



Government *of* Aruba

*Ministry of Economic Affairs, Social Affairs and Culture*

# The Green Gateway

Economic Vision and Policy 2011 – 2013



## Executive Summary

It is a truism that economies around the world have experienced significant change throughout the past decade. As Aruba faces the challenges of this 'new normal', we heed the call of innovation and resilience to develop a competitive economy and a sustainable future. In the dynamic environment of the 21<sup>st</sup> century, sustainable economic development requires innovation and resilience by means of entrepreneurship, new industry opportunities, improved business productivity and new investment opportunities. Herein, Aruba needs to consider the valuable, yet fragile nature of its resources (both natural and other), assume ecological responsibility through resource-efficiency, renewable energy and green technologies, as well as achieving other equally important goals such as cultural preservation, and consumer education.

Balancing out economic resilience with ecological responsibility is fundamental to achieving not only *improved quality of life*, but in addition, *equality, social cohesion* and *social equity*. Social equity requires an emphasis on corporate social responsibility, ethics and fair practices, gender and inter-generational equity, recognition of consumer rights, advocacy and protection, and the development of workforce agility and a healthy and high-quality labor market.

Considering the need for economic transformation towards sustainable economic development, the vision of the Minister of Economic Affairs is to strategically position Aruba as:

*The Green Gateway - A Knowledge-driven, Entrepreneurial Economy*

This vision testifies to development of a sustainable economy in the broadest sense of the word, in which the green gateway symbolizes an innovative and competitive economy of free trade and enterprise, fair commerce and corporate social responsibility, fitting within the context of Aruba's uniquely distinct cultural and environmental assets. Driven by knowledge, the Aruban entrepreneurial economy sets to captivate imagination and catalyze knowledge-driven entrepreneurship and create knowledge-based infrastructures throughout the economy and society.

The mission of the Minister of Economic Affairs for achieving sustainable economic development is to:

Utilize Aruba's unique socio-economic, resources, and geo-political position within the Kingdom of the Netherlands, to create the economic conditions and capabilities through which:

- *Smart and sustainable economic development can take place, fostered by knowledge and innovation,*
- *Both public and private sectors contribute to a healthy economic landscape, fostered by resource-efficiency and knowledge-based partnership,*
- *Aruba's competitive position is strengthened within the region, enabled by international trade and information technologies,*
- *Shared prosperity and improved socio-economic quality and equality of life for all citizens is achieved and sustained.*

These foregoing conditions will be known by all so that synergies on all fronts can be achieved and will result in:

- *Human Capital, high quality job creation, education and workforce equity,*
- *Resource-efficient industry productivity and growth,*
- *Micro-entrepreneurship and robust Small Medium Enterprise (SME) development,*
- *Improved trade, foreign and local investment activity,*
- *Underscored by a strong and confident consumer base.*

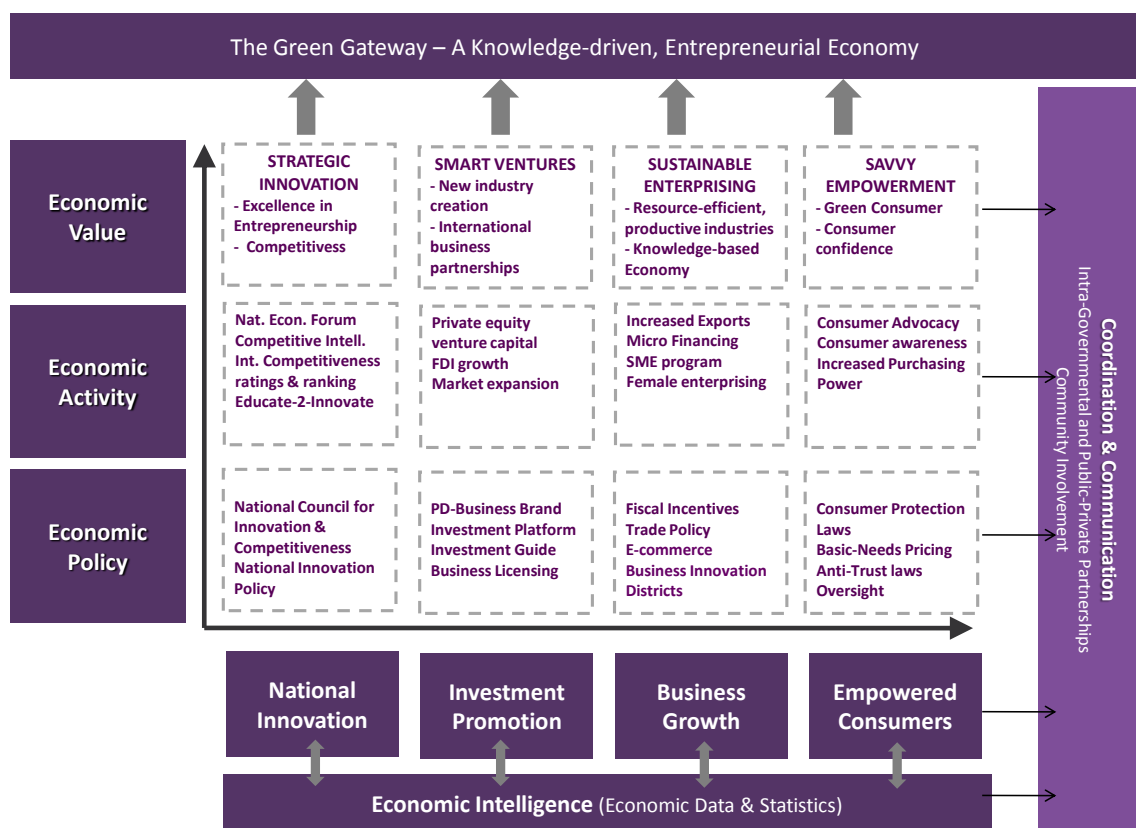
To realize Aruba's economic vision and mission, this Economic Vision and Policy report provides a description of the new fundamentals underlying sustainable economic development. In other words, what specific actions are required in order that we may achieve the vision. The Economic Policy Framework underscores the dynamics and interrelatedness of economic strategies, structures, and stakeholders, through which (public-private) economic investments and programs for economic development can be organized in a sustainable fashion. Herein, the Economic Policy Framework focuses on:

- A. Multiple *lines of economic action* and different stakeholders, including consumers, business, investors and government. These lines of action address four coordinated lines of economic development, covering:
  - A. *National Innovation*
  - B. *Investment Promotion*
  - C. *Business Growth*

### D. Empowered Consumers

B. Multiple *levels of economic development*, including macro-economic conditions, industry activities, (micro-economic) business environments, including the creation of economic value over time. The levels of economic development cover (see annex for detailed description):

- I. *Economic Policies*
- II. *Economic Activities*
- III. *Economic Value*



Each of the lines and levels of economic development, provide a specific focus on strategic programs and projects, i.e., *economic flagships*, which are geared at creating a more competitive and sustainable economy, thereby realizing the vision and mission of *The Green Gateway*.

## Foreword

January 1<sup>st</sup> marks the 25<sup>th</sup> anniversary of Aruba's "Status Aparte", the date that Aruba became an autonomous member of the Kingdom of the Netherlands. As with all anniversaries, it offers a moment of reflection on all that has happened over the last 25 years, and what has predominantly defined Aruba as a nation. One word seems to resonate the loudest: Resilience!

Aruba's resilience has been tested even right before its Status Aparte in 1985 with the closure of the Exxon owned Oil Refinery resulting in significant job loss and GDP decline. Within record time, Aruba reinvented itself into arguably one of the best vacation destinations in the Caribbean.

Once again, Aruba's resilience will be tested against a backdrop of an ever-changing global economy. The economic conditions in 2011 are very different compared to 1985, but nevertheless, some of the same factors that contributed to success 25 years ago, will be needed to redefine Aruba's economic landscape. I say some, because of course; with time some things remain the same, yet others inevitably change. The biggest change that Aruba must embrace is the notion that more is not necessarily better. More hotels and casinos, more buildings, more automobiles ... all will reach a point of diminishing returns for our island. It is not, however, realistic to believe that we will be able to stop growth altogether, nor should we want to. Economies must continue to grow in order for countries to prosper, albeit growth that meets the needs of the physical and societal realities that exist. Ideally, we seek quality growth, a calculated and tempered growth that ultimately contributes far more than just a short-term blip on our GDP chart. One that sees not just ROI for the investor, but ROI for the society at large.

Moving towards a knowledge-driven economy will greatly contribute towards a long-term investment that will reap gains across a number of areas for Aruba. In order to achieve this a number of actions have been identified that will be executed in 2011 and will be carried through to 2013.

25 years ago the Tourism industry was identified as Aruba's economic future. Looking towards the next 25 years we seek complementary industries such as Creative Industries, Research Industries, IT industries, to further build upon all that has been achieved over the last two and a half decades, and ensuring Aruba's economic prosperity for many decades to come.

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## PART I: INTRODUCTION

### 1. Braving A New Economy

It is no secret that nations and economies across the globe are experiencing tectonic transformations as they face tumultuous times of recession and recovery. Caught between volatility and vulnerability, and seeking to move beyond recovery towards resilience, national economies are indeed facing a 'new normal' as they attempt to hold on to past competitiveness, and position themselves for future economic development and prosperity. The case of Aruba is no different.

For the past 25 years, Aruba has witnessed extraordinary growth, yet, amidst increasing global change and competitiveness, Aruba's productivity has dwindled, causing stagnation in economic *development*. Caught between the dual challenges of productivity stagnation and increased competition, and the competing needs to build a *free, fair* and *fit* economy and society, Aruba must optimize its national economy and entire society for innovation and sustainability. Within this new normal, 'government-as-always' and 'business-as-usual' will not suffice, and seeking new innovative ways of development has become imperative.

Through the development of talent and technology, economic competence and knowledge have become strategic drivers of productivity and prosperity for all. A resilient and entrepreneurial knowledge-driven economy is a prerequisite to competing in the ever-progressing global market. With the advancement of knowledge as a fundamental driver of competitiveness, the world has seen how economic, social and technological innovations empower individuals, communities, industries and economies with profound impact on countries, governments, and society. Sustainable economic development, in its many dimensions, shapes and forms, has emerged as a leading contributor to economic development, resilience and competitiveness. Without a strong emphasis on building economic resilience and directed pro-innovation policies we cannot even hope for sustainability.

This report presents Aruba's new economic vision and mission and outlines the economic policy and lines of action for 2011 to 2013. It consists of five parts. Part 1 of the Economic Vision and Policy document provides a general introduction and background, whereas Part 2 describes several economic trends and highlights the rapid initial strategic responses brought into play by the new administration to safeguard stability, to counter unwarranted developments and to jumpstart Aruba's economy. In Part 3, the new vision and mission for Aruba's sustainable economic development is presented, and the Economic Policy Framework is introduced within

which strategic economic actions are outlined. These lines and levels of economic action are discussed in Part 4, which provides a detailed outline of the strategic objectives and programs of economic action within each the different lines, covering national innovation, investment promotion, business growth and empowered consumers. The conclusion is entertained in Part 5.



## PART II: ECONOMIC TRENDS

### 2. Strategic Responses

Upon taking office in November 2009, the new administration faced not only the repercussions of the financial crisis, but in addition, a number of socio-economic challenges facing Aruba. With prudence and diligence, the government focused on the following strategic responses to provide immediate actions on pressing issues:

- **Vulnerable Groups**

- ✓ The new administration took immediate action to the benefit of the most vulnerable groups in our society, whose purchasing power were severely affected in recent years. This included lowering the business turnover tax by 50%, increasing welfare assistance by 25%, and introduction of a school allowance for children from welfare assisted families. A recovery allowance was introduced. A monthly allowance varying from Afl. 25 – Afl. 75 was put in place for employees with a monthly income between Afl. 1,542.90 and Afl. 2,500.
- ✓ Individuals who receive the general old age allowance, the widow's allowance or the orphan's allowance attained an additional monthly allowance of Afl. 50.
- ✓ Local NGO organizations are seen as key partners for achieving socio-economic wellness. As such, donations to approved charitable organizations are encouraged. The donation deduction, available to all businesses for donations related to welfare, cultural, ideological and scientific institutions was adjusted as per January 1, 2011. The maximum annual deduction was increased from Afl. 10,000 to Afl. 50,000 per year. In addition, donations to sport institutions are now also deductible. Furthermore, the requirements stipulated by Ministerial Decree to which the institutions should adhere to in order to be appointed as an institution for the eligibility of deduction were abolished.

