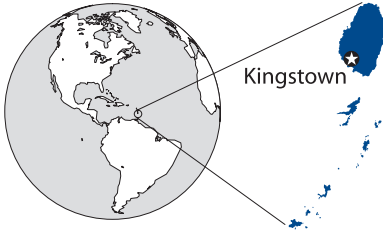


SAINT VINCENT AND THE GRENADINES



World Rank: **52**

Regional Rank: **10**

Saint Vincent and the Grenadines' economic freedom score is 66.5, making its economy the 52nd freest in the 2012 *Index*. Its score is 0.4 point lower than last year, with declines in business freedom and the control of government spending outweighing a modest increase in monetary stability. Saint Vincent and the Grenadines ranks 10th out of 29 countries in the South and Central America/Caribbean region, and its score is well above the regional average.

Saint Vincent and the Grenadines performs quite well in most aspects of economic freedom. The economic system is characterized by flexible regulations, an efficient legal system that secures private property, and macroeconomic stability. The tourism industry is the primary driver of the economy and the main draw for foreign investment.

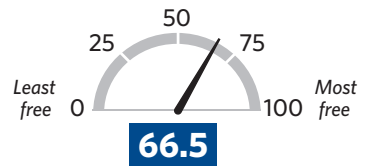
More vibrant entrepreneurial activity remains stifled by limited access to financing in an underdeveloped financial environment, as well as by inefficient open-market policies that impede trade and international investment. Fiscal policy is constrained by a rising level of public debt and an uncompetitive tax regime. The challenging global economic environment makes external borrowing for long-term projects like the construction of a new airport more difficult to obtain.

BACKGROUND: Prime Minister Ralph Gonsalves' Unity Labour Party has governed since 2001. Saint Vincent and the Grenadines is part of the British Commonwealth and is a member of CARICOM and the Organization of Eastern Caribbean States. Many of its goods enter the United States duty-free under the U.S. Caribbean Basin Initiative. Banana production and tourism employ most of the workforce, but very high unemployment in the formal sector has caused many to emigrate. The economy is vulnerable to global price fluctuations, natural disasters, and reduced European Union trade preferences for bananas. Tourism has not yet recovered from the 2009 global recession. One-quarter of all revenue is directed toward servicing the nation's debt, which exceeds 60 percent of GDP.

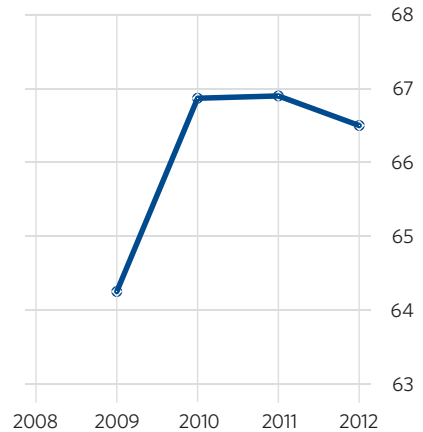
How Do We Measure Economic Freedom?

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

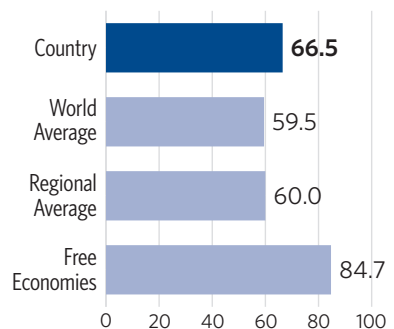
Economic Freedom Score



Freedom Trend



Country Comparisons

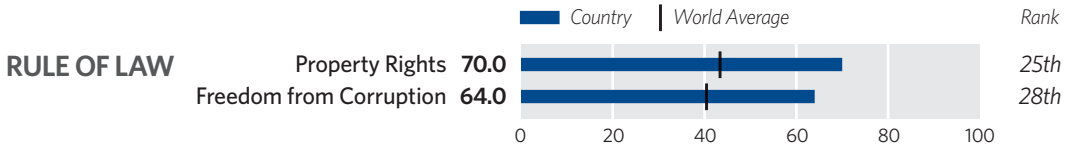


Quick Facts

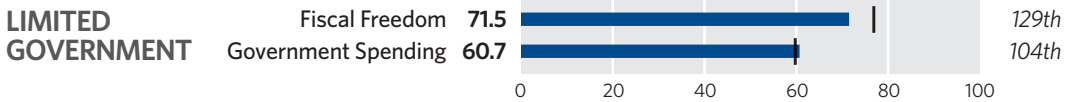
Population: 0.1 million
GDP (PPP): \$1.1 billion
 -2.3% growth in 2010
 5-year compound annual growth 2.2%
 \$9,970 per capita
Unemployment: 15.0%
Inflation (CPI): 1.5%
FDI Inflow: \$91.8 million
Public Debt: 66.8% of GDP

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

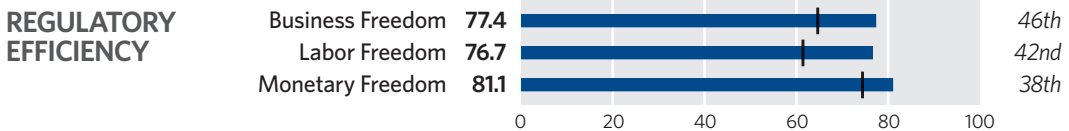
THE TEN ECONOMIC FREEDOMS



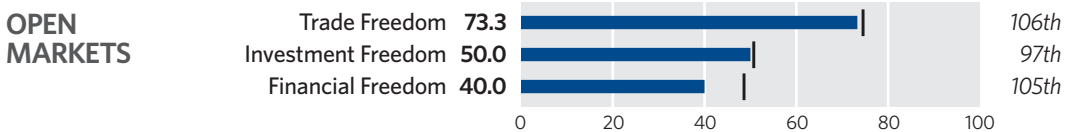
Saint Vincent and the Grenadines’ judicial system is based on British common law. The judiciary is relatively independent and efficient, providing generally fair public trials. In comparison with other countries in the region, the rule of law remains strong, and corruption is not pervasive in the economy. The law provides criminal penalties for official corruption, but enforcement is not always effective.



The top income and corporate tax rates are 32.5 percent. Other taxes include a property tax and a value-added tax (VAT), with the overall tax burden amounting to 27.1 percent of total domestic income. Government spending has increased to a level equivalent to 36.2 percent of total domestic output. The budget balance has been in deficit, and public debt has reached over 60 percent of GDP.



The formation and operation of businesses is not burdened by excessive government interference, and enforcement of commercial regulations is relatively effective and consistent. Business start-up procedures are now more streamlined, although the pace of reform has slowed. A well-functioning labor market has not been fully developed, and much of the labor force is employed in agriculture and tourism. Inflation has moderated.



The trade weighted average tariff rate is high at 8.4 percent, and onerous non-tariff barriers further constrain freedom to trade. Investment-related regulations and laws are complex and non-transparent, thwarting prospects for attracting new investment. The developing financial system is dominated by banking. Credit to the private sector has been expanding slowly, but a rise in the number of non-performing loans deters new lending.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	-0.8	-1.9	0
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-4.4	-0.1	0
		Monetary Freedom	Financial Freedom
		+2.9	0