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International Property Rights Index 2019

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), 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 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.

During 2019, PRA worked to compile case studies with 118 think tanks and policy organizations in 72 countries involved in research, policy development, education and promotion of property rights in their countries.

Property rights are human rights and nurture economic growth and social development. Property rights promote innovation and productivity, and have been the most effective mechanism to guarantee civil rights and civil liberties. Protecting individual liberty is the fundamental reason for a system of strong private property rights.

IPRI is built up from 10 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 interpretative logic is applied to all three components.

The scope of this 2019 edition covers 93.83% of world population and 97.72% of the world GDP.

Results

The 2019 IPRI ranks a total of 129 countries from around the world (Fig. 1, on the next page). The selection of countries was determined only by the availability of sufficient data.

On average, the complete sample yielded an IPRI score of 5.726. Legal and Political Environment was the weakest component (5.16), followed by Intellectual Property Rights (5.55), while Physical Property Rights was the strongest component (6.47). This year we found a slight decrease of the IPRI score (-0.26%) and of one of its components (LP-1.07%, PPR+0.16% and IPR+0.2%). However, the maximum value of the 2019 IPRI score is higher than in previous years.

Finland leads the 2019-IPRI (8.713) as well as the IPR component (8.90), followed by the USA (8.78) in IPR. Switzerland ranks 2nd overall (8.57) followed by New Zealand (8.51) who additionally leads the LP component (8.89). Singapore ranks 4th place overall (8.46) and leads the PPR component (8.71). The following countries continue the overall rankings: Australia, Japan, Sweden, Norway, Luxemburg, Netherlands, Canada, USA, Denmark, Austria and the UK. The group of top 15 countries remains the same with a slightly different order from last year (Fig. 2, on page 4).

