



“CURAÇAO OFFERS A  
UNIQUE EXPERIENCE  
THAT GOES BEYOND  
SUN, SAND, AND SEA”



We know you have a vision for your company’s growth and we appreciate the fact that you recognize the potential that Curaçao has to be a part of that growth. To facilitate your evaluation of your potential project, we would like to share with you our vision for the future development of Curaçao. We hope that this report will help provide the context in which you can best evaluate your particular investment opportunity.

**CURAÇAO**

# Welcome

*Building on Curaçao's inherent Comparative Advantages and Competitive Business Sectors, our vision of Curaçao's economic future is an island advanced in*

*all forms of education and rich in sophisticated entertainment and lifestyle experiences. We call this strategy, "Education and Sophistication."*

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# *Curaçao – The Island of Education and Sophistication*

Dear Investor:

Thank you for considering Curaçao as a destination to develop and grow your business.

We know you have a vision for your company's growth and we appreciate the fact that you recognize the potential that Curaçao has to be a part of your company's strategy. To facilitate your evaluation of potential projects; we would like to share with you our vision for the future development of Curaçao. We hope that this report will help provide the context in which you can best evaluate your particular investment opportunity.

As you are likely aware, Curaçao has many natural advantages:

- *Curaçao offers a very comfortable lifestyle and a authentic tourist experience*
- *As a Netherlands's protectorate we enjoy European Union market privileges*
- *We fall under the Dutch legal system*
- *Our population is multi-cultural and multi-lingual with English, Dutch, Spanish, and Papiamentu spoken throughout the island*
- *We are only 35 miles from South America with excellent port and airport facilities*
- *Some of the world's best diving sites are in Curaçao*
- *We have an advanced business services sector*
- *Fine dining and historical, education, and cultural experiences abound*
- *We offer attractive investment incentives*
- *And we also have the fun and sun for which the Caribbean is known.*

Building on Curaçao's inherent Comparative Advantages and Competitive Business Sectors, our vision of Curaçao's economic future is an island advanced in all forms of education and rich in sophisticated entertainment and lifestyle experiences. We call this strategy, "Education and Sophistication."

To make this vision a reality, we are concentrating on developing four complementary industry clusters:

1. **Education:** All levels and types of education and training including history, art, higher education, technical, medical, aquamarine, edutainment, and more;
2. **Business Services:** Business Training, Business & Financial Services, and Regional Headquarters, and Corporate Tourism;
3. **Niche Tourism:** An authentic Caribbean experience for the sophisticated traveler including a safe, friendly, and very rich cultural experience along with secluded beaches and beautiful vistas;
4. **Experience:** Dining, Arts, Sports, Music, History, Diving, Golf, and other leisure, lifestyle, recreational, and culturally enriching activities.

These clusters form synergies and support and benefit from the following industry sectors:

1. Transportation and Logistics
2. IT/Ecommerce
3. Residential, Retail, and Commercial Development

The development of these clusters will have a synergistic effect on each other and a multiplying effect on our logistics and transportation sector including developments related to the port and airport operations. More students and tourists mean more airlift. An educated workforce and the development of intellectual capital spawn industry which results in transshipment opportunities. The synergies created by a diverse and sophisticated cultural and edutainment experience make Curaçao a great place to visit, retire, and do business, spawning retail, residential, and resort development. The combination of leisure and education supported by the sophisticated business services sector open up the corporate retreat and business training opportunities.

To assist you in your investment due diligence, we have prepared this White Paper and companion Website to further explain the strategy behind these growth clusters and to provide an overview of the general economic environment as well as investment opportunities in Curaçao. We have a number of energetic and creative entrepreneurs in Curaçao already making this vision a reality and we welcome you to become apart of our future.

A number of resources and key contacts are also provided within this package to facilitate your own evaluation of opportunities in Curaçao.

*Thank you and welcome to Curaçao.*



# 1 Executive Summary

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It is clear that vibrant economic development activities are underway in Curaçao. However, it is equally clear that these activities and initiatives are in need of a unifying vision and a strategic roadmap. Further, Curaçao suffers from lack of brand awareness in the U.S. market in particular, and needs a positioning strategy under which it can best leverage segmented promotional efforts. Finally, Curaçao cannot be all things to all people and given the relatively small scale of its economy, must be selective and focused in its areas of development. This paper sets out to examine Curaçao's economic strengths and weaknesses and from this analysis recommend a vision and positioning strategy for economic development.

Curaçao's cost factors require a focus on industries, that emphasize intellectual capital and high value-added services focused on serving the international marketplace. Such industries, that are also consistent with Curacao's comparative and competitive advantages, are financial and other business services, niche tourism, transportation and logistics,

education, entertainment, and IT/Ecommerce.

Education is seen as the linchpin in this strategy as it is simultaneously an industry, an economic development multiplier, and a creator of intellectual capital to support other development.

A positioning strategy of "Education and Sophistication" is selected to capture the essence of Curaçao's characteristics and offerings to both tourists and investors alike. A cluster strategy focused on Education, Experience, Business Services, and Niche tourism is encouraged.

A well-defined cluster strategy helps make the market focus clearer in each of these sectors. It also supports and is supported by the sectors of "transportation/logistics, IT/eCommerce, and residential, retail, and commercial development. It is recommended in this paper that Curaçao set forth a vision of Curaçao as the Island of "Education & Sophistication," and under this mantra nurture the four clusters mentioned above and continue to invest in the supporting sectors.

*“A well-defined cluster strategy helps make the market focus clearer”*

Through such a strategic effort, local public and private development efforts can be better coordinated, an identity and brand for Curaçao will emerge, and a strategic roadmap will help guide the targeting of specific and focuses market segments.

### **THE STRATEGIC POSITIONING OF CURAÇAO**

“This island of Curaçao needs to adopt a vision for their economic development and model similar to those of the most successful countries, like Singapore and Ireland. International services should be the primary focus in any model chosen because of the positive impact on job creation, the generation of foreign exchange and the increase in economic activities and output.” *“Status of Global Economic Competitiveness,”* Kolaborativo (Curaçao’s Commerce, Union, and Government Initiative for Social Dialogue.”

### **BACKGROUND AND PURPOSE**

Economic Development Agencies around the globe face one common problem – they all have to compete with all the other economies in the world. Eventually, it becomes apparent to the weary and wary investor that every destination touted is within two hours flying time of everywhere you would ever want to travel or distribute your

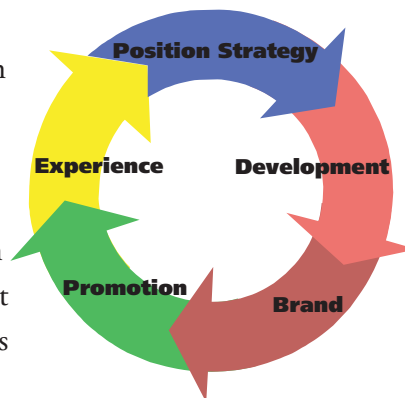
goods and services. Furthermore, each destination somehow always manages to lie in the most optimum location along the shipping routes. In fact, each agency seems to have the same map, only the concentric circles are centered in a different location to indicate that all roads lead to Rome... or Frankfurt... or Hong Kong... or Willemstad.

In more straight forward terms, we are in the midst of ever-increasing global competitiveness where a “me-too” positioning strategy is only effective for super economies like the United States. Almost every other destination has to create a competitive advantage out of the optimum application of its comparative advantages and by finding the niches where it can outperform the world, or at least the region. Only then, can it develop a proper positioning strategy, and only with a well-conceived positioning strategy in mind, should any attempt at brand promotion be attempted.

Curaçao has both an advantage and a disadvantage with respect to positioning and brand awareness. Outside of the Netherlands and perhaps Venezuela, Curaçao is barely known in major markets such as the United States. From a negative perspective, there is little brand awareness on which to build. On the

positive side, there is no negative brand image to be overcome, and the opportunity exists to create both an economic development strategy and a brand positioning campaign that are in complete alignment.

