

# Consultative Seminar

---

## TOWARDS A STRONG ECONOMY FOR COUNTRY ST. MAARTEN

---

Organized by:

Council for Financial Supervision (CFT),  
University of St. Martin (USM) and  
Ministry of Tourism, Economic Affairs, Transportation & Telecommunication

Moderated by:

Dennis L. Richardson



University of St. Martin



USMONLINE.NET



March 20 2102

Sint Maarten

**Contents**

Summary of Results ..... 3

Introduction ..... 3

Opening Remarks..... 4

Framework of challenges, constraints and opportunities ..... 6

Panel Debate..... 12

Call to action: Public Sector ..... 15

Call to action: Private Sector..... 16

Conclusion & Follow-up ..... 18

Appendix I: Biographies ..... 19

Appendix II: Text of presentations..... 20

Appendix III: Listing of panelists ..... 36

Appendix IV: Invited guests ..... 37

INDEX ..... 40

## Summary of Results

The consultative seminar with the theme “towards a strong economy for country Sint Maarten” resulted in a call to action priorities for both the public and private sector.

### “What should government do ?”

#### **1. Promote talent**

- a. Bring home our talent that is now abroad (students and professionals)
- b. Coach and invest in the talent (that is) at home (internships, specialized education focused on the needs of the economy)

#### **2. Innovate**

- a. Work on going “green” (renewable energy and conservation)
- b. Reduce cost of doing business through fiscal change

#### **3. Discover**

- a. Collect data and use it to make informed decisions
- b. Set performance indicators

#### **4. Facilitate**

- a. Stimulus package for niche sectors (small hotel etc.)
- b. Re-engineer government (lean and efficient, less bureaucracy)
- c. Flexible labor market

#### **5. Communicate**

- a. Transparency of policy
- b. Provide timely and correct information

### “What should the private sector do?”

#### **1. Participate**

- a. Become involved
- b. Be a good corporate citizen, support initiatives between public and private sectors
- c. Work on a national strategy

#### **2. Innovate**

- a. Use technology
- b. Employ best practices

#### **3. Compete**

- a. Embrace competition
- b. Learn from regional experience

#### **4. Comply**

- a. Contribute fair share to the tax system
- b. Supply data to public sector

#### **5. Reward**

- a. Improve status of tourism/service jobs
- b. Include the youth

## Introduction

On March 20<sup>th</sup> 2012, the Council for Financial Supervision (CFT) along with the University of St. Martin (USM) and the Ministry of Tourism, Economic Affairs, Traffic and Telecommunication (TEZVT) hosted a consultative seminar with the theme “towards a strong economy for country Sint Maarten”.

The format for the event was based on informative presentations by two respected experts who presented the general economic framework as well as specifics regarding tourism development. Through a moderator, a local panel representing a cross section of stakeholders from the private sector, a representative from the public sector as well as two students from the USM provided their input based on the framework as presented by the keynote speakers<sup>1</sup>.

In the following chapters, this document provides a summary of the opening remarks, the keynote presentations as well as the input from the panel, culminating in a series of action points for both the private and the public sector towards addressing the challenges and constraints facing the Sint Maarten economy.

## Opening Remarks

The Prime Minister of St Maarten, Mrs. Sarah Wescot-Williams, ceremonially opened the seminar. The Prime Minister stated that the seminar was very timely indeed. According to her, Sint Maarten has an open economy, and as such there needs to be awareness of the local and regional factors that are relevant for building a strong economy. The tools and the decision making have not always been in the hands of Sint Maarten, but now that it is a country [within the Kingdom] there can no longer be excuses. An economic strategic plan is currently being prepared and a hard and fruitful discussion during the consultative seminar will certainly benefit the strategic plan.

After the ceremonial opening by the Prime Minister, the organizers set the tone for the event.

Professor Bakker of the *Vrije Universiteit* in the Netherlands prefaced the seminar as follows.

Economic development is collective effort and requires ownership from the local community. Sint Maarten is a resilient island economy but the present strategy is showing signs of having “run its course”. As evidence, Prof. Bakker indicated that there is additional competition in the region with which Sint Maarten has to contend as well as the potential for political uncertainty in the region. As such, the country has to look to other revenue opportunities, besides tourism.

He particularly emphasized the need for social inclusion in terms of charting the way forward, particularly to deal with certain growing social problems on the island, such as youth employment.

---

<sup>1</sup> Information regarding the panelists including the description of their respective organizations as well as a listing of the invited guests can be found in appendix III and appendix IV respectively.

Sint Maarten is however very much ready for the qualitative leap forward, according to Bakker, though he set a prerequisite; i.e. a clear vision that includes a review of the assets and constraints related to the economy.

Ms. Van den Assem, the dean of the USM echoed the professor's call to action in her brief opening statement. She stated that a strong economy [for Sint Maarten] is possible but such and endeavor requires all stakeholders to carry out their respective tasks. Van den Assem feels that for the university the role and task is providing quality education in support of the development of the country.

## Framework of challenges, constraints and opportunities

Dr. Lewis-Bynoe<sup>2</sup> provided the backdrop for the workshop with a lecture regarding the key constraints and approaches to economic development in small island economies. As information for Sint Maarten is scarce, a review of findings from comparable island nations was used.

Given the paucity of information, the first statement from Lewis-Bynoe is logical:

- There is a need for a detailed study of key constraints to economic growth. To be able to address a challenge it must first be well understood.

There are some general characteristics that research suggests would apply to countries such as Sint Maarten. Some of these are:

- Small Island Economies (SIE's) face heightened vulnerabilities. SIE's have limited resources and limited ability to capitalize on economies of scale which translate into very narrow production bases and reliance on a small number of exports. As a consequence adverse shocks to these sectors are pervasive, whereby SIE's have moreover a limited ability to respond. In some cases economies are pushed to a lower growth trajectory resulting in significant debt overhang in many of these economies. A shock to the major economic activity, often tourism, can therefore pervade throughout the rest of the economy.

While the characteristics seem pessimistic, there are possibilities to address the constraints. Lewis-Bynoe thus posed the question: *"So what if anything can be done to address these issues. How can economic growth be accelerated?"* The following is a listing of the aspects and their effect on economic growth (both positive and negative) based on research and insight studying SIE's in the region.

- a. human capital formation (especially health) has a positive effect, though the research shows mixed results for education and training (quality of education is most important);
- b. openness to trade has a positive effect;
- c. institutions are important, that is, the rule of law, political rights, civil liberties, 'social capital' are good for growth while coups, wars and political instability are bad for growth;
- d. market distortions (real exchange rate distortions, black market premium, labor market rigidities, negative real interest rates) have a negative impact on growth;
- e. investment in plant and equipment impact positively on growth;
- f. inflation has a negative impact on growth;
- g. initial income (GDP) has a negative coefficient suggesting convergence (i.e., conditional convergence)<sup>3</sup>;

---

<sup>2</sup> A biography as well as the complete text of the presentation of Dr. Lewis-Bynoe is included in appendix I and II respectively.

<sup>3</sup> The idea of convergence in economics (also sometimes known as the catch-up effect) is the hypothesis that poorer economies' per capita incomes will tend to grow at faster rates than richer economies. As a result, all economies should eventually converge in terms of per capita income. Developing countries have the potential to grow at a faster rate than developed countries because diminishing returns (in particular, to capital) aren't as strong as in capital rich countries. Furthermore, poorer countries can replicate production methods, technologies and institutions currently used in developed countries (*Wikipedia*).

- h. population growth or fertility is negatively associated with per capita growth;
- i. better developed financial markets conduce to higher growth (financial regression -negative real interest rates - retard growth);
- j. deterioration in the terms of trade has a negative impact on growth; and
- k. policy uncertainty depresses growth (the need for predictable outcomes is preferred by the private sector).

Dr. Lewis-Bynoe concludes that diversification is important, but countries need to be realistic in terms of understanding that there are limitations to what can be achieved in a SIE. Hence, the attainment of diversification despite the challenges is a critical aspect of economic growth. It should also be understood, that the global economy makes the challenge that much greater.

The role of the public sector in this regard can be found in policy. For example, Dr. Lewis-Bynoe urges the enhancement of competitiveness through reduction of government bureaucracy as well as by means of incentives. Governments must provide an enabling environment at the points of interface with the private sector. Questions that should be asked in this regard relate to *“the length of time it takes to establish a business in the country”*? *“What is the strength of government institutions and financial management?”* *“How flexible are labor markets?”*

In terms of the latter questions, Dr. Lewis-Bynoe indicates that to attract Foreign Direct Investment (FDI) flexible labor markets are critical along with a comprehensive approach that focusses on transparency.

The lecturer also had recommendations for the government’s relationship with the private sector. She stated that small economies of the region need to decide where to focus their energy. Government should encourage the private sector to pick the winners in an economy. Services seem a pretty logical choice for SIE’s because production of goods is difficult due to the lack of achievement of economies of scale.

The recommendation is linked to a caution. Low productivity can be amplified in the service industry and this constraint needs to be contemplated. There is a *delinking* of productivity and wages that leads to erosion of competitiveness. The goal must be to reduce the cost of doing business. This will include energy. This important element has been found to erode competitiveness in the region when prices are high.

