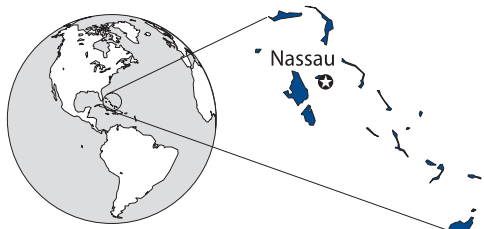


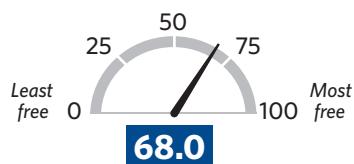
THE BAHAMAS



World Rank: **46**

Regional Rank: **9**

Economic Freedom Score



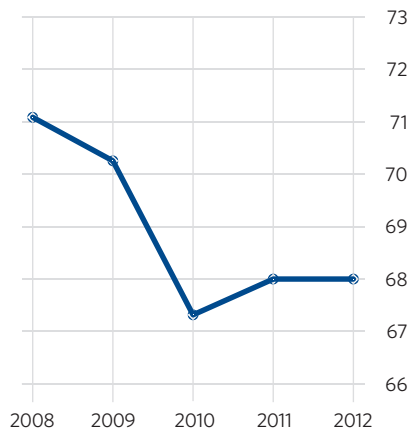
The Bahamas' economic freedom score is 68, making its economy the 46th freest in the 2012 *Index*. Its overall score is unchanged from last year, with gains in labor freedom and monetary freedom offset by worsened conditions for business freedom and government spending. The Bahamas is ranked 9th out of 29 countries in the South and Central America/Caribbean region, and its overall score is higher than the regional and world averages.

Relatively sound macroeconomic management has contributed to steady economic growth, but the Bahamas' overall economic freedom has been declining modestly. The economy dropped from the "mostly free" category in 2010. There is little momentum for reform, and the country appears to be experiencing a gradual loss of competitiveness vis-à-vis those that are moving more rapidly to expand economic opportunity.

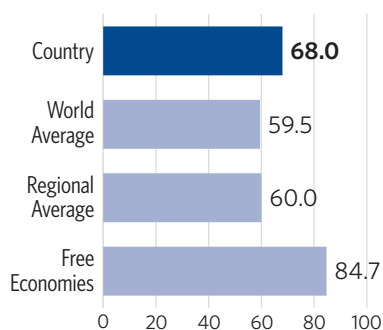
The foundations of economic freedom remain relatively sound, with freedom from corruption and property rights scoring above world averages. However, further improvements in these two areas will be critical to improving institutional efficiency. The country's overall regulatory system is conducive to entrepreneurial activity, and there are no individual or corporate income taxes, but economic dynamism remains constrained by relatively closed markets.

BACKGROUND: The Bahamas is a British-style parliamentary democracy with two main parties: the Free National Movement (led since 2007 by Prime Minister Hubert Ingraham) and the Progressive Liberal Party. It is also one of the Caribbean's most prosperous nations. Tourism, which generates about half of all jobs and accounts for more than 60 percent of GDP, has rebounded slightly after dropping significantly during the 2008–2009 global economic recession, but there have been no substantial increases in sector investments. Financial and business services profits, which account for more than one-third of GDP, have also shrunk. Stricter financial regulations have caused some international businesses to leave the country. The Bahamas is a haven for drug smugglers and illegal aliens seeking to enter the United States.

Freedom Trend



Country Comparisons



Quick Facts

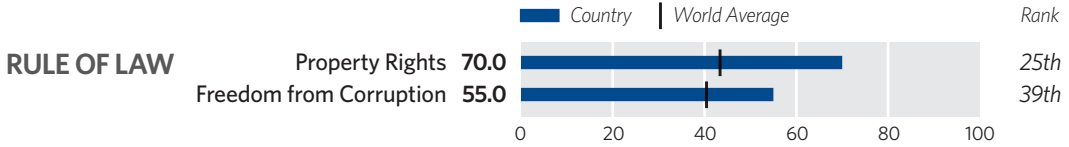
Population: 0.3 million
GDP (PPP): \$8.9 billion
 0.5% growth in 2010
 5-year compound annual growth -0.1%
 \$25,895 per capita
Unemployment: 13.7%
Inflation (CPI): 1.7%
FDI Inflow: \$976.9 million
Public Debt: 47.1% of GDP

How Do We Measure Economic Freedom?

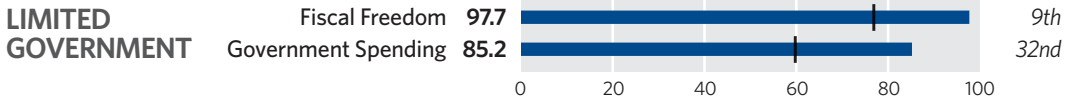
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

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

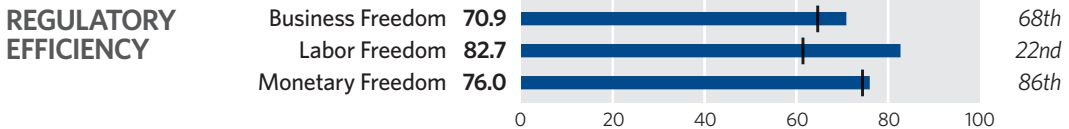
THE TEN ECONOMIC FREEDOMS



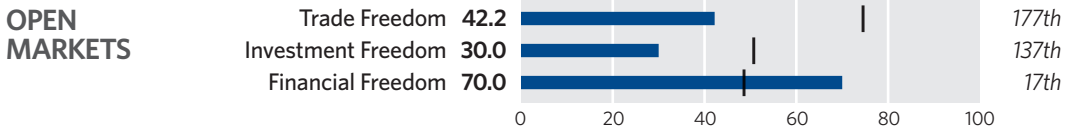
The judicial system, regarded as largely well-functioning, is independent and based on British common law. The government generally enforces laws prohibiting bribery and corruption among government officials. However, the judicial process tends to be very slow. Enforcement of intellectual property rights is weak, failing to rein in piracy and violations of copyright laws. Drug trafficking remains a serious problem.



The Bahamas has one of the world’s lowest tax burdens. The government imposes national insurance, property, and stamp taxes but no income tax, corporate income tax, capital gains tax, value-added tax (VAT), or wealth tax. Public debt has increased to 47 percent of total domestic output, an increase of about 10 percentage points since the recent global economic slowdown.



The overall regulatory environment is relatively efficient, although no major reforms have been implemented in recent years. The labor market is relatively flexible, but enforcement of the existing labor codes remains ineffective. Inflation has been under control, but price control measures, with the government influencing domestic prices for such “breadbasket” items as medicines, gasoline, and petroleum gas, interfere with market adjustments.



The poor trade regime remains one of the Bahamas’ most cumbersome challenges. An abundance of tariff and non-tariff barriers distorts the market and is a significant burden for consumers. Intrusively bureaucratic approval processes hinder investment freedom and undermine development of a more vibrant private sector. Financial services are competitive, and domestic and offshore activities contribute around 15 percent of GDP.

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	+0.5	-1.6	0
0	-1.7	+1.4	0
		Monetary Freedom	Financial Freedom
		+1.4	0