

# Funding Liberation: Dutch Development Aid, Tax Havens, and the Decolonization of the Netherlands Antilles

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**Abstract – This thesis analyzes the political implications of neoliberal ideas in the context of Dutch development policies regarding the Netherlands Antilles during the 1970s and 1980s. It sheds light on both the intellectual history of neoliberalism in the Netherlands and the history of the Dutch Empire. More specifically, it examines how the Dutch perception of the offshore industry as a development tool gradually entered the development discourse and how this affected the relationship between the Netherlands and the Netherlands Antilles. It is argued that the neoliberal *zeitgeist* gradually provoked development policies to encourage the Antilles to be incorporated into the international economic structure including limiting the role of the government and encouraging privatization, liberalization, and deregulation in the Antillean economy. This, however, did not constructively contribute to the decolonization process of the Netherlands Antilles.**

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Keywords – decolonization, neoliberalism, Dutch Caribbean, offshore financial centers, development aid

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## Abbreviations

AFIA	Aruba Foreign Investment Agency
ALM	Antillean Airline ( <i>Antilliaanse Luchtvaartmaatschappij</i> )
AVV	Aruban Joint-Stock Company ( <i>Arubaanse vrijgestelde vennootschap</i> )
BRK	Tax Arrangement for the Realm ( <i>Belastingregeling Koninkrijk</i> )
CBI	Caribbean Basin Initiative
CDM	Curacaon Dry Dock Company ( <i>Curaçaose Droogdok Maatschappij</i> )
EEC	European Economic Community
FMO	Dutch Financing Organization for Developing Countries ( <i>Nederlandse Financierings Maatschappij voor Ontwikkelingslanden</i> )
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
ITC	International Trade Center
KabNA	Cabinet for the Netherlands Antillean and Aruban Affairs ( <i>Kabinet voor Nederlands-Antilliaanse en Arubaanse Zaken, KabNA</i> )
MPS	Mont Pèlerin Society
NAR	National Advisory Board on Development Cooperation ( <i>Nationale Adviesraad voor Ontwikkelingssamenwerking</i> )
NHM	Dutch Trade Organization ( <i>Nederlandsche Handel-Maatschappij</i> )
NIEO	New International Economic Order
OFC	Offshore financial centers
RTC	Round Table Conference
VOB	Offshore Interests Association ( <i>Vereniging Offshore Belangen</i> )
WTO	World Trade Organization

## Introduction

The Netherlands shares a long history with its Caribbean part of the Kingdom. The Dutch West India Company (WIC) conquered the islands from the Spanish in the 17<sup>th</sup> century to profit from salt production in the Caribbean.<sup>1</sup> Where Indonesia and Suriname gained independence from the Netherlands in 1949 and 1975 respectively, the Caribbean islands are still part of the Kingdom of the Netherlands in some way. The most recent constitutional change in the Caribbean relationship occurred in 2010 when the Netherlands Antilles was officially dissolved and Curacao, Aruba, and Sint Maarten became constituent countries of the Kingdom of the Netherlands. Bonaire, Sint Eustatius, and Saba became special municipalities under Dutch law.<sup>2</sup> Up until recently (or to present-day, some might argue) the islands in the Caribbean are regarded as international tax havens or offshore financial centers (OFCs). For example, in 2017, the Paradise Papers revealed how former British colonies like the British Virgin Islands and the Cayman Islands facilitate constructions for major politicians, rich people, and multinationals to avoid taxes.<sup>3</sup> Specifically Curacao and Aruba were blacklisted and labeled as tax havens by the European Union up until 2019.<sup>4</sup> The heydays of the OFC in the Netherlands Antilles are long passed. Particularly during the 1970s and 1980s, the income from special fiscal constructions increasingly contributed to Antillean society. At the same time, Dutch were looking for ways to develop the Antilles and to guide the island group toward independence. Where do these two histories meet? Accordingly, this thesis analyzes to what extent the economic history of OFCs in the Antilles played a role in the political history of the seemingly dissolving Dutch Empire. The research question that will be answered is: How did the Dutch perception of the offshore industry as a development tool for the Antilles impact the relationship between the Netherlands and the Netherlands Antilles during the 1970s and 1980s? In this introduction, a historiography on neoliberalism and the Dutch Kingdom is set out, a hypothesis on the research question is formulated, and a structure and methodology is presented.

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<sup>1</sup> Cornelis Goslinga, *A Short History of the Netherlands Antilles and Surinam* (Dordrecht: Springer Netherlands, 1979), 20.

<sup>2</sup> Jaap Woldendorp, "Good Governance and Local Autonomy in the Kingdom of the Netherlands in Europe and the Caribbean: An Uneasy Relationship," *The Tocqueville Review* 35, no. 2 (2014): 12.

<sup>3</sup> International Consortium of Investigative Journalists, "Offshore Trove Exposes Trump-Russia links and Piggy Banks of the Wealthiest 1 Percent," November 5, 2017 via <https://www.icij.org/investigations/paradise-papers/paradise-papers-exposes-donald-trump-russia-links-and-piggy-banks-of-the-wealthiest-1-percent/>. Accessed on July 23, 2023.

<sup>4</sup> Oxfam International, "EU lets tax havens of Bermuda, Barbados and Aruba off the hook in blacklist review," May 17, 2019, via <https://www.oxfam.org/en/press-releases/eu-lets-tax-havens-bermuda-barbados-and-aruba-hook-blacklist-review>. Accessed on July 23, 2023.

## Historiography of the Dutch Empire

The historiography of the Dutch-Caribbean relationship helps to place this thesis in the context of academic perspectives on decolonization and the Dutch Empire. Since the 1970s, the historiography of the Dutch Empire has undergone a significant transformation. In the 1970s, the literature mainly focused on the consequences of the Caribbean economic relationship with its former Western colonizers. Much emphasis was placed on the role of Western governments and companies in the Caribbean. For example, in 1979, Cornelis Goslinga publishes a history of the relationship between the Netherlands, the Caribbean, and Suriname. Goslinga's contribution primarily focuses on the economic developments of the Caribbean islands and Suriname from their first encounter with the Spaniards in the 15<sup>th</sup> century up until the mid-1970s.<sup>5</sup> The fact that the book lacks an analysis of the Surinam decolonization is caused by Goslinga's rather limited economic perspective on the Caribbean part of the Dutch Kingdom. Another, rather descriptive history of the Antilles was written by Luis Daal and Ted Schouten in 1988. Their popularized Antillean story (*Antilliaans verhaal*) is the first comprehensive account of Antillean history authored by Antilleans and aimed at a wide audience.

During the 1990s, scholars apply a variety of new perspectives on the history of the Dutch Caribbean. Betty Sedoc-Dahlberg argues that literature on the Caribbean often excludes or marginalizes Suriname and the Netherlands Antilles and that the legacies of slavery, colonialism, and racism have manifested themselves in the structure and organization of Caribbean Dutch-speaking societies are underinvestigated. In response, Sedoc-Dahlberg's edited volume contributes to a greater understanding "of the unique [...] characteristics of the Dutch Caribbean in regard to the future of democracy."<sup>6</sup> In the volume, Peter Verton analyzes the Dutch and Antillean perception of their (future) relationship. He concludes that the effects of the Dutch policy resulted in political disintegration, an unproductive political system, and a stagnant socio-economic development process and that is, in response, "important to know the opinion of the [Antillean] people over the future political structure."<sup>7</sup> Sedoc-Dahlberg *et al.* contribute to the Dutch-Caribbean historiography by implementing a Caribbean perspective. Another significant contribution to the field is the work of Alex Reinders. His rather descriptive yet comprehensive political history of the Netherlands Antilles and Aruba covers the 1950s up until 1993. Although the book illustrates in detail how Antillean politics developed and politically related to the Netherlands and the Kingdom. Moreover, the work of Edo Haan

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<sup>5</sup> Goslinga, *A Short History of the Netherlands Antilles and Surinam*. See, for example, chapter 13, 22, and 28.

<sup>6</sup> Betty Sedoc-Dahlberg, *The Dutch Caribbean: Prospects for Democracy*, (London: Routledge, 1990), 7.

<sup>7</sup> Sedoc-Dahlberg, 216.

focuses on the economic history of the Netherlands Antilles and Aruba from 1969 to 1995. Useful for this thesis is Haan's analysis of the Dutch development aid and the evolution of the offshore sector in the Antilles.<sup>8</sup> All in all, the 1990s historiography on the Caribbean increasingly integrates the perspective of the Netherlands Antilles, chiefly concerning the politics in the Netherlands.

Since the 2000s, historiography is centered around the decolonization of the Caribbean in an international context. After the decolonization of Haiti (1791), the Dominican Republic (1844), and Cuba (1901), the rest of the region remained colonized by the United Kingdom, France, and the Netherlands, or by the ascending power of the United States.<sup>9</sup> Although metropolitan policies mainly conditioned decolonization, Caribbean obstruction blocked the effort to accomplish independence. For Oostindie *et al.* this "unfinished" decolonization process forms the basis for researching cultural, economic, and political ties in comparison with the Caribbean islands of the UK and France. Oostindie *et al.* amongst others emphasized the cultural exchange, development aid, and the changing perceptions of the Dutch Empire. All in all, they illustrate how the current relationship between the Netherlands and the Caribbean part of the Kingdom is the result of the century-old connection with the Netherlands which made the Caribbean islands the "most privileged states" in the region.<sup>10</sup> While Oostindie *et al.* do address the decolonization process of the Antilles, they do not take into account the implications of the offshore industry for the Dutch-Antillean relationship. Koekkoek *et al.* examine perspectives on the Dutch empire in a broader global context of visions of empire. They do so by researching the ways various actors articulated their visions in practice. This provides an insight into the Dutch imperial self-perception of exceptionality. Moreover, they reveal and contextualize the continuities and ruptures in the development of various concepts, ideas, and visions of empire from the sixteenth century to the postcolonial era which suggest new ways to rethink the relationship between Dutch imperial history and its enduring impact on contemporary public culture and collective memory.<sup>11</sup> All in all, Koekkoek *et al.* give a valuable insight in the changing imperial praxis and intellectual ideas on empire in history.

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<sup>8</sup> Edo Haan, *Antilliaanse Instituties: De Economische Ontwikkeling van de Nederlandse Antillen En Aruba, 1969 - 1995*, Theses on Systems, Organisations and Management (Capelle aan de IJssel: Labyrint Publishing, 1998).

<sup>9</sup> Gert Oostindie and Inge Klinkers, *Decolonising the Caribbean: Dutch policies in a comparative perspective* (Amsterdam: Amsterdam University Press, 2003), 9.

<sup>10</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 220.

<sup>11</sup> René Koekkoek, Anne-Isabelle Richard, and Arthur Weststeijn, eds., *The Dutch Empire between Ideas and Practice, 1600–2000*, Cambridge Imperial and Post-Colonial Studies (Cham: Springer International Publishing, 2019), 7.

## Intellectual and Economic History of Neoliberalism

An overview of the historiography of neoliberalism helps to position this thesis in current scholarly debates on this issue. Up until the late 1970s, political economics was based on the ideas of John Maynard Keynes. Keynes developed an effective strategy for state intervention to compensate for depression and unemployment in a capitalist system. In his opinion, the state should concern itself with the level of expenditure and the demand to offset underconsumption.<sup>12</sup> Since the late 1970s, Keynes' principles proved to be ineffective in solving the present economic issues like stagflation and unemployment. Robert Skidelsky's edited volume is a collection of essays that reflect on the limitations and disintegration during the Keynesian decades. For example, Samuel Brittan argues in his contribution to the volume how the ideas of monetarist (read: neoliberalist) Milton Friedman would solve the economic issues at that time.<sup>13</sup> The work of Skidelsky illustrates the discontent of historians, economists, and political theorists with the inability of Keynesian economic philosophy to solve the problems of the late 1970s.

In the early 1980s, Philip J. O'Brien publishes one of the first historical accounts that analyzes the political implications of neoliberal ideas. O'Brien examines the rise and fall of the so-called Chicago Boys during the early days of Pinochet's rule (1973-1990) in Chile. In doing so, he examines how and why the neoliberal ideas of Friedrich Hayek and Milton Friedman debuted on a large political scale. The Chicago Boys was a network of former economy students who studied at the economic department of the University of Chicago where they encountered neoliberal economic theories, taught by prominent neoliberals like Hayek and Friedman.<sup>14</sup> General Augusto Pinochet surrounded himself with members of the Chicago Boys as the Chilean junta sought ways to radically change the economic situation of Chile. Pinochet even decided to call on the advice of neoliberal thinkers Hayek and Friedman by inviting them to Chile in 1975 and 1976. They introduced the so-called "shock therapy" that translated neoliberal ideals into practice based on an "authoritarian version of the Chicago model" with significant implications for Chile.<sup>15</sup> O'Brien concludes that "in a developed capitalist economy the Chicago model is likely to fail as people begin to fight back against its consequences."<sup>16</sup> According to O'Brien, developed economies have democratic procedures and institutions to

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<sup>12</sup> Robert Skidelsky, *The End of the Keynesian era: essays on the disintegration of the Keynesian political economy* (London Basingstoke: Macmillan press, 1977), 67.

<sup>13</sup> Skidelsky, *The End of the Keynesian era*, 42-43.

<sup>14</sup> Philip O'Brien, "The New Leviathan: The Chicago School and the Chilean Regime 1973-80," *The IDS Bulletin* 13, no. 1 (May 22, 2009): 39.

<sup>15</sup> O'Brien, "The New Leviathan: The Chicago School and the Chilean Regime 1973-80," 42-44.

<sup>16</sup> O'Brien, 50.

prevent the authoritarian version of the Chicago model from being implemented. Another example of literature on neoliberalism in the 1980s is the work of John Gray. Gray reflects on Hayek's dogma in *The Road to Serfdom* on the 40<sup>th</sup> anniversary, specifically his ideas on state intervention. Hayek and the ideas of the Austrian School, according to Gray, "allowed the shaky intellectual foundations of liberalism to be strengthened."<sup>17</sup> Gray illustrates how economic experiences from the recent past illustrate the impotence of Keynes' principles to prevent "further restrictions of individual liberty" and these will not solve current economic difficulties.<sup>18</sup> He concludes that the ideas of Hayek "have undergone a recent revival and have found support" that is promising for "success in this struggle."<sup>19</sup> All in all, neoliberalism in the 1980s is analyzed from a contemporary context. Scholars mainly reflect on the appropriateness of neoliberal ideas for contemporary economic problems.

From the 1990s onwards, the relationship between neoliberal ideas and the development of economic institutions in the Caribbean is more prominently researched. Several authors specifically link the rise of the offshore industry to increasingly politicized neoliberal concepts. For example, Sol Picciotto illustrates how the offshore industry remodels the form and functions of statehood. Picciotto states that the implementation of the offshore concept became part of the neoliberal deregulation ideology.<sup>20</sup> Regulation of the offshore industry is neglected because such state interference is deemed "inappropriate, ineffective, or unfair," according to Picciotto. The offshore created a "dynamic of regulatory competition between states" which resulted in the undermining of the classic liberal international state system. This system is replaced by new forms of regulation based on complex sub-state international networks that define and administer international standards.<sup>21</sup> Tomas Klak agrees with Picciotto as he states that: "Those [OFC] islands that have successfully attracted offshore banking and related activities can be viewed as exemplars of neoliberalism."<sup>22</sup> However, according to Klak, neoliberal ideas not only allowed the rise of OFCs but also influenced the development of the Caribbean in different ways. For example, the Caribbean started focusing on wage work in export-oriented factories, the export of the traditional primary sector products, and attempts to manage factories or offices

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<sup>17</sup> John Gray, "The Road to Serfdom: 40 Years On," in *Hayek's "Serfdom" Revisited: Essays by Economists, Philosophers and Political Scientists on "The Road to Serfdom" after 40 Years*, ed. Norman Barry et al., (London: The Institute of Economic Affairs, 1984), 25.

<sup>18</sup> Gray, "The Road to Serfdom: 40 Years On," 36-40.

<sup>19</sup> Gray, 40-42.

<sup>20</sup> Sol Picciotto, "Offshore: The State as Legal Fiction," in *Offshore Finance Centres and Tax Havens*, ed. Mark P. Hampton and Jason P. Abbott (London: Palgrave Macmillan UK, 1999), 15.

<sup>21</sup> Picciotto, "Offshore: The State as Legal Fiction," 18.

<sup>22</sup> Thomas Klak, ed., *Globalization and Neoliberalism: The Caribbean Context* (Lanham: Rowman & Littlefield, 1998), 624-25.



whose products insert into the new international division of labor.<sup>23</sup> Klak concludes that, despite the growing inequality as a result of neoliberal policies and the region's structural constraints, the Caribbean has the ability to formulate its regional perspectives and aims in order to "counter the notion that powerlessness reigns."<sup>24</sup> Generally speaking, the literature of the 1990s reflects on the impact of neoliberalism on international political standards and economic developments.

