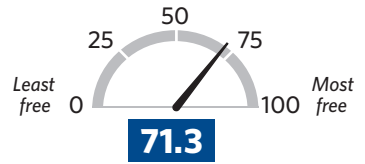


SAINT LUCIA

Economic Freedom Score



World Rank: **24** Regional Rank: **2**

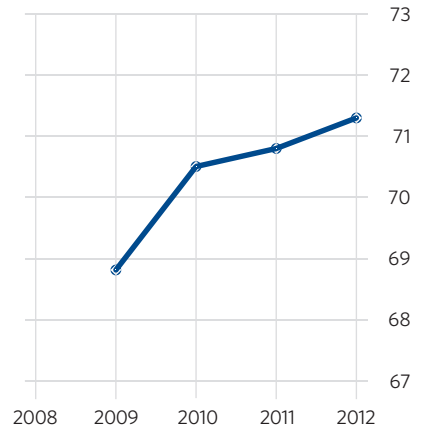
Saint Lucia's economic freedom score is 71.3, making its economy the 24th freest in the 2012 *Index*. Its score is 0.5 point better than last year, with improvements in monetary, investment and labor freedom offset by deterioration in the control of government spending and business freedom. Saint Lucia is ranked 2nd out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world average.

The Saint Lucian economy has long benefited from a well-developed legal and commercial infrastructure and a tradition of entrepreneurial dynamism in the private sector. The business environment is generally efficient and transparent, and the regulatory framework has become more streamlined. The small financial sector has not suffered any serious impact from the global financial turmoil, but the recession has hurt the tourism sector.

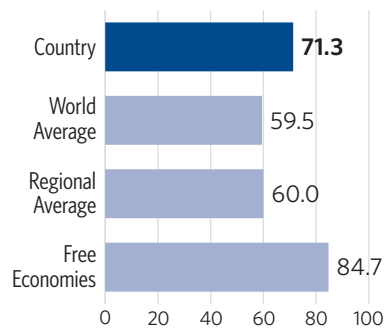
Saint Lucia's open-market policies are not firmly institutionalized. Trade freedom is limited by tariff and non-tariff barriers, and the investment regime lacks efficiency. Greater access to financing opportunities remains critical to private-sector development. In recent years, expansionary government spending has driven up public debt to around 65 percent of GDP.

BACKGROUND: Saint Lucia is a two-party democracy with a bicameral parliament. Prime Minister Stephenson King and his business-friendly United Workers Party took office in 2007. Saint Lucia is a member of the Caribbean Community and Common Market and home to the Organization of Eastern Caribbean States. Its economy depends primarily on tourism, banana production, and light manufacturing. An educated workforce and improved roads, communications, water supply, sewerage, and port facilities have attracted foreign investment in tourism and petroleum storage and transshipment. The 2009 recession in the U.S., Canada, and Europe caused a decline in tourism. Fluctuations in banana prices and reduced European Union banana trade preferences have led the government to encourage production of such other crops as cocoa, mangos, and avocados.

Freedom Trend



Country Comparisons



Quick Facts

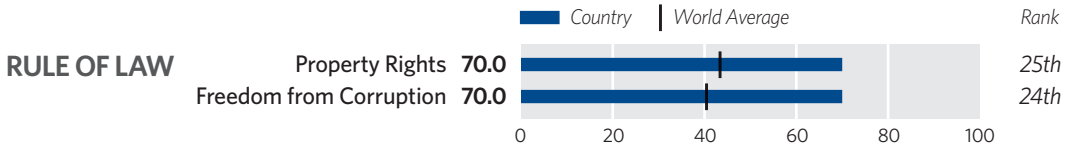
- Population:** 0.2 million
- GDP (PPP):** \$1.8 billion
- 0.8% growth in 2010
- 5-year compound annual growth 0.7%
- \$10,350 per capita
- Unemployment:** 20.0%
- Inflation (CPI):** 1.8%
- FDI Inflow:** \$99.1 million
- Public Debt:** 65.3% of GDP

How Do We Measure Economic Freedom?

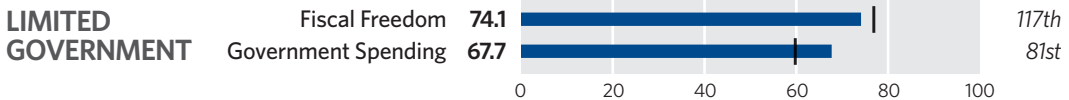
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

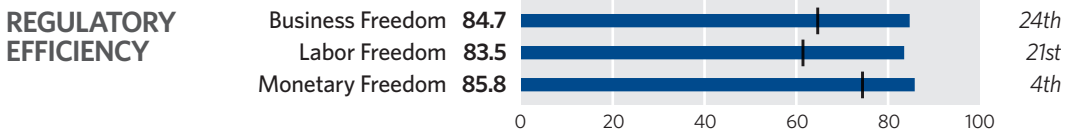
THE TEN ECONOMIC FREEDOMS



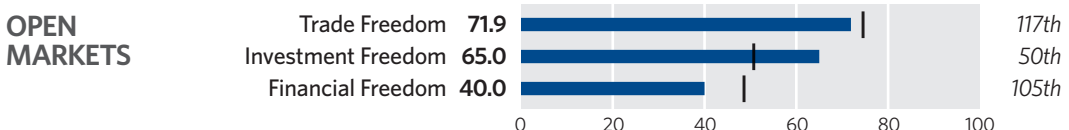
Saint Lucia’s efficient legal system is based on British common law. The judiciary is independent and conducts generally fair public trials. Enforcement of intellectual property rights has been very weak in the absence of an effective legal framework to protect them, and pirated copyrighted material is sold openly with no fear of arrest or prosecution. The government generally maintains effective anti-corruption measures.



The top income and corporate tax rates are 30 percent. Other taxes include a consumption tax and a property transfer tax, with the overall tax burden amounting to 28.1 percent of total domestic income. Government spending is equivalent to 32.8 percent of GDP, and the deficit has widened to over 3 percent of GDP in recent years. Public debt has climbed to around 65 percent of total domestic output.



The regulatory environment fosters private-sector development. Establishing a business is not time-consuming or costly, and licensing requirements are not burdensome. There is no minimum capital requirement, and it takes half of the world average of 30 days to start a business. Labor regulations are flexible, but an efficient labor market has not fully developed. Application of labor codes is uneven. Inflation has been low.



The trade weighted average tariff rate is high at 9 percent, and time-consuming non-tariff barriers and poor trade infrastructure further raise costs. The investment regime is not fully developed, and long-term foreign direct investment is scarce. Bureaucracy and administrative inefficiency deter investment. A considerable portion of the population does not use the formal banking sector, and access to financing is limited.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-0.3	-1.5	0
0	-3.7	+0.1	+10.0
		Monetary Freedom	Financial Freedom
		+0.5	0