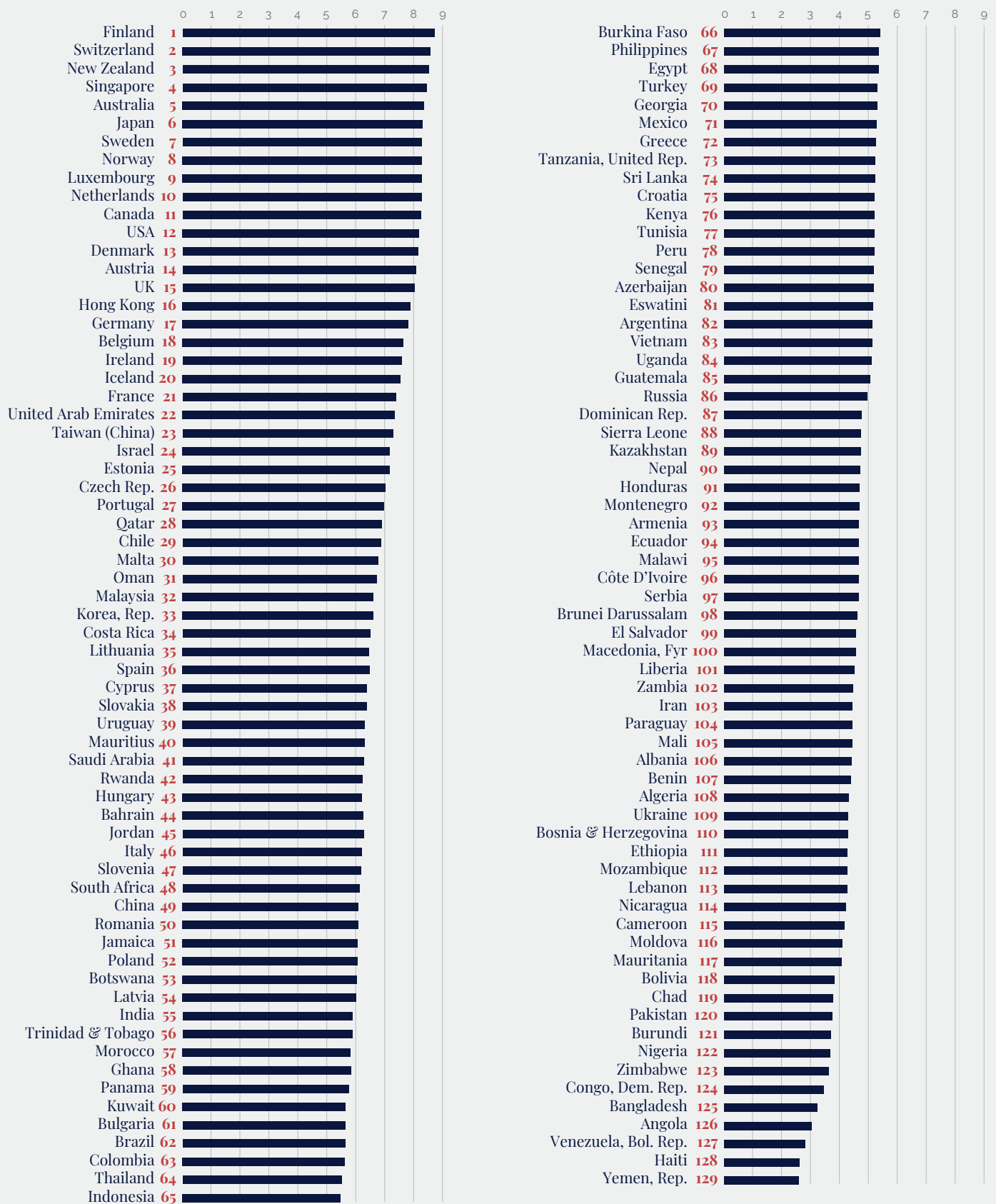


Figure 1. IPRI 2019: IPRI Scores and Rankings

International Property Rights Index

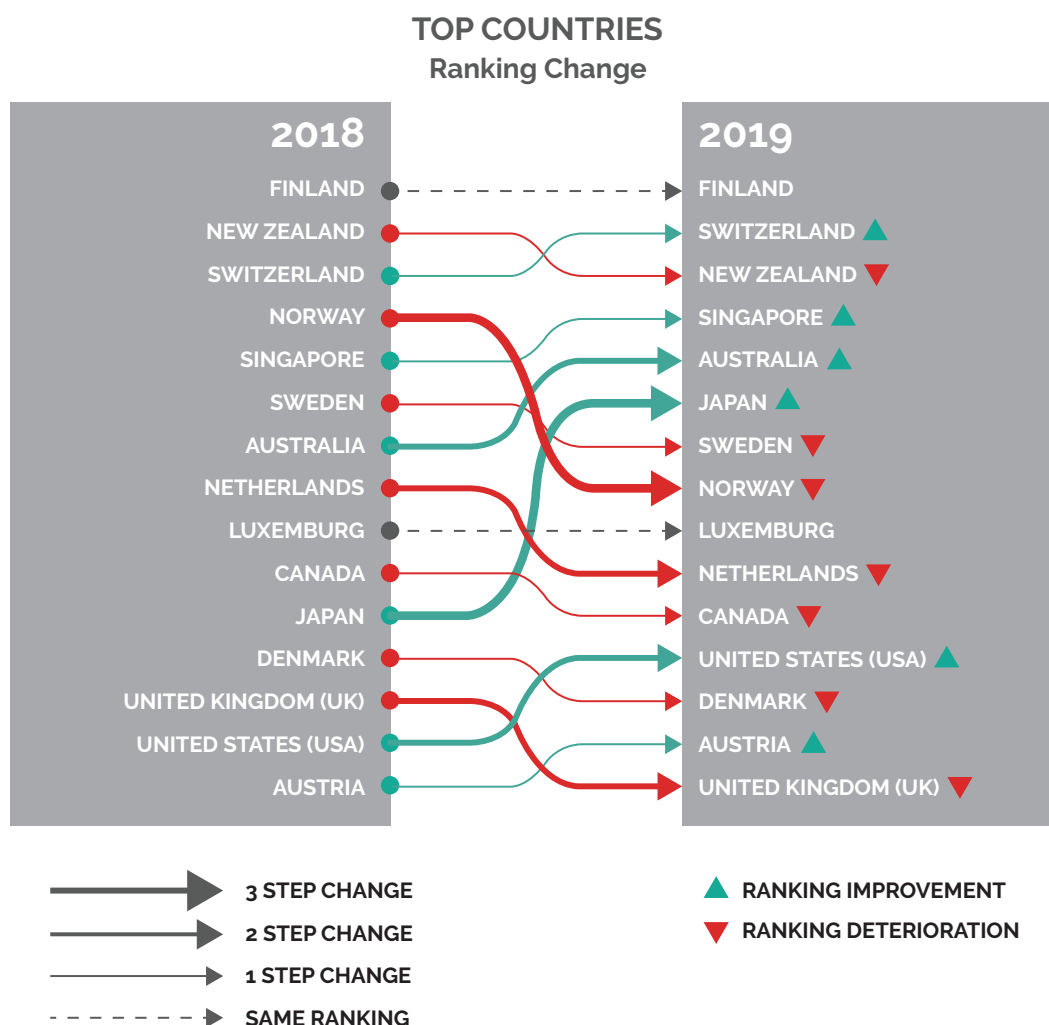


Figure 2. IPRI 2019 vs. IPRI 2018: Top Countries Ranking Change

The bottom 15 countries of this edition are: Rep. of Yemen (2.67), Haiti (2.70), Bolivarian Rep. of Venezuela (2.90), Angola (3.12), Bangladesh (3.31), Democratic Rep. of Congo (3.55), Zimbabwe (3.74), Nigeria (3.79), Burundi (3.8), Pakistan (3.88), Chad (3.89), Bolivia (3.93), Mauritania (4.17), Moldova (4.22) and Cameroon (4.31).

IPRI Groups

Countries were organized according to relevant criteria (geographical regions, income levels, degree of development, and participation in regional integration agreements). For each group, the IPRI score and each of its components were calculated. At the top of the geographical groups we find Oceania (8.44), North America (7.23), and European Union (6.94); while at the bottom are Africa (4.81), Central America and the Caribbean (5.05), and South America (5.08). Most of the groups improved their IPRI score slightly, while the most relevant decrease was shown by South America.

