PROPOSITION

A STRONGER RELATIONSHIP WITH THE EUROPEAN UNION MAY IMPROVE CURACAO'S SOCIAL AND ECONOMIC PERFORMANCE ONLY IF THE CURRENT ECONOMIC WEAKNESSES ARE ADDRESSED ACCORDINGLY.

CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN

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A stronger relationship with the European Union may improve Curacao's social and economic performance only if the current economic weaknesses are addressed accordingly

Introduction

Over the past two decades, the economic performance of Curaçao has been poor. Real GDP contracted on average by 1.1% per year between 2001 and 2019. In addition, due primarily to the lingering effects of the deep economic crisis in Venezuela, the economy of Curaçao has remained in a recession since 2016. The situation was aggravated further by the closure of the refinery at the end of 2019 and the outbreak of the COVID-19 pandemic that resulted in an unprecedented economic contraction of 19.3% in 2020.

Against this background, unemployment has remained elevated since the year 2000 and peaked at 19.1% in 2019. Meanwhile, the last Population and Housing Census that was conducted in Curaçao in 2011 indicated that 25.1% of households live under the poverty line while income inequality is relatively high. Given the economic recession that the country has been going through lately, most probably the social conditions have worsened further over the past couple of years.

Oftentimes, it is suggested that a stronger relationship with the European Union (EU) may improve Curaçao's economic performance and social conditions. At present Curaçao enjoys, as part of the Kingdom of The Netherlands, a special association with the EU. Curaçao belongs to the group of Overseas Countries and Territories (OCTs) that do not form part of the EU but cooperate with the Union through the OCT association. Besides the OCTs there are overseas territories who do form an integral part of the EU and its single market, the so-called Outermost Regions (ORs). Hence, the ORs have a stronger relationship with the EU. In this analysis, the development of economic indicators of a selection of OCTs including Curaçao is compared to that of some ORs to assess whether a stronger relationship with the Union, ceteris paribus, results in a better economic position. The analysis is conducted for the period 2000 – 2019. The COVID-19 pandemic caused a deep economic contraction across all the countries included in the analysis. Consequently, the year 2020 was excluded from the analysis as it may provide a distorted picture of the economic development over time.

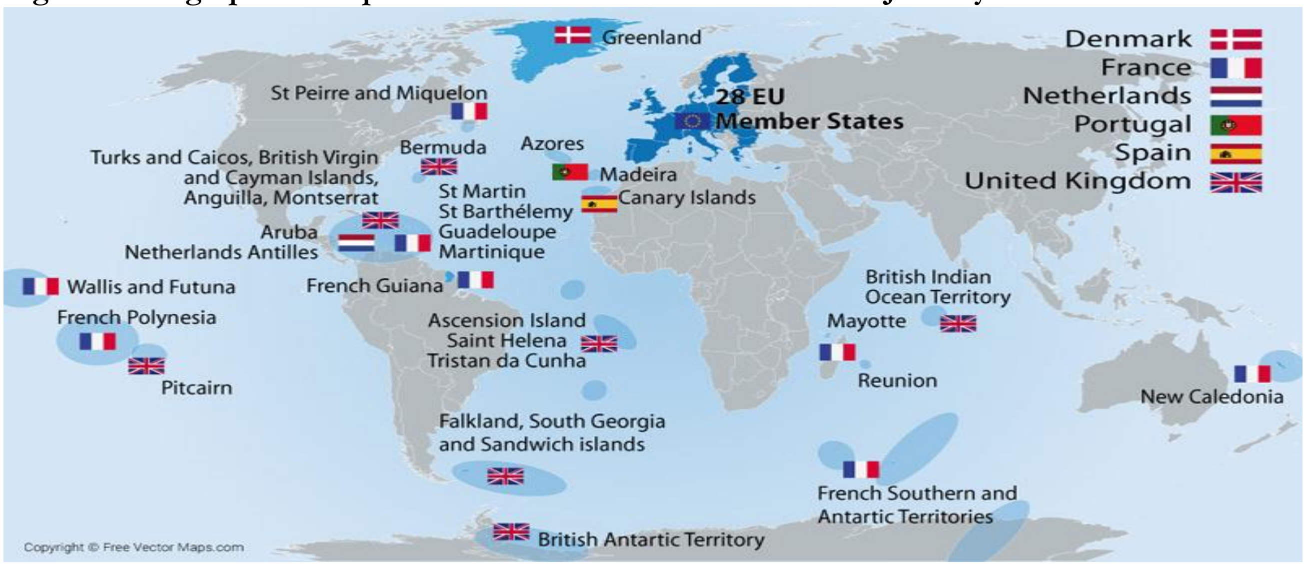
The European Union overseas territories: ORs and OCTs

The EU includes 22 overseas territories linked to five Member States (France, The Netherlands, Denmark, Spain, and Portugal) which, for historical, geographical, or political reasons, enjoy special status within or outside the EU. Nine of these territories are classified as Outermost Regions (ORs) and 13 form the group of Overseas Countries and Territories (OCTs).[1] The Crown Dependencies and Overseas Territories of the United

[1] The ORs are French Guiana, Guadeloupe, Martinique, Mayotte, Reunion Island and Saint-Martin (France), Azores and Madeira (Portugal), and the Canary Islands (Spain). The OCTs are Aruba, Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten (Netherlands), French Polynesia, French Southern and Antarctic Territories, New Caledonia, Saint Barthélemy, St. Pierre and Miquelon (France), and Greenland (Denmark).