- **Re-affirming and strengthening ties with the Netherlands**

- ✓ Over the years, Aruba was steered into an ever isolated position within the Kingdom of the Netherlands. The new administration swiftly put an end to this. Bridges were built, ties were strengthened and Aruba's committed role as a full fledged partner within the Kingdom was re-affirmed.

- **Re-affirming and strengthening position within the FATF**
  - ✓ The new administration was caught off-guard when it was discovered that Aruba's position in reference to the Financial Action Task Force had been seriously neglected. The government was insufficiently compliant with the minimum requirements stipulated by the FATF through its 49 recommendations. Aruba's international reputation was at stake. All relevant organizations were brought together, the situation assessed and a plan was designed and immediately put into gear to meet the requirements in as short a time span as possible. On October 18<sup>th</sup> 2010, during the last FATF plenary, it was concluded that Aruba's intentions were ambitious and laudable. Fast track actions will remain ongoing until Aruba meets all necessary requirements. These actions have safeguarded Aruba's international reputation and have set the tone for Aruba's intentions as to its participation in the FATF.
  
- **Re-opening the refinery and return to full operations: Valero**
  - ✓ In 2009 Valero shut down its refining facility in Aruba. It was crucial for Aruba's economy that Valero would restart its operations as soon as possible. Negotiations lead to resolving ongoing disputes. A settlement was achieved for a sum of 211 million florin and a yearly minimum profit tax of 7% (18 million florin). Ongoing property issues were resolved. Eighty million florin in salaries were safeguarded on a yearly basis and a kick-start investment of over 150 million florin was achieved in 2010 alone, with a scale of investments to follow in the years ahead. Having the facility fully operational again entails securing, direct as well as indirect, between 5000 to 7000 jobs, a yearly flow of 600 million florin in Aruba's economy and 120 million florin to the treasury on an annual base. The successful negotiations safeguarded no less than 12% of Aruba's GDP.
  
- **KLM and Carnival Cruises**
  - ✓ In 2008, Both KLM and Carnival Cruises removed Aruba from their destination routes. The new administration moved swiftly to re-affirm its relationship with these renowned organizations. In 2010, both KLM and Carnival Cruises reinstated Aruba as a travel destination. Efforts to further increase airlift and cruise capacity to Aruba are ongoing and perspectives are excellent.

- **Social Dialogue**

- ✓ For some years, communication between the government and the social partners had been poor. A Social Dialogue Platform, consisting of representatives of the government, employers and unions, was swiftly instituted as a means of re-establishing communication and as a base to resolve a number of pressing socio-economic and financial challenges Aruba was facing. Open and broad scoped interchanges have been fruitful and have led in the meantime to structural and constructive resolutions of different crucial issues at hand. Some of the outcomes are mentioned further on. The Social Dialogue has since its instatement developed into an active and ongoing platform for constructive broad-scoped interchanges between the government and its social partners and has manifested to be a crucial instrument for necessary structural changes. Instating the Social Dialogue in itself is considered a historic milestone.

- **Rescuing public funds and safeguarding public finances**

During the initial phase of the Social Dialogue, the government spearheaded the ever-increasing burden of public funds, which were structurally undermining chances of safeguarding Aruba's public finances. Three major breakthroughs were achieved with support of the social partners.

- ✓ APFA: The 'defined-benefit pension scheme for civil servants' was overhauled. Three essential parameters were adapted, a solvency recovery plan instated, pension fund systems integrated and supervision quality guaranteed. Benefits would no longer be based on final wage but on the basis of average career wages. Claims on APFA pensions were to be computed net ('franchise') of AOV-pension (the general pension) claims and the pension age was raised from 55 to 60 years. The existing PVL and NPR2005 pension fund systems managed by APFA, were integrated into one new NPR2011. Attained rights acquired under the old PVL system up to 31 of December 2010 were safeguarded. A recovery plan was agreed until 2019 to restore the Fund's solvency position. As of January 1<sup>st</sup>, 2011 the Central Bank of Aruba would be responsible for supervision of the new NPR2011 in accordance with the Government Enterprise Pension Funds Act.
- ✓ SVB-AOV: 'the general pay-as-you-go pension scheme', also known as the 'old age pension', was also overhauled. The maximum limit in premium income was increased to 65.000 per annum, the cover base was changed and premium contribution was individualized.

- ✓ AZV: structural excessive cost increases of the universal healthcare system were contained. The 6% increase in 2009 was curbed to a 4% increase in 2010 and are expected to show a moderate growth of 2% in 2011. Among the measures were the introduction of fixed yearly budgets for providers, decreased costs of drugs and sharper prices from the international providers for medical treatments abroad. Finally, the premium was increased by 2 percent, equally shared between the social partners.
  
- **Curbing Government Expenditures**
  - ✓ After immediate analysis of government financials, areas that caused structural cost increases were identified, and decisions regarding the reduction of these costs were implemented. Government personnel costs increases were reduced from 4,3% in 2009 to 0,9% in 2010. The increase of Goods and Services expenditure of 4,9% in 2009 was reduced to -2,5% in 2010. With these achievements, the administration scored below the required NCPF-norms. The NCPF-norms refer to the norms for maximum government expenditure increase set forth in the report of the National Commission on Public Finance, also known as the norms of the Mehran Commission. At the same time, the administration instructed the commission to re-issue a new assessment of the norms. The existing norms were set in a pre-recession period (2007) and considered outdated.
  
- **Economic stimulus instruments**
  - ✓ A number of preliminary fiscal measures were implemented to provide the impetus for economic stimulation and underscore the Governments intentions to focus on economic reform. These stimulus instruments entailed reduction of the BBO tax by 50%, reintroduction of the capital investments tax allowance for the duration of 2011 and 2012, sharp reductions in the business permit and licensing fees, import duty reduction for various categories of automobiles, a sharp import duty reduction for hybrid and electronic automobiles and a five hundred percent increase of the ceiling of charitable donations tax allowance to Afl 50,000. In March of 2011 various committees were instated through the social dialogue platform. Two are worth mentioning in this context. The Tax Reform Committee with its main objective to produce recommendations for the government for a broad scope of tax reform initiatives and the 'One Stop Shop' committee intended to produce

recommendations to streamline business establishment licenses and permits procedures among others in a coordinated effort to reduce red tape. The reports are due on June 1<sup>st</sup>, 2011.

- **Public investments: Bo Producto Aruba**

- ✓ 2011 will be characterized as a year of opportunity. A series of public investments aimed at increasing the quality of Product Aruba have been put into motion. The Government focused on four areas: infrastructure, urban renewal, districts renewal and upgrading of facilities.
- ✓ Infrastructure: Three major infrastructure projects entail the relocation of the industrial harbor from Oranjestad to Barcadera, a highway circumventing Oranjestad known as 'Ringweg 3' and 'The Green Corridor', a four-lane road from Oranjestad to San Nicolas.
- ✓ Urban Renewal: In reference to urban renewal a series of projects were developed of which some are already under construction. The Longest Linear Park, renewal and restoration of the down town area, restoration of the water towers, restoration and expansion of the courthouse, the Centro Historico project and the Lagoon are the most notable urban renewal projects. In San Nicolas a new central market place will be developed.
- ✓ District Renewal: District renewal projects are intended to heighten the quality of living throughout neighborhoods. They entail an integrated economic and socio-cultural set of programs but also entail a variety of infrastructural objectives, varying from road repairs, street lighting projects up to painting of homes. Some 3000 street lights for instance will be added throughout the districts.
- ✓ Upgrading of Facilities: The hospital, schools and government buildings are most notably targeted in the facility upgrading strategy.
- ✓ Over 400 million florin has been targeted so far through public induced investments. The expected spin-off effect within the private sector will be significant and sets the stage for a solid economic recovery over the next two years. In close collaboration with the private sector, the government has already taken the necessary steps to foster a favorable environment for the investments to take place.

- **Promoting Green Energy**

Considering the structural volatility of the international fossil fuel markets, the international increasing supply of affordable renewably energy alternatives and the new administration's sustainable development objectives, an extensive series of plans have been put into effect to promote green energy island wide.

- ✓ ASRI: A memorandum of understanding was signed with The Netherlands Organization for Applied Scientific Research (TNO) to develop the Aruba Sustainable Research Institute (ASRI). Aruba is an excellent testing environment due to optimal solar, wind and sea

conditions. ASRI will be testing new technological inventions and developed products in the area of PV (photovoltaic) applications, wind energy generation and new sources of renewable energy such as DSWAC (Deep See Water Cooling) and wave energy developments. The 'know how' transfer of these new technologies will commence through summer courses organized on Aruba for European students. Further ahead ASRI will contribute to Aruba's "Green Gateway" vision by functioning as a regional (Caribbean and Latin American) hub to promote economic and technological exchanges between Europe and our region. Among the first identified projects are the 'Solaroad' and the 'Rooftops Solar Project'.

- ✓ Center of Excellence (COE): In order to create a high level of awareness with regards to energy consumption (demand side) for households, government facilities as well as businesses, the COE will promote and stimulate the use of energy efficient appliances through proper information, education, regulation and fiscal incentives. Certification of energy efficient appliances and AC's will be given high priority. The COE will be the initial point of transfer of knowledge from ASRI to the Aruban community.
- ✓ Demand reduction will further be enhanced through an inverter based appliances incentive program and the introduction of pre-paid smart meters. Also, all public lights will be replaced with energy efficient LED lights.
- ✓ Fossil fuel reduction targets entail replacing the use of heavy fuel oil by the Valero refinery and the WEB water and electricity plant with natural gas which, next to the structural cost improvement will lead to significant emission reductions of  $\text{CO}_2$ ,  $\text{SO}_2$  and  $\text{NO}_x$ .
- ✓ Fossil fuel efficiency projects were initiated at the water and electricity plant where Recips and salt water reversed osmosis units have been introduced.
- ✓ The renewable energy strategy entails a second wind park (30 MW), a waste to energy plant (5 MW) which will also reduce the volume of waste substantially, a solar park (5 MW) and a solar rooftops project (5 MW).
- ✓ Additional incentives supporting green energy efforts are the import duties reduction on wind turbines, solar panels and electric cars and parts to 2% and a reduction of import duties on hybrid cars to 12%.

### 3. Economic Trends and Developments

Throughout the 1990s and for well over two decades, Aruba posted impressive growth rates of 5% on average. However, in the last 10 years the Nominal Gross Domestic Product (GDP) growth rates have averaged 3.4%, while the real GDP growth rate averaged a mere 0.3%, thereby indicating a significant decline in economic productivity. The stable economic growth and job creation witnessed before 2000 is no longer the case. Nominal growth of 3.4% in GDP between 2000 and 2010 has not translated into an increase in real income per capita. The GDP per capita has shown a steady decline of 1.1% per year during the last 10 years, which raises the importance of structural changes in economic structure to meet growing spending pressures.

With the recent economic crisis Aruba's economy shrank by an average of 6.1% in 2009 and 2010. It highlighted not only the deficiency in productivity, but more importantly the vulnerability of Aruba's economy in the 21<sup>st</sup> century and clearly exposed some fundamental weaknesses of our economy, including its open dependency and mono-economic specialization.

Aruba's economic activities are distributed mainly into the tourism sector and the oil sector with linkages throughout other sectors. Approximately 1.4 million tourists visit Aruba annually, accumulating directly and indirectly up to approximately 70% of our GDP. The oil sector accounts for about 12% of Aruba's GDP. The retail and construction sectors have grown in the past 10 years due to expansion of tourism. These industries are respectively good for 14% and 6% of the GDP. Sectors like transportation, trade, telecommunication, financial intermediation and other professional services remain relatively small, but do provide significant potential for economic development and value-added business growth.

Nevertheless, according to the businesses count of 2008 carried out by the Central Bureau of Statistics (CBS), the number of new businesses registered declined on average with 1.3% from 1999 to 2008. The growth in number of new start-up businesses registered by the Chamber of Commerce averaged a decline of 6.8% between 2004 and 2010. Analogous to these trends, private investment in real terms declined an average of 2.4% between 2000 and 2010. Analysis of the gross profit margin data from 1999 to 2004 demonstrates that transport, storage and communication are the sectors with highest profit margins, followed by renting and business activities, recreational and sporting activities and restaurants and bars. This underscores once more the potential for value-added professional services.

