

DOING BUSINESS WITH CURAÇAO



May 2007

Caribbean Export Development Agency
P.O.Box 34B, Brittons Hill
St. Michael
BARBADOS
Tel: 246-436-0578; Fax: 246-436-9999
E-mail: info@carib-export.com
Website: www.carib-export.com

TABLE OF CONTENTS

| | | |
|------|--|----|
| 1. | GENERAL INFORMATION..... | 3 |
| 2. | THE ECONOMY..... | 5 |
| 2.1 | Economic Data..... | 5 |
| 2.2 | Structure of the Economy | 5 |
| 2.3 | Prices and Income | 6 |
| 2.4 | Employment..... | 6 |
| 2.5 | Economic Outlook | 7 |
| 2.6 | Imports | 7 |
| 2.7 | Exports | 8 |
| 2.8 | Curacao – CARICOM Relations | 8 |
| 3. | GENERAL MARKETING FACTORS..... | 10 |
| 3.1 | Import and Distribution System..... | 10 |
| 3.2 | General Market Conditions..... | 11 |
| 3.3 | Payment System..... | 11 |
| 3.4 | Travel and Transportation..... | 11 |
| 4. | MARKET ACCESS..... | 13 |
| 4.1 | General Import Policy..... | 13 |
| 4.2. | Foreign Exchange Control | 14 |
| 4.3 | Labelling and Marking Requirements | 14 |
| 5 | INVESTMENT PROFILE..... | 16 |
| 5.1 | Foreign Investment Regime..... | 16 |
| 5.2 | Economic Free Zones | 17 |
| 6. | ESTABLISHMENT OF BUSINESSES | 19 |
| 6.1 | Establishing an Office..... | 19 |
| 6.2 | Work Permit Requirements..... | 19 |
| 6.3 | Intellectual Property..... | 19 |
| 7. | CULTURAL PRACTICES..... | 21 |
| 7.1 | Business Hours..... | 21 |
| 7.2 | Entry/Exit Requirements..... | 21 |
| | APPENDIX..... | 22 |

DOING BUSINESS WITH CURACAO

1. GENERAL INFORMATION

Official Name: Curacao

Area: 170 Square miles (444 square kilometers)

Capital: Willemstad

Climate: Tropical

Population: 138 000 (2006). Being the largest and most prosperous of the Netherlands Antilles, Curacao accounts for the majority of the population in the Netherlands Antilles. About 85 percent of the population on the island is of African descent. The remainder is made up of varying races and nationalities. These include Dutch, Portuguese, North Americans and people from other Caribbean islands and from Latin America, and Asia. It is also the home to a number of migrants.

Language: Dutch, Papiamentu, English, Spanish

Life Expectancy: 76 years (men) 79 years (women)

Literacy Rate: 98 percent

Economy: Oil Refining, Tourism, Offshore Financial Services, Wholesale and Retail, Manufacturing and Agriculture.

Geography: A Caribbean island, Curacao was colonized by the Netherlands. It is also part of the island chain of the Netherlands Antilles. The others consist of Bonaire, St. Eustatius and Saba. The Netherlands Antilles is an autonomous part of the Kingdom of the

Netherlands. Curacao, the largest of the islands, with a land area of 309 square miles, it is located to the north of Venezuela and lies to the southwest tip of the Caribbean island chain. It is generally a flat island although the southern parts contain the highest peak in the country. That is St. Christoffel which is 1 200 feet high. Curacao is 38 miles long and between three and nine miles wide.

Climate: The average temperature is 28 Degrees Celsius (76 Degrees Fahrenheit). Unlike the other countries of the Eastern Caribbean, Curacao does not experience high levels of rainfall. The island lies outside of the Atlantic Hurricane zone.

Religion: Roman Catholic is the main religion of Curacao. However, there are others that are present on the island: Anglicans, Muslim, Protestant, Baptist, Hindu, and Jewish.

Government: Government administration in the territory is guided by a political system which was put in place in 1954. This democratic system was derived from the European Parliamentary experience based on the Charter for the Kingdom of the Netherlands. It grants self government to the islands, as it relates to internal affairs. However, defense and foreign policy are the responsibility of the Government of the Netherlands. Aruba opted out in the 1980s. Every five years the population of the islands elects an Island Council that nominates a number of Commissioners. The Parliament consists of 21 seats, with 13 assigned to Curacao, three each to Bonaire and St. Maarten and one each to Saba and St. Eustatius. However, under a new political structure, Curacao and the other islands will

DOING BUSINESS WITH CURACAO

become separate countries effective from December 2008. This new political structure was formalized between the leaders of the four islands making up the Netherland Antilles and the Dutch Government in Holland.