Kingdom used to be part of the OCTs. However, with the departure of the United Kingdom from the EU on January 2020, the British territories lost their special status with the EU.[2]

Figure 1: Geographical map with EU Overseas Territories before January 2020



Source: Europa.eu

The Outermost Regions (OR) are territories forming part of a member state of the EU but located at a significant distance from mainland Europe. One common characteristic of the ORs is the small size of their economies. As a result, the ORs have small domestic markets with a greater tendency to monopolistic structures in production and trade. Also, domestic natural resources and labor supply are scarce in the ORs while the export base tends to be small with little economic diversification. Furthermore, the ORs have a high degree of openness to trade with particularly a high import ratio to GDP. Other characteristics these territories share are their remoteness and insularity combined with a high susceptibility to natural disasters including earthquakes, cyclones, and tsunamis.

All rights and obligations of the European Treaties apply fully to the ORs. To help these territories deal with the challenges they face because of their specific characteristics, including small size, remoteness, vulnerability to natural disasters, and small export base, certain specific EU measures and derogations in EU legislation are, applicable to them. Among other things, fiscal, customs, trade, free-zone, agriculture, and fishery policies of the EU have been adjusted to the territories' specific situation.

For example, in the area of customs and taxation, the French ORs are allowed to apply a rate of excise duty that is lower than the minimum excise duty according to the EU Directive but not more than 50% lower than

[2] Anguilla, Bermuda, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, Montserrat, Pitcairn, South Georgia and South Sandwich Islands, Saint Helena, Ascension Island, Tristan da Cunha, Turks and Caicos Islands.

the standard national excise duty on alcohol.[3] The aim of this exception is to compensate for the higher production cost of traditional rum in the French ORs and guarantee market access to the French mainland, which is their main market outlet. In addition, while the EU law does not generally allow difference in taxation between local products and products imported from Member States, there are EU derogations for the French, Spanish and Portuguese ORs. Guadeloupe, Martinique, French Guiana, Réunion charge the so-called Octroi de Mer or Dock Dues on the imports of products, irrespective of their origin, and to supplies of goods for consideration by persons engaged in production activities. Meanwhile, the Canary Islands is allowed to differentiate in the rates of the AIEM[4] tax benefiting the local production of some products. Portugal is authorized to apply a reduced rate of excise duty in Madeira and the Azores on locally produced and consumed rum and liqueurs.

In the area of fishery, the specific situation of the ORs is considered in the new Common Fisheries Policy that the EU adopted in 2013. The policy allows protecting the fishing communities in the ORs by establishing an exclusive access zone up to 100 nautical miles from the baseline of ORs. In these zones, until 31 December 2022, the Member States can restrict fishing activities to vessels registered in the ports of these territories and to vessels that traditionally fish in those waters.

The ORs benefit particularly from the EU's Cohesion or Regional Policy that is aimed at improving the economic well-being of regions in the EU and prevent regional disparities. Under the Cohesion Policy, the ORs receive financial support and subsidies from the EU Structural and Investment Funds. The EU Structural and Investment Funds are the European Regional Development Fund, the Cohesion fund and the European Social fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. The ORs also benefit from financial instruments and specific measures in the areas of fishery, agriculture, regional integration and cooperation. For example, between 2014 and 2020, the EU allocated in total EUR 13.8 billion to the ORs under the EU Structural and Investment Funds.

Table 1 shows the total EU Structural and Investment Funds' disbursements in a selection of ORs over the period 2014 – 2018 both in millions of euros and as share of GDP. The table also includes the execution rate of the EU funds, which as calculated as the ratio between the EU funding disbursed and the total EU funds that were initially allocated to an OR for the period 2014 - 2018. A comparison of the execution rate of the selected ORs indicates that the smaller ORs may have faced challenges with implementation capacity regarding the programs that are eligible for EU support.

[3] EU Council Directive 92/84/EEC.

[4] The Arbitrio sobre Importaciones y Entregas de Mercancias (AIEM tax) is an indirect state tax levied in a single stage on the supplies of goods in the Canary Islands.

Table 1: EU fund disbursements to a selection of ORs between 2014 - 2018

ORs	EU funding disbursed (2014-2018)	Average yearly share of EU funding disbursed in GDP (2014-2018)	Execution rate of EU funds (2014-2018)[1]
Canary Islands	EUR 1.010 million	0.5%	93.2%
Guadeloupe	EUR 406 million	0.9%	55.6%
Martinique	EUR 327 million	0.8%	56.7%
French Guiana	EUR 320 million	1.6%	78.6%
Azores	EUR 788 million	3.9%	71.9%
Madeira	EUR 342 million	1.5%	75.1%

Source: Eurostat

The overseas countries and territories (OCT) are dependent territories that have a special relationship with one of the member states of the EU. OCTs share similar characteristics as ORs, i.e., small size, openness to trade, little economic diversification, small export base, remoteness and insularity, and proneness to natural disasters, making them also vulnerable to external shocks.

