

CURACAO, QUO VADIS

I was a young teenager when on December 15, 1954 Mr. Ephraim Jonckheer, the then leader of the Democratic Party (one of the two leading parties at that time) returned from Holland after signing the Charter of the Kingdom of The Netherlands, known to us as the “Statuut”. This charter was the result of negotiations between the Netherlands Antilles, Surinam and The Netherlands - at that time together constituting the Kingdom of the Netherlands – with the purpose of establishing a new legal order in which these three jurisdictions would take care of their own interests independently from each other and, based on equality, of their mutual interests. From that point on each island of the Netherlands Antilles had the right to hold their own elections for representation in the respective island councils, whereas separate elections were held for the islands to vote for their representatives in the Netherlands Antilles parliament. I should note that it was not Mr. Jonckheer who negotiated the new political structure on behalf of the six islands, but doctor M.F. Da Costa Gomez, leader of the National party, which was the other leading party at the time.

About six decades later, Mrs. Emily de Jongh-Elhage, leader of the political party PAR, played a key role in the negotiations with Holland aimed at obtaining a separate status for Curaçao in the Kingdom. On November 2, 2006 the so-called “Slotakkoord” was signed, followed by an agreement between The Netherlands, and the five islands of the Netherlands Antilles, signed on December 15, 2008, regulating the dismantling of the Netherlands Antilles. This resulted in an amendment of the Statuut and Curaçao obtaining its separate status on October

10, 2010. Prior to that, the Statuut had already been modified at least twice. First in 1975 when Surinam became independent, and the second time in 1986 when Aruba obtained its “status aparte”.

Although PAR won the elections in August 2010, the party was unable to form a coalition due to the lack of support needed from two other parties. Ultimately, a coalition was formed by MFK, Pueblo Soberano and MAN. Mr. Gerrit Schotte of MFK became the new Prime Minister and – ironically, as was the case in 1954 with Mr. Jonckheer and Doctor da Costa Gomez – it was he, and not Mrs. De Jongh-Elhage, who had the honour of signing the formal documents introducing the new political structure, and giving Curaçao its separate status in the Kingdom starting October 10, 2010.

I got the impression that many of the voters were disappointed about the fact that Mrs. De Jongh-Elhage, who had worked effortlessly to achieve this goal, and whose party after all came out of the elections as the largest political party with the most votes, did not get to sign off on this historical event and mark the birth of the country Curaçao. Instead, it was Mr. Schotte, someone from the younger generation, who became Curaçao’s first Prime Minister.

From then on, all eyes were on our newly appointed Prime Minister. Most of us gave him the benefit of the doubt and hoped that he would indeed, as he had propagated, change the way politics had been done prior to 10-10-10. He was expected to form a cabinet consisting of professionals in the various fields and to put “the right man in the right place”. However, we are now experiencing an

entirely different attitude from this government than we had hoped for. The expectation was that the rules laid down in the corporate governance code would be strictly applied; that the government as shareholder of the government-owned companies would give the necessary instructions to management; and that the supervisory boards of these companies would comply with their duty of supervision and reporting; all of this in accordance with the rules of corporate governance. Instead, managing directors of government-owned companies are suddenly being labeled incompetent by the supervisory boards, and are forced to leave their position in order to make room for others who support the governing parties, even if those others may lack the experience that is required to function successfully. It is the same old politics as before, perhaps even worse; at least that is my impression. This makes me worry about the future of these companies, where political influence will most likely affect their growth in a negative way. This situation is particularly worrisome given the fact that the government-owned companies in Curaçao are operating in several key sectors, including the utilities and telecommunication sectors. These sectors are key pillars of our economy, as they contribute to our country's economic performance and competitiveness.

My concern about the negative effect of political influence on government-owned enterprises stems from my own experience with Girobank. In the mid-sixties, before Girodienst (the predecessor of Girobank), the government had owned two banks, the Volkscrediet Bank and the Bouwcrediet Bank. Two great initiatives, that unfortunately lasted only a few years. Then there was Girodienst, which later became Girobank N.V. As was the case with the two earlier government-owned banks, at some point Girobank, whose management was under great political

influence, started to fail, and in November 2001 it found itself placed under emergency control (*noodregeling*). It was only after the bank was privatized and no longer under political influence, that it started to flourish and grow to its present status. To be honest, my fear is that, if the political influence which our Postspaarbank is currently under, continues, this bank may end up the same way as the two earlier banks did.

We have seen numerous elections being held these past 57 years. We have gone through governments headed by, for instance, Ephraim Jonckheer, Ronchi Isa, Maria Liberia Peters, Don Martina, Etienne Ys and Emily de Jongh-Elhage. And now we have Gerrit Schotte. Governments are formed and officials are appointed based on the results of elections. At least that is the essence of a democratic electoral system. But honestly, I never really understood this supposedly “democratic” system and how it could ever work effectively. As far as I can remember, in our entire history no party was ever able to collect sufficient votes to form a government on its own. As a result, other parties, which may have entirely different ideologies and principles, are asked to join in an effort to reach a majority in parliament and form a government, however narrow that majority may be. Often times – as was the case with the last elections – the winning party is even left out and a coalition is formed by a few smaller parties. Their members of Parliament may insult each other, question the integrity of members of the cabinet they support, or even demand the resignation of a cabinet member. Nevertheless, the coalition partners still stick together just to avoid the fall of the government – and having to acknowledge that they failed – and the formation of a new government.

