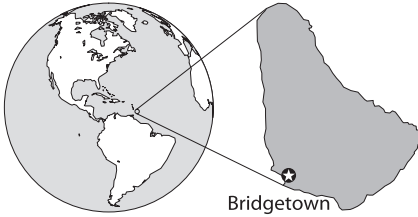


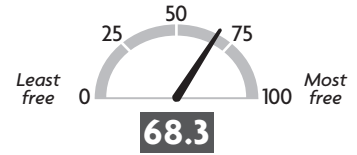
BARBADOS



World Rank: **40**

Regional Rank: **5**

Economic Freedom Score



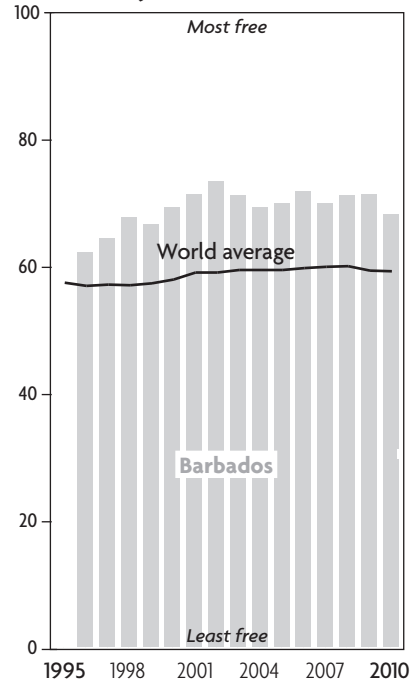
Barbados's economic freedom score is 68.3, making its economy the 40th freest in the 2010 *Index*. Its score is 3.2 points lower than last year because of significant declines in its property rights and government spending scores. Barbados has slipped from 2nd to 5th out of 29 countries in the South and Central America/Caribbean region, but its overall score remains well above global and regional averages.

Despite its size, Barbados is one of the Caribbean region's most prosperous economies. Offshore finance and tourism are important sources of economic growth. The sugar industry, though declining, remains an important employer and exporter. Overall, government economic policies are focused on attracting international companies.

Business regulations, laid out in commercial laws and evenly applied, facilitate private-sector growth. Labor policies are relatively flexible, and transparency levels the playing field for domestic and foreign businesses, despite certain restrictions on foreign investment. The legal system adjudicates business disputes effectively and encourages a relatively low level of corruption. The financial sector has been little affected by the global financial turmoil, and the overall macroeconomic situation remains stable.

BACKGROUND: The Democratic Labor Party won the 2008 elections, ousting the business-friendly Barbados Labor Party after 14 years in power. Prime Minister David Thompson is struggling to fulfill promises to increase spending on social services, fight crime, and stimulate job creation as the government copes with declining tax revenues. The Central Bank of Barbados has loosened monetary policy in response to decelerating economic growth, and there are concerns about the country's credit rating. Many construction jobs depend on tourism, which accounts for more than 15 percent of GDP and has been hurt by the global downturn. Informatics and light manufacturing are also important, and the offshore financial sector, though smaller than others in the Caribbean, earns significant foreign exchange and is generally well regulated.

Country's Score Over Time



Quick Facts

Population: 0.27 million

GDP (PPP): \$5.2 billion

0.6% growth in 2006

2.8% 5-year compound
annual growth

\$19,025 per capita

Unemployment: n/a

Inflation (CPI): 8.3%

FDI Inflow: \$133 million

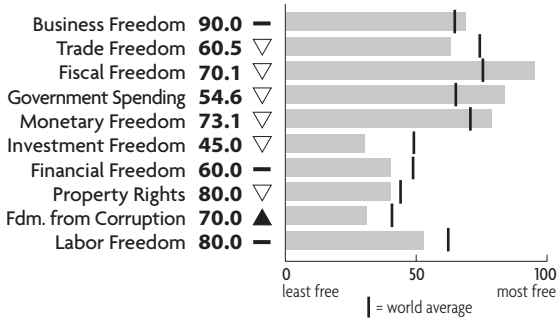
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

BARBADOS'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 90

The overall process for obtaining licenses and starting a business is straightforward. The Company Act ensures flexibility and simplicity in establishing and operating companies. Transparent policies and effective laws enhance competition.

TRADE FREEDOM — 60.5

Barbados's weighted average tariff rate was 14.8 percent in 2007. Import levies and fees; requirements for permits, licenses, or permission before importation; labeling, sanitary, and phytosanitary policies; and direct and indirect export subsidies add to the cost of trade. State trading is limited to imports of chicken and turkey wings. Certain state companies are de facto sole traders. Ten points were deducted from Barbados's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 70.1

Barbados has a relatively high income tax rate and a moderate corporate tax rate. The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 33.8 percent.

GOVERNMENT SPENDING — 54.6

Total government expenditures, including consumption and transfer payments, are relatively high. Efforts to reform budget management and overhaul the pension system were halted in 2009. Public-sector debt is rising. In the most recent year, government spending equaled 38.9 percent of GDP.

MONETARY FREEDOM — 73.1

Inflation has been up, averaging 7.1 percent between 2006 and 2008. Although prices are generally set by the market, 10 points were deducted from Barbados's monetary freedom score to adjust for measures that distort domestic prices for basic food items, transportation, and fuel.

INVESTMENT FREEDOM — 45

Barbados is generally open to foreign investors. Tour operators, travel agents, certain ground transport, and food retail services are reserved for locally domiciled firms. There are few monopolies other than utilities and some state trad-

ing enterprises. Purchases of securities abroad by residents require exchange control approval, and earnings must be repatriated and surrendered to an authorized dealer. Credit operations and direct investments also require exchange control approval. The central bank regulates investment transfers and capital remittances. In general, foreign currency funds may be freely repatriated for current transactions; if substantial capital gains have been realized, repatriation must generally be phased over a period determined by the central bank. Companies can freely repatriate profits and capital from foreign direct investment if they registered with the central bank at the time of investment. Central bank approval is required for residents and non-residents to hold and transact in foreign exchange accounts. Despite transparent policies and effective laws, bureaucracy can be cumbersome. The government can acquire property for public use upon prompt payment of compensation at fair market value. Acquisition of real estate by foreigners requires permission from the central bank.

FINANCIAL FREEDOM — 60

Barbados's six commercial banks are dominated by Caribbean Community and Common Market and Canadian institutions. The banking sector has grown rapidly and provides a wide range of services for domestic and foreign investors. While maintaining strong regulatory standards, the government also seeks to expand product offerings in other financial services. Compliance with international supervisory standards is high for offshore and onshore banking institutions. Revised guidelines have further refined controls on money laundering. Exchange controls are being eased. CARICOM-related exchange controls have been abolished, and restrictions on non-CARICOM transactions are to be removed eventually. The securities markets are illiquid and lack depth, partly because of restrictions on capital movements.

PROPERTY RIGHTS — 80

Barbados has an efficient legal system based on British common law. Private property is well protected. The Caribbean Court of Justice is the court of final appeal for Barbados and other CARICOM member states. By regional standards, the police and courts are efficient and unbiased.

FREEDOM FROM CORRUPTION — 70

Corruption is perceived as present. Barbados ranks 22nd out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. There are criminal penalties for official corruption, and the government generally implements these laws effectively. Barbados is a narcotics trafficking transit country and attracts drug money-laundering operations.

LABOR FREEDOM — 80

Flexible employment regulations enhance overall productivity growth and job creation. Employees are guaranteed a minimum of two weeks of annual leave and are covered by unemployment benefits and national insurance legislation. Employers are not legally obligated to recognize unions.