

**Kingdom of the Netherlands—Netherlands Antilles: Recent Developments,  
Selected Issues, and Statistical Appendix**

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KINGDOM OF THE NETHERLANDS—NETHERLANDS ANTILLES

**Recent Developments, Selected Issues, and Statistical Appendix**

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Approved by the European I Department

April 20, 2001

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## INTRODUCTION

1. The Netherlands Antilles consist of a federation of five Caribbean islands, with a population of about 200,000 inhabitants.<sup>1</sup> It is an autonomous, but integral part of the Kingdom of the Netherlands, and its own currency, the Netherlands Antillean guilder, has been pegged to the U.S. dollar at a fixed rate since December 1971. As is typical for small island economies, the Antillean economy is undiversified, relying mainly on tourism, shipping, offshore finance, and oil refining.

2. The past decade has witnessed a progressive weakening of the economy, leading to a prolonged recession in recent years, high unemployment, and a tide of emigration. Adverse economic shocks, especially affecting the offshore sector and to a lesser extent tourism, and inadequate policy adjustment are the underlying causes. Economic developments and policies during the past two years are described in some detail in Chapter I, which refers also to the Statistical Appendix. Chapter II discusses the challenge of adjusting to adverse shocks when labor is mobile, as is the case in the Netherlands Antilles. In these circumstances, wages and the exchange rate cannot be used effectively to facilitate adjustment, and fiscal tightening alone will further induce emigration. This puts the onus of improving economic growth and job prospects on comprehensive domestic reform and policy adjustment. Against this background, Chapter II also describes the accomplishments to date under the 1999-2001 adjustment initiative and notes the remaining challenges. Chapter III reviews developments in the Antillean offshore sector and explores its prospects. Though the sector's importance for the Antillean economy has diminished, it still provides a significant contribution to value added, tax revenues, and employment. In response to heightened international scrutiny of offshore jurisdictions, the Antillean authorities have decided to step up regulation. While this has removed some of the uncertainty surrounding the sector, its prospects remain unclear.

### I. RECENT ECONOMIC DEVELOPMENTS<sup>2</sup>

3. This chapter provides a brief review of economic developments and policies focusing on the period since the 1999 Article IV consultation.

#### A. Production, Prices, and Labor Market Developments

4. **In 1998, the Netherlands Antilles entered a prolonged recession.** While final national accounts data are only available through 1997 (SA<sup>3</sup> Tables 1 and 2), estimates of production developments point to a cumulative contraction in real output of 6¼ percent

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<sup>1</sup> The five islands are Curaçao and Bonaire (the Leeward Islands), and Saba, St. Eustatius, and the southern part of St. Maarten (the Windward Islands).

<sup>2</sup> Prepared by Gerwin Bell and Jan Kees Martijn.

<sup>3</sup> SA = Statistical Appendix.

between 1997 and 2000. Particularly large declines appear to have taken place in the primary sector, construction, and public administration, reflecting both external and domestic factors as well as a decline in public sector employment. While inflation has been low, employment prospects remained poor, and large-scale emigration ensued. Recently, however, some signs of improvement in the outlook have emerged, in part as a result of progress with structural reform.

5. **Negative external shocks and inadequate policies accounted for much of the recession.** The Netherlands Antilles were adversely affected in each of its major export sectors (SA Table 3). Following the low oil prices throughout 1999, oil production and, more importantly, transshipment registered sharp declines. Shipping and port activity also declined, while the unusually high incidence of hurricanes in the Windward Islands (St. Maarten, St. Eustatius, and Saba) took its toll on the tourism sector, which has not yet fully recovered. On the policy front, fiscal imbalances were not brought under control, contributing to arrears to the pension fund and private suppliers, and an erosion of confidence.

6. **The exchange rate peg to the U.S. dollar has kept underlying inflation low.** In both 1998 and 1999, consumer inflation in the Antilles remained considerably below inflation in the U.S., the anchor country, notwithstanding some higher inflation in the Windward Islands after the hurricanes (SA Table 6). This undoubtedly owed much to the depressed state of the economy. In 2000, inflation accelerated sharply—to an estimated 4.7 percent, compared to 3.2 percent in the U.S.—as the result of an increase in indirect taxes and higher oil prices.

7. **Labor market developments have remained unfavorable and emigration has accelerated.** With low inflation and a depressed economy, direct wage pressures have been largely absent. Nominal minimum wages have not been changed since 1996 (SA Table 7) and collective labor agreements were extended by 12 months in the aftermath of the hurricanes. Representative wage agreements in Curaçao, negotiated since then, point to wage increases of some cumulative 5 percent over the subsequent three years. Employment creation has been anemic (SA Table 8) and the estimated decline in the unemployment rate for Curaçao—to 14 percent in 2000 from 15.9 in 1999, notwithstanding a large retrenchment exercise in the government—owes much to emigration to the Netherlands (SA Table 9). While providing an outlet for unemployment, free mobility to the Netherlands essentially locks the Antilles into a high wage structure in which Dutch welfare payments establish a floor and Dutch demand for skilled professionals (such as teachers and nurses) raises reservation wages.<sup>4</sup> Moreover, surveys of employers paint a bleak picture of the employability of both the long-term unemployed and recent school graduates. Much of the

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<sup>4</sup> The Island of Curaçao has been the most affected by emigration. Much of the emigration centered on the younger population, thus accelerating aging of society with considerable risk for the sustainability of the old age pension system.

employment pressure in the low-skill range is being absorbed by (mostly illegal) immigrants from neighboring countries. At the same time, employers cite a continuing lack of skilled professionals, especially in the key tourism sector. In an effort to redress bottlenecks in the recruitment of needed expatriate personnel, the government has recently liberalized the employment authorization for Dutch citizens.

8. **However, there are recent signs of improvement in the economic outlook.** Oil prices have recovered; tourism, especially higher value added stay-over tourism, has begun to pick up (SA Tables 4 and 5); new American chains have entered the hotel sector; the ship repair business is showing signs of recovery; and new large-scale investments have been initiated (refinery and power sector), involving an investment volume of more than US\$100 million (some 4 percent of GDP).

9. **During the past two years, important structural reforms have also been implemented (see also Chapter II).** The Netherlands Antilles adopted an open-sky framework, abolished production monopolies and import quotas, introduced more flexible work arrangements, particularly for the tourism sector, and lifted the individual dismissal permit requirement for most sectors. Measures to promote privatization, electronic commerce, and the development of the international financial service sector were also implemented.

## B. Public Finance

10. **During the past decade, fiscal policy was marked by intermittent episodes of adjustment and policy drift.** The budget never fully adjusted to the sharp decline in offshore tax revenues. As a result of wage drift and unsustained attempts at fiscal consolidation, the deficit rose to 4–5 percent of GDP in the mid-1990s. When a Fund staff-supported adjustment initiative in mid-1997 went off track after only a few months, an expansionary approach was pursued, but with little success owing to financing constraints. Since late 1999, a renewed program of fiscal consolidation has been underway.

11. **Budget execution in 1999 and 2000 was hampered by revenue shortfalls and refinancing problems.** Despite the implementation of major fiscal adjustment measures, the budget deficit of the general government did not decline to a sustainable level (SA Table 9). Though adjustment included the dismissal of about 20 percent of civil servants, most of the savings associated with this measure will not accrue until 2004, when severance payments expire. Progress in reducing the deficit was further hampered by tax collection problems, delays in implementing planned expenditure cuts, and emerging claims on past government guarantees. On the financing side, increased external support partly substituted for domestic financing, which became scarce as the result of the weakening economy and erosion of investor confidence. Even so, sizeable arrears accumulated to the pension fund, private suppliers, and the Dutch government.

12. **At the general government level, the 1999 deficit amounted to NA f. 167 million (3.8 percent of GDP), well above the level recorded in the previous year, and exceeding**

**available domestic financing.** The deficit increased at both levels of government. At the central government level, a large revenue shortfall emerged when the obligation to pay sales taxes was lifted at the beginning of the year, but the turnover tax replacing it did not become effective until March (SA Table 10). The finances of the island government of Curaçao were strained by lower profit and income taxes, as a result of the economic slowdown (SA Table 11). Furthermore, during the year, confidence weakened, eroding domestic investors' willingness to refinance maturing government securities. Severe cash constraints forced the island government to compress spending on goods and services. The lack of resources eventually resulted in a financial crisis which prompted the Dutch government to provide exceptional financing at the end of 1999, after a new coalition government took office (SA Tables 12 and 13).<sup>5</sup>

13. **In 2000, the positive impact on the budget of new tax and wage cost measures was offset by a collapse of tax collection during the final months of the year.** At end-1999, turnover tax rates on the Leeward Islands were raised from 2 percent to 5 percent, boosting central government revenues in 2000. Turnover tax rates for the Windward Islands were adjusted from 2 percent to 3 percent in April 2000. The resulting revenue increase permitted the resumption of regular transfer payments from the central government to the island governments.<sup>6</sup> However, profit tax collection started to taper off by mid-2000, and declined dramatically during the last quarter, due to lower offshore dividend inflows. In addition, indirect tax collection collapsed, as a result of a disruptive reorganization of the tax administration. In spite of considerable efforts to clear backlogs and a successful technical assistance project for the tax auditing service, the overall shortfall in tax revenue amounted to 1¼ percent of GDP (NA f. 75 million). Financing constraints and the postponement of budgeted expenditures of about 1 percent of GDP limited the deficit to 3¼ percent of GDP (NA f. 144 million). Most of the financing was obtained from external sources. Dutch support during September-December amounted to 1¼ percent of GDP and Aruba settled an outstanding debt of ¾ percent of GDP.

14. **The expenditure carryover from 2000, tax collection problems, and new spending plans have undermined the fiscal consolidation planned for 2001.** The budgetary outlook is also adversely affected by the weak economy and delays in pension and health care reform. The 2001 budget targeted a reduction in the overall deficit to less than 2 percent of GDP. But, without further adjustment, it is now slated to rise to about 5 percent of GDP. The authorities intend to implement further adjustment policies to contain the deficit to last year's level, which would represent a significant improvement in the primary balance.

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<sup>5</sup> Dutch financing shows up as monetary financing in SA Table 12, reflecting on-lending to the government of Dutch funds deposited at the central bank.

<sup>6</sup> On the other hand, a government guarantee for the Parker hotel project entailed outlays amounting to ¾ of one percentage point of GDP.

Nonetheless, domestic financing prospects remain bleak and large external support will be required to meet the budget's financing needs.

### C. Money, Banking, and Financial Sector

15. **Buoyant money and credit developments during 1999–2000 were at odds with the weakening of the economy.** Both money and credit increased faster than nominal GDP (SA Table 14). Stronger money demand stemmed from investors, who—having lost their confidence in government paper—looked at bank deposits as a safer investment. The apparent divergence of trends in credit and economic activity is partly explained by changes in the provision of bank credit for new investment projects (particularly in the Windward Islands) through foreign-owned banks, which borrowed funds from their home branches. However, another part of the strong credit growth reflects commercial bank's willingness to refinance maturing loans including interest ("evergreening"). Even though much of this credit is collateralized (SA Table 15), there is ample evidence of a deterioration in the underlying quality of collateral, especially real estate. Moreover, the authorities tolerated noncompliance with the monetary reserve requirement in an attempt to avoid an undue credit crunch.

16. **The relatively large increases in domestic assets at a time of recession took a toll on the banking system's foreign assets.** Indeed, in addition to setting higher reserve requirements, which were, however, not consistently enforced across banks,<sup>7</sup> the central bank allowed net international reserves to fall to sterilize some of the credit expansion. Such a policy resulted in very stable interest rates (SA Table 16), but at the cost of reaching a near historically low reserve cover, especially if Dutch financial assistance placed on deposit at the central bank is excluded.<sup>8</sup>

17. **The quality of banks' balance sheets has continued to deteriorate** (SA Table 17). The soundness of the banking system has suffered from rising nonperforming loans, and the attendant need for higher provisioning which has sharply lowered profitability. Given these developments, the central bank has stepped up its supervisory capacity and efforts, *inter alia* through targeting more frequent on-site inspections to banks suspected of being in relatively more difficult situations.

18. **Nonbank financial institutions have adopted a "wait-and-see" approach to domestic investment** (SA Table 18). The large insurance companies in particular are reducing their exposure to government paper by increasingly refusing to roll over maturing securities. Moreover, insurance companies and pension funds, having been important players

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<sup>7</sup> The penalty rate on a shortfall in required reserve holdings was considerably lower than prime lending rates.

<sup>8</sup> Such assistance is usually geared toward financing the budget deficit or specific investment projects, and thus is not available for monetary policy purposes.



in the mortgage market in the past, have become less willing to extend new mortgage finance in view of falling real estate valuations. Also, given the historically high incidence of hurricanes in the recent past, and the attendant losses of insurance companies, there has been both a widespread exit of insurance companies from hurricane insurance policies and significant premium increases for policy holders. In other areas (e.g., car insurance), insurance companies have asked for a deregulation of prices for insurance premia in order to be able to strengthen incentives against moral hazard.

19. **The prospects for the offshore sector have become increasingly uncertain over the past two years.** While assets under management have continued to increase, they are still below past peaks (SA Table 19). Participants in the sector indicated that they were looking ahead with more optimism after the clarification of the tax regime vis-à-vis the Netherlands and the U.S. (see Chapter 3 for a more detailed discussion of the offshore sector).

#### **D. Balance of Payments**

20. **The overall balance of payments has recorded a deficit for the second year running.** This reflected an increase in the current account deficit by some 4 percentage points of GDP in 1999–2000. Even with exceptional foreign financing, the capital and financial account—adversely affected by poor economic prospects—failed to provide a sufficient surplus (SA Table 20).

21. **In 1999–2000, most components of the current account registered a significant deterioration.** Sharp declines in the merchandise trade, services, and income balances resulted in a current account deficit of some 8 percent of GDP, notwithstanding the recent small improvement in the transfer balance owing to exceptional support (SA Tables 21 and 22). A large pickup in demand for imports resulting from higher oil prices, the need to restock and rebuild after the hurricanes in the Windward Islands, and the start up of new investment projects resulted in an 8.5 percent nominal increase in merchandise imports in 2000. Export growth—in part reflecting higher oil prices, which also lifted bunker revenues—was insufficient to avoid a decline in the trade balance. Moreover, the free zone, facing stiffer regional competition, witnessed a fall in exports. The services balance was adversely affected by a large increase in tourism expenditures,<sup>9</sup> and a decline in refinery receipts as the refinery went through a restructuring program. On the other hand, the offshore sector recorded a small increase in its net operating balance and tourism receipts staged a strong recovery from their hurricane-related troughs in the previous years.

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<sup>9</sup> The recorded increase in tourism expenditure is, however, likely to be largely a statistical artifact, resulting from the cash recording of the balance of payments through commercial banks which tend to assign any individual foreign currency withdrawals and purchases to tourism expenditures.

22. **The capital account surplus has been insufficient to cover the current account deficit.** The capital account balance registered a large drop in 2000, reflecting the non receipt of previous development aid as the emergency financing of the government budget—recorded in the transfer balance—was accorded primacy by donors (SA Tables 23–26). Moreover, poor economic prospects reduced direct investment activity. On the other hand, external financing of some private-sector investment projects led to a significant pick up in other investment inflows. Finally, it is worthy to note that portfolio and other investment flows have recorded large gross increases (i.e., on both inflows and outflows) over the last two years. A large part of the recorded increase arguably owes to better recording of offshore-sector related transactions as a result of recent efforts to strengthen the regulation of the sector (see Chapter III).

23. **Net international reserves have registered a large decline in 1999–2000** (SA Table 27). While the central bank was able to limit the loss in its official reserves so as to achieve a merchandise import cover of some two months, commercial banks' net international reserves fell sharply. The latter trend partly reflects the increasing presence of foreign-owned banks, which are able to incur foreign liabilities with their head offices, as well as the fact—discussed above—that credit conditions have been kept loose against the background of a weak economy. However, since banks are for prudential reasons not permitted to have a negative net foreign asset position, and official reserves cover of imports has reached a very low level, this trend is no longer sustainable.