Furthermore it is posited that ICT (information communication technology) is critical to competitiveness and firms should be encouraged to invest in new technologies that should be complemented with continuing education. Efficiency from the use of ICT needs to be used to facilitate information sharing and speed-up processes.

Related to ICT is fostering of a culture of quality in service industries as part of encouraging companies to compete effectively. Government should incentivize this type of quality compliance.

In short, the message is that despite constraints, SIE’s can be agile and SIE’s should seek opportunities that are not size-dependent and allow effective operations outside the size constraints. These opportunities will likely be found in the service sector. Export of services and lighter higher value

products are also potential opportunities. There may be niche areas for manufacturing for example agriculture and health.

Within the existing tourism product offering, there is a need for diversification given the linkages to the entire economy to be able to deal with adverse shocks.

The ability to grow the export sector requires the need to accelerate export trade. Domestic financial resources and FDI need to be mobilized to support this export growth.

In concluding, Dr. Lewis-Bynoe provided actions towards formulating an approach. In first instance, the prerequisite for planning is the collection of planning data. Without information it will be difficult to plan the way forward. There are however systems that can be helpful in the planning stage, one of which is the Growth Diagnostic Framework (GDF). The GDF seeks to increase economic growth to improve economic development. Each strategy should be island specific, and needs to focus on the most binding constraints.

The “take away” recommendation from Dr. Lewis-Bynoe is to place attention not only to economic growth but also economic development. A holistic approach is required and SIE’s must embrace non-economic aspects as part of their strategy (public, private, family, community, and individual). All stakeholders have to be engaged and efforts must be complementary.

Finally, for effective planning, there must be agreement on performance indicators with a schedule for achievement.

**Minister Vanderpool-Wallace**<sup>4</sup> of the Bahamas provided a tourism specific view in terms of the discussion of the challenges, constraints and opportunities to growth.

He agrees that tourism is very important economic development tool and adds that combining the portfolio of economy and tourism with transportation is critical to success. Sint Maarten, he feels has made that combination work to good effect.

In providing a framework for economic growth with a focus on tourism, it is important to start by defining tourism. The definition used is as follows: *“It [tourism] is the part of the GDP that comes from the activity of visitors”*. On any given day, tourism provides the growth of the population that will expand the daily expenditure within the economy. Tourism’s potential has not been fully realized in the region, according to Vanderpool-Wallace. Diversification simply makes no sense in some small SIE’s but diversification, if pursued, should be based on the natural advantages of a country. In this region it is simply the geography and weather that provides the natural advantage for tourism. He urges Sint Maarten to *“look at your strengths and make them stronger”*. He therefore surmises that diversification within tourism is more appropriate.

Tourism is a peculiar economic tool; tourism is unique and different. Failure to understand this leads to mistakes. A destination cannot branch out. It has literally *“one store on earth”*. The product cannot be shipped. The cost of the product is therefore the cost to visit the product. Another part about tourism that is misunderstood is that every citizen is part of the product. For example, the room rate is related to the overall experience. The totality of the industry requires full involvement. Vanderpool-Wallace admits that the achievement of full involvement is hard. Nevertheless it is critical to work on improving the experience throughout the product because the customer judges the product as a whole! Society needs to understand that they are all involved and this is different from any other business.

Moreover, it is important to understand that tourism is *“distant dependent”*; all things being equal, tourism draws on persons who are nearer to the destination. The further away, the smaller the target market.

In terms of economic growth and development the question that can be asked is *“Where is the wealth of nations?”*

Vanderpool-Wallace states that the wealth of nations can be found in:

- clear title to land
- efficient judiciary
- educational systems
- trust
- people acting independently in a coordinated fashion

---

<sup>4</sup> The biography as well as the complete text of the presentation of Minister Vanderpool-Wallace is included in appendix I and II respectively.

There are myths and habits (mindsets) about tourism that are inhibitors to growth:

#### Occupancy

For example, there is a mindset that one cannot grow beyond traditional occupancy rate (70% hotels vs. 100% cruise). Until this myth is debunked, the inherent asset utilization problem will inhibit the extraction of value.

#### Information

Furthermore, Vanderpool-Wallace emphasized that information is absolutely critical. In that regard, he recommends that Sint Maarten accelerate the E/D card data collection process. He provides the example of the Bahamas, where due to the wealth and specificity of data, their tourism officials can focus on particular problems.

Information also has a “dark side”. The internet has created the “digital archive word of mouth” that can be very destructive to the product. Getting the experience right is more important than ever before because if it is not, the word spreads quickly and remains archived forever online. Conversely, the internet is the most important information system to be used by tourism. In other words, use the internet to benefit the sector and even specific businesses.

#### Labor

In terms of the means of production and specifically labor, Vanderpool-Wallace feels that there is a negative mindset regarding the status or value of tourism jobs. The profession needs to gain respect. The status situation in terms of the employment cannot go unaddressed. It feeds into the visitor experience. Tourism is people. Personality is a skill in the tourism business and the reward system must be amended to improve pay and status to be able to maintain the skillset where it is most needed.

#### Technology

Use of technology needs to be enhanced. Every property needs to be online and specifically for online bookings.

#### Taxation and fees

Low cost access to the island is critical, however, often with taxation and user-fees; the low cost access factor is undermined. Low air fares can improve occupancy without the change to the room rates and will provide revenue without the need to extract departure taxes or user fees from the visitor.

#### The whole is more than the sum of its parts

There must be a growth in the understanding of all people that it is to never a good thing to “kill the category” – research shows that the perception of the Caribbean as a destination is better than that of the individual island destinations. Minister Vanderpool-Wallace sums it up as *“Caribbean: the best known unknown brand”*. The mission should be for all islands to collaborate to grow the category.

People who take island vacations are island collectors so if the destinations work together then all can benefit. The region is diverse and each island has to discover its own specifics.

In summary, the lessons to be learned are

- 1) information has to be extracted from the customer.
- 2) fundamental to the island is high quality, high frequency, low cost air transportation.
- 3) “it’s the experience stupid”!

## Panel Debate

After the message from the keynote speakers that served to set the framework for the consultation, the moderator elicited the general reaction from the panelists. The questions posed were *“Does or to which extent does the framework of the speakers apply to Sint Maarten? What aspects of the framework should have priority for Sint Maarten and what are the key constraints?”*

Banker’s Association:

- The association agrees that the framework as proffered by the speakers completely applies to Sint Maarten. Policies, regulations, training, financing, all these matters seem to be factors that require attention. That is borne out by research. Also, there was an important point to be made about the importance of tourism and everyone’s role in it, and how to express this to the people. Problems need to be tackled in a centralized fashion and it is enlightening to receive anecdotal information about the personal nature of tourism.

St.Maarten Hospitality & Trade Association (SHTA):

- SHTA also agrees on the items that were brought forward. The relevance of the items has to be viewed in the context of the present constitutional reality. The new status allows for a re-engineering to deal with many of the items and the status quo should be avoided. There is an opportunity to “think outside of the box” and re-engineer government.

Chamber of Commerce:

- Here too the Chamber agrees with that the points discussed are relevant to where Sint Maarten is as a country. Sint Maarten as a country needs to take care of the individual and this will have its trickle down effects to the family, community, private and public sectors. Sint Maarten needs to understand on an individual level how the framework and constraints affect us as a whole.

Sint Maarten Ports Authority (SMPA):

- The ports authority stated that many of the points are known to Sint Maarten but they bear repeating. It is good to look within. Innovation is key to diversification, For example, innovation starts with education and the use of new technology. Both speakers focused on these elements. In terms of diversification, there needs to be a good installed base, for example good education. The harbor has launched custom designed application of ICT and thus created a product/service that will now be licensed abroad. In such a way, the harbor feels that it is diversifying. This was done because the harbor has listened to the principals and customers and has been able to innovate. As an example of listening to the customer, the harbor identifies its cruise conversion program. In terms of working together, the harbor feels that collective work should be matched with collective responsibility. There is a need for real leadership. For example, all CEO’s of the government owned companies need to work together. Critical factor for the success of the harbor relates to the people at the harbor. Stability of government is an important factor. There is also a cultural barrier<sup>5</sup> in Sint Maarten that needs to be dealt with on Sint Maarten.

---

<sup>5</sup> Reference to local vs. immigrant labor force.

- Social responsibility (good corporate citizenship) is an aspect on which the harbor leads. Resources are of course important in this regard.
- Funding innovation is also important – European funding should be sought.

#### Indian Merchants Association (IMA):

- The IMA agrees with all points but feels that these are not new. The constraints and challenges have been heard in many seminars over the years. Most persons have provided input, but it is time to implement. Everything can be done locally so there needs to be a comprehensive approach starting with the political leadership. Country Sint Maarten has to come first. Competitiveness is becoming difficult, for example, Sint Maarten is no longer the shopping mecca it once was and this is attributed to the increase in the fiscal burden (taxes). Online markets have made the competitive situation challenging. Sint Maarten historically depended on both local and regional markets, but today the bulk of the visitors/shoppers are day-trippers (cruise). The stay-over business is falling off. Security is also affecting the competitiveness. Finally, government expenditure has to be dealt with.

