



Globalization of small islands: the role models of Curaçao

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Abstract

Purpose – The purpose of this paper is to compare the case of Curaçao, as a small island coping with globalization, with Singapore, Barbados, New Zealand, Ireland, and Aruba and to contribute to the development of a framework for discussing globalization and economic development strategies for small islands.

Design/methodology/approach – The study and the paper follow the inductive line of reasoning, starting by comparing the current situation of six countries – Singapore, Barbados, New Zealand, Ireland, Aruba, and Curaçao. Next the six countries are placed in their respective social, economic, and historical contexts. Then the paper explores what Curaçao can learn from the other six countries by applying the framework of spiral dynamics and the eight-stage process for creating major change.

Findings – Curaçao can look at other countries and learn a great deal, but Curaçao cannot copy the model of another country and implement it. This is because of the differences between the various exemplars, particularly in the starting position and the changes that have taken place in the world, which make the case of Curaçao unique. Curaçao will have to develop its own model.

Originality/value – The paper contributes to the analysis of globalization of small islands.

Keywords Curaçao, Netherlands Antilles, Master plan, Social dialogue, Globalization, Small islands, Development strategy, Spiral dynamics, Singapore, Barbados, New Zealand, Ireland, Aruba

Paper type Research paper

Introduction

For more than two decades, Curaçao has struggled to adapt to a changing world (Goede, 2008). During this struggle Curaçao has looked to other countries such as Singapore (Martha, 2007), Barbados (Martina, 2008), New Zealand, Ireland, and Aruba for inspiration. These five countries are islands, which are in some ways similar to Curaçao, and each has successfully transformed their economy and society *From Third World to First World* (Kuan Yew, 2000). The stories of these countries are appealing for people in Curaçao, primarily, because they are small islands that have relatively recently obtained self government and have achieved a high standard of living for their populations. There is a belief that these islands were successful, because they executed a master plan and because they promoted some kind of social dialogue or social partnership.

Aubert and Chen (2008, p. 178) used a broad definition of island or the island factor: countries that are surrounded by neighbouring countries that do not speak



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the same language. According to their findings, in the era of globalization, this island factor has a significant impact in boosting economic growth. This is due to psychological factors, including a strong sense of identity. This effect is even greater when the island being considered is also a cultural island. Being an island makes the society more cohesive and more susceptible to reforms. Creating or enhancing this island factor is the silver bullet of economic development policies. Cohesion in society can be generated by a sense of pressure from around and by implementing liberalization measures. In this way, the population can be made to feel a sense of threat. However, this strategy is by no means a panacea. Each island should identify its own unique qualities. There are countries, and North Korea would be a prime example, where a sense of threat and isolation has not stimulated development (Aubert and Chen, 2008).

The question that is addressed in this paper is: what can Curaçao learn from the models of Singapore, Barbados, New Zealand, Ireland, and Aruba?

This research reported in this paper is exploratory. It follows a path of inductive reasoning, from specific observation of the six cases to a broader general analysis and the development of a theoretical framework. The paper is structured in the following sections. First, the current situation of the countries is presented. Next the cases of Singapore, Barbados, New Zealand, Ireland, Aruba, and Curaçao are described in their social, economic, and historical contexts. This is followed by an analysis and concluding remarks.

An overview of the current situation

Curaçao is looking for models. A model:

[...] as Berger helpfully reminds us, is a term that has two connotations: “on the one hand it means a specific pattern or type, on the other it means an example to be emulated” (Hoogvelt, 2001, p. 226).

In this context, it must be clear that Curaçao is looking for an example to emulate. In Table I, the six countries are compared based on some key indicators (Table I).

| | Singapore | Barbados | New Zealand | Ireland | Aruba | Curaçao |
|--|-----------|----------|-------------|----------|----------|----------|
| Total population in millions | 4.589 | 0.275 | 4.351 | 4.315 | 0.100 | 0.135 |
| Area in km ² | 692.7 | 431 | 268,680 | 70,280 | 193 | 444 |
| Small Island developing state | Yes | Yes | No | No | Yes | Yes |
| Oil-producing state (www.eia.doe.gov/emeu/international/reserves.html) | No | Yes | Yes | No | No | No |
| Literacy rate (%) | 96.6 | 99.7 | 99 | 99 | 97.3 | 95 |
| Unemployment rate (%) | 4.6 | 7 | 3.6 | 4.6 | 6.9 | 12 |
| GDP growth (%) | 7.5 | 4.2 | 2.9 | 5.3 | 3.4 | 3.8 |
| Per capita GDP in \$ | \$49,714 | \$19,347 | \$37,392 | \$43,144 | \$23,000 | \$17,000 |
| Ranking HDI (http://hdr.undp.org/en/statistics/) | 25 | 31 | 19 | 5 | | |
| Ranking transparency international 2007 (www.transparency.org/policy_research/surveys_indices/gcb) | 4 | 23 | 1 | 17 | | |

Table I.
Comparisons based on
some key figures and
rankings for 2007

Curaçao wants to compare itself with the other islands at the start of their journey and copy or adapt their formula to become more successful. In the following paragraphs, the journey of these six countries will be described.

At first glance, Curaçao is most similar to the Small Island Development States of Singapore, Barbados, and Aruba. In particular, the closest resemblance is to Aruba and Barbados, based on total population size and the superficial area. But a major difference between Curaçao and Barbados is that the latter produces oil and is Anglo-American in orientation. At the present time, Curaçao is only starting to search for oil reserves in her territorial waters. So Curaçao is most similar to Aruba, with whom they are partners within the Dutch Kingdom.

Although this research and paper follow an inductive path, for the convenience of the reader it can be noted at this point that the research leads to the application of a framework developed by Kotter (1996): "The eight-stage process for creating major change". This study will also apply the framework of spiral dynamics, which is a model of human development. In this model, societies develop from one level to the next when challenged by life conditions. They respond by adapting to the environment and constructing new, more complex conceptual models, making it possible to cope with the new challenges (Dinan, 1999). "Spiral dynamics is the study of the emergence and patterns of deep values that mold strategists' worldviews, form corporate mindsets, structure leader/follower relationships, establish decision structures, and define reality" (Cowan and Todorovic, 2000, p. 5). The cases show that these two models are helpful in explaining the success of these countries and the differences between successful countries and unsuccessful ones.