## II. ADJUSTMENT POLICY IN THE PRESENCE OF LABOR MOBILITY, 1999–2001<sup>1</sup>

### A. Introduction

24. In response to a deteriorating economic situation since the mid 1990s, the Antillean authorities have introduced several adjustment initiatives. However, so far, the economy has not recovered, as evidenced by continued high unemployment, outward migration, and depressed fiscal revenues and liquidity problems at both levels of government (Box 1). Preparations of a Fund-staff supported adjustment program began in 1996, but the initiative went off track shortly after the mid-1997 start of the program. A subsequent attempt in 1998 to jump start the economy, including through tax relief, was short-lived because of escalating liquidity problems. Since end-1999, a renewed adjustment effort has been underway, comprising both fiscal and structural measures.

#### Box 1. Coverage of the General Government

The general government comprises the central government and the island government of Curaçao, which has a considerable degree of fiscal autonomy, but only limited control over the revenue side of its budget, as tax policy is mostly determined by the central government. The island government collects all direct taxes, whereas (until April 2001) most indirect taxes were collected by the central government. A portion of tax revenue is redistributed through revenue sharing arrangements. The smaller islands do not take part in these arrangements. They do, however, receive contributions of the so-called "Solidarity Fund" which is jointly financed by the central government (55 percent), Aruba (25 percent) and the Netherlands (20 percent).

Social funds responsible for social security and health care schemes and the public sector pension fund (APNA) are not included in the general government. A large part of public investment is financed outside of the budget.

25. This chapter describes the most recent adjustment effort, focusing on the following issues:

- the underlying sources of the ongoing economic crisis;
- the adjustment measures that have been implemented so far;
- the remaining key challenges for restoring growth prospects.

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<sup>1</sup> Prepared by Jan Kees Martijn.

## **B. Causes of the Economic Crisis and Way Out**

**26. Labor mobility within the Kingdom of the Netherlands constrains adjustment of the Antillean economy to external shocks.** Given largely free movement of labor, workers tend to move to the location that provides the highest productivity—reflected in wages and job availability. Accordingly, the Antilles has specialized in those products (mainly tourism, port-related activities, and international financial services) for which it offers a clear locational advantage, plus the nontraded products (for example, retail and utilities) associated with these activities. For virtually all other production taking place within the Kingdom, the Netherlands seems to provide a preferred location. Presumably, this reflects the limited scope for exploiting internal and external scale economies on the Antilles (with a total population of 200,000 distributed over five islands) and the locational advantages of the Netherlands as a mainport to other parts of western Europe. It follows from this stylized description that (positive or negative) shocks in the Antilles tend to lead to migration rather than to domestic labor reallocation.<sup>2</sup> Moreover, the eventual change in employment following a shift in the locational advantages for the tradables sector of the Antillean economy will exceed the initial shock, since employment in the nontraded goods sector will also be affected.

**27. During the past decade and a half, adverse shocks have affected each of the major sectors of the economy of the Netherlands Antilles.**

- Less favorable foreign tax arrangements since 1984 and, in recent years, heightened international scrutiny of offshore centers have caused a decline in demand for their services and, more importantly, greatly reduced tax revenues from this sector (see Chapter III).
- A second shock has been the negative impact of successive hurricanes since 1995 on tourism infrastructure and demand, especially on St. Maarten. The hurricanes ended a boom in the tourist sector during the first half of the 1990s.
- The transfer of refinery activities from Shell to the Venezuelan state oil company in the mid-1980s reinforced the trend decline in employment and also reduced the tax earnings of the island government of Curaçao. Increased labor productivity in this

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<sup>2</sup> Because of indivisibilities in the adjustment process, the attainment of a new equilibrium through such migration may not be a smooth process. For example, in case of outward migration, the departure of providers of nontraded services and the higher average fixed costs of utilities may first provoke further emigration until the process is dominated by the positive effect on labor productivity (in value terms) of having more fixed production factors available per worker and/or a higher product price.

largely fixed-capacity facility is necessary for maintaining competitiveness but implies a declining workforce.<sup>3</sup>

While this contractionary process would be expected to bottom out eventually, it can imply a significant downsizing of the Antillean economy. Between 1992 and 2000, the population of Curaçao already fell by about 10 percent.

28. **The impact of adverse shocks has been aggravated and prolonged by economic rigidities and the absence of an adequate policy response.** Domestic adjustment, through a reallocation of resources, is hampered by labor market rigidities and an excessive regulatory burden. A further problem has been a lack of fiscal accommodation. The decline of the tax base has not been matched by adequate expenditure restraint. As a result, domestic taxes (i.e., excluding offshore profit taxes) had to be raised by 4½ percent of GDP between 1990 and 1999—further depressing activity and adding to the labor outflow. In addition, the general government deficit expanded, reducing financial resources for private domestic investment. Finally, the government's liquidity problems have spilled over into the private sector through the accumulation of arrears to private suppliers, and have eroded economic confidence in general.

29. **The incentive to persevere with politically difficult adjustments has been undermined by the expectation of external financing.** In principle, structural adjustment validates additional financing from abroad, in order to allow the temporary adjustment costs to be spread over a longer period (a consumption-smoothing argument). Concessional financing can also promote adjustment by reducing the associated short-term political costs. However, in the Antilles, repeatedly adjustment was implemented only partially or was subsequently undone, while foreign financing was provided after all—creating, and, in turn, validating bailout expectations.

30. **Stemming the decline in labor demand hinges on sustained policies to lower production costs, in particular in tourism, for which demand is relatively elastic.** Economic efficiency can be promoted by reducing the excessive red tape, which in part results from a duplication of activities and a lack of coordination between the two layers of government. Also, the high costs of utilities could be reduced, e.g., through liberalization and strict oversight. For a tourism-oriented economy, enhancing labor market flexibility is essential, allowing firms to tailor the provision of services to peak demand without excessive costs. To some extent a recovery of private investment can by itself enhance productivity through sector-wide economies of scale. For example, it is argued that solving the existing bottleneck of too limited airlift capacity for tourists to Curaçao depends on reaching a threshold regarding the number of hotel rooms on the island. Finally, it is important to phase

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<sup>3</sup> Refinery employment has shrunk from a peak of about 20,000 in the 1950s to less than 1,500 in recent years.

out the extensive protection against import competition early on within the adjustment process, in order to avoid wasteful investment in fundamentally uncompetitive sectors.

**31. A recovery of private investment also requires continued efforts to address fiscal imbalances.** Fiscal consolidation is essential for restoring confidence, breaking the chain of payments arrears, avoiding excessive domestic nonbank financing, and, if possible, making room for tax cuts while ensuring adequate public infrastructure. In addition, simplification of the tax system would help, as the complexities of the current system pose an unnecessary burden on enterprises and workers.

### **C. 1999–2001 Adjustment Initiative**

**32. The authorities' current adjustment initiative provides a much needed opportunity for restoring growth prospects for the Netherlands Antilles.** In 1999, estimated real GDP was no higher than in 1994, and unsustainable fiscal deficits had led to an increase in the public sector debt stock to more than 70 percent of GDP, from about 40 percent in 1990. Efforts to bring about a turnaround have been aided by the central government's new authority, since July 2000, to rule by decree on a range of topics. In September 2000, a comprehensive policy program was adopted, designed with Fund staff assistance for the period up to March 2001. Financial assistance was provided by the Netherlands—first, at end-1999, to avoid a looming liquidity crisis and largely based on the promise of reform, and later, between September and November 2000, based on compliance with agreed program targets.

#### **Fiscal policy**

**33. Addressing the fiscal imbalances was a priority within the adjustment strategy.** By mid-1999, shortfalls in tax collection and mounting refinancing problems were reflected in growing liquidity shortages. In the first six months of the year, tax revenue (in nominal terms) was 4 percent lower than during the same period in 1998, mainly as a result of a 1998 wage and income tax relief package and an ill-prepared replacement in early 1999 of the sales tax on the Leeward Islands by a turnover tax. Expenditures still edged up, implying an increase in the half-year deficit from NA f. 60 million in 1998 to NA f. 100 million (2¼ percent of annual GDP), about half of which was financed through pension premium arrears. As an indication of the adjustment need, without additional measures, the deficit would have risen from NA f. 104 million in 1998 to about NA f. 270 million (6¼ percent of GDP) in 1999. At the time, available regular domestic financing was estimated to be about 1 percent of GDP.

**34. The escalating financial problems reflected several structural weaknesses regarding the tax system, tax collection, and expenditure control.**

- A tax base narrowed by a multitude of exemptions to both direct and indirect taxes;
- Administrative problems hampering tax collection, reflected in excessive collection arrears;

- Overly optimistic projections of economic growth and tax revenue;
- A proliferation of often disputed claims among public entities and disregard for existing rules on budgeting and reporting, undermining fiscal discipline;
- A surge in interests costs during the 1990s as a result of increased deficit financing;
- Unsustainable cuts in spending on goods and services and investment forced by liquidity shortages, rather than as a result of a deliberate strategy;
- Erosion of attempts to limit the wage bill, through new hirings, increased use of overtime, and a costly job regrading exercise.

35. **The recent adjustment initiative has addressed most of these budgetary weaknesses, although so far with varying degrees of success** (see Table 1). Restoring tax revenue was an indispensable first step. The turnover tax rate on the Leeward Islands was raised from 2 percent to 5 percent starting in October 1999. With an expected revenue effect of more than NA f. 100 million, this was by far the largest measure within the program. Limits on exemptions to wage and income taxes were introduced by decree in July 2000. On the expenditure side, extensive reforms were implemented with the aim of lowering wage costs, including the dismissal of about 20 percent of civil service staff and a wage freeze. The size of the sinking fund needed to anticipate rising pay-as-you-go pension obligations has been reduced by the phasing out of the early retirement system by 2008 and the inclusion (although with some exceptions) of the basic old-age pension into the pension base for civil servants starting in 2002.

36. **Nonetheless, the immediate benefits from the efforts to improve the health of the public finances have so far been limited.** For example, the cost savings resulting from the public sector layoffs are constrained by the generosity of the severance payment regime.<sup>4</sup> Also, restoring budgetary integrity implies meeting obligations (in particular regarding pension and health insurance premiums) that in the past were often neglected. The regularization of arrears and claims through new loans is reflected in sharply higher interest costs. Finally, restructuring has entailed large adjustment costs. In particular, poor execution of the decentralization of the tax administration led to a collapse of collection efforts at the end of 2000. As a result, after a mid-year revision that brought the 2000 budget in line with the adjustment initiative, execution of the revised budget went off track almost immediately, and sizable expenditures had to be postponed to 2001.

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<sup>4</sup> Civil servants dismissed prior to January 1, 2000, can receive up to four years severance pay, depending on years of service, with the replacement rate declining in four steps from 100 to 70 percent. For dismissals after January 1, 2000, the duration of severance pay has been limited to two years.

Table 1. Netherlands Antilles: Main Fiscal Measures Adopted  
Under the 1999–2001 Adjustment Initiative

Measure	Implementation	Remarks
Turnover tax on Leeward Islands increased from 2 percent to 5 percent.	October 1999	
Sales tax on Windward Islands increased from 2 percent to 3 percent.	May 2000	Proceeds transferred to the Windward Islands.
Wage and income tax base widened.	July 2000	Restoration to levels before 1998 tax relief .
Tax auditing strengthened with assistance by Dutch experts.	June-Dec. 2000	
Tax collection backlogs cleared.	2000 and 2001	
Central Government (CG) and Island Government of Curaçao (IGC) tax collectors merged and automated tax collection system (GOS) implemented.	April 2001	
Tax inspectorates decentralized.	April 2001	Inspectorates are to merge with tax collectors.
Civil servants' wage indexation and periodic salary adjustment suspended (until 2002). Vacation allowances reduced by half.	January 1, 2000	Wage freeze and salary adjustment stop expire in 2001.
Vacation allowances suspended.	August 2000	Partly compensated by extra leave.
1,127 IGC employees dismissed.	July 1999-Jan. 2001	Out of a total of 3,870 staff.
744 CG employees dismissed.	693 effective end-Feb. 2001	Out of a total of 3,800 staff; including 63 projected new hirings.
CG hiring frozen.	Since September 2000	To be replaced by ceilings on positions per department.
Pension contributions reduced by 2 percentage points.	January 2000	
Early retirement option phased out by 2008.		Limiting need for creating a sinking fund.
Basic old-age pension included into pension base (with exceptions).	Starting in 2002	Limiting pension costs.
Expenditure on goods and services and investment curtailed.	1999 and 2000	In part forced by liquidity constraints.
Matrix of intragovernmental debts, arrears, and claims developed.	December 2000	Preparing financial settlement among government entities.
Smaller islands' draft 2001 budgets submitted to CG for approval.	December 2000	

Source: Data provided by the Antillean authorities.



37. **Upgraded procedures to improve budgetary discipline are being put in place.** For example, the island government of Curaçao is implementing procedures to control the costs of autonomous agencies that have become more important as a result of the recent divestiture of government services. Also, a settlement of accumulated arrears to the pension fund has been arranged—albeit not yet formalized. To prepare for a comprehensive settlement of intragovernmental debts, arrears, and claims, a matrix has been created listing all reported obligations.

### **Structural measures**

38. Structural measures to boost an economic recovery have focused on strengthening market forces and streamlining public sector operations (Table 2). The goal of these policies is to bolster productivity and reduce business costs—crucial for attracting investment.

39. **Protection of domestic manufacturers is being dismantled.** A decree eliminating production monopolies was introduced in November 2000. The phasing out of the import protection regime by 2005 was started in early 2001 with the abolition of several import prohibitions and the first round of reductions of the so-called “economic tariffs”.

40. **For an economy that is highly dependent on tourism, labor market flexibility is key.** However, new labor legislation adopted at end-1998 stipulated a reduction and more rigid application of the maximum workweek and the extension to the private sector of the generous maternity leave provisions already applying to public sector workers. To ensure sufficient flexibility, further changes were adopted in the second half of 2000, regarding the dismissal regime and working hours.<sup>5</sup>

41. **Public sector reform is another element of the authorities’ structural reform program.** Since 1997, both levels of government have streamlined their operations. In addition to the layoffs, noncore tasks have been divested to autonomous foundations and private enterprises. In order to limit duplication of activities between levels of government, a decentralization process has started, with the decentralization of tax assessments and tax collection completed by April 2001. Regarding privatization, both the central government and the island government of Curaçao had adopted a formal framework by end-2000, including a list of companies to be privatized.

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<sup>5</sup> The new initiative also included a potentially costly equalization of minimum wages across the various islands and job categories, but implementation of this measure has been deferred.

Table 2. Netherlands Antilles: Main Structural Measures Adopted Under the 1999–2001 Adjustment Initiative

Measure	Implementation	Remarks
<b>Business environment</b>		
Six import bans abolished and the first round of reductions (by 15 percent) of the <i>economic tariffs</i> implemented.	March 2001	Market protection regime to be phased out by 2005.
Production monopolies eliminated.	November 2000	Until 2005, the companies remain protected by the economic tariffs.
Pilot project (for notaries) initiated for electronic application for business establishment permit.	October 2000	
Law facilitating e-commerce adopted.	January 2001	
A one-stop shop for foreign investors proposed.	March 2001	
<b>Labor market</b>		
Individual dismissal permit requirement abolished for all productive sectors on Curaçao; tourism sector exempted from new legislation on working time; proposed increase in minimum wages deferred.	September 2000	New labor legislation had been adopted in July 2000 regarding the dismissal regime, working hours, and minimum wages.
Admissible regular working hours per day raised from 9 to 10.	December 2000	
Reduction in pay allowed if, as a result of application of the new labor legislation, working time is reduced.	March 2001	
Restrictions on work permits for workers from the Netherlands relaxed (but not abolished).	August 2000	An overall revision of work and residence permits has been submitted to Parliament.
Residence permits for Dutch and Aruban citizens liberalized.	March 2001	
<b>Public sector reform</b>		
Activities divested to autonomous institutions including 577 CG and 169 IGC employees	CG: mostly Nov. 2001 IGC: Jan. 2001	Control procedures to ensure transparency and efficiency are under preparation.
207 CG positions transferred to the islands.	April 2001	
Framework for privatization adopted, including list of companies to be privatized, and stipulations on use of proceeds for debt reduction or investment in infrastructure and human capital, only.	November 2000	At the IGC level, an autonomous foundation has been established for the execution of the privatizations.
Privatization of APNA decided.	October 2000	
<b>International financial services</b>		
New Fiscal Regime (NFR) approved, effective January 2001.	December 1999	To end the status of the Antilles as offshore tax jurisdiction by adjusting fiscal laws and regulations to international norms.
New Fiscal Regime agreed with Netherlands. The combined withholding tax, of 8.3 percent, to be transferred to the Antilles.	December 2000	New regime will become effective in 2002, with a transitional arrangement for 2001.
Commitment Letter issued to terminate 'harmful tax practices' within five years and comply with OECD requirements.	November 2000	Commitment sets in motion an evaluation process of existing legislation.