Regional & Development Groups

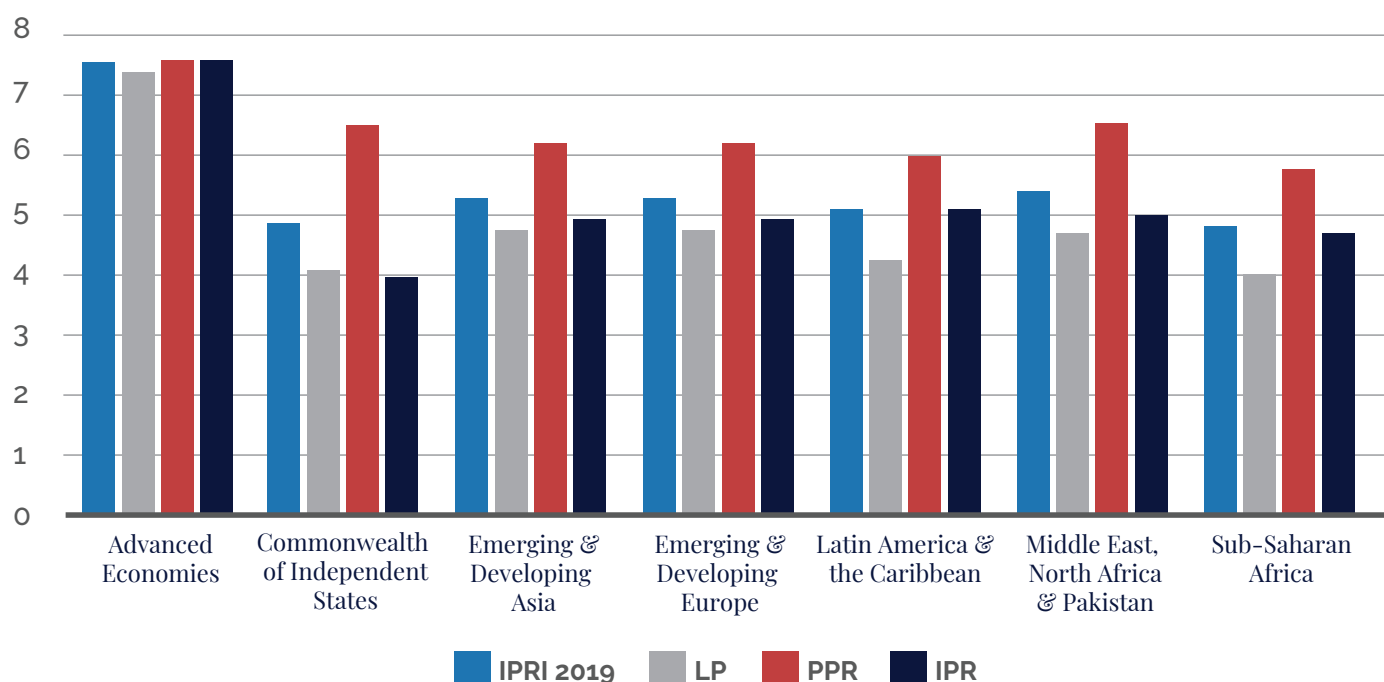


Fig. 3. 2019 IPRI and Components: Development Groups Score

The Regional & Development classification of the IMF (Fig.3,) shows Advanced Economies (7.47) leading the groups followed by MENA & Pakistan (5.35), Emerging and Developing Asia (5.26), Emerging and Developing Europe (5.23), Latin America and the Caribbean (5.07), Commonwealth of Independent States (CIS) (4.81), and ends with Sub-Saharan Africa (4.78). Five of the seven groups improved in their IPRI score. CIS leads improvement at 0.234%.

Integration Agreements: as in 2017, the five top groups are EFTA (8.14), OECD (7.27), NAFTA (7.23), EU (6.94) and TPP-11 (6.88). Of these top 5 groups, just the OECD showed a decrease in its IPRI score (-0.011 or -0.015) due to the LP component. At the bottom, we find CEMAC (4.1), CEEAC (4.6), SAARC (4.6), CIS (4.74) and OPEC (4.76), showing the highest decline in the IPRI and its component's scores (Fig. 4, on the right page).

IPRI and Population

This year's sample of 129 countries has a population of 6.93 billion people – representing 93.83% of world population – showing that the 71.17% sample population live in 74 countries with an IPRI between 4.5 and 6.4. More specifically, almost half of the sample population (48.36%) live in 30 countries with a middle range of this index: [5.5-6.4]. On the two extremes of the sample, we find that 14.19% enjoy higher levels of property rights protection in 33 countries [6.5-9.4]; and 14.64% of the sample population live in 22 countries with lower levels of property rights [2.5-4.4]. (Fig 5, on the right page).