As to labor market developments, the trend of unemployment has been increasing over the past 10 years. According to the Central Bank of Aruba (CBA) the unemployment rate in 2000 was 4.8% and is estimated to be 11.3% in 2010. On average, the unemployment rate fluctuates around 8.5%. Excluding the years of downturn, the trend is mainly derived from frictional unemployment indicating a structural deficiency and mismatch between the characteristics of labor supply and demand.

Similar to the trend in real GDP, the labor participation ratio growth averaged a mere 0.5%, reaching 73.8% in 2007. The female participation ratio increased from 63.9% in 2000 to 67.4% in 2007, with an annual average growth of 10.5%. Yet, the gender gap remains significant, taking the male participation ratio of 80.7% in 2007 into consideration. It should be noted that to date the leading positions are male dominated. Also noteworthy remains the fact that the male employed population enjoys a higher personal income from employment than their female counterparts. According to the most recent CBS data males earn on average 26.5% more than females. Even when controlled for higher professional education, females earn 13.6% less than males.

As a developed economy, Aruba is also facing an ageing population. The ageing index growth is averaged around 4% and as such putting pressure on the working age population. There is a shortage of (qualified) people necessary to maintain the economic and social wellbeing of the community. In addition, during the past decade a trend is noticeable of an annual decline of 1% in educational investments, and a 10-year average decline of at least 6%, thereby widening the gap between economic growth and educational investments as measured by GDP growth. Therefore, investments in high-quality Human Capital development, in terms of (higher & professional) education, quality labor (market) development, and productive industry human resources, are essential for productivity growth and sustainable economic development.

Aruba benefits from a high level of social development, which supports its creditworthiness. Standard & Poor's rates Aruba with A- sovereign and Fitch Ratings with BBB. However, Aruba's narrow economic base, limited monetary and external flexibility, and relatively sizeable government debt burden, are the main constraints for Aruba's ratings. As a result of creditworthiness, the Foreign Direct Investment (FDI) inflows, which reached a high of Afl. 2.2 billion in 2006 contributed significantly to the economic growth during the last 10 years. The FDI inflows between 2000 and 2010 contributed to 23.5% on average to the GDP.



Strengthening of creditability on the international financial market is essential to stimulate foreign private investment and business growth, and to secure the net foreign assets position. Since 2000 developments on Aruba's current account can be classified as volatile signifying a weak(enig) balance of trade. So far, this deficit has been countered through foreign inflows derived from government loans from abroad.

#### **4. External Volatility and Structural Vulnerabilities**

Aruba's economy has experienced a downturn in 2010, largely due to external developments originating from the global crisis in 2009. The growing global demand for oil and food will have an upward effect on the price of our imports. The pace of recovery of the US economy and with its effects on consumer confidence and employment, as well as the volatility of Venezuela's market will have influence on the recovery pace of Aruba's tourism sector. The volatility in the exchange rate of the US dollar against the Euro should also be monitored closely.

At a local level, the effect of the financial crisis on credit rules affected potential investments in 2010. As a consequence, the activities in the construction sector in Aruba experienced a decline. Lower consumer confidence also added to fewer investments in 2010. Domestic risks are related to the execution pace of the planned construction projects and the spillover effects of the new administration's intentions to stimulate the economy. It is therefore crucial to lay out policies that prevent potential delays due to excessive red tape hindrances that could negatively affect the recovery of the construction sector, the overall employment and consumer confidence in general. Unwarranted delays of anticipated private investments will also influence the recovery pace of the construction sector.

A significant drop in international oil demand in 2009 led to the temporary halt of oil production in Aruba in the second half of 2009 and throughout most of 2010. In 2011 the refinery restarted its operations.

The aforementioned global economic risks remind us how vulnerable countries are to external shocks and turbulence, and why economic resilience is fundamental to sustainable economic development. It is a clear and present signal that most countries by far are affected. The 'great recession' also underscores the fact that vulnerability is caused not only by external events, but more importantly, by an internal state of fragility. This internal fragility, or lack of agility, captures 'structural vulnerabilities', which are caused by a range of factors. Within the context of small island economies, there is a long standing recognition of their special challenges.

As a trade-dependent, tourism-intensive, island-based service economy, Aruba as so many other islands, faces several external and internal challenges in its economic development. Small island economies typically face the dual challenge of simultaneous volatility and vulnerability due to numerous factors ranging from limited resources, high vulnerability to natural hazards, low economic diversification, high dependence

on international trade, high transportation costs, poor public administration, expensive infrastructure, and limited economies of scale.

More specifically, economic trend analysis indicates (see section 3), that our economy faces numerous structural economic deficiencies, ranging from productivity decline, aging demographics, workforce inequality, to lagging educational investments, foreign direct investments, and a decline in entrepreneurship, industry profitability, and new business formation. Such challenges need to be addressed strategically and systemically in order to develop a sustainable and competitive economy for the 21<sup>st</sup> century.

## **PART III: ECONOMIC VISION AND MISSION**

### **5. Outlook 2011**

Aruba is recovering from the economic downturn in 2010, mainly caused by external factors associated with the global crisis in 2008/2009. Access to credit, development in oil and food prices, and business and consumer confidence are key factors for achieving positive economic results in 2011. The competitive position of Aruba is expected to improve in 2011.

Thus, the economic outlook for Aruba in 2011 is very positive. Government investments associated with “Product Aruba”, along with fiscal incentives will also stimulate the economy and contribute to increased confidence in the real sector. The construction of Ritz Carlton, two plants by WEB N.V. and infrastructural investments are expected to boost the total private investments with 25.4 percent. Exports will grow with 22.3 percent to a value of Afl. 3.4 million. Main drivers for this growth are the opening of the oil refinery and an increase in tourism receipts of 10.8 percent in 2011. As a result of business growth in 2011, consumer confidence and disposable income will increase. Private consumption will rise by 5.9 percent in real terms reaching an amount of Afl. 2.682 million. The nominal GDP is projected to increase by 12.1 percent to a value of Afl. 4.870 million. In real terms, this is equal to 9.9 percent growth compared to 2010.

Macroeconomic indicators		2009	2010	2011
<b>Inflation</b>	%	-2.1	2.1	3.0
<b>Nominal</b>				
<b>GDP at market prices</b>	mln. Afl.	4.535	4.385	4.870
<b>Private consumption</b>	mln. Afl.	2.542	2.545	2.682
<b>Public consumption</b>	mln. Afl.	1.057	1.176	1.245
<b>Private investments</b>	mln. Afl.	1.273	1131	1.454
<b>Public investments incl. FDA</b>	mln. Afl.	82	62	74
<b>Export Goods and Services</b>	mln. Afl.	2.906	2704	3.385
<b>Import Goods and Services</b>	mln. Afl.	3.382	3.272	3970
<b>Real sector</b>				
<b>GDP at market prices</b>	%	-8	-5.1	9.9
<b>Private consumption</b>	%	-4.4	-1.9	2.3
<b>Public consumption</b>	%	3.1	2.5	-2.3
	%			
<b>Private investments</b>	%	-15.8	-13.5	25.4
<b>Public investments incl. FDA</b>	%	8.6	-27.0	17.6

**Table 1 - Macroeconomic Indicators**

## 6. Towards Sustainable Economic Development

The simultaneous confluence of a new emerging economic reality and the stagnation in Aruba's economic growth, calls for a fundamental rethinking and re-strategizing towards sustainable economic development. This is the time for Aruba to create and make use of new opportunities. However, we must be ready to accept that going back to business as usual may not be possible for everyone. As with all moments of crisis, it serves as an opportunity to evaluate institutions, processes, products and skills. In other words crisis leads to reinvention, re-engineering, rejuvenation and rebirth.

Innovation is now seen as a means of survival and not simply business sophistication. As such, economic innovation is *the* way to strengthen Aruba's economic landscape and competitive position within the region by focusing on economic resilience, social equity and ecological responsibility (Figure 1).



**Figure 1. Sustainable Economic Development**

Sustainable economic development requires building resilience by means of entrepreneurship, new industry creation (product and market diversification), improved business productivity and new investment opportunities, in addition to sophisticated financial markets and electronic business. Moreover, sustainable economic development of Aruba needs to consider the limited, finite, and fragile nature of (natural) resources, and assume ecological responsibility through resource-efficiency, renewable energy, green technologies, cultural preservation, and consumer education. Balancing out economic resilience with ecological responsibility is fundamental to achieving not only sustained quality of life, but equally important, equality, social cohesion and social equity. The latter thus requires an emphasis on

corporate social responsibility, ethics and fair practices, gender and inter-generational equity, recognition of consumer rights, advocacy and protection, and the development of workforce agility and a healthy and high-quality labor market.

Consequently, sustainable economic development will require national innovation and the transformation of Aruba's economy and society in an integrated fashion, involving the economy, tourism, trade, infrastructure, education, labor, health care, the environment, culture, finance and governance (see table 2 below).

**Dimensions of Transformation**

**A New Aruba for the 21<sup>st</sup> Century**

<p>Economy</p> <p><i>Free</i></p> <p><i>Fit</i></p> <p><i>Fair</i></p>	<p><i>Smart development</i> focused on knowledge, innovation and entrepreneurship</p> <p><i>Sustainable development</i> focused on resource-efficiency and green technologies</p> <p><i>Shared development</i> focused equality and quality of life</p>
<p>Tourism</p>	<p>Sustainable Tourism focused on eco-savvy innovation and uniquely-competitive products, and premium-quality services</p>
<p>Trade &amp; Markets</p>	<p>Expansion of new markets and trade relationships, by leveraging Aruba’s unique geographic and geopolitical position</p>
<p>Infrastructure</p>	<p>A modern and integrated infrastructure for transportation, utilities, and communication</p>
<p>Education</p>	<p>Enhancing the quality, accessibility and attractiveness of higher, professional and adult education, focusing on developing and retaining talent and fostering life-long learning.</p>
<p>Labor</p>	<p>Productivity growth through creating high-quality labor force and knowledge-intensive workforce agility</p>
<p>Health</p>	<p>Enhancing quality of care and cure by prevention, innovation in health care services, and healthy lifestyles</p>
<p>Environment</p>	<p>Sustainable development by conservation, preservation and innovation of natural habitats, cultural expressions, and (land-/marine) ecological systems</p>
<p>Culture &amp; Society</p>	<p>A thriving artistic society of culture and creative industries</p>
<p>Finance</p>	<p>Macro-economic and fiscal stability by means of a balanced budget, managed government debt, and stable monetary policies.</p>
<p>Governance</p>	<p>Transparency, efficiency and smart regulation in government and in the interactions between government and the private sector</p>

**Table 2 - Transformation**



## 7. Economic Vision and Mission

Considering the need for economic transformation towards sustainable economic development, the vision of the Minister of Economic Affairs is to develop and position Aruba as:

*The Green Gateway - A Knowledge-driven, Entrepreneurial Economy*

This vision testifies to development of a sustainable economy in the broadest sense of the word, in which the green gateway symbolizes an innovative and competitive economy of free trade and enterprise, fair commerce and corporate social responsibility, fitting within the context of Aruba's uniquely distinct cultural and environmental assets.

Driven by knowledge, the Aruban entrepreneurial economy sets to captivate imagination and catalyze knowledge-driven entrepreneurship and create knowledge-based infrastructures throughout the economy and society.