Education: The education system in Curacao is highly developed. The system operates from kindergarden through primary, secondary and tertiary level. The standard is on par with other countries in the Caribbean and has been highly successful in training nationals to meet the requirements of the country. Higher education is provided by the University of the Netherland Antilles. There is also a Teachers Training College. The island has two universities and there is an accredited international school where children of foreign nationals attend classes.

Weights and Measures: Curacao uses the metric system.

Electricity: Electricity used is the 110-139 volts. You are also required to travel with your adapter/transformer for your laptop, cell phone and hairdryer.

Time Zone: Netherland Antilles time zone is four hours behind Greenwich Mean Time. The country therefore falls within the Atlantic Standard time zone.

Media

Newspapers

- La Prensa
- Amigoe

Television

- Tele Curacao

Radio

- Radio Hoyer
- Easy FM
- Dolphin FM

6.3 PUBLIC HOLIDAYS

| | |
|---------------------|-------------------|
| New Year's Day | January 1 |
| Carnival | February 22 |
| Good Friday | When due |
| Easter | When due |
| Queen's Day | April 30 |
| Labor Day | May 1 |
| Ascension Day | May 25 |
| Curacao Flag Day | July 2 |
| Antilles Day | October 21 |
| Christmas Eve day) | December 24 (half |
| Christmas Day | December 25 |
| Boxing Day | December 26 |
| New Year's Eve day) | December 31 (half |

2. THE ECONOMY

2.1 Economic Data

Table 1 – Economic Data 2006

| GDP | US \$4.0 Billion |
|--------------------|-----------------------------|
| Real GDP Growth | 0.8% |
| Tourism Growth | 5.0% |
| Unemployment | 14.7% |
| Youth Unemployment | 37.6% |
| Inflation | 3.0% |

2.2 Structure of the Economy

2.2.1 Tourism

Like many small islands across the Caribbean, tourism is one of the main economic sectors in Curacao. It has contributed significantly to economic growth and employment. Rising occupancy levels have helped to keep tourism and economic growth on a stable course. While 2001 was a significant year for the industry when long stay passenger arrivals numbered 1.14 million, other years have been important even if arrivals did not match those numbers. Figures on long stay arrivals in 2006 totaled 1.08 million. Cruise ship passenger arrivals peaked at 195 105 in 2003, declined the two following years before increasing to just under 100 000 in 2006.

2.2.2 Oil Refining

This is the principal industry in Curacao. This economic activity was created

following the discovery of oil in nearby Venezuela and the subsequent establishment of oil refineries on the island. Curacao is usually a hive of activity with oil tankers representing a number of international oil companies bringing to the country raw crude for processing into a number of finished products – gasoline, diesel, kerosene, and different grades of fuel used in different industries. From Curacao the finished petroleum products are transported to markets in the region, North America and Europe.

2.2.3 Financial Services

Curacao has built up an international reputation as a major domicile for international financial services firms. This industry has been built around a competent infrastructure comprising legal, accounting, telecommunications and regulatory services and a pool of trained multilingual workforce. The island has become a domicile for many USA Investment managers looking to create offshore investment funds.

Curacao boasts as well a highly developed commercial and investment banking system with the Central Bank at the apex of that system. Among the branches of international and regional banks are First Caribbean International Bank which operates across the Caribbean and RBTT Holdings Limited, a Trinidadian owned bank which is also present in jurisdictions in the Eastern Caribbean.

2.2.4 Wholesale and Retail.

These are two fully developed areas of the economy, which have helped to transform the island into a good location for shopping, especially for the cruise ship passengers visiting the island. Apart from specific

locations the country's international airport and seaports boast a number of retail establishments which provide duty free shopping for visitors. In addition, construction of new hotels and expansion to the country's international airport have led to more output within the wholesale and retail trade.

2.2.5 Agriculture and Fisheries

Although not as significant as the other key sectors, this segment of the national economy contributes to economic activity. Its contribution is about one percent. It is wide ranging and output includes vegetables, flowers, livestock (poultry, pigs and cattle) and fish. The sector is characterized by the small domestic market, labour intensiveness and extensive means of production. However, one of the strong points is the high quality products, including ornamental plants, which are readily accepted and embraced throughout the island. The sector faces competition from imports, but there remains confidence in the industry given that a number of products are supplied to the hotel industry. With hotel construction picking up the prospects appear bright for the sector.