Singapore

Singapore's development is considered by many to be a miracle. Singapore is the most impressive free-market economy in South East Asia. "It has sustained its growth through unusually clean and efficient government and by having one of the world's best education systems" (*The Economist*, 2007). Although there have been critics of Singapore for its apparent lack of personal freedom, Singapore has enjoyed remarkable political stability that has lasted for more than 30 years.

In 1819, the East India Company found the island and turned it into a transshipment center on the sea route from India to China. As the commercial center of the British Empire in Southeast Asia, it prospered through international trade. Haley *et al.* (1996) introduced the metaphor "Singapore Incorporated" to describe the economic development of Singapore. This began in the 1960s with the arrival of the Dutchman, Dr Albert Winsemius. The *First State Development Plan 1960-1964*, focusing on industrialization, was introduced. The government was placed in a central and dominant role. The Economic Development Board (EDB), Singapore's main government body involved in attracting foreign investment, was created. The EDB played a crucial role in the development of Singapore and continues to do so today.

Singapore's merger with Malaysia to avoid communism ended in 1965 and the British removed their naval bases between 1968 and 1971 causing the gross domestic product (GDP) to drop by 30 percent (Kuan Yew, 2000). To deal with the economic crisis, a second development plan for 1966-1970 was prepared. The plan was practical. In the 1960s, government-owned enterprises engaged in alliances with multi-national corporations (MNCs) to promote export-oriented industrialization. After independence,

the USA and Japan were the largest investors in Singapore. With the rapid growth in the 1970s bottlenecks emerged in labor and land. The government formed an alliance with the labor unions. In the 1980s, foreign direct investment came to Singapore in electronics, computer peripherals, aerospace, and biotechnology. In 1989, the *Strategic Economic Plan*, with the mission to make Singapore a developed state by 2020, by Dutch standards or 2030 by US standards, was formulated. In the 1990s, alliances with knowledge intensive firms were started. The EDB wanted to attract companies to set up their headquarters in Singapore. The EDB also started to develop Singapore as a regional hub, started to regionalize, and provided assistance for Singapore entrepreneurs to develop into MNCs.

Public enterprises have contributed significantly to Singapore's economic success, but in the 1990s, they were criticized for playing a dominant role that overshadowed the private sector. The government decided to embark on a ten-year privatization process. However, public enterprises will continue to engage in business where private entrepreneurs are reluctant to invest (Tan, 1990). In 1996, Singapore was one of the largest investors in Malaysia, China, Vietnam, Cambodia, Myanmar, and Indonesia:

[Singapore] was hard hit from 2001-03 by the global recession, by the slump in the technology sector, and by an outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003, which curbed tourism and consumer spending. Fiscal stimulus, low interest rates, a surge in exports, and internal flexibility led to vigorous growth in 2004-07 with real GDP growth averaging 7 percent annually. The government hopes to establish a new growth path that will be less vulnerable to the global demand cycle for information technology products – it has attracted major investments in pharmaceuticals and medical technology production – and will continue efforts to establish Singapore as Southeast Asia's financial and high-tech hub (CIA, The World Factbook (www.cia.gov/library/publications/the-world-factbook/geos/sn.html)).

In the last quarter of 2007 Singapore's economy gave some signs of slowing down (Belegger.nl, 2008).

[A]nticipating the competitive threat from China, it has moved up the value chain, away from low-end electronics, and found lucrative new niches. Its marine-engineering and biomedical firms are growing at around 40 percent annually. Its finance industry has cornered the regional market in private banking for the wealthy. Singapore's boom has already sucked in millions of immigrants: new figures show that, as in London, almost one-third of residents were born in other countries. To keep the economy growing and reduce pressure for wage rises, the government is keen to admit more foreigners: its development plans assume the population will grow from 4.7 m now to 6.5 m in 40-50 years' time, mostly by immigration. Many of the new immigrants come from India and China ((*The Economist*, 2007).

Though its Gini coefficient, a measure of income disparity, suggests Singapore is a rather unequal place, there are few visible signs of poverty ((*The Economist*, 2007).

According to Huff (1999), there are four lessons that developing countries can learn from Singapore: government intervention to promote macro-economic stability, tax incentives for foreign investors, targeted education and training, and spending on infrastructure. Government interventions are focused on the labor market, on education and on securing high savings. But Huff (1999) expressed some doubts and argued that Singapore's R&D is weak and that education and the carefully engineered society does not nurture creativity. Some observers suggest that Singapore has now overcome this weakness:

Many observers have attributed the success of these Confucian countries to their common cultural values, such as respect for authority, loyalty to good leaders, preference for order, hard work, thrift and emphasis on education (Tan, 1989).

Singapore's economic success flows as much from conventional comparative and competitive advantages as of history and accident. "Singapore incorporated's" gradual evolution holds testimony to this process as the government, with the aid of strategic alliances, innovatively takes on the national and international development. The unapologetically authoritarian government emphasizes disciplined strategic thinking: it sees liberal democracy as a luxury good that helps to mobilize resources for "Singapore incorporated" (Haley *et al.*, 1996).

According to Haley *et al.* (1996), the planning of Singapore was deliberately *ad hoc*, shifting the competitive advantage from labor intensive to service oriented industries. Others state that Singapore's planning over time has become very structured. Like other small states, Singapore opted for social alliances (social partnership) on economic and social policy to mitigate class conflict. Because of the small scale, there is a centralized and concentrated stakeholder group. Policies in public housing, education, health, and wealth have encouraged many stakeholders of "Singapore incorporated". Although Singapore is a multi-ethnic, multilingual, and multi-religion society, it has a collective culture.

According to Hoogvelt (2001), the success of Singapore can also be explained by state capitalism or the developmental state. The state played a strategic role in taming domestic and international forces and harnessing them to the national economic interest. This authoritarian position of the state should not only be explained only by Confucian values, but also by the geopolitical reality of US dominance in the Pacific region in the post-war period and that country's objective of creating a bulwark against communism:

Free from political pressures, decision makers and technocrats were better able to direct economic policy and state intervention in ways that were not only efficient but also profitable for the business class. Over time, this helped to develop a business class who identified their own interests with those of the state as an autonomous organization (Hoogvelt, 2001).