Most OCTs form part of the Overseas Countries and Territories Association (OCTA) which was created to improve economic development and cooperation between the OCTs and the EU. The OCTA serves as a platform through which the OCTs realize their common goals by working collectively through cooperation, policy dialogue, promotion of common positions and partnerships for the sustainable development of OCTs. OCTs enjoy resources allocated under the European Development Fund (EDF) along with provisions for economic and trade cooperation, including a non-reciprocal trade regime allowing the OCT to export to the EU all products originating within the OCT free of duty and free of quota.

The 2013 Overseas Association Decision allocated the overall amount of € 364.5 million for the OCTs (excluding Greenland) under the 11th EDF for the 2014-2018 period consisting of funds for regional cooperation and integration, humanitarian and emergency assistance, assistance for fluctuations in export earnings, studies, and technical assistance.

Table 2 shows the EU funds disbursements to a selection of OCTs between 2014 and 2018 in millions of euros and as share of GDP. In this table also the execution rate is calculated as the ratio between the EU funds disbursed and the total EU funds allocated to an OCT. Over the period 2014 – 2018 no EU funds were allocated to Cayman Islands and Bermuda as their per capita GDP exceeded the threshold for EU support.[5] Also, the execution rate of Turks and Caicos was above 100% as the EU fund disbursed exceeded the amount of funds that was initially allocated for Turks and Caicos. Meanwhile, the execution rate of Curaçao and Sint Maarten was quite low. Hence, it could be that both countries lacked the implementation capacity to spend the EU funds that were allocated to them. Also, OCTs have experienced bureaucratic delays in drawing down EDF funds that were initially allocated to them due to among other things complex EU procedures.

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[5] OCTs with a per capita GDP above the EU average are not eligible for EDF funding.

Table 2: EU fund disbursements to a selection of OCTs between 2014 - 2018

OCTs	EU funding disbursed (2014-2018)	Average yearly share of EU funding disbursed in GDP (2014-2018)	Execution rate of EU funds (2014-2018)
Aruba	EUR 7.0 million	0.052%	75.1%
Bermuda	EUR 0.0 million	0.000%	0.0%
Cayman Islands	EUR 0.0 million	0.000%	0.0%
Turks and Caicos Islands	EUR 21.4 million	0.527%	205.2%
Curaçao	EUR 0.3 million	0.003%	1.8%
Sint Maarten	EUR 0.1 million	0.002%	2.0%

Source: Annual Report of the European Community's Development Policy and the Implementation of External Assistance of the years 2000 – 2020

Implications of a transition from OCT status to OR status

When considering the status of Curaçao many argue that a transition to the OR-status may have beneficial effects on the economy of the island. In theory, a transition to an OR-status may imply the following changes for Curaçao:

- The Acquis Communautaire (the accumulated legislation, legal acts and court decisions that constitute the body of European Union law) will be applicable to Curaçao, even though some exceptions may apply.
- Under the EU Cohesion Policy, Curaçao will be eligible for financial support and subsidies from several EU funds, including the European Regional Development Fund, the Cohesion Fund and the European Social fund. Also, other financial instruments may be applicable for Curaçao.
- The EU trade regime will be introduced.
- Restrictions on the movement of people from the EU will have to be abolished.
- The euro may be introduced as legal tender.

First, adopting EU legislation will have implications for the economic, environmental and social policies being presently applied in Curaçao. Adoption of the EU economic legislation will involve changing the current Curaçao policies in the areas of trade, investment, and competition policies. One possible positive result of adopting EU economic legislation is that the country will become more attractive for European companies wishing to expand their businesses in the Caribbean and Latin American markets. Hence, foreign direct investments from Europe into Curaçao will most likely increase. However, adoption of the EU economic legislation includes also introducing the European quality requirements for products. This could be a very time-consuming process and, therefore, very costly to implement. Meanwhile, adopting EU social protection and environmental rules will ensure a high level of social and environmental protection, but could also have negative consequences for the country's competitiveness.