2.2.6 Manufacturing.

The manufacturing sector consists of a number of small and medium sized enterprises. They are very relevant to the economy of Curacao in that they provide jobs and contribute to economic activity. Handicraft, small items, printing, souvenirs portraying historic Curacao items and some food and beverages make up the items manufactured. Approximately 4 000 persons are employed in manufacturing by the 300 plus companies in the industry. Although manufacturing faces competition from imports improved output is expected

given the demand from the hotel sector for indigenous products in both the construction and operational phases of the hotels.

2.3 **Prices and Income**

Although rising in recent years the general level of prices in Curacao has tended to be rather low in recent years. Overall consumer price inflation has averaged around 1.4 percent between 2001 and 2004. However, prices picked up in 2005 and 2006 on account of was almost four percent in 2005 and remained at a similar amount in 2006. This spike in prices stemmed from increasing oil prices and was reflected in the food and beverage index of the basket of goods used in compiling the Retail Price Index.

2.4 **Employment**

Out of a labour force of approximately 63 038, some 53 797 persons in Curacao were employed at the end of 2006. Unemployment numbered 9 241 persons or about 14.7 percent of the labour force. Government services accounts for the majority of the jobs followed by the tourism and the energy sectors. Over the years unemployment has tended to be high. This stemmed from business failures in the airline and manufacturing segments of the economy. However, it was only within the last two years (2005 and 2006) that unemployment has declined. In an attempt to ensure that more people find jobs the Government has intensified the training programmes for prospective employees while the minimum wage was increased. A system tightening up on the influx of foreign labour into the country has also been instituted.

DOING BUSINESS WITH CURACAO

Table 2 - Labour Market Indicators

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------|---------|---------|---------|---------|---------|
| Employment | 49 056 | 52 137 | 51 474 | 51 343 | 53 797 |
| Unemployed | 9 056 | 9 274 | 9 861 | 11 392 | 9 241 |
| Labour Force | 58 112 | 61 411 | 61 335 | 62 735 | 63 038 |
| Total Population | 127 893 | 130 191 | 132 207 | 135 474 | 138 027 |

Source: CBS Labour Market Survey.

2.5 Economic Outlook

The Federation of the Netherland Antilles is due to come to a close by December 15, 2008. As a consequence of this, the individual countries in the grouping will assume responsibility for a wider area of activities than is presently the case. The public debt, foreign affairs, and economic decision making will fall under the ambit of the island's administration. However, according to economic planners in Curacao the economic outlook appears very positive.

Investment in the tourism infrastructure continues to increase and the Government is expanding the local infrastructure in an attempt to attract more visitors to the island, and to create jobs. There was a major project expanding the country's international Airport while the construction of new hotels is taking place.

Invest Curacao, an organization involved in investment promotion, said that international financial services sector is being promoted to attract more foreign investment, while economic diversification is also underway

with emphasis being placed on manufacturing and agriculture.

The Governor of the country's Central Bank believes that these policies should lift economic growth beyond the average of one percent realized between 2001 and 2006.

One area of the public sector activity which needs to be improved going forward is the Government's fiscal position. The Governor believes that high fiscal deficits, combined with slower economic growth in recent years resulted in a rising debt-to – GDP ratio. He concludes that sound policies are necessary to enhance the country's competitive position.

2.6 Imports

Because of a liberalized economic policy Curacao's imports have been on the increase. Official data show that the level of imports into the country totaled well over US\$1.5 billion at the end of 2006. Five years earlier the amount was US\$1.3 billion. Food and beverages are the principal imports into the country. As was mentioned earlier agriculture is not a fully developed sector in Curacao leading to the country having to source foreign food supplies.

Food and beverage imports are followed by machinery and transport equipment, according to the data posted by the Central bureau of Statistics, Netherland Antilles. Other principal imports are chemicals.

The United States, the Netherlands and Venezuela are the main sources of imports.