With respect to strategy, Curaçao is in need of a vision and a strategic roadmap for economic development. It is believed that in addition to the intrinsic value of this vision and strategy, it will serve as a tool to help unify, stimulate, and orchestrate the development initiatives of both the public and private sectors. The purpose of this paper is to offer suggested guidelines for a proposed synchronized strategy and positioning initiative.



## 2 CURAÇAO'S STRENGTHS AND WEAKNESSES

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In developing a competitive strategy, it is first helpful to inventory assets and assess strengths as well as to determine liabilities and areas of weakness. From this analysis, a country or region's comparative advantages and disadvantages become clear and certain strategic imperatives for development are immediately obvious. In the best scenarios, weaknesses can be converted to strengths and competitive advantages can be created. As a minimum, strengths and weaknesses should serve as a guide for strategically positioning the product (in this case Curaçao) to its best advantage. For the most part, Curaçao's strengths and weaknesses will be viewed from the perspective of a potential investor and to an indirect degree, that of a tourist.

### **CURAÇAO'S STRENGTHS, ADVANTAGES, AND INVESTOR INCENTIVES**

#### *Sophisticated Financial Sector*

Curaçao's financial services sector is quite advanced and many of the world's leading financial institutions and non-banking financial intermediaries have offices in Willemstad. The financial sector is supported by a number of international banks offering a wide scale of internationally required services. All of the larger international audit firms are represented in Curaçao. Legal practitioners and tax advisors are sophisticated in providing expert advice in the fields of international corporate and tax law. Curaçao's banks, trust offices, and other financial institutions have the resources and technical capabilities to accommodate all the requirements of its international clientele and their various methods of payment.

The commercial banks are also equipped with trust, insurance, and investment departments that provide local and international services. The banking system provides both local and international services in an environment of confidentiality, while ensuring security, credibility, and stability.

This sector became significant in the 1930s, when many Dutch companies moved their domiciles to the

Netherlands Antilles prior to World War II. When the Second World War ended, the government established a policy environment (such as the provision of tax concessions and bilateral tax agreement with the United States and the Netherlands) aimed at ensuring that these companies would stay in the Netherlands Antilles. Since the war the Netherlands Antilles government has followed a consistent policy of encouragement towards international holding, finance, property and licensing companies, mutual funds and offshore banking. By the mid-1960s, the Netherlands Antilles, particularly Curaçao, had become a well-known international financial center.

As part of the further development of Curaçao as an international financial center, a Securities Exchange became operational in 2000. The Exchange is called International Financial Center & Exchange (IFCE) of Curaçao. IFCE serves as an international facility for member organizations through which the members can have access to securities exchanges around the world. In addition, IFCE also has a Securities Trading System, which allows trading members to place orders for their clients or for their own account. These securities may include mutual funds and other financial instruments.

#### **FAVORABLE TAX TREATIES**

The Netherlands Antilles benefits from a number of preferential trade arrangements within the Council Decision of the Association of the Overseas Countries and Territories

(OCTs) with the European Community. The Directorate of Economic Affairs plans to promote services (e.g. telemarketing) under this arrangement, which offers preferential treatment to the Netherlands Antilles with respect to originating product, cumulation of value added, derogation and transshipment (under negotiation).

The Netherlands Antilles also benefits from the unilateral preferential tariff treatment granted by the United States to 24 “beneficiary countries” qualifying under the 1983 Caribbean Basin Initiative (CBI) and under the 1990 Caribbean Basin Economic Recovery Expansion Act (CBI II), which was given new impetus with the Caribbean Basin Trade Partnership Act (CBTPA), effective since October 2000.

An important provision of the CBI II is the permanent extension of the duty free treatment of most goods produced in a CBI country upon entering the US market if the product fulfills the following criteria:

1. It is imported directly from Curaçao into US customs territory
2. It meets the 35 percent local value added requirement – only direct processing costs in one or more CBI countries are considered to be value added. US origin materials may be counted towards 15 percent of the 35 percent.
3. It conforms to the substantial transformation requirement, i.e. the final product should be new and different from the foreign materials used in its manufacture.
4. If components used in the processing in Curaçao are of 100 percent US origin, then requirement 2 and 3 will be omitted (for items other than textiles, oil and oil products).

Under the new Trade and Development Act passed in January 2000, apparel articles now can enter the US market free of duty without quantitative restrictions. Duty/quota-free treatment is also available for certain knit apparel made in CBTPA beneficiary countries from fabrics formed in the Caribbean Basin region, provided that U.S. yarns are used in forming the fabric. New

duty/quota free treatment will also be available for apparel made in the CBI from fabrics determined to be in “short supply” in the United States, and for designated “hand-loomed, handmade, or folklore” articles.

### **TAX STRUCTURE**

In response to the IMF recommendations, the Netherlands Antilles has introduced a new fiscal framework, which aims at 1) repealing the tax regime for offshore companies so that the Netherlands Antilles will no longer be characterized as a tax haven; and 2) concluding favorable tax arrangements with the Netherlands and other countries so that investing in the NA becomes more attractive for companies. The main elements of the new fiscal framework are as follows:

- *Transitional rule:* The new fiscal framework bill provides for a transitional rule granting the advantages of the present regime to existing companies which on the date prior to the date of entry into force of the new fiscal framework benefit from the offshore regime for a maximum period of, generally, up to and including the year 2019.
- Current corporate tax is levied at 35 percent, which is within the international average range (35-40%). The Netherlands Antilles has obtained the Qualified Intermediary status from the US Internal Revenue Service, which

means that a qualified intermediary is exempted from 30 percent withholding tax on payment made to a foreign entity.

- In the past, the Netherlands Antilles had treaties with a number of countries including the United States and the United Kingdom. Most of these treaties have lapsed, and the only remaining double taxation treaty as such is with Norway. One of the motives behind the introduction of the new fiscal framework is to be able to re-enter in the negotiation of double taxation treaties. It is worth pointing out that on April 17, 2002, the Netherlands Antilles and the United States signed a Tax Information Exchange Agreement.

### **INVESTMENT INCENTIVES**

In order to attract investment in certain sectors, the Netherlands Antilles provides clearly stated incentive schemes for four sectors – hotel, manufacturing, land development and e-commerce (see Table below). In addition, tax incentives are also available for “selected” business entities. Since the fifth category is not sector-specific, in reality, fiscal incentives are available to businesses operating in any sector. This provides ample room for the government to operate at its discretion.

