TRINIDAD AND TOBAGO

Trinidad and Tobago’s economic freedom score is 59.0, making its economy the 102nd freest in the 2021 Index. Its overall score has increased by 0.7 point, primarily because of an improvement in monetary freedom. Trinidad and Tobago is ranked 20th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

This year, the economy of Trinidad and Tobago nearly regained the moderately free category from which it fell in 2018. To make it back into the ranks of greater economic freedom, the government will need to get its external debt under control and make a concerted effort to strengthen the rule of law, a need that is reflected especially in its notably weak index indicator scores for judicial effectiveness and government integrity.

IMPACT OF COVID-19: As of December 1, 2020, 120 deaths had been attributed to the pandemic in Trinidad and Tobago, and the economy was forecast to contract by 5.6 percent for the year.

BACKGROUND: Trinidad and Tobago is one of the Caribbean’s wealthiest nations. Hydrocarbons account for more than 40 percent of GDP and 80 percent of exports. Prime Minister Keith Rowley of the center-left People’s National Movement was elected to a second consecutive five-year term in 2020 and retains majority control in Congress. However, his government must contend with weak economic growth and rising crime. The U.S. recently threatened to penalize the government for violating U.S. sanctions following the visit of Venezuela’s foreign minister. Oil production has declined over the past decade as the country has focused on natural gas. Financial services and construction have been among the strongest non-energy subsectors, and tourism has the potential for significant growth.
12 ECONOMIC FREEDOMS | TRINIDAD AND TOBAGO

RULE OF LAW

(-4.2) (+4.8) (-1.0)

Property Rights 52.4 Judicial Effectiveness 46.9 Government Integrity 36.4

The legal system protects property rights, but property registration is cumbersome, time-consuming, and costly. Contract enforcement is a lengthy process. The judiciary is independent but slow, inefficient, and subject to political pressure. The high incidence of violent drug-related crimes contributes to a backlog of court cases and narcotics-related graft in the police force. A long history of corruption and mismanagement under successive governments stretches back to colonial times.

GOVERNMENT SIZE

(-3.1) (+4.4) (-0.1)

Tax Burden 79.5 Government Spending 70.9 Fiscal Health 15.8

The top individual income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and property taxes. The overall tax burden equals 22.9 percent of total domestic income. Government spending has amounted to 31.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 6.9 percent of GDP. Public debt is equivalent to 61.5 percent of GDP.

REGULATORY EFFICIENCY

(-0.8) (+0.8) (+6.0)

Business Freedom 66.5 Labor Freedom 76.8 Monetary Freedom 83.4

Business freedom in Trinidad and Tobago has declined for the third year in a row. The lack of transparency can make the regulatory system difficult to manage. The labor force is highly educated, and no new labor laws or regulations have been enacted. Despite lower oil revenues, the government has stuck with the withdrawal of fuel subsidies implemented in the 2018–2019 budget.

OPEN MARKETS

(+1.0) (No change) (No change)

Trade Freedom 68.8 Investment Freedom 60.0 Financial Freedom 50.0

Trinidad and Tobago has three preferential trade agreements in force. The simple average tariff rate is 8.1 percent, and three nontariff measures are in effect. Overall trade freedom is hampered by other lingering barriers to trade flows. Foreign investors are granted national treatment, but the investment regime lacks efficiency. The financial sector is evolving, and the banking system is relatively stable. Banking services are uneven across the country.