This success also helped to insulate bureaucrats from the temptation of corruption. Hoogvelt identifies the rise of peripheral Fordism as an important factor in Singapore's success. In countries like Singapore, the combination of a docile-labor force, an authoritarian regime sympathetic to international capital, and a business class prepared to participate as a junior partner in global capitalism can produce economic growth (Hoogvelt, 2001; Table II).

Barbados

Barbados is a small-developing country which has performed well over the past four decades (1960-2000) (Downes, 2001; Government of Barbados, 2003):

Barbados is one of the Caribbean's oldest and most stable democracies, consistently getting top drawer rankings for political and civil liberties [...]. Barbados also tops all other Latin American and Caribbean countries in the UN Development Programme's human development index. Transparency International, a corruption watchdog, ranks it second cleanest in the region, just behind Chile. In September unemployment hit an all-time low of 7% down from a peak of 27% in 1993 [...] ((*The Economist*, 2008a).

| | Population in millions | GDP/capita (\$) | Real GDP growth (%) | Unemployment (%) | Inflation (%) |
|------|------------------------|--------------------|------------------------|---------------------|------------------|
| 1965 | 1.887 | 512 | | | |
| 1980 | 2.414 | 6,975 | 9.7 | 3.5 | 6.0 |
| 1985 | 2.736 | 10,811 | -1.4 | 4.1 | 0.7 |
| 1990 | 3.047 | 17,067 | 9.2 | 1.8 | 3.8 |
| 1995 | 3.526 | 25,439 | 8.2 | 1.8 | 0.8 |
| 2000 | 4.018 | 32,935 | 10.1 | 2.7 | 2.1 |
| 2005 | 4.266 | 43,333 | 7.3 | 3.1 | 1.3 |
| 2008 | 4.668 | 51,829 | 4.0 | 2.1 | 2.8 |

Source: IMF (1980-2008), World Economic Outlook Database (April, 2008)

Table II.
Singapore

The Portuguese conquered and named the island. The Spaniards briefly ruled the island. The British arrived in Barbados in 1627. Barbados became a monoculture based on sugar plantations where slaves did the work until 1834, when slavery was abolished. After the abolition of slavery, sugar remained important through most of the twentieth century. Slavery left its mark on the structure of the economy and society (Downes, 2001).

During The Great Depression and Second World War, Barbados suffered great-economic hardship. "The period of 1946 to 1960 can be regarded as one of economic and political transition" (Downes, 2001), and led to complete independence within the Commonwealth in 1966. According to Downes (2001) formal development planning was introduced in 1946. In 1957, the Barbados Development Board was established. Over three decades, the economy diversified into three sectors: services, light industry, and sugar. The period from 1960 to 1970 was a time of relatively high economic growth, due to a favorable export market for sugar. Economic growth slowed down in the 1970s due to a world commodity shortage that led to increased prices for agriculture products and the "oil crisis" in 1973/1974. Between 1975 and 1980, the economy recuperated due to an increase in tourism. In the late 1980s, the economy went back into recession. The financial service sector was started in 1985 and became the second biggest sector after tourism. In the 1990s, telecommunication and information services were also important sectors.

In 1991/1992, Barbados was facing a crisis:

In a situation where there is an impending crisis, the task is easier; for then one is brought face to face with the possible effects of that crisis if it is unchecked or if its effects are not weighed carefully for their potential damage. In Barbados, we were faced with the immediate need to:

- limit government expenditure while increasing government revenue;
- reduce the public sector wages; and
- increase national competitiveness, while removing local subsidies.

The alternative was devaluation of the Barbados currency:

The understanding was that, in such a case, the options listed at 1, 2, and 3 above would no longer be manageable by Barbados. They would follow automatically in the steps of the devaluation (Trotman, 2008).

After 1994, increased efforts were made to reposition the economy in the face of regionalization, trade and financial liberalization, and globalization. Barbados had to implement a structural adjustment program aided by the International Monetary Fund (IMF). By 1993, the economy was starting to recover driven by construction and tourism. In the 1990s, action was taken against drug trafficking and security and defense spending were prioritized:

Growth has rebounded since 2003, bolstered by increases in construction projects and tourism revenues – reflecting its success in the higher-end segment. The country enjoys one of the highest per capita incomes in the region and an investment grade rating which benefits from its political stability and stable institutions. Offshore finance and information services are important foreign exchange earners and thrive from having the same time zone as eastern US financial centers and a relatively highly educated workforce. The government continues its efforts to reduce unemployment, to encourage direct foreign investment, and to privatize remaining state-owned enterprises (CIA, The World Factbook (www.cia.gov/library/publications/the-world-factbook/geos/bb.html)).

Despite this success, Barbados is still facing challenges in the areas of unemployment, poverty, and health care (Downes, 2001). According to Banik and Bhaumik (2006), social and economic phenomena, like emigration between 1970 and 2000, have altered the demographics of Barbados. This has caused capital outflow from the economy as well as a shortage of skilled workers and high unemployment. The population is aging and this will increase government expenditure.

In 2007, Barbados finished its National Strategic Plan of Barbados 2006-2025. The process was started in 1998. Social partnership was essential in developing the plan. The plan started with a look back over the previous 13 years, and presents a SWOT analysis from which it develops six strategic goals. A special unit will be created and the first task will be to prepare an operational plan. According to Downes (2001, p.14):

[. . .] the success of Barbados can be explained by investments in human capital (education and training, health and nutrition), a well-developed social infrastructure (roads, ports, telephones and telecommunications), political stability and the rule of law (i.e. good governance), good social capital (trust and social networks), sound political and economic management, sheer “economic luck” with respect to the trading arrangements for sugar and the ability of its people to migrate to more developed states and the lack of social disharmony and conflict.

From the start, Barbados looked for Caribbean integration, resulting in the formation of CARICOM in 1973, creating an integrated Caribbean market in 2006 and in 2008, a single economy. The main trading partners of Barbados are the CARICOM countries, the USA and the UK.

Barbados has a two-party system dominated by Democratic Labor Party (DLP) and the Barbados Labour Party (BLP). There is no great ideological difference between the two. The BLP lost the elections on 15 January 2008 after being in government for 13 years ((*The Economist*, 2008a; Table III).

New Zealand

New Zealand was once considered an example of best practice. Overall, the reforms of the 1980s and 1990s were responsible for creating a more competitive economy. By 2000, New Zealand’s population was approaching four million, but it was still one of the most under-populated countries (Darwall, 2003).