Integration Agreement Groups

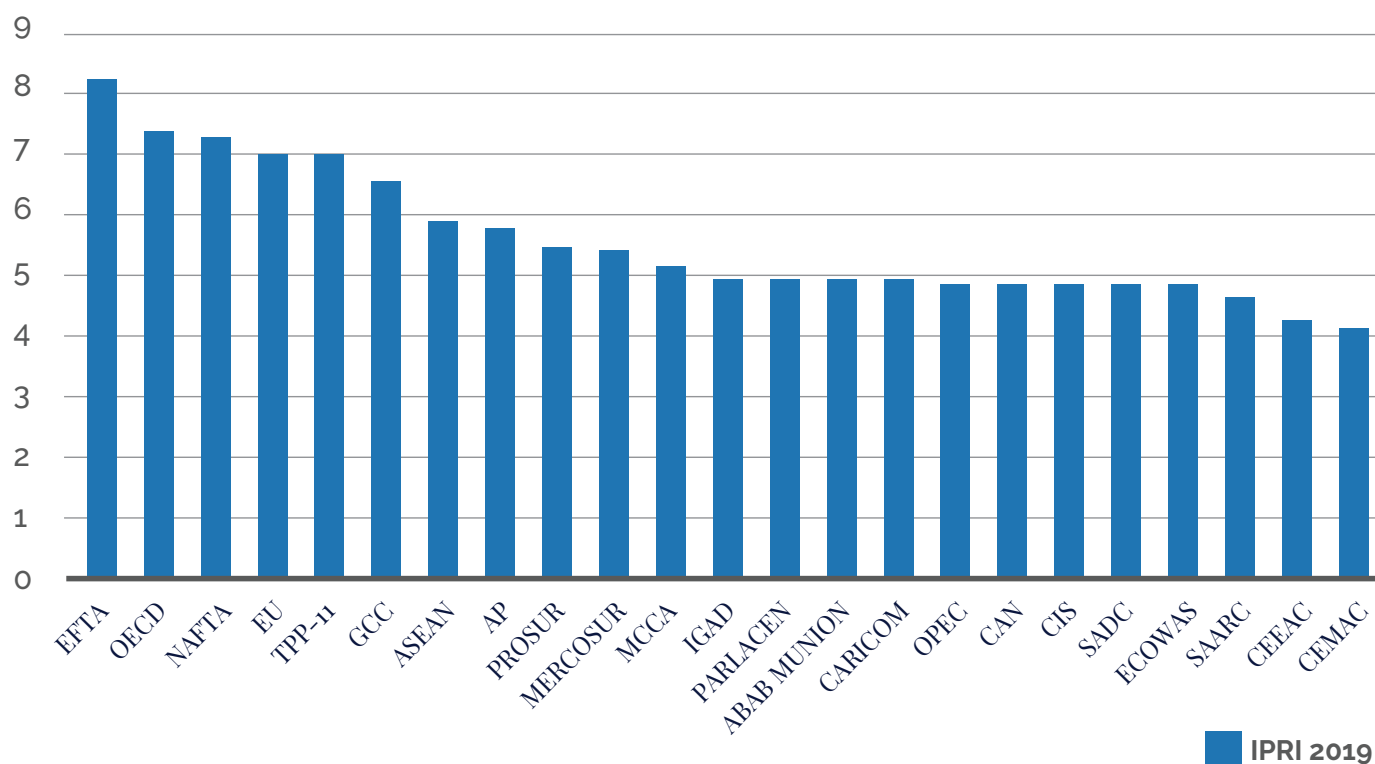


Fig. 4. IPRI 2019 and components: Integration Agreements

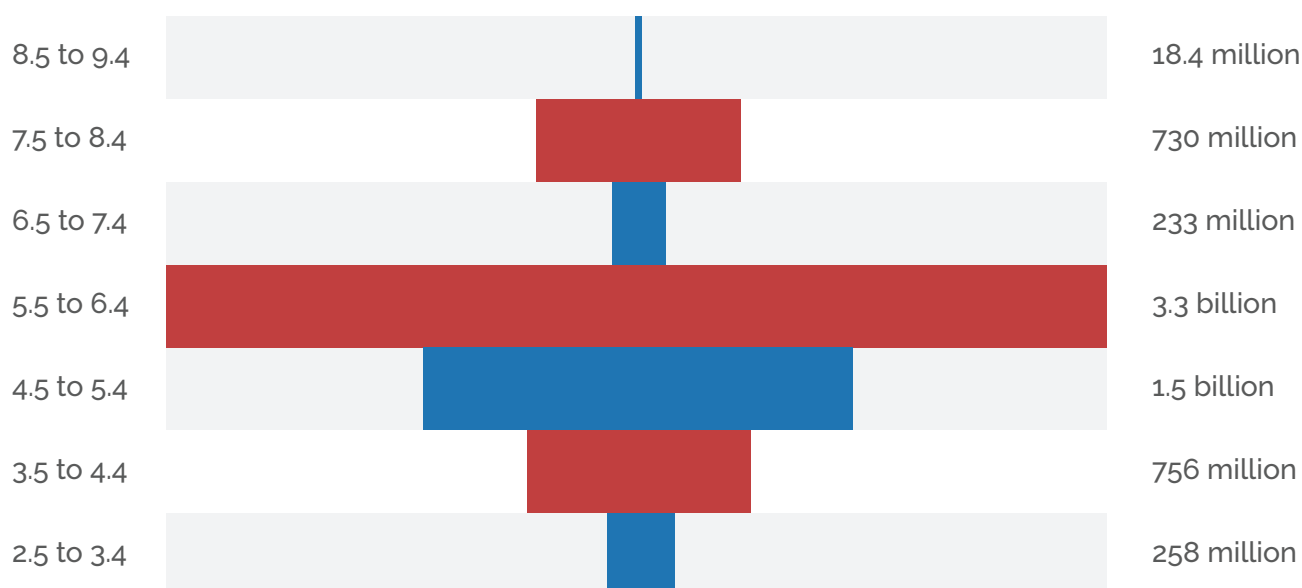


Fig 5. IPRI: Population

IPRI and Gender Equality

Gender Equality (Fig.6) refers to the equal rights, responsibilities and opportunities for women and men, girls and boys; this means that the interests, needs and priorities of both, female and male, are taken into consideration, recognizing the diversity of these different groups. Being a subject of human rights and social justice, it is a goal in itself. At the same time, its relevance has been demonstrated in fostering development, particularly in some areas like health, education, agriculture and unbiased access to credit for reducing poverty. This way, gender equality plays a decisive role for less developed and developing countries.

The GE score was calculated, using 10 items gathered in 5 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. This measure allowed us to extend the standard IPRI index, giving rise to the IPRI-GE, on a scale of [0-12]. This year the IPRI-GE shows results for all the 129 countries included in the IPRI. As an average, the 129 countries show a GE score of 7.24 which is lower by 2.88% than last year. The average 2019 IPRI-GE score is 7.18 showing a slight decrease of 0.71%. Looking into details of the GE components, we find that of the five components, women's social rights is the weakest, followed by inheritance practices, women's access to land ownership, and women's access to property other than land. The strongest component was women's access to credit.

Finland leads the IPRI-GE (10.58), followed by Switzerland (10.47) and New Zealand (10.43). On the other extreme, we find Yemen Rep. (3.79), Bangladesh (4.11), Haiti (4.18) and Angola (4.20). Some of these countries report low values due to their low IPRI scores and not their GE scores, which are the case for Bolivarian