Since the 2000s, the historiography on neoliberalism is increasingly analyzed in the context of decolonization. This is illustrated in the work of Quinn Slobodian who argues that in the 1930s and 1970s, the ages of decolonization, neoliberals aimed at designing institutions to encase markets, inoculate capitalism against the threat of democracy, and reorder the world after empire as a space of competing states.<sup>25</sup> Slobodian illustrates that the Geneva School regarded one law for the world economy as a solution to the end of empire. They dreamt of decolonization without the destructive desire for economic autonomy by integrating democratic postcolonial states into the world economy through frameworks of government and law.<sup>26</sup> According to Slobodian, the European Economic Community (EEC), the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), later the World Trade Organization (WTO), are all examples of "juridical powers that encase markets beyond democratic accountability" creating an internationally intertwined marketplace.<sup>27</sup> According to Slobodian, there were other means to protect the free market from democratic forces as he refers to other scholars like Ronen Palan *et al.* who illustrate how the Dutch government started deliberately designing tax legislation making the Antilles more attractive to multinational companies in search of a "tax efficient" location "to flee the clutches of their own redistributive states" in the mid-1970s.<sup>28</sup> In this sense, the neoliberal "holy grail" of a freely accessible international market can be established in multiple ways.

Vanessa Ogle elaborates on this perspective by analyzing the motivations of former colonizers' support for the rise of the Caribbean tax haven. Ogle examines the role of tax havens and OFCs in the neocolonial relationship between the West and the Caribbean. Ogle refers to the tax havens in the British Caribbean islands when she argues that empire and decolonization bore a direct relationship to what she calls archipelago capitalism. This form of capitalism is

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<sup>23</sup> Klak, *Globalization and Neoliberalism*, 616-617.

<sup>24</sup> Klak, *Globalization and Neoliberalism*, 640-642.

<sup>25</sup> Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge: Harvard University Press, 2018), 2.

<sup>26</sup> Slobodian, *Globalists*, 272-73.

<sup>27</sup> Slobodian, *Globalists*, 266.

<sup>28</sup> Slobodian, *Globalists*, 267. See: Ronen Palan, Christian Chavagneux, and Richard Murphy, *Tax Havens: How Globalization Really Works* (Ithaca: Cornell University Press, 2013), 143.

characterized by (almost) no tax regimes and barely any regulation and government oversight. Archipelago capitalism, Ogle claims, is “the product of concrete, conscious, and deliberate government decisions and support” and that these constructions were “a regular and integral rather than an exceptional element of twentieth-century liberal-democratic capitalism.”<sup>29</sup> When European colonizers retreated from the colonial world abroad in the 1950s and 1960s, some returnees sought to prolong the favorable tax arrangements that had come with the empire. In comparison, the high tax rates in the metropole intended to finance the welfare state of the 1950s and 1960s seemed excessive.<sup>30</sup> The combination of decolonization and postwar welfarist policies created conditions that made people more eager to pursue avoidance and evasion opportunities than before, Ogle states. At the same time, Western governments believed that the income from tax havens could fight hunger and poverty in the Third World to prevent those countries from falling under the sway of communism. Ogle refers to British officials who “condoned and sometimes encouraged the emergence of tax havens as a means for resource-poor territories to attract foreign capital and achieve economic uplift.”<sup>31</sup> This all impacts our current-day interpretation of development policies and neoliberalism because the rise of neoliberalism and the establishment of tax havens and OFCs go hand in hand, Ogle argues. More specifically, important aspects of the offshore industry – like low taxation and deregulation – are regarded by Ogle as preceding the dominant neoliberal discourse in the 1980s. In the decades before the 1980s, tax havens, offshore financial centers, and foreign trade zones operated as experiments that implemented certain elements of free-market capitalism in circumscribed spaces during an age otherwise characterized by interventionist states and embedded markets. The rise of what Ogle calls “capitalism’s archipelago” was the result of nation-states adapting to globalization during the 1980s. She states that capitalism’s archipelago “had been a way to adapt to a world of nation-states and state-based projects in the preceding decades, when citizenship, democracy, liberal capitalism, and moderate redistribution were all vested in the nation-state.”<sup>32</sup>

In short, this thesis takes the Dutch decolonization efforts in the Caribbean as a starting point. It contributes to the current literature by analyzing the consequences of changing Dutch perceptions of development aid on the decolonization process in the Netherlands Antilles during the 1970s and 1980s. Moreover, it adds to our understanding of the history of development and

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<sup>29</sup> Vanessa Ogle, “Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s,” *The American Historical Review* 122, no. 5 (2017): 1433.

<sup>30</sup> Ogle, “Archipelago Capitalism,” 1438.

<sup>31</sup> Ogle, “Archipelago Capitalism,” 1441.

<sup>32</sup> Ogle, “Archipelago Capitalism,” 1458.

modernization efforts by illustrating how the Netherlands Antilles were, according to the Netherlands, to adapt to expanding globalization, the rise of neoliberal capitalism, and democratic changes by means of Dutch development policies during the time that neoliberal ideas were gradually popularized. All this sheds new light on the relationship between the Netherlands and the Caribbean part of the Kingdom.

### **Offshore Financial Centers: A Development Tool in the Antilles?**

In the case of the Dutch Empire, the Netherlands Antilles and particularly Curacao flourished as an OFC during the mid-1980s. Tijn van Beurden and Joost Jonker state that the origin of the OFC in Curacao dates back to the early 1950s.<sup>33</sup> In 1952, the business tax for shell companies was reduced to 2,4 to 3 percent, one-tenth of the normal rate. Moreover, the Antilles opted for a new fiscal framework with the Netherlands and demanded exemption from taxation at source for dividends sent from the Netherlands to Curacao.<sup>34</sup> This new framework was discussed for ten years and resulted in the BRK in 1965. According to Van Beurden and Jonker, the BRK “not only boosted Curacao as an OFC but laid the groundwork for the Netherlands as a tax haven as well.”<sup>35</sup> Eventually, the BRK, together with the rise of the Eurodollar and Eurobond markets and the closing of international tax deals, resulted in the registration of shell companies to profit from the so-called Antilles Route or Antillean Window. The number of these kinds of companies increased from 2.900 in 1975 to over 27.850 in 1985.<sup>36</sup> During its 1970s and mid-1980s peak, the diversity of services widened with the arrival of mutual funds, real estate companies, and insurance companies. As a result, the island offered as full an array of specialized financial, fiscal, and legal services as any OFC.<sup>37</sup> The success of the OFC in Curacao was not only due to internal factors, it was to a large extent also the result of the tax treaty with the United States (US). In 1979, however, the US wanted a revision of that treaty to create more openness about who profited from the agreement. The discussion lasted almost ten years whereupon the US set an ultimatum: the Antilles would have to accept the new rules about information exchange, or the existing treaty would be terminated.<sup>38</sup> The Antillean government rejected the proposal, and as a result, the status of Curacao as OFC declined in the late 1980s, and its income was reduced significantly.

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<sup>33</sup> Tijn van Beurden and Joost Jonker, “A Perfect Symbiosis: Curacao, the Netherlands and Financial Offshore Services, 1951–2013,” *Financial History Review* 28, no. 1 (2021): 69.

<sup>34</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 75.

<sup>35</sup> van Beurden and Jonker, “A Perfect Symbiosis,” 76.

<sup>36</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 78.

<sup>37</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 79.

<sup>38</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 83.

According to Van Beurden and Jonker, the evolution of the Antillean tax haven “was prompted by Dutch initiatives, boosted by Dutch multinationals and service providers, and supported by Dutch foreign policy throughout.”<sup>39</sup> The Antillean side often emphasized the importance of public revenue derived from the blossoming OFC for maintaining social stability regarding the high unemployment. The Dutch government firmly supported that particular argument.<sup>40</sup> But what was the motivation of the Netherlands behind this policy? Why did the Dutch support the emergence of the special financial sector in the Caribbean? To what extent is the rise of the Antillean OFC connected to the neoliberal development policies of the Dutch to prepare the Antilles for their independence? Van Beurden and Jonker do not elaborate on why the Dutch considered the special tax legislation in the Caribbean as a solid plan. This thesis researches the possible motivations for the Dutch attitude. Therefore, this thesis researches the exploitation of tax havens and OFCs as a development tool by the Dutch government in the 1970s and 1980s. Based on the arguments of Ogle, Van Beurden and Jonker, and Slobodian, we expect to see that the financial and economic benefits from the OFC in the Antilles were regarded by the Dutch as a means to develop and modernize the Netherlands Antilles in order to increase the region’s autonomy and eventually prepare it for independence. This fits in the neoliberal *zeitgeist* of the 1970s and 1980s.

## Structure and Methodology

As mentioned above, this thesis combines two different historiographic movements. By analyzing the political implications of neoliberal ideas in the context of the Netherlands Antilles during the 1970s and 1980s, this thesis shed light on both the intellectual history of neoliberalism in the Netherlands and the history of the Dutch Empire. Accordingly, we gain insight into the role of neoliberal arguments during the Caribbean decolonization process. By performing a form of discourse analysis on a variety of primary sources, this thesis examines how neoliberal concepts affected Dutch perceptions of Antillean development aid that would contribute to the independence of the Dutch Caribbean. In doing so, this research fits the tradition of the new cultural history of politics or the so-called “Newest Political History” as initiated by Marion Nelson Winship in the late 1990s. Newest Political History is one of the ways historians anticipated the linguistic turn that affected historiographic debates since the late

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<sup>39</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 89.

<sup>40</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 82.

1980s.<sup>41</sup> It is the historian's response to "the postmodern challenge" and its corresponding need for "a more profound historical inquiry that [begins] with the assertion that our sense of reality is socially constructed."<sup>42</sup> The historians associated with the Newest Political History are "more interested in texts and discourse than political behavior and policymaking," as is the case with the New Political History movement.<sup>43</sup> Where New Political History puts much emphasis on the quantitative and behavioral analysis of historic developments, Newest Political History internalizes postmodern usages and key concepts to interpret the past.<sup>44</sup> Alan Bell illustrates how to match the postmodern epistemology of discourse analysis with the methodology of hermeneutics. Subsequently, Bell adapts Ricœur's hermeneutical arc (and Hans-Georg Gadamer's concept of *verstehen*) into the Interpretive Arc which consists of six interlinked phases. Bell's Interpretive Arc consists of stages Estrangement, Pre-view, Proto-understanding, Analysis, Understanding, and Ownership.<sup>45</sup> The first phase invites the source to be read, the third and second phases help to overcome our initial prejudices, the fourth and fifth phases enable us to move between analysis and understanding based on the historical context, and the last phase incorporates the source into the research. All in all, the concepts of Bell's Interpretive Arc to analyze and interpret the content of written texts in their historical context are used for this thesis.

The analysis in this thesis is threefold. In the first chapter, we answer the question: To what extent did the changing constitutional ties and the emerging financial sector provide the Antilles agency? Secondary literature on the Dutch Empire by Oostindie *et al.* and the Antillean OFC by Van Beurden and Jonker, combined with several primary sources, will provide a short historical overview of the constitutional and economic relationship between the Dutch and Antilleans after WWII up until the 1990s. The second chapter analyzes different Dutch perspectives on the Antillean development aid and modernization by answering the question: How did the Dutch perceptions of development aid change and impact the evolution of tax havens in the Antilles during the 1970s and the 1980s? In this chapter, special attention is paid to the perceptions of Jan Pronk (Minster of Development Cooperation from 1973 to 1977) and Ferdinand van Dam (the highest official of Development Cooperation up until 1982) who

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<sup>41</sup> Judith Surkis, "When Was the Linguistic Turn? A Genealogy," *The American Historical Review* 117, no. 3 (2012): 700–722.

<sup>42</sup> William G. Shade, "Commentary Déjà Vu All Over Again: Is There a New New Political History?," in *Beyond the Founders: New Approaches to the Political History of the Early American Republic*, ed. Jeffrey L. Pasley, Andrew W. Robertson, and David Waldstreicher (University of North Carolina Press, 2004), 393.

<sup>43</sup> Shade, "Commentary Déjà Vu All Over Again," 393.

<sup>44</sup> William G. Shade, "Commentary Déjà Vu All Over Again," 394.

<sup>45</sup> Allan Bell, "Re-Constructing Babel: Discourse Analysis, Hermeneutics and the Interpretive Arc," *Discourse Studies* 13, no. 5 (2011): 527.

formulated Dutch development policies during the 1970s and the early 1980s. With the use of speeches, personal memoirs, and policy notes, their ideas and perceptions are reconstructed. The third and final chapter analyzes the Dutch development policies in the Antilles in practice. We will answer the question: To what extent were the Dutch neoliberal ideas on development cooperation implemented in the Netherlands Antilles during the late 1970s and early 1980s? By looking at three different cases, tourism, government companies, and the offshore industry, we get an insight into the neoliberal development strategy in the Netherlands Antilles. These three subquestions will help to answer the main research question.

The primary sources include policy notes and communications from the Ministry of Finance, the Ministry of Foreign Affairs, and the Ministry of Economic Affairs. Moreover, budget papers, letters, and speeches by Jan de Koning (Minister of Development Cooperation from 1978 to 1981, and Minister of Antillean Affairs from 1982 to 1989) are part of the analysis. Besides, this paper includes sources from the National Advisory Board on Development Cooperation (*Nationale Adviesraad voor Ontwikkelingssamenwerking*, NAR) to help reconstruct the intellectual perspective on development aid toward the Netherlands Antilles. In order to answer the third question, Dutch and Antillean newspapers are combined with reports of the Permanent Commission on Antillean and Aruban Affairs. The research on this topic is challenging because the archives lack documents and correspondence from the 1980s timeframe. It is rather suggestive why this is the case, but it could be because of the gaining popularity of email correspondence. Nevertheless, the combination of sources enables us to answer the questions.

## Chapter 1. The Relationship between the Netherlands and the Antilles

Before researching the Dutch development policies towards the Antilles, we must first get a grip on the broader historical context that shaped these policies. Therefore, this chapter focuses on two central themes: the constitutional developments in the Netherlands Antilles and the rise of the offshore financial center (OFC) in Curacao, the most prominent OFC of the Netherlands Antilles. The central question of this chapter is: To what extent did the changing constitutional ties and the rising OFC sector result in more agency for the Antilles? This chapter adds to the current historiography of the Dutch Empire by discussing the role of the OFC sector in the Caribbean in the context of decolonization. Ogle argues that “empire and decolonization bore a direct relationship to archipelago capitalism” and that “historians should consider the offshore world [...] as a further legacy of empire.”<sup>46</sup> In the case of the Netherlands Antilles, current literature only discusses the topics of decolonization and OFCs separately, as illustrated in the work of Tijn van Beurden and Jonker. On the one hand, we answer this subquestion by analyzing the evolving constitutional ties between the Netherlands and the Netherlands Antilles. On the other hand, we examine the role of the Netherlands Antilles’ OFC in the Dutch-Antillean relationship during the 1970s and 1980s. This comprehensive historical context was fundamental to Dutch development policies in the Antilles and gives more insight into the evolving relationship between the Netherlands and the Netherlands Antilles. We primarily use secondary literature to reconstruct this context.

### The Antillean Road to Independence

After more than four centuries the Caribbean islands still are part of the Kingdom of the Netherlands regardless of multiple decolonization efforts in the region.<sup>47</sup> This raises the question: How did the constitutional relationship between the Netherlands and the Antilles develop? Although the Dutch presence in the Caribbean goes back to the 17<sup>th</sup> century, for this thesis we focus on the development of the relationship post-WWII up until the early 1990s. During WWII, it was prevalent that the relationship between the Dutch metropole and its periphery had to change. In a speech on December 7, 1942, Queen Wilhelmina promised to hold a conference on constitutional reforms as soon as the German occupation in the

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<sup>46</sup> Ogle, “Archipelago Capitalism,” 1456.

<sup>47</sup> Gert Oostindie, “Dependence and Autonomy in Sub-National Island Jurisdictions: The Case of the Kingdom of the Netherlands,” *The Round Table* 95, no. 386 (September 2006): 121.

Netherlands had ended. The Queen envisioned “a Commonwealth in which the Netherlands, Indonesia, Suriname, and Curacao will participate, with complete self-reliance and freedom of conduct for each part regarding its internal affairs, but with readiness to render mutual assistance.”<sup>48</sup> The ambition of a Dutch Commonwealth was practically doomed from its start as the Indonesians declared their independence after five years of heavy fighting.