Table III.
Barbados

| | Population in millions | GDP/ capita (\$) | Real GDP growth (%) | Unemployment (%) (www.exxun. com/afd_hy/Barbados/ec_ unemployment_rate.html) | Inflation (%) |
|------|---------------------------|---------------------|------------------------|--|------------------|
| 1965 | 0.244 | | | | |
| 1980 | 0.25 | 6,732 | 4.4 | | 14.0 |
| 1985 | 0.25 | 8,528 | 1.1 | | 2.4 |
| 1990 | 0.25 | 11,159 | -3.3 | | 3.4 |
| 1995 | 0.264 | 11,326 | 2.1 | | 1.9 |
| 2000 | 0.269 | 13,982 | 2.3 | 9.4 | 2.4 |
| 2005 | 0.273 | 16,982 | 4.1 | | 7.4 |
| 2008 | 0.276 | 20,208 | 2.7 | | 2.3 |

Source: IMF (1980-2008), World Economic Outlook Database (April, 2008)

When the Europeans arrived in New Zealand in the early nineteenth century, it was a tribal society that did not recognize property rights such as land ownership. This encounter of two cultures has left its mark on this society and its economy.

In the mid-nineteenth century, gold was discovered, but it was the introduction of sheep farming in the 1850s that gave the economy a boost, changed the landscape of New Zealand, and strengthened economic relations with Britain that would last until the 1970s, when Britain joined the European Community and thereby ended the special relationship. After the 1890s, the export of meat and dairy produce started. In 1907, New Zealand became an independent dominion. The two decades before the war were the heyday of New Zealand. The population was about one million inhabitants, a scale that made industrialization difficult. First World War stimulated farmers to invest and when a slump in the international commodity markets arrived many farmers struggled to pay off their debts. The global economic crash of 1929 was also transmitted to New Zealand and affected the people's attitude towards international trade. The recovery came in 1933/1934 with the devaluation of the pound against sterling of 14 percent (Singleton, 2005):

As was the case elsewhere, the recovery in New Zealand was not the product of a coherent economic strategy. When beneficial policies were adopted it was as much by accident as by design (Singleton, 2005).

A balance of payments crisis in 1938/1939 started the doctrine of insulationism, which lasted until the mid-1980s. This meant a lack of competition, inefficiency, and passing costs on to the customer. In the 1960s, New Zealand tried to move away from this policy and looked for economic partners. A partial New Zealand-Australia Free Trade Agreement was signed in 1965 (Singleton, 2005):

Between 1973 and 1984, New Zealand governments were overwhelmed by a group of inter-related economic crises, including two serious supply shocks (the oil crises), rising inflation, and increasing unemployment. Robert Muldoon, the National Party (conservative) Prime Minister between 1975 and 1984, pursued increasingly erratic macroeconomic policies. He tightened government control over the economy in the early eighties. There were dramatic fluctuations in inflation and in economic growth. In desperation, Muldoon imposed a wage and price freeze in 1982-1984. He also mounted a program of large-scale investments, including the expansion of a steel works, and the construction of chemical plants and an oil refinery. By means of these investments, he hoped to reduce the import bill and secure a durable improvement in the balance of payments. But the *Think Big* strategy failed – the

projects were inadequately costed, and inherently risky. Although Muldoon's intention had been to stabilize the economy, his policies had the opposite effect (Singleton, 2005).

The pro-private enterprise National Party government led by Robert Muldoon, pushed New Zealand over the edge in 1984 (Darwall, 2003).

In 1984, the labor party came to power and decided to deregulate and restore the market process. Investments increased and many inefficient firms were forced to close (Singleton, 2005). Government subsidies to industry and agriculture fell from 16 percent of government spending to 4 percent. Top rate income tax was halved from 66 to 33 percent. Government spending was reduced from 40 percent of GDP to 35 percent (Darwall, 2003). Reform also extended to the public sector.

A recession began after the 1987 share market crash, and while the government changed in 1990, the incoming national (conservative) administration pushed ahead with complementary market style reforms involving labor market de-regulation, the restoration of fiscal discipline, and social policy reform:

An economic recovery began towards the end of 1991. With a brief interlude in 1998, strong growth persisted for the remainder of the decade. Confidence was gradually restored to the business sector. Unemployment began to recede. After a lengthy time lag, the economic reforms seemed to be paying off for the majority of the population (Singleton, 2005).

Per capita income rose for eight consecutive years and reached \$35,000 in 2006 in purchasing power parity terms. While the reforms made the economy more resilient, growth has stalled and the New Zealand economy continues to decline in performance as compared to Australia in particular and the OECD in general (Kerr, 2004).

According to Darwall (2003), the reform momentum came to an abrupt halt after the 1993 elections. Not only did the prime minister sacrifice the champion of the reforms, he also changed the electoral system via a referendum to a system of proportional representation. From 1996 on, governments were formed by coalitions. This meant that policies were compromises and no longer coherent and consistent. Government expenditure went up. In the mid-1990s, slow growth was put on the political agenda. Politicians started to blame the market for the poor performance instead of the government. Air New Zealand was re-nationalized and, more recently, so too were the railways.

The approach adopted by New Zealand generated a lot of interest. It was the first place to implement a program based on a theoretically coherent framework of governance consisting of insights into public choice theory and new institutional economics, especially agency theory and transactional cost analysis. The second reason for the interest was the scope and the scale of the reforms. They included every aspect of the public sector (Boston, 1999; Darwall, 2003). Another remarkable aspect was the fact that these changes were started by the left-leaning labor party (Darwall, 2003; Table IV).

