



The Bahamas: An Overview

Political and Economic Environment

The Bahamas, a Caribbean nation of some 700 islands off the southeast coast of the United States, has been a stable parliamentary democracy since its independence from the United Kingdom (UK) in 1973. The country’s bicameral legislature has a 39-seat House of Assembly directly elected for five-year terms and a 16-member appointed Senate.

Since independence, two political parties have dominated elections, the center-left Progressive Liberal Party (PLP) and the center-right Free National Movement (FNM). The PLP was formed in 1953 as an opposition party to the United Bahamian Party (UBP), which governed the Bahamas when the country was under British rule. In 1967, the PLP won control of the government and oversaw the country’s independence from the UK. It ruled continuously from 1967 until 1992 under the leadership of Lynden Pindling, commonly referred to as the “father of the nation.” The FNM was formed in 1971 by former members of the UBP and dissidents from the PLP. Under the leadership of Hubert Ingraham, the FNM won the 1992 general elections, governing over the next decade until 2002. Since then, the two parties have alternated winning national elections.

Current Prime Minister Philip Davis led the PLP to a landslide electoral victory in September 2021, winning 32 House of Assembly seats; the FNM, now led by Michael Pintard, who serves as leader of the opposition, won 7 seats. The difficult economic situation, brought about by the damage caused by Hurricane Dorian in 2019 and, beginning in 2020, the Coronavirus Disease 2019 (COVID-19) pandemic, was a key factor that led to the PLP’s win in 2021. National elections are next due by 2026.

Even before the start of the pandemic, the Bahamian economy had been hit hard when Hurricane Dorian caused widespread damage to the northwestern Bahamian islands of Abaco and Grand Bahama in September 2019. An Inter-American Development Bank-led assessment estimated \$3.4 billion in damages and losses. The COVID-19 pandemic further damaged the Bahamas’ tourist-based economy, resulting in an economic contraction of almost 15% in 2020, one of the most severe in the Caribbean, according to the International Monetary Fund (IMF). The economy began to recover in 2021 with 5.6% growth and projected growth of 6.0% in 2022, although a full recovery is not expected before the end of 2023.

As of April 12, 2022, the Bahamas reported 789 deaths from the COVID-19 virus since the pandemic began, equivalent to a mortality rate of 202 per 100,000 people, the 12th highest rate in Latin America and the Caribbean, according to Johns Hopkins University statistics. The country has received vaccine donations, most significantly

from the United States (see below), and has procured vaccines through the COVID-19 Vaccines Global Access (COVAX) Facility, a mechanism developed by global health organizations to facilitate equitable vaccine distribution.

Figure 1. Map of the Bahamas



Source: CRS.

The Bahamas at a Glance

Population:	389,000 (2021, IMF est.)
Area (square miles):	5,359, slightly smaller than Connecticut
GDP (current prices):	\$10.6 billion (2021 est., IMF)
GDP Growth (constant prices):	2020, -14.5% est.; 2021, 5.6% est.; 2022, 6.0% projected (IMF)
Per Capita GDP (current prices):	\$27,437 (2021 est., IMF)
Life Expectancy:	73.9 years (2019, WB)

Sources: International Monetary Fund (IMF), “World Economic Outlook Database,” October 2021, and “Staff Concluding Statement of the 2022 Article IV Mission,” March 2, 2022; World Bank (WB).

Approximately 40% of the Bahamian population has been fully vaccinated to date. Vaccine hesitancy has been a significant challenge, making it unlikely for the country to

reach the World Health Organization's goal of having 70% of a country's population fully vaccinated by mid-2022. Success in vaccinating the population will be a major factor in recovery of the tourism-based economy.

In 2020, the Central Bank of the Bahamas launched a digital currency known as the Sand Dollar, a digital version of the Bahamian dollar, which is pegged one-to-one to the U.S. dollar. The action was taken in the aftermath of Hurricane Dorian as a way of ensuring that citizens have access to needed currency and can receive aid more quickly when banks and ATMS are damaged by natural disasters. According to the IMF, the sand dollar has the potential to help foster financial inclusion and payment system resilience in the event of a natural disaster. The IMF also recommended that the Central Bank maintain careful oversight of the initiative to safeguard financial integrity.