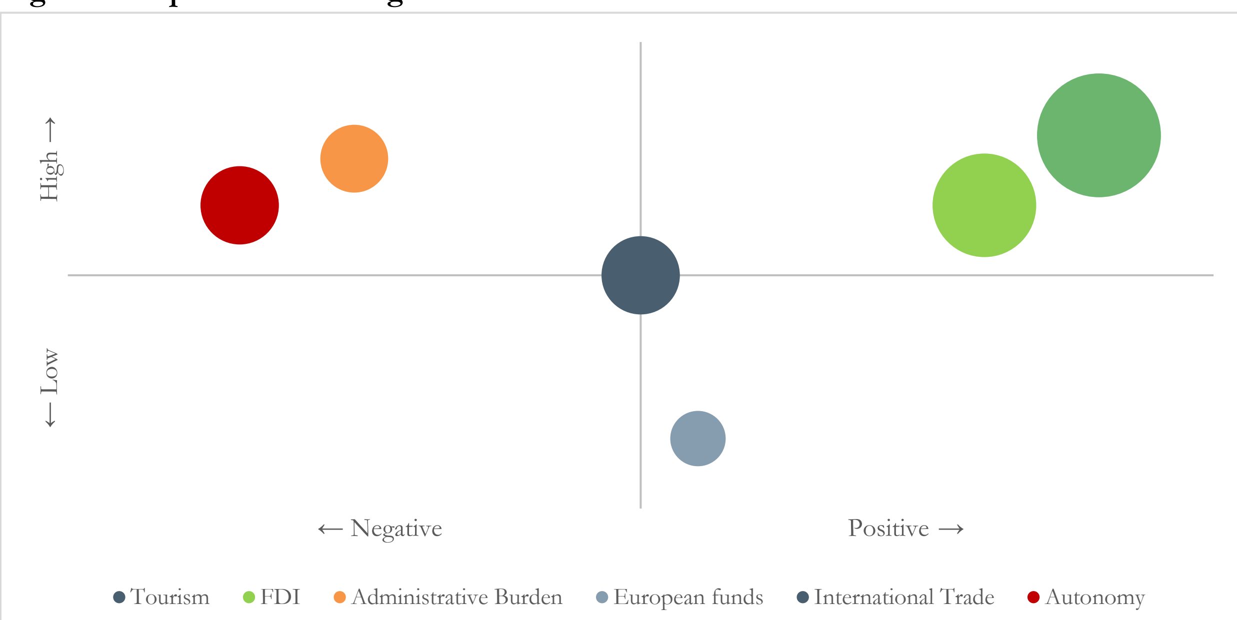
Second, under the EU Cohesion Policy, Curaçao would qualify for European financial support and subsidies, but the extent thereof will have to be determined when negotiating the OR agreement. Third, the OR-status also entails Curaçao becoming part of the EU as a customs union. This will have consequences for the country's trade and fiscal policies. Specifically, the customs union will restrict the country's ability to levy tariffs (i.e., import duties) on import products from the EU. In practice, this means that imported products from Europe will become cheaper for local consumers, but the Curaçao government will lose tax revenues. Also, opting for a OR-status will imply changes for international economic and financial relations resulting in the loss of the ability of Curaçao to adopt its own international trade policy. An independent affiliation for example, with the CARICOM or the FTAA will no longer be possible.

Fourth, current restrictions on movement of people from the EU will need to be eliminated. Consequently, moving towards an OR-status may lead to an increase in the number of European high-skilled workers and retirees moving to Curaçao.

Finally, the institutional change from the OCT arrangement to the OR arrangement may result in Curaçao joining the Economic and Monetary Union (EMU) and ultimately adopting the euro as legal tender. Adoption of the euro as legal tender will result in more exchange rate stability towards euro countries but more volatility towards the USA, the country's main trading partner. Also, volatility towards the South American and Caribbean economies will increase as the trade within the region is primarily done in US dollars. Hence, the adoption of the euro as legal tender will lead to a more vulnerable economy due to euro-dollar exchange rate fluctuations, which will affect financial transactions, the investment climate, and competitive relations.

Figure 2 summarizes the possible impact of further integration into the EU for Curaçao in a matrix. Specifically, the effect on the tourism sector, international trade, the inflow of FDI, administrative burden, European funds, environmental protection, and autonomy. On the horizontal axis, it is depicted whether the impact will be negative or positive. Meanwhile, the vertical axis indicates the extent of the effect, i.e., low or high.

Figure 2: Impact further integration into the EU



Source: CBCS estimates

Ultimately, the choice between OCT or OR-status is primarily a political one, which cannot solely be resolved based on a simple pros and cons analysis. It is a fundamental choice between taking over an extensive system of EU law or preserving autonomy; between joining forces with the EU or maintaining flexibility in external relations; between joining the European market and customs union or further developing trade relations with partners in the Western Hemisphere.

Economic performance of ORs and OCTs

The economic performance of a selected group of ORs and OCTs is compared for the period 2000 – 2019. The objective of this comparison is to assess whether there is a link between the economic performance of an EU overseas territory and the type of association (OR or OCT) that this territory has with the EU.