Source: Data provided by the Antillean authorities.

#### **D. Outstanding Initiatives and Remaining Challenges**

42. **Short-term budgetary prospects depend strongly on a return of regular tax collection and expenditure control.** As of April 2001, with the formal integration of the tax receivers and the tax inspection, now all at the island level, collection should no longer be hampered by organizational problems and uncertainty. However, given a large carry over of expenditures from 2000 and severe refinancing problems, rapid action to limit planned spending, for example on health care, and access to additional foreign financing will be needed to ensure the viability of the 2001 budget. In this context, a major challenge will be the containment of budgetary risks, including possible claims resulting from the past extension of guarantees to hotel projects and losses incurred by public enterprises, in particular the national airline.

43. **The medium-term sustainability of the public finances will depend on the success of several interrelated initiatives to strengthen budgetary discipline.** A comprehensive settlement of all debts, arrears and claims within the public sector is awaiting completion of an inventory of the amounts involved. A first part of such settlement, covering the pension premium arrears of the various government bodies, has been delayed as the island of Bonaire saw no scope for meeting the resulting financing obligations within the existing revenue allocation. This allocation, in turn, is to be adjusted in the context of the current revision of the Solidarity Fund—a redistribution system within the Kingdom of the Netherlands, supporting the smaller islands. As a further complication, the distribution of the financial room among all Antillean government entities is in a state of flux as a result of the recent decentralization of tax collection. Finally, the ultimate objective of the comprehensive debt settlement—restoring payment discipline—also depends on the timely adoption of consistent budgets for all entities and on new procedures to monitor budget execution

44. **A comprehensive review of administrative procedures and the tax system, with the objectives of reducing the administrative burden and promoting the functioning of labor and product markets, has yet to be undertaken.** The authorities plan to eliminate the cascading element of the turnover tax system, which currently distorts market structures. Much remains to be done in order to reduce the costs and delays that result from, for example, onerous licensing procedures, difficulties in obtaining work and residence permits for foreign workers, overtime restrictions, and overly complex tax arrangements. The authorities have obtained assistance from the World bank and FIAS to help them in this exercise. Liberalization and privatization are planned to be accompanied by the introduction of a regulatory board for utilities and a competition law in order to avoid abuse of market power.

### III. DEVELOPMENTS IN OFFSHORE FINANCIAL SERVICES<sup>1</sup>

45. The offshore sector has been a fixture of the Antillean economy for more than 30 years and can trace back its origins even further to the movement and registry of Dutch assets to the islands in the run-up to the occupation of the Netherlands in World War II. The initial growth of the sector in the late 1960s was boosted by the distortionary capital controls then prevalent in industrial countries. With the advent of capital liberalization in industrial countries, the focus of the offshore sector has become more oriented toward providing a low-tax environment for corporations and individuals, as well as intermediating capital flows from Latin America, where the speed of capital liberalization has been slower. The success in providing a venue for significant tax savings, however, triggered closer scrutiny and efforts on the part of industrial countries to stem tax and regulatory evasion, which arguably have dampened the growth of the sector in recent years. In any event, the importance of the sector for the Antillean economy has declined significantly over the past decade and a half.

46. At present, the offshore sector directly contributes some eight percent of GDP to the Antillean economy; employs, including dependent employment, more than five percent of the labor force; and has total assets of some US\$28 billion under management. The future will hold challenges for offshore centers in general, but there are signs that the Antillean offshore sector has already begun to position itself to benefit from a more integrated global economy. This chapter discusses in turn some general aspects of offshore centers, the recent international policy initiatives regarding offshore sectors, the main features of the Antillean offshore sector, and the response of the Netherlands Antilles to international initiatives. Following an empirical exploration of the determinants of offshore activities, the chapter concludes with some remarks on the prospects for the Antillean offshore sector.

#### A. Some Basics on Offshore Operations

47. **There is no single comprehensive definition of “offshore” activities.** The term offshore center describes jurisdictions that encourage the establishment of companies *by* nonresidents for the purpose of engaging in business *with* nonresidents. Such offshore activities are mostly associated with financial transactions, but can also occur for other goods and services, for example in export processing zones or in shipping. In this chapter, however, the term offshore center is limited to jurisdictions providing offshore financial services. Furthermore, while the designation “offshore” is often associated with small tax havens, it is important to note that the vast majority of offshore financial operations (again transactions of nonresidents with nonresidents and/or in nonresident currencies) takes place in major international financial centers such as “Euromarkets” in London and New York (see Hampton, 1996). In an attempt to delineate offshore financial centers (OFCs), the relevant literature distinguishes three types (see Cassard, 1996 and SM/00/136, Supplement 1). First, there are “international financial centers” such as London, New York and Tokyo, which also

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<sup>1</sup> Prepared by Gerwin Bell.

have large and liquid domestic markets. Second, there are regional financial centers like Hong Kong, Singapore and Luxembourg, whose services are targeted to a particular geographic region. Finally, there are OFCs in much smaller jurisdictions that have cultivated certain *niche* markets. The range of services provided by this latter group is, however, quite large, spanning from activities that are complex and highly specialized to ones that can almost entirely be viewed in terms of tax and regulatory arbitrage. This paper concentrates on the third group, in which the Netherlands Antilles falls.

48. **The attraction of offshore centers is largely related to “onshore” regulation, taxation, capital controls, and political stability.** There are four principal reasons for offshore centers. In the first instance, they can be used by individuals or companies to avail themselves of a more favorable tax regime than in their home countries, without having to move their operations away from their home countries. In a similar vein, they can be used to lower regulatory requirements. Offshore centers have also been instrumental in the circumvention of capital controls. Finally, they offer a way to protect assets from domestic seizure.

49. **Offshore activities tend to be found in small island economies.** There is a good reason for the geographic location of many OFCs in small islands, as they arguably enjoy a comparative—if not absolute—advantage. The offshore sector is generally not materially affected by these economies’ resource constraints, as it is largely driven by imported human capital and communications technology. Moreover, the demands of an offshore sector fit well in the set of industries that an island economy could support.<sup>2</sup> To the extent that such islands also cater to tourists, infrastructure and travel connections to onshore countries are in place, and in many cases a colonial background ensures a multilingual culture well catered to dealing with other countries’ residents.

## **B. Recent Challenges for Offshore Centers**

50. **The future of offshore sector activity has recently become more uncertain, owing to increased integration of global markets and heightened scrutiny of offshore centers by the international community.** Success of offshore centers in circumventing capital, tax, and regulatory controls has provided an additional impetus for moves toward large-scale capital liberalization and deregulation across the globe, such that now some of the pastures for offshore activity have dried up. In addition, renewed interest has recently centered on the potential for abuse of offshore centers for the purpose of tax evasion, money laundering, and undermining proper financial supervision. A number of international policy initiatives to address these issues has been launched:

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<sup>2</sup> This rationale is probably also responsible for the deliberate policy by ex-colonial powers to leave loopholes in legislation favoring the establishment of these OFCs as an alternative for development assistance.

## Harmful tax practices

51. **In May 1996, the OECD was asked to analyze harmful tax practices, in particular through tax vehicles provided by offshore jurisdictions.** The OECD (1998) has subsequently defined four key factors in identifying harmful tax practices:

- *no or low effective tax rates*: these are necessary for such practices to commence in the first place. The harmfulness of such practices, however, depends on the subsequent indicators.
- *“ring fencing” of regimes*: the extent to which specific (low) tax provisions are insulated from the domestic tax regime (for example by granting differential tax provisions for nonresidents only).
- *lack of transparency*: the extent to which the home country of a tax payer is able to objectively assess the tax provisions in the host jurisdiction.
- *lack of effective exchange of information*: insufficient exchange of information on taxpayers, which makes it difficult to detect tax evasion in the home country.

52. **In an effort to reap the full benefits of globalization, the OECD countries have collectively committed to implement a standstill and rollback of harmful tax practices** (i.e., not to introduce any new such measures and to phase out any existing ones by 2005).<sup>3</sup> In addition, a dialogue has been initiated with other countries and jurisdictions with the aim of broadening the initiative and avoiding the displacement of harmful tax regimes to non-OECD jurisdictions.

## Money laundering

53. **A key feature in the development of offshore financial centers has been the high degree of protection accorded to the confidentiality privilege** between financial services provider and client. While—as in the case of tax minimization—there are many legitimate uses of the confidentiality provisions, it is difficult to deny that they also provide an opportunity to conceal financial resources that arise from illicit activities.<sup>4</sup> In this respect,

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<sup>3</sup> Among its members, the OECD has identified potentially harmful tax regimes in Australia, Belgium, Canada, Greece, Hungary, Finland, France, Germany, Iceland, Ireland, Italy, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United States (see OECD, 2000).

<sup>4</sup> Blum (1998) in a seminal report on recent money laundering techniques puts offshore centers at the center of money laundering through their provision of an enabling environment, notably bank secrecy.

additional concern has been raised about Caribbean countries because of their geographical proximity to major drug trafficking routes.

54. **In response to heightened concerns about money laundering, the G7 set up the Financial Action Task Force (FATF) in 1989**, which elaborated 40 recommendations to combat money laundering. These can be broadly grouped into law enforcement related recommendations, and recommendations that seek to ensure proper customer identification. Over the 1990s, the FATF conducted two evaluations of its 29 member jurisdictions and also assessments of non-members' willingness to cooperate with FATF initiatives.

### **Systemic regulation**

55. **In 1999, the Financial Stability Forum (FSF) considered the implications of offshore financial centers for global financial stability.** Following the Asian crisis and the events relating to the collapse of the LTCM fund, the international community had become concerned about the potential for volatility and systemic instability arising from poor supervision and oversight of large financial institutions. The FSF noted that offshore financial activities were not inimical to global financial stability, provided they are well supervised and their supervisory authorities cooperate (see FSF, 2000). As a corollary, the FSF concluded that offshore centers that are unable or unwilling to adhere to internationally accepted standards for supervision, cooperation, and information sharing do create a potential systemic threat to global financial stability. It called on the IMF to take responsibility for developing, organizing, and carrying out the process for assessing offshore centers' compliance with priority standards. Based on a survey, it identified three groupings of offshore centers according to the quality of their respective legal systems, supervisory abilities, and willingness to cooperate.

## **C. Antillean Offshore Sector**

### **Brief history and features of the Antillean offshore sector**

56. **The ascent of the Antillean international financial sector owed much to tight capital controls in the United States and Europe in the 1960s** (see Francis, 2000). These controls gave rise to the Eurodollar (and subsequent other Eurocurrencies, Eurobond, and Euronote) markets. While these markets were geographically based in "onshore" centers like London, it soon became advantageous for banks to book international loans in other, smaller jurisdictions.<sup>5</sup> In particular, the Netherlands Antilles provided opportunities for smaller and medium-sized U.S. banks to tap the Eurodollar market, thus circumventing United States domestic capital controls in the form of a withholding tax on interest payments abroad. Owing to its tax treaty with the United States, the Netherlands Antilles presented the only withholding-tax free connection of U.S. corporate borrowers to the Eurobond market (see

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<sup>5</sup> This is the origin of the term "booking center," a term often used to describe smaller OFCs.

SM/90/15).<sup>6</sup> At present, anecdotal evidence points to considerable intermediation of Latin American financial resources as the liberalization of capital controls and financial sector development in Latin America have generally progressed at a slower pace than in industrialized countries. This was further accentuated by attractive returns in the U.S. equity market in which the Antillean offshore sector was able to intermediate.

57. **The effective circumvention of capital controls probably alerted investors to the general potential of the Netherlands Antilles for tax minimization.** The ease with which capital controls—which often were implemented as taxation on certain capital flows—were effectively avoided, highlighted the Netherlands Antilles’ ability to drastically lower other forms of company and individual taxation for new clients. Indeed—with progressive capital liberalization in the large industrial countries—the focus of the Antillean offshore sector shifted to outright tax minimization. By registering a company in the Antilles, or other tax havens, and channeling dividend and other payments through its books, it was possible to take advantage of tax treaties the Netherlands Antilles had with other countries (typically the home countries of such companies registered in the Antilles). The tax liability could thus be limited to the tax applicable in the Antilles, thus avoiding double taxation.

58. **The Antillean offshore sector also provided a venue for protection of assets from seizure.** As already indicated, an early episode was the transfer of many Dutch companies’ assets to the Antilles prior to the occupation of the Netherlands in the World War II. This motive was also somewhat relevant for European residents during the cold war and, at the present time, for high-wealth individuals trying to shield assets from their families or law suits. Moreover, periodic asset confiscations in Latin America (for example of foreign-exchange deposits at domestic banks) also created demand for channeling funds into the Antillean offshore sector. As in the case of tax minimization, however, concerns arose that illegitimately acquired assets may also have been unduly protected. The same caveat applies to regulatory arbitrage.

59. **Playing to tax and regulatory niches introduced inherent uncertainty and vulnerability to the offshore sector.** Indeed, if a niche market becomes significant, other actors (onshore and offshore) may try to enter. Since its inception, the Antillean offshore sector has both exploited and suffered from regulatory changes in onshore countries. The clear advantage of the Antilles in providing opportunities for tax minimization eventually backfired. Notwithstanding the low Antillean tax rates, revenue from offshore taxes to the Antillean budget reached almost one fifth of GDP in the early 1980s, by far the largest single

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<sup>6</sup> Prior to July 1984, the United States had in place a withholding tax on interest payments to nonresidents, which, however, did not apply to the Netherlands Antilles as they were signatory to a double taxation treaty. This practice was permitted by U.S. regulators so as to avoid putting smaller U.S. banks at a disadvantage to larger multinationals which found it easy to avoid the foreign borrowing limits by borrowing through foreign subsidiaries. With a location in a very close time zone to the U.S., and well established links to the Netherlands and Europe, the Antilles were well placed to serve this demand.



revenue component. Tax minimization through the Antilles and other offshore centers had thus acquired sufficient importance to trigger the termination of the tax treaties with the United States and the United Kingdom in 1984 and 85, respectively. Moreover, the United States implemented a withholding tax on dividend payments to the Antilles.<sup>7</sup> Similarly, in the mid-1990s, Dutch legislation changed, preventing the establishment of Dutch pension funds in the Antilles and tightening the eligibility criteria for tax deductibility of corporate interest payments to related Antillean companies.

60. **The Antillean offshore sector has matured beyond being a registry for shell companies** as the sector had to find other niches. At present it is best described as a hybrid between a booking center and a more developed regional financial center. With average rates of growth of assets under management of more than 9 percent a year in U.S. dollar terms over the last 15 years, the Antillean offshore sector in 2000 has some \$28 billion under management (about 1,200 percent of Antillean GDP). However, its absolute direct contribution to Antillean GDP has significantly declined from some 20 percent in the mid-1980s (mostly in the form of taxes) to some 8 percent in 2000 (about half of it in taxes). The indirect contribution of the sector to the economy continues to be significant, with direct and dependent employment estimated at more than five percent of the labor force.

61. **However, in comparative terms, the Antilles have recently lost ground to other offshore centers** as indicated in Table 3. Between 1985 and 2000 the Netherlands Antilles has recorded a 240 percent increase in managed offshore assets, compared to a 190 percent increase in all BIS-defined offshore centers. Over the last five years, however, the country has registered considerably slower growth than other Caribbean jurisdictions.