#### Students:

- The student panelists indicated that development is a collective effort if it is to be sustainable. From their perspective, education is not being given sufficient attention, particularly in terms of the role of tourism in the economy and the understanding of the opportunities tourism provides. Every person on the island needs some training in terms of dealing with tourists. Interpersonal skills training may need to become part of the curriculum. The interpersonal skill set needs to be embedded in the school system from the formative levels.
- The information regarding the economy and tourism should be a part of the curriculum so that students become interested in the field as a career.

#### Prof. Bakker:

- Small countries need to be pragmatic and flexible. Smallness can be turned into an asset. Diversification needs to remain on the agenda and Sint Maarten needs to excel on some other level than tourism.
- Sint Maarten has a big asset compared to the region in that there is stability. Macro stability is a selling point for attracting FDI. There are still challenges in terms of building up public institutions and the security situation on the island needs to be enhanced.
- There is a need for more ownership of the strategy among the population and this has to be a public-private initiative. There may need to be public debate about the future strategy. The feeling of ownership and social inclusiveness are necessary for a bright future.

#### Ministry of Tourism, Economic Affairs, Transportation and Telecommunication (TEZVT):

- The ministry can relate to the position put forward by the speakers. In short, it is understandable that most people will agree with what has to be done, the issue is how to get it done. Perspectives differ and that often leads to stagnation that in turn negatively impacts the economic climate. There is a strategic plan workshop to outline the next 10 years of development scheduled for this week. Previously the island used the Multi Annual Policy Plan from 1997 (MAP). A shared vision needs to be created again. Decision makers will have an easier

time legislating that vision if there is agreement on the vision. Pragmatic discussion on the shared vision must lead to setting of priorities and choice of funding.

The moderator provided a summary of the viewpoints.

- There is agreement on the main framework of constraints and opportunities. But costs are getting high and it is time that everyone should look at themselves and seek to innovate to attain a competitive advantage.
- Government should be re-engineered and not be a burden on the economy.
- Key factor for success is making tourism an integrated part of the education system and broadening awareness of everyone's role: every resident is part of the product

The persons in attendance at the workshop were then asked to provide input. In short, the audience agreed that education and communal involvement are critical aspects for the way forward. The following are a synopsis of the commentary.

- There is a need for prioritization to come to a roadmap for Sint Maarten. Taking better care of the youth should become an aspect to be looked at communally. Business should define success including that aspect [education] as well (R. Tuitt, Chairman General Audit Chamber).
- The situation with the youth on Sint Maarten needs to be addressed. There is a growing problem on the island and working with the young people should be taken up as a challenge. Only when situations are out of control do people clamor for action. A youth entrepreneurship program was established and it is proving successful. It works on the mindset of the youth to become transformative. But the community needs to support the program. "Put your money where your mouth is" (Erna May Francis, Victorious Living Foundation).
- The importance of tourism requires commitment from the community (Patrick Illidge, Member of Parliament).
- Too many persons on Sint Maarten don't seem to think tourism is their business. The absence of a representative from labor is unfortunate and if there is to be inclusion there needs to be insight from that sector as well. Government policy seems to be becoming difficult for recruiting employees from abroad under the guise that there is a need for promotion/protection of local labor. As long as the harmonization of policies and legislation is not achieved for both sides of Sint Maarten, economic growth will be difficult (M. Gumbs, former senator of the Netherlands Antilles).

## Call to action: Public Sector

The moderator challenged the panelist and audience to develop at least five priorities for the public sector to consider. In short he asked “What should government do ?” The suggestions are:

### **1. Promote talent**

- a. Bring home our talent that is now abroad (students and professionals)
- b. Coach and invest in the talent (that is) at home (internships, specialized education focused on the needs of the economy)

### **2. Innovate**

- a. Work on going “green” (renewable energy and conservation)
- b. Reduce cost of doing business through fiscal change

### **3. Discover**

- a. Collect data and use it to make informed decisions
- b. Set performance indicators

### **4. Facilitate**

- a. Stimulus package for niche sectors (small hotel etc.)
- b. Re-engineer government (lean and efficient, less bureaucracy)
- c. Flexible labor market

### **5. Communicate**

- a. Transparency of policy
- b. Provide timely and correct information

The following is a synopsis of the suggestions made by the panelists.

Bankers:

- Government needs to repatriate the students that are abroad. They need to be prepared for the reality of Sint Maarten, including the dealing with the cost of living.
- For existing human resources there needs to be a program to prepare them to excel. Coaching is required and career planning is needed for every job and every sector.

Students:

- Education has to be geared towards fulfilling the needs of the community.
- Work on green energy – use renewable energy sources

Chamber:

- Finance a stimulus package for the small hotel sector.

University of St.Martin (USM):

- Requires financing to support the education opportunities also from business.

IMA:

- Make the labor laws more flexible, particularly the dismissal law. Currently the situation is too restrictive.
- Reduce the bureaucracy and improve the provision of information by the public sector.

- Develop an internship program and (private sector should facilitate)

SHTA:

- Collect data so that decisions are based on information.
- Reduction of the cost of doing business (fiscal)
- Government should be re-engineered and be more a facilitator. Government is a service.
- Compliance should be through the path of least resistance (simplification of the tax code)
- Improve transparency and investment climate

## Call to action: Private Sector

A central theme of the workshop was working together (public private partnerships) and the need for community action. Hence the panelists were asked to provide five priorities for the private sector.

“What should the private sector do?” A summary of the priorities are:

### 1. *Participate*

- a. Become involved
- b. Be a good corporate citizen, support initiatives between public and private sectors
- c. Work on a national strategy

### 2. *Innovate*

- a. Use technology
- b. Employ best practices

### 3. *Compete*

- a. Embrace competition
- b. Learn from regional experience

### 4. *Comply*

- a. Contribute fair share to the tax system
- b. Supply data to public sector

### 5. *Reward*

- a. Improve status of tourism/service jobs
- b. Include the youth

The following is a synopsis of the comments:

SHTA:

- Get involved.
- Use technology and innovate (internet, human resources and going green).
- Set clear standards (HR – set the bar as to what to expect from employees)

TEZVT:

- Supply information and trust government to use data properly.

- Know your customers; do research on your customers. Measure and monitor.

Prof. Bakker:

- Good corporate citizenship is necessary as well. Common strategy to enable the public private partnerships (PPP). Issues requested from public sector have the equivalent in the private sector. For example, transparency in business is also necessary. Openness is necessary from both sides.
- Youth unemployment is a responsibility of the corporate sector as well. Public sector cannot do it alone.

Chamber:

- Support and participate in the public private partnership initiative.

Audience:

- Compliance is needed. Paying taxes should be simple and low but business must comply. Competition is healthy and it should be embraced. There are semi monopolistic situations on the island (A. Alberts).

Keynote Speakers:

- Focus on the process to arrive for a national strategy and the involvement must be wide including all stakeholders.
- Social partnership is helpful to discuss the economic challenges.
- Youth, entrepreneurship and technology: the ability of the youth to process IT should be used more effectively. Agrees with the apprenticeship program and use the youth as a resource especially for IT. Effective use of ICT will help competitiveness.
- Benefit from the experiences of other regional countries. Re-engineer government and include best practices.
- Lack of social cohesion is a challenge. Without social cohesion the investment climate will not be developed. Use international best practices but never neglect domestic labor. Disenfranchised youth will become a problem that will require diversion of resources (combating crime).
- New country status is an opportunity for the people in the country to believe there is a new way to look at old stuff.
- Focus on "idle young men". Deal with it or it will be bad for society. Engage them.
- Mix the old knowledge with the young technology.
- Bring home the talent. Use bonding – and there is a need for talented people in the public as well as the private sector. Reward them and respect them.
- Guide talent to tourism. Infuse tourism into every course not just the curriculum. Tourism is multi-dimensional.

## **Conclusion & Follow-up**

The moderator thanked the panelist, keynote speakers, the organizers, the audience and support staff for their input and support. A summary report will be made with an inventory of action points.

The panelist will be the coordinating team responsible for organizing and implementing the follow up. The CFT will facilitate that process.

### **Report by:**

Joane Dovale-Meit, Secretary General, General Audit Chamber  
Emilio Kalmera, Financial Policy Worker Ministry of Finance  
March 22<sup>nd</sup> 2012

## Appendix I: Biographies

### **Dr. Denny Lewis-Bynoe**

Dr. Denny Lewis-Bynoe is an economist with over 20 years' experience spanning a wide cross section of the core aspects of economics, particularly development economics. Her preoccupation with the peculiar challenges confronting developing countries and the formulation of sustainable strategies for addressing these, garnered from her work as a development practitioner and formal study, has culminated in numerous publications and presentations in regional and international journals and fora, respectively. She has worked as Director of Economics in the Caribbean Development Bank, Chief Policy Analyst in the Research Department of the Central Bank of Barbados as well as in an advisory capacity to the Executive Director (Canada and the Caribbean), International Monetary Fund, Washington D.C. (2002-2003). A former Research Fellow at the Institution of Social and Economic Research (now SALISES), University of the West Indies, Cave Hill Campus, Barbados and lecturer at the same institution, she holds a BSc. (1st Class honor's, UWI), MSc. (University of Oxford, England) and PhD. (UWI) in Economics and has written in the area of labor markets in the Caribbean, international economics, fiscal policy and the determinants of economic growth, to name a few.