DOING BUSINESS WITH CURACAO

Table 3 Company Imports By SITC

| SITC SECTION | Description | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------|--|-------------|-------------|-------------|-------------|-------------|
| 0 | Food and Lived Animals | 244 | 248 | 276 | 277 | 299 |
| 1 | Beverage & Tobacco | 29 | 35 | 41 | 46 | 49 |
| 2 | Crude Materials, Inedible except fuels | 12 | 8 | 14 | 46 | 18 |
| 4 | Animal & Vegetable Oils, Fats & Waxes | 6 | 8 | 7 | 7 | 7 |
| 5 | Chemicals and related products | 124 | 124 | 198 | 180 | 193 |
| 6 | Manufactured Goods, classified by material | 248 | 188 | 194 | 210 | 198 |
| 7 | Machinery & Transport Equipment | 511 | 389 | 418 | 423 | 460 |
| 8 | Miscellaneous | 219 | 231 | 230 | 267 | 280 |
| | Total Imports | 1393 | 1231 | 1378 | 1423 | 1504 |

Source: 2007 Central Bureau of Statistics, Netherland Antilles.

2.7 Exports

Exports of goods and services from Curacao have improved with 2006 being a relatively good year for the sector. Exports are dominated by the petroleum sector as well as re-exports from the E-Zone. The main exports from the island are petroleum products and these are sent to markets across the region and North America. The higher exports of petroleum products stemmed from the rising international price of oil which hovered around US\$76 a barrel. in 2006. increased visitor arrivals and the continuing buoyancy of the offshore sector contributed to the improved performance by the export sectors. Agriculture and manufacturing are not as robust in Curacao as in the other Eastern Caribbean islands.

2.8 Curacao – CARICOM Relations

The commercial relations between Curacao and CARICOM continue to mushroom. In

what amounts to an example of South-South relations the two sides have been pursuing cooperation in a wide range of areas. These include trade, investment, tourism, and support within the international fora where it is possible.

Curacao which has observer status with CARICOM, is a member of the Caribbean Tourism Organization, and the Caribbean Hotel Association.

In 2007 Curacao's national carrier Inset commenced air services between that island and Trinidad and Tobago. Curacao welcomed a visit by the CARICOM Secretary General, Edwin Carrington and hosted the Caribbean Hotel Tourism and Investment Conference, and the Caribbean Gift and Trade Show, organized by the Caribbean Export Development Agency.

DOING BUSINESS WITH CURACAO

In addition, a trade mission from Curacao was in Barbados looking into the possibilities for more trade.

3. GENERAL MARKETING FACTORS

3.1 Import and Distribution System

Curacao has a wide assortment of outlets that are involved in the import and distribution of both goods and services. The wholesale and retail sector is highly developed. There are the wholesalers who sell directly to Government and the retailers who in turn sell to smaller shops.

The import and distribution system in Curacao is highly developed. Several factors account for this. In the first place the Government has continued the policy of liberalizing trade by removing many of the previous impediments which had stifled to some extent the growth of imports.

Secondly, Curacao is an affluent society with per capita income and purchasing power of its inhabitants high compared to many middle income developing countries. Coinciding with this is the growth of the tourism industry which has triggered a demand for imported food, although domestic production plays a part.

A third factor relates to the excellent shipping and transshipment facilities which the island boasts.

Because of the Caribbean Basin Initiative which grants duty free access to the USA market for Curacao products and the preferences some countries enjoy in Europe, these initiatives have spawned greater connection between Curacao and the industrialized states.

3.1.1 Distribution and Sales Channels

3.1.1.1 Wholesale Food Distribution.

Agriculture in Curacao is not as fully developed as in other islands of the Eastern Caribbean. As such Curacao has been importing the bulk of the food consumed on the island. Wholesalers account for about 90 percent of the food imported into Curacao. Wholesalers have been sourcing foods mainly from the United States, Europe, especially the Netherlands, and from nearby Latin America. They in turn distribute food to the retailers and hoteliers and smaller shops and specialty outlets. The wholesalers have established strong relationships with foreign suppliers. Buying Clubs, Shopping Malls, also make up the distribution channels.

3.1.1.2 Retail Food Distributors.

Supermarkets are the main food retailers in Curacao. Many of the larger ones have floor space of about 30 000 square feet They offer a wide assortment of foods which are supplemented by in store deli facilities, bakeries, snack bars and frozen meats and fish. They retail as well local supplies of vegetables, some fruits and nuts and beverages. There are smaller supermarkets, mini marts, and specialty stores which cater to lower income workers.

Curacao is also a location for a number of foreign franchises in the food business. Names like McDonald, Pizza Hut, Wendy's, Denny, Kentucky, and Domino Pizza are some of the American fast food outlets in the country. Others from Indonesia, China, and France, and some indigenous operators complete the mix of restaurants in the country.