Table 3. Netherlands Antilles: Growth in BIS Reporting Bank Claims on Offshore Centers, 1986–2000<sup>1</sup>  
(Annual percentage change)

	1986–1990	1991–1995	1996–2000	1986–2000
All offshore centers <sup>1</sup>	14.0	9.6	-2.2	7.2
Excluding Hong Kong and Singapore	9.5	7.2	13.4	9.9
Caribbean offshore centers	10.1	7.1	13.8	10.2
Netherlands Antilles	13.5	8.9	6.4	9.6

Source: BIS.

<sup>1</sup>Offshore centers in the BIS definition comprise: Aruba, Bahamas, Bahrain, Barbados, Bermuda, Cayman Islands, Hong Kong, Lebanon, Liberia, Netherlands Antilles, Panama, Singapore, Vanuatu, and the British West Indies.

<sup>7</sup> Even though grandfathering arrangements were made for Eurobonds issued earlier (the last such bond matured in 1992), revenue began to erode almost immediately.

62. **The present structure of the Antillean offshore sector** is as follows: there are

- some 20,000 companies set up as “foundations” or “partnerships,” most of them residing in the Netherlands, United States, East Asia, Spain, Italy, and Latin America,<sup>8</sup> and individual clients from some 80 countries. These companies are administered by some 190 Antillean corporate management companies, of which about 70 are specializing in financial services, half of which belong to an international group with head office in the Netherlands Antilles. The beneficial owners of such companies tend to be foreign corporations as well as high-wealth individuals. The services of these companies reportedly span tax planning, captive banking and insurance, special purpose vehicles, as well as asset management.
- 33 offshore banks, most of them originating from Venezuela and the Netherlands. These banks’ activities appear to be concentrated on providing financial services to nonbank offshore companies.
- about 1,100 new offshore companies registered each year, with some 600 companies being liquidated each year.<sup>9</sup>
- mainly activities in holding companies specializing in company, investment and intellectual property holdings, as well as shipping, trading, financing, and mutual funds.
- differentiated supervision requirements, with banks subject to supervision and auditing, and no supervisory or licensing requirement for other companies (other than the need to register with the company registry), and no mandatory audit requirement.

### **The Antillean response to recent international policy initiatives**

63. **The stepped-up international scrutiny of offshore centers leaves two opposite choices for offshore jurisdictions.** On the one hand, the threat of sanctions and reputational considerations could set in motion efforts to improve the regulatory, tax, and supervisory environment, or—to the extent that such efforts were already under way—to strengthen existing moves in this direction. On the other hand, it is undeniable that such a response by “quality” offshore centers will also trigger incentives for other offshore centers that are less concerned about their reputation to take on new clients and activities no longer being served by offshore centers engaged in “regulating up.”

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<sup>8</sup> The minimum number of persons and directors required to form a company is one, with at least one director having to be a resident of the Netherlands Antilles.

<sup>9</sup> In a break with this pattern, in the 10 months through October 2000, there were more company liquidations than new establishments.

64. **The general response of the Antillean offshore sector has been to “regulate up”** so as to be able to ensure the continued survival of the international financial sector. By and large, the approach has so far been effective in that the Netherlands Antilles were able to avoid being singled out in the major international exercises, except that of the FSF.

### *Taxation*

65. In June 2000, the *OECD* identified the Netherlands Antilles, along with 34 other jurisdictions as a tax haven.<sup>10</sup> End-2000, the Netherlands Antilles—along with Bermuda, the Cayman Islands, Cyprus, Malta, Mauritius, San Marino, the Isle of Man, and the Seychelles—joined the OECD countries’ **commitment to eliminate harmful tax practices** by 2005 (“level 1 commitment”), thus ensuring their removal from the OECD list of uncooperative jurisdictions.<sup>11</sup>

66. In late 2000, the Netherlands Antilles and the Netherlands agreed on a *New Fiscal Framework* governing the taxation of dividend flows between the two countries. After a transitional period in 2001, the Dutch tax authorities will be collecting a tax of 8.3 percent on dividend payments going to the Netherlands Antilles—the current tax regime calls on the Dutch authorities to collect 5 percent and on the Antillean authorities to collect 3.3 percent—and to transfer the proceeds to the Antillean government. This will put the mutual dividend tax regime between the Netherlands and the Netherlands Antilles in **compliance with the relevant European Union guidelines**. There had been widespread hopes in the Antillean offshore sector that an agreement with the Dutch could be reached that would have completely eliminated the taxation of dividend outflows to the Netherlands Antilles. Participants in the offshore sector nevertheless cheered the new arrangement as, in their view, it would restore a degree of certainty to the sector—reportedly sizeable dividend payments had been on hold pending the final agreement—and would place them in a position to again start to look into reaching double taxation agreements with other countries, initially at least through the connection with the Netherlands.

67. In addition, the United States Internal Revenue Service approved relevant Antillean banking regulations in June 2000. This will permit financial intermediaries located in the

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<sup>10</sup> Being a tax haven does not necessarily imply that a jurisdiction also engages in harmful tax practices.

<sup>11</sup> At present, the OECD would, therefore, list as tax haven jurisdictions Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, British Virgin Islands, Cook Islands, Dominica, Gibraltar, Grenada, Guernsey/Sark/Alderney, Jersey, Liberia, Liechtenstein, Maldives, Marshall Islands, Monaco, Montserrat, Nauru, Niue, Panama, Samoa, St. Christopher & Nevis, St. Vincent and Grenadines, Tonga, Turks & Caicos, US Virgin Islands, and Vanuatu (see OECD 2000).

Netherlands Antilles to apply for “**Qualified Intermediary Status**,” exempting them from otherwise applicable withholding taxes.

*Anti-money laundering initiatives*

68. The Netherlands Antilles have introduced money laundering regulations modeled on the Dutch anti-money laundering law with the following elements:

- the mandatory **reporting of unusual transactions**, which are defined on the basis of both subjective and objective indicators. Such transactions are being reported to a financial intelligence unit which then identifies suspicious transactions and reports them to law enforcement agencies. On the one hand, this requirement is broader than the reporting of merely *suspicious* transactions adopted by other countries. On the other hand, there is evidence that the Antillean authorities lack sufficient capacity to handle the large volume of such reported transactions. Moreover, the indicators may be defined too broadly, and efforts are currently underway to sharpen their focus.<sup>12</sup>
- measures to ensure **customer identification**. While there is no banking secrecy law in the Antilles, the confidentiality provision for financial services is held in high regard. Financial services providers—offshore and onshore—are mandated to follow a strict “know your customer” (KYC) policy.<sup>13</sup> However, in ascertaining the identity of foreign clients, a service provider has, as a rule, to rely on proper identification by the referring bank. In addition, non-financial service providers such as lawyers, notaries, foundations, and partnerships are not covered by KYC rules. Even so, offshore services providers have reported that the incidence of bearer shares is rapidly declining.
- a broad provision for the **confiscation of assets** following conviction for financial abuse.
- the **ongoing review** of the effectiveness of the system.

69. Moreover, the Netherlands Antilles joined the **Caribbean Financial Action Task Force**, which adopted 19 recommendations in addition to the FATF’s 40, and also signed the UN Drug Convention in August 2000.

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<sup>12</sup> For example, in 1997, there were 2,485 unusual transaction reports filed, of which 98 were eventually identified as suspicious and forwarded to law enforcement.

<sup>13</sup> This requires financial service providers to record the necessary customer identification before entering into a relationship or conducting transactions.

70. Reflecting these steps to combat money laundering, following the second evaluation of the Netherlands Antilles, the FATF does not include the country on its list of “uncooperative jurisdictions” (15 as of February 2001).<sup>14</sup>

### *Systemic regulation*

71. In its May 2000 report, the FSF placed the Netherlands Antilles in category III status, i.e., among the jurisdictions with the lowest regulatory standards, competence, or willingness to cooperate.<sup>15</sup> In response, the Antillean authorities have expressed their view that supervision of the offshore sector was in line with international practice and is continuing to be stepped up. They also embarked on a self assessment—assisted by the Fund—of financial sector supervision (both onshore and offshore), which is expected to be made public later in the year. Based on the findings of this assessment, the authorities aim to redress any identified shortfalls.

### **Overall performance in international fora**

72. The Netherlands Antilles have had some success in measuring up to heightened international scrutiny of offshore sectors (Table 4). With multiple “citations” concentrated on smaller and more recently established OFCs, the Netherlands Antilles are scored badly only by the FSF. Among OFCs in a similar position, it scores better than the Cayman Islands, but worse than Bermuda. However, Table 4 also provides some indication that, at least in the recent past, there has been some positive—if not statistically significant—correlation between growth in Caribbean offshore centers’ assets and the number of “citations” issued by the OECD, FATF, and FSF, suggesting that the constraints imposed by efforts to improve regulation may well come at a cost to their offshore financial centers.<sup>16</sup>

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<sup>14</sup> Noncooperative jurisdictions comprise the Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russia, St. Kitts and Nevis, and St. Vincent and the Grenadines (see Financial Action Task Force, 2001).

<sup>15</sup> The lowest grouping comprises of Anguilla, Antigua and Barbuda, Aruba, Bahamas, Belize, British Virgin Islands, Cayman Islands, Cook Islands, Costa Rica, Cyprus, Lebanon, Liechtenstein, Marshall Islands, Mauritius, Nauru, Netherlands Antilles, Niue, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Samoa, Seychelles, Turks and Caicos, and Vanuatu.

<sup>16</sup> The positive correlation between percent growth in assets over the last five years and number of “citations” issued (by FATF, FSF, or OECD) holds for the aggregate of Caribbean offshore centers for which BIS data are available: Aruba, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Netherlands Antilles, St. Vincent and Grenadines, and Turks and Caicos.

Table 4. Netherlands Antilles: Selected Indicators of Offshore Centers

	Named on "black list" by:			BIS reporting banks claims 3/			
	OECD <i>uncooperative potentially harmful tax regime</i>	FATF <i>uncooperative jurisdiction 1/</i>	FSF <i>III rating 2/</i>	in percent of domestic GDP	broad money	per capita U.S. dollars	Growth 1996-2000
Andorra	X			...	...	...	13
Anguilla	X		X	...	...	...	...
Antigua and Barbuda	X		X	...	...	...	...
Aruba	X		X	18	35	2,277	76
Bahamas	X	X	X	433	713	70,687	21
Bahrain	X			118	163	12,240	40
Barbados	X			58	97	5,707	148
Belize	X		X	...	...	...	3,470
Bermuda				980	...	399,095	158
British Virgin Islands	X		X	...	...	...	136
Cayman Islands		X	X	22,000	...	6,600,000	89
Cook Islands	X	X	X	...	...	...	...
Cyprus			X	...	...	...	...
Dominica	X	X		...	...	...	1,017
Gibraltar	X			...	...	...	377
Grenada	X			...	...	...	350
Guernsey/Sark/Alderney	X			...	...	...	...
Isle of Man				...	...	...	...
Jersey	X			...	...	...	...
Lebanon		X	X	29	14	898	86
Liberia	X			439	2,142	4,785	40
Liechtenstein	X	X	X	...	...	...	40
Maldives	X			...	...	...	177
Malta				...	...	...	...
Marshall Islands	X	X	X	...	...	...	...
Mauritius			X	...	...	...	201
Monaco	X			...	...	...	...
Montserrat	X			...	...	...	...
Nauru	X	X	X	...	...	...	-73
Netherlands Antilles			X	1,106	1,491	132,050	25
Niuc	X	X	X	...	...	...	...
Panama	X	X	X	328	367	11,681	17
Samoa	X		X	...	...	...	1,300
San Marino				...	...	...	...
Seychelles			X	...	...	...	800
St. Kitts & Nevis	X	X	X	...	...	...	...
St. Vincent and Grenadines	X	X	X	...	...	...	94
Tonga	X			...	...	...	...
Turks & Caicos	X		X	...	...	...	114
US Virgin Islands	X			...	...	...	...
Vanuatu	X		X	33	24	148	-84

Source: OECD; FATF; FSF; and BIS.

1/ Uncooperative jurisdictions identified by the FATF also include Israel, the Philippines, and Russia.

2/ List also includes Costa Rica and St. Lucia.

3/ Most recently available data.

#### D. Some Empirical Observations

73. **In addition to the discussion of the Antillean response to recent international policy initiatives, an empirical examination of past trends in the development of OFCs provides another yardstick against which to measure performance and prospects of the Antillean offshore sector.** In what follows, an attempt will be made to empirically determine the factors that have contributed to the growth in offshore sector activity, and whether there are any discernible differences in the factors governing offshore performance of the Netherlands Antilles vis-à-vis its competitor jurisdictions. Evidence was found of a relationship between changes in industrial countries' tax policies and the volume of offshore activity. For the Antilles, regional economic performance also seems to matter. It must be stressed, though, that these empirical findings are very tentative because of limitations on data and model specification.

74. **With much of the offshore centers' attraction being derived from their commitment to confidentiality, if not outright secrecy, relevant data are not readily available and estimates of the size of offshore activity vary a great deal.** For example, a widely circulating—if usually unattributed—estimate states that some 50 percent of the world's money supply either resides or passes through these centers (e.g., Hampton and Abbot, 1999 and Francis, 2000). On the other hand, data by the Bank of International Settlements (BIS) indicate that the combined total stock of the claims of reporting banks residing in BIS countries on offshore centers amount to only 5 percent of these countries' broad money.<sup>17</sup> While much of the discrepancy in the data is attributable to the fluid definition of “offshore” (see above), it nevertheless highlights the difficulties inherent in any empirical investigation.

75. As discussed above, **there are several reasons for offshore center activity.** In the following, the demand for offshore assets by BIS reporting countries is analyzed.<sup>18</sup> Given the

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<sup>17</sup> These countries comprise Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Spain, Sweden, the United Kingdom, and the US. Offshore centers in the BIS data comprise Aruba, Bahamas, Bahrain, Barbados, Bermuda, Cayman Islands, Hong Kong, Lebanon, Liberia, Netherlands Antilles, Panama, Singapore, Vanuatu, and the British West Indies, and exclude some large jurisdictions like the English Channel Islands as well as certain offshore activities in major onshore financial centers. The BIS data also do not report important “fiduciary” claims which tend not to go through the banking system (see SM/00/136, Supplement 1).

<sup>18</sup> The data on offshore sector activity consists of liabilities to foreign banks reporting to the BIS for the period 1985–2000, taken from the BIS website <http://www.bis.org>. Other economic data are from the Fund's WEO database. The data on countries' top corporate and individual tax rates are from annual surveys published by Coopers and Lybrand/Pricewaterhouse Coopers.

limited data at hand, the analysis will assess the relative importance of (a) offshore assets as just another form of financial assets that investors would wish to hold in their portfolio, (b) tax policy, and (c) economic performance of the region within which offshore centers operate. The relative importance of these factors is estimated for all offshore centers, Caribbean offshore centers, and the Netherlands Antilles. Unfortunately, owing to lack of data, an analysis of the importance of capital controls and asset protection could not be undertaken.

76. In the empirical specification, **investor wealth** is approximated by the nominal GDP of the BIS reporting countries, or alternatively by their broad money. Broad money may also be used to estimate the degree of substitutability of offshore assets with other elements in the investor's portfolio. **Tax policy** changes are empirically captured through changes in the top corporate and individual tax rates, weighted by the 1985 GDP of the BIS countries.<sup>19</sup> The **economic stability in the region** close to the Netherlands Antilles is measured by the change in the Venezuelan exchange rate. Given the nonstationarity of most of the data series, error correction specifications were used; first, for the change (flow) in offshore centers' liabilities; and, second, in order to obtain an estimate of the relative performance of the Antillean offshore sector in the region, for the Antillean market share.

#### **Overall determinants of offshore sector performance**

77. **The importance of industrial country tax policy is significant in all offshore center definitions**, with the estimates indicating that a one percentage point increase in BIS reporting countries' top corporate tax rates leads to a 5 to 6 percent (up to 19 percent in the Caribbean centers) increase in inflows to offshore centers (Table 5). For the Netherlands Antilles, tax policy seems to be less important. However, GDP or broad money stocks are not significant in any estimation. The regional economic stability variable is only significant in one specification, but not for the Netherlands Antilles. Finally, the results suggest that the speed of adjustment becomes faster, the smaller the offshore center aggregate, with instantaneous adjustment to equilibrium in the Netherlands Antilles, compared to a 3-4 year period in all offshore sectors combined.<sup>20</sup>

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<sup>19</sup> Oil prices and dummy variables for the German unification and the Asian crisis were also used as instruments for instrumental variable estimations.