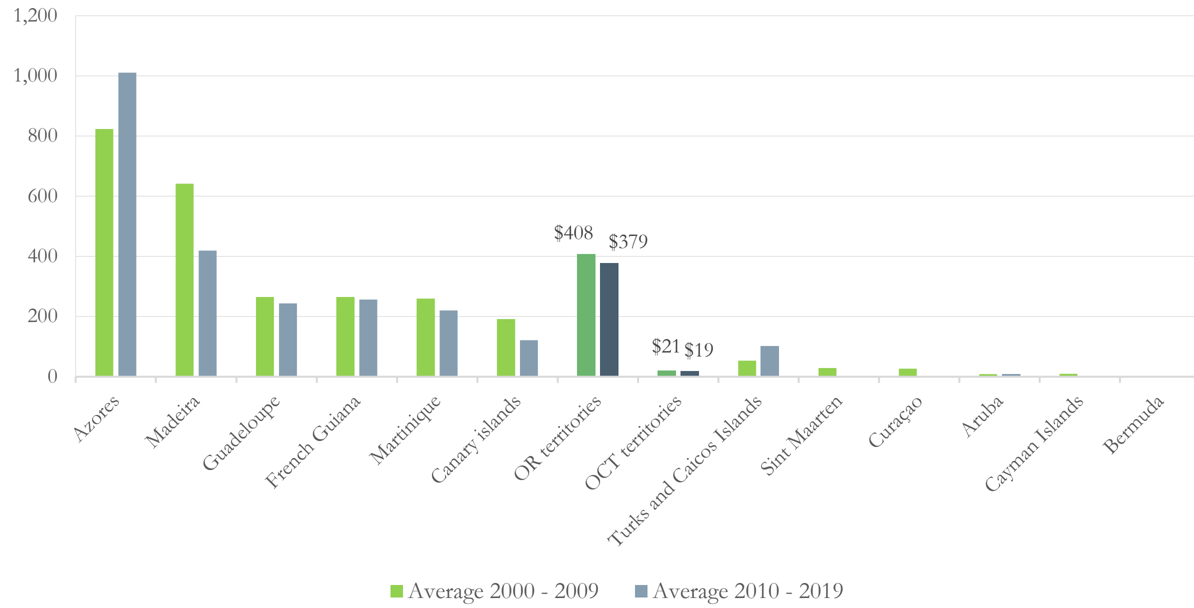
To this end, the economic performance of a selection of ORs is compared to a group of OCTs, including Curaçao. The selected ORs are Canary Islands, Guadeloupe, Martinique, French Guiana, Azores and Madeira, while the OCTS included in the analysis are Curaçao, Aruba, Sint Maarten, Bermuda, Turks & Caicos Islands and Cayman Islands. It should be noted, however, that with the departure of the United Kingdom from the EU, Bermuda, Turks & Caicos and Cayman Islands do no longer have a special association with the EU. These islands were nevertheless included in the analysis since it is limited to the period 2000 – 2019.

The selection was based primarily on geographical location. The selected territories are all located in either the Caribbean or Europe. Data availability for the selected period was also an important selection criterion. Furthermore, territories that changed their special status between 2000 – 2019 were excluded from the selection. An example of such a territory is Saint Barthélemy that transitioned from an OR to an OCT in 2012. Except for Canary Islands, all the selected territories have a population of 250.000 or less. In addition, apart from French Guiana[6] and Azores, all the selected territories are tourism-dependent economies. The 20-year period is broken down into two 10-year subperiods, i.e., 2000 – 2009 and 2010 – 2019, as the international financial crisis could have affected the growth path in the territories.

In Figure 3, the average EU support per capita per year over the periods 2000 – 2009 and 2010 - 2019 is depicted. Not surprisingly, the average EU support per capita per year was considerably higher for the ORs compared to the OCTs. As mentioned before, as an integral part of the EU, the ORs are eligible to all the support and subsidies under the EU Cohesion Policy.

[6] The Aerospace sector (i.e., the French Guiana and European space center), fishery and forestry are the main economic pillars of French Guiana. Meanwhile, agriculture (production of beef and milk) is the main economic pillar of Azores.

Figure 3: Average EU support per capita per year in US$[1]



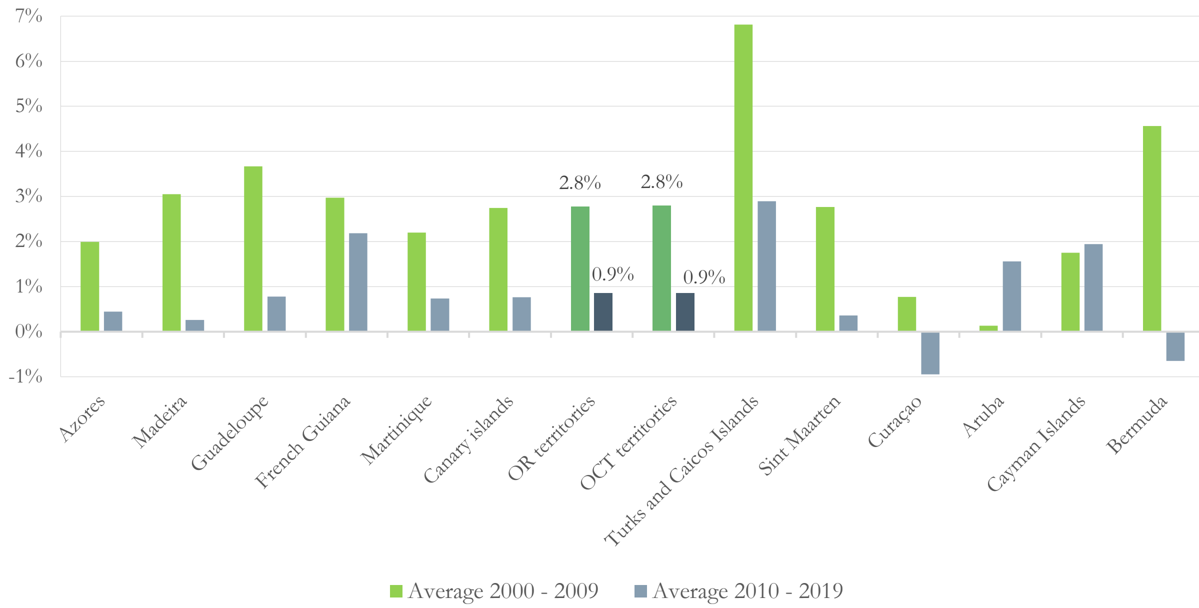
Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories