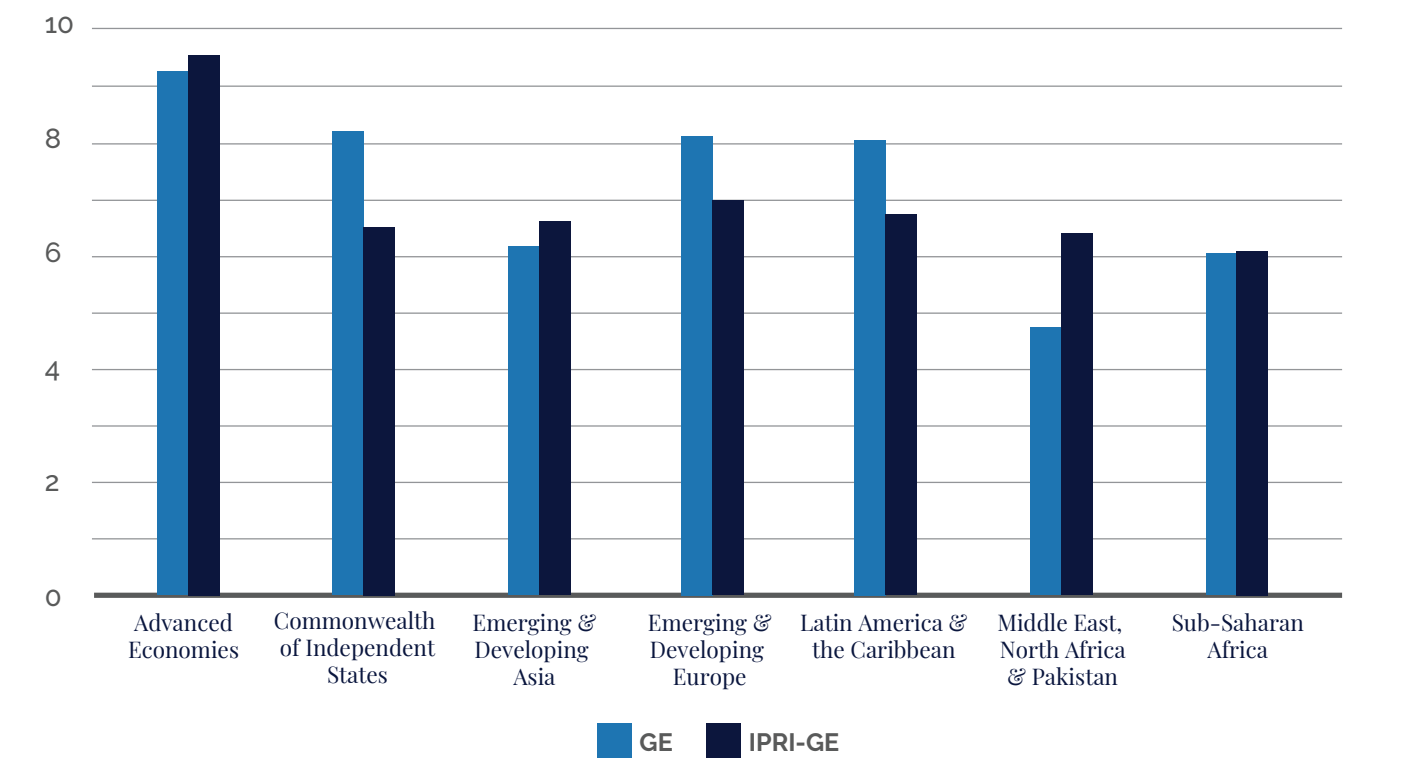


Fig 6. 2019 IPRI-GE: Ranking by Regional and Development

Rep. of Venezuela, Haiti and the Democratic Rep. of the Congo. Regarding geographical regions, we find Oceania (10.35) at the top followed by North America (8.96) and European Union (8.74). Africa (5.94) is at the bottom. Advanced Economies (9.28) leads the Regional and Development group followed by Emerging and Developing Europe (7.82) and Latin America and the Caribbean (6.64). At the bottom of the group, we find Sub-Saharan Africa (5.97). CIS countries show a high GE score (8.0) but the IPRI pulls down their IPRI-GE, similarly with Latin America and the Caribbean, and Emerging and Developing Europe; while the opposite happens with MENA & Pakistan (GE= 4.6) and Emerging and Developing Asia (GE=5.99), where the GE score is low.

IPRI and Development

Given the extensive literature reporting of important interactions between property rights and the quality of life of citizens, the 2019-IPRI was analyzed through variables and indices gathered in three groups or dimensions: Economic Outcomes, Institutions and Innovations, and finding significant and positively strong correlations (Fig. 7).

Pearson Correlation Coefficients

		IPRI	LP	PPR	IPR
Economic Outcomes	GDP <i>per capita</i>	0.816	0.822	0.629	0.781
	GDP <i>per capita</i> * GINI	0.817	0.823	0.628	0.783
	Gross Capital Formation <i>per capita</i>	0.743	0.752	0.602	0.687
	Global Entrepreneurship Index	0.901	0.886	0.766	0.836
	Economic Complexity Index	0.789	0.741	0.686	0.789
		IPRI	LP	PPR	IPR
Institutions	Institutional Quality Index	0.916	0.927	0.791	0.826
	Corruption Perception Index	0.934	0.971	0.740	0.849
	Illicit Trade Environment Index	0.891	0.880	0.737	0.865
	INFORM Index	-0.761	-0.826	-0.615	-0.642
	Civic Activism	0.837	0.812	0.697	0.816
		IPRI	LP	PPR	IPR
Innovation	Global Biotech Innovation	0.920	0.873	0.811	0.900
	Indigo Scores	0.842	0.832	0.671	0.808
	ICT Development Index	0.783	0.789	0.673	0.695
	Internet Speed	0.736	0.732	0.640	0.705
	Telecom Infrastructure Index	0.794	0.803	0.684	0.703
	Smartphone Penetration	0.775	0.742	0.727	0.745
	Networked Readiness Index	0.899	0.879	0.825	0.803
	Global Connectivity Index	0.894	0.862	0.779	0.884

Fig 7. Pearson's Correlation Coefficients

For the Economic dimension, the highest correlation was found with the Global Entrepreneurship Index (0.901), and its components rank in this order: LP (0.886), IPR (0.836) and PPR (0.766). This finding points to entrepreneurship and property rights sharing positions as building blocks of a healthy economy and a better quality of life for citizens.

For Institutions and Innovations, the highest correlation was found with the Corruption Perception Index, followed by the Institutional Quality Index, the Illicit Trade Environment, the Civic Activism and the Inform Index. The correlation for all the indices was always higher in the LP component than for the IPRI, followed by the IPR and the PPR components.

Evaluating the soundness of property rights under the dynamics imposed by new technologies and the future, the highest correlation coefficient found was Global Biotech Innovation, followed by the Networked Readiness Index, Global Connectivity Index, Indigo Scores, Telecom Infrastructure Index, ICT Dev. Index, Smartphone Penetration, and Internet Speed.

On average, countries in the top quintile of IPRI scores show a per capita income almost 16 times that of the countries in the bottom quintile. Even though it is an important disparity, it has improved since 2015, when it was almost 24 times. These results reinforce the significant and positive relationship between prosperity and a property rights system measured at an individual level. (Fig. 8, on the right page).