**TABLE 1. FISCAL INCENTIVES FOR SECTORAL PROMOTION**

	<b>HOTEL</b>	<b>MANUFACTURING</b>	<b>LAND DEVELOPMENT</b>	<b>E-COMMERCE</b>	<b>OTHERS</b>
<b>CRITERIA</b>	Limited liability company	Limited liability company in non-oil sector	Limited liability company	First need to be admitted to the economic zone area	
<b>MINIMUM INVESTMENT REQUIREMENT</b>	US\$550,000 (if renovation, US\$165,000)	US\$137,500	US\$1,100,000 excluding the value of the land		US\$137,500
<b>OTHER REQUIREMENT</b>		Create at least 5 permanent jobs	Investment needs to be made within 5 years of the date of the Central Decision		Create at least 5 permanent jobs to persons born in the NA
<b>CORPORATE TAX</b>	2% for maximum of 11 years	2% for maximum of 11 years, but at the latest for the year 2009		2% till December 2025	2% for a period of 11 years
<b>OTHER TAX</b>			2% on the profit obtained by the sale of developed land for maximum of 15 years	Exemption of turnover tax and excises	
<b>EXEMPTIONS OF IMPORT DUTIES</b>	On materials and goods required for construction and initial furnishing of the hotel's premises (in case of renovation, exemption is for two years)	On materials and goods required for construction and initial equipment of the industry's premises, as well as packaging material, machinery, raw materials, semi-manufactured articles and accessory means necessary for the industrial process	On materials and goods intended for the laying out of roads, on construction of real estate and on the laying out or construction of locations for amusement purposes	Exempted	On materials and on goods required for construction and initial capital equipment (includes expansions) of the business' premises. In addition, exemption from import duties for a period of 10 years at the most on raw materials and semi-manufactured articles, as far as these components are processed by the company.
<b>EXEMPTION OF LAND TAX</b>	On hotel's premise for 10 years after becoming taxable	On the industry's premise for maximum 11 years after becoming taxable, but no later than 2009	As long as the plots of land, which are being developed, are not let out		On the business' premises for 10 years after becoming taxable
<b>EXEMPTION OF OCCUPANCY TAX</b>	On the use of the hotel's land for 1 year after the start-up of the hotel	On the use of the industry's land for maximum of 11 years, but not later than 2009	Due to the use of the company's plots		On the use of the business' land premises, after becoming taxable
<b>EXEMPTION FROM PERSONAL INCOME TAX</b>	On income earned from dividends and other distribution of profits within two years after the fiscal year in which the profit was obtained	On income earned from dividends and other distribution of profits within two years after the fiscal year in which the profit was obtained	On income earned from dividends and other distribution of profits within two years after the fiscal year in which the profit was obtained	Employees who lived outside the NA for more than 5 years can qualify for an expatriate status	On income earned from dividends and other distribution of profits within two years after the fiscal year in which the profit was obtained
<b>FOREIGN EXCHANGE LICENSE FEES</b>				Upon request, the Central Bank will grant an exemption from the payment of foreign exchange license fee charges for merchandise transactions	

Other Incentives are available to foreign investors including duty free building materials, machinery and equipment; an annual investment allowance of 8 per cent on the total investments for the first two financial years; unlimited use of carry-over losses incurred over the first four years of the company's business. Financing assistance is available through OBNA and Korpodeko and trade agreements with the EU and USA are established.

Free trade zones (e-zones) are located at the harbor at Curaçao, and the international airport. The Economic Zones (free zones) are secure and permanently maintained. They are a distribution centre for export to the Caribbean, Americas and the EU. Locally produced products for export to the USA and EU are admitted without import duties. There is no customs duty imposed for imports, transshipment and/or export of goods. Twenty five percent of total sales may be made to the local market.

#### **PENSHONADO STATUS**

Since 1987 (with amendments in 1997) the Netherlands Antilles offers a favorable personal tax regime for retired people. The regime is available on the following conditions:

- The “pensionado” should be at least 50 years old on the date that he registers himself as a resident;
- The pensioner should not have lived in the Netherlands Antilles in the five years before making

the application for ‘pensionado’ status;

- The pensioner must own a house in the Netherlands Antilles with a value of at least NFl 450.000 (US\$253.000) for his personal use and available to him within 18 months after his registration as a resident;
- The application for favorable tax treatment must be filed within two months after registration as a resident;
- The “pensionado” has to provide employment to at least one employee for not less than 30 hours per week.

#### ***A “PENSHONADO” MAY CHOOSE BETWEEN TWO TAX REGIMES:***

- Worldwide income, not derived from business or employment within the Netherlands Antilles, including pension-rights of which at least 70% are externally funded, can be taxed at a flat 10% rate; or
- All foreign income will be fixed at NFl 500.000 (US\$281.000) and taxed at the normal progressive rates, which amounts to an effective tax of NFl 271.000 (US\$152.000).

Foreign income is considered to be all income from a foreign source, including non-resident (so called “offshore”) companies established in the Netherlands Antilles, all income from savings at local banks; and the rental-value of the house owned by the pensionado.

“Local” income is all income that the

*“Five languages are spoken in Curacao: (Dutch, English, Papiamentu, Spanish, and Portuguese) and most people speak at least four.”*

pensionado receives from employment in a company established in the Netherlands Antilles in which he owns 40% or more of the capital stock and/or income obtained as a director or officer of a company and/or income received from bonds issued by a local company. Local income is taxed at the normal tax-rate for local citizens. The pensionado may not enter into employment with a company in which he does not own at least 40% of the capital-stock.

### **ECONOMIC ZONE LAW**

There are two Economic (free trade) zones in Curaçao geared towards trading in goods and services: Harbor Free Zone, Airport Economic Zone, covering a total area of 61ha., multipurpose buildings are offered or land in long lease in a fully service park. Both zones managed by Curinde corporation, 85% owned by the Island Authority of Curaçao. These companies are permitted to export a max of 25% of their turnover to the Netherlands Antilles at normal import duties. The remaining 75% must be re-exported to third countries.

The economic zone law was enacted in 2000. The law targets companies that are engaged in international trade and its supporting activities, such as the following: storage, assembling, processing, packaging of goods, maintenance and repairs in the economic zone of goods pertaining to companies doing business outside of the Netherlands Antilles, maintenance and repair of machinery and other equipment located abroad using

goods stored in the economic zone and electronic commerce. Under the law, regardless of nationality, a legal entity with capital shares and which is admitted to the economic zone area can obtain the following benefits:

- 2 percent tax on the profit induced by exports until 2025;
- Exemption for turnover tax, exercises, import duties in the case of import, transshipment or export;
- Employees who lived outside the Netherlands Antilles for more than 5 years can qualify for an expatriate status. In addition, certain tax-free benefits may be granted to the employees of companies located in the economic zone

Upon request, the Central Bank will grant an exemption from the payment of foreign exchange license fee charges for merchandise transaction.

### **EUROPEAN UNION ACCESS AND PRIVILEGES**

In so far as the Netherlands Antilles applies the common import tariff of the EU single market, it can freely export products into the EU which it has sourced externally, without additional processing. Products originating in the Netherlands Antilles, or which have undergone 'substantial economic transformation' there, have EU origin.

Access to the European Market can provide a case for investing in Curaçao, particularly if such an investment fits the Curaçao economy for other reasons as well. There are certainly

opportunities for companies to establish value-added processing facilities in Curaçao that are most suitable for its competitive factors and enjoy duty-free entrance into the European Market. The key is to pick the right products and processing operations that conform to the regulations and leverage the competitive factors of Curaçao.

### **DUTCH RULE OF LAW**

Clearly, a distinct advantage of doing business in Curaçao is the fact that you are operating in a safe legal environment where the rule of law applies. Ultimate recourse rests with the ability to appeal to the Supreme Court of the Kingdom of the Netherlands in The Hague. This is the ultimate judicial body and retains the final word on all legal decisions. Locally, legal authority is exercised by the Court of First Instance and by the Joint High Court of Justice of the Netherlands Antilles and Aruba. The Chief Justice of the Joint High Court of Justice, its members (a maximum of 22) and the Attorney General of the Netherlands Antilles and of Aruba are all appointed for life by the Dutch monarch, after consultation with the Governments of the Netherlands Antilles and Aruba.

The Court of First Instance sits on all the individual islands, and each individual judge is also a member of the Joint High Court of Justice of the Netherlands Antilles and Aruba. The difference between the two levels of Court is that the Court of First Instance has only one judge ruling over the Court, while in the Joint High Court

of Appeals for the Netherlands Antilles and Aruba there are three judges that sit together to consider appeals.

### **GEO CULTURAL ADVANTAGES**

Not small among Curaçao's advantages are what can best be termed its "geo-cultural advantages." Geographically, Curaçao lies 35 miles off the coast of South America. It is strategically located in the Southern Caribbean at the cross-roads of trade routes between South America, the United States and Europe. Good sea and air connections exist and the airport is undergoing major expansion. The Ports of Curaçao are all natural, sheltered ports that offer safe, fast, efficient and reliable handling of both ships and cargo. As part of the Netherlands Antilles, it maintains close business, cultural, and tourism ties with Holland, and has a stable parliamentary democracy. Curaçao maintains special access to the European Union and the U.S. Market.