Soon after the decolonization of Indonesia in 1949, the Netherlands felt the need to reformulate the design of the Kingdom and its connections with its dependencies even more. This resulted in the Dutch government developing a new “modernized” constitution together with its remaining imperial parts through three Round Table Conferences (RTCs) in 1948, 1952, and 1958.<sup>49</sup> One of the most significant outcomes was the *Statuut voor het Koninkrijk der Nederlanden*, the Statute, in 1954. The Statute redefined the relationships in the Kingdom of the Netherlands since it incorporated three equal and internally autonomous countries: Suriname, the Netherlands Antilles which included the six islands, and the Netherlands.<sup>50</sup> the Statute intended to grant self-government to the Antilles and Suriname within a single constitutional structure while maintaining the constitution of the Netherlands as much as possible.<sup>51</sup> This construction did not grant full sovereignty for the overseas territories nor was it a complete integration into the metropolis as provinces.<sup>52</sup> The Statute, however, did provide the Caribbean dependencies with autonomy in most internal affairs. Only the elements judged as important to the entire Kingdom were excluded, of which defense, foreign relations, the judiciary, and civil rights were the most prominent.<sup>53</sup> These remained Kingdom matters. Despite their internal autonomy, the Antilles and Suriname retained close ties with the Netherlands. Those ties were of vital importance for Curacao as an OFC, as illustrated by Tijn van Beurden and Joost Jonker. They lent its service industry reliability, particularly because the High Court in The Hague remained the realm’s court of highest instance. Moreover, Curacao could rely on the Dutch Ministry of Foreign Affairs for negotiating tax treaties with third countries.<sup>54</sup> All three countries regarded the Statute of 1954 as a fair starting point for leading Suriname and the Netherlands Antilles gradually toward political independence. Therefore, there was little to no discussion about altering existing ties secured in the Statute up until the late 1960s. Throughout

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<sup>48</sup> Amry Vandenbosch, “The Netherlands-Indonesian Union,” *Far Eastern Survey* 19, no. 1 (1950): 2.

<sup>49</sup> Bob Moore, “Decolonization by Default: Suriname and the Dutch Retreat from Empire,” *The Journal of Imperial and Commonwealth History* 28, no. 3 (2000): 229.

<sup>50</sup> Steven Hillebrink, *The Right to Self-Determination and Post-Colonial Governance: The Case of the Netherlands Antilles and Aruba* (Cambridge: T.M.C. Asser Press, 2008), 145.

<sup>51</sup> Hillebrink, *The Right to Self-Determination and Post-Colonial Governance*, 145.

<sup>52</sup> Gert Oostindie, “Dependence and Autonomy in Sub-National Island Jurisdictions,” 125.

<sup>53</sup> Moore, “Decolonization by Default: Suriname and the Dutch Retreat from Empire,” 240.

<sup>54</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 73.



the decade, development aid towards the Antilles intensified while The Hague expressly stayed clear of involvement in Caribbean internal affairs.<sup>55</sup> The Statute served both sides of the Atlantic well and the situation was considered satisfactory to the politicians of all three countries.<sup>56</sup>

Oostindie *et al.* regard the revolt in Curacao in May 1969 as a turning point in the Dutch attitude towards the Caribbean part of the Kingdom. The harmonious relationship and peaceful situation changed fundamentally after the violent riots in Curacao, on 30 May 1969. Shortly before the uprising in Curacao, Surinamese strikes, and the resulting fall of the Pengel administration had already caused some unrest back in the Netherlands.<sup>57</sup> The revolt in Curacao was the result of a labor conflict at the Shell refinery in which feelings of unequally shared profits and racial barriers found their release. Because all Antillean officials were absent during the escalating riots, the request for Dutch military assistance from the Dutch was made by officials of a lower ranking. Consequently, Dutch Marines were brought in to restore order. However, formal approval for military assistance was only given by the Kingdom Council of Ministers during an emergency meeting the next day. This led to Dutch criticism of the fact that the Netherlands had to guarantee good governance in the overseas territories while much of the responsibility for the quality of government was left to the Caribbean countries themselves. In the aftermath of the military intervention, little was done in the Caribbean to reduce the possibility of renewed unrest, leaving the Netherlands open to dealing with problems beyond its control.<sup>58</sup>

A year later, a commission was appointed to investigate the background and causes of the riots and published a report. The report analyzed the riots from a local perspective and critically addressed the internal political affairs of the Antilles. The commission pointed at socioeconomic and related racial tensions within Curacaoan society as the underlying factors of the violent protests. Although the commission focused on the functioning of Antillean politics, a few points were touched upon that implicitly reflected Dutch policy.<sup>59</sup> The commission “tentatively” discussed the implications of constitutional changes which “were options for Antillean policy, although the considerations were equally relevant to the Netherlands.”<sup>60</sup> These constitutional changes represented the feelings of Antillean nationalists who had paradoxical wishes as they opted for both constitutional independence and the

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<sup>55</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 96.

<sup>56</sup> Sedoc-Dahlberg, *The Dutch Caribbean*, 474.

<sup>57</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 96.

<sup>58</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 98.

<sup>59</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 99.

<sup>60</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 100.

development of a prosperous nation. It was generally assumed that political independence would almost certainly equal economic decline. At the same time, the Netherlands denied the existence of such a paradox, since in the eyes of the Hague political independence was a precondition for the decent economic development of the former colonies.<sup>61</sup>

Consequently, the Dutch started rethinking its relationship with the Suriname and the Antilles.<sup>62</sup> Not only was the Netherlands unsatisfied with the course of the riots, but the Dutch had two more concerns. The Caribbean increasingly relied on Dutch economic support. Moreover, a third and mainly domestic concern was the unease with the unrestricted migration channel from the Caribbean to the Netherlands. Struggling with these three factors, the Dutch started pushing for the independence of the Caribbean parts of the Kingdom. As a result, the Dutch House of Commons announced for the first time, and with an overwhelming majority, its support for the transfer of sovereignty to both Caribbean countries in November 1971.<sup>63</sup> As a result of the Dutch pressure for independence, the advisory Kingdom Commission was established with the task of indicating “feasible alternatives for the existing constitutional relations” on 5 January 1972. The same year, a more toned-down version of the Statute was presented by the Dutch. This version, however, was rejected by Suriname and the Antilles when in March 1973, during the Kingdom Commission’s third plenary meeting in Willemstad. Later that year, the new Den Uyl government (1973-1977) was installed, and impatient Dutch members of parliament advised the Dutch government to follow a harsher line. In 1971, the Dutch House of Commons announced after a majority vote its support for the transfer of sovereignty to both Suriname and the Netherlands Antilles.<sup>64</sup> Not long after, Suriname became independent in 1975 in a highly unusual and fast-track political process. In an interview with Gert Oostindie *et al.*, a quarter of a century later, the Christian democrats Ruud Lubbers and Fons van der Stee, both having served as Ministers under Den Uyl, recalled that the policy for the transfer of sovereignty was indeed primarily designed by the social democratic Prime Minister and his Minister for Development Aid, Jan Pronk, and to a far lesser extent by the confessional Minister for Surinamese and Antillean Affairs Wilhelm de Gaay Fortman.<sup>65</sup>

The Netherlands Antilles, on the other hand, did not allow itself to be rushed into independence. In early 1975, Antillean Prime Minister Juancho Evertsz sent a letter to The Hague outlining requirements for possible independence which would influence the course of

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<sup>61</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 100.

<sup>62</sup> Oostindie, “Dependence and Autonomy in Sub-National Island Jurisdictions,” 126.

<sup>63</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 101.

<sup>64</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 101.

<sup>65</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 115.

Dutch development aid to the Antilles for the next decade. Evertsz stated that independence would be reached after the completion of three stages. In his opinion, the internal self-government of all six islands should be realized, after which a new cooperation plan between the islands should be implemented. This would be followed by a stage “in which the preparation for independence will be finalized, although not before it is certain that the population of the islands will have attained a reasonable level of economic development.”<sup>66</sup> The Netherlands, however, considered the Antilles to accept independence in the short term while maintaining the form of a six-islands nation. As Oostindie states: “Only under those circumstances would the new state be viable in the eyes of The Hague.”<sup>67</sup>

The Netherlands soon had to give up that vision as Aruba challenged the Dutch perception of Antillean independence in late 1975. The unequal setup of the Antillean *Staten* caused imbalanced power relations between the Dutch Caribbean islands leading to the wish of Aruba to become a separate country rather than an island within an independent state dominated by Curaçao.<sup>68</sup> After the publication of the Combined Commission on the Future of the Antilles report, the Netherlands, the “Antilles-of-five”, and Aruba discussed its outcomes in 1982 and 1983. The report recommended a transitional phase towards Aruban independence of ten years and that Aruba should form a Union with the remaining five islands.<sup>69</sup> This was against the sore leg of the Arubans who opted for a transitional phase in the form of a Status Aparte without time constraints in order to strengthen its relationship with the Netherlands.<sup>70</sup> However, on behalf of the Netherlands, Minister Jan de Koning argued that the Status Aparte would ultimately have to lead to independence and that Aruba should invest energy in forming a strong Union with the other Antillean islands.<sup>71</sup> After hot debates, the parties agreed to a revision of the constitutional structure in 1983 by inserting a footnote that Aruban independence would not be finalized without at least a referendum.<sup>72</sup> From 1986 onward, Aruba would form a separate country in the Kingdom on the condition that would become truly independent in 1996.<sup>73</sup> Between 1984 and 1987, multiple proposals to further change the structure of the Kingdom had been made. For example, the Antillean government presented several models as alternative constitutional structures in January 1984 in which the central administrative layer was

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<sup>66</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 117.

<sup>67</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 120.

<sup>68</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 122.

<sup>69</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 126–27.

<sup>70</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 125.

<sup>71</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 127.

<sup>72</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 128.

<sup>73</sup> Haan, *Antilliaanse Instituties*, 14.

abolished, and its tasks would be entrusted to the Curacao government. Another proposal was the so-called “fusion model” in 1987 which combined Curacao and Bonaire on the one hand, and Sint Martin, Saba, and Sint Eustatius on the other hand. Again, Curacao would be in charge of all the tasks that were usually assigned to central administration.<sup>74</sup> Despite these aspirations, gradual changes in the relationship only occurred when a new RTC was held in 1993.<sup>75</sup> Up until 2010, the Netherlands Antilles remained a five-island entity ultimately dominated by Curacao.<sup>76</sup> Although the Antilles was abolished that year, the islands are in some way still part of the Kingdom of the Netherlands. The ambition to prepare the Caribbean part of the Kingdom for independence has failed to this day.

### **Tax Havens and Offshore Financial Centers**

Before addressing the implications of the Antillean offshore financial center (OFC) for the Dutch-Antillean relationship, a definition of an OFC is essential. This thesis does not research OFCs per se but as a product of neoliberal ideologies in a specific historic context. However, a brief explanation of the different OFC aspects allows for a greater understanding of the circumstances offshore companies operated in. OFCs are often confused with tax havens but it should be noted that the two are fundamentally different. Tax havens primarily focus on minimizing tax liabilities. In the past, tax havens served other purposes as well, including capital flight and money laundering.<sup>77</sup> OFCs, on the other hand, offer a broader range of financial services to international clients. OFCs are financial centers specializing in nonresident financial transactions, more specifically those known as Euromarket transactions. This type of financial servicing became known as “offshore” because it escaped nearly all forms of financial supervision and regulation.<sup>78</sup> The term OFC was first used by international financial organizations like the IMF to describe the financial services that were evolving into tax havens. The term OFC was used as a more polite reference to tax havens, but this is currently the prevalent meaning.<sup>79</sup> While some tax havens can be considered OFCs, not all OFCs are necessarily tax havens. The distinction lies in the comprehensive financial services and infrastructure that OFCs offer beyond just tax-related benefits. However, as of today, it is

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<sup>74</sup> C.E. Dip, “De Politieke Structuur van de Nederlandse Antillen En de Relatie Tot Nederland,” *De Gids* 150, no. 1 (1990): 514.

<sup>75</sup> Haan, *Antilliaanse Instituties*, 15.

<sup>76</sup> Woldendorp, “Good Governance and Local Autonomy in the Kingdom of the Netherlands in Europe and the Caribbean: An Uneasy Relationship,” 18.

<sup>77</sup> Palan, Chavagneux, and Murphy, *Tax Havens*, 24.

<sup>78</sup> Palan, Chavagneux, and Murphy, *Tax Havens*, 24.

<sup>79</sup> Palan, Chavagneux, and Murphy, *Tax Havens*, 24.

difficult to distinguish in practice between the activities of tax havens and OFCs. Therefore, this paper uses the more comprehensive concept of OFC.

According to Palan *et al.*, tax havens and OFCs share some basic principles. Three elements help to analyze the phenomena, although they necessarily do not correspond to all the characteristics or particulars. Firstly, both offer zero or near-zero tax rates to nonresident companies and savers. This does not imply that nonresidents pay no taxes. All tax havens and OFCs charge fees for the operation of nonresident entities. For example, they are taxed with licensing and registration fees. Secondly, OFCs and tax havens offer strict confidentiality and do this in three ways. They offer a banking secrecy law and create opacity to allow the establishment of entities whose ownership and purpose are difficult to identify. Moreover, the third method of creating opacity may be described as passive, in that it relies on inactivity or intentional negligence. Many tax havens or OFCs do not perform serious due diligence and have perfected the practice of purposeful looseness in regulations. A third element is that tax havens and OFCs make it easy and cheap to set up companies, trusts, and even banks. The cost of incorporation is very low and any real presence of financial institutions and corporations in the territory of the tax havens or OFCs is not required.<sup>80</sup> Based upon these three elements Palan *et al.* formulated the following definition as tax havens and OFCs are “jurisdictions that deliberately create legislation to ease transactions undertaken by people who are not resident in their domains, with a purpose of avoiding taxation and/or regulations, which they facilitate by providing a legally backed veil of secrecy to obscure the beneficiaries of those transactions.”<sup>81</sup> Since the 1920s and 1930s, nations started combining these three concepts as fiscal incentives to attract international business. For example, the Bahamas used the competitive advantages of its zero-tax regime to attract multinationals from the US and Canada, followed by Bermuda. Luxemburg introduced low taxes for holding companies, Switzerland added permissive corporate regulation to its attractions, and Liechtenstein copied the Swiss banking secrecy law. The Netherlands Antilles formed a specific construction to facilitate low taxation for multinational companies, which will be illustrated in the following subchapter.

According to Ogle, the rise of tax havens and OFCs extended political and economic “unevenness of the bygone imperial world” in the “leftover sites of empire” that allowed individuals and corporations to spread their assets across multiple tax jurisdictions with varying, sometimes contradictory, tax codes and tax rates. This unevenness boosted the rise of the

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<sup>80</sup> Palan, Chavagneux, and Murphy, *Tax Havens*, 31–35.

<sup>81</sup> Palan, Chavagneux, and Murphy, *Tax Havens*, 45.

movement for a New International Economic Order (NIEO) in the 1970s.<sup>82</sup> Based on radical political and economic objectives, the visionary NIEO was an alternative order of global economic integration that would allow countries in the Global South to catch up with the economic achievements of the North. It sought to challenge the historic hegemony of the North Atlantic industrial core and attempted to realign the international power that the process of decolonization had put in motion. The NIEO's supporters – of whom the Dutch Minister of Development Cooperation, Jan Pronk was one of the most prominent – plead for “redistributive justice, colonial reparations, stabilization of commodity prices, and increased aid”<sup>83</sup> Moreover, proponents of the NEIO argued for the regulation of transnational corporations globally and granted an absolute right of states to control the extraction and marketing of their domestic natural resources.<sup>84</sup> These means would have to lead to the completion of “the geopolitical process of decolonization and creating a democratic global order of truly sovereign states.”<sup>85</sup> Neoliberals, on the other hand, heavily argued against the plans suggested by the NIEO movement in the 1970s. Instead, they framed the NIEO as “a graver threat than either communism or the resurgence of Western protectionism” and defended what they called the “liberal international economic order.”<sup>86</sup> Where the NIEO vision would lead to an end-state of redistributive justice, neoliberals of the Geneva School believed that the future is to be unknown because they “defined order as a perpetually shifting relationship of exposure to stimuli requiring response and adaptation.” Consequently, neoliberals suggested a framework that defended the seemingly oxymoronic claim that “order is adjustment.”<sup>87</sup> In order to prevent the world market to be regulated by national laws and trade barriers – and cause an imbalance between the political world and the economic world – an economic government would have to defend the world economy from democracy.<sup>88</sup> Therefore, they tried to insulate market actors from democratic pressures in a series of institutions such as the GATT, the WTO, and the IMF, as mentioned above. For this reason, Nils Gilman argues that the NIEO was a key catalyst for the formulation of the neoliberal paradigm that favors limited state power and augmented private power.<sup>89</sup>

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<sup>82</sup> Ogle, “Archipelago Capitalism,” 1456.

<sup>83</sup> Slobodian, *Globalists*, 219.

<sup>84</sup> Nils Gilman, “The New International Economic Order: A Reintroduction,” *Humanity: An International Journal of Human Rights, Humanitarianism, and Development* 6, no. 1 (2015): 3.

<sup>85</sup> Gilman, “The New International Economic Order,” 1.

<sup>86</sup> Slobodian, *Globalists*, 221.

<sup>87</sup> Slobodian, *Globalists*, 223.

<sup>88</sup> Slobodian, *Globalists*, 4-12.

<sup>89</sup> Gilman, “The New International Economic Order,” 2.