Some 30,000-60,000 Haitians or persons of Haitian descent live in the Bahamas, according to estimates cited in the State Department's *Country Reports on Human Rights Practices for 2021*. The report noted many persons of Haitian origin lived in informal settlements with limited government services, although Haitian children generally had access to education and social services. The report noted that ethnic tensions and inequities persisted.

U.S.-Bahamian Relations

The United States enjoys close economic linkages and cooperative relations with the Bahamas, with the nearest Bahamian island, Bimini, just 45 miles from Florida. A majority of tourists visiting the Bahamas are from the United States, according to the State Department, highlighting the dependency of the tourism sector on U.S. economic conditions. Because the Bahamas has a services-based economy, the United States historically has run a large merchandise trade surplus. According to the Commerce Department, U.S. imports from the Bahamas amounted to \$450 million in 2021, whereas U.S. exports totaled \$2.9 billion, with 36% in oil and gas products.

Because the Bahamas is a major transit country for illicit drugs bound for the United States and other markets—largely marijuana from Jamaica and cocaine from South America—cooperation on anti-drug efforts has been a central component of bilateral relations. U.S. agencies—such as the Coast Guard, the Drug Enforcement Administration (DEA), the Department of Homeland Security's Customs and Border Protection (CBP), and the Department of Defense (DOD)—assist the country in drug interdiction efforts and cooperate closely with the Royal Bahamas Police Force and the Royal Bahamas Defense Force. The Bahamas participates actively in Operation Bahamas, Turks and Caicos (OPBAT), a combined Coast Guard, DEA, and government of Bahamas partnership to combat drug smuggling to and from the Bahamas.

According to the State Department's 2022 *International Narcotics Control Strategy Report* (INCSR), further progress against drug trafficking will significantly depend on Bahamian government efforts to combat corruption, increase extraditions, and strengthen prosecutions. It noted that the United States encourages the Bahamas to invest

resources in its courts to meet caseload demand and increase the speed of judicial operations.

The 2022 INCSR notes that, as an international financial center, the Bahamas is vulnerable to money laundering (financial services accounts for an estimated 20% of the country's gross domestic product). The report noted that the Bahamas enacted legislation in 2020 and 2021 to enhance its anti-money laundering/combatting the financing of terrorism (AML/CFT) regime and increased AML resources; it also stated that greater focus is needed on small money transfers and the online gaming sector. In 2020, the multilateral Financial Action Task Force removed the Bahamas from its grey list of countries with deficiencies in their AML standards. In January 2022, the European Union delisted the Bahamas from its AML blacklist.

U.S. bilateral assistance to the Bahamas amounted to \$28.6 million in FY2019 and \$10.3 million in FY2020 from all U.S. agencies (<https://foreignassistance.gov/cd/bahamas/>, latest full year available). The U.S. Agency for International Development implemented more than two-thirds of the FY2019 aid and almost half of the FY2020 assistance to support recovery in the aftermath of Hurricane Dorian. DOD implemented much of the balance, for equipment and training to help increase maritime and border security and improve interdiction capabilities.

Since FY2010, the Bahamas has received support under the Caribbean Basin Security Initiative, a regional program that focuses on advancing citizen security and reducing illicit trafficking. Support has included the purchase and repair of maritime interdiction patrol assets; training and equipment for OPBAT's counternarcotics operations; and technical assistance, equipment, and training to strengthen Bahamian law enforcement institutions.

To date, the United States has donated almost 296,000 COVID-19 vaccine doses to the Bahamas out of a pledged commitment of 379,000. Other COVID-19-related assistance has included the donation of health equipment and Rhode Island National Guard aircraft support for the distribution of COVID-19 vaccine doses to several Bahamian islands.

Among other aspects of bilateral cooperation, CBP maintains preclearance facilities at airports in Nassau and Freeport for those traveling to the United States. In February 2022, the Transportation Security Administration established its expedited security screening process, PreCheck, at the Nassau airport, the first established outside of the United States. The port of Freeport participates in the Container Security Initiative, a CBP-run program that uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected before they are placed on vessels destined for the United States. The U.S. Navy also operates an underwater research facility, the Atlantic Undersea Test and Evaluation Center (AUTEC), on Andros Island.

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