<sup>20</sup> This, could be due to a misspecification imparted by adding the Venezuelan exchange rate into the estimated equations.



Table 5. Netherlands Antilles: Determinants of Offshore Flows  
(Error-correction specification; absolute t-statistics in parentheses)

Dependent variable	Equation	Independent variables						Statistics	
		Constant	dGDP	dM2	dtax	dVER	Error correction	R squared	D.W.
dOFC	1	0.00 (0.00)	0.12 (0.20)	...	0.05 ** (2.48)	...	-0.28 ** (2.76)	0.66	1.96
dOFC 1/	2	0.00 (0.04)	...	-0.10 (0.19)	0.06 ** (2.64)	...	-0.32 ** (3.02)	0.66	1.85
dOFCX	3	0.00 (0.00)	-0.07 (0.20)	...	0.06 ** (3.22)	...	-0.34 ** (3.88)	0.62	2.52
dOFCX 1/	4	0.00 (0.03)	...	-0.01 (0.02)	0.09 ** (3.82)	...	-0.30 ** (3.97)	0.63	2.66
dOFCC	5	0.00 (0.00)	-0.69 (1.93)	...	-0.01 (0.67)	0.20 ** (3.54)	-1.01 ** (5.76)	0.82	3.15
dOFCC 1/	6	0.00 (0.01)	...	-0.19 (0.41)	0.12 ** (4.29)	0.07 (1.20)	-0.75 ** (5.72)	0.83	3.13
dOFCC	7	0.00 (0.00)	0.33 (0.55)	...	0.18 ** (4.10)	...	-0.20 ** (4.44)	0.68	2.56
dOFCC 1/	8	0.00 (0.00)	...	0.41 (0.70)	0.19 ** (3.99)	...	-0.19 ** (4.44)	0.68	2.58
dOFCNA	9	0.00 (0.00)	0.17 (0.42)	...	0.03 (1.44)	0.16 (1.72)	-1.66 ** (6.16)	0.83	2.84
dOFCNA 1/	10	0.00 (0.01)	...	-0.19 (0.41)	0.12 ** (4.29)	0.07 (1.20)	-0.75 ** (5.72)	0.83	3.13
dOFCNA	11	0.00 (0.00)	0.21 (0.25)	...	-0.07 (1.74)	...	-1.27 ** (4.92)	0.72	1.99
dOFCNA 1/	12	0.00 (0.00)	...	0.94 (0.70)	-0.02 ** (3.99)	...	-1.12 ** (4.44)	0.69	2.15

Source: Fund staff estimates.

1/ Estimated with instrumental variables.

### **Relative Antillean performance**

78. **With respect to the market share of the Antillean offshore sector some interesting patterns emerge** (Table 6). BIS countries' tax policy and GDP or broad money are not significant determinants. The failure of industrial country tax policy variable to have an appreciable impact on the market share of the Antillean offshore sector suggests that all offshore sectors are being affected by this variable in roughly the same way. The market share of the Antillean offshore sector in total and in the Caribbean offshore center aggregate appears to be negatively related to Venezuelan currency instability. This contrasts with a prior that would have suggested that the Netherlands Antilles would benefit from instability and the attendant capital flight. The estimated positive relation between Antillean market share and Venezuelan economic stability tends to support the assertion of Antillean offshore actors that the Netherlands Antilles have obtained an increasingly important role as a regional financial services provider.

### **E. Concluding Remarks**

79. This chapter has looked into issues pertaining to the development and prospects of the Antillean offshore sector. The picture emerging is one of a sector which, after initial spectacular growth has encountered a number of obstacles. Nevertheless, it has been able to continue to register positive, albeit more moderate, growth. However, the outlook does not appear favorable. Heightened international attention has been directed toward offshore centers' systemic implications for harmful tax competition, money laundering, financial abuse, and overall financial system stability. Such scrutiny can only be expected to increase. While the Antilles have taken a proactive approach in dealing with the more demanding environment—and have achieved some international recognition for their efforts—more will need to be done. Moreover, many of the economic imbalances which have in the past fed offshore sector developments—from inefficient taxation to capital controls—could be disappearing if globalization continues to proceed apace. While all these developments can reasonably be expected to introduce more challenges to the offshore sector, a tentative empirical investigation has also found that some factors could well be working in favor of the Antillean offshore sector, such as its comparatively more sophisticated nature which makes it less vulnerable to tax policy changes in the industrial countries, and ready to benefit from better economic management in the region.

Table 6. Netherlands Antilles: Determinants of Netherlands Antilles' Offshore Market Share  
(Error-correction specification; absolute t-statistics in parentheses)

Dependent variable	Equation	Independent variables						Statistics	
		Constant	dGDP	dM2	dtax	dVER	Error correction	R squared	D.W.
dSHNAO	1	0.11 (1.01)	-1.47 (0.82)	...	-0.15 (1.25)	0.10 (0.30)	-0.71 (1.54)	0.38	2.25
dSHNAO 1/	2	0.10 (0.92)	...	-0.93 (0.51)	-0.15 (1.03)	0.12 (0.32)	-0.70 (1.39)	0.36	2.28
dSHNAOX	3	0.00 (0.00)	0.82 (1.38)	...	0.02 (0.44)	-0.16 ** (2.19)	-1.37 ** (6.68)	0.88	2.32
dSHNAOX 1/	4	0.00 (0.05)	...	0.73 (1.17)	0.04 (1.43)	-0.22 ** (2.93)	-1.27 ** (6.06)	0.87	2.27
dSHNAOC	5	0.00 (0.00)	0.98 * (1.96)	...	-0.01 (1.03)	-0.12 (1.85)	-1.44 ** (7.8)	0.91	2.49
dSHNAOC 1/	6	0.00 (0.05)	...	0.90 (1.70)	0.03 (1.03)	-0.18 ** (2.77)	-1.33 ** (7.03)	0.90	2.32

Source: Fund staff estimates.

1/ Estimated with instrumental variables.

### Data Definition

OFC:	log (of U.S. dollar value) of offshore liabilities of all BIS defined offshore centers, source BIS
OFCX:	log (of U.S. dollar value) of offshore liabilities of all BIS defined offshore centers, excluding Hong Kong and Singapore, source BIS
OFCC:	log (of U.S. dollar value) of offshore liabilities of all BIS defined offshore centers in the Caribbean, source BIS
OFNA	log (of U.S. dollar value) of offshore liabilities of the Netherlands Antilles, source BIS
GDP:	log of BIS reporting countries US dollar GDP, source WEO
M2:	log of BIS reporting countries US dollar broad money, source WEO
tax:	weighted average BIS reporting countries top marginal corporate tax rate, source Pricewaterhouse Coopers
VER:	log of Venezuelan exchange rate (national currency per US dollar), source WEO
d:	first differencing operator
SHNAO:	$OFNA - OFC$
SHNAOX:	$OFNA - OFCX$
SHNAOC:	$OFNA - OFCC$

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Table 1. Netherlands Antilles: Composition of GDP, 1992–97

(In millions of NA guilders)

	1992	1993	1994	1995	1996	1997
Enterprises	2975.1	3141.7	3379.9	3480.8	3644.0	3789.0
Agriculture	26.5	33.1	34.5	31.8	28.3	28.7
Manufacturing	258.1	243.2	266.0	281.8	303.9	271.0
Utilities	157.1	135.7	121.8	165.2	168.9	194.4
Construction	227.8	237.5	237.2	286.9	314.4	330.6
Trade	783.2	786.0	845.0	841.4	924.2	926.4
Hotels and restaurants	169.2	199.2	208.9	224.3	173.8	163.2
Transport, storage, and communication	429.3	492.1	605.0	553.4	470.6	500.1
Financial intermediation	363.2	403.9	389.0	401.9	519.4	538.7
Real estate, renting, other business and education	434.2	496.1	510.9	542.9	567.9	634.4
Health care and social services	128.6	157.1	177.5	188.0	199.8	199.5
Other community and personal services	143.1	120.1	171.5	155.3	167.3	196.8
Households employment	19.7	20.3	24.0	27.0	26.7	26.9
Minus interest margin banks	164.9	182.6	211.4	219.1	221.2	221.7
Government	601.1	669.1	714.8	743.2	778.4	748.1
GDP	3576.2	3810.8	4094.7	4224	4422.4	4537.1

Source: Data provided by the Antillean authorities.

Table 2. Netherlands Antilles: Components of Aggregate Demand, 1992-97

(In millions of NA guilders)

	1992	1993	1994	1995	1996	1997
Total consumption	2,953.0	3,218.5	3,632.9	3,986.3	3,983.7	3,845.5
Private consumption	2,054.3	2,179.1	2,534.0	2,839.0	2,790.7	2,719.5
Public consumption	898.7	1,039.4	1,098.9	1,147.3	1,193.0	1,126.0
Gross fixed investment	810.1	809.8	788.4	878.8	1,085.1	897.9
Private sector	739.5	706.1	695.7	759.2	953.4	818.1
Public sector	70.6	103.7	92.7	119.6	131.7	79.8
Stockbuilding	82.1	14.3	31.7	-3.0	36.8	47.4
Total domestic demand	3,845.2	4,042.6	4,453.0	4,862.1	5,105.6	4,790.8
Exports of goods and services	2,862.3	2,945.6	3,066.8	3,042.0	3,100.5	3,218.3
Imports of goods and services	3,131.3	3,177.4	3,425.3	3,680.1	3,783.7	3,472.0
Foreign balance	-269.0	-326.5	-358.5	-638.1	-683.2	-253.7
GDP	3,576.2	3,810.8	4,094.7	4,224.0	4,422.4	4,537.1
Net factor income from abroad	157.9	157.2	126.2	444.3	112.6	114.4
GNP	3,734.1	3,968.0	4,220.9	4,668.3	4,535.0	4,651.5
Depreciation	410.6	470.8	524.5	540.8	569.9	577.6
Net national income	3,323.5	3,497.2	3,696.4	4,127.5	3,965.1	4,073.9

Source: Data provided by the Antillean authorities.

Table 3. Netherlands Antilles: Selected Indicators of Economic Activity, 1992–2000

(Annual percentage change)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Oil sector									
Production	-5.3	-2.0	-3.7	0.7	-1.3	15.6	2.4	-7.6	6.4
Transshipment	7.6	12.0	26.1	51.9	-12.1	31.5	-13.9	-14.4	19.7
Shipping activity 1/									
Bonaire	27.9	25.0	62.3	6.3	-12.0	73.2	-36.5	-26.0	35.3
Curaçao	-7.0	-5.5	-1.8	2.9	-0.9	20.8	13.1	-11.4	-0.2
Construction (Curaçao) 2/	37.3	-7.1	-0.8	-2.8	-22.8	112.8	17.3	-14.8	...
Tourism 3/									
Stay-over tourism	3.0	-4.7	10.0	-12.7	-12.8	9.8	1.7	-2.0	-4.2
Visitor nights	8.4	5.6	10.3	-3.1	-2.8	-6.0	0.9	-0.1	-1.9
Cruise tourism	-3.1	30.3	3.8	-16.2	12.8	33.2	0.3	-24.3	43.5
Electricity production	7.5	6.6	4.8	4.4	1.9	2.4	6.2	0.2	0.8

Source: Data provided by the Antillean authorities.

1/ Annual tonnage of shipping traffic in Antillean ports.

2/ Value of completed buildings.

3/ Number of visitors.



Table 4. Netherlands Antilles: Basic Data on Stay-Over Tourism, 1992–2000 1/

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In thousands)									
Number of visitors									
Bonaire	50.6	55.1	55.8	59.4	65.1	62.8	61.7	61.5	51.3
Curaçao	206.9	214.1	226.1	223.8	214.3	205.0	198.6	198.3	191.2
St.Maarten	550.2	500.7	564.6	455.8	364.7	439.2	458.5	444.8	432.3
Total	807.7	769.9	846.5	739.0	644.1	707.0	718.8	704.6	674.8
(Change in percent)	3.0	-4.7	10.0	-12.7	-12.8	9.8	1.7	-2.0	-4.2
(Percent of total)									
National origin of visitors									
Bonaire									
United States and Canada	43.7	42.6	44.7	45.8	44.8	46.7	46.7	49.0	52.1
Venezuela	11.0	10.8	9.0	8.2	7.0	6.6	8.3	8.2	6.8
Other America	13.5	13.8	14.3	11.3	12.1	11.2	9.8	9.2	5.6
Netherlands	23.1	22.9	22.8	24.3	26.9	25.9	25.3	24.8	26.0
Other	8.7	9.9	9.2	10.4	9.2	9.6	9.9	8.8	9.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Curaçao									
United States and Canada	10.1	11.8	16.1	16.9	15.8	15.6	17.6	17.5	17.7
Venezuela	14.0	13.7	12.7	13.8	12.5	13.9	16.7	15.5	18.4
Other America	38.4	36.3	39.7	34.1	26.5	26.4	23.9	24.2	22.3
Netherlands	29.7	28.7	29.0	29.8	30.9	30.0	28.5	29.3	27.1
Other	7.7	9.5	2.5	5.4	14.3	14.1	13.3	13.5	14.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
St. Maarten									
United States and Canada	53.2	54.7	53.3	49.7	44.1	48.5	49.7	51.3	50.0
Venezuela	1.0	1.9	1.4	0.8	1.0	1.3	1.3	1.3	1.6
Other America	9.3	8.2	10.9	12.8	12.7	12.1	12.2	10.6	11.2
Netherlands	3.0	2.3	2.3	2.5	3.0	3.1	3.0	3.1	2.4
Other	33.5	32.9	32.1	34.2	39.2	35.0	33.8	33.7	34.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank van de Nederlandse Antillen, Quarterly Bulletin.

1/ Foreigners staying longer than 24 hours.

Table 5. Netherlands Antilles: Cruise Tourism, 1990–2000  
(Number of passengers)

	Bonaire	Curaçao	St. Maarten	Total	(Change in percent)
1990	4,480	158,552	514,974	678,006	10.4
1991	12,476	156,608	502,214	671,298	-1.0
1992	28,176	161,095	469,667	658,938	-1.8
1993	17,604	181,241	659,943	858,788	30.3
1994	11,902	160,540	718,553	890,995	3.8
1995	10,688	171,675	564,251	746,614	-16.2
1996	11,553	173,063	657,351	841,967	12.8
1997	20,538	214,685	885,996	1,121,219	33.2
1998	11,832	230,986	881,448	1,124,266	0.3
1999	14,790	220,706	615,329	850,825	-24.3
2000	43,477	309,373	868,318	1,221,168	43.5

Source: Bank van de Nederlandse Antillen, Quarterly Bulletin.