Herein, the mission of the Minister of Economic Affairs for sustainable economic development is to:

*Utilize Aruba's unique socio-economic and ecological assets, and geo-political position within the Kingdom of the Netherlands, to create the economic conditions and capabilities through which:*

- *Smart and sustainable economic development can take place, fostered by knowledge and innovation;*
- *Both public and private sectors contribute to a healthy economic landscape, fostered by resource-efficiency and knowledge-based partnership;*
- *Aruba's competitive position is strengthened within the region, enabled by international trade and information technologies;*
- *Shared prosperity and improved socio-economic quality and equality of life for all citizens is achieved and sustained.*

These conditions will be known to all so that *synergies* on all fronts can be achieved and will result in:



- *Human Capital, high quality job creation, education and workforce equity,*
- *Resource-efficient industry productivity and growth,*
- *Micro-entrepreneurship and robust SME development,*
- *Improved trade and foreign and local investment activity,*
- *Underscored by a strong and confident consumer base.*

## 8. Framing Sustainable Economic Development

Sustainable economic development requires an “inclusive” integrated approach toward economic development and competitiveness. Consequently, to realize Aruba’s economic vision and mission, a new economic policy framework is required which underscores the dynamics and interrelatedness of economic strategies, structures, and stakeholders, through which (public-private) economic investments and programs for economic development can be organized in a sustainable fashion. The Economic Policy Framework focuses on (see figure 2):

- C. Multiple **lines of economic action** and different stakeholders, including consumers, business, investors and government. These lines of action address four coordinated lines of economic development, covering (see annex for detailed description):

**E. National Innovation**

**F. Investment Promotion**

**G. Business Growth**

**H. Empowered Consumers**

- D. Multiple **levels of economic development**, including macro-economic conditions, industry activities, (micro-economic) business environments, including the creation of economic value over time. The levels of economic development cover (see annex for detailed description):

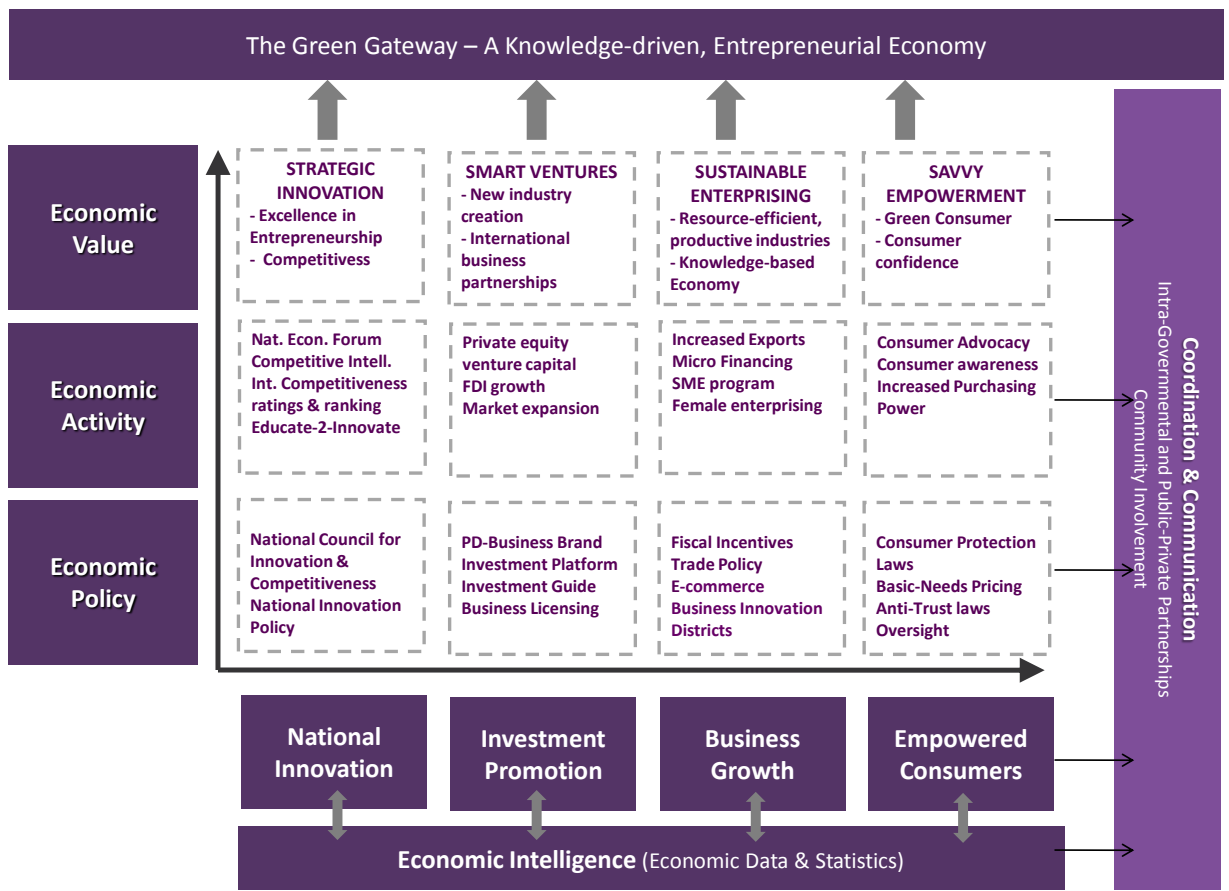
**I. Economic Policies**

**II. Economic Activities**

**III. Economic Value**

The aforementioned lines and levels of economic action and development are governed by four fundamental **values** for creating **The Green Gateway** and realizing a knowledge-driven, entrepreneurial economy, which are:

- **Strategic innovation**
- **Smart ventures**
- **Sustainable enterprising**
- **Savvy consumers**



**Figure 2. The Economic Matrix for Sustainable Economic Development**

In addition to the lines and levels of economic development, the Economic Matrix underscores the importance of:

- Coordination and communication within and across government and non-governmental agencies, public and private sectors, and the involvement of the Aruban community.
- Economic intelligence and the collection and analysis of data and statistics which form the intelligence backbone for formulating and evaluating economic policies.

## PART IV: ECONOMIC ACTION

### 9. Economic Action Plan 2011 - 2013

In translating the mission and strategic objectives and following the lines of economic section outlined in the previous section, the following economic actions and flagships are included in the Economic Policy for 2011 and beyond, i.e.:

- A. National Innovation
- B. Investment Promotion
- C. Business Growth
- D. Empowered Consumers

#### 9.1. National Innovation

**Line of Economic Action:** National Innovation

**Levels of Economic Action:** Policy, Activity and Value

**Economic Framework Position** (see figure): National Innovation provides the information infrastructure and innovation policies for captivating imagination, creating information and catalyzing innovation across the three other lines of economic action geared towards investment promotion, business growth and empowered consumers.

##### 9.1.1. **Vision:** *Captivate Imagination, Create Information and Catalyze Innovation*

The National Innovation System aims to institutionalize national innovation by building public-private partnerships, and fostering economic innovation and resilience by leveraging our cumulative assets to create collaborative competitiveness. By providing the intelligence infrastructure, National Innovation provides the information intelligence and innovation policy foundations for expanding our trade and strengthening international relations, fostering value-added business productivity, innovating industries across the economy, developing and diversifying our economy sustainably, and improving prosperity for all.

9.1.2. **Mission:** To contribute to the realization of a national vision for smart, sustainable and shared economic development by providing a scientific public-private platform for national innovation policies and sustainable economic development.

9.1.3. **Strategic Objectives:** In line with its vision and mission to captivate imagination, create information and catalyze innovation, the National Information system aims to:

**Objective # 1: *Educate and inspire*** - “Think Global, Start Local”

- International platform on innovation & competitiveness
- National platform on Aruban economic development & innovation
- Integrated, thematic focus on national innovation policies, reinforcing national vision for sustainable economic development

**Flagship:**

- ✓ National Council for Innovation & Competitiveness

**Objective # 2: *Investigate and inform*** - “Think Twice, Act Once”

- Measure, monitor and manage national innovation and competitiveness
- Shape evidence-based policy development and –monitoring (of three lines of economic action, i.e., investment promotion, business growth and empowered consumers)
- International and regional benchmarking of innovation readiness and competitiveness ratings (WEF, OAS, EU)

**Flagship:**

- ✓ Competitive Benchmarking and the State of Innovation in Aruba (annual study and reports)

**Objective # 3: *Excel at entrepreneurship*** - “Think Big, Think Better”

- Recognize and reward excellence in entrepreneurship, identify best entrepreneurial practices, and create a national culture of entrepreneurial role models
- Economic and social entrepreneurship in private and public sectors
- Create a network of entrepreneurs to share best practices and to capitalize on new ideas and opportunities and the benefits derived from working together

## Flagship:

- ✓ Educate-2-Innovate (E2I) - “Ensenansa pa Inovacion” (Min ESC & Min OJ)

9.1.4. **Structure:** The National Innovation System is structured according to its strategic objectives and contains three lines of innovation policy and innovation activities:

- (1) *Business Forum* for captivating imagination by organizing national events, including forums, symposia, seminars and roundtables, with key themes selected from the general lines of economic action (i.e., investment promotion, business growth, empowered consumers);
- (2) *Business Intelligence* for creating information by the scientific study of key areas of economic relevance, including, but not limited to economic competitiveness, innovation & entrepreneurship, financial development, tourism competitiveness, trade competitiveness, workforce productivity, and digital economy;
- (3) *Business Entrepreneurship* for catalyzing entrepreneurship by recognizing best practices in national entrepreneurship, incentivizing quality in entrepreneurship, and developing 21<sup>st</sup> century entrepreneurial skills in education, business and community.

## 9.2. Investment Promotion

Making a difference for all direct investors in Aruba

**Line of Economic Action:** Investment Promotion Policy

**Levels of Economic Action:** Policy, Activity and Value

**Economic Framework Position:** to effectively and efficiently accelerate sustainable economic growth, based on public-private partnership through synchronicity. The integrated lines of action entail establishing an Investment Promoting Agency, an investment climate assessment, re-engineering the establishing process (licenses and permits), the development of an investment guide and branding of Aruba as an investment destination.

9.2.1. **Vision:** Aruba as an attractive investment destination geared for local and foreign direct investment growth

The Investments Promotion Policy aims to accelerate economic growth based on sustainable development through effectively and efficiently targeting and attracting

local and foreign direct investments in a *free, fair and fit(ting)* manner, to further develop and diversify our economy sustainably aimed at improving prosperity for all.

9.2.2. **Mission:** To contribute to the realization of a national vision for smart, sustainable and shared economic development by accelerating economic growth through effectively and efficiently “reaching out” to investors.

Public-private partnership and synchronicity come together and form the base for a healthy business climate, in which cost, delay and risk are minimized. Investment promotion will be based on policy advocacy, image promotion and investment generation, supported by smart investor services.

9.2.3. **Strategic Objectives:** In line with its vision and mission to increase local and foreign investment activity the investment promotion policy system aims to:

Objective # 1: **Improve the Investment Climate:** Creating the right (policy) conditions to bring about an attractive and competitive investment climate.

- Assess investment challenges
- Identify desired investment areas
- re-engineer the establishing process (licenses and permits) to better serve the needs of investors
- establish an Investment Promoting Agency
- encourage and strengthen PPP

#### **Flagships:**

- ✓ ‘One-Stop-Shop’ (Social Dialogue product)
- ✓ Business Licensing and Permit reform (shared with Business Growth)
- ✓ Develop Investment Target List – areas of investment opportunity that will be proactively pursued
- ✓ Fiscal Incentives (shared with Business Growth)
- ✓ Investment Platform
- ✓ Public- Private Partnership (shared with Business Growth)
- ✓ Inventory and Completion of Trade Agreements with key strategic partners (collaboration with Kingdom Embassies)



Objective # 2: **Investment Promotion:** facilitating key investors in a timely fashion with the right information

- investment guide
- promotion strategies
- information platform

**Flagships:**

- ✓ Develop a comprehensive and process-transparent investment guide
- ✓ Develop integrated yet flexible promotion strategies
- ✓ Enhance and improve fiscal instruments (shared with Business Growth)
- ✓ Institutionalize a new Investment Platform
- ✓ Initialize E-government
- ✓ Initialize E-commerce
- ✓ Public- Private Partnership – integrated cooperation with Free Zone, Cargo Harbor, Airport, telecom and financial offshore sector (shared with Business Growth)

Objective # 3: **Investment Image:** *Cultivating Aruba's image as an investment destination*

- Branding
- Public Diplomacy

**Flagships:**

- ✓ Integrated business destination brand development and implementation
- ✓ Finalize Public Diplomacy project in close cooperation with the University of Aruba as framework for brand development
- ✓ Double Dutch Art Exposition (Ambassador's Residence, Washington D.C.)
- ✓ Biennial Contemporary Art Exposition (Regional Art Expo, Aruba)
- ✓ Gerrit Rietveld Academy Dependence

9.2.4. **Structure:** The Investment Promotion Policy structure is structured according to its strategic objectives and entails 3 lines of action:

- (1) Creating a sound base of investment fundamentals through assessment, re-engineering, integration and synchronicity.

- (2) Compiling and making the right information easily accessible for targeted investors.
- (3) Cultivating Aruba's new investment destination image.