3.1.2 Use of Agents and Distributors

While the wholesalers in Curacao dominate the import trade, supermarkets have also been attempting to by-pass wholesalers by undertaking their own importation. This in effect is aimed at providing cheaper products to the clientele of the retailers. To this end they have established agents in those markets to effect direct importing.

3.2 General Market Conditions

Competition in the wholesale/retail sector is very fierce. While Curacao shoppers are very price sensitive, they also look for popular brands, two factors which inform the product offering of wholesalers and retailers.

Consumers are very mindful of the quality goods which come out of North America and Europe. Retailers are very mindful of this and it has many of them offering sales and special discounts, while they pay particular attention to the layout of the merchandise on shelves in an attempt to attract consumer interest. Furthermore, product ranges have increased with more stores offering jewellery, cameras, and electronic equipment. Many of these are offered at duty free stores which are heavily patronized by the hundreds of visitors, and notably cruise ship passengers, to the island.

New brands, designer layouts, local handicraft items and the latest in fashions are also factored into the stores' offerings. New stores are opened regularly. The growth in the sector was estimated to have increased 15 percent in 2006.

In addition, the island's government has changed the regulations with respect to the opening hours. Stores are now opened Monday through Saturday from 6 a.m. to midnight, and from 8 a.m. to 8 p.m. on Sundays and bank Holidays.

This expansion of the opening hours for stores provides more time for shopping.

3.3 Payment System

Importers of merchandise into Curacao can source funding from many areas of the financial system. Up front the importers are given credit that lasts from 30 days until 90 days. Financing imports are usually undertaken by commercial banks as there are no restrictions to imports and no foreign exchange controls are in place. However, accompanying the applications for the financing of imports, companies are required to forward such data like bill of lading, invoices, and customs clearance documentation. Interest rates are charged at the prevailing rates in the country.

3.4 Travel and Transportation

The Travel and transportation system in Curacao is highly developed. At the apex of this system are the Hato International Airport and the Willemstad Port, one of four, which provide excellent international transportation facilities and an equally important domestic system.

The Curacao airport is the main gateway in and out of the country. The airport which has the longest runway in the Caribbean, 3 410 meters, has direct flights to several international destinations, including the Caribbean and Latin America. Among the countries and cities where Curacao has

DOING BUSINESS WITH CURACAO

direct flights are Amsterdam (Netherlands), New York, Miami, Atlanta, San Juan, Trinidad and Tobago, Venezuela, and Panama.

Airlines serving the country also include American Airlines, KLM, Arrefly, Caribbean Airlines, Air Jamaica, others from Latin America.

Excel Air operates services between Curacao and Bonaire. An estimated 1.08 million passengers passed through Curacao's International Airport in 2006, compared to 1.01 million the previous year.

In 2006 passenger facility charge (or departure tax) was increased from US\$23 to US\$32 on international flights. The tax for passengers traveling between the Netherland Antilles is US\$6.

Table 2.4 Airport Passenger Movement

| | 2003 | 2004 | 2005 | 2006 |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| Total Passengers | 1 149 689 | 1 121 234 | 1 013 319 | 1 089 492 |
| Transit Passengers | 195 105 | 170 796 | 101 059 | 134 738 |
| Domestic Passengers | N/A | 81 257 | 95 857 | 98 231 |

Source: CAP.

Curacao boasts at least four major seaports. Their importance is underlined by the fact that the country is ranked 10th most popular cruise ships destination in the world, it a leading transshipment point in the Caribbean, it handles an enormous tonnage of raw and refined crude and it has export zone facilities.

The major seaports are St. Annabaal, Willemstad, Caracasbaal, and Bullenbaai. They offer extensive docking facilities and service major shipping lines bringing both crude and passengers to the country. Official information revealed that there was an overall increase in the number of vessels calling at the ports in Curacao.

Table 2.5 Performance of the Harbours

| | Freighters | Tankers | Cruise | Others | Total |
|--------|------------|---------|--------|--------|----------|
| 2005 | 1289 | 907 | 204 | 426 | 2 826 |
| 2006 | 1 304 | 920 | 205 | 460 | 2 889 |
| Diff % | 1.2 | 1.4 | 0.5 | 8.0 | 2.2 |

Public Transport: Internal transportation is provided by a bus system as well as what is called a mini-bus system, and taxis. Visitors can also rent a car. The bus service operates on a schedule system. There are two bus terminals in Curacao. One terminal is at Pundra which is close to the post office, and the other is at Otrobanda. Both the bus service and the mini-bus service operate from the terminals.