[1] Note that the euro-dollar exchange rate of 2019 is used for the conversion of euros into dollars over the period 2000 – 2019 to minimize the effect of fluctuations of the euro-dollar rate

The average EU support per capita for the group of OR territories dropped in the 2010 – 2019 period compared to 2000 – 2009 period by approximately 8.0%. The EU support per capita dropped in all the ORs, except the Azores. For the group of OCTs, the average EU support per capita remained practically unchanged between 2000 – 2009 and 2010 – 2019. Among the OCTs, Turks & Caicos was the territory that on average received the most EU support per capita between 2000 and 2019. Meanwhile the Cayman Islands and Bermuda received hardly any support as their GDP per capita exceeded the threshold for EDF support. OCTs with a GDP per capita above the EU average are not eligible for EDF funding.

Figure 4 shows the average real GDP growth in the selected OR and OCT territories during the periods 2000 – 2009 and 2010 – 2019 respectively. The average growth rates of the OR territories and the OCT territories seems to be similar over the two subperiods. In both the ORs and OCTs the average real GDP growth slowed down from 2.8% during the period 2000 – 2009 to 0.9% between 2010 and 2019. Hence, despite that on average the ORs received significantly more financial support from the EU than the OCTs, the real GDP growth was similar.

Figure 4: Average real GDP growth in ORs and OCTs

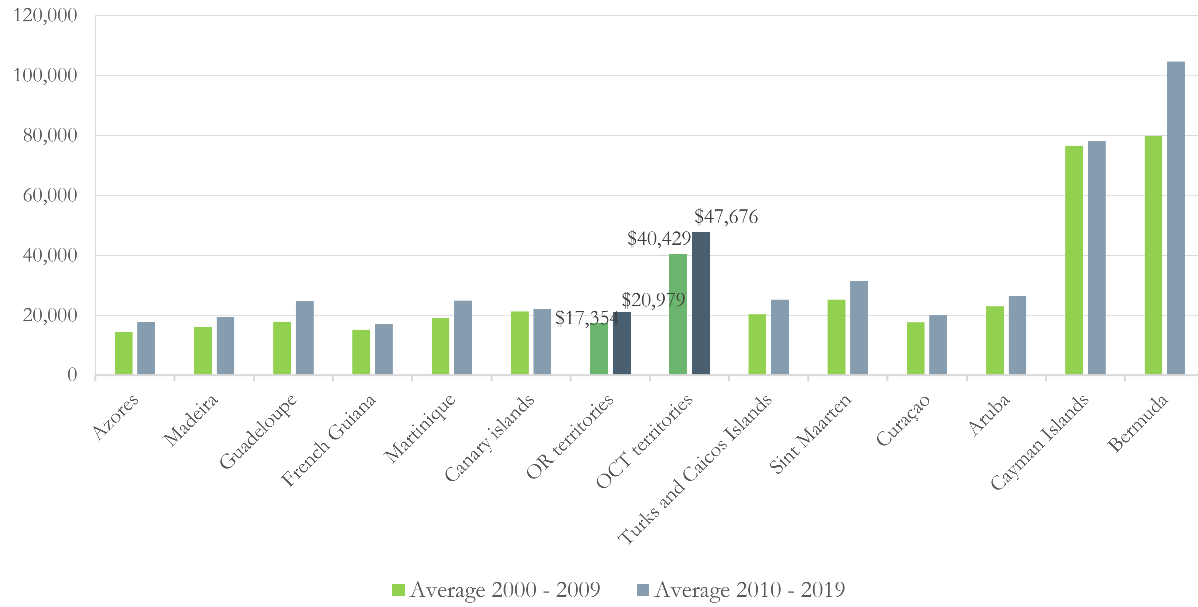


In all the ORs, the average pace of real GDP expansion decelerated over the period 2010 – 2019 compared to 2000 – 2009. The economic slowdown was the most pronounced in Guadeloupe, Madeira, and Azores. The lower average pace of expansion in Madeira and Azores could be ascribed to the financial and sovereign debt crisis that Portugal experienced between 2011 – 2014 which impacted the two Portuguese territories negatively.

Within the group of OCTs, the average pace of expansion accelerated in Aruba and Cayman Islands in 2010 - 2019 compared to 2000 – 2009. Meanwhile, the average real GDP growth turned negative in Curaçao and Bermuda in 2010 -2019 following positive growth figures in the previous ten-year period. In particular, the economic performance of Bermuda worsened considerably. The latter can be largely ascribed to the six-year recession that Bermuda experienced due mainly to the sizeable emigration of highly paid expatriates during the international financial crisis that resulted in a considerable decline in domestic demand both in terms of consumption and investments. The average pace of expansion slowed down in all other OCTs between 2010 – 2019 compared to 2000 – 2009.

Figure 5 shows the average GDP per capita for the years 2000 – 2009 and 2010 – 2019. The GDP is expressed in current prices. On average, the GDP per capita was significantly lower in the group of OR territories compared to the group of OCT territories.