### 9.3. Business Growth

**Line of Economic Action:** Business Growth

**Levels of Economic Action:** Policy, Activity and Value

**Economic Framework Position:**

Infrastructure quality improvements are required to secure the quality of Product Aruba. Next to new infrastructure investments, a broad scale of infrastructure improvements is required in order to catch-up from long overdue maintenance. As part of the transformation to resource-efficiency sectors, green energy development requires high priority and initiatives are to be encouraged and enhanced to meet structural challenges induced by the ever increasing volatility of the international energy markets. Focus and priority should be given to economic activities that curb imports and enhance exports. The business community is to be encouraged to retool the labor market resources in order to increase productivity and value and the all round quality of labor. Establishment of new businesses, from micro to medium, is to be encouraged and access to capital enhanced. The process of achieving gender equality throughout all sectors of Aruba's economy will be encouraged. Development of new business sectors, such as the creative industry, is to be stimulated. E-governance and E-commerce platforms are to be developed. Public-private partnership initiatives are to be encouraged and enhanced.

9.3.1. **Vision:** Sustainable economic development through sound business growth based on knowledge, excellence in entrepreneurship, innovation throughout all sectors of industry, supported by client friendly, efficient and transparent government services.

9.3.2. **Mission:** To create a business climate fitting within the context of Aruba's uniquely distinct cultural and environmental assets where businesses can enhance their productivity, can innovate and invest, to develop new markets and enhance existing markets in order to generate higher levels of income and improve prosperity for all.

9.3.3. **Strategic Objectives:** In line with this mission and vision to improve and enhance quality job creation and workforce equality.

Objective # 1: ***Safeguarding Product Aruba***. From the beginning of the new administration a broad scope of infrastructure improvement projects have been brought about. The crux of this development is the intelligent planning required to put the projects in a timely fashion in motion in order to prevent inflationary effects induced by an imbalance in which availability of supply of labor and materials is outmatched by an overheated demand and at the same time guaranteeing availability of funds needed per infrastructure project.

**Flagships:**

- ✓ Project “Bo Aruba”
- ✓ Assuring investment capital (FDA, SIF, PPP, Equity Fund)

Objective # 2: ***Green energy sector development***. Aruba’s limited, finite, and fragile nature resources require intelligent decision making in the process of enhancing economic growth and diversification tailored to preserve the quality of life in Aruba. Economic development should be geared to be resource efficient and based on renewable energy, green technologies, nature and culture preservation, consumer education and enhancement of competitive advantages, focused to improve productivity and business growth through innovation. This strategy will fortify economic, social and environmental cohesion.

- Promotion of green technology
- Green technology R&D development
- Enhance resource-efficiency throughout public and private sectors
- Broad-based structural resource policy reforms supported by prudent fiscal incentives

**Flagships:**

- ✓ Fiscal incentives for import of green goods
- ✓ Fuel efficient water and electricity production at WEB
- ✓ Second Windmill Project
- ✓ Waste to Energy Plant Parkietenbos
- ✓ Adapting public facilities and street lights into LED lighting
- ✓ Enhancement of Solar Energy Projects
- ✓ Aruba Sustainable Research Institute (ASRI)

- ✓ Center of Excellence: awareness campaigns and certification of Green appliances

Objective # 3: **Retooling labor market resources.** The business community is to be encouraged to retool labor market resources and to increase women's economic participation throughout all levels in order to increase productivity and value and thus further enhance the quality of labor. Providing adequate people skills and opportunities are necessary tools to strengthen our competitive position in the region. Stimulation of life-long learning and a healthy and active ageing population are essential instruments to face the challenges of Aruba's ageing population.

- Assessment defining of the current M-SME's
- Invest in R&D to strengthen our competitive position (NCIC)
- Promote education, training and life-long learning
- Increase women's economic participation and equality in salaries
- Transform the creative sector into high economic value
- Consolidate social security system
- Create conditions for a dynamic labor market

#### Flagships:

- ✓ Fiscal Incentives
- ✓ Institutionalize a Woman's Bureau in Aruba (CEDHEM)
- ✓ Modernizing of Labor Law
- ✓ Institutionalize a National Council for Innovation & Competitiveness
- ✓ Reform of fiscal system

Objective # 4: **New business sectors, micro-entrepreneurship and robust SME development.** Aruba's high dependency on imports dictates that priority should be given to economic activities that help curb imports and enhance exports. Establishment of new businesses, from micro to medium, are to be extra encouraged, granting fast track establishment opportunities to those that show potential to diversify the economy, reduce imports and increase exports. SME's are the backbone of Aruba's economy and require and deserve more attention. Special attention will also be given to enhance micro-entrepreneurship. Higher productivity, new industry creation, innovation and increased competitive advantages require a structural sharing of knowledge with Micro and SME's as well as sufficient and timely access to capital. Permanent dialogue with key M-SME stakeholders is essential in order to ensure M-

SME's role in Aruba's sustainable business growth objectives. Increasing woman's economic participation will enhance M-SME development. Bringing about new business sectors, such as the creative industry sector, is to be encouraged. The economic growth needs to be better distributed over the various geographical regions in Aruba. E-governance and E-commerce platforms are to be developed as supporting instruments.

- Stimulate entrepreneurs to export goods and services
- Empowered entrepreneurs through support and knowledge building
- Improve M-SME's access to capital
- Improve establishment process and opportunities (as under Investment Promotion: 'One-Stop-Shop', Business Licensing and Permitting reform, fiscal incentives, Public- Private Partnership, investment platform, access to capital)
- E-Government
- E-Commerce
- Creating a level-playing field to ensure free, fair and fit competition amongst local businesses

#### Flagships:

- ✓ Micro Financing for small business development
- ✓ Improved access to capital for SME's
- ✓ Process improvement plan DEACI
- ✓ Small and Medium Enterprise Program (AIB Bank N.V.)
- ✓ Creative Industry development (Biennial, Rietveld Academy, Museum Mile)
- ✓ Enhance and improve fiscal instruments and improve access to tax information
- ✓ Level-playing field best practices (induce further cooperation between competent authorities to target and eliminate illicit business activities)

#### **Flagships shared with Investment Promotion:**

- ✓ Institutionalize new Investment Platform
- ✓ Develop comprehensive and process transparent investment guide
- ✓ Initialize E-government
- ✓ Initialize E-commerce
- ✓ Creative Industry Development
- ✓ Public- Private Partnership – integrated cooperation with Free Zone, Cargo Harbor, Airport, telecom and financial offshore sector (shared with Investment Promotion)

- 9.3.4. **Structure:** The Business Growth action is structured according to its strategic objectives:
- To ensure that our businesses invest, new markets come about (including export), existing markets grow, our industries innovate, and our economy develops in a free, fair and fit (ting) manner.
  - To enhance business productivity, equality, workforce agility, and to create new high-end jobs.

## 9.4. Empowered Consumers

**Line of Economic Action:** Empowered consumers

**Levels of Economic Action:** Policy, Activity and Value

**Economic Framework Position:** to secure a fair, safe and sustainable future for consumers by enhancing the overall quality of experience, so consumers can spend confidently and intelligently. Consumer's confidence is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. People are more confident when they feel more secure. This requires a combination of political and legal stability and economic growth. At the same time Aruba has to realize that there are limits to our growth. For that reason we as consumers need to reconsider how to consume. This is the time to encourage and help the Aruban consumers "go green"; think green, demand green and buy green. Extra attention will be given to increase awareness about responsible purchasing from a *green* consumers' demand perspective.

- 9.4.1. **Vision:** Aruban Consumers should have access to safe and sustainable goods and services, knowing and exercising their individual rights as consumers.
- 9.4.2. **Mission:** To increase consumers' confidence and create awareness amongst consumers in Aruba and to help, protect and empower consumers to spend confidently and intelligently.
- 9.4.3. **Strategic Objectives:** to create a strong and confident consumer base the following objectives have been identified:

Objective # 1: ***Develop a modern Consumer Protection Legal Framework.*** Establishing and effectively enforcing an integrated consumer protection legislative framework is

fundamental to securing consumers' rights. The renewed legislative framework will aim to ensure fair trade competition as well as timely and free flow of truthful information throughout the marketplace. The new legislative framework is a form of government regulation geared to protect the rights of consumers. Consumer protection is closely linked to the concept of *consumer rights*, and to the formation of (renewed) consumer organizations which will support consumers to make better choices in the marketplace.

In 1985 the United Nations created general guidelines to achieve the objectives of maintaining protection for consumers and to establish a high level of ethical conduct for those engaged in production and distribution of goods and services.

These UN guidelines set out the legitimate needs of consumers as follows:

1. The protection of consumers from hazards to their health and safety
2. The promotion and protection of the economic interests of consumers
3. Consumer access to adequate information to enable making informed choices according to individual wishes and needs
4. Consumer education, including education on the environmental, social and economic impacts of consumer choice
5. The availability of effective consumer redress
6. Freedom to form consumer and other relevant groups or organizations and the opportunity for such organizations to present their views in decision-making processes affecting them
7. The promotion of sustainable consumption patterns

Over time, these guidelines have been interpreted and developed into eight basic consumer rights:

1. The right to satisfaction of basic needs
2. The right to safety
3. The right to be informed
4. The right to choose
5. The right to be heard
6. The right to redress
7. The right to consumer education
8. The right to a healthy environment

These general principles and consumers' rights provide a framework for strengthening national consumer protection policies. When establishing Aruba's renewed consumers

protection legislation the above mentioned guidelines and rights will be taken into account.

Objective # 2: **Create Consumer Awareness.** The focus is to make the consumer aware of his or her rights. Consumers need to be aware of products and services, their characteristics and the other marketing P's; place to buy, price, and promotion. Too often, the Aruban consumer does not have the adequate information and tools needed to make informed decisions about quality and cost. Enhanced transparency of information on both quality and cost are key to achieving this goal. The consumer should be empowered with respect to his rights as a consumer and should be equipped to be able to protect himself from any wrongful act on the part of the trader. In order to be able to position the consumer in such a state, there is every need not only to evolve legal remedies but also to provide reliable and exhaustive information, which the consumer can access without much effort nor expense.

9.4.4. **Structure:** The Empowered Consumers' policy is structured according to its strategic objectives:

- To empower consumers to spend confidently and intelligently.

**Flagships:**

- ✓ Aruban consumer protection legal framework
- ✓ Instating a Consumers Task Force to evaluate the introduction of a Consumer Protection Agency and/or a Consumer Disputes Committee
- ✓ Consumer awareness programs: educating and informing consumers as to their rights and responsibilities
- ✓ "Canasta Basico": reassess products and (re-)determine price structures
- ✓ Enhanced authority on price controls (price control officers' ability improvement to act on non-compliance)



## 10. Conclusion

Without a doubt, Aruba has witnessed extraordinary growth and development over the past decades. Yet, as we venture deeper into a volatile global economy, and consider the intrinsic fragilities of our society, it is obvious that a new course for innovation and economic development needs to be set out. This new economic policy directed towards innovation and sustainability is imperative for braving today's new economic realities. Economic innovation must be the way to strengthen Aruba's economic landscape and competitive position within the region and beyond.

The new economic vision and mission for developing and positioning Aruba as the *Green Gateway* underscores the importance of a knowledge-driven, entrepreneurial economy, in which Aruba's unique, socio-economic, ecological and geo-political assets are harnessed in order to foster smart and sustainable economic development, by means of green public-private partnerships that improve Aruba's competitive position by enhancing local commerce and international trade, thereby creating shared prosperity, quality and equality of life for all citizens.

As Aruba rises to the call for innovation and resilience, this economic vision and mission will realize high quality job creation, resource-efficient productivity and growth, business entrepreneurship, improved trade and foreign and local investment activity, and will build a strong and confident Aruban consumer base.

Based on values of strategic innovation, smart ventures, sustainable enterprising and savvy consumers, the Economic Policy Framework underlying the vision and mission of *The Green Gateway* describes four lines of economic action, covering National Innovation, Investment Promotion, Business Growth and Empowered Consumers.