## The Antillean OFC and the Dutch-Antillean Relationship

The relationship with the Netherlands is an important endogenous factor in the Antillean OFC history. The foundations for its OFC date back to 1950 when the Dutch Trade Organization (*Nederlandsche Handel-Maatschappij*, NHM) was looking for a suitable location to set up a trust office. The NHM tried to solve the issue whereby capital was driven away from the countries that imposed wealth taxes. In response, investors should be shielded by inserting a third-country trust or holding company between them and their investments.<sup>90</sup> The NHM successfully lobbied at the Curacaoan governor and politicians, representatives of the three local banks, and the Chamber of Commerce in Curacao resulting in the approval of Antillean legislation that granted shell companies a 90 percent tax exemption on dividends in April 1951. The Curacaoan government saw the potential of the tax avoidance construction of the NHM and asked the Dutch government for a new fiscal framework between the Netherlands and the Caribbean part of the Kingdom to facilitate those structures. This resulted in the Interim Agreement in 1951 and the Statute in 1954 that allowed the Antilles to negotiate international tax treaties through the Dutch Ministry of Foreign Affairs.<sup>91</sup> Moreover, in 1954, the Antilles asked for negotiations about a new fiscal framework between the Netherlands and the Caribbean part of the Kingdom. One of the demands was the exemption of the withholding tax on dividends sent from the Netherlands to Curacao.<sup>92</sup> It took ten years for the Tax Arrangement for the Realm (*Belastingregeling Koninkrijk*, BRK,) to take shape. Van Beurden and Jonker conclude that “the Dutch government, by accepting the BRK, willingly and knowingly created a conduit for tax avoidance in its own country.”<sup>93</sup> The BRK allowed multinationals to move dividend or royalty payments from subsidiaries elsewhere via shell companies in Amsterdam tax-free to near-zero taxing Curacao for low-duty uses.

The Antillean government expanded its facilities significantly between the 1950s and 1970s to attract global customers. For example, the law on patent holding companies (1957), long-term legal guarantees of shell company tax rates (1958), individual and confidential tax rulings for special arrangements proposed by offshore companies (1963), and entry requirements and an exemption from supervision for offshore banks (1972) were revised.<sup>94</sup> Moreover, the Antillean government purposefully shielded the identity of beneficial owners and adopted an informal banking secrecy regime. As a result, any information request from the

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<sup>90</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 71.

<sup>91</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 73.

<sup>92</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 74.

<sup>93</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 75.

<sup>94</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 77.

Dutch tax authorities was put off for as long as possible while requests from other countries were completely ignored.<sup>95</sup> Over time, the diversity of services widened considerably with the arrival of mutual funds, real estate companies, and insurance companies. As a result, the island offered as full an array of specialized financial, fiscal, and legal services, perhaps even more than any other OFCs.<sup>96</sup>

It should be noted that exogenous factors also contributed to the rise of the Antillean OFC. One of these factors, as Van Beurden argues, was the settlement of investment, finance, and real estate companies in Willemstad to avoid the 30 percent withholding tax rate in the US. This was the result of the US abolishing capital controls in 1974. This went hand in hand with the expansion of the Euromarket caused by the increased flow of international capital due to the end of the Bretton Woods system and the rise of the worldwide oil price in 1973. Together, the endogenous and exogenous factors created what was to be known as the Antilles Route or the Antillean Window. The result was an increase in the number of shell companies and public revenue from profit taxes in the late 1970s. The heydays of the Antillean OFC took off around 1980 and peaked in the middle of the decade. As a result, and regardless of the low taxation rate, offshore taxes made up more than 50 percent of the general income of the Antilles in 1986.<sup>97</sup>

However, the OFC status of the Antilles was not unchallenged. Both the US and the Netherlands criticized the developments in the Caribbean. The US challenged the OFC status of the Antilles from 1979 onward. In chapter 3 we go into more detail on how the US affected the Antillean offshore industry, but it is important to note that the abolishment of the US withholding taxes in 1984 and the Tax Reform Bill in 1986 had negative consequences for the OFC in Curacao. The Netherlands wanted to revise the BRK in February 1981 because the dividend outflow rose significantly that year to the extent that it exceeded Dutch development aid.<sup>98</sup> These negotiations would take five years in which the Dutch wanted more information about the OFC's users. The Antillean government, however, stressed the potential social unrest from any offshore revenue loss. It also reminded the Netherlands that any changes to the BRK would also harm Dutch revenues from the Antillean Window. The Netherlands and the Antilles eventually reached an agreement on intelligence article 37 of the BRK in October 1983.

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<sup>95</sup> H. C. Beers, *An Introduction to the Financial System of the Netherlands Antilles* (Willemstad: Bank van de Nederlandse Antillen, 1980), 85.

<sup>96</sup> Van Beurden and Jonker, "A Perfect Symbiosis," s77–80.

<sup>97</sup> For a more detailed analysis of the tax income of the (Curacao) OFC, see Van Beurden and Jonker, "A Perfect Symbiosis" and Haan, *Antilliaanse Instituties*, 186.

<sup>98</sup> M. J. C. Van Beurden, "De Curaçaoese Offshore: Ontstaan, Groei En Neergang van Een Belastingparadijs, 1951-2013." (PhD diss., Amsterdam School of Historical Studies, 2018), 136–37.



Moreover, the Netherlands also demanded a revision of the BRK that would tax outflowing dividends at a combined 10,5 percent.<sup>99</sup> It was assumed that the Antilles would tax 3 percent, but if they changed their tax rate to 5 percent, the Netherlands would lower its part to 5,5 percent. The Netherlands got what it wanted because it could threaten to end the BRK unilaterally. Because the Antillean government deducted some costs from dividends received the tax worked out in practice at 8.3 percent which was still relatively low compared to the normal rate of 25 percent. This revision went into effect in January 1986. However, the Antillean Window remained as attractive as before for both countries because only the flow of dividends was affected. The flow of profit and royalties remained unaffected, according to Van Beurden.<sup>100</sup> Despite the changes in tax treaties and regulations, the peak in 1984 and 1985 is “undoubtedly due to the fact that people wanted to take advantage of the [near-]zero rate” that would be ceased in 1986.<sup>101</sup>

This chapter shows that the Netherlands was eager to facilitate the independence of the Antilles during the 1970s and 1980s. First in the form of a six-islands nation, and later in the form of the Antilles Five and Aruba. Together, the three nations looked for ways to realize an independent future for the Caribbean islands. Moreover, this chapter illustrates how the Antilles were very much dependent on the Netherlands. In the case of the OFC in Curacao, it relied on the BRK and its relationship with the Netherlands. Although the Antilles were responsible for local policies that helped boost their OFC sector, the treaty partners (both the US and the Netherlands) held almost all the negotiation power to ask for treaty revisions while the threat to end up without any treaty at all was hanging like a sword of Damocles over the negotiations. All in all, this chapter adds to the current historiography on the decolonization of the Netherlands Antilles by illustrating how the Dutch Caribbean path to independence and the Antillean offshore industry had conflicting aims regarding the relationship between the Netherlands and the Netherlands Antilles.

Despite Antillean enthusiasm for the OFC, both the US and the Netherlands were able to push the Antilles in their direction. The measurements of the revised BRK and the ending of the tax treaty with the US hit the OFC, and thus the income of the Antilles, significantly. The Antilles could only accept the proposals made by the US and the Netherlands because the Caribbean islands rather had “an” agreement than none at all. It had to accept conditions that

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<sup>99</sup> KabNA, 19700 chapter IV, nr. 2, 8.

<sup>100</sup> Van Beurden, “De Curaçaoese Offshore,” 147.

<sup>101</sup> Van Beurden, “De Curaçaoese Offshore,” 146.

were unfavorable for its OFC and removed many of its pillars. This illustrates an imbalanced power relation between the more prosperous Western nations and the decolonizing islands in the Caribbean. The Antilles were unable to withstand the pressure of more prominent nations.

## **Chapter 2. Dutch Development Policies as a Neoliberal Product**

This chapter analyzes the changing motivations behind Dutch development aid during the 1970s and early 1980s. More specifically, we analyze the impact of neoliberal ideas and concepts on the development aid policies of the Netherlands. We do this by answering the question: To what extent is the Dutch development aid influenced by neoliberal ideas during the 1970s and 1980s?

By answering this question, we get an insight into the developments of neoliberal concepts in Dutch politics and, more specifically, the influence of these ideas on the policies of development aid. This allows for the analysis of Dutch development aid policies towards the Antilles later in this thesis. Current literature only analyzes the general historical developments that contributed to the implementation of neoliberal ideals in Dutch politics, like Mellink and Oudenampsen. They do not consider the rise of neoliberalism in the context of Dutch development aid. Therefore, this chapter will add to this historiography and will help us understand how and why the ideas behind Dutch development policies changed over time. To answer the question, this chapter is structured as follows. Firstly, a brief overview of the most important development theories is presented from the 1950s to the 1980s. Secondly, the contrasting opinions of two prominent Dutchmen are analyzed. On the one hand, the ideas of social democrat Jan Pronk (PvdA, Labor Party) are addressed. His ideas on development cooperation are compared with those of Ferdinand van Dam. Van Dam was one of the most important officials of the Ministry of Foreign Affairs which housed the Department of Development Cooperation. Pronk and Van Dam both held conflicting views on development strategies, as will be illustrated in the next sub-paragraphs. The last section illustrates how Van Dam's ideas gained popularity and how neoliberal ideas increasingly circulated in Dutch development politics during the early 1980s.

### **Neoliberalism and the Netherlands**

When researching the rise of the Antillean OFCs as a tool for Dutch development policies, it is essential to analyze the evolution of neoliberalism in the Netherlands. Neoliberal ideas find their origin in war-shredded Vienna during the 1920s. As a policy advisor at the Austrian-Hungarian Chamber of Commerce during WWI, Ludwig von Mises experienced how economic free trade was threatened as a result of the protectionism of inward-turning nation-states. Consequently, he opted for constitutional protection of the free market in order to prevent

democratic forces from making any changes to fundamental freedoms.<sup>102</sup> Von Mises became the teacher of Friedrich Hayek, who would publish the influential *The Road to Serfdom* in 1944, which popularized neoliberal ideas in discussions on the reconstruction of post-WWII economies. Internationally, ideas gain a foothold through the so-called Mont Pèlerin Society (MPS) which was established by Hayek to unite the “proponents of neoliberalism” to “erect a coherent edifice of [...] neoliberal thought, and to work out its practical application to the problems of different countries.”<sup>103</sup> One of the members of the MPS was Milton Friedman whose neoliberal critique of Keynesian ideas and the economic developments of the late 1960s and early 1970s started influencing policies, like in Chile.<sup>104</sup> Through the MPS, neoliberal ideas could be distributed amongst economists, intellectuals, historians, and entrepreneurs.<sup>105</sup>

In the Netherlands, think tanks like the Mont Pèlerin Society did not significantly contribute to the rise of neoliberal ideas. Bram Mellink and Merijn Oudenampsen argue that the economic visionaries of the Netherlands were housed in Ministry departments and publicly financed think tanks such as the Central Planning Office (*Cultureel Planbureau*, CPB) and the Scientific Council for Government Policy (*Wetenschappelijke Raad voor het Regeringsbeleid*, WRR). In the Dutch tradition, economists who worked in the public sector and were part of the CPB and WRR functioned independently from the private parties. This meant that the neoliberal change in policy came from within the Dutch government. The senior bureaucrats of the Ministry of Finance and Economic Affairs had viewed with concern the growth in government spending since the mid-1960s and declared the failure of the Keynesian ideologies early in the 1970s.<sup>106</sup> The oil crisis of 1973 marked a turning point in Dutch economic philosophy as argued by Mellink and Oudenampsen. The soaring oil price caused a global economic depression, resulting in inflation, massive unemployment, and a recession in the Netherlands. This so-called “stagflation” (the combination of economic stagnation and inflation) characterized the early 1970s.<sup>107</sup> The cabinet of Dutch Prime Minister Den Uyl (PvdA) decided to initiate an incentive policy that would offer 3.5 billion guilders to boost purchasing power and promote employment. In 1975, it became clear that the stagflation crisis was not just an economic downturn. It was a structural crisis because automation and competition from rising industrial

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<sup>102</sup> Bram Mellink and Merijn Oudenampsen, *Neoliberalisme: een Nederlandse geschiedenis* (Amsterdam: Boom, 2022), 22-23.

<sup>103</sup> Slobodian, *Globalists*, 127.

<sup>104</sup> Mellink and Oudenampsen, *Neoliberalisme*, 126–27.

<sup>105</sup> Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge: Harvard University Press, 2009), 10.

<sup>106</sup> Mellink and Oudenampsen, *Neoliberalisme*, 142.

<sup>107</sup> Mellink and Oudenampsen, *Neoliberalisme*, 115.

countries challenged the employment opportunities in the West. The situation of economic growth such as in the 1950s and 1960s would not be restored. Therefore, the Den Uyl cabinet opted for capital gains distribution and wage moderation to change the deep-rooted economic downturn in the mid-1970s.<sup>108</sup>

This new “social contract” was harshly criticized by the nine biggest Dutch multinationals and the trade unions.<sup>109</sup> Moreover, public figures denounced the cabinet’s choices, like for example, the former Secretary of Economic Affairs and President of the Dutch Central Bank (*De Nederlandsche Bank*) Jelle Zijlstra, known for his neoliberal mindset. Based on neoliberal principles, Zijlstra argued that the government had to cut spending, limit the amount of money that was in circulation, and accept the rise of unemployment.<sup>110</sup> These ideas were not framed as neoliberal but as “familiar liberal ideas, sometimes under a different name that are gaining popularity again.”<sup>111</sup> Through increasing internationalization in the late 1970s, Pieter Korteweg, professor at Erasmus University, came into contact with the ideas of Karl Brunner and his former student Allan Meltzer, both prominent MPS members. This allowed Korteweg to introduce “uncut monetarism” in the Netherlands around 1975.<sup>112</sup> Based on the crowding-out theory, monetarists argued that the government’s spending on stimulation policies caused the decline of economic activity. Therefore, the government had to reduce its funding gap. This idea was taken up by Zijlstra and the Ministry of Finance as Korteweg became the most important official of that ministry in 1981.<sup>113</sup> The first cabinet of Lubbers (1982-1986) immediately introduced significant cuts in government expenses. As Mellink and Oudenampsen state: “Under the banner of ‘more market, less government’, the government minimized its role in order to reduce the costs of businesses.”<sup>114</sup> In response, strengthening businesses by reducing costs, deregulation, liberalization, and flexibilization was essential to recover economically.<sup>115</sup> These ideas were fundamental for Dutch policies during the 1980s. The so-called commercialization increasingly impacted development aid which will be illustrated in the next sections.

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<sup>108</sup> Mellink and Oudenampsen, *Neoliberalisme*, 122–24.

<sup>109</sup> Mellink and Oudenampsen, *Neoliberalisme*, 119.

<sup>110</sup> Mellink and Oudenampsen, *Neoliberalisme*, 129.

<sup>111</sup> Mellink and Oudenampsen, *Neoliberalisme*, 142.

<sup>112</sup> Mellink and Oudenampsen, *Neoliberalisme*, 151.

<sup>113</sup> Mellink and Oudenampsen, *Neoliberalisme*, 156.

<sup>114</sup> Mellink and Oudenampsen, *Neoliberalisme*, 161.

<sup>115</sup> Mellink and Oudenampsen, *Neoliberalisme*, 165.

## Development Theories from the 1950s to the 1980s

Over the course of time, the philosophy behind the Dutch development aid shifted significantly. In the decade after the decolonization of Indonesia, the Netherlands regarded technical aid programs as beneficial to general international politics and the Dutch themselves. It was believed that the sharing of Dutch knowledge in developing and new markets would be essential for Dutch export in the long term. Knowledge was shared through the education of VN fellows. During the 1960s, economic motivations became more prominent in Dutch development aid. Employer organizations desired a more prominent role in the development and implementation of aid programs. Consequently, the Dutch government aimed to raise the living standard of the greatest number of people by committing to international development goals and stimulating investment opportunities for Dutch businesses.<sup>116</sup>

During the 1970s, political rather than economic motivations became more predominant in Dutch development policies.<sup>117</sup> Early in the 1970s, Jan Pronk became Minister for Development Cooperation and directed Dutch policy towards supporting countries, organizations, and movements that were committed to changing the global economic structure. Pronk opted for a reconfiguration of the world economy and a New International Economic Order (NIEO) based on the concept of “self-reliance” that was introduced by authors from developing countries.<sup>118</sup> Self-reliance refers to the attainment of economic, political, and social self-reliance at both the nation-state level and microlevel by developing self-expression in economic, political, and social terms of the poorest groups specifically.<sup>119</sup> The concept of self-reliance was bifold. Firstly, developing countries should be free to construct and work toward their social-economic ideals. Therefore, it breaks with the Western or Soviet perception of development and modernization because it no longer relies on one of the options that dominated global economics. Secondly, developing countries should be able to realize these ideas on their own. During the first phase of decolonization the continuation of trade between poor and rich countries, the Western investments in the Third World, and the preservation of cultural ties were regarded as positive. The self-reliance theory, however, reconfigured the ties between the former colonizers and the Global South in a way to serve the policies of the developing

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<sup>116</sup> L. J. van Damme and M. G. M. Smits, eds., *Voor de Ontwikkeling van de Derde Wereld: Politici En Ambtenaren over de Nederlandse Ontwikkelingssamenwerking, 1949-1989*, (Amsterdam: Boom, 2009), 10–12.

