



Persbericht 2013-001

According to dr. Emsley Tromp:

The governments of Curaçao and Sint Maarten must take bold actions to boost economic growth

Willemstad / Philipsburg - The overall economic performance in Curaçao and Sint Maarten has been dismal since they became autonomous countries in the Dutch Kingdom. The average economic growth in the two countries was not significantly different from zero in the 2010-2012 period. Meanwhile, economic activities in the Caribbean region as a whole expanded by on average 3% in the last three years. These contrasting developments indicate that Curaçao and Sint Maarten's constitutional reorganization may have culminated in 2010, however, the internal reforms needed to achieve a higher level of sustainable economic growth are still in their infancy.

In order to boost economic performance, the governments of the two countries should focus on finally implementing the much-needed policy reforms, which have been recommended in countless assessment reports until now. These reforms are largely aimed at boosting the economy's output by stimulating investment and productivity, and elevating investor confidence. In this respect, the policy areas that require the most attention are the high administrative burden, the abundance of red tape vs. the lack of red carpet treatment, the elevated tax burden, and rigidities in the labor market.

Achieving a path of higher sustainable economic expansion in Curaçao and Sint Maarten in the coming years, however, calls for their governments to do more than simply implementing the abovementioned reforms. Government investment will also be crucial in boosting economic activities, while in addition, acting as a trigger for private investment growth. In the case of Curaçao, the recently announced public investment program, including an upgrade of the road infrastructure, is a good start. In Sint Maarten, the government should focus on sorting its budgetary woes as soon as possible, in order to be able to proceed with the implementation of its investment projects, among which, the finalization of the government building and several road work projects.

It should also be stressed that both countries can benefit tremendously from consistency and transparency in government policies and procedures, as this will contribute to the elevation of both investor and consumer confidence. Although the governments of the two countries are currently facing the challenge of staying within their yearly budget and may have to find compensation for the deficits incurred in previous years, this does not mean that they can merely focus on increasing (tax) revenues without cutting costs, especially in inefficient and ineffective areas. The sluggish pace of economic growth requires bold actions from the governments of Curaçao and Sint Maarten to boost the economy while staying in their budgets, and avoid ending up in a vicious cycle in which economic malaise and fiscal deficits negatively reinforce each other.

A higher growth path is also critical to improve the social environment for our citizens. It is well known that various public service areas, such as health care, education, public housing, public safety, public transportation, and the environment, currently do not meet our aspirations. To finance the necessary improvement in these areas, two percentage points of extra growth, for example, could generate NAf.30 million in additional tax income in Curaçao and NAf.7 million in Sint Maarten. However, to ensure that those extra revenues are indeed allocated for the implementation of such social program, subjecting expenditure growth to a ceiling is an indispensable condition.

CENTRALE BANK VAN CURACAO EN SINT MAARTEN
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