Table 6. Netherlands Antilles: Changes in Consumer Prices, 1992–2000

(Annual percentage change; period average)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Food									
Curaçao	2.8	3.2	2.4	5.1	5.1	2.3	1.2	2.0	6.3
Bonaire	2.8	4.2	6.0	5.4	4.5	1.7	0.2	5.7	4.0
St. Maarten	1.5	1.3	3.8	6.4	4.9	3.0	1.5	0.2	...
Beverage and tobacco									
Curaçao	8.7	2.7	1.2	3.0	4.0	3.7	1.1	1.4	10.2
Bonaire	10.9	12.0	7.9	1.9	0.1	2.8	5.5	4.1	5.5
St. Maarten	2.7	1.3	0.7	0.3	4.0	1.3	4.3	0.9	...
Clothing and footwear									
Curaçao	3.0	-0.2	-0.5	-3.8	-2.7	0.7	...	0.8	1.5
Bonaire	2.0	0.0	0.0	0.1	0.1	...	...	1.3	1.5
St. Maarten	1.9	-0.8	-2.1	-0.5	0.3	0.4	0.5	0.4	...
Housing									
Curaçao	0.0	0.8	-1.0	3.7	6.0	3.9	0.9	-0.2	8.4
Bonaire	1.4	0.0	2.1	1.8	1.9	2.4	0.5	0.4	2.1
St. Maarten	1.9	1.7	1.4	1.7	2.5	3.6	0.9	1.8	...
Housekeeping and furnishing									
Curaçao	1.3	2.0	5.4	3.2	1.1	2.1	0.8	-1.0	0.7
Bonaire	-0.7	1.0	3.5	1.5	3.1	1.5	0.8	2.2	2.9
St. Maarten	2.0	0.8	5.6	7.8	1.4	1.7	0.9	0.5	...
Health									
Curaçao	3.2	3.7	5.6	1.7	1.5	3.3	2.3	1.4	3.8
Bonaire	5.8	2.4	3.5	4.4	5.7	3.8	0.4	2.1	0.9
St. Maarten	0.0	1.1	2.3	1.9	1.4	0.1	1.4	3.8	...
Transport and communication									
Curaçao	1.1	3.6	2.1	2.6	5.4	4.1	1.9	-0.4	7.8
Bonaire	2.6	5.5	0.8	1.5	3.6	4.2	4.9	8.1	8.6
St. Maarten	2.0	0.2	1.0	1.6	2.1	5.4	5.6	4.6	...
Recreation and education									
Curaçao	1.5	1.7	1.1	2.0	0.7	2.5	0.8	0.9	0.9
Bonaire	0.5	0.1	0.9	1.0	0.9	1.9	2.2	2.0	1.0
St. Maarten	1.3	2.9	2.0	0.9	0.6	2.5	1.1	0.4	...
Other									
Curaçao	1.3	2.3	4.1	2.3	2.5	4.6	1.2	1.0	5.0
Bonaire	1.1	1.2	3.0	1.8	3.1	3.3	0.9	1.3	2.9
St. Maarten	0.3	0.3	3.3	2.7	2.0	2.9	1.1	1.6	...
Total									
Curaçao	1.4	2.1	1.8	2.8	3.6	3.1	1.1	0.4	5.8
Bonaire	1.9	2.2	2.9	2.4	2.7	2.3	1.3	3.4	3.9
St. Maarten	1.7	1.0	2.1	3.0	2.3	3.1	1.9	2.0	...
Total Netherlands Antilles	1.4	1.9	1.9	2.8	3.4	3.1	1.2	0.8	...

Source: Bank van de Nederlandse Antillen.

Table 7. Netherlands Antilles: Minimum Wages 1/

(In NA guilders per month)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Category 1 (Manufacturing, construction, banking, financial services, and insurance)									
Curaçao	925.40	925.40	925.40	925.40	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Bonaire	925.40	925.40	925.40	1,000.00	1,010.00	1,010.00	1,039.29	1,039.29	1,039.29
St. Maarten	925.40	925.40	925.40	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
Saba	925.40	925.40	925.40	925.40	950.00	950.00	1,000.00	1,000.00	1,000.00
St. Eustatius	925.40	925.40	925.40	925.40	950.00	950.00	950.00	950.00	950.00
Category 2 (Transportation, tourism, and other services)									
Curaçao	686.90	686.90	686.90	775.00	850.00	850.00	900.00	900.00	900.00
Bonaire	686.90	686.90	686.90	800.00	816.00	816.00	927.65	927.65	927.65
St. Maarten	882.65	882.65	882.65	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
Saba	549.50	686.90	686.90	686.90	700.00	700.00	800.00	800.00	800.00
St. Eustatius	549.50	686.90	686.90	686.90	700.00	700.00	700.00	700.00	700.00
Category 3 (Agriculture, commerce, and textile industry)									
Curaçao	656.25	686.90	686.90	775.00	850.00	850.00	900.00	900.00	900.00
Bonaire	656.25	686.90	686.90	800.00	816.00	816.00	927.65	927.65	927.65
St. Maarten	843.25	882.65	882.65	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
Saba	475.95	549.50	549.50	549.50	700.00	700.00	800.00	800.00	800.00
St. Eustatius	475.95	549.50	549.50	549.50	700.00	700.00	700.00	700.00	700.00
Category 4 (Household personnel)									
Curaçao	355.00	355.00	355.00	400.00	420.00	420.00	470.00	470.00	470.00
Bonaire	355.00	355.00	355.00	400.00	404.00	404.00	444.40	444.40	444.40
St. Maarten	355.00	355.00	355.00	425.00	425.00	500.40	500.40	500.40	500.40
Saba	355.00	355.00	355.00	400.00	400.00	400.00	550.00	550.00	550.00
St. Eustatius	355.00	355.00	355.00	400.00	400.00	400.00	522.72	522.72	522.72

Source: Data provided by the Antillean authorities.

1/ Youth minimum wages which were introduced on September 1, 1993, are lower. They are expressed as percentages of the regular minimum wages, depending on age levels: 90 percent at age 20; 85 percent at age 19; 75 percent at age 18; and 65 percent at age 16 and 17.

Table 8. Netherlands Antilles: Employment, Unemployment, and Migration, 1990–2000

	Employment (persons)				Unemployment rate		Migration 1/
	Curaçao	Sint Maarten	Other Islands	Total	Curaçao	Total	(persons)
1990	47,515	15,240	5,402	68,157	17	...	-4,104
1991	50,265	16,054	5,585	71,904	14.6	...	-3,674
1992	50,999	16,911	5,771	73,681	13.9	...	-1,352
1993	52,435	17,814	6,443	76,692	13.6	...	-523
1994	54,685	18,718	7,172	80,575	12.8	...	317
1995	54,059	18,497	8,043	80,599	13.1	...	-178
1996	56,964	19,259	8,912	85,135	14	14.1	-1,296
1997	56,246	18,896	9,366	84,508	15.3	14.9	1,531
1998	52,962	18,896	9,812	81,670	16.6	15.8	-4,607
1999 2/	...	...	...	...	...	...	-5,511
2000 3/	52,236	22,626	9,812	84,674	14.0	...	-1,865

Sources: Central Bureau of Statistics; and Bank van de Nederlandse Antillen.

1/ Net, to the Netherlands, minus=outflow.

2/ No labor force survey was conducted in 1999 owing to resource constraints.

3/ For migration, January through July.

Table 9. Netherlands Antilles: Operations of the General Government, 1996–2000

(In millions of NA guilders)

	1996	1997	1998	1999	2000
Total revenue	1283.6	1272.4	1274.8	1172.0	1223.3
Tax revenue	1084.8	1119.5	1114.5	1036.2	1094.4
Taxes on income and profits	659.7	617.2	607.9	564.7	511.4
Of which: offshore	120.0	130.0	120.0	122.7	80.5
Taxes on property	34.4	41.0	33.7	38.8	45.5
Taxes on goods and services	219.9	331.1	331.9	281.4	399.0
Of which: sales and turnover tax	41.8	127.7	141.8	105.7	231.8
Taxes on international transactions	162.2	121.8	132.5	143.5	128.1
Other taxes	8.6	8.4	8.5	7.8	10.4
Nontax revenue	191.2	144.8	151.2	125.7	117.7
Capital revenue	0.9	0.4	0.1	1.3	1.3
Grants 1/	6.7	7.7	9.0	8.8	10.0
Total expenditure	1453.2	1416.8	1378.5	1338.9	1367.2
Current expenditure	1379.4	1361.4	1367.9	1300.0	1301.4
Wages and salaries	716.4	687.2	645.0	626.8	562.9
Excl. pension premiums	555.6	519.3	507.5	514.8	453.0
Pension premiums 2/	160.8	167.9	137.5	112.0	109.9
Goods and services	297.0	300.9	308.9	310.8	304.2
Subsidies to enterprises	97.8	89.4	77.8	64.6	61.9
Transfers 1/	141.1	135.7	171.0	147.7	212.6
Of which: to households		46.0	47.6	46.6	94.2
Interest payments	127.1	148.3	165.2	150.1	159.7
Capital expenditure	73.8	55.4	10.6	38.9	65.8
Investment	41.9	48.7	38.2	38.6	26.8
Capital transfers and net lending	31.9	6.7	-27.6	0.3	39.0
Balance	-169.6	-144.4	-103.7	-166.9	-143.8
Foreign amortization	4.6	1.9	1.9	1.9	1.9
Balance incl. for. amort.	-174.2	-146.3	-105.6	-168.8	-145.7
Financing	169.6	144.4	103.7	166.9	143.8
Domestic	188.2	167.5	117.8	172.4	5.8
Monetary financing	-23.8	-6.2	-20.4	53.7	20.9
Arrears APNA	14.2	89.2	18.9	85.8	16.5
Retroactive bonds	50.3	-10.2	-10.0	-10.0	-10.1
Other domestic	147.5	94.7	129.3	14.9	-20.4
Other arrears	0.0	0.0	0.0	28.0	-1.1
Other domestic	197.8	84.5	119.3	4.9	-30.5
Foreign	-4.6	-1.9	-1.9	-1.9	35.0
Amortization payments	-4.6	-1.9	-1.9	-1.9	-1.9
Debt relief	0.0	0.0	0.0	0.0	0.0
Other foreign	0.0	0.0	0.0	0.0	36.9
Discrepancy/program financing	-14.0	-21.2	-12.2	-3.6	103.0
Memorandum Items:					
Primary balance	-42.5	3.9	61.5	-16.8	15.9
Balance on cash basis 3/	-155.4	-55.2	-84.8	-81.1	-127.3
Debt/GDP ratio	60.9	60.8	67.1	72.6	69.8
Debt	2691.6	2756.8	2940.0	3155.9	3112.3

Sources: Data provided by the Antillean authorities.

1/ Net of ERNA transfers between different levels of government.

2/ Pensions premiums due (including non-paid amounts).

3/ Balance based on expenditure excluding accumulated pension premium arrears.

Table 10. Netherlands Antilles: Operations of the Central Government, 1996–2000

(In millions of NA guilders)

	1996	1997	1998	1999	2000
Total revenue	498.2	542.5	555.7	509.9	621.3
Tax revenue	372.7	441.3	458.8	419.4	519.0
Taxes on property	15.0	23.9	21.0	20.1	17.0
Inheritance and gift tax	2.1	4.8	8.9	5.2	2.6
Property transfer tax	12.9	19.1	12.1	14.9	14.4
Taxes on goods and services	186.9	287.2	296.8	248.0	363.5
Of which: excises	138.3	148.6	142.6	130.7	115.1
Excise on gasoline	96.6	108.6	104.1	93.4	79.8
Excise on beer	16.1	15.0	14.4	13.7	13.0
Excise on tobacco	14.3	13.3	13.3	12.4	11.9
Excise on liquor	11.3	11.7	10.8	11.2	10.4
Sales and turnover tax	41.8	127.7	141.8	105.7	231.8
Windward Islands	0.0	31.9	40.5	27.5	33.9
Leeward Islands	41.8	95.8	101.3	78.2	197.9
Licenses	6.8	10.9	12.4	11.6	16.6
Taxes on international transactions	162.2	121.8	132.5	143.5	128.1
Import duties	150.5	118.4	131.7	142.1	126.5
Foreign exchange tax	9.2	0.1	0.0	0.2	0.1
Other	2.5	3.3	0.8	1.2	1.5
Other taxes	8.6	8.4	8.5	7.8	10.4
Stamp taxes	8.6	8.4	8.5	7.8	10.4
Nontax revenue	118.6	93.5	87.8	81.7	92.3
Enterprise and property income	57.7	42.1	40.8	41.8	55.6
Of which: central bank	45.0	38.8	32.1	41.6	43.1
Fees, charges, and sales	39.9	38.3	43.5	38.9	34.7
Other nontax revenues	21.0	13.1	3.5	1.0	2.0
Grants	6.7	7.7	9.0	8.8	10.0
From abroad	6.1	6.9	8.3	7.7	9.1
From other levels of government	0.6	0.8	0.7	1.1	0.9

Table 10. (Continued) Netherlands Antilles: Operations of the Central Government, 1996–2000

(In millions of NA guilders)

	1996	1997	1998	1999	2000
Total expenditure	595.5	594.1	581.6	594.3	743.7
Current expenditure	545.9	554.2	587.8	572.6	688.4
Wages and salaries	317.7	308.9	289.0	296.2	262.8
Excl. pension premiums	247.6	234.5	230.0	247.9	219.9
Wages	238.9	225.2	220.9	238.2	210.5
Soc. security	8.7	9.3	9.1	9.7	9.4
Pension premiums 1/	70.1	74.4	59.0	48.3	42.9
Goods and services	89.9	92.6	101.8	98.0	96.1
Subsidies	8.3	5.5	5.0	4.4	10.8
Transfers	75.6	72.3	134.6	97.8	241.5
Other levels of government	49.6	44.1	100.0	71.4	196.8
Households	8.8	7.2	8.7	9.6	26.8
Non profit institutions, abroad	17.2	21.0	25.9	16.8	17.9
Interest payments	54.4	74.9	57.4	76.2	77.2
Domestic	48.6	60.5	62.5	71.9	83.7
Foreign	5.8	14.4	-5.1	4.3	-6.5
Capital expenditure	49.6	39.9	-6.2	21.7	55.3
Investment	26.1	34.7	22.4	21.7	16.3
Capital transfers	12.5	9.4	3.1	0.0	35.5
Net lending	11.0	-4.2	-31.7	0.0	3.5
Balance	-97.3	-51.6	-25.9	-84.4	-122.4
Sinking fund	0.0	0.0	0.0	0.0	0.0
Balance incl. sinking fund	-97.3	-51.6	-25.9	-84.4	-122.4
Foreign amortization	1.1	0.7	0.7	0.7	0.7
Balance incl for. amort.	-98.4	-52.3	-26.6	-85.1	-123.1
Memorandum Item:					
Balance on cash basis 2/	-81.4	-33.3	-59.6	-37.5	-108.2

Sources: Data provided by the Antillean authorities.

1/ Pensions premiums due (including non-paid amounts).

2/ Balance based on expenditure excluding accumulated pension premium arrears.



Table 11. Netherlands Antilles: Operations of the Island Government of Curaçao, 1996–2000  
(In millions of NA guilders)

	1996	1997	1998	1999	2000
Total revenue	808.9	748.6	764.5	703.9	757.4
Tax revenue	712.1	678.2	655.7	616.8	575.4
Taxes on income and profits	659.7	617.2	607.9	564.7	511.4
Profit tax	277.3	271.9	255.5	226.1	165.4
Offshore	120.0	130.0	120.0	122.7	80.5
Onshore	157.3	141.9	135.5	103.4	84.9
Wage tax	339.0	316.2	329.5	324.8	335.2
Income tax	43.4	29.1	22.9	13.8	10.8
Taxes on property	19.4	17.1	12.7	18.7	28.5
Land tax	15.7	9.9	6.5	13.7	21.1
Occupancy tax	3.7	7.2	6.2	5.0	7.4
Taxes on goods and services	33.0	43.9	35.1	33.4	35.5
Motor vehicle taxes	18.4	23.6	20.7	19.6	25.9
Licenses	11.6	16.3	11.5	11.4	7.2
Hotel room tax	3.0	4.0	2.9	2.4	2.4
Nontax revenue	72.6	51.3	63.4	44.0	25.4
Enterprise and property income	24.0	18.3	29.7	21.0	2.7
Fees, charges, and sales	28.9	20.2	24.5	16.5	13.6
Other nontax revenues	19.7	12.8	9.2	6.5	9.0
Capital revenue	0.7	0.4	0.0	1.3	1.3
Grants	23.5	18.7	45.4	41.8	155.4

Table 11. (Continued) Netherlands Antilles: Operations of the Island Government of Curaçao

(In millions of NA guilders)

	1996	1997	1998	1999	2000
Total expenditure	881.2	841.4	842.3	786.4	778.8
Current expenditure	857.0	825.9	825.5	769.2	768.3
Wages and salaries	398.7	378.3	356.0	330.6	300.1
Excl. pension premiums	308.0	284.8	277.5	266.9	233.1
Pension premiums 1/	90.7	93.5	78.5	63.7	67.0
Goods and services	207.1	208.3	207.1	212.8	208.1
Subsidies	89.5	83.9	72.8	60.2	51.1
Public companies	89.5	83.9	72.8	60.2	51.1
Transfers	89.0	82.1	81.8	91.7	126.4
Other levels of government	18.0	14.4	11.4	15.2	14.0
Households	40.8	38.8	38.9	37.0	67.4
Nonprofit institutions	30.2	28.9	31.5	39.5	45.0
Interest payments	72.7	73.4	107.8	73.9	82.5
Domestic	60.8	72.7	87.2	64.8	73.2
Foreign	11.9	0.7	20.6	9.1	9.3
Capital expenditure	24.2	15.5	16.8	17.2	10.5
Investment	15.8	14.0	15.8	16.9	10.5
Capital transfers	0.0	0.0	0.1	0.0	0.0
Net lending	8.4	1.5	0.9	0.3	0.0
Balance	-72.3	-92.8	-77.8	-82.5	-21.4
Sinking fund	0.0	0.0	0.0	0.0	0.0
Balance incl. sinking fund	-72.3	-92.8	-77.8	-82.5	-21.4
Foreign amortization	3.5	1.2	1.2	1.2	1.2
Balance incl. for. amortiz	-75.8	-94.0	-79.0	-83.7	-22.6
Memorandum Item:					
Balance on cash basis 2/	-74.0	-21.9	-25.2	-43.6	-19.1

Sources: Data provided by the Antillean authorities.