### **Vincent Vanderpool-Wallace**

Mr. Vincent Vanderpool-Wallace is Minister of Tourism and Aviation and a senator appointed by Prime Minister Hubert A. Ingraham. His illustrious career includes 11 years at Resorts International, where he rose to the position of Sr. Vice President, 12 years as Director General of the Ministry of Tourism and three years as Secretary General of the Caribbean Tourism Organization.

Mr. Vanderpool-Wallace has received many awards and has been recognized by several prestigious professional organizations. These include the Princeps Prize for scholarship from Government High School and the Albert E. Koehl Award for Lifetime Achievement in Advertising by Hospitality Sales & Marketing Association International (HSMIAI).

He has four children - Aleksandr, Arianna, Khilian and Cydnay - and is married to the former Tietchka Knowles of Nassau.

## Appendix II: Text of presentations

**Dr. Denny Lewis-Bynoe**

### Preamble

First let me extend my sincere appreciation to Cft (College Financieel Toezicht/Board of Financial Supervision) in the person of Mr. Marnell Bosma, for the kind invitation to address you today on the topic of Accelerating Economic Growth in a Small Island Economy, like Sint Maarten. This topic has been a preoccupation of mine for some time: in my economic advisory role; as a researcher looking at the wider Caribbean, and; more recently as a development banker. In these various capacities I have seen the problem from different angles and have surmised that what is needed is a more holistic view.

I trust that my insights are helpful in shaping the way forward in tackling the economic growth and development challenges of Sint Maarten for the betterment of its citizen, our ultimate preoccupation.

That being said, I must, however, offer one caveat to much of what I will say to you today. I think it is important to preface my remarks with an acknowledgement of the need for a detailed study of the key constraints to economic growth in these economies if we are to properly tackle the question of accelerating economic growth in small island economies. To proffer any meaningful solutions will require a detailed country focused assessment of the constraints to growth, whereby each country would identify the binding constraints on economic activity and then develop policies to overcome these constraints. In the absence of the diagnostic work I could not presume to tell you definitively what is needed for Sint Maarten. The most that can be offered is some general guidance/insight on what are possible areas for investigation.

These insights I will draw from the work done on selected Caribbean countries.

**To begin I wish to pose the question: What are the key constraints to growth and development in SIEs? This section will draw on research done on the experiences of the SIEs in the Caribbean that point to a number of challenges that are peculiar to these countries, requiring particular responses.**

My central thesis today is that Small Open Economies have a heightened vulnerability, and so must seek to position themselves to more effectively engage with the rest of the world. A strategic approach aimed at identifying the most binding constraints on economic activity, and hence the set of policies that, once targeted on these constraints at any point in time, is likely to provide the biggest bang for the reform buck, is essential to these small resource constrained economies. By way of elaboration of this central thesis, I will identify some of the characteristics of Small Open Economies and review some of the research on selected Caribbean economies, extrapolating from this work some insights for Sint Maarten.

Generally, and expectedly, Small Open Economies are characterised by limited resources, which is not necessarily a problem on its own, as small size also provides a natural advantage in adapting to a changing environment. However, it also implies limited ability to capitalise on economies of scale which

translates (at the country level) into narrow production bases and reliance on a small number of exports. A consequence of this production and export concentration is that adverse shocks to these sectors are pervasive. Moreover, small economies have a limited ability to respond.

### ***What does this mean?***

Adverse developments tend to have lingering impact - which is deeper and takes longer to recover and, in some cases, economies are pushed to a lower growth trajectory. As a consequence, many of these countries have significant debt overhang. Indeed, research on debt accumulation in Small Open Economies shows that because policymakers are faced with uncertainty about the longevity of shocks, they either over-estimate the longevity of positive external shocks, or under-estimate the longevity of negative shocks, leading to over-borrowing, thereby making debt accumulation more likely.

In this Region, the challenges of small size have contributed to, although not entirely responsible for:

- high costs production structures,
- institutional weaknesses,
- inflexible labour markets;
- susceptibility to adverse movements in its terms of trade and
- limited access to capital markets.

These are further compounded by our vulnerability to natural disasters. The damage caused by successive hurricanes over the last five years is estimated in the billions.

Economies in the Caribbean are also grappling:

- with increasing demands on their resources for keeping pace of the global developments related to international trade negotiations and the completion of the extensive regional integration agenda.
- The loss of skilled persons to the developed countries places further strain on existing resources to acquire these skills.
- In this globalised economic environment, a new source of vulnerability has emerged, most notably the risk of financial crisis/contagion with the greater integration of global financial markets. The main characteristics of this new global economic and financial environment include:
  - (i) loss of preferences and preferential treatment and a focus on reciprocal arrangements;
  - (ii) rapid advances in technology; and
  - (iii) global market place.

While there are benefits of businesses and consumers not being restricted by national boundaries, on the downside, this interconnection means that contagion is more likely. The current global economic crisis is evidence of this. It began with a global financial crisis, the initial impact of which on the Region

was minimal, due to the nature and structure of our financial systems. The same cannot be said of the resulting global recession arising from this crisis. The impact has been and continues to be pervasive and significant, affecting all sectors, activities, and individuals. Compounding the concerns is the erosion of confidence of consumers, producers, and lenders, which is resulting in delayed consumption and investment, with the added consequence of deepening the recession.

Indeed, the vulnerability of these economies is especially evident in the volatility of economic growth performance as well as the modest nature of that growth compared to other developing regions.

***These developments and the inherent weaknesses of SIEs make them especially vulnerable to external shocks that can potentially erode economic and social gains and hamper their ability to integrate into the world economy on the basis of international competitiveness.***

***So what if anything can be done to address these issues. How can economic growth be accelerated?***

Research suggests that growth and consequently development in these countries can be influenced positively by several factors. Notably, the export of goods and services, FDI and human capital investment, were found to have a positive impact on economic growth, (WB [cited in Downes (2007)]; Craigwell and Lewis-Bynoe, 1998; and Downes, 2002) The importance of the quality of political and institutional climates in driving economic growth within the Caribbean region has been highlighted. The key findings are:

- (a) human capital formation (especially health) has a positive effect: mixed results for education and training;
- (b) openness to trade has a positive effect;
- (c) institutions are important, that is, the rule of law, political rights, civil liberties, 'social capital' are good for growth while coups, wars and political instability are bad for growth;
- (d) market distortions (real exchange rate distortions, black market premium, labour market rigidities, negative real interest rates) have a negative impact on growth;
- (e) investment in plant and equipment impact positively on growth;
- (f) inflation has a negative impact on growth;
- (g) initial income (GDP) has a negative coefficient suggesting convergence (i.e., conditional convergence);
- (h) population growth or fertility is negatively associated with per capita growth;
- (i) better developed financial markets conduce to higher growth (financial regression - negative real interest rates - retard growth);
- (j) deterioration in the terms of trade has a negative impact on growth; and
- (k) policy uncertainty depresses growth.

These studies point to technological advancements and knowledge accumulation as critical components in a strategy for economic growth and development. The focus of development policy and strategy must, therefore, be on mechanisms to enhance these components, which involves, inter alia, an

examination of existing capacity for R&D at universities and business firms and where possible the creation of new institutions to facilitate such efforts.

The empirical research also suggests a role for public policy to aid economic growth. Education, training, health/nutrition and entrepreneurial development can improve labour productivity (Downes, 2007). Other recommendations include: (i) The introduction and development of innovative production processes or techniques, the use of fiscal incentives for R&D expenditure, and strategic alliances with more technologically developed partners; (ii) Government measures to encourage the export of goods and services (e.g., tourism promotion), promote macroeconomic stability (low inflation, fiscal deficits, exchange rate stability), support financial development (institutions and capital market development), minimise market distortions (commodity, factor and financial markets), promote good governance, democracy, political stability and social capital; (iii) structural reform measures to enhance the supply side of the economy; and (iv) regional integration policies concerning CSME and Free Trade Area of the Americas (FTAA) as avenues for promoting exports and obtain resources for production.

***The policy response must also bear in mind the small economy characteristics*** mentioned previously and should be formulated to not only accelerate economic growth but also reduce vulnerabilities. The question is: How do we reduce vulnerability, or more precisely, how do we create resilience? Diversification is desirable but not always possible given the small size of economies. The ability to adapt to a rapidly changing global environment is important. But how do we position ourselves to better respond to these external shocks and changing international circumstances given our limited resources?