IPRI Clusters

A cluster analysis was performed for all the 129 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 the grouping of countries. 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 translation of most of the countries to an improved position (Figure 9, on the right page).

Final Remarks

The 2019 edition of the International Property Rights Index shows regularity with previous ones, allowing us to say that it has a proper structure for monitoring the performance of property rights systems and its relationship to societies' prosperity globally, regionally and within countries.

This year the IPRI edition included 129 countries representing the 93.83% of world population and 97.72% of world GDP, with an average score of 5.73, showing a slight decrease from the previous edition, but overall a global increase of 8.85 percent since the Index began in 2007. Results continue to suggest that countries with high IPRI scores and its components also show high income and high development levels indicating the positive relationship between property rights regime and quality of life.

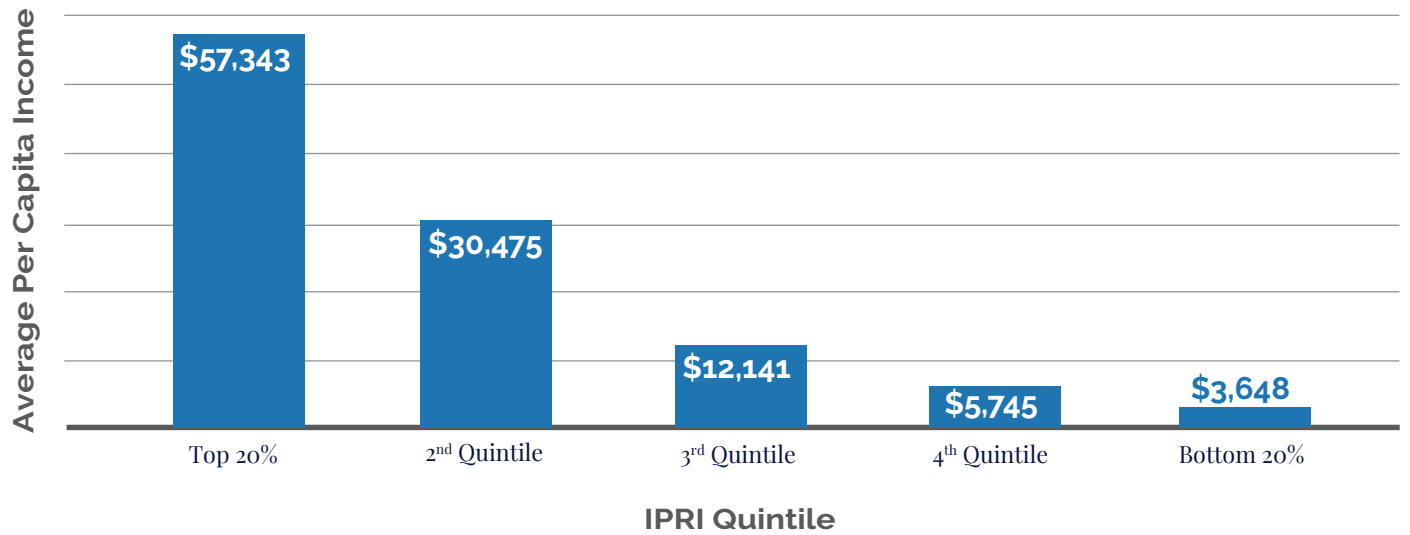


Figure 8. Average per capita Income by IPRI Quintiles

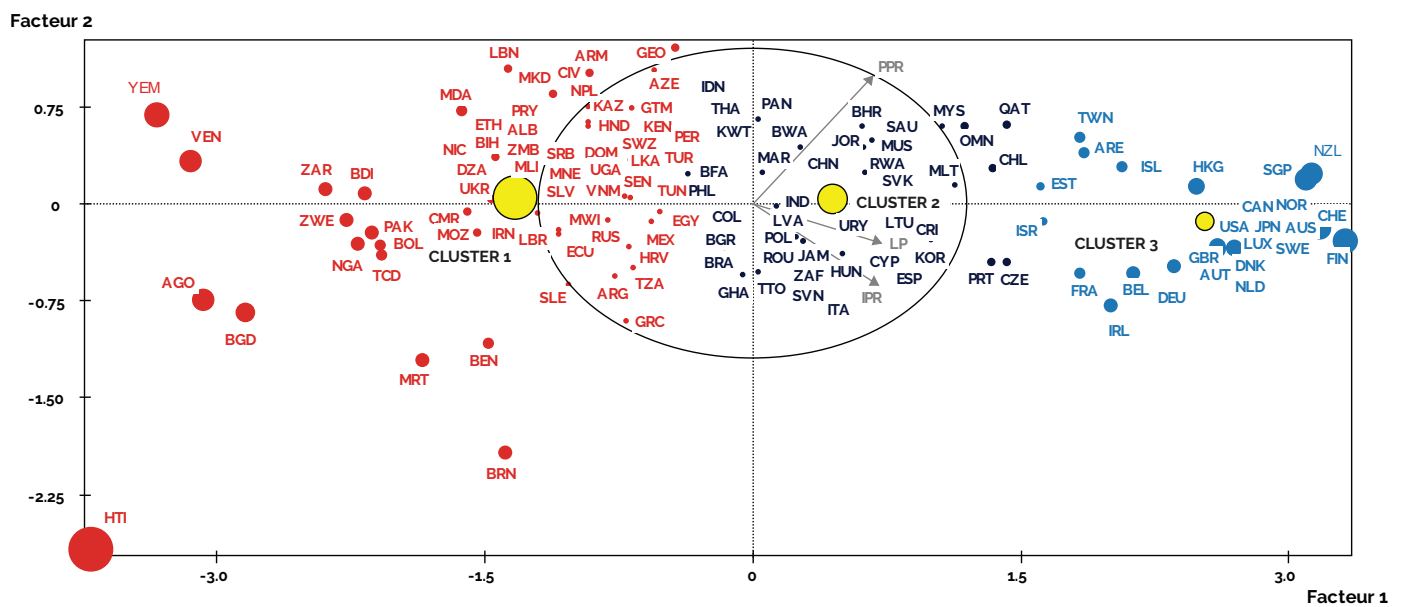


Figure 9. Cluster's Members & Centroids

2019 Case Study Abstracts



Innovation and Intellectual Property Rights in the Age of Competitiveness: The Case of India