The mission of *National Innovation* is to contribute to the realization of a national vision for smart, sustainable and shared economic development by providing a scientific public-private platform for national innovation policies and sustainable economic development. Its strategic objectives are to captivate imagination, create information and catalyze innovation. The specific economic actions and flagships include:

- The establishment of a National Council for Innovation & Competitiveness
- The competitive benchmarking of Aruba's international economic position
- The research on the State of Innovation in Aruba (annual study and reports)
- Educate-2-Innovate (E2I) - "*Ensenansa pa Inovacion*"

The mission of *Investment Promotion* is to accelerate economic growth based on sustainable development through effectively and efficiently targeting and attracting

local and foreign direct investments in a free, fair and fit(ing) manner, to further develop and diversify our economy sustainably aimed at improving prosperity for all. Investment Promotion aims to contribute to the realization of a national vision for smart, sustainable and shared economic development by accelerating economic growth through effectively and efficiently “reaching out” to the investors. The specific economic actions and flagships include:

- ‘One-Stop-Shop’ (Social Dialogue product)
- Business Licensing and Permitting reform (shared with Business Growth)
- Fiscal Incentives (shared with Business Growth)
- Investment Platform
- Public- Private Partnership (shared with Business Growth)
- Develop comprehensive and process transparent investment guide
- Develop integrated yet flexible promotion strategies
- Enhance and improve fiscal instruments (shared with Business Growth)
- Institutionalize new Investment Platform
- Initialize E-government
- Initialize E-commerce
- Public- Private Partnership – integrated cooperation with Free Zone, Cargo Harbor, Airport, telecom and financial offshore sector (shared with Business Growth)
- Integrated business destination brand development and implementation
- Finalize Public Diplomacy project in close cooperation with the University of Aruba as framework for brand development

The mission of *Business Growth* is to create a business climate fitting within the context of Aruba’s uniquely distinct cultural and environmental assets where businesses can enhance their productivity and can innovate and invest to develop new and enhance existing markets in order to generate higher levels of income and improve prosperity for all. It is geared at numerous strategic objectives, including, safeguarding *Product Aruba*, enhancing the quality of the workforce, resource-efficiency and green innovation as well as business entrepreneurship. Its flagships include the following programs:

- Project “ Bo Aruba”
- Assuring investment capital (FDA, SIF, PPP, Equity Fund)
- Fiscal incentives for import of green goods
- Fuel efficient water and electricity production at WEB
- Second Windmill Project

- Waste to Energy Plant Parkietenbos
- Adapting public facilities and street lights into LED lighting
- Enhancement of Solar Energy Projects
- Aruba Sustainable Research Institute (ASRI)
- Center of Excellence: awareness campaigns and certification of Green appliances
- Institutionalize a Woman's Bureau in Aruba (CEDHEM)
- Double Dutch
- Creative Industries: Gerrit Rietveld Academy, 1st Aruba Biennial Contemporary Regional Art Exposition, Museum Mile
- Modernizing of Labor Law
- Institutionalize a National Council for Innovation & Competitive
- Reform of fiscal system
- Micro Financing for small business
- Improved access to capital for SME's
- Small and Medium Enterprise Program
- Develop comprehensive and process-transparent investment guide
- Enhance and improve fiscal instruments and improved information access to tax information
- General reduction of red tape for business licenses and permits and process improvements at DEACI
- Creating a level-playing field for local businesses to compete

The fourth and final line of economic action focuses on *Empowered Consumers*. Its mission is to secure a fair, safe and sustainable future for consumers by enhancing the overall quality of experience, so consumers can spend confidently and intelligently. Consumer's confidence is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. People are more confident when they feel more secure. This requires a combination of political and legal stability as well as economic growth. Empowering consumers means increasing consumer's confidence and creating awareness amongst consumers in Aruba as well as to help, protect and empower consumers to spend confidently and intelligently.

Empowered Consumers has two strategic objectives which are to establish and effectively enforce a renewed and integrated consumer protection legislative framework based on the consumers' rights, complimented by the creation of consumer awareness and appropriately educated consumers. At its core, this line of economic action contains the following flagships:

- Renewed and integrated Aruban consumer protection legal framework
- Instating a Consumers Task Force to evaluate the introduction of a Consumer Protection Agency and/or a Consumer Disputes Committee
- Consumer awareness programs: educating and informing consumers as to their rights and responsibilities
- “Canasta Basico”: reassess products and (re)determine prices
- Enhanced authority on price controls (price control officers’ ability to act on non-compliance)

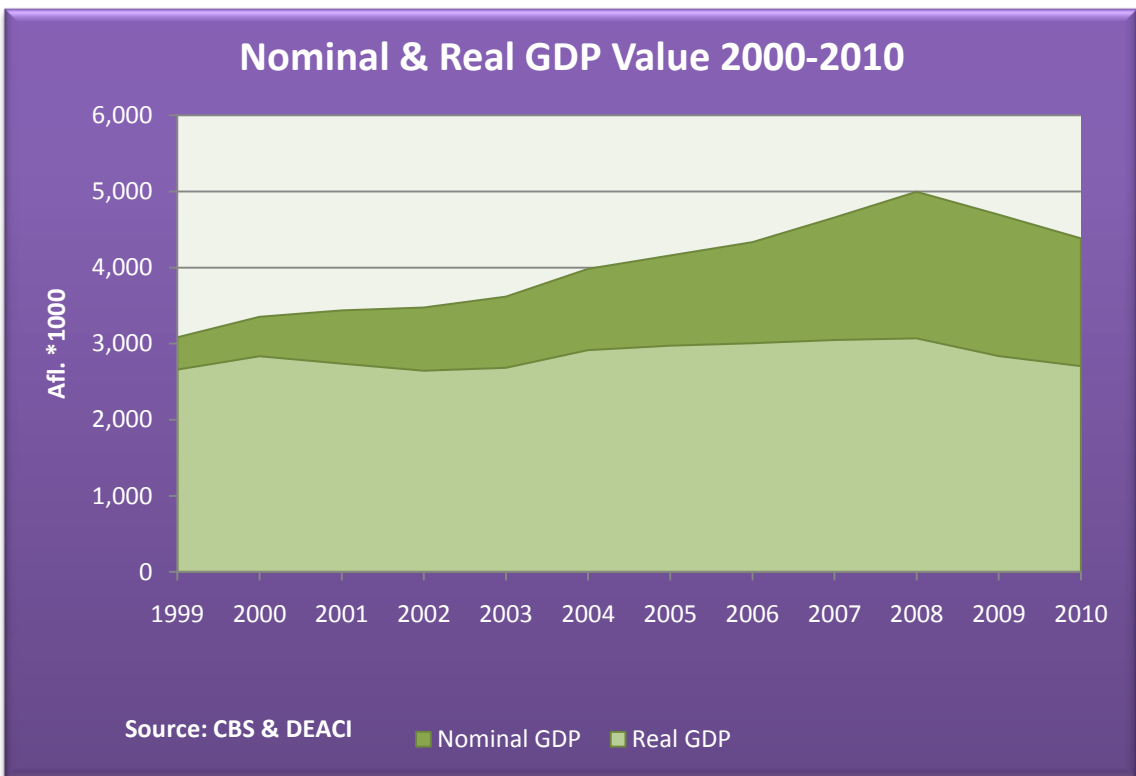
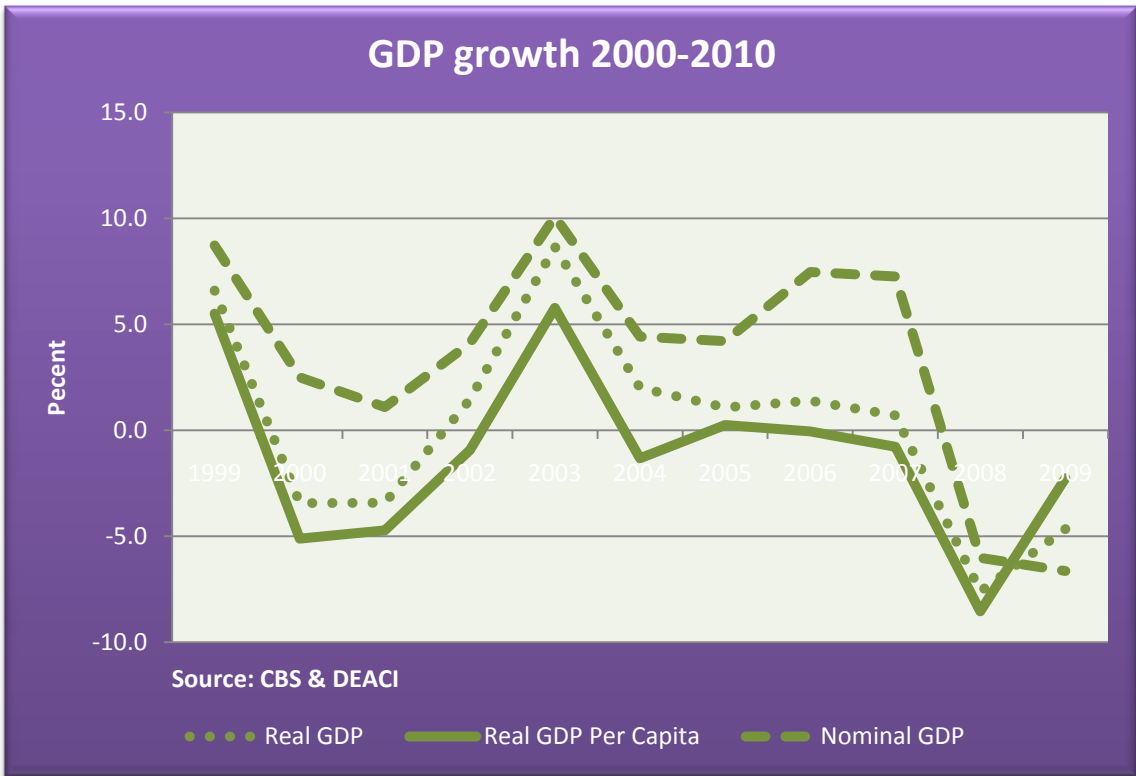
The foregoing lines of economic action and specific flagships provide a green gateway towards a sustainable economy in the 21<sup>st</sup> century. The Green Gateway testifies to a vision, mission and shared commitment towards an innovative and competitive economy of free trade and enterprise, fair commerce and corporate social responsibility, fitting within the context of Aruba’s uniquely distinct cultural and environmental assets.

## Annex A: Aruba Economic Statistics

### A. Macroeconomic indicators 2000-2010

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Inflation</b>	%	4.0	3.0	3.3	3.7	2.5	3.4	3.6	5.4	9.0	-2.1	2.1
<b>Nominal</b>												
GDP at market prices	mln. Afl.	3,353	3,437	3,475	3,618	3,989	4,173	4,340	4,681	4,949	4,535	4,345
Private consumption	mln. Afl.	1,656	1,712	1,820	1,947	2,056	2,199	2,363	2,643	2,716	2,542	2,545
Public consumption	mln. Afl.	718	843	874	894	924	965	983	1,014	1,080	1,057	1,175
Private investments	mln. Afl.	827	792	912	1,007	1,089	1,336	1,460	1,464	1,556	1,273	1,131
Public investments incl. FDA	mln. Afl.	28	23	23	50	60	64	67	58	78	82	62
Export Goods and Services	mln. Afl.	2,495	2,423	2,256	2,283	2,596	2,860	2,858	3,097	3,327	2,906	2,704
Import Goods and Services	mln. Afl.	2,370	2,356	2,411	2,564	2,735	3,252	3,390	3,595	3,842	3,382	3,272
<b>Real sector</b>												
GDP	%	2.6	-1.2	-4.4	5.0	7.5	3.5	0.3	4.3	-2.3	-8.0	-5.5
Private consumption	%	-0.6	0.4	2.9	3.2	3.0	3.4	3.7	6.2	-5.7	-4.4	-1.9
Public consumption	%	1.8	17.4	-3.4	-0.9	0.7	7.2	-6.4	-0.2	-0.2	3.1	2.5
Private investments	%	-16.7	-8.8	1.7	5.2	3.4	17.7	4.7	-3.4	-0.7	-15.8	-13.5
Public investments	%	-37.7	-20.9	-13.2	110.1	13.9	3.5	-1.0	-16.0	25.6	8.6	-27.0
Export Goods and Services	%	-2.6	-5.0	-7.0	3.3	8.2	5.5	-2.8	5.4	0.4	-9.3	-9.0
Import Goods and Services	%	-11.8	-1.2	0.5	1.0	0.8	12.2	-0.2	1.5	-0.9	-6.2	-7.2
<b>Government indicators</b>												
Total tax revenue	mln. Afl.	624	606	610	687	707	782	858	882	977	932	1,031
Total expenditure	mln. Afl.	725	764	866	920	1,180	1,034	1,098	1,084	1,291	1,228	1,342
Financial surplus (+) deficit(-)	mln.	22	-28	-35	203	-322	-94	-79	-71	51	-159	-206

