

# BARBADOS

## Economic Freedom Score



World Rank: **39**

Regional Rank: **6**

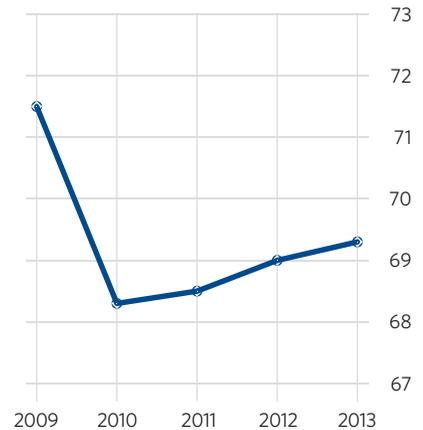
**B**arbados's economic freedom score is 69.3, making its economy the 39th freest in the 2013 *Index*. Its score is 0.3 point better than last year, with a significant drop in business and monetary freedoms largely offset by improvements in fiscal freedom, the management of government spending, and labor freedom. Barbados has dropped to 6th out of 29 countries in the South and Central America/Caribbean region, but its overall score remains well above the global and regional averages.

With strong foundations of economic freedom supported by relatively low levels of corruption and an efficient judiciary, the Barbados government's economic policies have attracted international companies. A high degree of regulatory efficiency facilitates private-sector growth, and offshore finance and tourism continue to be important sources of economic growth.

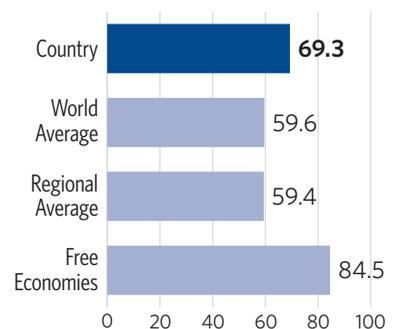
However, public spending has increased significantly in recent years, expanding the government's reach and influence within the economy. Chronic fiscal deficits have expanded government debt to a level that now exceeds the island's annual gross domestic product. Expansionary government stimulus spending has had little impact on high unemployment, but inflation has increased. Foreign direct investment is up, but without some indication of respect for the concept of limited government, future broad-based private-sector growth is likely to be constrained.

**BACKGROUND:** Barbados is a parliamentary democracy and member of the British Commonwealth. Political stability is expected to continue under Prime Minister Freundel Stuart, whose Democratic Labour Party enjoys a comfortable parliamentary majority. The main challenge to the government is the difficult economic climate. Barbados has been transformed in recent decades 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. The economy has recovered modestly from the effects of the global recession, and new investments have created construction and trade jobs.

## Freedom Trend



## Country Comparisons



## Quick Facts

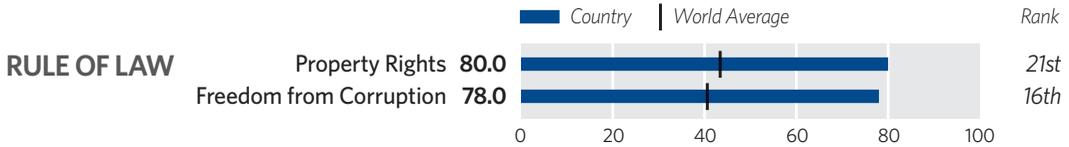
**Population:** 0.3 million  
**GDP (PPP):** \$6.5 billion  
 0.5% growth in 2011  
 5-year compound annual growth 0.0%  
 \$23,417 per capita  
**Unemployment:** 11.2%  
**Inflation (CPI):** 9.4%  
**FDI Inflow:** \$333.6 million  
**Public Debt:** 117.3% of GDP

### How Do We Measure Economic Freedom?

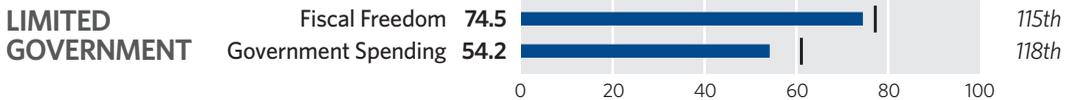
See page 477 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2011 data unless otherwise noted.  
 Data compiled as of September 2012.

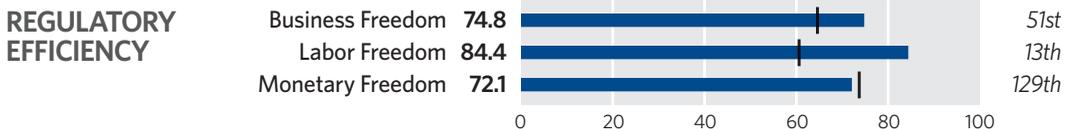
**THE TEN ECONOMIC FREEDOMS**



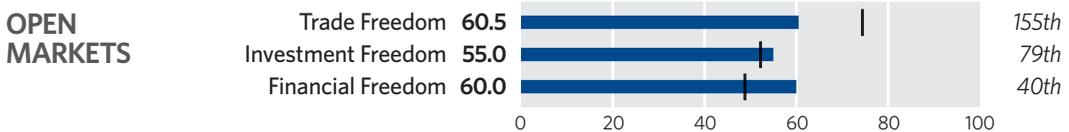
The protection of property rights is strong, and the rule of law is respected. The court system is based on British common law and is generally unbiased and efficient. Barbados is a member of CARICOM, whose Caribbean Court of Justice is the court of final appeal. There are criminal penalties for official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



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. The overall tax burden amounts to 26.5 percent of total domestic income. Expansionary government spending has climbed to over 40 percent of total domestic output. With chronically high budget deficits averaging over 6 percent of GDP, public debt has risen to around 120 percent of GDP.



The regulatory framework generally facilitates entrepreneurial activity. With no minimum capital required, launching a business takes eight procedures, but obtaining necessary permits remains time-consuming. Hiring and dismissal regulations are not burdensome, and the influence of unions is limited. Although prices are generally set by the market, the state imposes price controls on eight categories of basic food items, transportation, and fuel.



There are relatively few non-tariff barriers, but reliance on tariffs as a significant revenue source has led to the imposition of an average applied tariff of 14.8 percent, one of the highest rates in the world. With some exceptions, the government treats foreign and domestic investors equally. 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	Fiscal Freedom	Business Freedom	Trade Freedom
0	+3.4	-15.2	0
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+14.1	+4.4	0
		Monetary Freedom	Financial Freedom
		-3.7	0