

# Words of Welcome

delivered by

Mrs. Leila Matroos-Lasten

Acting president of the  
Centrale Bank van Curaçao en Sint Maarten

On the occasion of the second CBCS Central Banking Conference  
**Addressing challenges to achieve a higher growth path in small open  
economies**

**Centrale Bank van Curaçao en Sint Maarten, Willemstad**  
**March 22, 2018**



Your Excellency, the Governor of Sint Maarten, Mr. Eugene Holiday  
Your Excellency, the Governor of Curaçao, Mrs. Lucille George – Wout  
The Prime Minister of Curaçao, Mr. Eugene Rhuggenaath  
The President of the Parliament of Curaçao, Mr. William Millerson  
The Minister of Finance of Sint Maarten, Mr. Michael Ferrier  
The Minister of Finance of Curaçao, Mr. Kenneth Gijsbertha  
The Minister of Economic Development of Curaçao, Mr. Steven Martina  
Distinguished guests, ladies and gentlemen, good morning.

It gives me great pleasure to welcome you all, and in particular our guests coming from abroad, to the second Central Banking Conference of the Centrale Bank van Curaçao en Sint Maarten. I extend a special welcome to our speakers who were gracious enough to accept our invitation to share their knowledge and experience with us. Also, I would like to express our gratitude to Mr. Dave Seerattan from the University of the West Indies for accepting our invitation to chair our conference.

This year we are celebrating the 190<sup>th</sup> anniversary of the founding of our institution. We are proud to say that the CBCS is the oldest still operating circulation bank in the Americas and the Caribbean. In its 190 years of existence, the Bank has been through many changes including a shift from providing loans to supervising financial institutions. In addition, constitutional changes within the Dutch Kingdom have had implications for the role and governance of our central bank. The most recent change was the establishment of a monetary union between the countries of Curaçao and Sint Maarten following the dismantling of the Netherlands Antilles in 2010.

As the central bank of the monetary union of Curaçao and Sint Maarten, we are responsible for maintaining the external stability of our currency and for promoting a sound and efficient functioning of the financial system in Curaçao and Sint Maarten. To fulfill our responsibilities effectively, we must continuously increase our knowledge on relevant topics for central banking and on new developments with possible implications for our monetary and financial system. In this context, we consider it of utmost importance to foster discussions and share experiences with local and regional peers on important topics that can contribute to more knowledge in the fields of macroeconomics, banking, and finance. Through the Central Banking Conference, the CBCS hopes

to foster wider interest and provide more insights into these fields of interest that are particularly relevant for central banks, governments, and the financial sector. Also, the Bank hopes to make its role more visible and accessible to the general public, thereby demonstrating that the Bank remains a vital institution in fostering the further social and economic development of both Curaçao and Sint Maarten.

The theme of this year's conference is "Addressing challenges to achieve a higher growth path in small open economies". As small open economies, Curaçao and Sint Maarten, for instance, face many challenges and are susceptible to external shocks that affect the countries' economic prospects immediately. As a result, the economies of the two countries have not performed well during the last few years. In fact, over the last decade, the economy of Curaçao performed poorly with real GDP increasing by a mere 0.1% on average per year. Sint Maarten's economy performed slightly better with an average real GDP expansion of 0.6% but is lagging behind the average annual growth rate of comparable tourism-dependent economies in the region.

Against this background, it is important that both Curaçao and Sint Maarten identify their challenges and vulnerabilities and respond accordingly. Therefore, we are very happy that this morning, Mr. Sebastian Acevedo Mejia from the International Monetary Fund will give us a presentation on a book that was recently published by the Fund titled "Unleashing growth and strengthening resilience in the Caribbean". We hope to gain more insights into the IMF's assessment of the main economic and financial challenges in the Caribbean and how we can make our economies more resilient to shocks in order to achieve a higher growth path.

Furthermore, during the course of these two days, several presentations will address current challenges our economies are facing. These presentations will be given by experts from the IMF, the Banco de la República of Colombia, the Caribbean Development Bank, the Financial Services Regulatory Commission of Antigua and Barbuda, Bitt Inc., and our own colleagues from the CBCS. These experts will share their views on the macroeconomic implications of natural disasters on small economies, financial education, the withdrawal of correspondent banking relations, and labor productivity as a driver of economic growth.

Ladies and gentlemen, hurricanes Irma and Maria showed us last year that natural phenomena can turn into disasters affecting millions of people and causing billions in damages. In our case, Hurricane Irma caused severe damage in Sint Maarten when it hit the island on September 5-6, 2017. The category 5+ hurricane destroyed homes, infrastructure, and commercial and public property. Because tourism is Sint Maarten's main and basically only economic pillar, the destruction caused by Hurricane Irma will have a severe negative impact on Sint Maarten's economy this year and beyond. Studies have shown that small economies are more vulnerable to natural disasters than developed economies. While such phenomena cannot be eliminated, much can be done to mitigate the impact of natural occurrences from becoming a disaster and leaving a country devastated. Therefore, we are very glad that Mr. Sebastian Acevedo Mejia from the IMF also will provide us with insights into the macroeconomic implications of natural disasters on small economies.

Achieving a higher growth path should not be our ultimate objective but rather, a means to realize social economic development. In other words, economic growth should be inclusive and beneficial to all. However, growth will be inclusive only if people are able to manage their finances adequately and make their financial decisions judiciously. Meanwhile, poor financial decisions can have a long-lasting impact on individuals, their families, and societies. Because financially educated individuals are better skilled to manage their household budgets and distribute financial resources efficiently, central banks in our region, including the CBCS, have been taking actions to improve financial education, thereby empowering consumers. In this context, Mr. Diego Rodriguez Pinilla of the Banco de la República and our colleague Mr. Errol Cova will inform us this afternoon on financial education, literacy, and inclusion policies in the Americas and the Caribbean.

Another topic that is touched upon during this conference is the withdrawal of correspondent banking relations in the region. For a commercial bank to perform cross-border banking services, having correspondent banking relationships is crucial. Banks use these relationships to facilitate foreign transactions on behalf of their customers. Given the limited access to foreign financial markets, correspondent banking relations are crucial for the financing of trade and investments in the Caribbean. However, in our region, we have been experiencing the withdrawal of correspondent bank relations because of the so-called de-risking being done by financial institutions, particularly in the United States. Therefore, tomorrow, Ms. Marla Dukharan from Bitt Inc. and Mr. Morvin Williams from the Financial Services Regulatory Commission will elaborate on this topic and explain

the implications of the withdrawal of these correspondent banking relationships for small economies. Also, during the Q&A session, our colleague Ms. Susan Wong will share the actions that the CBCS has taken in this particular area.

Finally, in tomorrow afternoon's session, we will address the topic of labor productivity as a driver of economic growth. Studies show that productivity growth is crucial for long-run economic growth through measuring the efficiency at which a country can transform its inputs into useful outputs. That is why we have invited Mr. Amos Peters from the Caribbean Development Bank to share his views on the importance of labor productivity for economic growth. Also, our colleague Ms. Shekinah Dare will share the results of research she has conducted on labor productivity in Curaçao and our region.

Ladies and gentlemen, once again thank you for being here at the 2<sup>nd</sup> Central Banking Conference of the CBCS. With the aim of gaining more insights into how we can achieve a higher growth path, we have prepared for you a program with a broad array of relevant topics that will be dealt with by local and international experts. Please enjoy the conference, and let us have fruitful discussions.

Thank you for your attention.