	Afl.											
Total Debt	mln. Afl.	1,296	1,505	1,654	1,495	1,717	1,943	2,012	2,140	2,050	2,204	2,410
Debt-to-GDP ratio	%	39	44	48	41	43	47	46	46	41	49	55
<b>Household indicators</b>												
Population	x 1.000	91,06 4	92,67 6	93,94 5	96,20 7	99,10 9	102,17 8	103,48 8	104,52 3	106,05 0	1,071	1,045
Total employment	x 1.000	42.9	42.2	41.2	42.3	43.2	44.5	46.4	47.8	49.4	48.6	46.1
GDP per capita	x 1.000	3682 6	3708 9	3698 5	3760 8	4035 9	40847	42133	44801	46667	42328	41583
Disposable national income	%	10.3	-5.0	-4.9	9.2	9.8	4.2	2.3	12.3	5.4	-10.5	-6.5
<b>Tourism indicators</b>												
Total visitors	x 1.000	1,010	1,182	1,130	1,184	1,304	1,285	1,286	1,254	1,383	1,419	1,394
Total stay- over visitors	x 1.000	721	691	643	642	728	732	694	772	827	813	825
Total cruise passengers	x 1.000	289	490	487	542	576	553	591	482	556	607	569
Tourism receipts	mln. Afl.	1,446	1,464	1,474	1,526	1,890	1,953	1,917	2,242	2,523	2,164	2,212
Total hotel rooms		6731	6748	6575	6876	6960	7007	7316	7411	8135	8135	8135



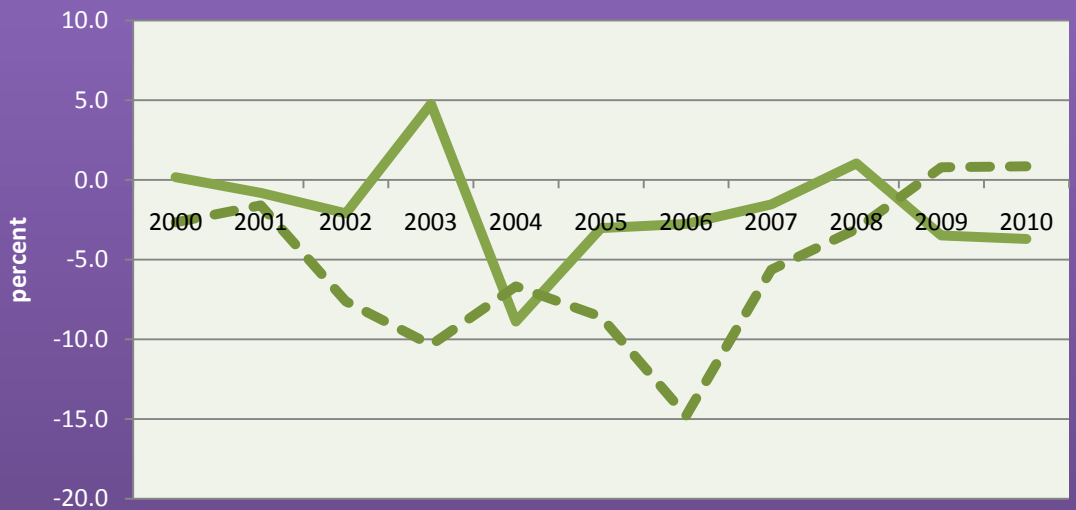
### Total debt to GDP Ratio 2000-2009



Source: CBA

percent

### Financial deficit & Current account balance to GDP Ratio 2000-2010

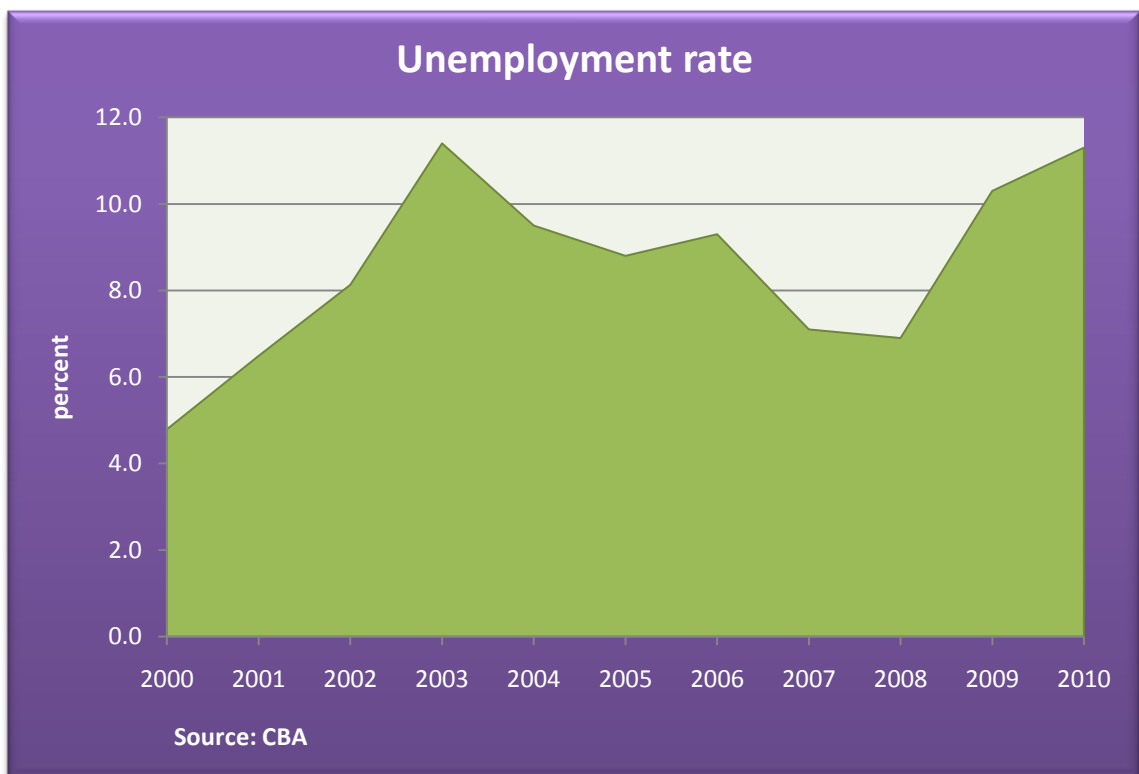
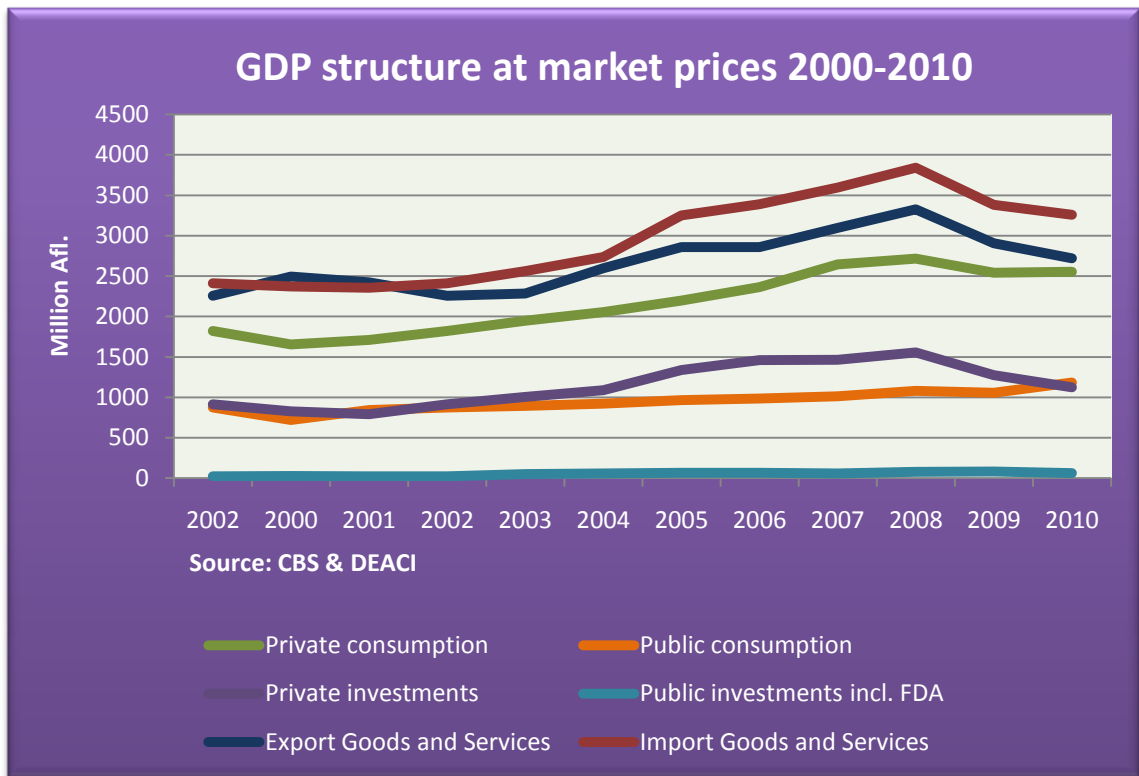


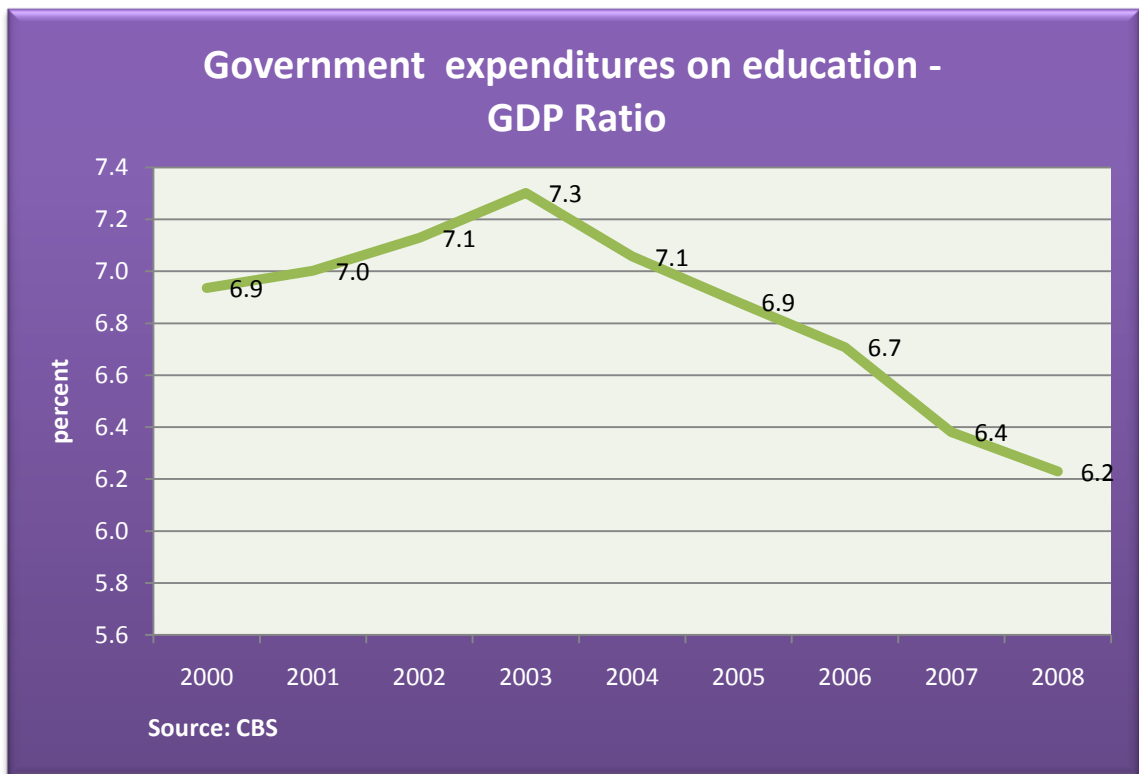
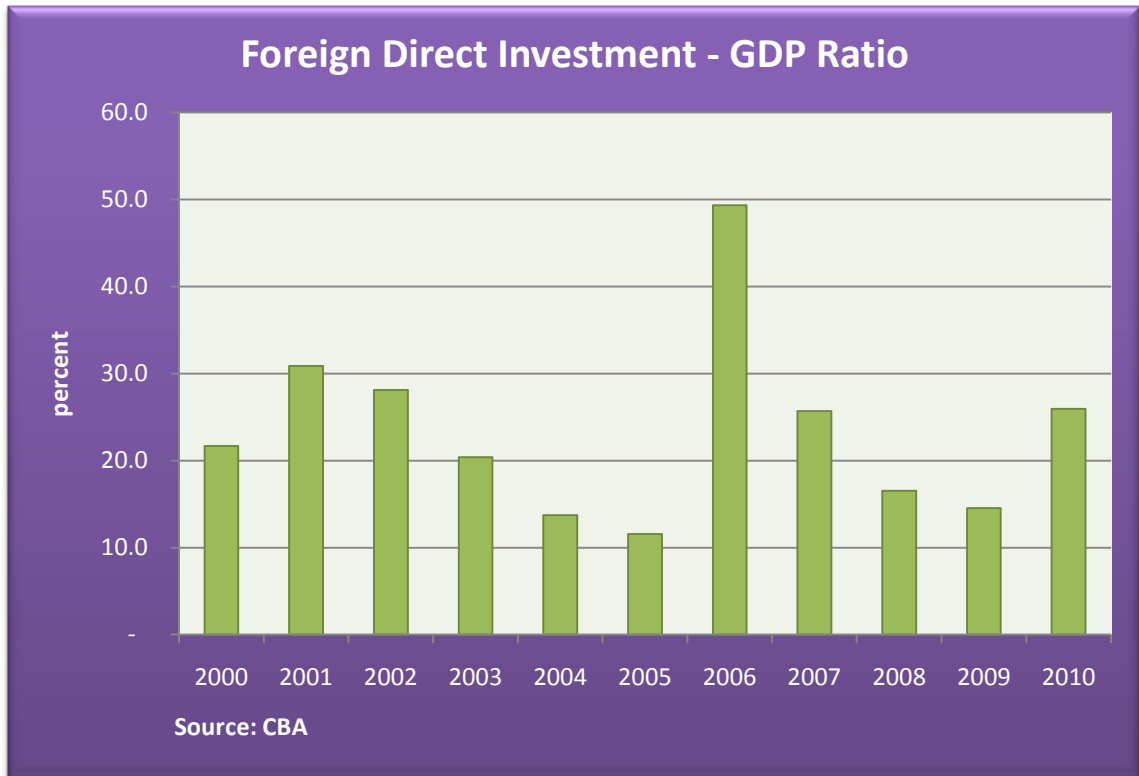
Source: CBA