Ireland

Ireland is the best place to live in the world, according to a "quality of life" assessment by *Economist* magazine (*BBC News*, 2004):

Ireland is a small, modern, trade-dependent economy with growth averaging 6 percent in 1995-2007. Agriculture, once the most important sector, is now dwarfed by industry and services. Although the exports sector, dominated by foreign multinationals, remains a key component of Ireland's economy, construction has most recently fueled economic growth along with strong consumer spending and business investment. Property prices have risen more rapidly in Ireland

| | Population in millions | GDP/capita (\$) | Real GDP growth (%) | Unemployment (%) | Inflation (%) |
|------|------------------------|--------------------|------------------------|---------------------|------------------|
| 1965 | 2.660 | | | | 4.3 |
| 1980 | 3.113 | 8,287 | 1 | 4.0 | 18.4 |
| 1985 | 3.247 | 11,725 | 1.2 | 3.9 | 13.4 |
| 1990 | 3.411 | 13,522 | 0 | 7.8 | 4.9 |
| 1995 | 3.683 | 16,271 | 4.3 | 6.3 | 2.8 |
| 2000 | 3.863 | 19,378 | 3.9 | 6.0 | 3.9 |
| 2005 | 4.142 | 24,351 | 2.8 | 3.7 | 3.2 |
| 2008 | 4.28 | 27,172 | 2 | 4.1 | 3.1 |

Source: IMF (1980-2008), World Economic Outlook Database (April, 2008)

in the decade up to 2006 than in any other developed world economy. Per capita GDP is 40 percent above that of the four big European economies and the second highest in the EU behind Luxembourg, and in 2007 surpassed that of the USA. The Irish Government has implemented a series of national economic programs designed to curb price and wage inflation, invest in infrastructure, increase labor force skills, and promote foreign investment. A slowdown in the property market, more intense global competition, and increased costs, however, have compelled government economists to lower Ireland's growth forecast slightly for 2008. Ireland joined in circulating the euro on 1 January 2002 along with 11 other EU nations (CIA, The World Factbook (www.cia.gov/library/publications/the-world-factbook/geos/ei.html)).

In October 1986, the National Economic and Social Council (NESC), an independent advisory body set up in 1973 on which employers, workers, farmers, NGOs, government departments, and independent experts were represented, came forward with a strategy document for Ireland. This was a turning point for Ireland. The plan included cutbacks in public spending. The middle class had been paying 60 percent income tax, and the strategy was to reduce the level of government spending. In February 1987, Charles Haughey became Prime Minister and started the implementation of a three-year Programme for National Recovery (Beary, 2007).

The origin of what happened with Ireland dates back to 1970 with the reorientation of the industrial development agency (IDA), founded in 1949, to target foreign investment. The IDA reports to the minister for enterprise, trade and employment, and works in cooperation with Forfás, the national policy advisory board for enterprise, established in 1994, and Enterprise Ireland, which is responsible for promoting Irish companies. Large MNCs were attracted from the USA through a range of incentives including low-corporate tax rates of 12.5 percent for all industries. Ireland's membership of the EU helped too (Beary, 2007).

In the 1980s, regional technical colleges were established to train workers for the foreign investors. The MNCs were attracted to the Financial Service Sector in the 1980s. Because there was full employment, Ireland decided to open up its labor market to all new EU member states of Central and Eastern Europe. About 48 percent of the jobs were filled by foreigners (Beary, 2007).

The social partnership program introduced in 1986 was followed by other programs for economic and social progress. The current plan, The National Development Plan 2007-2013 focuses on innovation, R&D, and science and technology (Enterprise Ireland, 2008).

According to Collins (2007), the success of Ireland is partly coincidence and partly a result of effective government policy. The main exogenous factor was the worldwide organizational transformation that brought about the outsourcing of activities. Three endogenous factors, education, the government agency IDA, and Europe were also important. Ireland could attract direct foreign investment, because of the highly educated, English speaking, inexpensive labor force, and the availability of funds from the EU. According to Collins, the situation has altered and there are signs that Ireland is slowly losing its position in international competition (Table V).

Aruba

Aruba has made great strides since 1986 when it gained *Status Aparte* within the Kingdom of The Netherlands (IMF, 2007). Aruba is a modern society with a high quality of life and a high standard of living, but has remained an informal traditional society. It was discovered and claimed for Spain in 1499. The Dutch took over in 1636:

The island's economy has been dominated by three main industries. A 19th century gold rush was followed by prosperity that was brought on by the opening of an oil refinery in 1929. The last decades of the 20th century saw a boom in the tourism industry. Aruba seceded from The Netherlands Antilles in 1986, one year after the closing of the refinery, and became a separate, autonomous member of the Kingdom of The Netherlands. Movement toward full independence was halted at Aruba's request in 1990 (www.abriggs.com/high_level/FER_A/aruba_FER.php).

The political party *Arubaanse Volkspartij* entered government as part of a coalition in 1986 and introduced the Rescue Plan (*Plan di Rescate*):

The closing of the Lago oil refinery at the end of 1985 had an extremely negative impact on the economy of Aruba, but at the same time it provided the impetus for Aruba to be creative in seeking a solution (www.mikeeman.com/index.php?option=com_content&task=view&id=33&Itemid=42).

The entire process helped inspire the confidence that the government did indeed have the capacity and the vision to carry out such a bold plan. The Aruba Foreign Investment Agency was created. The rescue plan was put into action and produced impressive results. Within three short years, Aruba had reduced its unemployment from 28 percent to practically zero and had begun its trajectory to becoming one of the most successful tourist destinations. In addition, the country's oil refinery

| | Population in millions | GDP/capita (\$) | Real GDP growth (%) | Unemployment (%) | Inflation (%) |
|------|------------------------|-----------------|---------------------|------------------|---------------|
| 1965 | | | | | |
| 1980 | 3.401 | 6,612 | 2.9 | 7.3 | |
| 1985 | 3.54 | 8,905 | 1.9 | 17.3 | |
| 1990 | 3.506 | 12,834 | 7.7 | 12.9 | |
| 1995 | 3.601 | 17,631 | 9.6 | 12.2 | |
| 2000 | 3.79 | 28,782 | 9.2 | 4.3 | 4.6 |
| 2005 | 4.131 | 38,226 | 5.9 | 4.4 | 1.9 |
| 2008 | 4.351 | 44,415 | 1.8 | 5.3 | 2.6 |

Table V.
Ireland

Source: IMF (1980-2008), World Economic Outlook Database (April, 2008)

reopened in 1993, providing a major source of employment, foreign exchange earnings, and growth (www.mikeeman.com/index.php?option=com_content&task=view&id=33&Itemid=42).

With the exception of 2001 and 2002, Aruba has experienced economic growth in each of the last 20 years. After double-digit growth rates during the late 1980s, the Aruban economy settled to a more moderate pace in the 1990s. In 2004, the refinery was opened again. In 2005, GDP grew at approximately 5.8 percent, reaching an estimated US\$ 2,258 million, while GDP in real terms grew by an estimated 2.4 percent. Nominal GDP per capita amounted to approximately US\$ 22,434 (www.arubaeconomicaffairs.aw/index.php?option=com_content&task=blogsection&id=3&Itemid=37).