<sup>117</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 11–13.

<sup>118</sup> Ferdinand Van Dam, “Honderd Jaar Ontwikkelingsvraagstuk,” in *Ideeën En Idealen in Ontwikkelingssamenwerking*, ed. Jan Herman Konter, *Proces Materiaal* (Bloemendaal: Nelissen, 1976), 12.

<sup>119</sup> Paul Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” *The European Journal of Development Research* 11, no. 1 (1999): 186.

countries rather than the developed countries.<sup>120</sup> It was argued that modernization policies had increased rather than decreased the inequality between the rich and the poor. Therefore, development aid had to act like a bridge to eliminate that gap by “radically” reorientating aid policies at national and international levels. The policies of the 1970s, however, did not radically break with the past.<sup>121</sup>

Near the end of the 1970s, a different approach was taken. No longer was aid focusing on improving the situation of the most disadvantaged people through redistribution of wealth. On the contrary, Dutch policies aimed to stimulate general political and economic self-reliance. According to Hoebink, this “clearly represented a decline in idealism.”<sup>122</sup> Jan de Koning, Minister of Development Cooperation of the Van Agt government (1977-1981), not only tried to improve the situation of the poorest people but also to equally incorporate developing countries in international economic relations. Therefore, instead of emphasizing the differences between North and South, the starting point was the interdependence between the poor and the rich countries.<sup>123</sup> Because De Koning stressed the importance of the economic independence of developing countries, he suggested a more prominent role for business in the developing strategy of the Netherlands.<sup>124</sup> Despite Minister De Koning’s ambition, he was unsuccessful in encouraging the private sector to take on a more active role in practice.<sup>125</sup> De Koning was succeeded by Kees van Dijk (CDA, 1981), who was soon replaced by Eegje Schoo (VVD, 1982-1986) after the government collapsed. Schoo stated that “Dutch development cooperation will have to respond to the potential and capacity of Dutch economy and society.”<sup>126</sup> Therefore, more attention was paid to the “broadening of development relations and the stimulation of development-related exports.”<sup>127</sup> The policy was still aimed at the promotion of self-reliance and the alleviation of poverty but the elimination of the redistribution criterion made it unclear if policies were to target the poor directly or indirectly by relying on a trickledown effect. This so-called commercialization of the development aid policies was encouraged through adjustment programs of the IMF and adjustment loans from the World Bank.<sup>128</sup>

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<sup>120</sup> Van Dam, “Honderd Jaar Ontwikkelingsvraagstuk,” 20.

<sup>121</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 186.

<sup>122</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 188.

<sup>123</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 20.

<sup>124</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 13.

<sup>125</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 189.

<sup>126</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 190.

<sup>127</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 190–91.

<sup>128</sup> Ferdinand Van Dam, *Omzien Naar de Derde Wereld: Artikelen En Discussies over Het Ontwikkelingsvraagstuk 1978-1998*, (Den Haag: Sdu Uitgevers, 1999), 89.

## Pronk's Fight Against Structural Inequality

Jan Pronk was the Minister of Development Cooperation in the Den Uyl cabinet from 1973 until 1977. After his service, Pronk returned as a member of parliament for the PvdA until 1980. Thereafter, Pronk worked as the Deputy Secretary General at UNCTAD up until 1986, when he came back as a member of parliament. Three years later, Pronk became Minister of Development Cooperation again, serving the third Lubbers government. To what extent have neoliberal ideas affected the evolution of Dutch development aid policies in general, we analyze the ideas of Pronk in this section.

On the 5<sup>th</sup> of 1973, during a speech at a conference of the ECOSOC Pronk shared the vision of the newly installed Den Uyl government on development aid. Pronk is a supporter of the self-reliance theory as he states that he and his government will “strongly support” self-relying policies.<sup>129</sup> Moreover, Pronk argues for the provision of basic needs in developing countries.<sup>130</sup> There is a need, Pronk states, for policies that fundamentally address and solve the unequal distribution of wealth and power that cause underdevelopment. Underlying this conviction is the idea that economic, social, and political equality is preconditional to the development process. By providing poor countries with basic needs like jobs, shelter, health, food, and water, and the option to participate in the formulation and implementation of development aims, poor countries can undergo a development process.<sup>131</sup> Pronk states that this perception of development aid fully incorporates the issue developing countries struggle with, in contrast to “current development theories” that are solely based on Western models that neglect the unique socioeconomic and political situation in countries of the Global South.<sup>132</sup>

According to Pronk, the accomplishment of basic needs for poor countries goes hand in hand with “a fundamental change in our international system.”<sup>133</sup> In the eyes of Pronk, the alternative world order is embodied in the NIEO. Both are inseparably connected as the enactment of basic needs would not be sustainably realized without a fundamental change in the international order. Pronk believes the NIEO aims at decreasing the inequalities between and within societies, establishing worldwide cooperation to help developing countries, and equally involving less developed countries in the international policymaking system. This

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<sup>129</sup> Jan Pronk, *Gelijke Kansen Voor Allen in Alle Landen: Een Selectie Uit Redevoeringen, Gehouden Door Drs. J. P. Pronk, Minister Voor Ontwikkelingssamenwerking, in de Jaren 1973-1977*. (Den Haag: Voorlichtingsdienst Ontwikkelingssamenwerking van het Ministerie van Buitenlandse Zaken, 1977.), 5.

<sup>130</sup> Jan Pronk, “Reflections by a Minister on Development Problems,” in *Development of Societies: The Next Twenty-Five Years*, (Dordrecht: Kluwer Academic Publishers Group, 1977), 18.

<sup>131</sup> Pronk, “Reflections by a Minister on Development Problems,” 17.

<sup>132</sup> Pronk, *Gelijke kansen voor allen in alle landen*, 27.

<sup>133</sup> Pronk, “Reflections by a Minister on Development Problems,” 17.



alternative world vision comes with a new perspective on development, argues Pronk. Development, according to Pronk, implies three key points. Firstly, Pronk regards development as both economic growth and change in economic, social, and political structures underlying a development process. Secondly, the fruits of a successful development process should be equally distributed amongst the population. This requires a structural change in developing societies to imply social justice. Thirdly, the new world order has to imply self-reliance because in any society the people themselves should be able to determine their goals, their policies, their future, and their economic, social, and political structure. Pronk states that developing countries “must rely on their own strength to realize them, and not be dominated by foreign economic, political and military powers.”<sup>134</sup> All in all, the NIEO should foster a development process based on solidarity, taking place in freedom, and leading to equality. Some of the principles of the NIEO were implemented in Dutch development policies as illustrated with the White Paper on Bilateral Development Aid, which was an appendix to the 1977 Budget proposal.<sup>135</sup>

In order to compare Pronk to Van Dam in more detail, we need to look at Pronk’s ideas on economic development specifically. As mentioned earlier, Pronk states the importance of economic growth in the development process. However, in Pronk’s opinion economic growth “more often than not” favors the “already rich and emancipated people” in developing countries.<sup>136</sup> Pronk argues that economic growth policies aiming at the maximization of quantifiable growth targets only create their own economic and political order consequently, resulting in limited chances to increase the welfare of the poor people.<sup>137</sup> The initial emphasis on economic growth is wrong because of unequal national power structures economic growth does not trickle down in societies, Pronk states. Moreover, due to unequal international power structures, developing countries struggle to get their fair share in trade deals and foreign investments.<sup>138</sup> Because the free-market mechanism has “quite a few drawbacks” in Pronk’s opinion, one of his suggestions is to “control the activities of transnational institutions such as multinational private companies.”<sup>139</sup> In Pronk’s eyes, only by fundamentally changing the international system and providing basic needs, economic development can contribute to the well-being of the entire population of developing nations.

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<sup>134</sup> Pronk, “Reflections by a Minister on Development Problems,” 18.

<sup>135</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 186.

<sup>136</sup> Pronk, *Gelijke kansen voor allen in alle landen*, 27.

<sup>137</sup> Pronk, “Reflections by a Minister on Development Problems,” 18.

<sup>138</sup> Pronk, *Gelijke kansen voor allen in alle landen*, 94.

<sup>139</sup> Jan Pronk, “We All Need a New International Order,” *International Foundation for Development Alternatives* 4, no. 1 (1979): 5.

## Van Dam: A New Perspective on Dutch Development Aid

For a long time, Ferdinand van Dam was one of the most prominent people to formulate Dutch development cooperation policies. Van Dam oversaw the Office of Policy Preparation from 1965 to 1982 and was the Deputy Director General of International Cooperation from 1979 to 1982. In 1982, Van Dam became an administrator at the World Bank. After his time in Washington, Van Dam would come back to the Netherlands to serve the Dutch government while teaching at different institutes and universities. Van Dam questions to what extent power is redirectable to which he concludes that it is not.<sup>140</sup> Van Dam states that the attitude of developing countries changed significantly. Therefore, rather than changing the world system, he supports the idea of countries conforming to the existing world economy. Developing countries in South America, Asia, and around the Mediterranean Sea started to formulate their unique path toward development and to adjust their economies to the existing world economy.<sup>141</sup> As a result of the economic growth that developing countries have been through, they no longer accept interventions by developed countries. The West is unable to challenge those decisions as the form of development is decided by the developing countries themselves. Moreover, instead of stressing the differences between the North and the South, Van Dam emphasized the interdependence between the vastly varying countries.<sup>142</sup>

Underlying this was Van Dam's strong aversion to patronizing developing countries based on nostalgia and emotion. In an article, Van Dam reflects on the development aid movements that influence Dutch policies. In the Netherlands, Van Dam states, the Dutch project their ideological visions on poor nations through their development aid. Even during the 1970s, Dutch ideology is heavily inspired by the post-Middle Age Christian culture that renounces the broken world we live in and looks forward to the world that will eventually arrive. Van Dam states that this results in "the uncritical expression of own values and norms" and "an unlimited drive based on feelings of guilt for the continuous failure" of humanity.<sup>143</sup> Van Dam criticizes this philosophy and states that any help is strongly emotional and distracts from the underlying aspects of development challenges. For example, the complicated interrelationship of politics and economics is not fundamentally considered. In Van Dam's opinion, anyone who tries to analyze and encounter these essential issues is heavily criticized in the Netherlands. According

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<sup>140</sup> Ferdinand van Dam, ed., *Een Veranderende wereld: liber amicorum ter gelegenheid van de zestigste verjaardag van Ferdinand van Dam* (Amsterdam: Rap, 1991), 81.

<sup>141</sup> Van Dam, *Omzien Naar de Derde Wereld*, 128–29.

<sup>142</sup> Van Dam, *Een Veranderende wereld*, 82–83.

<sup>143</sup> Van Dam, *Omzien Naar de Derde Wereld*, 23.

to Van Dam, this is illustrated by the reactions on the note Development Cooperation in World Economic Perspective of 1979.<sup>144</sup>

When reflecting on the role of the free market in development processes, Van Dam argues against strict central planning policies. He prefers the encouragement of trade over traditional forms of development aid because the efforts of governments to regulate markets to benefit poorer countries have proven to be unsuccessful on the international level, argues Van Dam.<sup>145</sup> Where governments tried so on the national level, the opposite happened, he argues. Therefore, development aid cannot fulfill its promise without decent economic policies, and “it is very costly to separate the development aid policies from the international economic relations policies,” Van Dam states.<sup>146</sup> He emphasizes the need for developing countries to watch the signals of the market, cut governmental expenditures, reduce the number of subsidiaries, and increase exports. This movement of market-oriented policies is increasingly being implemented, even in socialist countries, Van Dam notes as proof of their increasing popularity.<sup>147</sup> That his views fundamentally differed from Pronk’s becomes clear when Van Dam describes his relationship with him by arguing that “[y]ou do not get along easily when you get a minister who wants to recreate the whole world.”<sup>148</sup> All in all, Van Dam argues for developing countries to adapt to the international system by stimulating economic development through international trade, minimal government interference, and implementing policies that stimulate market forces. His vision contrasts with Pronk’s deepest desire to transform the international system and reflects with great clarity certain neoliberal visions on economic growth and the role of the government in societies.

## **The Victory of Neoliberal Development Aid**

The question, however, remains to what extent Van Dam’s ideas were translated into Dutch development policies. One of Van Dam’s most significant official contributions is the Note on Development Cooperation in the Global Economic Perspective of 1979. Van Dam was the supervisor of the interdepartmentally formulated document and therefore drafted a rather comprehensive vision of Dutch development aid by incorporating a variety of topics like trade and finance into the note.<sup>149</sup> The note was presented to the Dutch House of Commons by Jan

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<sup>144</sup> Van Dam, *Omzien Naar de Derde Wereld*, 142.

<sup>145</sup> Van Dam, *Een Veranderende wereld*, 83-84.

<sup>146</sup> Van Dam, *Omzien Naar de Derde Wereld*, 92.

<sup>147</sup> Van Dam, *Omzien Naar de Derde Wereld*, 78.

<sup>148</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 97.

<sup>149</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 99.

de Koning, the Minister of Development Cooperation of the first Van Agt government and the successor of Jan Pronk. De Koning states that “nobody could argue against its content. That note was positively received by Parliament.”<sup>150</sup> The note described the dual definition of development aid: on the one hand, aid needs to aim at relieving the faith of hundreds of millions of people who have fallen below the poverty line. On the other hand, the note stressed the importance of equally incorporating developing countries into the international economic system.<sup>151</sup> As mentioned earlier, Pronk’s goals to reduce the number of people in poverty were continued to a certain degree but this time in the context that emphasized the importance of economic self-support.

In the context of this thesis, the seventh chapter of the note is the most interesting. It discusses how the flow of private foreign investments toward developing countries can be increased. Accordingly, the Netherlands uses four incentives to promote Dutch private investment in developing countries. First of all, the Dutch Government has concluded agreements on economic cooperation and bilateral investment protection agreements with fifteen developing countries that include matters such as the treatment of investments, right of profit transfer, compensation in case of nationalization, and arbitration are regulated. The second measure is the national investment guarantee system whereby the State reinsures non-commercial risks of private investments in developing countries. A third form of stimulating Dutch private investment in developing countries is through the activities of the Dutch Financing Organization for Developing Countries (*Nederlandse Financierings Maatschappij voor Ontwikkelingslanden*, FMO). And the fourth and most significant incentive is a tax scheme, a so-called tax sparring option that applies to developing countries whereby, “[i]f, as an exception to the general rule, the tax on dividends, interest, and royalties are taxed in developing countries, they can be deducted from the final taxation in the Netherlands within certain limits.”<sup>152</sup> Generally speaking, the withholding tax is imposed in the country where dividends, royalties, and profits are transferred to. In the case of the Antilles, as Flip de Kam, a professor of Economics in the Public Sector and researcher on tax havens argues in an article in the NRC, a bilateral tax treaty – in this case the BRK – stipulates the usually imposed withholding tax is deducted “if dividends [or royalties and profit] are distributed by a company

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<sup>150</sup> Van Dam, *Een Veranderende wereld*, 73.

<sup>151</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 13.

<sup>152</sup> Ministry of Foreign Affairs, Parlemenatry documents 15800 chapter V nr. 2, *Ontwikkelingssamenwerking in wereldeconomisch perspectief*, Bijlage V.1 van de Memorie van Toelichting van het Ministerie van Buitenlandse, 1979, 83.

established in one country to shareholders in the other country.”<sup>153</sup> According to De Kam, the so-called “participation exemption” applies in the Netherlands, leaving dividends, royalties, or profits untaxed. The incentive in the Note seems to conflict with the practices of the Caribbean offshore industry because it incentivizes the stream of dividends, royalties, and profits to flow in the opposite direction: not from the Netherlands to the Antilles but the other way around. Nevertheless, this incentive is rather significant because it illustrates how the extent to which dividends, profits, and royalties were taxed gained a significantly more prominent role due to the gradually increasing neoliberal commercialization of the Dutch development policies in the late 1970s and the early 1980s. The idea that taxation of dividends, profits, and royalties could either benefit or harm the development of poorer countries, is presented for the first time in a policy note on development cooperation.

Despite De Koning calling it “one of the most successful policy notes of its time,” the implementation of it was passed over to De Koning’s successors Kees van Dam and Eegje Schoo who to a certain degree elaborated on the note. Schoo introduced the commercialization of Dutch development aid. In her 1983 note *Development Cooperation and Employment (Ontwikkelingssamenwerking en Werkgelegenheid)* Schoo mentions that “Dutch foreign investments mainly take place in the less poor developing countries” and that the positive or negative effects of these investments are depending on the extent to which the “country of origin receives tax revenue from the foreign companies.”<sup>154</sup> In line with Van Dam’s Note, this policy note again underlines the important role that tax legislation plays in successfully attracting foreign money to developing nations and thus contributing to the development of the Global South. However, Hoebink concludes that “changes took place mainly at the level of official rhetoric rather than policy implementation” during the 1980s.<sup>155</sup> Nonetheless, the question remains to what extent this was true for the specific case of the Netherlands Antilles.