4. MARKET ACCESS

4.1 General Import Policy

Curacao operates a free market economy which has been largely liberalized and non discriminatory. This means that by and large the country's import policy is very amenable to trade.

The laws which govern importation of goods into the country (and indeed the Netherland Antilles) are the General Ordinance Import, Export and Transit and the National Ordinance on the Tariffs of Import Duties.

All importers and their agents are required to submit an Import Declaration which should include the following:

- Invoice stating the value, type and quality of the good or goods imported.
- Bills of lading
- Insurance certificates
- Import license
- Permits and certificates where necessary
- Value of declaration form for goods.

Upon approval of the application (usually within 48 hours) an assessment notice will be generated reflecting total taxes payable. In the absence of invoices, the goods will be examined by a Customs Officer. This must be paid before the cargo is released. Certain goods may be released pending a guarantee of the duty and tax liability.

4.1.1 Import Tariff System

There is an import registration system in place in Curacao. This system usually

applies to such imported products as rice, tea, coffee, flour and sugar. Import duties applied to these range products range between zero percent and 18 percent. Excise duties are levied on beer, cigarettes, spirits and gasoline. For pharmaceuticals, pesticides, narcotics and psychotropic drugs, there are different import regulations. Strict rules are followed when dealing with these products. In addition, registration is required prior to importing these products.

4.1.2 Import Duties

Import duties cover a wide range of goods and commodities with rates of up to 28 percent on the c.i.f value. Some sample rates are as follows:

Tourist items and certain food stuffs including fresh chicken and sardines, milk, cheese, watches, gold coins, perfumes, confectionery and cameras up to three percent.

Luxury goods including mirrors, pianos and air conditioners, 28 percent.

General goods, including clothing and some food staples, 11.5 percent.

Semi luxury goods, including flowers, playing cards, washing machines, 18 percent.

4.1.4 Special Customs Provision

There are special custom provisions in place in Curacao. In special circumstances once a clear-cut case is made rules can be adjusted to meet special requirements. In the event that technical equipment and specific materials are needed for special events which require the importation of items the Custom Authority of the Netherland Antilles

will determine if a temporary or permanent exemption of import duties is applicable in accordance with the rules.

Events for which these provisions apply are:

- a trade, industrial, agricultural or craft exhibition, fair or similar show is held;
- an exhibition or meeting which is primarily organized to promote any branch of learning, art, craft, sport or scientific, educational or cultural activity;
- a meeting of representatives of any international organization or group.

There are exceptions. These relate to exhibitions organized for private purposes in shops or businesses with a view to the sale of foreign goods. There are some goods which will be granted temporary admission. They include computers, audio visual equipment, special lighting systems and musical equipment.

It is advisable that organizations contact Custom authorities in advance of the event.

4.1.4.1 Samples and Carnets

Most importers doing business with foreign suppliers tend to request samples of products before they are actually put on sale in export markets. Agencies that receive, store and sell imported products must be registered with the Chamber of Commerce and Industry in Curacao. Product samples shipped via express mail or parcel post are subject only to import regulations.

The addressee is responsible for the duty on samples and order shipments. Exporters must ensure that the agents receiving the goods must be informed of and agree to accept the pending samples to avoid being returned to source and at the cost of exporters.

4.2. Foreign Exchange Control

In an attempt to attract foreign investments the governments in the islands making up the Netherland Antilles tend to be somewhat liberal as this relates to exchange controls and the repatriation of profits by companies owned by foreign businessmen. There are laws which may impose foreign exchange controls and which may affect dividends, interest, or other payments to non-resident holders of securities in the countries.

Therefore, companies owned by non-residents that do not carry on business on the islands may obtain a license from the Central Bank which exempts them from all exchange control regulations. Transactions including foreign exchange in the Netherland Antilles attract a one percent license tax payable by the bank concerned to the Central Bank. The repatriation of profits from the islands requires a license but these are granted on application.

4.3 Labelling and Marking Requirements

While Curacao has opened up its economy to more trade and investment flows the authorities are more mindful of some of the hazards that open trade can create. International trade rules make allowances for countries to guard against imports which are detrimental to human and the environment. As such there are rules which govern the appropriate labelling and packaging of products exported to Curacao. Previously these were not enforced.

Labelling and packaging regulations apply to food and beverages. The regulations

DOING BUSINESS WITH CURACAO

further stipulate that there must be certain specific labels for pharmaceuticals.