The years 2001-2005 were characterized by large fluctuations in the world economy. The crisis in the US stock market, the events of 11 September 2001, the beginning of the war in Iraq, and the unstable social situation in neighbouring Venezuela are a few of the events that had an impact on the economy of Aruba. It is noticeable that the tourist sector has contributed positively to the current account of Aruba and the growth of the entire economy. Aruba has to cope with a huge fiscal deficit. Public debt increased to 45 percent of GDP in 2006 (IMF, 2007).

In order to maximize economic opportunities and to diversify the economy, government policy is primarily focused on international developments. As a result, the most dynamic sectors of the economy are tourism, oil refining, international trade, the tax free zone, telecommunications, and finance.

The success of Aruba can be explained by the way Aruba stepped up to the challenges presented after obtaining the constitutional status of *Status Aparte* and the closure of the oil refinery. The rescue plan played an important role, as did the political leadership. Currently, Aruba is also working on a master plan for 2025 (Amigoe, 2008). Even so, Aruba still faces challenges when it comes to social development (Table VI).

Curaçao

Curaçao, with its 444 square kilometres, is the biggest island of The Netherlands Antilles and is inhabited by approximately 135,000 inhabitants of over 60 nationalities and has three official languages, Dutch, Papiamentu, and English. The Dutch Kingdom is currently made up of The Netherlands, The Netherlands Antilles, and Aruba. The Netherlands Antilles and Aruba are Dutch overseas self-governing countries. Defense and foreign affairs are Kingdom responsibilities, while the people hold Dutch

| | Population in millions | GDP/capita in (\$) | Real GDP growth | Unemployment (%) | Inflation (%) |
|------|------------------------|--------------------|-----------------|------------------|---------------|
| 1965 | 0.059 | | | | 0.9 |
| 1980 | 0.060 | | | | 16 |
| 1985 | 0.060 | | | | 3.6 |
| 1990 | 0.064 | 11,800 | 4 | | 7.1 |
| 1995 | 0.081 | 16,400 | 2.5 | 0.7 | 3.1 |
| 2000 | 0.091 | 20,400 | 3.7 | 4.8 | 3.5 |
| 2005 | 0.102 | 22,300 | 2.4 | 6.9 | 3.8 |
| 2008 | | | | | |

Source: Central Bank Aruba

Table VI.
Aruba

nationality and citizenship and have full mobility to The Netherlands. The Netherlands Antilles is a federation of the five islands: Curaçao, Bonaire, Saba, St Eustatius, and St Maarten. At this moment The Netherlands Antilles are going through a process of constitutional change. Curaçao and St Maarten will become countries within the Dutch Kingdom just as Aruba has been since 1986. The other three islands will each become a sort of Dutch municipality. These changes are planned to take effect in 2010. After the implementation, Curaçao will be freed from a double bureaucratic layer. Expectations are that this will not only lower the cost of government, but will also lead to a more effective and decisive government that will be able to facilitate the development of the island (Goede, 2008).

The social and economic structure of Curaçao was formed over time, creating a complex, low trust, traditionally segregated, and partially rational western society (Goede, 2008). The island was discovered in 1499 by the Spaniards. In 1662, the Dutch West Indies Company entered the very lucrative slave trade using Curaçao as a transshipment port. Slavery would continue for 200 until 1863. This phase laid the foundations for a segregated society based on ethnicity and culture that is still one of the sources of today's social and economic problems.

After a period of economic stagnation, the arrival of the Royal Dutch Petroleum Company in 1918 started a second period of economic growth and the western, rational, Anglo-American system of management was introduced to the island (Curiel, 2005). In 1954, during the oil phase, and based on the prosperity brought by the oil trade, The Netherlands Antilles obtained internal self-government, as part of the global process of decolonization after Second World War. In May 1969, as a consequence of the layoffs at the oil refinery, a revolt took place. In the 1960s, the international financial sector of Curaçao took off and flourished for 25 years (Curiel, 2005).

In the mid-1980s, the island entered a new stage of globalization by implementing a structural adjustment program or variations on such a program. This was a consequence of the closing of the Shell refinery in Curaçao in 1985 and the takeover of this by the Venezuelan state-owned company PdVSA, recession in the international ship repair business, the devaluation of the Venezuelan Bolivar in 1983, which affected tourism from Venezuela, and the change of American fiscal policy, which affected the financial sector in 1987 (Tromp, 2005; Goede, 2005). At the end of the century, a great number of state-owned companies and foundations were created. State-owned companies were also privatized. Other measures that were implemented were the liberalization of markets, especially the telecommunications, aviation, and labor markets. Romero, a director of the Central Bank of The Netherlands Antilles stated:

[...] after decades of market protection, our industry is still not capable of facing international competition. During the period in which the protection was being phased out, several companies closed, trimmed down, or were in trouble, prompting the government to reintroduce protective measures (Romero, 2005).

A social program, to cope with the consequences of the other aspects of the structural adjustment program, was put in place late and had insufficient resources to soften the social effects. This led to emigration, poverty, and other social issues on the island (Goede, 2003) which have shaped the political agenda ever since.

The tourism phase started at the beginning of the twentieth century and took off in the 1950s and 1960s, but was temporarily stopped after 1969. But in the mid-1980s tourism was taken up again to mitigate the consequences of the crisis. It was difficult

to stimulate the economy (Curiel, 2005). In the 1980s, the drugs economy, based on transshipment of drugs from Colombia to The Netherlands, also took off and reached a peak in 2000, but was combated with success after a few years (Curiel, 2005; Goede, 2005). In the last three years, the tourism industry has grown tremendously and broken all records.

From the mid-1980s, numerous plans have been written (*Ekilibrio and Adelanto, Nieuw Beleid, Vishon Korsou*) and the Foreign Investment Agency of Curaçao and other bodies were created in order to implement those plans. These bodies were later abolished as part of the structural adjustment plan.