By Dr. Amit Kapoor, Institute for Competitiveness (India)

It has been widely recognized by scholars across the globe that the key to competitiveness, sustained growth, and prosperity is through enhancing innovative capacity. However, the relationship between greater protection of intellectual property and innovation is still debatable, especially for developing countries. The advocates believe that economies with strong IPR are more likely to provide an environment that is capable of fostering innovation domestically. It also encourages MNCs to introduce technologically advanced products in developing countries. On the other hand, many policymakers argue that the move towards a strong IPR would deprive a vast majority of the population from the provision of essential products by reducing their accessibility, which is a challenge for developing countries. Analyzing the dynamics between the two phenomenon is important for India, as it is a country aiming to make a transition from a factor driven economy to an innovation driven economy. The country has been locked in a debate with the developed world over its IP regime. In this context, this case study analyzes the salient aspects of India's IP regime. It debates India's stand on compulsory licensing and Section 3(d) of the Patents Amendments Act of 2005. The results confirm that it would be beneficial for both the Indian government and industry to chalk out a plan of action that aids innovators as well as the general public. It further discusses the issue of accessibility of essential goods and argues it is more than a pricing issue.



Banning Brand – Economic and Consumer Impact of Plain Packaging

By Bienvenido S. Oplas, Jr., Minimal Government Thinkers (The Philippines)

Protection of intellectual property rights (IPR) like trademarks and brands go hand in hand with economic development and people's wealth. So countries with high degree of IPR protection and enforcement also have high per capita income or GDP. Like the US, Germany, Japan, and so on. Banning brands contradicts IPR protection, it weakens the affected legal corporations and indirectly strengthens illegal suppliers and manufacturers who supply the market with illicit, smuggled, cheaper products. One proof of this is the global ranking of countries in the Global Illicit Trade Environment Index (GITEI) by the Economist Intelligence Unit (EIU), 2018 Report. While the UK, Australia, Germany and France ranked 2nd, 5th, 10th and 19th overall, they only ranked 7th, 16th, 25th and 46th in Supply and Demand. Meaning they have strict government policies to control illicit trade but the actual supply-demand of illicit goods are high and pulled their rank in this category. UK, Australia and France have plain packaging laws while Germany is contemplating one. Countries with high per capita income are also countries with high score and rank in the rule of law index (RoLI), like those mentioned above. Yet these countries can also experience a high degree of product smuggling, so the degree of smuggling is expected to be much worse in countries with low scores and ranking in RoLI, like Malaysia, Indonesia, Thailand, Vietnam and Philippines. Activists and governments do not learn. Advocacy to ban brands has moved from tobacco products to other consumer goods like confectionery, potato chips, and soft drinks and snacks, sweets, and even alcohol. A study by Brand Finance in 2017 estimated that as much as £187bn could be wiped off the cumulative worth of businesses operating in these sectors if plain packaging policy is extended to those sectors. Thus, banning brands produces multi-faceted adverse results: (1) more smuggling of products deemed "unhealthy" and worse corruption in many countries, rich

and poor alike; (2) more consumption and sales of these “unhealthy” smuggled products as these are sold much cheaper, more affordable than the original products; and (3) more funds and profit for illegal suppliers, gangs and terrorist groups.



Innovation and Economic Freedom in Brazilian Telecommunications Markets

By Julian Alexienko Portillo , Prof. Álvaro Alves Moura Jr. and Prof. Vladimir Fernandes Maciel, Mackenzie Center for Economic Freedom (Brazil)

Telecommunications markets in Brazil have been very dynamic since privatization in the nineties and technological improvement over the years. Nowadays, mobile phones have reached the milestone of more than one phone per inhabitant. In the past five years, access to mobile internet with 4G technology has increased by one hundred and thirty million new clients, and broadband access has increased by nine million new clients; while cable TV has decreased by one million clients. Regulatory framework has affected technological innovation and competition in the telecommunication sector in Brazil. The telecommunication legal landmark still treats separately cable TV, content production, and providing access. While different countries around the world have upgraded their laws for telecommunications, the Brazilian legislation still has a degree of obsolescence. There is a common area of interference by the Telecommunication Regulatory Agency ('ANATEL') and the Audiovisual Regulatory Agency ('ANCINE'). The segment of mobile internet has the highest grade of dynamism where the demand for new services, such as streaming, video on demand, IoT and pay television by the users can be affected by the regulation or a lack of free choice and free market in order to arrange the market. In the age of low-cost (or nonexistent) streaming applications and services, barriers to universal access to audiovisual content are no longer economic or technologic. They are mainly due to unnecessary state intervention. In Brazil, the rules that regulate pay-TV services ended up creating unreasonable rules that were born obsolete. Law 12,485 of 2011 establishes, among other things, that companies with majority foreign capital cannot operate in the sector. Whereas cable TV content can only be defined by Brazilians born or naturalized for at least 10 years. Plus part of the content of each channel must be produced in Brazil. Also, content may not be distributed by the same company that produces it, affecting streaming. In practice, this means bureaucrats decide what the consumer should and should not watch.