In conclusion, this chapter illustrates the changing perception of the Dutch government regarding development aid during the 1970s and 1980s. Pronk believed that underdeveloped countries could only be helped by challenging the unequal world order and accomplishing their basic needs. In his opinion, development aid should be aimed at minimizing the national and international inequality that developing countries encounter. Van Dam quickly realized that this was not a realistic vision.<sup>156</sup> Instead, he offered a more pragmatic view on Dutch development

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<sup>153</sup> Flip de Kam, “Gebruik van de Antillenroute wordt minder aantrekkelijk,” *NRC*. November 4, 1984.

<sup>154</sup> KabNA, 18503 chapter IV, nrs. 1-2, 25.

<sup>155</sup> Hoebink, “The Humanitarianisation of the Foreign Aid Programme in the Netherlands,” 198.

<sup>156</sup> Van Damme and Smits, *Voor de Ontwikkeling van de Derde Wereld*, 97.

aid. Countries started to become integrated into the international economic system by themselves, so changing the system was rather unnecessary. Van Dam opted for greater involvement of businesses in Dutch development aid policies and more attention to the socioeconomic situation of developing countries. Altogether, many of his ideas are illustrated in the Note on Development Cooperation in World Economic Perspective on which succeeding Ministers elaborated. Based on policy notes, this chapter illustrated how neoliberal ideas gradually entered the discourse of Dutch development policies. Therefore, it adds to the work of Mellink and Oudenampsen on the history of neoliberalism in the Netherlands. Mellink and Oudenampsen do not address the implications of neoliberal ideas on development policies while this chapter shows that early signs of neoliberal thought were also present at the Department of Development Cooperation, and not just at the institutions they mention. To what extent neoliberal rhetoric influenced development policies toward the Antilles in practice, is researched in the next chapter.

## Chapter 3. Developing the Antilles during the 1970s and the 1980s

The previous chapter examined how neoliberal ideas gradually influenced Dutch development policies since the late 1970s. For example, one of the most prominent officials of the Ministry of Foreign Affairs, Ferdinand van Dam, envisioned a development strategy that incorporated businesses and market mechanisms more prominently. This illustrates that neoliberal ideas were fundamental to the Dutch development policies. The following chapter discusses to what extent the development policies toward the Netherlands Antilles were influenced by such ideas. Were neoliberal visions omnipresent in the policies towards the Antilles? Or did the neoliberal theory differ from practice? In order to understand the influence of such ideas, this chapter answers the question: What neoliberal ideas were part of the development cooperation policies in the Netherlands Antilles during the late 1970s and early 1980s? Based on primary sources, three cases are analyzed to illustrate the practical implications of neoliberal ideas in the development of the Dutch Caribbean. We specifically analyze cases of government expenses, infrastructural projects, and the offshore industry during the late 1970s and the 1980s. Before doing so, the suggestions of the Bilateral Commission of Experts are analyzed. This report functioned as the framework for the development of the Antilles during the 1980s.

### The Need for a Development Plan

In the period between 1962 to 1976, the Netherlands offered the Antilles three rounds of hard and soft loans in order to prepare the Antilles and Suriname for independence. These aid three plans aimed at building up the Antillean economy, improving the situation of the economically disadvantaged, and reducing the economic, technical, and financial dependence on outside forces.<sup>157</sup> The Dutch believed that all this would arrange the Caribbean government for a smoother toward full independence in the – unspecified – near future.<sup>158</sup> The revolt in Curacao in May 1969 affected the Dutch attitude regarding development policies in the Antilles. Throughout the second phase of the multi-year programs (from 1967 to 1971), the goal of the aid shifted to improving the social environment in the Dutch Caribbean. Although much emphasis was put on infrastructural projects, the Dutch contribution was increasingly spent on projects that would “benefit the national economic profitability and create job opportunities at the same time.”<sup>159</sup> This resulted in the Curaçaoan Dry Dock Company (*Curaçaoose Droogdok*

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<sup>157</sup> Sedoc-Dahlberg, *The Dutch Caribbean*, 491.

<sup>158</sup> Sedoc-Dahlberg, *The Dutch Caribbean*, 477.

<sup>159</sup> Haan, *Antilliaanse Instituties*, 197.

*Maatschappij*, CDM) and the Antillean Airline (*Antilliaanse Luchtvaartmaatschappij*, ALM) receiving both a subsidy of 20 million Naf. The rest of the budget was mainly spent on the construction of roads, schools, public housing, and the bridge at Anna Bay in Curacao. During the second phase, the Dutch government supported the Antilles with 140,9 million Naf and offered a combined 144 million Naf of hard and soft loans. In 1971, the total development budget of the Dutch government increased to 1 percent of the Netherlands' net domestic product. Five years later the budget was raised to 1,5 percent. This also benefitted the Antilles as the total budget for the Caribbean during the third phase of Dutch aid, from 1972 to 1976, almost doubled. The aid supports the construction of a harbor and university, hospitals, roads, airfields, and utility companies.<sup>160</sup> Moreover, the Foundation to Promote Investments in the Netherlands Antilles (STINA), established in 1966, increasingly promoted investment opportunities for international businesses. The Netherlands provided 240 million Naf of soft loans and spend 160 million Naf on projects in the third phase.<sup>161</sup> It was explicitly stated that the development aid would not be characterized as budget support.<sup>162</sup> In sum, the development policies during the second and third funding rounds were aimed at supporting social, cultural, and educational projects, and at recruiting foreign investments in the Antilles.

When the last multi-year plan ended in 1976, the Antillean Minister of Welfare Care Pourier evaluates the effectiveness of the Dutch development aid over the last two decades. He regarded the Dutch help as successful and contributing to the Netherlands Antilles as Pourier mentions four positive developments. First of all, the downfall of the Antillean economy has been diverted, resulting in a growing economy. Secondly, after realizing the tourist infrastructure and expanding and building of hotels, the tourist sector proved to be an important factor in the Antillean economy. Thirdly, the growth of the industrial sector has been promoted with success. STINA, helped the settlement and expansion of boat repairing enterprises in Curacao, a salt production company in Bonaire, a chemical industry in Aruba, and a fish processing company in Sint Maarten. Lastly, the programs improved the job market in the Antilles. The number of jobs created exceeded expectations due to the positive impact of

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<sup>160</sup> Haan, *Antilliaanse Instituties*, 198.

<sup>161</sup> Nationale Adviesraad voor Ontwikkelingssamenwerking, "Memo," February 11, 1978, access number 2.05.323, inventory number 209, Inventaris van het archief van de Nationale Adviesraad voor Ontwikkelingssamenwerking (NAR), National Archive, The Hague (abbreviate to NL-HaNA).

<sup>161</sup> Haan, *Antilliaanse Instituties*, 196.

<sup>162</sup> NAR, "Memo," February 11, 1978, 2.05.323, 209, NL-HaNA.



economic developments.<sup>163</sup> Based on the report of Pourier, the impact of Dutch development aid on the Antilles is rather positive. His attitude illustrates the Antillean reliance on the Dutch development budget.

The Dutch, however, are more critical in their evaluation of the multi-year plans during what is called the interim phase (1977-1980). For example, the director of the Cabinet for the Netherlands Antillean and Aruban Affairs (*Kabinet voor Nederlands-Antilliaanse en Arubaanse Zaken*, KabNA) shares his concerns when he stresses the structural overspending of the island's governments.<sup>164</sup> As a result, the Antilles increasingly relied on the financial aid offered by the Netherlands. A report of the NAR evaluates the three phases of development aid to the Antilles and argues that this trend needs to be shifted in order to prepare the Dutch Caribbean for its future independence.<sup>165</sup> Besides, the NAR argues that “[t]he extensive Dutch aid has not solved the problems for the Antilles but has obscured them. Thanks to the aid, a high level of spending could be maintained, and the Antillean government did not have to resort to far-reaching measures such as tax reform and reorganization of the poorly functioning civil service that had grown out of proportion.”<sup>166</sup> The NAR believes that a greater success of the development program could have been possible if the aid had been provided on the basis of a socio-economic Antillean development plan and not, as was the case, “on a project-by-project basis and based on political insights of a specific moment with often little coherence.”<sup>167</sup> Moreover, the IMF concluded in a 1976 report that “rather than providing a macroeconomic framework for a development strategy, each phase of the multi-year plan consisted mainly of an agreement between the Netherlands Antilles and the Netherlands on an amount of development aid available over a five years period.”<sup>168</sup> The lack of a long-term development framework prevented the Dutch aid from successfully contributing to the preparation of Antillean independence.

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<sup>163</sup> Directie Buitenlandse Financiële Betrekkingen, “Note on restructuring financial position of country and islands group,” Augustus 22, 1979, access number 2.08.98, inventory number 199, Inventaris van het archief van het Ministerie van Financiën, Generale Thesaurie, Directie Buitenlandse Financiële Betrekkingen, NL-HaNA.

<sup>164</sup> NAR, “Memo,” February 11, 1978, 2.05.323, 209, NL-HaNA.

<sup>165</sup> NAR, “Ontwerp-conclusies voor het ontwerp-advies Nederlandse Antillen,” April 21, 1978, access number 2.05.323, inventory number 209, Nationale Adviesraad voor Ontwikkelingssamenwerking (NAR), NL-HaNA.

<sup>166</sup> NAR, “Ontwerp-conclusies voor het ontwerp-advies Nederlandse Antillen,” April 21, 1978, 2.05.323, 209, NL-HaNA.

<sup>167</sup> Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, “Evaluatienote Ontwikkelingshulp aan de Nederlandse Antillen,” 1979, access number 2.06.107, inventory number 2062, Inventaris van het archief van het Ministerie van Economische Zaken: Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, NL-HaNA.

## Shaping the Antillean Future

During the interim phase, a commission of experts (the Bilateral Commission of Experts) was assigned the task to write a long-term economic, financial, social, and cultural development plan for the Netherlands Antilles. This Commission draw experts from various fields and contained five representatives of the Antilles and four of the Netherlands. The policy framework would be the foundation for a carefully planned independent future of the Netherlands Antilles. This was a shared desire of both the Netherlands and Antillean Prime Minister Juancho Evertz. Evertz believed that independence could be reached after the completion of three stages. Firstly, all six islands of the Netherlands Antilles needed internal self-government. Secondly, a new cooperation between the islands should be established, and thirdly, after the island populations have attained a “reasonable level of economic development” the preparation for independence will be finalized.<sup>169</sup> Evertz’s requirements for Antillean independence included socioeconomic, judicial, territorial conditions, and geopolitical security. These requirements needed much elaboration to come up with a solid socioeconomic plan. The Commission was asked to create such a plan for the 1980s and published its report in 1979. Eventually, this plan got the form of a broader policy framework.

The report is concerned about the “worrying” economic and financial situation of the Antilles and the “unsatisfactory” quality of the social and cultural services in the Antilles.<sup>170</sup> There are three problems the Commission tries to solve. First of all, the Antilles know a high unemployment rate. In the case of Curacao, about 20 percent of the population is unemployed. Moreover, the civil service grew by an average of 17 percent between 1975 and 1978. These jobs do not contribute to the economic resilience of the Antilles.<sup>171</sup> The Shell oil refinery in Curacao and the Exxon Lago transshipment company in Aruba offer 4000 men a job but the future of this sector is uncertain, the report states. On the one hand, automation in the industry reduced the number of jobs. On the other hand, its success very much depends on external factors like the energy policy of the US, and the relationship with oil exporting Venezuela.<sup>172</sup> The Antilles have hardly any natural resources to exploit, so it remains questionable to what extent the Caribbean part of the Kingdom can profit from such activities.<sup>173</sup> The second issue of economic resilience of the Antilles. The Antilles lack goal-oriented investments and suffer

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<sup>169</sup> Oostindie and Klinkers, *Decolonising the Caribbean*, 117.

<sup>170</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader voor de Nederlandse Antillen in de jaren tachtig* ('s-Gravenhage: Staatsuitgeverij, 1979), 13.

<sup>171</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 29-31.

<sup>172</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 78-79.

<sup>173</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 73.

from a structural deficit. The third problem the report addresses is the poor living conditions of the Antillean population. Altogether, the policy framework creates an overview of the problems and offers a different perspective to solve these issues to prepare the Antilles for independence in the future.

The result of a three-year process is a set of 57 recommendations that directed the future of the Antilles during the 1980s. The Commission's proposal to position the Netherlands Antilles as an international service center is one of the most significant suggestions and therefore sheds new light on the development of the Antilles in general. Instead of focusing on creating jobs in the oil industry, fishery, and cattle breeding, the Commission advises to emphasize the service providing side of the Antillean economy.<sup>174</sup> The report states that the Netherlands Antilles “enjoy certainly not a bad reputation” as an international financial center, a reputation that “can and should” be exploited, argues the report.<sup>175</sup> Moreover, the Commission believes that the offshore sector will offer more jobs and income for the Netherlands Antilles within the next five years.<sup>176</sup> It is estimated that around 500 new jobs will be created due to the fact that fiscal authorities want new contracts of offshore companies to be signed at the location of the branch. In order to “maintain and strengthen” the Netherlands Antilles in its function as an international service center the Commission states that investments in supporting infrastructure are necessary.<sup>177</sup> Therefore, well-developed water, electricity, and communication services are deemed important. The Commission also recommends the establishment of an International Trade Center (ITC). This building should house exhibition spaces, stock exchanges, and the offshore offices of international companies and financial institutions.<sup>178</sup> Another important recommendation regarding the offshore industry, is the Commission’s proposal to emphasize economic-administrational and technical education in Spanish and English. These studies are considered functional for the development of the Netherlands Antilles in the financial and economic fields.<sup>179</sup> All in all, the Commission introduces a new perspective on the future of the Netherlands Antilles by promoting the extension of the Antillean financial and touristic services.

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<sup>174</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 15.

<sup>175</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 190.

<sup>176</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 117-118.

<sup>177</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 100.

<sup>178</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 16.

<sup>179</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader*, 132.

In response to the policy framework of the Commission, Dutch Minister Jan de Koning of Development Cooperation announces a transitional phase from 1981 to late-1983.<sup>180</sup> This phase would allow the formulation of long-term development plans for each individual island based on the Commission's socioeconomic framework. To prevent projects from being initiated on an ad-hoc basis, the program help is introduced based on new socioeconomic plans that tune the projects with a broader perspective while spending consultations are held periodically at least twice a year. It is up to the local island governments to formulate economic plans for their territory that would be the base for future Dutch development aid from January 1984 onwards.<sup>181</sup> At the same time, the Dutch set the restructuring of the Antillean government's expenditures and the establishment of small planning units as a condition in order to receive any aid at all.<sup>182</sup> This was a measurement that was already suggested in the Commission's report. The program aid aims primarily at stimulating development while creating more self-dependence in the case of both the Antilles as a whole and the individual islands. Moreover, the islands need to make use of their capacities and the Netherlands wishes that their own contribution to social, economic, financial, cultural, and educational policies gradually increase over time.<sup>183</sup> In his evaluation note on the Antillean development aid, De Koning states that the Dutch aid will depend on the Antillean efforts and the restructuring of governmental expenses.

Despite the ambition to reformulate the structure of development aid, no program plans were successfully presented during the transitional period. Neither the Netherlands nor the Antilles heed the Commission's report as much of the attention goes up to the constitutional relations within the Kingdom and not the future of financial support. During the late-1970s, it became apparent that Aruba wished to follow its own path in the future. About 80 percent of the Aruban voters called for independence during a referendum in 1977.<sup>184</sup> During the 1983 RTCs, the Antilles, the Netherlands, and Aruba finally agreed to the future status of Aruba.<sup>185</sup>

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<sup>180</sup> Generale Thesaurie, Directie Buitenlandse Financiële Betrekkingen, "Ontwikkelingssamenwerking in de periode 1981 t/m 1983," February 18, 1981, access number 2.08.98, inventory number 199, Inventaris van het archief van het Ministerie van Financiën, Generale Thesaurie, Directie Buitenlandse Financiële Betrekkingen, NL-HaNA, 1.

<sup>181</sup> Generale Thesaurie Directie Buitenlandse Financiële Betrekkingen, "Protocol van Conclusies betreffende de ontwikkelingssamenwerking tussen Nederland en de Nederlandse Antillen," September 28, 1981, access number 2.08.98, inventory number 213, Inventaris van het archief van het Ministerie van Financiën, Generale Thesaurie, Directie Buitenlandse Financiële Betrekkingen, NL-HaNA, 2.

<sup>182</sup> Generale Thesaurie Directie Buitenlandse Financiële Betrekkingen, "Ontwikkelingssamenwerking in de periode 1981 t/m 1983," February 18, 1981, 2.08.98, 199, NL-HaNA, 1.