This emphasises the importance of economic diversification to enhancing resilience in the face of external shocks. This is a lesson that most regional economies are acutely aware of, having experienced shocks before, and most, if not all, are actively seeking to diversify their economies as articulated in their various development strategies/plans. The challenge is not in the acceptance of the need for diversification, but in the attainment of diversification given the constraints posed by their small size, limited resources endowment and access to resources. These factors limited their potential to be competitive in a wide cross section of activities. The task is made more difficult in a rapidly changing global economic environment which, while presenting opportunities, also creates uncertainties that small countries seem less equipped to deal with. The recent global economic crisis is an example. These developments have made the region acutely aware of the potential for financial contagion and the need to ensure that regulatory and supervisory frameworks are adequate. The importance of supervising and monitoring the activities of non-bank financial institutions has been brought into sharp focus as the global financial crisis and economic recession unraveled the operations of a major financial entity. Cross border supervision and monitoring is now accepted and being undertaken. I would agree that competitiveness remains a major challenge. It predates the crisis and will continue to require the concerted efforts of regional governments at reducing the cost of doing business. The strategies for enhancing competitiveness must include simplifying procedures and reducing bureaucratic red tape associated with key services provided by Governments, as well as providing the right incentives for the private sector to operate. The legislative and regulatory systems need to be updated and, in some cases, made less burdensome. In short, governments must provide an enabling environment that

facilitates business activity by streamlining operations at their ports and other points of interface with the private sector. The ease with which businesses can be established should also be an important plank of the strategy for developing new businesses that are better able to compete in a liberalised environment.

The review of the experiences of selected Caribbean economies suggests the following:

1. One important plank of our strategy must be to enhance competitiveness, which must involve not only increasing productivity but also creating an enabling environment for businesses to thrive. In this regard, there are a number of important questions that must be addressed. Is government creating the right incentive structure? How long does it take to get a business established? What is the strength of Government institutions and the planning and financial management systems? How flexible are the labour markets?
2. The suggested focus is on creating an enabling environment through appropriate policy and regulatory frameworks that encourage domestic and foreign investment. **Attracting FDI flows is key and inflexible labour markets can deter potential investors.** A balancing of incentives is needed whereby an enabling environment for business activity is created while protecting and safeguarding employee rights. A comprehensive approach to labour market regulation with a focus on transparency is recommended. Harmonisation in the context of Caribbean integration is also important.
3. High telecommunications and energy costs have been identified by businesses as major impediments to the attainment of international competitiveness in some countries. While the liberalisation of the telecommunications industry across the Region in recent times will yield some savings, reducing energy costs is likely to be more problematic. In this regard, **governments must intensify their efforts in the development of alternative energy resources, especially solar and wind energy.**
4. Technology absorption is an issue. These efforts should be complemented by continued investment in education and technology. The importance of information and communications technology (ICT) in increasing competitiveness is evident. Both the private and public sectors stand to benefit from the lower costs, higher productivity and increased efficiency associated with the effective exploitation of ICT. Furthermore, firms should be encouraged to invest in the relevant technology and on-the-job training for employees to keep them abreast of technological developments.
5. The focus on efficiency should not be restricted to the private sector; the public sector must also seek to engender a culture of optimising the use of limited resources. In **streamlining bureaucratic red tape, audits of existing systems and procedures** – with a view to assessing their effectiveness in the facilitation of business activity – are desirable, particularly in those areas that have in the past proven to be time-consuming. Limited absorptive capacity issues must be addressed. Efficiency gains from the effective use of information technology to facilitate information sharing, rationalise resources, and speed-up processes, are likely to be significant. The development of a technology platform linking various government departments in a virtual ‘one-stop shop’ is recommended. There is clearly a need to consider the quality of government investment. Better targeting of government programmes and systems to evaluate the return to government investments are needed. This is particularly important for the resource-constrained economies of the Region, as there are consequences of bad fiscal management. These efforts should partly alleviate the limited absorptive capacity.

6. In the face of repeated external shocks, constraints posed by small size, and limited economies of scale, the focus must be on producing quality high value-added products and services. Therefore, the ***promotion of a culture of compliance and commitment to quality is critical***. One of the key requirements for local exporters to access foreign markets is the observance of international standards. Consequently, businesses must recognise the importance of conforming to international best practice, through compliance with the Hazard Analysis Critical Control Points (HACCP) framework, ISO certification and the like. Continued work on fostering the development and enforcement of standards, is necessary. Perhaps additional incentives may be needed to encourage businesses to become compliant.
7. Advancing trade liberalisation and deepening integration is expected to increase growth and development. While trade liberalisation has presented major challenges, there are also opportunities. One is the possibility of increased exports, given the dynamism of the trade environment. While major regional commodity exports have so far been impacted negatively by trade liberalisation, the opportunity exists, with adequate resource inflows and appropriate trade and other economic policies, to benefit substantially from a general freeing up of trade.
8. The challenge lies in the ***identification and exploitation of new trading opportunities***. This assumes a capacity to respond effectively to such opportunities. For small island states, export opportunities are likely to be mainly in the service sector, which has shown greater dynamism than merchandise trade. Trade liberalisation also allows a wider array of choices, potentially reducing two of the vulnerabilities of small states – product and market concentration. Remoteness, and its implications for the Region’s competitiveness, is being reduced by the increase in communications efficiency. High transport costs of cargo, however, remain a constraining factor for continued reliance on high volume commodity exports, suggesting that the Caribbean has to change its trading strategy towards export services and lighter, higher value-added products.

As largely tourism dependent economies, the tourism sector merits special attention:

9. Economic diversification has been advocated but for small economies there are limits to the amount of diversification that is possible. The Region has attempted to shift its economic base from declining goods sector to services. This has allowed countries to earn higher incomes and generate new jobs, but the shift has not fully reduced the region’s susceptibility to external shocks. The real challenge is integration into the global economy on terms which reduces vulnerability and/or builds resilience to external shocks. This is a function of our technology and capacity building systems. Within existing product offerings such as ***tourism*** the suggestion is for further diversification to enhance the resilience of the industry to external shocks.
10. Given the scale economies constraints facing small economies in the production of good, the recent shift towards ***services*** seems logical. However, the low productivity that has plagued the Region could potentially constrain the growth of the services industries. Low productivity can be amplified in a services environment. Low productivity hampers competitiveness and must be addressed if the Region is to advance. It is important to link wages to productivity but in Caribbean economies these are delinked as a result of unions and the demonstration effect of high wage sectors. Trade in the Region, in particular trade in agriculture produce, has been hampered by non-tariff barriers, and other obstacles, which must be addressed if we are to leverage the regional market in support of economic development.

## Manufacturing

11. There is limited scope for expanding production. The focus needs to be on niche areas and selected product groupings with higher value added. Specialty products for specialty markets such as the health sector and the diaspora with links to agro processing would be highly beneficial.

## Agriculture

12. The impact of recent spikes in food prices underscored the importance of Governments in the Region reviewing their agriculture policies. The very low productivity levels and constraints to production were impediments to using agriculture in its present forms as a strategy to reduce poverty. Securing access to food at reasonable prices especially for the indigent, poor and vulnerable is necessary in maintaining development gains. The suggestion is for strategies that would **modernise agriculture** and increase productivity. In this regard, the recommended interventions should include:
  - (a) supporting national research entities in their effort to develop and promote technologies and innovation that were more appropriate to enhancing productivity in the region's agricultural sector. Technology has the potential to transform agriculture;
  - (b) institutional capacity building and its spill over to human capacity building; and
  - (c) Increased investment in infrastructural development, technical assistance/support, capacity building and agro-marketing.
13. The link between trade and finance is recognised and, in this regard, some key actions include mobilising domestic financial resources for development as well as international resources through foreign direct investment and other private flows. Increasing international financial and technical cooperation to address systemic issues such as enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development is necessary. In addressing the development concerns of the Region, emphasis must also be placed on improving the effectiveness of official development assistance through better targeting and coordination and the vigorous and expeditious pursuit of external debt relief.
14. In the future, more resources must also be directed towards addressing the information asymmetries. Adequate, timely, and accurate data, is a prerequisite for effective economic planning. Presently, there is a dearth of statistical data, especially on both agriculture and services. Currently, there are a number of initiatives to address some aspects of this perennial problem, but these efforts would need to be accelerated.

### ***So what does this mean?***

***The situational analysis of growth and development in the Caribbean since the 1960s points to a number of issues that should be addressed within the context of national and regional strategic development plans. The analysis also indicates that there are several areas that require further research and analysis before specific policy measures can be designed and implemented. With so***

***many policies available, the need to develop a framework to discern policy priorities and their desired sequence is required.***

One such approach - the Growth Diagnostic Framework - pioneered by Hausmann, Rodrik and Velasco (2005), is based on three considerations. First, while development is a broad concept entailing the raising of human capabilities in general, they believe that increasing the economic growth rate is the central challenge that developing nations face. Second, trying to formulate an identical growth strategy for all countries, regardless of their circumstances, is not likely to prove productive. Third, it is not helpful to provide governments with a long, unprioritised list of reforms, which may not be targeted at the most binding constraints on economic growth and development.

This approach is aimed at identifying the most binding constraints on economic activity, and hence the set of policies that, once targeted on these constraints at any point in time, is likely to provide the biggest bang for the reform buck (Hausmann, Rodrik and Velasco, 2005). The methodology proposed for this can be conceptualised as a decision tree. They start by asking what keeps growth low. Is it inadequate returns to investment, inadequate private appropriability of the returns, or inadequate access to finance? If it is a case of low returns, is that due to insufficient investment in complementary factors of production (such as human capital or infrastructure)? Or is it due to poor access to imported technologies? If it is a case of poor appropriability, is it due to high taxation, poor property rights and contract enforcement, labour-capital conflicts, or learning and coordination externalities? If it is a case of poor finance, are the problems with domestic financial markets or external ones? Then they discuss the kind of evidence that would help answer these questions one way or another and illustrate the practical implications of this approach by drawing on examples from specific countries.

