

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 alternated in power, 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 until 2002. The PLP returned to power in 2002 under the leadership of Perry Christie, lost in 2007 to the FNM (still led by Hubert Ingraham), and won again in 2012, with Perry Christie as prime minister.

Current Prime Minister Hubert Minnis led the FNM to victory in the May 2017 elections, capturing 35 House of Assembly seats compared to 4 for the PLP. At the outset of 2017, many observers thought it was likely that the PLP under Christie would retain power, largely because of disarray within the FNM. Once the election was called, however, observers predicted the elections would be close, in large part because of the country's stagnant economy. Ultimately, the economy along with rising crime and controversies associated with the Chinese-financed Baha Mar resort in the capital of Nassau led to the PLP's thrashing at the polls.

Over the past year, the Minnis government has faced two enormous challenges: recovery and reconstruction in the aftermath of Hurricane Dorian, and the current challenge of contending with the health and economic effects of the Coronavirus Disease 2019 (COVID-19) pandemic. In September 2019, Hurricane Dorian caused widespread damage to the northwestern Bahamian islands of Abaco and Grand Bahama, with 74 confirmed deaths and many more missing. An Inter-American Development Bank-led assessment estimated \$3.4 billion in damages and losses.

COVID-19 is having a significant economic impact on the Bahamas. As of June 15, 2020, the Bahamas reported 103 cases and 11 deaths from the virus. Before the pandemic, the International Monetary Fund (IMF) estimated an economic contraction of 0.6% for 2020, but because of the

shutdown of economic activity in response to the pandemic, the IMF is now forecasting a contraction of 8.3%. On June 1, 2020, the IMF approved \$250 million in financing for the Bahamas to help it meet urgent balance-of-payments needs stemming from the pandemic.

Figure 1. Map of the Bahamas



Source: CRS.

The Bahamas at a Glance

Population:	381,000 (2019, IMF)
Area (square miles):	5,359, slightly smaller than Connecticut (CIA)
GDP (current prices):	\$12.7 billion (2019 est., IMF)
GDP Growth:	1.6% (2018; 1.8%); (2019 est.); -8.3% (2020 est.) (IMF)
Per Capita Income:	\$33,261 (2019 est., IMF)
Life Expectancy:	73.8 years (2018, UNDP)

Sources: International Monetary Fund (IMF); Central Intelligence Agency (CIA); United Nations Development Programme (UNDP).

Tourism and related construction are important sectors for the service-based Bahamian economy, employing about half of the country's workforce. The sector essentially shut down in response to the pandemic, but the Bahamas began a limited economic opening on June 15 for private boats,

yachts, and aircraft. Commercial airlines, hotels, and vacation rentals are to be allowed to resume operations in July, with safety protocols in place to mitigate against the spread of COVID-19. Most observers expect that it will take time for the sector to recover, given the global economic recession and continued concerns about travel because of the pandemic. Financial services, also an important sector for the economy, have not been as severely affected as tourism and could play a role in the country's economic recovery.

High rates of violence have afflicted the Bahamas for several years. According to the United Nations Global Study on Homicide 2019, from 2012 to 2016, the Bahamas had a homicide rate of about 32 murders per 100,000, the sixth-highest rate in the Americas. In 2018, the number of murders decreased to 91, the lowest count in nine years, bringing the homicide rate to 24 per 100,000—although in 2019, the number of murders increased to 96.

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 2019*. The report noted widespread bias against those of Haitian descent, and it stated that many persons of Haitian origin live in shantytowns with limited government services. According to the report, Hurricane Dorian displaced thousands of persons of Haitian descent, which led to increased interethnic tensions and inequities for the Haitian community.

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 (a total of 7.2 million in 2019) 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 largely service-based economy, the United States historically has run a large merchandise trade surplus. According to Commerce Department statistics, imports from the Bahamas amounted to \$411 million in 2019, whereas U.S. exports to the Bahamas totaled almost \$3.3 billion (with fuel oil accounting for 37%).

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 antidrug efforts has been a central component of bilateral relations. U.S. agencies such as the Coast Guard, the Drug Enforcement Administration (DEA), and the Department of Homeland Security's Customs and Border Protection (CBP) assist the country in drug interdiction efforts, and the Royal Bahamas Police Force cooperates closely with U.S. law enforcement.

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 *2020 International Narcotics Control Strategy Report* (INCSR), coordinated U.S.-Bahamian

operations during the first 10 months of 2019 led to the seizure of almost 226 metric tons of marijuana (up significantly from 5.7 metric tons in 2018) and the eradication of 217,031 cannabis plants (up from 2,520 in 2018). The State Department maintained that it is unclear whether these seizures were part of a wider trend by drug traffickers to move marijuana production closer to the United States. Cocaine seizures also increased, from 176 kilograms in 2018 to 1,000 kilograms in 2019.

The State Department's 2020 INCSR notes that as an international financial center, the Bahamas is vulnerable to money laundering in various sectors, such as financial services, real estate, casino gambling, and online gaming. According to the State Department, although the Bahamas took significant steps in 2019 to strength its anti-money laundering regime, vulnerabilities in the online gaming and money transfer business sectors are exacerbated by some regulators' reluctance to acknowledge them.

U.S. bilateral assistance to the Bahamas amounted to about \$350,000 in FY2018 (latest full year available) according to the U.S. Agency for International Development's online Foreign Aid Explorer (<https://explorer.usaid.gov/>). This included \$138,000 in International Military and Training and smaller spigots of assistance for fiscal transparency, education and training for combating terrorism, HIV/AIDS programs, and international aviation security technical training.

Among other spigots of U.S. assistance, the Bahamas receives support under the Caribbean Basin Security Initiative (CBSI), a regional program begun in FY2010 that focuses on advancing citizen security and reducing illicit trafficking. From FY2010 to FY2018, the Bahamas was allocated almost \$35 million in CBSI assistance. In the aftermath of Hurricane Dorian in 2019, the United States provided almost \$34 million in humanitarian assistance to support the recovery effort. Most recently, as of late May 2020, the State Department maintains that the United States is providing \$750,000 in previously announced health assistance to help respond to the COVID-19 pandemic.

Among other aspects of bilateral cooperation, CBP maintains preclearance facilities at airports in Nassau and Freeport for those traveling to 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 port also participates in the Megaports Initiative run by the Department of Energy's National Nuclear Security Administration, which involves the use of radiation detection equipment to deter, detect, and interdict illicit trafficking in nuclear and radioactive materials. The U.S. Navy also operates an underwater research facility, the Atlantic Undersea Test and Evaluation Center (AUTEC), on Andros Island.

Also see CRS Insight IN11171, *Bahamas: Response to Hurricane Dorian*.

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