In fact, what it comes down to is a democratic system where a minority gets to dictate and decide on the course of our country. The interests of the people are, so it seems, totally ignored. One seems to practice the well-known “you scratch my back and I’ll scratch yours” theory. As long as they can remain in power, everything goes. Another thing I don’t understand is why government officials, who are expected to lead this country, are not required to have even a minimum of managerial skills, knowledge or prior experience, that would enable them to properly function in these important positions.

Personally, I wish we could have an electoral system where the voters would get the opportunity to cast their votes in support of a certain candidate for Prime Minister, and of candidates to represent them in Parliament. The Prime Minister would then appoint his own ministers without having to consider the extent of their involvement in his or her party. A system where, if a Minister or a member of Parliament does not keep the promises his or her party made during the election campaign, the voters have the right, before an important decision is made which may negatively affect these voters or their country, to organize a referendum. The outcome of that referendum would then decide whether or not the official in question should be removed from his or her position. Some of you may be familiar with the removal of Carlos Alvarez as mayor of Miami-Dade a few months ago. Alvarez came under criticism when a 14% property tax increase was introduced, despite heavy declines in real estate values. Based on a petition drive initiated and funded by Norman Braman, which resulted in 88% of the voters

backing the petition, the mayor was removed from office. This to me sounds more like real democracy.

I believe that where there is democracy, there should be room for each member of Parliament, regardless of whether or not their party is a member of the coalition, to vote according to their conscience and the principles of their party. However, what I have seen happening in our system is that members of Parliament cast their votes simply to support the coalition, even if by doing that they go against their own principles.

Lately we have been hearing members of Parliament express the desire for Curaçao to demand its independence. This outcry reminds me of the 18-year old college bound teenager, who on weekends packs bags at a supermarket, informing his parents that he intends to leave his well-furnished bedroom to go live on his own. He does not even have the money to put gas in the car his dad gave him, let alone buy clothes or pay for his daily needs. The only reason why this young man wants to move out is because he does not want to abide by the house rules any longer and refuses to show his parents the respect that is required from him. But he is not man enough to admit that. Do you see the similarity? Does't this cry for immediate independence – knowing that Curaçao is not ready – seem to you to stem from not wanting to respect and abide by the rules in order to remain in the Kingdom? From wanting to have your cake and eat it too?

Look at the amount of money Curaçao has received through USONA, AMFO and SEI during the past five years. Not to mention the 3.7 billion in debt relief which the Netherlands Antilles governments received altogether. In addition, the interest rate on government treasury bills declined sharply from 8% to 1% due to the subscription, or “staande inschrijving”, by the Dutch State Treasury Agency. Without all this support, we would be looking at a totally different financial picture today. It is mainly this support, that led to the A minus rating awarded to Curaçao by the international credit assessment company, Standards and Poor’s. This support, combined with the fact that Curaçao is part of the Kingdom of the Netherlands and – I quote – “the solid legal system within the Kingdom”. The report of S&P clearly states that they expect the financial position of Curaçao to continue this way **“as a consequence of the debt relief by Holland”**.

Too many of our fellow-citizens seem to have a general dislike of Dutch people. That concerns me. Let us not forget that the Dutch contribute significantly to our tourist sector and that Dutch tourism has been increasing. We depend to a large extent on the tourism industry for our economic growth, and we should only encourage the Dutch to visit Curaçao, rather than scaring them off by publicly expressing negative and racist sounding feelings towards them.

Ladies and Gentlemen, we need to be honest and acknowledge the fact that we are simply not ready for independence. Neither financially nor politically. Instead of continuously focusing on independence, our government should deal with the many macro-economic challenges our country is facing at this moment. Curaçao’s growth has been lagging behind other countries in the Caribbean. Our poor

economic performance is accompanied by a high unemployment rate, particularly among the youth. However, it seems as if our politicians do not perceive the low economic growth and high unemployment rate as major problems which, if not tackled, will lead to increased poverty and crime rates.

Unfortunately, the history of politics in Curacao has shown that many of the politicians who have been placed in important positions in our government or government-owned companies have no relevant career experience or have less than impeccable reputations. Nevertheless they take up the enormous responsibility of running an entire country. How can they not fail? Ironically, you and I generally demand to see a resume and we do a background check on anyone we wish to hire, let alone as a senior executive. But to become a member of Parliament or a minister, you need nothing, no professional knowledge or experience, not even a certain minimum number of personal votes.

And look at how the tax payers' money is being spent. In our case, with the minimum of natural resources and having to depend heavily on imports to satisfy even our basic daily needs, independence also will require our government to be much more economic when it comes to spending. We have seen over the years travel abroad by large government delegations, government officials travelling business class and receiving high daily allowances without having to account for their expenses or report on their trip and on what they achieved. We see members of Parliament receiving compensations that are far in excess of what they were enjoying in their previous positions.