Most importantly, however, is the diversity of its people. Five languages are spoken in Curaçao: (Dutch, English, Papiamentu, Spanish, and Portuguese), and most people speak at least four. Papiamentu is a Creole language taken from Spanish, Portuguese, English, French, Dutch and West African, that is believed to have originated in the 17th century to enable slaves from different regions in Africa and their masters, and the slaves among themselves to communicate with one another. This language dexterity makes residents of Curaçao truly citizens of the world and

supports the development of Curaçao as a dynamic international service center.

Considering its small size, contemporary Curaçao has surprising ethnic and religious diversity. For much of its written history the island was home to just three major groups: the black majority, which was largely Catholic; the small Dutch Protestant aristocracy; and a small Sephardic Jewish elite. With the opening of the Royal Dutch Shell oil refinery (Isla) immigrants poured in from all over the world, recasting Curaçao as a multi-ethnic, diverse island. Each immigrant group has brought its own customs, food and religious practices, which have intermingled and adapted to local realities, creating a unique culture. Most groups are well-integrated into society today.

Curaçao clearly lies at the cultural cross-roads between Europe, Latin America, and North America. This cultural and geographic diversity supports the development of Curaçao as an international center of commerce, transshipments, education, fashion and retail, and entertainment, and creates the opportunity to leverage “cultural fusion” as a competitive strength.

### DEEP WATER PORT

The Ports of Curaçao are all natural, sheltered ports that offer safe, fast, efficient and reliable handling of both ships and cargo. Curaçao has always played an important role in international commerce due to its

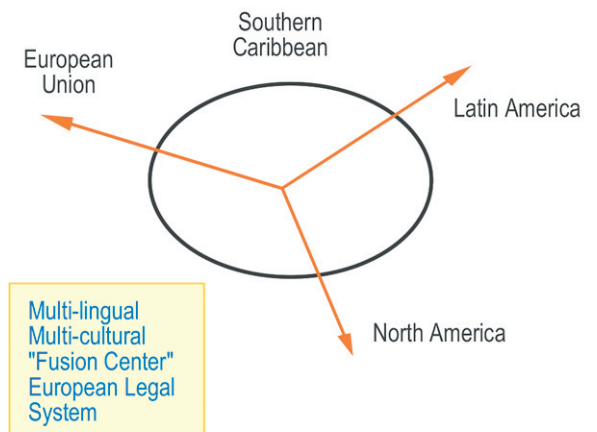
strategic location, stable political conditions and its deep and wide naturally sheltered main harbor, the Port of Willemstad. The Port of Willemstad has been recognized with the award: ‘Most Dependable Port 1997’ by the Caribbean Shipping Association.

The Port of Willemstad’s strategic geographical location with respect to the United States, South America and Europe is one of the major factors that has contributed in making Curaçao such an important regional transshipment hub for container shipping. In fact, the Port of Willemstad is the second biggest seaport in the Kingdom of the Netherlands, after Rotterdam, and definitely one of the two or three most modern and efficient ports in the wider Caribbean, featuring among others the best mooring facility for latest generation mega cruise ships,

State-of-the-art technology combined with quality service, make the Willemstad Container Terminal one of the largest and most reliable and efficient in the region. CPS offers general cargo, container, bulk, break-bulk, neo-bulk and transshipment handling, roll-on/roll-off facilities,

### Geo-Cultural Advantages

Leverage this natural advantage in terms of education, entertainment, focused business services and niche tourism



reefer facilities, stripping/stuffing and storage facilities at competitive rates and operates 24 hours a day, seven days a week, all year round. In January 1998 CPS became the first in the Caribbean to achieve the **ISO 9002 Certificate** Summa Cum Laude, for her entire administrative and operational activities. Add to this the fact that Curaçao is located off the main hurricane routes and you have the perfect gateway in the Caribbean.

#### **PROXIMITY TO SOUTH AMERICA**

As previously mentioned, Curaçao is only 35 miles from the coast of Venezuela. With its modern airport and port facilities, combined with an advanced financial sector, stable government, Dutch legal system, Curaçao suddenly makes sense as a transshipment hub and regional headquarters. Flights to most Caribbean and Latin American destinations are convenient, and Curaçao provides a safe, sophisticated business environment in which to operate supported by highly educated and linguistically agile staff.

#### **MODERN AIRPORT**

In August 2003, Curaçao Airport Partners, a consortium led by Alterra Partners, took over the operations of Curaçao International Airport. Alterra is owned 50 percent by the US leading infrastructure developer, Bechtel Enterprises, and 50 percent by Singapore Changi Airport Enterprise, a wholly owned subsidiary of the Civil Aviation Authority of Singapore. The consortium also includes Trabajos

Industriales y Mecanos, a private Venezuelan company, which, through its subsidiaries, affiliates and associated companies, has twenty-six years experience in civil, mechanical and electrical engineering projects as well as property development in Venezuela and the Caribbean. The third partner is Janssen de Jong Caribbean, a Dutch-owned firm with more than fifty years of experience in the implementation of infrastructure and civil construction projects in the Netherlands and the Caribbean.

The Alterra Consortium will design and build a new terminal, upgrade the service level, and operate the terminal, as well as transfer technical and



operational know-how to the Curaçao Airport team. This upgrade will provide opportunities for retail and industrial development in and around the airport. Specific opportunities in retail, commercial, and industrial development

will emerge with the airport upgrade and the development of ancillary and surrounding properties. As Curaçao's airport continues to gain prominence in the region and the overall economic development of the island accelerates, investors should look closely at this sector. Most importantly, the improved airport will enhance the ability of Curaçao to serve as a transshipment hub for goods, a center for business services, a thriving tourism destination, and a center of education and culture in the region.

#### **RELIABLE AND DEPENDABLE INFRASTRUCTURE**

In 2001, Aqualetra, a state-owned provider of electricity and water, formed a partnership with US-based Mirant Corporation to improve the efficiency of its operations. The consortium of US-based Mirant and the Mitsubishi Corporation through a "Build-Own-Operate" scheme, have played an important role in the restructuring of electricity and water distribution in Curaçao. They entered into an agreement with the government of Curaçao which agreed that the consortium would build a plant and operate it for the next 20 years. In 2001 Mirant acquired 100 percent preferred convertible stock in Integrated Utility Holding (IUH) at US\$40 million. Mirant also entered into a formal partnership with Aqualetra, the state-owned enterprise, to provide technical knowledge including fuel analysis, formulation of fuel hedging strategy, and preparation of proposals for the

structure of a regulatory board, through its wholly owned subsidiary, Curaçao Utility Operating Company (CUOC). In addition, Mirant has invested in the construction of additional facilities at Isla Refinery – US\$24 million in 2001 and US\$16 million in 2002.

#### **CULTURAL EXPERIENCES, LEISURE, AND EDUTAINMENT**

Curaçao's tourism promotion slogan is "Real. Different." Curaçao is certainly different from most Caribbean destinations. While an abundance of sun, sand, and sea abound, Curaçao first sets itself apart by the landscape. Curaçao has an arid climate and you will see more cactus than palm trees. Its beaches are often secluded coves, most quiet and undisturbed by crash commercialism. You won't find tourists traps on Curaçao, what you will find is something different, and in fact, something very real.

When you visit Curaçao, you are not locked into an all-inclusive resort or paraded through theme parks. You immediately become a part of the fabric of the community. Many hotels such as the Kura Hulanda or the Avilla are cultural experiences in and of themselves. Small restaurants can be found along the roadside serving fine European and Island cuisine and you don't have to take a tour bus to enjoy them. Curaçao is "real" in the sense that as a tourist you can truly relax in a no-hassle environment and experience the many cultural and culinary delights that Curaçao offers.

