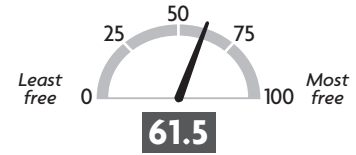


# BELIZE

## Economic Freedom Score



World Rank: **79** Regional Rank: **15**

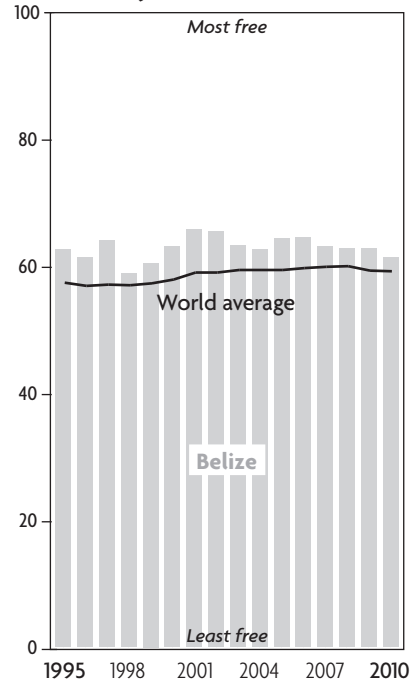
**B**elize's economic freedom score is 61.5, making its economy the 79th freest in the 2010 *Index*. Its overall score has declined 1.5 points from last year, primarily as a result of problems with respect for property rights and the rule of law. Belize is ranked 15th out of 29 countries in the South and Central America/Caribbean region.

Belize's macroeconomic performance has been uneven, and growth is affected by structural weaknesses in the economy. Burdensome tariff and non-tariff barriers, together with the high cost of domestic financing, hinder private-sector development. Infrastructure is inadequate and raises the cost of conducting entrepreneurial activity.

Belize's overall economic freedom remains constrained by other institutional weaknesses. Special licensing requirements discourage foreign investment in many sectors, and foreign exchange regulations are inconsistent and non-transparent. The judicial system remains vulnerable to political interference, and corruption is common. Despite a high top income tax rate, corporate taxes are relatively low, and the tax burden is not particularly large as a percentage of GDP. The government has explored the idea of tax reform to enhance competitiveness.

**BACKGROUND:** Belize is a parliamentary democracy and member of the British Commonwealth. In February 2008, the United Democratic Party defeated the incumbent People's United Party amid allegations of corruption, mismanagement of state-owned enterprises, botched telecommunications privatization, and extensive social problems. Prime Minister Dean Barrow has worked to restore confidence in government, but high public-sector debt leaves him little fiscal room to maneuver. Tourism and agriculture contribute significantly to the economy, but the growth of tourism and remittances has slowed. Output of sugar, the principal export, is falling, and reduced export demand has hurt citrus and shrimp production and depressed prices. Belize is plagued by crime, money-laundering, and one of the region's highest murder rates. International relations are dominated by a long-running territorial dispute with Guatemala and membership in CARICOM.

## Country's Score Over Time



## Quick Facts

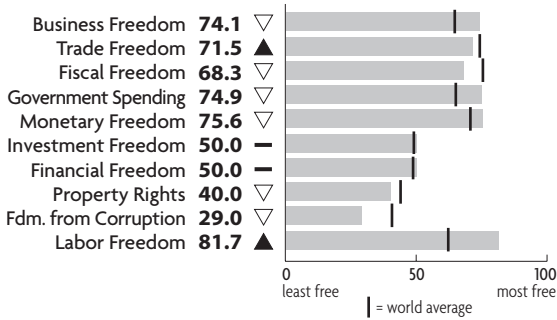
- Population:** 0.3 million
- GDP (PPP):** \$2.2 billion
  - 3.0% growth in 2008
  - 3.0% 5-year compound annual growth
  - \$6,941 per capita
- Unemployment:** 8.1% (2007)
- Inflation (CPI):** 6.4%
- FDI Inflow:** \$179 million

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](http://heritage.org/index).

## BELIZE'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 74.1

The overall freedom to start, operate, and close a business is relatively well protected under Belize's regulatory environment. Obtaining a business license takes less than the world average of 18 procedures and 218 days. The process for closing a business is relatively easy.

### TRADE FREEDOM — 71.5

Belize's weighted average tariff rate was 9.3 percent in 2008. Import restrictions, import licensing rules for some products, customs corruption, and weak enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Belize's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 68.3

Belize has high income tax rates and a moderate corporate tax rate. The top income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a goods and services tax (GST) and a stamp duty. In the most recent year, overall tax revenue as a percentage of GDP was 22.7 percent.

### GOVERNMENT SPENDING — 74.9

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 28.9 percent of GDP. Public debt is high, but continued and transparent fiscal consolidation should help to achieve the long-term debt strategy.

### MONETARY FREEDOM — 75.6

Inflation is increasing, averaging 5.2 percent between 2006 and 2008. The government maintains the prices of some basic commodities, such as rice, flour, beans, sugar, bread, butane gas, and fuel, and controls the retail price of electricity. Price controls are enforced only with respect to a handful of goods, although regulations define administrative prices or mark-ups for several other products. Ten points were deducted from Belize's monetary freedom score to adjust for measures that distort domestic prices.

### INVESTMENT FREEDOM — 50

Belize generally is non-discriminatory toward foreign investment, but there are restrictions in certain sectors. Full foreign ownership of businesses is legal, although the gov-

ernment encourages local partnerships. Laws and regulations do not significantly distort or impede investment, but bureaucracy can be non-transparent, and dispute resolution can be time-consuming. Residents and non-residents may hold foreign exchange accounts subject to government approval. Officially, no person other than authorized dealers and depositories may retain any foreign currency without the consent of the central bank. All capital transactions must be notified to or approved by the central bank. Applications to buy more than 10 acres of land require approval by the Ministerial Cabinet, and non-residents must obtain approval for the transfer of any land or buildings. The government must assess and pay appropriate compensation if it expropriates an asset.

### FINANCIAL FREEDOM — 50

Belize's financial system is small but growing, and obtaining credit is relatively straightforward. Bank credit to the private sector reached approximately 70 percent of GDP in 2008. There are five commercial banks, eight international banks, and several quasi-government banks. Over the past decade, government policy has fostered development of offshore financial activities. Subsidiaries of foreign banks are competitive, but approval is required to secure a foreign currency loan from outside Belize, and only authorized dealers may retain foreign currency. The government influences the allocation of credit through the quasi-government banks. Although the financial system has remained largely insulated from the global financial crisis, non-performing loans increased considerably in 2008.

### PROPERTY RIGHTS — 40

The judiciary, though constitutionally independent, is subject to political influence. There is a severe lack of trained prosecutors, and police officers often assume that role in the magistrates' courts. There are lengthy trial backlogs. Expropriation of personal property is relatively rare. Many property disputes involve foreign investors and landowners, and it is often difficult to trace the ownership history or specific borders of land holdings. Protection of intellectual property rights is lax.

### FREEDOM FROM CORRUPTION — 29

Corruption is perceived as widespread. Belize ranks 109th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, a decline from 2007. Money laundering, primarily related to narcotics trafficking and contraband smuggling, occurs through banks operating in Belize. The former prime minister and former minister of home affairs were arrested in 2008 and charged with theft of \$10 million, the proceeds of a grant from Venezuela.

### LABOR FREEDOM — 81.7

Flexible employment regulations enhance employment and productivity growth. The non-salary cost of employing a worker is low, and dismissing a redundant employee can be costless.