5 INVESTMENT PROFILE

5.1 Foreign Investment Regime

The Government of Curacao has undertaken a number of initiatives to enhance the country's investment policy regime. This was done to re-position the island in a way to attract more Foreign Direct Investment so as to boost sustainable economic growth and development.

At the domestic level the Government has intensified its programmes in the area of education and training with the hope of having a greater pool of trained personnel to enter the knowledge - based industries, track reforms and other measures to create a more enabling environment for the private sector.

This latter initiative is also being undertaken with input from the Curacao International Financial Services Association (CIFA) and the Chamber of Commerce.

Policies undertaken include:

- Modernization of economic legislation. To date this has resulted in new economic zone regulations, a new civil code with new standards for businesses.
- Participation of the country in large regional projects to improve investment and business climate and international competitiveness;
- Publication of a Business Environment Report aimed at highlighting requirements for improving the business climate;
- Market reforms (including labour and capital market flexibility);

- Continuation of the privatization program;
- Public sector reform to modernize the tax regime and the role of government and to improve the flow of public sector information to the private sector; and
- Undertake regional and international benchmarking of the island's policies so as to raise the island's international profile.

In addition, the CIFA has developed a four-year strategic plan for the island's financial services sector. The aim of the 2007 -2010 plan is to use the existing infrastructure – financial rules, regulations, legislation and international treaties – to support and accelerate the economic development of Curacao. The short to medium termed areas of the plan include:

- Concluding Double Taxation Agreements with Brazil, Argentina, Mexico, Chile and Venezuela;
- Tailor-making investment vehicles for trade flows between Curacao and Latin America;
- Increasing the contribution of the international financial services sector to Curacao's Gross Domestic Product by at least 50 percent;
- Contributing to the development of knowledge by endorsing better education and leading edge cost effective Information Technology infrastructure.

5.1.1 Internal Taxes

The Income Tax is one of the main internal taxes levied in Curacao. It is levied on all nationals born in Curacao. It is collected by

DOING BUSINESS WITH CURACAO

employers through the Pay As You Earn (PAYE) system. The tax starts at the rate of 12.50 percent and reaches a high of 49 percent. The tax is applied similar to the system in the Netherlands, as follows:

- 12.50 percent on incomes of Nafl 23 000
- 20 percent on incomes Nafl 23 000 to 34 000
- Over 20 percent on higher incomes

In addition, there are basic deductions relating to allowances.

5.1.2 Profit Tax

This tax is levied on companies and other entities including certain forms of partnerships, foundations, and associations engaged in trade or businesses. It ranges between 35 percent and 45 percent. It applies to most of the companies established in the Netherland Antilles and it is assessed on the net benefits received by companies involved. Special rules however applied to dividend receipts, certain capital gains, income from foreign sources.

5.1.3 Capital Gain Tax

This tax does not apply to individuals. The system applies to gains resulting from business activity or where they result from the sale of shares of a company, together with certain specific types of relative owned or has owned 25 percent or more in the last five years.

5.1.4 Corporation Tax

This tax is levied at the rate of between 35 percent and 40 percent on companies operating in the country.

5.1.5 Real Estate Taxes

They are charged at the rate of 0.5 per cent per annum annually on the value of unimproved properties and 0.6 percent on improved properties. There is also in Curacao a 15 percent municipal surcharge on the amount due. There is as well an annual occupancy tax of five percent of rental value.

5.2 **Economic Free Zones**

These entities are located at the harbour at Curacao and at Hato the country's international airport. The Economic Free Zones are secured and permanently maintained.

Free Zones are distribution centres for exporting to the Caribbean, the Americas and Europe. Locally produced goods for export to the USA and Europe are admitted without import duties.

In addition, there are no custom duty on imports, transshipment and/or export of goods. Approximately 25 percent of the total sales may be made to the local market.

Incentives for Free Zone operations are as follows:

- zero percent import, export and excise duties;
- two percent profit tax on export profits;
- -zero percent sales tax;
- Zero percent land and property taxes.

DOING BUSINESS WITH CURACAO

However, there are some restrictions. These are that only at the Airport Economic Zone and the Harbor Zone can goods be stored.

Other incentives to foreigners include: reduced rents up to 40 percent for building in the Economic Zone, duty free building materials, machinery and equipment, an annual investment allowance up eight percent of total investment for the first two financial years, and unlimited use of carry over losses.