Curaçao has some of the best diving in the Caribbean. The Western part of the island in particular has a number of small dive hotels, dive boats, and dive shops. Golf, fishing, drag racing and other leisure activities are easily accessible. Curaçao is home to the oldest Synagogue in the western hemisphere, and has the largest number of museums per capita in the world. Many experiences such as the Seaquarium offer an “edutainment experience.” Plans are underway to develop the Otrabanda waterfront into a nightlife oasis. The diversity of Curaçao adds spice to this cultural experience, and the safe pedestrian friendly areas of Punda and Otrabanda enhance the campus-like feel to the island.

#### **SAFE, FRIENDLY, AND VERY LIVABLE QUALITY OF LIFE**

Because of the relatively safe, pedestrian friendly environment of Curaçao; its rich cultural and entertainment experiences, the advanced business sector, and general quality of life, Curaçao is the perfect retirement home, second home, corporate retreat, and regional headquarters. Hassle-free, Curaçao sets itself apart from other Caribbean destinations suffering from crime and poverty; or overdeveloped with crass commercial tourist. It is simply an engaging place to visit for the sophisticated and discriminating tourist, a great place to live for someone seeking a relaxing home with a vibrant society, and an intelligent place to set up a business service type company. The campus-like feel of

Punda and Otrabanda certainly support the education focus and are idea for Corporate training type activities. The Tourist Board slogan is on the mark: Curaçao is real. Curaçao is different.

#### **LIVING HISTORY**

Beginning with the capital city of Willemstad, which is one of UNESCO’s 80-something World Heritage sites, Curaçao has preserved its history and that of the Caribbean in what could be termed a living museum. Curaçao is home to the oldest synagogue in the western hemisphere.

The Kura Hulanda hotel is a living museum with artifacts from China, Africa, and the Caribbean.

The African Slave Museum explores the tragic history that shaped so much of Curaçao’s history and that of the Caribbean.

In fact, Curaçao has more museums per capita than any country in the world, making a visit to Curaçao an enriching and rewarding experience.



### 3

## CURAÇAO'S ECONOMIC DISADVANTAGES AND STRATEGIC WEAKNESSES

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### *GOVERNMENT DEBT*

The underlying problem of the Netherlands Antilles remains its persistent fiscal deficit running at an average of 4 percent of GDP during the last decade. As a result, the government resources to invest in infrastructure and education, and foster growth, have been quite limited. The IMF recommended a fiscal adjustment program in 1997, which expired in 1998. In 1999, the IMF once again stressed the need for an adjustment program. The government of the Netherlands Antilles and the IMF signed a memorandum of agreement on an economic policy reform agenda in 2000. Meanwhile, the government of the Netherlands Antilles received an injection of US\$61 million from the Netherlands through IMF and also reached an agreement with the Netherlands on a moratorium on interest payments for 2000 and 2001.

The fiscal deficit is not expected to improve in the near future – in fact, for 2003 the budget deficit is expected to increase to 8 percent of GDP. According to the most recent data available (2003), the country's share of total debt to GDP has been around 80 percent in the last few years, which is a much higher level than for most economies in Latin America and the Caribbean. There are two obvious ways to concur the deficit issue; cut

government spending and grow the economy. This implies liberalization and privatization coupled with an intelligent economic development strategy that builds on natural advantages.

### **SMALL SCALE OF OVERALL ECONOMY**

In terms of size, Curaçao is a small island of 444 square kilometers (170 square miles), 130-thousand inhabitants and a working population of just over 60-thousand, of whom 80% are employed by the private sector and the rest by government and semi-public entities. Whether you are viewing the economy from the perspective of production (labor force) or the market opportunity (consumers), it is difficult in either case to find the economies that will result in an efficient operation or create sufficient demand to justify an investment based purely on the local market. As a result the most promising opportunities in Curaçao involve export markets, transshipments, electronic commerce, international services, tourism, and education, all of which leverage an international market.

### **LACK OF BRAND AWARENESS**

It is hardly an exaggeration to say that the first question tourists and investors alike ask when it is suggested that they consider Curaçao, is “where is Curaçao.” Located somewhat remotely

in the Southern Caribbean and having natural ties to Holland, Curaçao has never found its voice when promoting itself internationally, particularly to the North American market. Lack of a coordinated economic development vision have also contributed to this lack of brand awareness, and clearly some directed promotion is called for, but first Curaçao must determine its best niches and therefore its positioning strategy.

“It is hardly an exaggeration to say that the first question tourists and investors alike ask when it is suggested that they consider Curaçao, is ‘where is Curaçao?’”

#### **RELATIVELY UNCOMPETITIVE FACTOR COSTS**

According to the latest figures, Curaçao’s population enjoys an average annual income of the equivalent of US\$ 14,000 which reflects in the relatively high standard of living if you’re on the island but is often a disadvantage when applying for European development aid to finance infrastructural projects that –despite the standard of living -- are way too expensive for the small-scale economy. Most of the 52,000 active workers are employed in the consumer services sector, the hospitality sector, the financial and business services sector, construction, manufacturing and oil industry, and another 8000 are registered as unemployed. Curaçao thrives on foreign exchange income from tourism, services and family transfers from Holland part of which finances imports (about 90% of

everything that’s consumed on the island is imported). Also, while utilities and telecommunication costs are some of the most reliable in the Caribbean and quite competitive, the overall cost factors on the island coupled with the small economies of scale, ensure that Curaçao can never compete purely on a low-cost basis. The emphasis must be on higher value-added services and intellectual capital.

#### ***A MIXED BLESSING:***

#### **CURAÇAO’S GEOGRAPHIC CHARACTERISTICS**

Curaçao’s climate is relatively arid and its terrain more like Arizona than Jamaica, making it a somewhat unique destination in the Caribbean for tourists accustomed to tropical rain forests and dense fauna and flora. Because of the harsh wave action of the deep surrounding sea, Curaçao also does not have many long, wide flat sandy beaches. Instead, it has a number of secluded coves that conjure up images from the movie “From Here to Eternity.” Getting relatively little rain, Curaçao has excellent lighting for movie and photo shoots, and very interesting terrain including underwater caves, and prairie-like hills dotted with cactus.

*“It is hardly an exaggeration to say that the first question tourists and investors alike ask when it is suggested that they consider Curaçao, is ‘where is Curaçao?’”*

## 4 Analysis

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Based on Curaçao's Strengths and weaknesses, certain conclusions are obvious. Because of the small scale of Curaçao's economic base and relatively high cost of doing business, successful sustainable development can only be achieved by a targeted niche strategy that fully leverages Curaçao's comparative and competitive advantages. Because there is not enough local demand to build competitive strength in any major sector, advantages clearly lie in service industries that cater to the international marketplace. Because cheap labor is not available to serve basic manufacturing or industrial sectors, service industries that require a more educated population must be pursued. Finally, Curacao's competitive advantages provided by its ports, airport, geography, and unique cultural experience, must be leveraged. The resulting industries that fall from such an analysis are obviously niches within

tourism, transshipments, education, entertainment, financial and business services, and electronic commerce

Because of its small size and uniqueness, Curaçao's tourism promotion strategy should not focus on the mass market, but rather those segments that appreciate the experience that Curaçao offers; that of a very real, different, sophisticated, and culturally enriching experience that is best appreciated by a more experienced and discriminating traveler. Once this niche is established, it becomes possible to create a strategy to grow the business services side of the business by leveraging education as the linchpin, and then spiraling upward on the strengths of the port, airport, and taking advantage of being at the cultural crossroads between Europe, Latin America, and the United States.

## 5 The Strategy of Education and Sophistication

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Clearly, Curaçao's economic development strategy must be focused, and its target markets for all sectors, must be carefully segmented. As previously stated, the small size of Curaçao's economy demands a focus on niche service industries that serve international markets and leverage its ports, airport, and geo cultural advantages. Because of its disadvantage in cost factors, it must compete in services that are higher value-added and do not compete on cost alone. Such a focus is most effective if sectors are nurtured to achieve sustained growth and to grow synergistically. Such a strategy should also be accompanied by clear positioning to capture mindshare in the world of international investors as well as to unify the local economic forces into a complementary development effort. Most importantly, it requires a catalyst to stimulate this growth and an engine to drive it.