The key performance indicators of Curaçao, such as population growth, economic growth, the unemployment rate, the budget deficit, and government debt, indicate that Curaçao has not been very successful over the last 20 years. But the signs indicate that the economy has taken off in 2006 and 2007. One possible explanation for the poor performance of the recent past is the fragmentation of society illustrated by unstable political coalitions (Goede, 2005), the lack of integration, and the fact that it takes time for the policy to have an effect. To stimulate social integration or alignment, Curaçao has engaged in social dialogue with the social partners in order to develop a Master Plan for the island. This dialogue is called *Kolaborativo* 2008 National Labor Force Development Dialogue and it is progressing slowly. The fact is that the constitutional changes that started in 1993 are demanding too much attention on the part of intellectuals and professionals and are creating uncertainty for investors (Table VII).

Analysis and concluding remarks

To conclude this inductive journey, in this section, the six countries are compared and the factors influencing development are identified. In Table VIII, an overview is offered of the factors and whether these factors are present in the respective countries. From Table VIII, it is clear that a number of the factors are relevant to explain the (beginning of) success. The necessary conditions for development are more than a master plan and social dialogue.

Independent nation

All the countries studied here are independent, with the exception of Curaçao and Aruba which are part of the Dutch Kingdom with internal self rule. This means that

| Year | Population in millions | GDP/capita (%) | Real GDP growth (%) | Unemployment rate (%) | Inflation (%) |
|------|------------------------|----------------|---------------------|-----------------------|---------------|
| 1965 | 0.134 | | | | |
| 1980 | 0.148 | 4,697 | | | 14.6 |
| 1985 | | | | | 0.4 |
| 1990 | | | | 17.8 | 3.8 |
| 1995 | 0.145 | 11,536 | | 13.1 | 2.8 |
| 2000 | 0.137 | 14,663 | -2.3 | 14.2 | 5.8 |
| 2005 | 0.135 | | 0.8 | 18.2 | 4.1 |
| 2008 | | | 3.5 | | |

Source: Bank van de Nederlandse Antillen; Central Bureau of Statistics, *The population of Curaçao over time*

Table VII.
Curaçao

| | Singapore | Barbados | Ireland | New Zealand | Aruba |
|---|-----------|----------|---------|-------------|-------|
| <i>Independent nation</i> | x | x | x | x | |
| Colonial past | x | x | x | x | x |
| Anglo-American background | x | x | x | x | |
| Dutch influence | x | | | | x |
| <i>Multi-cultural society</i> | x | x | | x | x |
| Slavery past | | x | | | x |
| Ethnic issues | x | x | | x | x |
| <i>Size and geography</i> | | | | | |
| Population size over 2 mil | x | | x | x | |
| Geographical size | | | x | x | |
| Hinterland | x | | x | | x |
| Oil and gas producer | | x | | x | |
| <i>Crisis at the beginning of success</i> | x | x | x | x | x |
| Geopolitical issues at the beginning | x | | x | | |
| Constitutional changes at the beginning | x | | x | x | x |
| <i>Master plan</i> | x | x | x | x | x |
| National dialogue | x | x | x | x | x |
| Civil service reform | | | x | x | |
| Liberalization of markets | x | x | x | x | |
| Fiscal reform | x | | x | x | |
| Education of labor force | x | x | x | | |
| Infrastructure (especially ICT) | x | x | x | | |
| Develop logistic hub | x | x | | | x |
| Economic integration | x | x | x | x | |
| Immigration policy | x | | x | x | x |
| Elite agency for implementation | x | x | x | | x |
| <i>Leadership</i> | x | x | x | x | x |
| Good governance | x | x | x | x | |
| Political continuity | x | | x | | |

Table VIII.
A comparison of the
countries

the people have a different attitude when facing the world, the so-called island factor (Aubert and Chen, 2008). Curaçao has the most in common with Aruba, although it has a lot in common with Barbados. Singapore, Barbados, New Zealand, and Ireland. All have an Anglo-American background or influence, and this is a big advantage in today's world (Collins, 2007). This is not the case for Curaçao and Aruba.

There are some interesting similarities between Singapore and Curaçao; Singapore had Dutch influence, via Dr Albert Winsemius, who was working at the United Nations and advised Singapore over the period from 1961 to 1984. Singapore also has a scholarship system. On the other hand, Singapore has a collective culture (Kuan Yew, 2000) while Curaçao has a more individualistic culture. Singapore gained its independence from Great Britain in the 1960s, while Curaçao obtained internal self rule from the Dutch in 1954, but is technically still a Dutch colony. From the start, Singapore refused Britain's aid, while Curaçao became heavily dependent upon Dutch aid (Martha, 2007).

Multi-cultural society

Singapore, Barbados, New Zealand, and Aruba, like Curaçao, have a colonial past. Barbados, Curaçao, and Aruba have a past based on plantations and slavery. This has

led to a multi-cultural society with a complex relationship with the former mother country, with ethnic issues, making nation building a necessity. Although Barbados and Curaçao have many similarities, there are some differences. Barbados was a British and not a Dutch colony.

Size and geography

Ireland, Singapore, and New Zealand had a population of at least two million inhabitants when they started their rise to global success. This means that, in terms of scale, Curaçao can only be compared to Barbados and Aruba. This consideration also applies to the area of the countries. Ireland and New Zealand are geographically much larger than Curaçao.

Geography plays an important role in the case of Singapore and New Zealand. Even in the case of Ireland geography played a role, according to Collins (2007). Some islands like Singapore, Barbados, and Aruba, have an important sea harbor, airport, tourist, and financial sectors, just like Curaçao, and have developed a logistic hub. Curaçao should take more advantage of its Latin American hinterland.

Barbados and New Zealand are oil producing countries. This makes a big difference in the comparison with the other four countries.

Crisis

Most of the countries started their journey to success when they were in a deep crisis. In the cases of Singapore and Aruba, the crises were related to constitutional and economic changes. During those crises some kind of national dialogue was started and some kind of master plan was formulated.

Geopolitical issues also play a role. Just as Singapore profited from geopolitical circumstances related to the rise of communism in China during the early years, Curaçao can profit from geopolitical circumstances, related to the Venezuela of President Chavez, Colombia, and the FARC, and the interests of the USA and The Netherlands in the region. Just as Singapore generated momentum from the split from Malaysia in 1965, and Aruba from their separation from The Netherlands Antilles in 1986, Curaçao can generate momentum from its split from The Netherlands Antilles after 2010.

Master plan

The importance of a master plan should not be exaggerated. Some authors claim that New Zealand, Ireland, and Singapore had no coherent strategy. In some cases, it was an informal plan and success is attributed to coincidence. Part of the master plan always involved the reduction of public spending, tax reforms, the attraction of direct foreign investment, especially by MNCs, the improvement of infrastructure, especially the ICT- infrastructure including the training of the population, and improving logistic functions to create a regional hub.