6. ESTABLISHMENT OF BUSINESSES

6.1 Establishing an Office

The procedure for investing in Curacao is not complex. The most commonly used legal business entity is the Limited Liability Company which in the Netherland Antilles is referred to as NV (Naamboze Vennootschap). This indicates that the liability of shareholders for the liabilities of the NV is limited up to a maximum of their respective obligations for capital contributed to the NV.

In incorporating an entity, draft Articles of Incorporation must be presented to the Netherland Antilles' Justice Department. Following this, the NV must be registered with the Chamber of Commerce and industry where the NV has a corporate seat. Details must also be published in the Official Gazette.

6.2 Work Permit Requirements

Business licenses, Directors' licenses for each non-Antillean managing director, residence and work permits and foreign exchange licenses, visa are also required for personnel staying in the island beyond 14 days.

6.3 Intellectual Property

6.3.1 Laws of Patent, Trademarks and Copyright

The Bureau for Intellectual Property (BIP) is the national administrative corporation that provides a central mechanism to enable right holders to exercise their intellectual property rights adequately and in accordance with national and international standards. Intellectual Property comprises both property rights and copyrights.

6.3.1.1 Patents

Curacao (and the Netherland Antilles) have strict rules governing patents. The law states that an invention is patentable if it is new, if it involves an inventive step, is capable of industrial application, and is not specifically excluded from protection. Patent applications are usually filed with the Netherland Industrial Property Office in the Netherlands or with the Bureau for Intellectual Property. A patent provides protection in the Netherland Antilles. That protection lasts for six years without a search report, or for 20 years with a search report.

6.3.1.2 Trademarks

Trademarks regulations are very all embracing for the countries making up the Netherland Antilles. The regulations outline what constitute trademarks, the relevant signs capable of distinguishing goods or services of a company or individual. The rules allow as well for the registration service marks and collective marks. A very important aspect of the regulation process is that the rights and duties of trademarks commence with their registration. Registration is for 10 years initially after which the mark can be renewed.

6.3.1.3 Copyrights

Like patents and trademarks, rules governing Copyright and the makers of

DOING BUSINESS WITH CURACAO

those rights are enforced in Curacao. is the exclusive right of the maker of a work of art, or science, publication (books, magazines, newspapers), drama, music, paintings, designs and sketches among other pieces of works. No formalities are required to obtain protection of a copyright in the country.

Such rights would be acquired through the mere publication of the concerned work. However, for purposes of evidence, the copyright owner can file the work with the BIP.

7. CULTURAL PRACTICES

7.1 Business Hours

Curacao is an important centre for business. As such business hours are from 7.30 a.m. 12 noon and from 1.30 p.m. to 5 p.m. Monday through Friday.

In addition, there is a mandatory 40 hours a week for non-scheduled workers, and a 45 hours a week for scheduled laborers. Exceptions however exist in the hotel and catering industries where there is a 48 hours work week.

7.2 Entry/Exit Requirements

Caribbean nationals do not require a visa to enter Curacao. All they need is a valid passport. Canadian and US citizens require either a valid passport, or proof of citizenship in the form of an original birth certificate, accompanied by a photo ID. If you plan to stay in Curacao for more than three months, you will need to apply for a resident permit. To work in the country an individual requires a work permit or a resident permit.

APPENDIX

USEFUL ADDRESSES

Curaçao Chamber of Commerce and Industry

Kaya Junior Salas 1

P.O.Box 10

CURAÇAO, NETHERLANDS

ANTILLES

Tel: (5999) 461-1451/3918

Fax: (5999) 461-5652

Email: businessinfo@curacao-chamber.an

Website: www.curacao-chamber.an

Customs Office

Sha Capriles Kade z/n

CURAÇAO, NETHERLANDS

ANTILLES

Tel: (599-9) 434-5300

Fax: (599-9) 461-6557

E-mail: duanena@curinfo.an

Curacao Industrial and International Trade Development Company (CURINDE) NV

Emancipatie Boulevard 7

Willemstad

CURAÇAO, NETHERLANDS

ANTILLES

Tel: (5999) 737-6000

Fax: (5999) 737-1336

E-mail: curinde@attglobal.net

Website: www.curinde.com

Department for Development Cooperation (DEVCO)

Plaza Horacio Hoyer 9

CURAÇAO, NETHERLANDS

ANTILLES

Tel: 599-9-4611866 / 4612567

Fax: 599-9-4611268

E-mail: dvmtdcoop@curinfo.an