Using Data Rights to Encourage Sustainable Innovation in Artificial Intelligence

By Ryan Khurana, Institute for Advancing Prosperity (Canada)

The deep learning revolution has brought renewed attention to the field of artificial intelligence, which is promising enormous gains to productivity in the coming years as adoption across a wide variety of sectors increases. Rapid advances in the field have come with the advent of digitized data and more powerful computational hardware. In order to increase access to data while ensuring that functioning market mechanisms encourage honest production and fair compensation, this paper will argue that a copyright approach similar to the one adopted for music mechanicals in the 2018 Music Modernization Act should be adopted. Not only would it fix costs for companies adopting artificial intelligence, but it would increase the compensation for data producers by reducing administrative cost, thereby encouraging the creation of even more relevant data. A copyright approach to data regulation not only enables more functioning markets and innovation, but it is more pro-competitive than approaches such as GDPR in Europe which establish uniform “data rights” that raise compliance costs for all companies, raising the cost of data for smaller firms attempting to adopt artificial intelligence.



Belt and Road Initiative and Its Effects on Intellectual Property: The Case of Italy

By Giacomo Bandini, Competere (Italy)

China launched the 'Belt and Road Initiative' (BRI) in October of 2013 designed by Xi Jinping. It covers over 60 percent of the world's population and a third of the global GDP. Recently, Italy has publicly announced its support and has joined the initiative, causing inner turmoil in the European community and raising questions regarding its impact on intellectual property rights and the safety of European businesses. The importance that the BRI has on Intellectual Property (IP) is determined mainly by whether there is the establishment of effective intellectual property systems between the engaged community. With the development and establishment of the initiative, countries have rightly started to question whether the variations in IP systems between the involved countries exposes investors to additional risks; as obtaining and maintaining intellectual property involves more significant risks, difficulties, and more copious amounts of disputes. On the other hand, a properly functioning intellectual property system helps attract foreign direct investment and thus can lead to a greater transfer of technology and knowledge, creation of more jobs, accelerated development of human capital, and the generation of increased tax revenues. This paper researches the potential effects of the 'Belt and Road initiative' on intellectual property rights and trade, with a focus on the Chinese relationship with Italy and the eventual ramifications for the collective European market. It aims also to provide decision-makers, addressing specifically the Italian Government, with policy recommendations with regards to the next developments of the BRI memorandum with China. Intellectual property rights, in fact, are a crucial area of interest for Italian businesses and are defining factors in determining competitiveness, especially for the Made in Italy brands and manufacturers. Intellectual Property (IP) helps to secure return on investments with regards to innovation, and profoundly affects small to medium-sized organizations (SME). Italian SMEs represent the core of Made in Italy businesses and could be negatively affected by a policy and regulation breach in protecting IP rights. IP is not only a way to defend innovations from competitors, but also acts as a source of cash through its licensing, sale, and appeal to consumers and investors. Intellectual Property Rights infringement is a significant concern for businesses as it can lead to a loss of business, revenue reputation, and competitive advantage by providing alternate sources for products that have the possibility of otherwise being identical to the original product. In Italy, much of its revenue is based off brand value and reputation. With increased numbers of counterfeit goods, the Italian economy would suffer greatly, and businesses could be put in jeopardy.



Mexico: A Policy Agenda on Property Rights for the XXIst Century

By Manuel Jose Molano Ruiz, Instituto Mexicano para la Competitividad (Mexico)

Mexico has a long history of a visible struggle between the State, social, and private control of property. From the communal agricultural land which in Mexican law belongs to communities that are historically bound to it, to the oil and mineral resources that belong to the State, private property is still a matter of debate in XXIst century Mexico. Newer forms of property, such as intellectual property, lack a legal framework that is appropriate for the creation of markets that could spur Mexican development and competitiveness. In all, private property is more certain in certain classes of assets, such as homes, which make them a favorite destination for investment in Mexico. The differences in certainty and risk when holding certain assets makes Mexico over-invest in some types of assets and under-invest in others. These decisions have a significant cost in terms of economic growth and development. This paper argues that Mexico should revamp its rule of law regarding property, so there are no regulatory advantages of certain types of property over others. Arbitrary and expropriatory decisions and regulations of the State must be barred from Mexican legislation, as well as policies that facilitate extortion

and theft from public officials, lawyers, notaries, and criminals, against corporations and individuals. The State must pursue an agenda where the defense of property rights is a priority of the State in order to attain higher economic development, better wealth distribution, and the reaching the Sustainable Development Goals set forth by the United Nations and the international community.



The Problem of Squatting in Italy: A New Approach by the Courts

By Giuseppe Portonera, Istituto Bruno Leoni (Italy)

There is a chronic inability of the Italian Government to enforce rapid and effective protection in case of infringements of property rights, as demonstrated by the problem of squatting. Despite the lack of official data, it appears that about 50,000 buildings all over the country are subjected to squatting. This research explores the reasons for such an inadequate reaction by a State that, although it qualifies itself as "welfarist", has no problem in burdening the law-abiding citizens with the costs of the hardship of those most in need. Unfortunately, this situation has so far received the approval of Italian courts, which have been reluctant to defend the owners' good reasons. But as the research points out, in contrast to the dominant jurisprudence, a new case law has emerged (from the Tribunale of Rome and the Corte Suprema di Cassazione) that sentences the Government to damages in case of squatting, if the proper institutions have failed to prevent or suppress it. It is a case-law that, albeit open to criticism, makes clear that property rights are entitled to the protection accorded to them by the Constitution and other international laws. It seemed as if the Italian Government had understood that but lately, it has approved several measures that go in the opposite direction. After a brief introduction on the constitutional concept of property rights (and on the misconceptions surrounding the "social function" of property enshrined in art. 42 of the Italian Constitution), the research focuses on the aforementioned case law and the most recent legislative interventions about squatting.



5 Years Of World's Property Rights

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Learning about the status of property rights across the world has become a must for social scientists, policymakers, and businesspersons. Therefore, the relevance of each year's edition of the International Property Rights Index, developed by Property Rights Alliance, is evident. In recent years we've witnessed a global improvement of property rights. Consequently, the observation of the IPRI time series and its variations analysis in a period are important as they can give us a wider perspective of its effective evolution by countries, regions, groups of countries or reached populations. Simultaneously we will depict the most relevant links to development and the quality of life of citizens evaluated during the last lustrum, which is the ultimate goal of fostering property rights.



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