Figure 5: Average GDP[1] per capita in ORs and OCTs in US$



Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories
[1] GDP per capita levels are in current prices due to a lack of consistent real GDP data for European territories. Therefore, comparison among territories should be interpreted with caution across time periods

However, the GDP per capita improved among the ORs over the period 2010 -2019 compared to the period 2000 – 2009. All ORs recorded a higher GDP per capita, but the increase was more pronounced in Guadeloupe and Martinique.

The significantly higher GDP per capita of the OCT group is caused by the significantly relatively high GDP of Cayman Islands and Bermuda due primarily to the relatively large international financial services in these two territories. Without the Cayman Islands and Bermuda, the average GDP per capita of the OCT group would have been US$21.544 between 2000 – 2009 and US$25.826 between 2010 – 2019. Hence, even though the gap with the ORs is then smaller, the GDP per capita is till higher in the group of OCTs. All the OCTs recorded a higher GDP per capita in 2010 – 2019 compared to 2000 – 2009, but the increase was more pronounced in Bermuda.

In Figure 6, the average unemployment rate in ORs and OCTs is presented for the periods 2000 – 2009 and 2010 – 2019.[7] While the average unemployment rate increased in the group of ORs in the period 2010 – 2019 compared to 2000 – 2009, it remained practically unchanged in the group of OCTs. Also, the average unemployment rate in the group of ORs is higher than in the group of OCTs.

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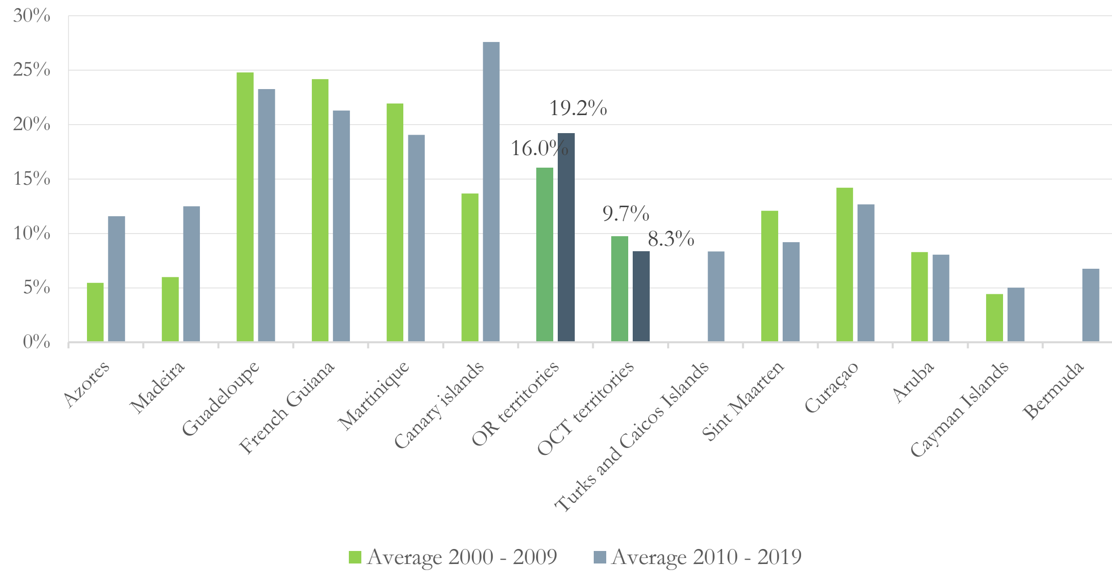
[7] It should be noted that no unemployment figures were available for Turks & Caicos and Bermuda for the period 2000 – 2009. Therefore, for consistency reasons, both territories were excluded from the calculation of the average unemployment rate of the OCTs in both 2000 – 2009 and 2010 – 2019.

Figure 6: Average unemployment rate in ORs and OCTs



Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories

Within the group of ORs, the average unemployment rate of particularly the Canary Islands, Azores and Madeira increased drastically over the period 2010 – 2019 compared to 2000 – 2009. This could be related to the repercussions that the international financial crisis followed by the debt sovereign crisis had on the economies of Spain and Portugal. The Canary Islands have strong economic ties with Spain while Azores and Madeira have strong links with Portugal. Meanwhile, even though the average unemployment rate in Guadeloupe, French Guiana and Martinique dropped slightly between 2010 – 2019 and 2000 – 2009, it remained elevated. On average more than 20% of the labor force of these French territories were unemployed per year. This could be ascribed to the high level of structural unemployment (skill mismatch between demand and supply on the labor market) combined with high brain drain of skilled workers to France, that characterizes these territories.

Meanwhile, within the group of OCTs, the average unemployment rate remained practically unchanged in Aruba and decreased slightly in Sint Maarten and Curaçao. The Cayman Island recorded by contrast a slight increase in the average unemployment rate. Hence, it seems that even though the ORs received significantly more EU support than the OCTs, the situation on the labor market has worsened over time. Also, the situation on the labor market is considerably worse in the ORs than in the OCTs.