1/ Pensions premiums due (including non-paid amounts).

2/ Balance based on expenditure excluding accumulated pension premium arrears.

Table 12. Netherlands Antilles: Financing of General Government, 1996–2000  
(In millions of NA guilders)

	1996	1997	1998	1999	2000
<b>Central government</b>					
Total balance	-97.3	-51.6	-25.9	-84.4	-122.4
Financing	97.3	51.6	25.9	84.4	122.4
Domestic financing	82.7	49.7	37.2	98.7	7.1
Monetary financing	-12.8	3.6	5.2	10.4	6.8
Central bank	3.7	6.0	1.1	11.2	6.7
Commerical banks	-18.8	-3.3	0.3	-2.9	-1.1
Giro Curaçao	1.5	0.0	0.0	0.0	0.0
Coins and notes	0.8	0.9	3.8	2.1	1.2
Non-monetary financing	95.5	46.1	32.0	88.3	0.3
Arrears APNA	15.9	18.3	-33.7	46.9	14.2
Retroactive bonds	22.1	-4.5	-4.4	-4.4	-4.4
Other domestic financing	57.5	32.3	70.1	45.8	-9.5
Loans with the public	110.4	32.3	70.1	162.6	-9.5
Debt to SVB	-52.9	0.0	0.0	-116.8	0.0
Foreign financing	-1.1	-0.7	-0.7	-0.7	100.3
Amortization payments	-1.1	-0.7	-0.7	-0.7	-0.7
Program support	0.0	0.0	0.0	0.0	64.1
Discrepancy	15.7	2.6	-10.6	-13.6	15.0
<b>Curaçao government</b>					
Total balance	-72.3	-92.8	-77.8	-82.5	-21.4
Financing	72.3	92.8	77.8	82.5	21.4
Domestic financing	105.5	117.8	80.6	73.7	-1.3
Monetary financing	-11.0	-9.8	-25.6	43.3	14.1
Central bank	11.2	-3.5	1.7	21.0	55.9
Commerical banks	51.1	-6.3	-27.3	22.3	-41.8
Non-monetary financing	-73.3	0.0	0.0	0.0	0.0
Arrears APNA	116.5	127.6	106.2	30.4	-15.4
Other arrears	-1.7	70.9	52.6	38.9	2.3
Retroactive bonds	0.0	0.0	0.0	28.0	-1.1
Other domestic financing	28.2	-5.7	-5.6	-5.6	-5.7
Loans with the public	90.0	62.4	59.2	-30.9	-10.9
Debt to SVB	60.2	30.0	26.4	-25.7	-5.4
Zero coupon bond	29.8	32.4	32.8	-5.2	-5.5
Foreign financing	-3.5	-1.2	-1.2	-1.2	18.8
Amortization payments	-3.5	-1.2	-1.2	-1.2	-1.2
Program support	0.0	0.0	0.0	0.0	20.0
Discrepancy	-29.7	-23.8	-1.6	10.0	3.9
<b>General government</b>					
Total balance	-169.6	-144.4	-103.7	-166.9	-143.8
Financing	169.6	144.4	103.7	166.9	143.8
Domestic financing	188.2	167.5	117.8	172.4	5.8
Monetary financing	-23.8	-6.2	-20.4	53.7	20.9
Arrears APNA	14.2	89.2	18.9	85.8	16.5
Other arrears	0.0	0.0	0.0	28.0	-1.1
Retroactive bonds	50.3	-10.2	-10.0	-10.0	-10.1
Other domestic financing	147.5	94.7	129.3	14.9	-20.4
Foreign financing	-4.6	-1.9	-1.9	-1.9	119.1
Amortization payments	-4.6	-1.9	-1.9	-1.9	-1.9
Program support	0.0	0.0	0.0	0.0	84.1
Other	0.0	0.0	0.0	0.0	36.9
Discrepancy	-14.0	-21.2	-12.2	-3.6	18.9

Sources: Data provided by the Antillean authorities; and Fund staff estimates.

Table 13. Netherlands Antilles: General Government Debt, 1996–2000

(In millions of NA guilders)

	1996	1997	1998	1999	2000
Central Government					
Domestic debt	850.5	897.9	943.1	1,101.4	1,127.5
Monetary debt	101.0	104.6	109.8	120.2	127.0
Central bank	37.7	43.7	44.8	56.0	62.7
Current account	5.8	6.7	2.7	3.1	2.7
Deposits	9.0	14.6	17.1	35.5	5.3
Advance account	17.2	29.8	29.5	29.4	29.2
Government securities	35.3	35.2	35.1	65.2	41.5
Commercial banks	46.5	43.2	43.5	40.6	39.5
Current account & deposits	36.5	45.7	46.2	30.0	34.5
Government securities	83.0	88.9	89.7	70.6	74.0
Coins and notes	16.8	17.7	21.5	23.6	24.8
Non-monetary debt	749.5	793.3	833.3	981.2	1,000.5
Arrears APNA	22.0	40.3	6.6	53.5	86.2
Other domestic debt	727.5	753.0	826.7	927.7	914.3
Government securities	589.1	621.4	691.5	854.1	844.6
Retroactive bonds	22.1	17.6	13.2	8.8	4.4
Negotiated loans 1/	27.4	23.8	19.8	15.8	11.3
Social Security Fund (SVB)	78.1	74.9	72.7	8.1	25.1
Other	10.8	15.3	29.5	40.9	28.9
Foreign debt	240.6	207.3	231.6	290.0	247.9
Netherlands	224.1	193.2	216.8	195.5	190.1
Central government	223.8	193.2	216.8	195.5	190.1
Public companies	0.3	0.0	0.0	0.0	0.0
European Union	16.5	14.1	14.8	12.2	10.8
Other	0.0	0.0	0.0	82.3	47.0
Island Government of Curaçao					
Domestic debt	1,174.3	1,283.2	1,371.4	1,426.6	1,425.0
Monetary debt	112.7	102.9	77.3	120.6	134.7
Central bank	-4.3	-7.8	-6.1	14.9	70.8
Current account	4.3	7.8	21.1	0.1	0.0
Government securities	0.0	0.0	15.0	15.0	70.8
Commercial banks	117.0	110.7	83.4	105.7	63.9
Current account	38.4	27.9	34.4	17.5	35.9
Deposits	3.1	4.2	3.7	3.7	1.3
Government securities	158.5	142.8	121.5	126.9	101.1
Non-monetary debt	1,061.6	1,180.3	1,294.1	1,306.0	1,290.3
Arrears APNA	146.0	216.9	269.5	308.4	310.7
Zero coupon bond/annuity	381.3	413.7	446.5	441.3	435.8
Other domestic debt	534.3	549.7	578.1	556.3	543.8
Government securities	317.7	347.7	374.1	348.4	343.0
Retroactive bonds	28.2	22.5	16.9	11.3	5.6
Social Security Fund (SVB)	9.2	24.8	43.0	17.0	34.1
Other	179.2	154.7	144.1	179.6	161.1
Foreign debt	426.7	368.4	393.9	337.9	311.9
Netherlands	417.5	360.0	383.8	329.6	304.6
European Union	9.2	8.4	10.1	8.3	7.3
General Government					
Domestic debt	2,024.8	2,181.1	2,314.5	2,528.0	2,552.5
Monetary debt	213.7	207.5	187.1	240.8	261.7
Central bank	33.4	35.9	38.7	70.9	133.5
Commercial banks	163.5	153.9	126.9	146.3	103.4
Coins and notes	16.8	17.7	21.5	23.6	24.8
Non-monetary debt	1,811.1	1,973.6	2,127.4	2,287.2	2,290.8
Arrears APNA	168.0	257.2	276.1	361.9	396.9
Zero coupon bond/annuity	381.3	413.7	446.5	441.3	435.8
Other domestic debt	1,261.8	1,302.7	1,404.8	1,484.0	1,458.1
Foreign debt	667.3	575.7	625.5	627.9	559.8
Netherlands	641.6	553.2	600.6	525.1	494.7
European Union	25.7	22.5	24.9	20.5	18.1
Other	0.0	0.0	0.0	82.3	47.0

Source: Data provided by the Antillean authorities.

1/ APNA Regentesselaan, APNA FZOG and Winkel Broth.

Table 14. Netherlands Antilles: Monetary Survey, 1992–2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In millions of NA guilders, end of period)									
Net foreign assets 1/	508.1	566.8	438.1	718.0	524.6	584.6	714.1	693.9	575.6
Net international reserves	526.2	604.7	468.6	718.0	602.4	652.1	777.7	762.9	636.4
MLT	-18.1	-37.9	-30.5	0.0	-77.8	-67.5	-63.6	-69.0	-60.8
Net domestic assets 1/	1,570.5	1,690.5	2,011.8	1,883.5	2,012.1	2,017.4	1,984.5	2,197.4	2,379.4
Domestic credit	1,927.4	2,001.1	2,315.3	2,324.4	2,443.8	2,429.0	2,437.6	2,640.9	2,765.8
Government (net)	210.3	203.7	280.4	194.1	168.0	166.0	137.8	104.7	88.4
Central government	90.5	70.5	117.6	87.0	76.4	80.1	73.4	-6.6	-36.4
Island governments	119.8	133.2	162.8	107.1	91.6	85.9	64.4	111.3	124.8
Private sector	1,717.1	1,797.4	2,034.9	2,130.3	2,275.8	2,263.0	2,299.8	2,536.2	2,677.4
Other items, net 1/	-356.9	-310.6	-303.5	-440.9	-431.7	-411.6	-453.1	-443.5	-386.4
Money and quasi-money	2,078.6	2,257.3	2,449.9	2,601.5	2,536.7	2,602.0	2,698.6	2,891.3	2,955.0
Money	818.1	877.7	1,013.1	1,110.8	1,028.4	1,052.7	1,075.2	1,187.1	1,155.5
Quasi-money	1,260.5	1,379.6	1,436.8	1,490.7	1,508.3	1,549.3	1,623.4	1,704.2	1,799.5
Time deposits	290.5	319.6	335.3	358.0	410.0	463.0	498.9	545.7	607.3
Savings deposits	970.0	1,060.0	1,101.5	1,132.7	1,098.3	1,086.3	1,124.5	1,158.5	1,192.2

Source: Data provided by the Antillean authorities.

1/ Includes gold revaluations from NA f. 67.5 million to NA f. 208.8 million in June 1995, to NA f. 189.5 million in January 1996 to NA f. 179.8 million in November 1998, and to NA f. 138.9 million in December 2000.

Table 15. Netherlands Antilles: Commercial Bank Credit to the Private Sector, 1992–2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In millions of NA guilders, end of period)									
Loans to the private sector	1,661.4	1,732.5	1,958.3	2,046.4	2,171.6	2,198.6	2,232.4	2,450.7	2,612.0
Mortgage	544.6	617.8	743.2	782.9	865.7	925.7	890.3	972.8	1,027.9
Of which: MLT on-lent 1/	18.1	37.9	30.5	0.0	53.7	48.7	44.8	...	...
Consumer	283.3	381.1	451.9	485.9	507.7	478.1	516.2	570.0	622.4
Business	833.5	733.6	763.2	777.6	798.2	794.8	825.9	907.9	961.7
Of Which: MLT on-lent 2/	0.0	0.0	0.0	0.0	26.9	18.8	18.8	...	...
(Change in percent over end of previous year)									
Loans to the private sector	1.9	4.3	13.0	4.5	6.1	1.2	1.5	9.8	6.6
Mortgage	-3.2	13.4	20.3	5.3	10.6	6.9	-3.8	9.3	5.7
Consumer	27.7	34.5	18.6	7.5	4.5	-5.8	8.0	10.4	9.2
Business	-1.4	-12.0	4.0	1.9	2.6	-0.4	3.9	9.9	5.9

Source: Data provided by the Antillean authorities.

1/ All mortgage borrowings have been accrued to entities on the Windward Islands.

2/ All business borrowings have been accrued to entities on the Leeward Islands.

Table 16. Netherlands Antilles: Interest Rates, 1992–2000

(In percent, end of period)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Official discount rate	6.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	...
Deposit rates									
Passbook savings	4.8	4.1	4.0	3.6	3.6	3.5	3.6	3.6	3.8
Time deposits 1/	5.9	5.1	4.7	4.7	5.0	5.1	5.2	4.9	4.8
Lending rates									
Prime rate 2/	12.0	12.6	12.7	13.0	13.4	14.0	13.9	10.7	9.6
Mortgage rate	12.0	12.1	11.0	11.2	11.5	12.0	11.7	10.7	10.6
Treasury bill rate 3/	5.9	4.3	5.4	5.7	5.7	5.9	5.7	6.3	6.3
Government bond yield 4/	8.6	7.9	8.0	8.3	8.3	9.0	7.8	8.8	9.0
Memorandum item:									
Penalty rate	3.5 5/	3.0 6/	3.0	3.5 7/	5.25 8/	5.25-7.0	5.25-7.0 9/ 3.5-5.25 10/ 2.1-3.5 11/	2.1-3.5	7.0 12/

Source: Data provided by the Antillean authorities.

1/ 6-month time deposits reported for 1990-91, 12-month time deposits thereafter.

2/ Prime rate for 1992–1999, current account overdrafts thereafter.

3/ Rate on three-month treasury bills.

4/ Effective yield on five-year government bonds.

5/ In effect from 9/1991 to 4/1993.

6/ In effect from 4/1993 to 3/1995, when MCR in effect.

7/ In effect from 3/1995 to 4/1995.

8/ In effect from 4/1995 to 12/1996.

9/ In effect through 9/1998.

10/ In effect in 10/1998.

11/ In effect from 11/1998 to 12/1998.

12/ In effect from 11/2000.