“The small size of Curaçao's economy demands a focus on niche service industries that serve international markets and leverage its ports, airport, and geo cultural advantages.”

A suggested strategy that meets these requirements can be termed “Education & Sophistication.” Curaçao's defining characteristic, both in terms of business services and tourism experience is one

of sophistication. It can be argued that true sophistication is a product of education; and this applies to Curaçao whether it be the intellectual capital that exists in its financial sector, its many museums the edutainment nature of its activities, or the campus-like feel to Punda and Otrabanda. Accordingly, education can be the industry that fuels and defines tourism, business services, and entertainment. More importantly, education brings people to Curaçao and reverses the brain drain. It creates demand for airlift, exposes Curaçao to potential tourists and business persons, and creates the intellectual capital that can drive industrial development which in the end feeds the transshipment sector.

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This strategy of “Education and Sophistication” requires an immediate two-pronged approach from a development point of view: a focus on developing the education industry and attracting the sophisticated tourist. Investment in these two initiatives

*“Continuous improvement toward global competitiveness includes the measurement of growth in human capital. Therefore, the measurement of the total population's inclusion in education and social development, social values, as well as competitive skill development, must be benchmarked against global standards.”*

will create a corresponding demand in their respective sectors but also will create demand and opportunities in the business services and entertainment sectors. When put together, the result is a cluster strategy of education, experience, niche tourism, and business services.

This cluster strategy will be explained in more detail later in this paper. However, it is important to note that the economic multipliers do not begin and end with education or even these clusters. In fact they both leverage and support the transportation/logistics and telecommunication sectors. In particular, the airport supports the inflow of students, teachers and parents needed to support the education sector and this demand increases the need for airlift. As the workforce becomes more educated, and therefore more competitive, transshipments increase, leveraging and expanding port facilities, telecom, and ecommerce. Increased travelers to the island support international fashion and shopping. Education enriches the cultural experience, attracting more tourists and retirees and creating a brand as an outcome of success. Education and tourism exposes the island to more tourists and immigrants spawning retail and residential development.

### EDUCATION - AS AN INDUSTRY

When speaking of education it is important to view education from three angles. Traditionally and historically education is thought of as a social obligation and necessity. Education is



increasingly taking on a more dynamic and important role in the global knowledge community that is driving a great deal of economic growth. In this context and in the context of economic development it is important to view education first and foremost as an industry, next as an economic development multiplier, and finally as a tool for creating intellectual capital.

As an industry, education is not dependant on a low-cost labor wage. In fact, it is possible to be quite competitive with a relatively high

standard of living. Further, the ethnic diversity and multi-lingual abilities of the population create the right environment to bring in students from all over the world and certainly the region for an enriching cross-cultural experience. Opportunities exist to create a European, United States, and South American curriculum for higher education and to benchmark best practices in trades, arts, and other forms of education. As an industry, education can be a strong generator of foreign exchange. Students pay tuition and students and teachers alike live on the economy and stay much longer than tourists.

#### **EDUCATION AS AN ECONOMIC DEVELOPMENT MULTIPLIER AND AS A CATALYST TO GROWTH**

Education also has the most potential of any industry sector to have a multiplying affect on the economy. Aside from the direct benefits of tuition, inflows of students generate a demand for housing and retail development as they spend their money on the economy. Parents come to visit, visiting professors come and go, each creating a demand for airlift, hotels, and services. Most importantly, they become exposed to the charm that is Curaçao and are likely to return. Education potentially brings more people to Curaçao from the United States, Europe, South America and the southern Caribbean. All segments of the economy from taxis to restaurants to museums to dive shops benefit from this reverse brain drain and the foreign exchange multiplies through the economy.

#### **EDUCATION TO CREATE INTELLECTUAL CAPITAL AND A SKILLED WORKFORCE**

The legacy of creating a strong education industry is that it generates and nurtures a pool of intellectual capital which is the driver of the new economy and creates an educated and skilled workforce. By reversing the brain drain and bringing students to Curaçao to study from Europe, North America, South American and the Caribbean, Curaçao will replenish its intellectual capital and stimulate its economy while building the fundamental requirements to compete in the global economy.

#### **EDUCATION AS AN IDENTITY**

Finally, by investing in education, Curaçao creates its own identity as the island of education and sophistication. The first step in positioning the island and creating a brand which will ultimately emerge as an outcome of successful development efforts. Simply by striving towards this vision, an identity will be enhanced that will have its own effect of the development process.

#### **ENTERTAINMENT – “THE CURAÇAO EXPERIENCE”**

In terms of Curaçao’s strategic positioning, the reality of scale as well as existing advantages must be taken into account. This is true as well of the entertainment cluster, which in the case of Curaçao can best be termed the “Curaçao Experience.” Curaçao’s entertainment strategy should be closely akin to an “edutainment” strategy. The sophisticated and enriching

*“The small size of Curaçao’s economy demands a focus on niche service industries that serve international markets and leverage its ports, airport, and geo cultural advantages.”*

environment that already exists in the areas of fine dining, museums, dolphin therapy, etc. should be augmented and enhanced by investments in the arts. Entrepreneurs investing in these areas should be encouraged. Diving as a natural advantage should be leveraged, emphasizing the edutainment area, possibly in cooperation with an aqua-marine educational institution. Baseball training camps, an entertainment district on the Otrabanda waterfront, drag racing, golf, sailing, and fishing should all be encouraged on a scale that is appropriate for Curaçao.

Curaçao can also leverage its historical treasures. Historical Willemstad's UNESCO registration should be exploited, along with the Mikveh Israel Synagogue, the Maritime Museum, the Slave Museum, and others. Cultural fusion and geocultural ties to Europe, South America, and North America can be exploited in areas of art, cuisine, fashion, and retail. Nurturing these types of entertainment builds on the assets that are in place, leverage natural comparative advantages and synergistically enhances the experience that is Curaçao.

In all cases, entertainment on Curaçao that enriches and reinforces the quality of life and the sophisticated tourism experience is desirable. Efforts to attract entrepreneurs in these areas should be pursued. The next step is to segment and target the corresponding markets that enjoy these experiences, which dovetails into the tourism strategy. In

particular, those experiences that have a sophisticated and/or educational aspect are most desirable.

#### **TOURISM**

Clearly Curaçao has a great potential as a tourism destination. However, the past decade has seen only a moderate increase in tourist and tourism development while neighboring Aruba has seen a boom in tourism, particularly from the United State. This is partly due to the absence of a strategy and consistent and sustained marketing effort. It is also due to the fact that Curaçao is a very different destination from Aruba or most Caribbean locales. As a result, a “me-too” approach of promoting only sun, sand, and sea is not effective.

Curaçao is different from most Caribbean destinations and that is in fact a great strength. The difficulty comes in identifying both the appeal and the corresponding target markets and then segmenting these markets to support an effective promotions campaign. The place to start is with a recap of Curaçao's assets from a tourism perspective:

- Curaçao offers a unique experience that goes beyond sun, sand, and sea
- Curaçao offers a rich historical and cultural experience
- Curaçao is safe, friendly, and hassle free
- Curaçao has an air of authenticity about it and the tourism experience does not feel contrived

- Curaçao is very livable and offers a great quality of life
- Curaçao has some of the best diving in the world and this asset is under utilized. Curaçao also has sun, sand, and sea.
- The Curacao experience is one of comfortable laid back sophistication where one feels more like a visitor than a tourist

It is important that investments in the tourism sector be encouraged that accentuate the uniqueness of the island. “Education & Sophistication” can be more than a strategy; it can in fact come to define the “Curaçao Experience.” Investments in art, dining, entertainment and edutainment add to the quality of life and authenticity which allows Curaçao to target the “sophisticated tourist.” This tourist may have done the all-inclusive super club on other island and be looking for something different. They simply prefer a more authentic experience, or be looking for a second home. They may be on an executive retreat or want to be in a setting that stimulates the muse of a writer or artist.