Table 3 presents the correlations between economic performance (real GDP growth and Real GDP per capita) and disbursed EU support for the period 2000-2019 for each territory. The results suggest that EU support does not seem to have a positive correlation with neither economic performance indicators for ORs and OCTs since most correlations for the territories are relatively low or even negative. However, the more significant correlation between real GDP growth and EU support for Azores (-0.7148) and to a lesser extent for Cayman Islands (-0.5622) might suggest that territories receive more additional EU support when economic performance is at its lowest. On the other hand, these correlations are not consistent with the other indicator for economic performance (real GDP per capita) which makes these results less reliable.

Table 3: Correlations for economic performance and EU support

Correlations	Real GDP growth x EU support	Real GDP per capita x EU support
Canary Islands	-0.0524	0.4606
Guadeloupe	-0.1674	-0.1085
Martinique	0.3137	-0.0258
French Guiana	-0.0999	-0.2089
Azores	-0.7148	0.0026
Madeira	0.0143	-0.1827
Aruba	0.3087	0.0820
Cayman Islands	-0.5622	-0.0715
Turks and Caicos Islands	-0.0418	0.0439
Curaçao	0.0564	0.2801
Sint Maarten	0.0056	0.1881

Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories

Conclusion

A stronger relationship with Europe by transitioning from an OCT status to an OR status may have some benefits for Curaçao, including more inflows of foreign direct investments from Europe and higher level of social and environmental protection. In addition, Curaçao will, through the European Cohesion policy become eligible to more EU support and subsidies. The latter is often mentioned as one of the main benefits of a stronger relationship with Europe i.e., more EU support and subsidies will result in a better economic performance, ceteris paribus.

In this note, the economic performance of a selected group of ORs and OCTs was analyzed for the period 2000 – 2019. The analysis shows that despite stronger financial support from the EU, the economic performance in terms of average real GDP growth of the group of OR territories does not differ substantially from the group of OCTs. In addition, the standard of living in the OCTs as indicated by the real GDP per capita tends to be higher than in the ORs even though there was some catching up of the ORs. This is also the case when the Cayman Islands and Bermuda, two OCTs with an exceptional high real GDP per capita are excluded from the sample of countries. In addition, the average unemployment rate in the ORs is relatively higher than in the OCTs and has even increased between 2000 – 2009 and 2010 – 2019.

The present analysis shows that extensive financial support and subsidies from a donor (in this case the EU) does not guarantee better economic performance. In fact, reports of the EU indicate that several of the economies of the ORs have structural weaknesses that need to be addressed. The relative high unemployment rate, particularly among the youth, is in all the ORs that are included in this analysis ascribable to insufficient education and training of the workforce due to among other things early school leaving. Furthermore, in all the ORs included in the analysis the size of the public administration sector (including education, health and social services) is high, with a large proportion of public employment. Also, Martinique specifically lacks the infrastructure to develop the tourism product while French Guiana still needs to develop basic infrastructure including water, waste management systems, transport, education and health facilities. Curaçao shares several of these weaknesses particularly the structural unemployment due to skills mismatch between labor demand and supply, and a large public administration sector that results in inefficiencies. Therefore, in line with the presented proposition it can be concluded that a stronger relationship with the European Union may improve Curacao's social and economic performance only if the current economic weaknesses are addressed accordingly.

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Appendix

Table 4A. Indicators of ORs vs OCTs over the period 2000 - 2009

	Average EU support as share of GDP	Average real GDP growth (%)	Average nominal GDP per capita in US$	Unemployment rate (%)
OR territories (average)	2.559	2.7	17.354	16.0
Azores	5.776	2.0	14.469	5.5
Madeira	4.126	3.0	16.175	6.0
Guadeloupe	1.489	3.7	17.836	24.8
French Guiana	1.716	3.0	15.197	24.2
Martinique	1.341	2.2	19.119	21.9
Canary Islands	0.904	2.0	21.330	13.7
OCT territories (average)	0.098	2.5	40.429	9.7
Turks and Caicos	0.256	5.2	20.303	n.d.
Sint Maarten	0.119	2.8	25.196	12.1
Curaçao	0.160	0.8	17.682	14.2
Aruba	0.041	0.1	22.995	8.3
Cayman Islands	0.014	1.7	76.600	4.4
Bermuda	0.000	4.6	79.796	n.d

Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories

Table 4B. Indicators of ORs vs OCTs over the period 2010 – 2019

	Average EU support as share of GDP in US$	Average real GDP growth	Average nominal GDP per capita in US$	Unemployment rate
OR territories (average)	2.010	0.9	20.979	19.2
Azores	5.825	0.4	17.796	11.6
Madeira	2.227	0.3	19.331	12.5
Guadeloupe	1.007	0.8	24.656	23.3
French Guiana	1.545	2.2	17.056	21.3
Martinique	0.893	0.7	24.960	191
Canary Islands	0.563	0.8	22.077	27.6
OCT territories (average)	0.095	0.9	47.676	8.7
Turks and Caicos	0.525	2.9	25.258	8.1
Sint Maarten	0.001	0.4	31.489	9.2
Curaçao	0.002	-0.9	20.022	12.7
Aruba	0.042	1.6	26.535	8.1
Cayman Islands	0.000	1.9	78.069	5.0
Bermuda	0.000	-0.6	104.685	6.8

Source: CBCS estimates, WorldBank, Eurostat, and National Statistical Offices of the territories