This diagnostic framework can aid in prioritising economic policies. For each constraint, a priority area of action is determined, as well as a number of expected results. Included also are performance indicators and a date for achieving the results. Finally, for each constraint, an organisation is allocated the responsibility for its removal.

***In moving from economic growth to development***, however, we must take a more holistic approach. This literature discussed above has a number of implications for the formation of economic development policy and strategy. Studies propose a holistic approach to development policy and planning. The now accepted and recommended framework embraces five levels of development in any modern society, namely public sector development, private sector development, community development, family development and individual development. The thinking underpinning this approach, initially proposed by Stiglitz, is that sustainable development involves a transformation of the entire society and therefore all aspects must be engaged in any strategy.

The private sector is assumed to take a central role in the development effort rather than the traditional dominant role of the public sector. Notwithstanding this, the public sector is required to provide the necessary physical infrastructure, a sound regulatory and legal framework, wide access to quality health care and educational services, as well as foster capacity building within the public sector through the ongoing development of an efficient civil service and the creation of institutions.

The argument is that this helps to promote a competitive, stable and efficient private sector that can drive long-run economic growth (Stiglitz, 1998). In addition, a critical component of the development effort is the engendering of a healthy and quality labour force that is geared to meeting the challenges of a rapidly changing and technologically advanced environment. The public and private sectors efforts must be complementary, in the sense of a partnership if the other three levels of society are to be incorporated as viable contributors to development. While the driving force is the public and private sector the majority of economic and social life centres around the various communities and by extension families and individuals that make up those communities and so these levels are also to be taken into account in fashioning any development strategy and policy. Indeed, sustainability of development initiatives hinges largely on the extent to which these meet the needs of citizens and by extension their commitment. In the absence of this commitment these efforts are quickly derailed.

Promoting stable and productive families is a critical aspect of development. Therefore, close attention must also be paid to reducing the incidents that are likely to threaten the family unit, particularly the impact of domestic violence and crime, which extend beyond the family household to the entire economy. Furthermore, the empowerment of individuals through access to education, technical training and health care can provide more control and balance in their lives so that they can be productive members of society.

However, as explained, a sustainable development strategy entails more than allocation of resources among these levels of society. For instance, generating returns to both human and physical capital depend heavily on the availability of complementary inputs, such as a well-managed macroeconomic framework and well-functioning institutions. In addition, the development strategy must outline plans for preserving natural resources, policies for encouraging saving and investment, and plans for improving the provision of education and for using and renewing natural resources.

In summary what is needed to move from economic growth to economic development, is a holistic approach to sustainable economic development which would involve all the social partners (Non-governmental Organisations (NGOs), private sector employers, labour unions and the government).

Thank you for your kind attention.

## **REFERENCES**

Craigwell, Roland, and Denny Lewis-Bynoe. 1998. The Determinants of Growth in a Small Open Economy: Barbados. *Journal of Eastern Caribbean Studies* 23: 1-29.

Downes, Andrew S. 2002. *Economic Growth in a Small Developing Country: The Case of Barbados*. Sir Arthur Lewis Institute for Social and Economic Studies, University of the West Indies, Cave Hill Campus.

Downes, Andrew S. 2007. *Economic Growth: Theory and Policies*. macroeconomic policy analysis lecture notes, MSc (Economic Development Policy), Sir Arthur Lewis Institute for Social and Economic Studies, University of the West Indies, Cave Hill Campus.

Hausmann, Ricardo, Dani Rodrik, and Andrés Velasco. 2005. Growth Diagnostics. Harvard University.

Stiglitz, Joseph E. 1998. Towards a New Paradigm for Development: Strategies, Policies and Processes. Prebisch Lecture at UNCTAD, Geneva, Switzerland.

## Vincent Vanderpool-Wallace

1. Thank you very much for the invitation. I should also like to thank those from the Caribbean Hotel & Tourism Association (CHTA) and all those from the Caribbean Tourism Organization (CTO) who recommended that I participate in this seminar.
2. I bring greetings from the Prime Minister of the Commonwealth of The Bahamas to Madam Prime Minister and members of your Cabinet here in St. Maarten. Your presence at this seminar speaks volumes.
3. There are also some specific people in your community that I have come to admire through the years. One is your Deputy Prime Minister, Mr Theo Heyliger, the former Commissioner of Tourism. I once told him that my simple strategy for the development of cruise business in the Bahamas was to find out what he did and copy it so quickly that people are confused about who had the idea first. As he has seen, I have made good on my threat.
4. I have also been a longtime admirer of your President of SHTA, Mr Emil Lee. He and I through the years have identified a number of initiatives that would advance Caribbean tourism but there's one project that we are committed to finish over the course of next year that we think will be of the greatest and immediate benefit.
5. But there's another personal matter that I always gives me much delight whenever I come to St. Martin. There are very few people in the Bahamas with Dutch surnames. So whenever I come here I have a great good fortune of learning how to pronounce my own last name properly.
6. I have to be very careful about how I advance the next point of admiration. I have always believed that tourism is a wonderful economic development tool. And as island destinations we must rely quite heavily on air transportation for attracting and receiving the highest spending visitors. So it makes a great deal of sense that the Minister for tourism should also be responsible for economic development in some form or fashion and also for air transportation. Of all the destinations I've seen in our region your Minister for tourism that also has responsibility for economic development and transportation has the most complete portfolio. So congratulations.
7. We have within the Caribbean some of the most tourism dependent countries in the world and St. Maarten is no exception. I also believe that as such we must also become the most tourism competent. And I believe that tourism competence begins with defining what we are talking about. I like two definitions. One is for the sophisticated and the other is for the ordinary people in our population. I prefer the second unsophisticated definition and you will soon hear why.
8. Here is the sophisticated version: tourism is simply that part of our GDP that is derived from the economic activities of visitors. That makes a great deal of sense. But I think this other definition is more easily understood by the general population: on a very good day in tourism, we grow our population by a certain percentage; the average daily spending of that visiting population is far greater than the average daily spending up any equivalent percentage of our existing population. What is of equal importance, we do not have to provide any extensive and special services for that visiting population, no schools, no hospitals etc. That is what tourism is all

about. It is about growing our population size with persons who have a very high rate of daily expenditure and having them leave believing that they got great value for their money.

9. Now that we have defined what we are speaking about, we must also recognize that this peculiar economic tool is different from many others in some important respects. The first difference is that unlike Fendi, unlike Walmart, unlike Toyota we have only one store on earth we cannot create branches or mini St Maartens around the world like the other multi-national corporations. So the cost of any item in my store must also include the cost to get to the store. That is a peculiarity that is often overlooked when we start talking about tourism.
10. The second reinforcing difference is that my product cannot be shipped. You cannot FedEx the St. Maarten vacation. So someone must come to my shop for the personal experience. To reinforce the point, the cost of getting to my shop is a large part of the cost of the experience.
11. The third peculiarity is that every resident of the destination is part of the experience whether they are directly involved or not. It is critically important to everyone in the destination including all members of the private sector to get behind making sure that the visitor experience, no matter where it might be is the very best that it can be. In fact, there is a case to be made that the room rates of hotels are related more to this perception of the entire destination than to any other factor. Now I know this is very difficult for the destination to function in this way but, guess what, the customer does not care.
12. I like to remind people about the United Nations study entitled "Where is the Wealth of Nations". What that study found was that there are five principal items that were critically important in explaining the wealth of the wealthiest nations
  - # 1: Clear title to land
  - #2: an efficient judiciary
  - #3: a quality educational system
  - #4: a sense of trust among the individuals of the country
  - #5: and this is my interpretation of the fifth imperative: "people acting independently in a coordinated fashion".
13. The last point is the one I wish to focus on. If you wish people in the tourism dependent destination to act independently in a coordinated fashion, then the leaders of that destination must outline their vision for tourism and communicate it regularly to the entire population in order to get that coordination.
14. One final piece of philosophy. We have asked many times: why is it that if the director of marketing for a hotel tells the owner that that property will run 70% occupancy for the year that director of marketing will get a bonus. If the director of marketing for a cruise line went to the owner and told them that they would run 70% occupancy on the ship for the year at marketing director gets fired. We have noticed that there is a complete difference in philosophy between the marketing of cruise lines and the marketing of hotels. It makes little sense for a cruise line to allow a cabin to depart empty because even if they sell it for one dollar, the revenues that they make from the passenger on board is far better than the alternative.