<sup>183</sup> Generale Thesaurie Directie Buitenlandse Financiële Betrekkingen, "Ontwikkelingssamenwerking in de periode 1981 t/m 1983," February 18, 1981, 2.08.98, 199, NL-HaNA.

<sup>184</sup> Oostindie, "Dependence and Autonomy in Sub-National Island Jurisdictions," 123.

<sup>185</sup> KabNA, 18100 chapter IV, nr. 2, 2. When quoting KabNA, a reference is made to the national budget that specifically allocates funds to Antillean and Aruban affairs which fall under chapter IV of the report. Each year has a unique reference number, listed in the bibliography.

Aruba would get its Status Aparte in 1986 and on the promise of full independence by 1996. As a result of the changing situation, the Antilles opted for a new integrated development plan regardless of the Commission's advice in 1979. In response, Minister De Koning stated that: "In my opinion, we do not need a new plan, we need political decisions. These can be based on information that is already available, which can be updated easily for each island."<sup>186</sup> Consequently, the help towards the Antilles remained on a project basis albeit more structured with two spending consultations a year.

### **A Neoliberal Development Strategy**

In spite of the Commission's recommendation to build on the success of the Antillean financial services, the future of the OFC in the Antilles was uncertain since the first half of the 1980s. The offshore sector was "under pressure" as the Netherlands wanted to make changes to the BRK in order to solve issues that impaired the Dutch.<sup>187</sup> As described above, in February 1981, the Minister of Finance asked for a revision of the BRK as the Netherlands lost tax revenue due to the Antillean Window.<sup>188</sup> Two years of renegotiations resulted in the deal to tax outflowing dividends with a combined 10,5 percent. Besides, in 1979, the US requested a revision of the tax treaty resulting in negotiations that would take nine years. The US was concerned with the abuse of the treaty by non-residents and demanded to hand over confidential client data to American tax authorities. During the negotiations, The Antillean government downplayed the negative aspects of not providing the OFC user's data and stated that the OFC contributed to a great extent to the Antillean economy.<sup>189</sup> Moreover, in 1984, Congress passed a law that abolished the 30 percent withholding tax on interest payments, the tax many Antillean shell companies tried to get around. Besides the struggling OFC, the oil refineries in Aruba and Curacao were (to be) closed, the ALM and CDM made no profit, and port activities declined during the first half of the 1980s.<sup>190</sup> All in all, despite the high income of the offshore industry, the prospects were not looking good for the Antillean economy. In response, the Dutch and Antillean governments put a greater emphasis on developing a diversified economy in the Dutch Caribbean from 1984 onward.<sup>191</sup> This section analyzes how neoliberal concepts increasingly influenced the diversification of the Antillean and Aruban economies by

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<sup>186</sup> KabNA, 18100 chapter IV, nr. 2, 21.

<sup>187</sup> KabNA, 18100 chapter IV, nr. 2, 19.

<sup>188</sup> Van Beurden, "De Curaçaoese Offshore," 136–37.

<sup>189</sup> Van Beurden and Jonker, "A Perfect Symbiosis," 85–86.

<sup>190</sup> KabNA, 18 600 chapter IV, nr. 2, 4–5.

<sup>191</sup> KabNA, 18100 chapter IV, nr. 2, 21.

considering the cases of tourism, government expenses and companies, and the offshore industry.

One of the Commission's recommendations was to make trade, tourism, and other services the economic pillars of the Netherlands Antilles.<sup>192</sup> In the early-1980s, the success of the tourist sector differs widely between the Antillean islands. The budget report for 1983 forms a great starting point to analyze the developments of the sector. From 1980 to 1982, the number of tourists in Curacao and in St. Martin declined. In contrast, the tourist sector in Aruba develops more positively. The Aruban tourist occupancy rate increased from 78 percent in 1980 to 89 percent in 1981. Something similar happened in Bonaire where more than 30 percent more tourists visited the island.<sup>193</sup> While 1983 was a tough year regarding tourism in the Antilles, all islands – except Curacao – increase the number of tourists.<sup>194</sup> The fact that Curacao lacks behind all the other Antillean islands is addressed in the budget report for 1984 notes which notes that “there are a number of shortcomings in the tourist product on Curacao.”<sup>195</sup> In response, the budget report suggests a firm intervention in order to turn around the steady decline of the Curacaoan tourist sector. This is to prevent tourism from having “hardly any meaning” within a few years.<sup>196</sup> Therefore, a variety of infrastructural projects to facilitate the tourist sector were supported through Dutch aid in 1984 and 1985. For example, the Netherlands finances the restoration of multiple historic buildings in the city center of Curacao “in order to increase the touristic value of the islands.”<sup>197</sup> The Netherlands also invests in the restoration of monuments and the improvement of tourist infrastructure in Curacao. However, all the islands improve their tourist infrastructure. For example, in Saba, several roads are constructed like the Mount Scenery Road from The Bottom to Well's Bay to reach new tourist areas. Meanwhile, in St. Eustatius and St. Martin, maintenance projects for hotels are set in motion.<sup>198</sup> Moreover, by renovating Palm Beach, the Aruban infrastructure regarding the tourist sector is improved.<sup>199</sup> During those years, the aid of the Netherlands was mainly focused on many kinds of infrastructural projects.

Besides the investment in infrastructural projects, the tourist industry increasingly involves private investors to boost the sector. During the mid-1980s, private investors took the

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<sup>192</sup> Gemengde Commissie van Deskundigen, *Aanzet tot een integraal beleidskader voor de Nederlandse Antillen in de jaren tachtig*, 15.

<sup>193</sup> KabNA, 17 600 chapter IV, nr. 2, 6.

<sup>194</sup> KabNA, 19 200 chapter IV, nr. 2, 10.

<sup>195</sup> KabNA, 18100 chapter IV, nr. 2, 18.

<sup>196</sup> KabNA, 18100 chapter IV, nr. 2, 18.

<sup>197</sup> KabNA, 18600 chapter IV, nr. 2, 6.

<sup>198</sup> KabNA, 18600 chapter IV, nr. 2, 9.

<sup>199</sup> KabNA, 18100 chapter IV, nr. 20.

initiative, reached out to the Curacao government, and tried to convince the government to sell the hotels it had bought in the mid-1970s to save the tourist sector during the oil crisis. In response, in 1986, the government asks a consultancy to come up with recommendations to improve the tourist industry in Curacao. The Piscadera Bay could potentially be transformed into the “pearl” of the island through the privatization of government hotels,” the advice states.<sup>200</sup> The government of Curacao heeded the advice and decided to gradually sell the estate of the Holding Company to private investors from November 1986 onward.<sup>201</sup>

Where Curacao struggles, the other islands, like Aruba, perform relatively well in the tourist sector. Between 1983 and 1984, the number of tourists in Aruba increased by 8 percent, in St. Martin by 21 percent, and in Bonaire by 26 percent.<sup>202</sup> In the case of Aruba, the tourist industry starts flourishing in the late-1980s to the extent that “in a short period of time, the unemployment has fallen sharply – from about 30% to about 10% at the end of 1987 – and Aruba has in fact been able to emerge from its deepest economic crisis.”<sup>203</sup> The result is a shortage of employees in the hotel industry. Therefore, a further training program is set up to which the Netherlands contributes financially in order to have sufficient well-trained workers available for these sectors as quickly as possible, states the financial report in 1988.<sup>204</sup>

The Dutch opinion towards the Antillean government spending and companies is evolves during the 1980s. Since the Commission’s report, nearly all yearly budget reports urge the Antillean government to restructure its expenses. The 1984 report, for example, states that the Commission’s conclusion is still topical and that the need to match the expenses of the public administration with the financial strength of the Antillean government “seems greater than ever now that the economic prospects for the Antilles are less favorable.”<sup>205</sup> This illustrates that, despite the fact that the advice being there since 1979, not much has changed. In 1985, however, more emphasis is put on the restructuring of government expenses. Because of the events in 1984, the Antilles, the Netherlands, and Aruba ask the IMF to research the options and recommendations to improve the economic situation in the Dutch Caribbean. To the Curacaon government, it is one of the options to restructure the government’s spending.<sup>206</sup> The

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<sup>200</sup> Amigoe, “Omgeving Piscaderabaai moet “parel” van Curaçao worden,” June 17, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>201</sup> Amigoe, “November onderhandelingen verkoop Caribbean Hotel,” September 30, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>202</sup> KabNA, 19200 chapter IV, nr. 2, 10.

<sup>203</sup> KabNA, 21181, nrs. 1 and 278, 110.

<sup>204</sup> KabNA, 20800 chapter IV, nr. 2, 12.

<sup>205</sup> KabNA, 18600 chapter IV, nr. 2, 6.

<sup>206</sup> Nederlands dagblad, “Curaçao wil publieke sector fors saneren,” December 6, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

recommendations of the IMF include a reduction in wages and salaries of civil servants, a reduction in subsidies to public companies, and an increase in import duties.<sup>207</sup> These measures aim at reducing the budget deficit that was estimated at 162 million Naf in the period 1985 to 1987. The Netherlands would offer a so-called “adjustment loan” of 100 million Naf while “Aruba will have to finance the remaining deficit commercially following the advice of the IMF.”<sup>208</sup>

Consequently, many of the IMF’s recommendations are implemented in 1986. For example, when the CDM, a government-owned company, got into bad weather due to the negative developments in the oil market, the Antillean government initiated a rescue plan in 1983 to recover CDM. The plan was not as successful as hoped for and the costs had to be reduced even further. It was decided to stop the subsidy to the CDM with effect from 1987 which resulted in the layoff of 400 employees.<sup>209</sup> Moreover, a number of efficiency improvements have been proposed, such as the reduction of overcapacity and the overlap between the national and island administrative layers, and the improvement of the budget process.<sup>210</sup> Besides, the Dutch government starts involving private investors to develop the Antillean economy. For example, the Netherlands agrees to contribute 23 million Naf to the construction of the ITC in Curacao, one of the Commission’s recommendations. Accordingly, this center is planned to offer a “full range” of facilities and services like an exhibition hall for meetings and exposition, a trade information center, and office spaces for branches of regional trading offices and financial offshore institutions. When the ITC finally opened in 1988, the Netherlands funded more than half of the building costs. Moreover, the Dutch government starts cooperating with Leon Melchior, a businessman from the Netherlands. Melchior convinced the local authorities to fund his “economic research” (costing 3,5 million Naf) to find out what private investments would be possible in Aruba. This money was provided through the Dutch development aid to the Antilles.<sup>211</sup> Based on the research, Melchior decided to start a mining company and a consultancy in Aruba. The Dutch House of Commons was critical of the spending, partly because Melchior, whatever the research outcome, was not obliged to invest.<sup>212</sup>

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<sup>207</sup> KabNA, 19200 chapter IV, nr. 2, 9.

<sup>208</sup> KabNA, 19200 chapter IV, nr. 2, 9.

<sup>209</sup> KabNA, 19700 chapter IV, nr. 2, 8.

<sup>210</sup> Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, “Concept memorandum,” July 1988, access number 2.06.107, inventory number 2062, Inventaris van het archief van het Ministerie van Economische Zaken: Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, NL-HaNA.

<sup>211</sup> Het Parool, “Melchior ziet kans voor eigen bedrijf op Aruba,” January 30, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>212</sup> De Volkskrant, “Kamer valt De Koning af vanwege contract Melchior,” November 1, 1985. Via <https://www.delpher.nl/nl/kranten/view>.



Minister De Koning refuted all commentary by stating that there are financial risks associated when pursuing differentiation of the Antillean economy.<sup>213</sup> The research report was disappointing in the eyes of the Aruban government.<sup>214</sup> The relationship between Melchior and Aruba soon cooled down leaving the islands without the private investments it hoped for.

The failed experiment did not withhold the Dutch government from putting an even greater emphasis on private investors and businesses. In the eyes of the Dutch, this was necessary because “stimulating the private sector creates the best opportunities to promote the financial and economic independence of the Antilles and Aruba as much as possible.”<sup>215</sup> Besides, the Hague argued, “only with the help of the private sector can the Antillean and Aruban economies can be differentiated and strengthened to such an extent that a structural economic recovery becomes a reality.”<sup>216</sup> In 1987, the restructuring policies were combined with the ambition to attract private investors to the Antilles. The Dutch argued, however, that “without structural restructuring government expenses, private financiers’ confidence in the Antillean and Aruban economies will not recover and private investments will not happen.”<sup>217</sup> Tougher restructuring policies were introduced in response. The budget for socio-educational and cultural facilities was reduced.<sup>218</sup> Moreover, the Antillean government had to cut 40 percent of its expenditures through the privatization and downsizing of government services, lowering wages, and reorganizing the public administration. Moreover, subsidies to government companies had to be reduced. The implementation of these measures means the loss of approximately 4000 (30 percent) of government jobs.<sup>219</sup> Policies to restructure the government expenses were combined with a so-called “recovery policy” that would significantly improve the business climate of the Antilles. Because improving the investment climate deserves high priority, the associated recovery policy initiates the reversal of the market protection policies, moderation of wage costs, and restraint of consumer credit.<sup>220</sup> Moreover, flexibilization of the labor market was suggested by “facilitating access to the labor market for young people” and adjusting the working hours based on the business’ performance.<sup>221</sup>

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<sup>213</sup> KabNA, 19200 chapter IV, nr. 8, 3.

<sup>214</sup> NRC, “Melchior al vaker door politiek in problemen,” January 29, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>215</sup> KabNA, 20200 chapter IV, nr. 147a, 3.

<sup>216</sup> KabNA, 20800 chapter IV, nr. 2, 10.

<sup>217</sup> KabNA, 20200 chapter IV, nr. 2 9.

<sup>218</sup> KabNA, 20200 chapter IV, nr. 2, 11.

<sup>219</sup> KabNA, 20200 chapter IV, nr. 2, 6-7.

<sup>220</sup> KabNA, 20800 chapter IV, nr. 2, 13.

<sup>221</sup> Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, “Concept memorandum,” July 1988, 2.06.107, 2062, NL-HaNA.

The reformation of the market protectionist legislation in the Antilles was not without any controversy. Minister of Trade, Industry, and Employment, Marco de Castro, threatened to resign if the protection policies he implemented would be changed. De Castro believed that the policies have resulted in positive outcomes stating that after the implementation “countless companies have settled in Curacao.”<sup>222</sup> In June 1987, De Castro was replaced by Winston Lourens while local politicians tried to promote De Castro to a function at the EEG in Brussels.<sup>223</sup> Regardless of the restructuring policies, Aruban’s and Antillean’s dependency on the Netherlands increased from 1987 onward. On the one hand, this was the result of the Netherlands supplying technical assistance to carry out these restructuring initiatives.<sup>224</sup> On the other hand, because of the closure of the Lago refinery and the reduced income from the offshore sector the GNPs of Aruba and the Antilles strongly decreased respectively. In both cases, an important pillar of the economy had disappeared of which the first practical implications became visible in 1987. In response, the Netherlands decided to offer budgetary backing resulting in “support and supplements making way for growing dependence” on the Dutch.<sup>225</sup>

As illustrated above, the Netherlands, the Antilles, and Aruba considered and implemented a variety of initiatives to diversify the economies of the Dutch Antilles. But to what extent did these initiatives replace the prominent offshore sector in the Dutch Caribbean after its mid-1980s peak? As a result of the events in 1984, the future of the offshore industry was regarded as “cloudy” by Dutch officials.<sup>226</sup> Moreover, politicians from the other side of the Atlantic Ocean started looking for alternative ways to attract foreign capital. A report of the Ministry of Economic Affairs on the economic situation of the Antilles refers to a special delegation of the Netherlands Antilles which opted for a tax-sparing option in the BRK and the appliance of the Law for the Investment Account (*Wet op de Investeringsrekening, WIR*) to promote investments in the Antilles. A tax-sparing option would allow companies that invest in the Antilles to be taxed when transferring dividends, interest, and royalties while these costs would be deducted from the final taxation in the Netherlands. The Antilles tried to convince the

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<sup>222</sup> Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, “Nederlandse Antillen: marktbescherming en positie drs. M. J. de Castro,” July 2 1987, access number 2.06.107, inventory number 4062, Inventaris van het archief van het Ministerie van Economische Zaken: Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, NL-HaNA, 1.

<sup>223</sup> Directoraat-Generaal voor de Buitenlandse Economische Betrekkingen, “Nederlandse Antillen: marktbescherming en positie drs. M. J. de Castro,” July 2 1987, 2.06.107, 4062, NL-HaNA, 2.

<sup>224</sup> Haan, *Antilliaanse Instituties*, 221.

<sup>225</sup> KabNA, 20200 chapter IV, nr. 2, 9.

<sup>226</sup> Bureau Afvoer Regeeringsapparaat, “Stand van zaken m.b.t. Nederlandse Antillen,” March 28, 1985, access number 2.08.97, inventory number 211, Inventaris van het archief van het Ministerie van Financiën: Bureau Afvoer Regeeringsapparaat, NL-HaNA.

