BARBADOS

Barbados's economic freedom score is 65.0, making its economy the 67th freest in the 2021 Index. Its overall score has increased by 3.6 points, primarily because of an improvement in fiscal health. Barbados is ranked 12th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

In 2021, the economic freedom score for Barbados climbed higher in the moderately free category. The main reason for the improvement was better management of debt by the government. Scores for the judicial effectiveness and tax burden indicators also improved. Reduction of the country’s extremely large public debt is a significant step toward the restoration of investor confidence.

IMPACT OF COVID-19: As of December 1, 2020, seven deaths had been attributed to the pandemic in Barbados, and the economy was forecast to contract by 11.6 percent for the year.

BACKGROUND: Independent from the United Kingdom since 1966, Barbados is a stable parliamentary constitutional monarchy. Prime Minister Mia Mottley, the country’s first female leader, was elected to a five-year term in 2018, and her center-left Barbados Labor Party controls all 30 parliamentary seats. Against the backdrop of high public debt and unemployment, Mottley faces the challenge of enacting structural fiscal reforms. Barbados is a middle-income country with a diversified economy that, built on tourism and offshore banking, generates one of the Caribbean's highest per capita incomes. Tourism has rebounded, but serious challenges to medium-term economic growth remain. In 2020, Mottley announced that Barbados will leave the British Commonwealth of Nations and become an independent republic by its 55th anniversary in 2021.
Property registration in Barbados is time-consuming and expensive. Civil law protects physical property and mortgage claims. The court system is based on British common law and is generally unbiased and efficient. Protection of property rights is strong, and the rule of law is respected, but the government has failed to implement key anticorruption measures and has been unable to combat money laundering and terrorist financing.

The top individual income tax rate has been cut to 28.5 percent as of January 1, 2020, and the top corporate tax rate is 5.5 percent. The overall tax burden equals 35.0 percent of total domestic income. Government spending has amounted to 29.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 119.5 percent of GDP.

A new law makes enforcement of contracts more reliable. Getting electricity has also become faster. Registration of property, however, has become more time-consuming. An oversized framework of labor laws interferes with labor freedom. The government has introduced a significant agricultural subsidy program to enhance the island’s food security.

Barbados has two preferential trade agreements in force. The trade-weighted average tariff rate is 13.3 percent, and 128 nontariff measures are in effect. There are no limits on foreign investment and ownership, but some sectors, such as telecommunications, utilities, and banking, require a government license. The banking sector provides a wide range of services for investors, but capital markets are not fully developed.