— Financial deficit / GDP

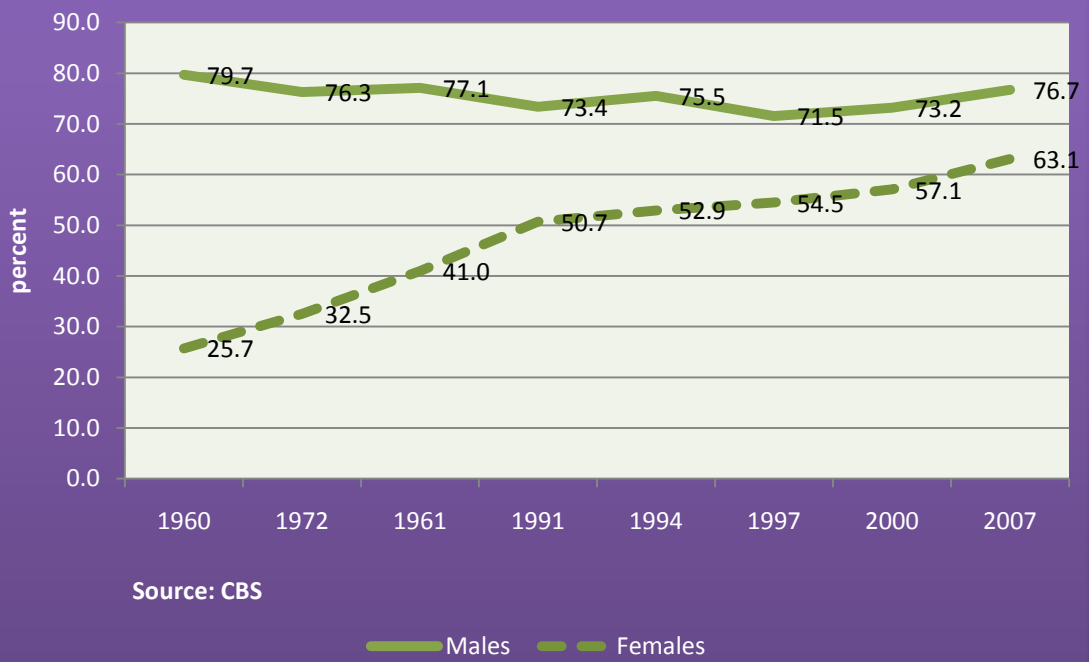
- - - Current account balance (ROE)/GDP





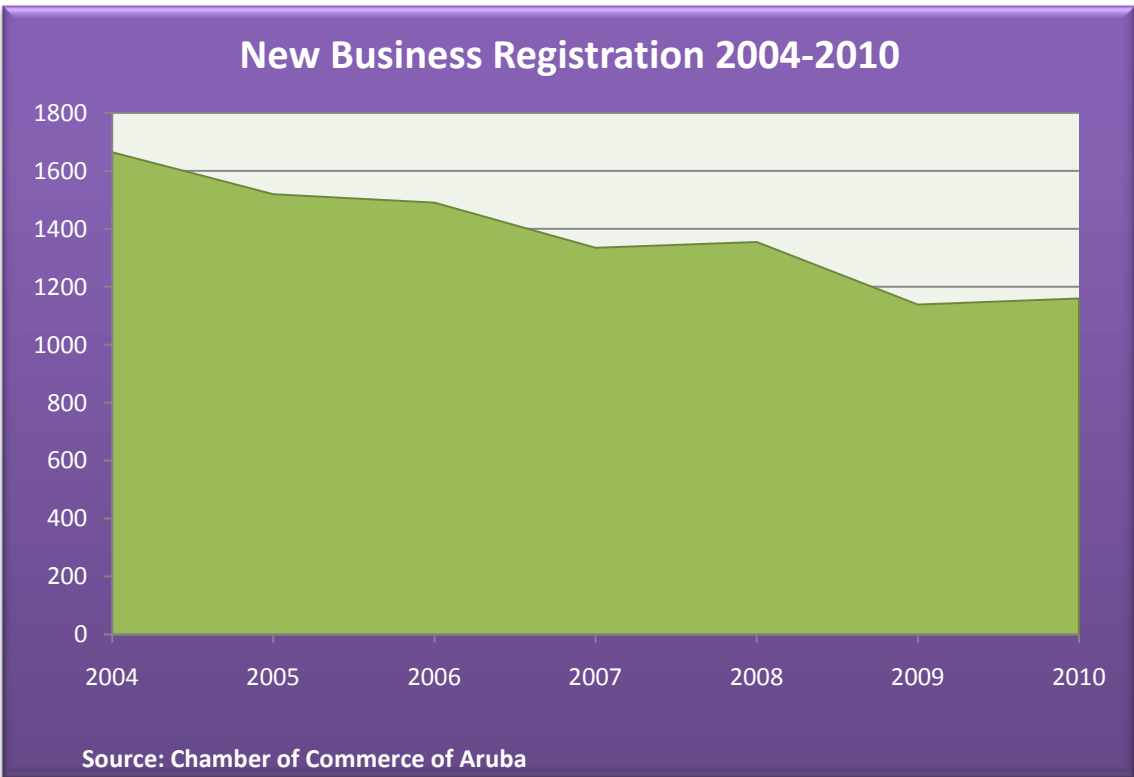
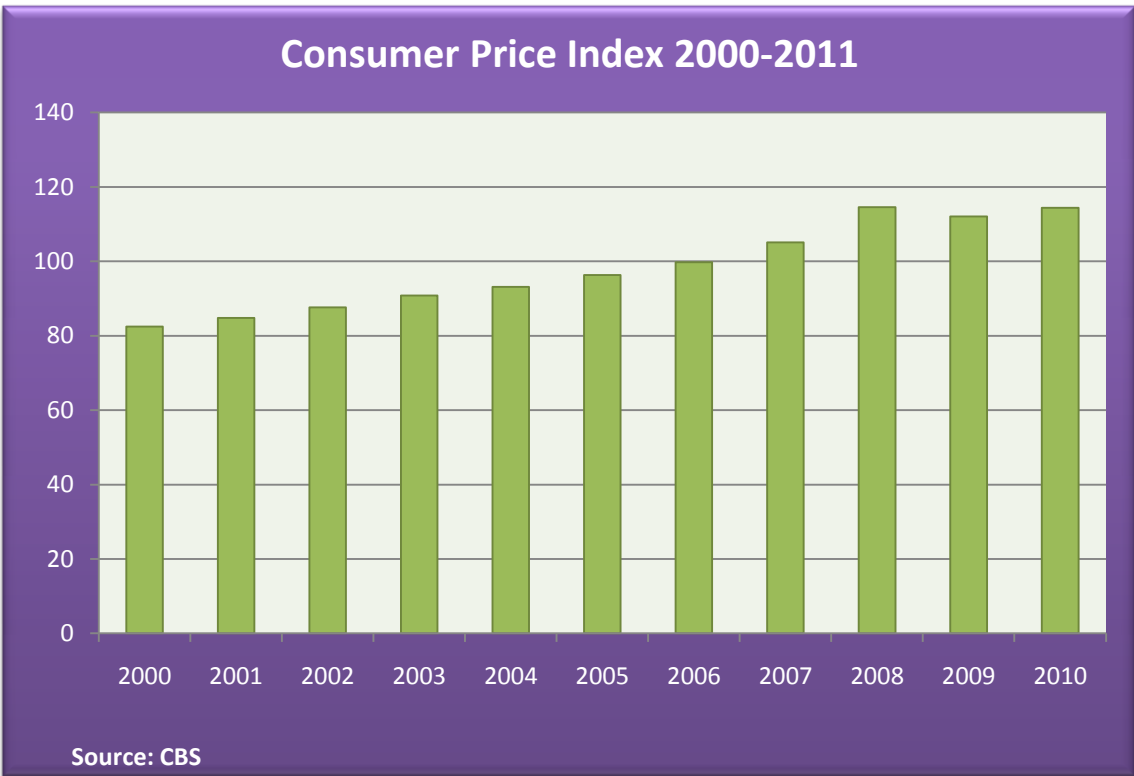


### Labor Participation Rate by Gender 1960-2007



### Index of aging





## ANNEX B

The Economic Policy Framework focuses on:

Multiple **lines of action** and different stakeholders, including consumers, business, investors and government. These lines of action address addresses four coordinated lines of economic development, covering:

- I. *Investment Promotion Policies*: How do we promote and stimulate (local/foreign) investments? How do we promote Aruba as a destination for international business and trade, and create new investment markets?
- II. *Business Growth*: How do we make sure that our businesses invest, markets grow, industries innovate, and our economy develops in a free, fair and fit(ing) manner? How do we enhance business productivity and workforce agility, and create new opportunities for employment and business?
- III. *Empowered Consumers*: How do we empower consumers to spend confidently and intelligently? How do we increase consumer confidence? How do we create awareness amongst consumers? How do we develop 'inclusive growth' which cuts across genders and generations?
- IV. *National Innovation & Competitiveness*: In support of the foregoing lines of economic action, how do we captivate, create and catalyze innovation across all sectors and industries, intelligently and sustainably? How do we improve our innovation and competitive resilience in meeting the challenges of the 21<sup>st</sup> century? How do we develop excellence in entrepreneurship?

Multiple **levels of development**, including macro-economic conditions, industry activities, (micro-economic) business environments, including the creation of economic value, covering three stages of development as we move from economic policies to economic practices and activities towards producing sustainable economic value. The levels of economic development cover:

- V. *Economic Policies*: Focuses on building strong institutions & infrastructures (legal, knowledge & physical). What sort of institutional and (legal) infrastructures do we need to enable economic development? What are the macro-economic basics for sustainable economic development? What economic *policies* need to be developed and coordinated across the different lines of economic actions and actors, include government, investors and investment promotion, business and entrepreneurs, and consumers and citizens?
- VI. *Economic Activities*: Focuses on strategic investments & competitive markets (financial, services & labor markets), and the (actual) commercial and business transactions and industry practices. How do we create productive industries and new markets? What economic *activities* need to be developed and coordinated across the different lines of economic actions and actors, include government, investors and investment promotion, business and entrepreneurs, and consumers and citizens?
- VII. *Sustainable Economic Value*: Focuses on value-realization (for business and consumers) through economic innovation & business entrepreneurship. How do we realize a knowledge-driven entrepreneurial economy? What is the economic *value*-added across the different lines of economic actions and actors, towards the creation and realization of the green gateway and a knowledge-driven entrepreneurial economy?