Another macro-economic challenge our country is facing is the increasing deficit on the current account of our balance of payments. Since 2006, the deficit on our balance of payments has been increasing rapidly. In 2009 and 2010 the implementation of the debt relief program masked the situation of our current account. So far, the deficit on our balance of payments has been financed by strong capital inflows from abroad, and our import coverage is above the benchmark of 3 months. However, serious action is needed in order to bring the current account deficit back to sustainable levels. If we do not take the proper actions, our reserves could come under pressure on the medium term, and ultimately devaluation would be the only alternative. Regretfully, also on this issue our politicians do not seem to realize the seriousness of the problem.

Finally, as is the case in most countries, the population of Curaçao is aging, resulting in increased public spending. In fact, it has already been announced that without adequate and timely measures, the AOV pension fund will be depleted by 2013.

Ladies and Gentlemen, these macro-economic challenges demand serious actions from our government.

First, we need to improve our competitiveness in order to stimulate sustainable economic growth. To achieve that, our investment climate will need to improve and the government should start by removing red tape and costly bureaucracy.

Second, we need to increase our labour productivity, in order to catch up with the region. As many of you will know, compared to other parts of the region, our

labour costs are relatively high. On the other hand, in Curaçao we have a higher standard of living as compared to most Caribbean countries. If we want to maintain this standard of living and at the same time achieve a higher level of economic growth, we need to increase our labour productivity. But in order to do that, we will need an educational system that ensures that graduates have the competency to operate effectively in the labour market, both as employees and as self-employed.

Thirdly, our main export sectors need to be strengthened, in order to generate more foreign exchange revenues. In terms of foreign exchange generation, tourism has become the most important sector of our economy. However, as you may know, the tourism industry is a sector that is very vulnerable to external shocks. If we want to make our tourism sector more resilient, besides the traditional US and Dutch markets we will need to attract tourists from new markets, such as the emerging economies in South America. We will also need to further develop and diversify our tourism product towards niche markets.

As you may know, the tourism sector is also a sector with a high import content. Hence, we need to strengthen those economic sectors that have a net contribution to foreign exchange reserves. One of these sectors is the international financial services industry, which is a sector with a high value added component. Traditionally, the international financial services industry has been traditionally an important pillar of the Curaçao economy. Unfortunately, however, this sector's contribution to our economy has been gradually declining over time.

And finally, our system of social security, in particular the old age pension fund, will need to be reformed on the short term. As was done in most countries, we need to move up our retirement age in order to ensure the financial soundness of our system of social security.

In other words, ladies and gentlemen, actions must be taken to address all of these challenges, if we want to achieve higher and sustainable economic growth levels, that lead to higher prosperity. For that, we need politicians who have the knowledge, courage and perseverance to take the necessary measures on the short term, as unpopular as some of these measures may be.

Keep in mind that Curaçao is blessed with its favorable geographical position. We can take advantage of that. I see great possibilities for instance with Bullenbaai, which I consider a true national heritage we should all treasure. I can see this area transformed into the largest transit port in the Caribbean where even the giant container vessels of Maersk Line, known as triple-E vessels, will be able to moor. We should start to make it easier for those who may want to invest in projects like these, which would only contribute to the growth of our economy.

Look at what happened to the Royal Caribbean project, aimed at developing the area of Caracasbaai to become a tourist and entertainment center, with hotels, casinos, stores, etc. It may sound ambitious, but in a country like ours, where the tourist industry represents such an important sector of our economy, it seems to me like a good and carefully thought out plan. Unfortunately, we let that opportunity pass us by. Still, I believe we can turn back the clock if we really want

to, and get the investors interested again. With a clever marketing strategy in place, a project like this one would give a tremendous boost to our tourism industry and thus greatly benefit our economy.

Obviously, an increase in the number of tourists would require an expansion and modernization of our airport and at least a second, larger mega pier. Cruise ships keep getting larger and larger and soon many of them will not be able to moor at the pier with its current size.

Another important aspect I believe that needs to be changed, if we want our economy to grow, is our admission policy. We should make it easier for foreigners – especially the wealthy ones – to settle on this island. You may remember a few years ago when many wealthy Venezuelan residents were anxious to leave their country and take residence elsewhere. Curaçao was very high on their list, but due to our strict admission policy, they were forced to look at other alternatives. Most of them went to Panama and as a result Panama's economy has been growing even more.

I realize that after today I may be a target for insults and character assaults, but honestly speaking, that does not really concern me. We live in a free country where there is freedom of speech. As an honest, involved, and worried citizen, I believe I have not only the right but also the obligation to voice my concerns for the future of my country and my ideas of how we can influence that future in a positive way. If this government does not take the necessary actions, perhaps you and I should start to act. Collectively, we should be able to support a group of

honest and experienced individuals who, solely in the interest of their country and its people, are willing and determined to put Curaçao back on the right track. We CAN make a difference, if we just have the courage to take that step and act, rather than continue to sit back, watch and criticize.

Thank you.

Curaçao, December 14, 2011

Eric L. Garcia