Table 17. Netherlands Antilles: Structure and Performance of the Banking System, 1994–2000

	1994	1995	1996	1997	1998	1999	2000
Number of licensed banks	13	13	14	14	14	11	11
Of which: Majority state owned	n.a	n.a	1	1	1	1	1
As a percentage of total assets	n.a	n.a	3	3.5	3.8	5.0	5.6
Majority foreign owned (number)	2	2	2	2	2	2	2
As a percentage of total assets	0.7	1.2	3.6	5.7	5.4	7.1	7.4
Number of branches of foreign banks	4	4	4	4	4	3	3
As a percentage of total assets	21.5	26.1	25.9	24.5	24.9	22.9	23.1
Number of Banks accounting for:							
25 percent of total assets	1	1	1	1	1	1	1
75 percent of total assets	4	4	4	4	4	4	4
	(In percent of GDP, unless stated otherwise)						
Total assets	95.6	83.2	81.9	80.8	87.8	93.3	98.1
Total credit	53.3	52.9	55.1	53.6	55.9	61.0	62.5
Private sector credit	47.8	48.4	49.6	48.5	51.1	56.5	58.6
Total deposits excluding interbank	53.7	56.3	54.7	54.9	59.0	63.1	63.8
Corporate sector credit (in percent of total credit) 1/ 2/	56.3	54.8	56.3	55.7	55.2	56.1	55.7
Credit to households (in percent of total credit) 1/ 2/	39.1	41.5	40.9	42.6	42.9	41.4	41.1
	(In percent of total assets)						
Foreign currency denominated							
Assets	44.3	35.5	33.1	31.7	32.4	32.2	34.7
Balance sheet liabilities	43.9	33.8	31.1	29.8	29.1	30.5	32.9
Contingent and off-balance sheet accounts	8.0	11.6	8.8	9.3	8.6	8.8	7.4
	(In percent)						
Risk-weighted capital/asset ratio	10.6	7.0	9.1	10.7	8.4	10.3	8.9
Central bank credit to banks (in percent of GDP)	0.0	0.0	0.0	0.0	0.3	1.4	1.3
Average pretax profit on total assets	-5.0	-5.6	7.9	6.8	3.9	1.4	1.5
Nonperforming loans (in percent of total loans)	2.3	3.0	3.1	3.4	4.3	4.1	4.7
Provision for loan losses (in percent of nonperforming loans)	166	138	110	122	68	83	76
Money (M2) (change in percent, end of period)	8.5	6.2	-2.5	2.6	3.7	7.1	2.2
Private sector credit (change in percent, end of period) 1/	13.2	4.7	6.8	-0.6	1.6	10.3	5.6
Average lending spread (lending-deposit rate) 3/	8.0	8.3	8.4	8.9	8.7	5.8	4.8

Source: Bank van de Nederlandse Antillen.

1/ Extended by commercial banks only.

2/ Corporate sector: business loans + other mortgages. Households: consumer loans + individual mortgages.

3/ Interest rate on working capital loans - time deposit rate. Interest rates for prime borrowers are usually about two percentage points less, but no consistent time series is available. From 12/1999 lending rate is current account overdrafts.



Table 18. Nonbank Financial Intermediation: Insurance companies, 1994-99

(In millions of NA guilders)

	1994	1995	1996	1997	1998	1999
<b>Life Insurance</b>						
Assets	716.0	803.4	898.0	960.2	1037.8	1,158.0
Current	111.7	117.0	133.6	162.1	155.6	214.2
Bonds and fixed income	329.9	373.3	347.7	348.3	326.4	326.1
Mortgages	82.4	104.1	87.7	95.5	160.0	174.9
Other loans	46.4	43.2	50.6	57.6	75.2	69.7
Equity	8.9	17.5	29.7	42.5	61.3	87.5
Bank deposits	27.2	22.7	24.5	17.8	73.5	87.8
Other	155.9	168.8	274.8	294.0	261.0	267.5
Capital and reserves	29.2	38.9	48.3	41.4	49.6	97.6
<b>Non-Life Insurance</b>						
Assets	249.6	395.6	442.1	456.0	442.8	297.2
Current	156.8	316.3	351.2	334.7	319.1	159.7
Bonds and fixed income	45.2	46.6	45.8	54.5	51.9	52.1
Mortgages	0.5	0.5	4.8	3.0	0.8	0.5
Other loans	5.6	5.8	2.0	6.0	7.1	14.0
Equity	3.8	1.7	4.0	6.8	10.3	13.6
Bank deposits	24.5	12.0	13.3	31.3	42.5	46.7
Other	13.2	12.7	21.0	19.7	11.1	10.6
Capital and reserves	51.1	46.3	50.0	50.2	59.1	72.6

Source: Bank van de Nederlandse Antillen.

Table 19. International Financial Sector, 1994–2000

(In million of NA guilders)

	1994	1995	1996	1997	1998	1999	2000
<b>Banks</b>							
Assets	52,182	55,621	57,582	64,885	65,209	58,697	61,693
Demand deposits	2,521	8,765	3,859	2,910	3,398	3,419	3,751
Time deposits	8,023	13,904	12,802	17,278	16,863	15,239	14,580
Borrowed funds	36,159	26,150	34,217	37,795	38,092	33,907	36,837
Equity	1,497	4,604	3,940	4,278	4,757	4,945	5,450
<b>Life insurance</b>							
Assets	29	32	37	38	44	38	...
Capital	6	6	4	6	4	7	...
Reserves	13	17	23	22	25	21	...
<b>Non-life insurance</b>							
Assets	777	924	1,232	1,631	2,030	2,166	...
Capital	129	133	130	156	126	122	...
Reserves	252	376	514	739	896	1,017	...

Source: Bank van de Nederlandse Antillen.

Table 20. Netherlands Antilles: Balance of Payments, 1996–2000  
(In millions of NA guilders)

	1996	1997	1998	1999	2000		
					QI	QII	QIII
Current account	-451.2	-196.5	-175.9	-362.6	-68.8	-113.0	-126.0
Trade balance	-1,918.3	-1,723.4	-1,615.9	-1,709.3	-431.0	-457.1	-440.6
Exports	712.2	775.0	796.7	749.2	220.4	226.4	194.0
Imports	2,630.5	2,498.4	2,412.6	2,458.5	651.4	683.5	634.6
Services balance	1,325.9	1,470.2	1,429.5	1,338.6	373.2	329.0	280.6
Earnings	2,360.6	2,408.8	2,530.3	2,620.4	721.3	686.0	630.8
Expenses	1,034.6	938.5	1,100.8	1,281.8	348.1	357.0	350.2
Transportation	204.4	215.4	187.9	187.2	42.3	38.0	29.8
Earnings	312.8	312.0	317.9	302.9	62.4	59.6	70.8
Expenses	108.4	96.6	130.1	115.7	20.1	21.6	41.0
Tourism	528.1	661.9	801.3	678.0	216.7	176.3	136.2
Earnings	984.0	1,117.6	1,343.9	1,363.3	411.9	364.3	331.4
Expenses	455.9	455.7	542.6	685.3	195.2	188.0	195.2
Other services	593.4	592.9	440.3	473.4	114.2	114.7	114.6
Earnings	1,063.8	979.2	868.4	954.3	247.0	262.1	228.6
Expenses	470.3	386.3	428.1	480.8	132.8	147.4	114.0
Income balance	113.6	22.0	67.9	12.4	10.9	31.6	7.9
Earnings	241.9	180.2	261.7	180.9	44.1	60.5	67.8
Expenses	128.3	158.1	193.8	168.4	33.2	28.9	59.9
Current transfers balance	27.6	34.7	-57.4	-4.3	-21.9	-16.5	26.1
Incoming transfers	310.9	308.2	255.3	324.0	65.4	74.3	117.7
Transferred abroad	283.3	273.5	312.6	328.4	87.3	90.8	91.6
Capital and financial account	446.1	205.0	170.0	343.2	66.7	109.0	127.7
Capital account	126.9	134.4	155.2	193.6	1.3	15.3	4.8
Capital transfers balance	126.9	134.4	155.2	193.6	1.3	15.3	4.8
Incoming transfers	128.3	137.6	163.1	196.3	1.6	16.6	5.6
Of which: development aid	114.0	127.1	148.4	182.0	-0.1	14.1	5.4
Transferred abroad	1.5	3.1	7.9	2.6	0.3	1.3	0.8
Financial account	319.2	70.6	14.8	149.5	65.4	93.7	122.9
Direct investment balance	11.2	28.0	13.0	17.0	-1.0	3.5	5.0
Incoming capital	24.3	34.7	27.5	26.8	5.7	6.3	8.3
Outgoing capital	13.1	6.7	14.5	9.8	6.7	2.8	3.3
Portfolio investment balance	-54.5	16.4	-35.3	-18.3	-12.1	-14.9	-9.6
Incoming capital	354.8	431.5	497.5	487.1	130.6	136.6	96.2
Outgoing capital	409.2	415.1	532.8	505.4	142.7	151.5	105.8
Other investment balance	266.1	75.9	172.4	128.8	40.3	-3.1	94.2
Incoming capital	580.5	418.8	453.0	590.0	232.3	231.3	254.1
Outgoing capital	314.4	342.9	280.6	461.3	192.0	234.4	159.9
Change in reserves (=increase) 1/	96.4	-49.7	-135.3	14.7	38.2	108.2	33.3
Net errors and omissions	5.1	-8.5	5.8	19.4	2.1	4.0	-1.7
Official reserves	338.3	386.9	443.6	458.3	420.1	351.2	388.1
in months of merchandise imports	1.5	1.9	2.2	2.2	1.9	1.5	1.8
Memorandum items:							
Current account balance (in percent of GDP)	-10.2	-4.3	-4.0	-8.3	...	...	...
Current account +FDI balance (in percent of GDP)	-9.9	-3.7	-3.7	-8.0	...	...	...

Source: Data provided by the Antillean authorities.

1/ Including commercial banks, excluding gold revaluation.

Table 21. Netherlands Antilles: Current Inflows (Cash Basis), 1995–99

(In millions of NA guilders)

	1995	1996	1997	1998	1999
Merchandise exports	632	712	775	797	749
Curaçao and Bonaire	442	469	578	634	509
Windward Islands	190	243	197	163	240
Nonfactor services	2,444	2,361	2,409	2,530	2,621
Tourism	1,005	984	1,118	1,344	1,363
Curaçao and Bonaire	380	408	439	546	559
Windward Islands	624	576	678	798	805
Refining	265	269	207	207	194
Offshore sector	551	550	523	459	457
Operating income	551	550	523	459	457
Other					
Transportation	313	313	312	318	303
Storage	88	75	74	82	80
Passenger fares	89	104	98	103	118
Other	137	133	140	133	105
Other services	310	246	250	203	303
Total merchandise exports and nonfactor services	3,076	3,073	3,184	3,327	3,370
Investment income	209	242	180	262	181
Current transfers	653	311	308	255	324
Profit taxes	249	164	147	115	124
Total current inflows	3,938	3,626	3,672	3,844	3,875

Source: Data provided by the Antillean authorities.

Table 22. Netherlands Antilles: Current Outflows (Cash Basis), 1995–99  
(In millions of NA guilders)

	1995	1996	1997	1998	1999
Merchandise imports	2,565	2,631	2,498	2,413	2,459
Curaçao and Bonaire	1,726	1,794	1,792	1,757	1,738
Windward Islands	839	836	707	655	721
Nonfactor services	966	1,035	939	1,101	1,282
Tourism	397	456	456	543	685
Curaçao and Bonaire	290	338	338	358	367
Windward Islands	107	118	117	185	318
Transportation	110	108	97	130	116
Offshore	200	245	208	181	181
Operating expenses	200	245	208	181	181
Other services	260	226	178	247	300
Total merchandise imports and nonfactor services	3,531	3,665	3,437	3,513	3,740
Investment income	178	128	158	194	168
Current transfers	284	283	274	313	328
Total current outflows	3,993	4,077	3,869	4,020	4,237

Source: Data provided by the Antillean authorities.

Table 23. Netherlands Antilles: Capital Account (Cash Basis), 1995–99

(In millions of NA guilders)

	1995	1996	1997	1998	1999
Capital transfers balance	111	127	135	155	194
Incoming transfers	120	128	138	163	196
Of which: Development aid	110	114	127	148	182
Transferred abroad	9	2	3	8	3
Capital account balance	111	127	135	155	194
Direct investment balance	-3	11	28	13	17
Portfolio investment balance	-29	-55	16	-35	-18
Other investment balance	81	266	76	172	124
Loans provided to N.A.	16	94	73	47	90
Repayments on loans extended to N.A.	55	84	38	43	82
Change in reserves (-sign means increase)	-108	96	-50	-135	15
Financial account balance	-59	319	71	15	138

Source: Data provided by the Antillean authorities.

Table 24. Netherlands Antilles: Flow of Development Aid, 1992–98

(In millions of NA guilders)

	1992	1993	1994	1995	1996	1997	1998
Multi-year plan	60.0	94.1	83.9	84.5	112.4	115.9	96.6
Fund for social, educational, and cultural projects	11.1	5.6	2.2	4.6	8.1	8.6	7.2
European Development Fund	7.5	8.0	11.4	5.6	8.1	3.7	--
Total	78.6	107.7	97.5	94.7	128.6	128.2	103.8

Source: Data provided by the Antillean authorities.

Table 25. Netherlands Antilles: Multi-Year Plan Disbursements  
by Sectors and Authorities, 1992–98

( In millions of NA guilders)

	1992	1993	1994	1995	1996	1997	1998
Public utilities	7.4	13.8	9.9	2.5	0.0	0.0	0.0
Airports	1.1	3.1	3.2	0.6	0.0	0.0	0.0
Harbors	2.3	13.6	4.1	1.1	0.0	0.0	0.0
Roads and bridges	0.9	1.3	2.4	7.9	9.7	22.6	13.4
Education	6.5	21.4	19.4	17.6	26.9	26.7	27.7
Health	8.8	3.8	1.8	3.4	6.3	18.7	25.8
Housing	5.2	16.6	25.3	17.3	29.7	32.0	12.6
Tourism	3.6	2.6	1.1	0.6	0.0	0.0	0.0
Agriculture, animal husbandry, and fishing	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Trade, industry and other services	2.9	7.0	4.6	12.9	19.1	4.4	6.7
Various	21.2	10.9	12.1	20.6	20.7	11.5	10.4
Total	60.0	94.1	83.9	84.5	112.4	115.9	96.6
<i>Of which:</i>							
Central Government	4.8	12.9	11.1	12.8	15.9	28.1	23.4
Curaçao	39.9	49.7	52.1	52.7	46.2	42.0	33.8
Bonaire	6.3	13.8	4.1	8.6	1.6	1.1	3.5
Windward Islands	9.0	17.7	6.4	10.4	48.7	40.9	29.3
Not classified	0.0	0.0	10.2	0.0	0.0	3.8	6.6
Total	60.0	94.1	83.9	84.5	112.4	115.9	96.6

Source: Data provided by the Antillean authorities.



Table 26. Netherlands Antilles: Aid from the European Development Fund, Disbursements by Sectors and Authorities, 1990-97

( In millions of NA guilders)

	1990	1991	1992	1993	1994	1995	1996	1997
Public utilities	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Airports	4.1	1.8	0.6	0.0	0.0	0.0	0.0	0.0
Harbors	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Roads	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Education	0.0	0.1	0.1	0.0	0.1	0.1	0.8	0.4
Tourism	0.3	7.7	3.2	6.6	5.3	5.0	4.1	2.3
Various	0.8	5.9	2.7	1.0	6.0	0.5	3.2	1.0
Total	12.2	15.5	7.5	8.0	11.4	5.6	8.1	3.7
<i>Of which:</i>								
Central government	0.8	1.3	0.8	0.5	2.8	0.6	1.0	0.2
Curaçao	7.1	3.9	3.5	5.0	6.8	2.7	4.2	1.8
Bonaire	0.0	7.2	0.8	0.7	0.9	1.4	1.2	0.5
Windward Islands	4.3	3.1	2.4	1.8	0.9	0.9	1.7	1.2

Source: Data provided by the Antillean authorities.

Table 27. Netherlands Antilles: Net International Reserves, 1994–2000

(In millions of NA guilders, End of Period)

	1994	1995	1996	1997	1998	1999	2000
Net international reserves 1/	468.6	718.0	602.4	652.1	777.7	762.9	636.3
Excluding gold	401.1	509.2	412.9	462.6	597.9	583.1	497.4
Central bank	388.2	625.3	527.8	576.4	623.4	654.2	605.5
Foreign currency	367.7	474.5	357.0	402	446.1	475.3	469.7
Gold	67.5	208.8	189.5	189.5	179.8	179.8	138.9
Short-term liabilities	47.0	58.0	18.7	15.1	2.5	0.9	3.1
Commercial banks, net	80.4	92.7	74.6	75.7	154.3	108.7	30.8
Assets	1,370.0	791.7	793.7	777.2	926.5	922.3	987.5
Liabilities	1,289.6	699.0	719.1	701.5	772.2	813.6	956.7

Source: Data provided by the Antillean authorities.

1/ Includes revaluation of gold of NA f. 141.3 million in 1995, NA f. -19.3 million in 1996, NA f. -0.5 million in 1997, NA f. -9.2 million in November 1998, and NA f. -40.9 million in December 2000.