15. Similarly, it makes very little sense to me, especially in cases where destinations guarantee airfare, for the destination to allow any seats to arrive empty. Those of us who are concerned about the effects of discounting in order to achieve this objective need to look at how the cruise lines accomplish the same objective without incurring the problem. This is where the application of modern technologies is so helpful to tourism. In fact, the internet, next to the invention of the modern jet aircraft is singularly the most important tool for tourism development. The project that Emil Lee and I are working on is aimed at filling more and more of those empty seats using modern technologies.
16. Whenever we find ourselves in a situation where we are paying for a seat coming into a destination empty we forgo the benefits that would be derived from persons who would be spending in the destination. With an unoccupied seat, we will have lost twice.
17. It should be clear to all by now that as far as land based tourism is concerned, we have an asset utilization problem throughout the Caribbean. Consider, for example the following: suppose a destination derives 50% of its GDP from tourism and that the destination is currently running 60% occupancy in his hotels. If you were to grow the occupancy by 30 points to 90% we will have increased the GDP contribution from tourism by one third without any additional capital investment!
18. So what do we do with this information? The first thing we must do is to begin to commit to information gathering. A number of people have asked me what do I think should be done and I'll grow the business for St. Maarten. I tell them unequivocally I have no idea but we can get the information from the visitors to St Maarten and from research on visitors travelling elsewhere.
19. I've been asked to talk about some best practices from The Bahamas that I think can be applied to St Maarten. The one that comes to mind first is the Bahamas immigration cards which collect information on the visitors coming to the Bahamas. Because of the design of the card, we have the potential to know what each visitor thought about his vacation and since we know where he stayed, we can accumulate information by property and compare those that deliver satisfactory service and those that do not. This gold mine of information can then be used as a basis for business development decisions. So instead of the minister or director of tourism talking generically about what should be done to improve visitor experiences they can talk about what needs to be fixed specifically to improve the visitor satisfaction levels based on information from visitors.
20. A related information tool is the development of tourism satellite accounts so that we have a much better understanding of how tourism operates in our destination. In fact the one shocking recommendation that I make regularly is that tourism destinations should take money away from advertising in order to establish a data series for tourism satellite accounts. They will find that the benefits of getting insights into how tourism flows through their economy is so much more important than just spending advertising and promotional funds blindly.
21. The other best practice we believe happened in the area of ensuring that there is a laser-like focus on the visitor experience. We took a decision a few years ago to change the name of the "director of product development" to the "director of the visitor experience". We saw a remarkable turnaround in focus on what is important as far as the visitor experience is

concerned. Instead of focusing on physical things, we focused on the visitor's experience and on what needed to be done to improve the visitor's "intent to recommend" The Bahamas. The simple look at the differences between those who would recommend The Bahamas compared to those who would not told us precisely what we had to improve from the visitor's perspective.

22. Another model is the need for us to focus on the personality of those persons in the front line providing customer service. We all know and acknowledge that personality is very important in delivering quality personal service the tourism sector. But what we have failed to do is to continue to allow those wonderful personalities to remain on the front line. The tendency still is to consider personal service so low on our skill sets that we promote and reward those stirring personalities by moving them away from the very place that they are needed most. How about finding a way to have them remain in place and continue to deliver quality customer service while increasing their reward and recognition?
23. I know, I know. . . .you know when someone has some academic degree. You ask for and they bring the evidence. But how do we know and measure personality? The definition for personality is the same as the definition used famously by United States Supreme Court Justice, Potter Stewart, to define pornography: I can't define it but I know it when I see it.
24. We also spoke about the need to ensure that every single member of the population in the tourism destination recognizes that they are a member of the national tourism team. The visitor really does not care whether someone is directly involved in tourism or not as far as their experiences are concerned. We understand that it is a very difficult thing to do but it is something that we must do. There are many ways to ensure that awareness is increased in this area and many destinations in our region would be happy to share their best practices.
25. And in the age of the internet, the visitor experience is even more important than ever. As we have always agreed, "word-of-mouth" is the most important factor in marketing. But today we have "digitally archived word-of-mouth" because many people could go online to permanently register their views about a property or destination and that view remains there forever for millions to see.
26. Another critically important component of the destination is to ensure that the status of tourism workers is raised to the point where working in the sector becomes a desirable option for many of the best and brightest citizens of the destination. It is impossible for tourism to succeed if citizens all seek jobs in other areas first and then become engaged in tourism as a last resort. For example, in the Bahamas we started research that shows that he had a substantial problem regarding the status of tourism workers. We found that a cleaner in a bank or a cleaner in a hospital thought they had a higher status than a cleaner in a hotel. They are all cleaners except that somehow the status of hotel workers was perceived to be lower in status.
27. So we decided to conduct research on the population and found when we asked many parents if they would like a bright child of theirs to enter the tourism sector only 17% said "yes" at the beginning, nearly two decades ago. When we last measured recently we found that 70% said he would like a bright child of theirs to work in tourism. Tourism cannot succeed in our destinations until we get the best and brightest going into the sector. Because tourism also needs rocket scientists contrary to popular perception.

28. As I said at the very beginning if we have only one shop on earth the cost to get to our shop is a part of the cost of the products and services that we have to sell. For example, the same week long vacation in St Maarten will cost a person from London \$200 more per person per day or a total of \$1,400 for the week compared to someone coming from Puerto Rico because of the airfare alone! So in order to maximize the number of persons in our consideration set we must seek always low-cost, high-quality, frequent air transportation to our destinations. That is why governments need to be conscious of the costs that we add to air tickets through user fees, security fees and departure taxes. In so doing we reduce demand for the very item that we wish to promote.
29. The best examples for us to follow are to look at Las Vegas and Orlando in United States of America. In both cases, the majority of their visitors drive to the destinations. Even so these two most popular tourism destinations have for many years have the lowest cost per air mile flown compared to any other destinations in the entire United States of America. In the case of island destinations there is no chance for somebody to drive to these destinations so low-cost air transportation should be even more important to us that it is to Las Vegas and to Orlando.
30. For those persons who still are skeptics of the profound importance of low-cost airfare I offer two examples. The Bahamas decided in the height of the financial meltdown in November 2008 to test the concept of \$99 round-trip airfares including all taxes between Ft Lauderdale and Nassau by offering the fare only on one airline's website. According to the airline, they had never before not have they since received more hits on their web site. In addition the sales of the offer exceeded our expectations considerably.
31. The second example happened with JetBlue from New York when we offered a similar low cost offer in May 2009. This time we advertised it publicly. Not only did the non-participating airlines match the offer, we found the same kind of results from the customer. There is no substitute for low cost, high quality, high frequency air transportation.
32. One final but very important point. Have you ever noticed that McDonalds will never accuse Burger King of having rotten hamburgers or vice versa even if that were the case? Have you ever noticed that airlines do not tout their safety record whenever there is a crash of another carrier? The simple reason for these aversions is that good marketing people understand that the one principle to be upheld is "never kill the category". One never trashes the category of the business in which it is engaged. To question the quality of another's hamburgers is to question the quality of all hamburgers. To question the safety of any commercial airline is to question the quality of all commercial airlines. What we appear not to have embraced fully is that the corollary is also true.
33. Anyone and everywhere in the tourism business in the Caribbean should always and everywhere laud the Caribbean. Every time we add value to the Caribbean brand, we add value to our individual country brand so such activity by all Caribbean destinations would be in our collective best interest. Brands we agree belong similarly to categories. Coca Cola belongs to the beverage category. Toyota belongs to the automobile category. Fortunately for us, Caribbean belongs to the travel and tourism category.

34. The Caribbean Hotel & Tourism Association (CHTA) and the Caribbean Tourism Organization (CTO) have come to recognize this fact and as a result have formed the jointly and equally owned Caribbean Tourism Development Company (CTDC), which has been dubbed the marketing company for the Caribbean. You will soon hear about some of the simple ways in which we can all value to this umbrella called the Caribbean under which we all have the pleasure to sit.
35. Since, as noted, it is so much less expensive for people from within the Caribbean to vacation within the Caribbean, we must begin to look more closely at our 40 million neighbours not as competitors but rather as source markets. You will hear more about the concept of a One Caribbean Airspace that will seek to make it easier and less expensive for airlines to operate both within and to the Caribbean.
36. You will also hear much more about the tendency of warm weather vacationers to become island or destination collectors no matter how enjoyable they find the experience in any one destination. It is clear that we should encourage such visitors to collect the destinations within the Caribbean. We also know that cruise ships have proven the desirability of multi-destination vacations. For those visitors who prefer to have land based multi destination vacations within the Caribbean, the CTDC must be prepared to fulfill such desires as easily as possible.
37. I mentioned to Emil Lee earlier today that you have an extraordinary opportunity that comes once in a lifetime, if ever. From what I understand, as you move to “Country St Maarten”, you have an opportunity to revamp the structure of a number of processes and you are not constrained by the bad habits of the past. Much of what we do in tourism today is a relic of bygone days and few of our processes take advantage of modern technologies that have emerged in the past ten years. In tourism, technology is not a tool to supplant personal service; technology is a tool that enables us to make personal service even more personal. He understands that.
38. Despite my focus on tourism, I agree completely with Dr Denny Lewis-Bynoe, the previous speaker, that our solutions must be holistic. I also agree completely with the person who recommended a special focus on youth as part of your national development. I agree for this simple reason: on every corner of the earth, there is nothing more dangerous to a society than idle young men. So I was heartened to hear about some of the apprentice programs that are being proposed in tourism. You will be rewarded handsomely not only by preventing young men from getting into mischief but also by creating a bank of skills for the future.
39. I wish “Country St Maarten” all of the success that it clearly deserves.

