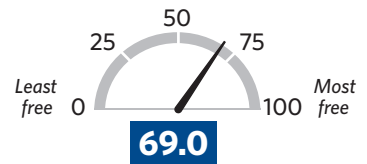


BARBADOS

Economic Freedom Score



World Rank: **37** Regional Rank: **4**

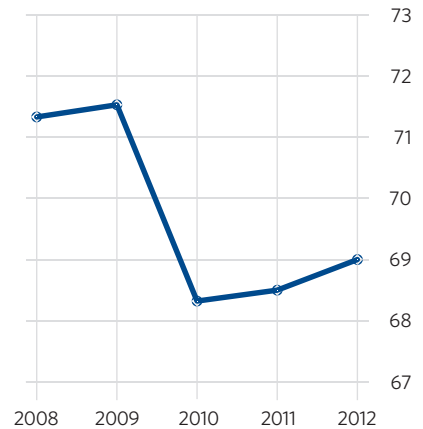
Barbados's economic freedom score is 69, making its economy the 37th freest in the 2012 *Index*. Its score is 0.5 point better than last year due to improvements in freedom from corruption and investment freedom that offset a considerable worsening of government spending. Barbados is 4th out of 29 countries in the South and Central America/Caribbean region, and its overall score remains well above global and regional averages.

Barbados is one of the Caribbean region's most prosperous economies, and offshore finance and tourism have been important sources of economic growth. However, government spending has increased, expanding government's reach and influence within the economy. Due to a large fiscal deficit, government debt has become larger than the size of the economy.

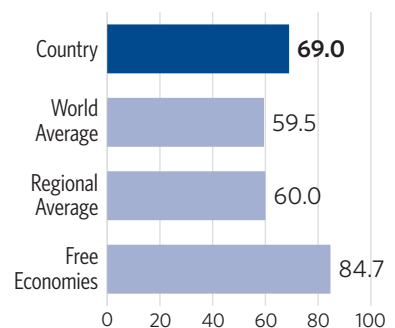
With strong foundations of economic freedom supported by a high degree of transparency and an efficient judiciary, the Barbados government's economic policies are focused on attracting international companies. A high degree of regulatory efficiency facilitates private-sector growth. However, policies intended in theory to buttress open trade and productivity growth are undercut by bureaucracy and burdensome restrictions that discourage more vibrant investment expansion.

BACKGROUND: Barbados is a parliamentary democracy and member of the British Commonwealth. The Democratic Labor Party won the 2008 elections, ousting the business-friendly Barbados Labor Party after 14 years in power. Freundel Stuart became prime minister in October 2010 following the untimely death of Prime Minister David Thompson. The next elections are scheduled for May 2012. Barbados has transformed itself from a low-income, agricultural economy producing sugar and rum into a middle-income economy built on tourism and offshore banking. Tourism accounts for more than 15 percent of GDP and was severely affected by the global economic recession. Many construction and trade jobs were lost, and the government has responded by increasing spending, creating concerns about the country's credit rating.

Freedom Trend



Country Comparisons



Quick Facts

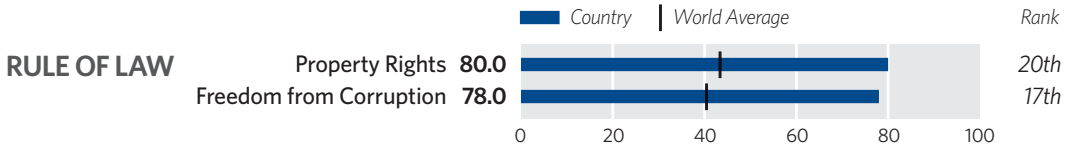
- Population:** 0.3 million
- GDP (PPP):** \$6.2 billion
- 0.5% growth in 2010
- 5-year compound annual growth 0.4%
- \$22,512 per capita
- Unemployment:** 10.7%
- Inflation (CPI):** 5.1%
- FDI Inflow:** \$80 million
- Public Debt:** 117.8% of GDP

How Do We Measure Economic Freedom?

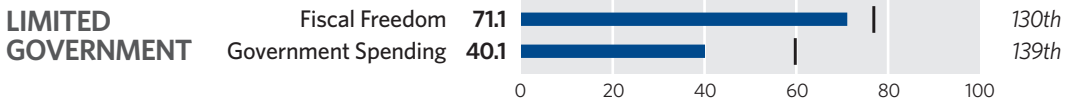
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

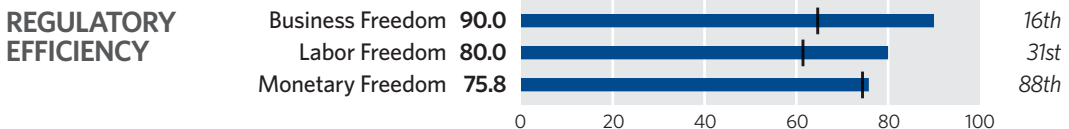
THE TEN ECONOMIC FREEDOMS



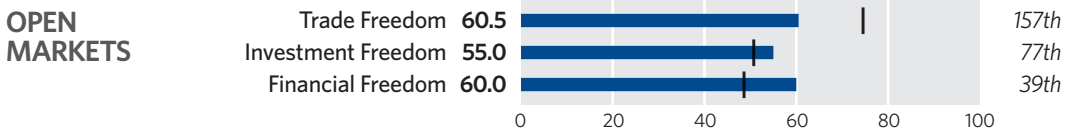
The protection of property rights is strong, and the rule of law is well respected. The court system is based on British common law and is generally unbiased and efficient. Barbados is a member of CARICOM, whose Caribbean Court of Justice is Barbados’s court of final appeal. There are criminal penalties for official corruption, and the government is generally effective in enforcing anti-corruption measures.



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, with the overall tax burden amounting to 32.3 percent of total domestic income. Government spending has been expansionary, resulting in chronically high budget deficits averaging over 6 percent of GDP and rising public debt that has reached 117.8 percent of GDP.



Transparent policies and straightforward laws generally facilitate regulatory efficiency. The overall process for obtaining licenses and starting a business is not burdensome. The labor market remains relatively flexible, and employers are not legally obligated to recognize unions. Inflation has been inching up. Although prices are generally set by the market, state measures distort domestic prices for basic food items, transportation, and fuel.



A high tariff rate of 14.8 percent and myriad non-tariff barriers increase trade costs. The state manages *de facto* monopolies for some products. The investment climate has improved, but much investment activity is subject to government approval, and certain activities are prohibited to foreigners. The banking sector provides a wide range of services for domestic and foreign investors, although securities markets are relatively illiquid.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.4	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	+4.0	Government Spending	-8.7	Labor Freedom	0	Investment Freedom	+10.0
				Monetary Freedom	-0.5	Financial Freedom	0