In many cases, the leadership installed an elite agency (EDP, IDA, AFIA) to go out and attract direct foreign investment and help investors through the process. Later on, elite agencies were created to help local corporations increase their global activities.

All the countries have some form of economic integration into an economic market, such as the EU, the integration with the Australian market, or CARICOM. Successful countries have implemented an active immigration policy, welcoming

trained laborers to the labor market in the emerging and booming economic sectors, to mitigate shortages in local labor.

Leadership

All the countries had a strong, undivided government that exerted leadership by implementing changes. What can be noticed is that in Aruba, Barbados, and New Zealand, economic success did not guarantee political success. Political parties were voted out and politicians sacrificed after they contributed to bringing prosperity to the country. In the case of Singapore, this has not been the case. Singapore even has authoritarian leadership. A possible explanation is the Confucian cultural background of Singapore. Also, New Zealand got into trouble with their transformation process when they changed their electoral system to a coalition system. From New Zealand, Curaçao should learn that coalition government makes it hard to implement real change. The difference between Curaçao and New Zealand is that the latter is less fragmented. An illustration of the higher coherence is the electoral system, which is a two-party system.

All the successful countries rank high when it comes to integrity and human development (*The Economist*, 2008b). This might suggest that Curaçao should continue to develop and implement policies to promote good governance and human development.

After studying these cases, one notices that the successful countries went through the eight stages of creating major change as presented by Kotter (1996). Although Kotter's theory is based on organizational change, it is here applied to islands. The idea of transferring insights from organizations to islands can be seen in Haley *et al.* (1996) introduction of the metaphor "Singapore incorporated." Also, Aubert and Chen (2008) looked at what consultants do when changing organizations to explain why islands are successful in the current era of globalization (Table IX).

Leadership during crisis was a key factor during the transition process, in order to build a guiding coalition. Robinson and Harvey (2008), based on theories like spiral dynamics, argued that leadership based on developmental differences should be taken into account. Based on the results of the case studies, the countries have been categorized according to the spirals dynamics criteria set out in Table X. To be successful, countries must have reached or neared the blue stage, at least temporarily. The cases of Aruba, Barbados, and New Zealand illustrate that countries can regress to the red stage after the crisis. Curaçao is in the red stage of development based on its fragmentation and segmentation. The leadership has to take this into account. The fact that Curaçao is in the red stage of development may be an explanation as to why the island factor is not working in its favor at the moment.

Constitutional changes and economic development can provide an opportunity for Curaçao to reach the blue stage of development and activate the island factor. A master plan and social dialogue are not tools to reach the blue stage, but outcomes of reaching it. What is essential is the crisis and the leadership that comes forward to guide the island to face the challenges and succeed.

The current functionalist view of governance, which is becoming dominant worldwide, endorses convergence towards one best model, the Anglo-American model (Ardalan, 2007a,b; Goede, 2008). This coincides with the blue stage or a more complex stage. This gives Anglo-American countries an advantage over countries like Curaçao. But Curaçao is making substantial efforts to adopt the Anglo-American model. All the successful countries came up with strategies not only adapted to their needs

| The eight-stages | What the countries did |
|--|--|
| Establishing a sense of urgency | Some countries were dealing with constitutional changes, others with economic crisis, others with geopolitical issues, and some with a combination of the three |
| Creating a guiding coalition | Leadership to lead a form of social dialogue is important. In this the political system is a key factor. Concentrated political power is an advantage |
| Developing a vision and a strategy | Most of the countries came up with some kind of master plan. This plan included reducing government expenditure, tax reform, improving infrastructure, especially ICT, education of labor force, attracting DFI (especially MNC), economic integration in the region and the import of a labor force |
| Communicating the change vision | The plan was communicated to all stakeholders |
| Empowering broad-based action | Most of the countries created elite agencies to coordinate the execution of the plan. They also empowered other stakeholders, especially the business sector, to act |
| Generating short-term wins | Most countries had short-term successes, increasing the support for the change. For example, Aruba succeeded in reducing high unemployment in the early years |
| Consolidating gain and producing more change | Most of the countries were able to consolidate the gains |
| Anchoring new approaches in the culture | Some of the countries made cultural interventions to anchor the changes. Education programs played a major role in this. Another focal point was good governance and programs to stimulate good governance |

Source: Kotter (1996, p. 21)

Table IX.
The eight-stage process for creating major change applied to the cases

| Color | Description | |
|--------|--|--|
| Beige | Archaic, instinctive, survivalistic, automatic, reflexological "Express instinctively and automatically for biological survival" | |
| Purple | Animistic, tribalistic, magical, animistic tribal order "Sacrifice self to the wishes of the elders and the ways of the ancestors to placate the spirits" | |
| Red | Egocentric, exploitive power gods, dominionist "Express self impulsively and without guilt lest one suffers unbearable shame" | Curaçao |
| Blue | Absolutistic, obedience, mythic order, purposeful, authoritarian "Sacrifice self now to the one true way and obey rightful authority so as to deserve rewards later" | Singapore (Dinan, 1999) Aruba Barbados New Zealand Ireland |
| Orange | Multiplistic, achievistic, scientific, strategic "Express self calculatedly to achieve what self desires, but so as not arouse the ire of others" | |
| Green | Relativistic, personalistic, communitarian, egalitarian "Sacrifice self now, to obtain now, for self and others" | |

Source: Cowan and Todorovic (2000), Dinan (1999)

Table X.
Spiral dynamics

and possibilities, but which were in the right place at the right time. Hoogvelt (2001) correctly pointed to geopolitical conditions and an era of Fordism as significant. Collins (2007) correctly argued that Ireland's success must at least partially be attributed to the shift in models of production of MNC.

In't Veld (2005) states that there is no universal formula for integral development of a nation. Curaçao should develop a tailor-made program and not copy others or follow the fashion of the day. The only universal principle is that nations must prevent tyranny. Aubert and Chen (2008) also state that all islands should seek their own unique path.

Future investigation should document more case studies of small islands. The focus and further exploration should be on the relationship between the factors: crisis, leadership, master plan, and social dialogue. In the case of leadership, the relationship with the electoral system should be studied.

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