Obviously, a Caribbean island must pursue tourism. However, the premise as was laid out at the beginning of this paper is that a “me-too” tourism promotional strategy that emphasizes sun, sand, and sea will be less than effective in competing with larger Caribbean destinations with a stronger brand. When the education and entertainment clusters are

overlapped, a unique “sophisticated” tourism experience begins to emerge. Accordingly, a segmented and targeted tourism promotional campaign should be orchestrated to reach the “sophisticated tourists”

### **THE SOPHISTICATED TOURIST**

The Sophisticated Tourist can come from many walks of life and may be easier to define by what they are not, than what they are. The sophisticated tourist as defined here is not looking for organized entertainment such as found at a theme park or all-inclusive resort. They are not looking to have their vacation packaged for them, and they are not satisfied with only sun, sand, and sea, particularly if they are isolated from the culture they are visiting.

The sophisticated tourist wants to experience the culture of their destination; they do not want to be locked up on a resort compound. They are often seeking a personally enriching experience, fitting with the edutainment strategy. The sophisticated tourist is seeking an experience, and may be better described as a visitor than a tourist. They are looking for something different, something authentic, and perhaps something relatively undiscovered. Curaçao is well-equipped to serve this diverse market by developing and promoting its natural advantages.

The sophisticated tourist is seeking an experience, and may be better described as a visitor than a tourist.

### THE EDUCATION TOURIST

By investing in and encouraging the development of a vibrant, robust, and diverse education industry, a new type of tourist can be targeted. Students and Faculty from North America, South America, and Europe can be targeted for both long-term and short-term educational experiences. Targeted education and edutainment programs such as dolphin therapy and art schools leverage the fusion culture and geocultural advantages of Curaçao and expose these influential persons, their family, and their friends to Curaçao.

Regionally, a great opportunity to attract students from South America and the southern Caribbean exists in higher education as well as vocational training. The Caribbean International University at the World Trade Center is a good model for this type of approach. Tailoring tourism experiences for this segment is also recommended.

### THE HERITAGE TOURIST

This segment also includes those tourists seeking an educational or enriching experience. Ethnic groups wishing to explore Jewish, Caribbean, or African Heritage should be targeted. Also, travelers seeking diving and

aquamarine education represent promising segments as well.

With more museums per capita than any other country in the world, the oldest synagogue in the western hemisphere, a rich African and Caribbean history, Curaçao is a natural destination for ethnic and heritage tourism.

### THE BUSINESS TOURIST

The business tourist is certainly a prime target as they tend to stay shorter lengths of time, but spend substantially more. When the education industry is properly developed and promoted along with the sophisticated “Curaçao Experience” created by the entertainment sector, the natural attributes of Curaçao’s sun, sand, and sea along with no-hassle campus-like environment



create the perfect setting for corporate retreats. Add to the already advanced Financial Services sector, investments in conferencing facilities, and the right ingredients exist to position Curaçao as the place to hold executive retreats, corporate training, conferences, conventions, and trade shows. A well-orchestrated and targeted marketing campaign can then exploit this lucrative segment.

### **THE ACTIVE TOURIST**

Curacao offers the perfect balance between activities and adventures and comfort and convenience. For the tourist that would rather explore and experience, Curacao is the natural alternative to the all-inclusive super resort destinations.

### **THE RETIRING TOURIST**

Curaçao's authentic, safe, sophisticated environment and high quality of life is ideal for a second home or retirement home. This segment should be targeted aggressively, particularly in North America and in Europe. Additionally, U.S. baby boomers are approaching retirement age to coin a generational expression most have "been there, done that, and have the T-shirt to prove it." They are now looking for the next real experience, something authentic, and something "sophisticated."

This large segment with a great deal of discretionary spending power, can not be ignored.

### **BUSINESS SERVICES**

As outlined earlier in this paper, Curaçao has a very advanced financial services sector. While this sector is globally competitive, it is also very specialized and difficult to leverage into other aspect of Curaçao's economy. However, by investing in the clusters of education, entertainment, and sophisticated tourism, the opportunity exists to leverage this sector in the promotion of business services.

Again, it must be kept in mind that the relatively small scale of Curaçao's economy limits the ability to compete broadly in all sectors. However, as the island of "Education and Sophistication," the opportunity exists to tailor executive and vocational training for executives. With the appropriate conference facilities, executive retreats, trade shows, and business conferences can be attracted. Obviously, it would make sense to encourage conferences around global financial and tax issues, education, transportation and ports, as well as trade and commerce issues between the U.S., the E.U., the Caribbean, and South America. Incentive Travel promotion dovetails nicely with the executive retreat market, and exposes high income potential tourists to the Curaçao Experience. By focusing on technology conferences, the ecommerce sector can be stimulated. The ultimate success that might result from a focus on the business services cluster would be the establishment of regional corporate headquarters.

Curaçao can potentially carve a small niche in the regional headquarters segment, particularly by focusing on areas that serve the Caribbean and Latin America while leveraging Curaçao's natural advantages. Logistics, Transportation, legal, financial, and E-commerce companies are a natural fit and efforts should be made to create an environment attractive to these segments.

## 6 THE VALUE OF STRATEGIC PLANNING

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In its simplest sense, strategic planning provides a road-map for abbreviated decision-making. After the necessary research and analysis is completed in the context of long-range planning, tactical decisions can be made faster and with less analysis based on their fit with the strategic framework developed. Additionally, by choosing a strategy, a choice and commitment are made. Even if the analysis that supported the development of a strategy is flawed, there is inherent value in the focus and follow-up that such a choice and commitment commands.

A strategic vision and roadmap also provides guidance and direction that can synchronize efforts of entrepreneurs, governments, supporting institutions, and existing businesses. It helps the community position itself by speaking in common language, and inspires entrepreneurs to invest in areas that are consistent with the strategy. To the external world this creates an identity as branding is an outcome of the execution of a strategy. To the extent that supporting institutions can be developed and government policy can be formulated to encourage and nurture development in align with the strategy, true competitive advantage can be created. To this end, it is strongly recommended that Curaçao adopt a vision and strategy for economic

development and it is suggested that a cluster strategy as described below be a fundamental part of this strategy.

### CLUSTER STRATEGIES

What are Clusters? Clusters are groups of inter-related industries. They have two key elements. Firstly, firms in the cluster must be linked. Secondly, groups of inter-linked companies locate in close proximity to one other. In the words of strategy guru Michael Porter, “clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions such as universities, standards agencies, and trade associations in particular fields that compete but also cooperate.”

### WHY CLUSTERS?

Clustering can bring a wide range of benefits to both business and the wider economy. These include:

- Increased levels of expertise. This provides sourcing companies with a greater depth to their supply chain and allows for the potential of inter-firm learning and co-operation.
- The ability of firms to draw together complimentary skills in order to bid for large pieces of work that as individual units they

would be unable to compete for.

- The potential for economies of scale to be realized by further specializing production within each firm, by joint purchasing of common raw materials to attract bulk discounts or by joint marketing.
- Strengthening social and other informal links, leading to the creation of new ideas and new businesses.
- Improved information flows within a cluster, for example, enabling finance providers to judge who the good entrepreneurs are and business people to find who provides good support services.
- The creation of an identity to external investors and a vision that can help synchronize public and private initiatives.
- By combining clusters, development becomes synergistic and self supporting accelerating the overall economic development and the development of complimentary sectors.

#### **WHAT FACTORS UNDERPIN A SUCCESSFUL CLUSTER?**

All clusters are different but a number of common features stand out as underpinning the development of successful clusters throughout the world. Common factors range from 'softer' elements of cluster working such as networks and institutional development, through 'harder' aspects, such as physical infrastructure

or the presence of large firms, to more intangible elements, such as the presence of leadership or an entrepreneurial culture.