### Appendix III: Listing of panelists

**Mr. Jan Beaujon** – President Banker’s Association

**Mr. Emil Lee** – President Sint Maarten Hospitality and Trade Association

**Mr. Damodar Rawlani** – Board member of Indian Merchant’s Association

**Mr. Miguel De Weever** – Secretary General Ministry of Tourism, Economic Affairs, Transportation & Telecommunication

**Mr. Claret Connor** – Executive Director St.Maarten Chamber of Commerce

**Mr. Mark Mingo** – Chief Executive Officer St.Maarten Harbour Group of Companies

**Prof. Age Bakker** – Professor of Monetary Economics and Banking, VU Amsterdam

**Ms. Odele Anderson** – student panelist

**Mr. Cameron Hyman** – student panelist

## Appendix IV: Invited guests<sup>6</sup>

Eugene Holiday	Governor
Rob Bats	Director Cabinet of the Governor
Reinoud Pronk	Deputy Director Cabinet of the Governor
Stefan 't Hoen	Legal advisor Cabinet of the Governor
Reynold Groeneveldt	Acting Governor and jurist
Sarah Wescot	Prime Minister
Emilia Thomas	Executive Assistant to the Prime Minister
Theodore Heyliger	Deputy Prime Minister
Hiroshi Shigemoto	Minister of Finance
Rhoda Arrindell	Minister of Education & Youth and Culture
Franklin Meyers	Minister Tourism and Economic, Transportation & Telecommunication
Cornelius de Weever	Minister Health and Labor
Gracita Arrindell	Chairperson Parliament
William Marlin	Member Parliament
Roy Marlin	Member Parliament
Partick Illidge	Member Parliament
Roman Laville	Member Parliament
Hyacinth L. Richardson	Member Parliament
Louis E. Laveist	Member Parliament
Jules C. James	Member Parliament
Sylvia V. Meyers	Member Parliament
Petrus L. De Weever	Member Parliament
Lloyd J. Richardson	Member Parliament
George C. Pantophlet	Member Parliament
Frans G. Richardson	Member Parliament
Johan Leonard	Member Parliament
Ruth Douglas	Member Parliament
Mavis Brooks-Salmon	Vice-Chair Advisory Council
Gaston Bell	Member of Advisory Council
Marcel F. A. Gumbs	Member of Advisory Council
Miguel L. Alexander	Extra ordinary Member Advisory Council
Marcella M. Hazel	Extra ordinary Member Advisory Council
Franklin Richards	General Pension Fund
Ralph Richardson	Former Lt. Governor
Roland Tuitt	Chairman Gen. Audit Chamber
Rene Richardson	Chairman Social Economic Council
Gerard Richardson	Secretary Social Economic Council
Francis Carty	Member Corporate Governance Council
Alex Richards	Controller for the Ministry of Tourism, Economic Affairs
Claudette Labega Forsythe	Secretary General Ministry of Education
Sherry Hazel	Secretary General Ministry of Finance
Lucy Gibbes	Ministry Tourism, Economic Affairs

---

<sup>6</sup> The listing is of invitees and not attendees. Other attendees who participated may not be listed.

Agusto Priest	Product development manager (Tourism)
Eudine Patterson	Ministry of Finance
George A. M. Scot	Director Sint Maarten Medical Center
Marcie Jonkers	Representative of the Netherlands in St. Maarten
Arjen Alberts	Advisor Sociaal Economisch Raad (SER)
Geert Bergsma	Head of the Tax Inspectorate
Keith Franca	
Michel Soons	Krebbers and Associates
Glen Carty	CEO of UTS
Lorraine Talmi	SHTA/ Firgos
Kenrick Housen	SHTA/ Carls and Sons
Arun Jagtiani	SHTA/ Real Estate
Keith Graham	SHTA/ Great Bay Resort
Valya Pantophlet	SHTA Director
Natasha Pizzichini	SHTA
Edwin hodge	Directeur Winair
Regina Labega	Managing Director Princess Juliana International Airport
Richard Gibson	Member CFT, Jurist
Martin Hassink	Hassink & Roos
Bert Hofman	Bar Association
Brian Mingo	Telem CCO
Mr. Norbert Hijmans	Management of VanEps Kunneman VanDoorne
Michael Druijts orne	Management of VanEps Kunneman VanDo
Stefan 't Hoen	Notary Office SPS
Mw. M. Mingo	Notary Office Gijsbertha
Management of	Lexwell Attorneys
Management of	Bergman Zwanikken Snow Essed
Richard Gibson jr.	Lawyer
Rob van der Berg	Curconsult
Shaira Bommel	Secretary Bar Association
Aernout Kraaijeveld	Member Bar Association
Dexter Johnson	Executive Management Team of GEBE
Management of	Standard Trust Company
Brenda Wathey	NC Wathey Group
A. Ramirez	Island Finance (St. Maarten) N.V.
Peggy An Brandon	Bureau Telecom & Post
Management and Board	Chamber of Commerce
Antonio Brown	President Chamber of Unions
T. Thompson	President Windward Island Federation of Labour
Perry Wilson	Man. Dir. First Caribbean Bank
Dwight Bailey	Man. Dir. First Caribbean Bank
Whitfield Vlaun	Man. Dir. First Caribbean Bank
Sylvia Baly	Man. Dir. First Caribbean Bank
Ronald Halman	Man. Dir. ORCO Bank
Stephane Turenne	BECM Bank
Angelique Adele	BECM Bank
Madelon Dijkhoffz	Man. Dir. Banco de Caribe
Petra Maynard	Banco di Caribe
Vanessa Munoz	Banco di caribe
Anuska Lake	Banco di Caribe

Rachel Rios	R.B.T.T.
Fabian Louis	BNS Commercial Banking Manager
Charles Thomas	BNS Account Manager
Kenneth Lei	OBNA Bank
Ludwig Ouenniche	Exec. Director SBDF
Carmen Richardson	SBDF -Office manager
Sidney Ricardo	Hoofd vestiging St. Maarten SOAB
Paul van Vliet	Price Waterhouse Coopers
Herbet Beltman	Price Waterhouse Coopers
Jason Nisbet	KPMG
Ronald Pieters	KPMG
Nathalie Cannegier	KPMG
Myrtille Brookson	Ennia Insurances
Niel Henderson	Henderson Insurances
Imrad Mc. Sood	Nagico
Olivier van den Gevel	Fatum Insurances
Roy Kerdijk	Gulf Insurances
Barbara Pompier	Sagikor Insurances
Jeff Boyd	Marine Trade Association
Meredith Boekhoudt	Notaris
Max Pandt	CFT-BES
Eric Van Engelen	Member secretariat St. Maarten CFT
Jacob de Glee	Member CFT
Kees van Nieuwamerongen	Secretary CFT
Angela Dekker	USONA
Al wathey	USM BOD
Rik Bergman	USM BOD
Wycliff Smith	USM BOD
Valerie Giterson-Pantophlet	USM BOD
Olga Mussington	USM BOD
Danny Ramchandani	USM BOD
Vasco Daal	USM BOD
Marlene Mingo	USM BOD
Eveline	Firgos Paper
Roy Cotton Jr.	Faculty
Gina Waldron	
Erna Mae Francis	
The Today Newspaper	
PJD2 Radio	
Soualiga Broadcasting	
Philipsburg Broadcasting	
Island Times	
AVS News	
SMN News	
The Daily Herald	

## INDEX

asset utilization.....	9, 31
CFT	
Council for Financial Supervision ....	1, 3, 17, 37, 38
collective effort.....	3, 12
competitiveness.....	6, 12, 16, 21, 22, 23, 24
constitutional.....	11
constraints.....	2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 19, 22, 24, 25, 26
corporate citizenship .....	12, 16
digital archive word of mouth .....	9
distant dependent .....	8
diversification .....	6, 7, 8, 11, 12, 22, 24
domestic financial resources .....	7
economic development.....	5, 7, 8, 24, 26, 27, 29
economic growth .....	5, 6, 7, 8, 13, 18, 19, 21, 22, 26, 27
education.....	4, 5, 6, 11, 12, 13, 14, 21, 23, 27
export .....	7, 20, 21, 22, 24
FDI	
Foreign direct investment .....	6, 7, 12, 21, 23
GDF	
Growth Diagnostic Framework .....	7
GDP .....	5, 8, 21, 29, 31
global economy .....	6, 24
ICT	
Information communication technology .....	6, 11, 16, 23
information.....	5, 6, 7, 9, 10, 11, 12, 15, 16, 23, 25, 31
information sharing .....	6, 23
internet.....	9, 15, 31, 32
leadership .....	11, 12
MAP	
Multi annual policy plan .....	12
PPP	
Public private partnership .....	16
private sector.....	3, 6, 15, 16, 22, 23, 26, 27, 30
re-engineer .....	11, 16
shared vision.....	12
SIE's	
Small island economies .....	5, 6, 7, 8, 19
social cohesion.....	16
social inclusion.....	3
taxes .....	9, 12, 16, 33
TEZVT	
Tourism, Economic Affairs, Traffic and Telecommunication .....	3, 12, 16
tourism .....	3, 5, 7, 8, 9, 11, 12, 13, 16, 22, 24, 29, 30, 31, 32, 33, 34
transparency.....	6, 15, 16, 23
unemployment .....	16
USM	
University of St. Martin .....	1, 3, 4, 14, 38
<i>Vrije Universiteit</i> .....	3
youth.....	3, 13, 16, 34