY TITLES OF NON-RENEWABLE NATURAL RESOURCES IN MEXICO: AN ALTERNATIVE TO RESOURCE NATIONALISM.



By Dr. Roberto Salinas León, Martín Rodríguez Rodríguez and Carlos Navarro, Center for Latin America-Atlas Network, Mexico

This case study offers a policy blueprint for reorganizing Mexico's state-owned Mexican Oil Fund into a citizens' wealth fund – Sovereign Mexican Fund, SMF – in which all Mexican citizens, without distinction of any kind, will be property owners of the country's natural resources. Once the individual savings accounts are established, citizens will receive all of Mexico's energy and mining income (royalties, dividends from the national oil company, allocation rights, profits from service contracts, etc.). After paying taxes on this income, Mexicans will be able to save for retirement, receive dividends, and invest in their human capital needs. This proposal enables a new social

contract for Mexico, democratizing non-renewable natural resources' wealth, expanding capital ownership, and promoting financial inclusion with policy mechanisms that leverage the advantages of a sound property rights system. The primary virtue of the SMF is that it empowers all citizens by making them property owners. Granting property rights also protects the mechanism from undue political interference and makes it irreversible in the future. The proposal tackles the culprits of rent-seeking behaviors common in resource-rich countries that the literature has associated with corruption, low-quality public spending, and lower human development levels.

LAND INVASIONS AND PROPERTY THEFT: A HISTORY OF LACK OF ACCESS TO JUSTICE IN GUATEMALA.



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In Guatemala, current regulations guarantee the human right to property. Comprehensively, the Guatemalan legal system seeks to protect this right from a constitutional, civil, criminal, administrative, and tax perspective. However, despite the vast existing legislation on the matter, the justice system is one of the greatest weaknesses in the protection of this right. The overall efficiency of the criminal justice system in 2020 was 24.9 percent. This means that out of every 100 cases in the system, only 25 were solved. According to Guatemalan law, the criminal process should last from 251 to 341 days; currently, it can last an average of 817 days. Land invasions have become a common crime. In the last 5 years, 14,840 land invasions have been reported nationwide. On average, only 28% of cases of property rights violations are solved. The reasons behind the lack of efficiency in the entities of the justice system are multiple. The surface of the problem appears to be a lack of institutional infrastructure and budget shortfalls. Notwithstanding the fore-

going, the issue of lack of efficiency is intrinsically related to organized crime structures that operate in the country and that take advantage of the lack of protection of the human right to property. Among these structures are smugglers, drug traffickers, and individuals who take advantage of the ignorance of some people by selling land that is owned by third parties. In most cases, violations of property rights are accompanied by other types of crimes such as kidnapping, abuse of minors and women, murder, and the illegal possession of non-conventional weapons. As a complement to all the above, some groups have emerged that claim "ancestral rights" over properties that have been legitimately obtained by their current owners. On many occasions, such claims lack technical support, but for different political reasons, some courts have ruled in favor of such claims. All of the above has made attracting investment to the country even more complicated due to the fear that exists regarding the ease with which property rights can be violated in the country, and the lack of guarantee thereof.



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