#### **A CLUSTER STRATEGY FOR CURAÇAO**

It is first important to note that while the recommended cluster strategy for Curaçao focuses on four clusters, many business sectors are involved and affected. The four development clusters are as follows;

- Education
- Experience
- Niche Tourism
- Business Services

However, the sectors involved and affected by this strategy include but are not limited to the following:

- Transportation
- Logistics
- IT and Ecommerce
- Retail, Residential, Commercial, and Residential Development

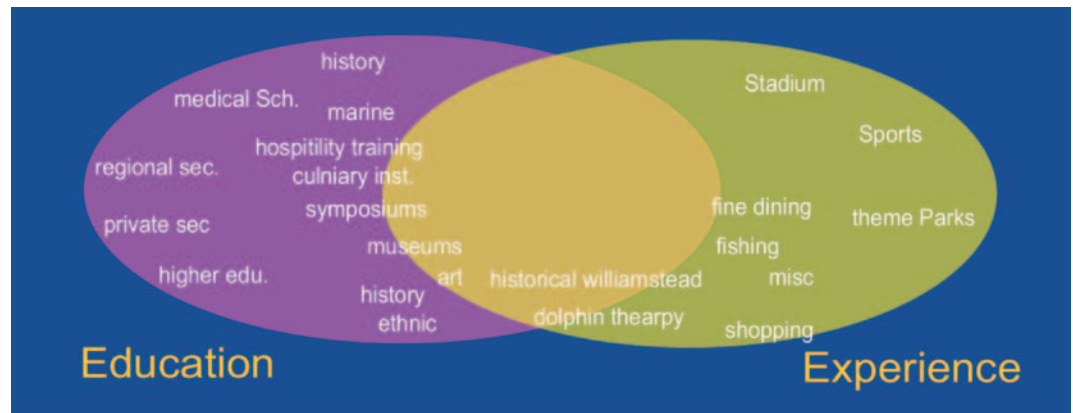
## 7 THE CLUSTERS

By investing in and focusing on education, Curaçao begins to develop and nurture an industry in which it can be competitive regionally, and in certain niches, globally. It is recommended that higher education alliances be formed with North American and European Universities to create a dual curriculum. Art, aqua-marine, and other types of learning institutions fit naturally with the geo-cultural advantages of Curaçao. Curaçao can also become a regional hub for all types of education including vocational technical training.



### EXPERIENCE:

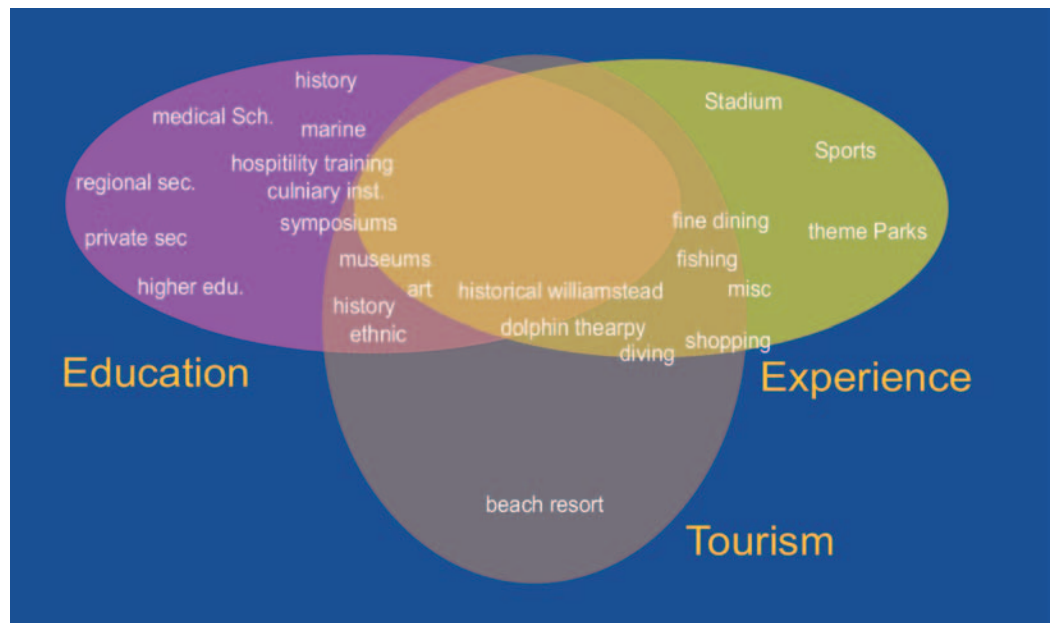
By building on Curaçao's natural advantages and assets in culture, entertainment, and education, a unique "Curaçao Experience" can be nurtured and promoted. By fostering the development of these areas, the environment is enriched for educational initiatives.



More importantly, the overlap between Education and Experience create unique opportunities to attract the sophisticated tourist looking for an enriching experience. They also help define the business services opportunities, and are particularly conducive to executive retreat and corporate training.

### NICHE TOURISM

As outlined earlier, Curaçao's tourism promotion strategy must be focused on targeted segments, and development should complement this promotion and serve the demand created. To define these tourism niches, it is helpful to look at the effect that focusing on education and experience can have in shaping a tourism strategy.



### INTERNATIONAL BUSINESS SERVICES

Curaçao can certainly not be all things to all people, particularly in the business arena. However, leveraging a strong financial services sector, Curaçao can nurture and promote those business services that build on the synergies generated between education, experience, and niche tourism. Fundamentally, corporate retreats, business conferences, trade shows, and corporate training are obvious areas of focus and potentially regional headquarters.



## 8 Conclusion

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As indicated on the diagram the overlap of all four clusters creates the real “sweet spot” for Curaçao’s economic development. It truly leverages the best of all four clusters, but the strategy focus is not limited to the sweet spot. Any area with overlap of at least two sectors should be quite competitive. However, by pursuing this cluster strategy, a certain momentum and spin-off is created, allowing even “me-to” development and promotion to succeed. For example, this cluster strategy certainly creates a market for niche tourism, but by creating and promoting such an identity, the broader exposure and supporting infra-structure, intellectual capital, trained workforce and brand awareness, create opportunities and support basic resort tourism. The same premise holds true in each cluster.

Finally, as pointed out earlier in this paper, the value of this cluster strategy is that it involves choices and focus. As a result of success in nurturing these clusters, the economic affect multiples through the economy and particularly influences the transportation and logistics sectors, as well as it and export-related services. If implemented with any degree of consistency, a strong and positive brand identity should emerge.

Curaçao is in need of a vision and strategy for economic growth. This recommended strategy builds upon Curaçao’s natural strengths and fits its comparative advantages. Most importantly, it reflects a robust vision of what is already happening in the Curaçao economy in entrepreneurial enterprises throughout the island. Hopefully it will serve to give public and private sectors a point of mutual collaboration and focus to continue to determine and develop Curaçao’s unique niche in the global economy.

## *About this Paper and the Aquallectra – Mirant Economic Development Partnership*

*This paper was prepared primarily as a guideline for the private economic development initiatives of the Aquallectra-Mirant team. It is also hoped that this paper will provide insights to potential investors to help them understand the vision for Curaçao and to be able to visualize their projects as a part of Curaçao's future. As appropriate we hope that policy makers and other private parties will consider these suggestions and in the process a vision and strategy for Curaçao's Economic Development will emerge and help increase the cooperation between the public and private sectors.*

*This paper was sponsored by the Aquallectra-Mirant Economic Development partnership and prepared by a private firm, Geo Strategy Partners. No information included in this paper is intended to be construed as corporate or public policy. Rather it is considering a working document to facilitate the overall economic development initiatives in Curaçao.*

*Aquallectra and Mirant pursue economic development initiatives for three reasons:*

- 1. Growing the economic base is the best way to grow our business;*
- 2. It is part of our corporate philosophies to support our communities*
- 3. It is the right thing to do as good corporate citizens.*