Dutch government to set up such an arrangement that was more commonly used for developing nations. However, the Dutch government was against offering development aid through special tax treaties because the “Dutch law is free from any obstacles that would prevent businesses to start economic activities in the Antilles” and because the Antilles do not charge withholding taxes on royalties and interests, there was no option to initiate a special tax sparing deal. The Dutch debunked the Antillean request by arguing that “[a]fter all, there is no tax that could be levied on the basis of the legislation and the BRK.” The Netherlands foresaw a much brighter future for the Antilles and its offshore industry. Despite the recent revision of the BRK, the Dutch Minister of Finance argued that the attractiveness of channeling dividends via the Netherlands to the Netherlands Antilles will decrease but “[i]ncidentally, the objective of the governments of the two countries of the Kingdom has not been to put an end to all offshore activities.”<sup>227</sup> Moreover, Minister De Koning was confident about the offshore industry’s future as he stated that “[t]hese activities are by their very nature very flexible. When certain roads are cut off, other roads are often opened.”<sup>228</sup> Thus, the Netherlands was confident that the offshore industry would still play a significant role in the economy of the Netherlands Antilles after 1984.

Nevertheless, the income of the offshore industry significantly decreased since its peak in 1986, causing the Curacao government to lose more than 50 percent of its total income.<sup>229</sup> In response, the Antillean government tried to secure the income of the industry by renegotiating a tax treaty with the US authorities, resulting in an agreement in August 1986.<sup>230</sup> However, this revisional treaty was short-lived as US Congress passed the Tax Reform Bill in the same year.<sup>231</sup> That bill sought to prevent residents of third countries from making use of a treaty between two countries. Measures against this so-called “treaty shopping” negatively affect the offshore business in the Antilles as one of the treaty’s conditions called for the partial disclosure of the user’s identity – violating one of the principles of the Antillean OFC. In response, the Antillean government tried to renegotiate the treaty by suggesting a special arrangement with the US government resembling the US-Puerto Rican construction.<sup>232</sup> When the US tried to curtail the offshore industry in its associated state Puerto Rico, a settlement was

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<sup>227</sup> Jan de Koning, “Wijziging van de Rijkswet van 28 oktober 1964,” May 29, 1985, access number 18747 (R1271), inventory number 12, Parliamentary papers session year 1984-1985.

<sup>228</sup> Jan de Koning during debate in House of Commons on February 19, 1985, 3327.

<sup>229</sup> Haan, *Antilliaanse Instituties*, 186.

<sup>230</sup> Van Beurden, “De Curaçaoese Offshore,” 167.

<sup>231</sup> Amigoe, “Gouden off-shore tijd is definitief voorbij,” August 16, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>232</sup> Amigoe, “Vooruitzichten Antilliaanse off-shore allesbehalve goed,” July 17, 1986. Via <https://www.delpher.nl/nl/kranten/view>

agreed upon to invest the tax income Puerto Rico had earned through its offshore in the development of the Caribbean. Consequently, the Puerto Rican offshore industry was permitted by the US government and the Netherlands Antilles hoped for a construction just like it.<sup>233</sup> This construction, like other proposals, was rejected by the US representatives. Consequently, Antillean Prime Minister Martina announced on the 5<sup>th</sup> of June 1987 that the Antilles would not sign the new treaty because “the currently proposed treaty is of little value for the offshore sector.” Minister Navarro argued that the treaty would have threatened the sector because strict rules regarding the information exchange would have deterred clients from the offshore sector.<sup>234</sup> Instead of relying on a tax treaty with the US, the Antillean government adapted its legislation to the new circumstances to make the Antillean offshore industry more appealing by limiting the administrative obligations for offshore companies.<sup>235</sup> Because of comparable changes “the income from the offshore sector was better than expected, partly due to the expansion of a number of new activities in this sector.”<sup>236</sup> The sector provided at least 200 million Naf per year up until the early 1990s. In response to the difficult situation that the offshore industry was going through, the Offshore Interests Association (*Vereniging Offshore Belangen*, VOB) started lobbying for legislative changes in the late 1980s.<sup>237</sup> The offshore industry, however, was quick to adapt which is illustrated by the so-called Pensionado Scheme. Launched in 1989, the fiscal construction allowed rich pensioners to move to the Antilles and profit from its 5 percent income tax rate when cashing in their pension rights.<sup>238</sup> This “income tax offshore” was deliberately designed by the Curacao government to make use of a loophole in the BRK.<sup>239</sup> Although its heydays belonged to the past, the offshore sector in Curacao found ways to generate income for the Antilles.

In the case of Aruba, it could no longer profit from the income of the Antillean offshore since it received its Status Aparte in 1986. Therefore, the need to diversify the economy of Aruba was even more present, and attempts to increase Aruba’s self-reliance were extensive. For example, in order to promote the acquisition of foreign companies to Aruba, the Aruba Foreign Investment Agency (AFIA) is established. The AFIA and the expansion of the free zone

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<sup>233</sup> Amigoe, 6-6-1987.

<sup>234</sup> Amigoe, “Eerste wetwijziging naar Staten om schade offshore-sector te beperken,” July 28, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>235</sup> KabNa, 21800 chapter IV, nr. 2, 26.

<sup>236</sup> Amigoe, “VOB pleit voor sluiten verdragen met geïndustrialiseerde landen,” December 14, 1988. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>237</sup> Amigoe, “VOB pleit voor sluiten verdragen met geïndustrialiseerde landen,” December 14, 1988. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>238</sup> Van Beurden and Jonker, “A Perfect Symbiosis,” 86.

<sup>239</sup> Amigoe, “Rentenierswet geeft nieuwe impulsen aan onze economie,” May 12, 1990. Via <https://www.delpher.nl/nl/kranten/view>

should lead to an increase in industrial activity and international trade as entrepreneurs in Aruba can profit from its association with the EG and the American-initiated Caribbean Basin Initiative (CBI).<sup>240</sup> The CBI was an initiative of the US “designed to improve the economic well-being of the Caribbean area” that offered the duty-free import of certain items produced in the Caribbean into the US and a 350 million dollar development assistance fund for the Caribbean countries that participated.<sup>241</sup> In a time of growing revolutionary movements and collapsing economic growth rates throughout the Caribbean region, President Reagan initiated this strategy of “security through development” in 1983.<sup>242</sup> The idea behind the economic component of the CBI was the promise of laissez-faire: more open economies and increased trade will spur economic growth in the region.<sup>243</sup> By opening up its economy, the US encouraged to invest in the Caribbean region which would generate more employment and higher incomes while expanding trade. In 1985, the Netherlands regarded the CBI as a great opportunity for the Antilles to gain economic self-reliance as Minister De Koning states that: “opportunities arise through the CBI.”<sup>244</sup> The next year, Aruba started to research the possibilities that the CBI offered.<sup>245</sup> This, for example, resulted in Japanese investments in infrastructural projects.<sup>246</sup>

The Aruban government did not only focus on trade or tourism to diversify the economy. According to Arubans, the alternative – besides tourism – to have available and solve the economic issues in the country is by changing into a financial center.<sup>247</sup> In 1988, the exempted joint-stock company (*vrijgestelde naamloze vennootschap*, VNV) was introduced to develop Aruba into a financial services center, “in consultation with the Netherlands” in 1988.<sup>248</sup> This form of offshore company was better known as the Aruban Joint-Stock Company (*Arubaanse vrijgestelde vennootschap*, AVV) or more jokingly Little Aruban (*Arubaantje*) in the media.<sup>249</sup>

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<sup>240</sup> KabNA, 21181, nrs. 1 en 278, 111-112.

<sup>241</sup> Ministerie van Buitenlandse Zaken, “Press Release van het Department of State d.d 6 december 1984,” December 12, 1984, inventory number 2.05.330, access number 7183, Inventaris van het code-archief periode 1975-1984 van het Ministerie van Buitenlandse Zaken, NL-HaNA.

<sup>242</sup> Deere, *In the Shadows of the Sun: Caribbean Development Alternatives and U.S. Policy*, 153.

<sup>243</sup> Deere, 155.

<sup>244</sup> Jan de Koning during debate in House of Commons on February 19, 1985, *Handelingen 1984-1985*, 3327.

<sup>245</sup> Amigoe, “Min. Nisbet naar de Bahamas voor vergardering over CBI en toerisme,” September 4, 1986. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>246</sup> Amigoe, “Veel belangstelling voor financiering van projecten,” August 1, 1989. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>247</sup> Amigoe, “MEP-leider: financieel centrum economische peiler naast toerisme,” May 16, 1987. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>248</sup> Amigoe, “Aruba wordt op onheuse manier aangevallen over AVV-kwestie,” November 28, 1995. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>249</sup> Amigoe, “Vrijspraak Koeijers,” September 16, 1988. Via <https://www.delpher.nl/nl/kranten/view>.

The AVV “is withheld from income tax and can be easily established” argues Mito Croes, the Aruban Minister of Labor Affairs.<sup>250</sup> The AVV and a renewal of the national ordinance on transferring the registered offices from third countries were measures taken by the Aruban government to promote offshore businesses in Aruba. It was not until 1991 that the government set up a commission “whose task will be to transform Aruba into a financial center.”<sup>251</sup> However, the OFC industry in Aruba grew significantly over time. There were 126 AVVs in 1988, 573 in 1989, and 825 in 1990.<sup>252</sup> In 1993, there were a total of 4300 AVVs offering a total income that was estimated at at least 20 million Naf per year.<sup>253</sup> The industry continued to grow up until the mid-1990s.<sup>254</sup> Interestingly, the AVVs made no use of the BRK and almost no dividends were transferred to Aruba for the Netherlands.<sup>255</sup> This way, the OFC industry in Aruba operated relatively autonomously from the Netherlands. Although it is beyond the scope of this thesis to address the impact of the offshore industry on the Aruban society, this section illustrates that the industry was regarded as a means to develop and diversify the Aruban economy. All in all, this suggests that the offshore industry is regarded as one of the tools to develop the Caribbean part of the Dutch Kingdom which was tolerated by the Dutch government.

Regardless of all ambitions to prepare the Antilles for their future independence, the report of the Financing Modalities Committee (*Commissie Financieringsmodaliteiten, Commissie Wawoe*) concludes in 1997 that the development policies failed in the case of the Antilles. In contrast, the Commission remarks that the semi-independence of Aruba “has made a significant contribution to the economy.”<sup>256</sup> Therefore, Aruba was considered a positive example for the rest of the Antilles.<sup>257</sup> The recommendations of the 1979 policy framework to reorganize the government expenses and reconfigure the Antillean economy toward services eventually were

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<sup>250</sup> Nederlands dagblad, “Minister Mito Croes: bang dat Arubanen tegelijk terugkomen,” October 8, 1988. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>251</sup> Amigoe, “Aruba financieel centrum,” May 24, 1991. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>252</sup> Amigoe, “Gedragscode aanvaard witten misdaadgeld,” January 5, 1991. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>253</sup> Amigoe, “Private sector wil behoud huidige fiscale autonomie,” July 19, 1993. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>254</sup> Amigoe, “Terugval inschrijvingen van offshore companies,” December 29, 1995. Via <https://www.delpher.nl/nl/kranten/view>.

<sup>255</sup> Ministerie van Financiën, “Vaststelling van de begroting van de uitgaven en de ontvangsten van hoofdstuk IXB,” 1991, inventory number 22300 IXB, access number 41, 10.

<sup>256</sup> Haan, *Antilliaanse Instituties*, 64. En 263-264.

<sup>257</sup> Amigoe, “Aruba positief voorbeeld voor Nederlandse Antillen,” September 28, 1988. Via <https://www.delpher.nl/nl/kranten/view>.

realized by the late 1980s. However, the constitutional changes made it hard to implement all the Commission's recommendations as the contributions of individual countries fell away such as the successful tourist industry of Aruba.

This chapter debunks Hoebink's claim that the commercialization of Dutch development aid was predominantly a change in rhetoric: it illustrates that there was a significant rhetorical emphasis on neoliberal measures that had significant practical implications for the development policies of the Antilles as well.<sup>258</sup> This was specifically true for the tourist sector, government expenses, and the development of the offshore industry in the Antilles and Aruba. In the case of the offshore industry, the Dutch never formally stopped tolerating or supporting initiatives in this sector, as illustrated in the case of Aruba. Besides and despite the Caribbean struggle in the offshore industry, the Netherlands continued to enjoy a key financial hub position that was originally built on the Dutch symbiosis with Curacao.<sup>259</sup>

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<sup>258</sup> Hoebink, "The Humanitarianisation of the Foreign Aid Programme in the Netherlands," 198.

<sup>259</sup> Van Beurden and Jonker, "A Perfect Symbiosis," 90.

## Conclusion

The answers to the three subquestions together help answer the main research question: how did the Dutch perception of the offshore industry as a development tool for the Antilles impact the relationship between the Netherlands and the Netherlands Antilles during the 1970s and 1980s? This thesis argues that the offshore industry was regarded by the Netherlands as a tool to incorporate the Antilles into the international economic system that would make the Dutch Caribbean more self-reliant. The neoliberal *zeitgeist* facilitated the Dutch perceptions that justified a unique path to independence for the Netherlands Antilles.

Specifically, this thesis illustrates how the rise of neoliberal ideas and concepts in the Netherlands resulted in a gradually changing perception of development cooperation during the late 1970s and the 1980s. Throughout the 1970s, the perception of the Netherlands towards development aid evolved into the ambition to integrate developing countries into the existing international economic structure by stimulating an economic development process based on international trade, minimal government interference, and implementing policies that stimulate market forces. The altering perception of Dutch development cooperation is illustrated in the contrasting views of Pronk and Van Dam and their impact on actual policies. The early and mid-1970s were dominated by concepts such as self-reliance and the ambition of the NIEO to restructure the economic order that dictated international politics. However, the fact that Van Dam's ideas made it into the discussed policy note of 1979 illustrates the steady incorporation of neoliberal ideas in Dutch development policies. The policy note was the first sign of how neoliberalism would overshadow the 1980s and paved the way for policies of deregulation, liberalization, and flexibilization in the Antilles. Many of these so-called adjustment policies only got going after the Status Aparte of Aruba was finally effectuated in 1986, suggesting that neoliberal ideas could contribute to the development of the Caribbean countries and would constructively lead to independent nations. Therefore, in line with the conclusions of the Financing Modalities Committee, this thesis concludes that the development strategy of the Netherlands during the 1980s failed to support the Antilles to its independent future. This thesis emphasizes the importance of the Dutch perception of the Antillean independence and thereby adds to the literature of Oostindie *et al.* by offering a new economic perspective on the decolonization process in the Netherlands Antilles during the 1970s and the 1980s.<sup>260</sup> Moreover, by revealing how early signs of neoliberal thought were gaining a foothold at the Department of Development Cooperation besides the other governmental organizations Mellink and

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<sup>260</sup> Gert Oostindie and Inge Klinkers, *Decolonising the Caribbean*, 163–172.



Oudenampsen mention, this thesis also contributes to their analysis of neoliberalism in the Netherlands. This thesis argues against Hoebink's view that neoliberal ideas did not really affect Dutch development policies in practice.<sup>261</sup>

Accordingly, early signs of neoliberal ideas on development policies can be found in the policy framework of the Commission of Experts that argued to develop by focusing on services that the Antilles could offer, amongst which was the expansion of the tourist and offshore financial industry. In the case of the tourist sector, Dutch aid was aimed at improving the infrastructure of the Antilles to house tourists. At the same time, the government of Curacao was prepared to cooperate with private investors in order to initiate the privatization of government hotels. This resulted in greater involvement of the private sector in the Antillean tourist industry. Moreover, the Commission placed much emphasis on the reorganization of the Antillean government's expenses. Throughout the 1980s, the amount of development funding was connected to reorganization efforts of the Antillean government resulting in the layoff of thousands of CDM employees and civil servants. In the late 1980s, the restructuring of government expenses was linked to the attractiveness of the Antillean business climate. In order to improve the investment climate of the Antilles, it was argued, a solid and withdrawing government is essential according to the development strategy. This illustrates how neoliberal measures increasingly became part of the strategy to develop the Netherlands Antilles.

Despite the Committee's proposal to increase the share of the offshore industry in the Antillean economy, constitutional debates and changes in international tax treaties made the future of the offshore industry in the Antilles uncertain. Although changes to the BRK occurred, the Netherlands – at least during the 1980s – did not really consider terminating the BRK in order to restrict the OFC industries in the Antilles and end its potential crime-facilitating operations. The discontinued tax treaty between the US and the Antilles exposed the weaknesses of Curacao's OFC: its close focus on the US and on the Netherlands and the disunion within the financial service sector about its future made it hard for the OFC in Curacao to adapt, according to Van Beurden and Jonker.<sup>262</sup> Nevertheless, Curacao and Aruba continued to make efforts to develop their offshore industries in the late 1980s. This resulted in Curacao introducing the Pensionado Scheme that made use of a loophole in the BRK while Aruba was able to attract foreign exchanges by establishing the AVV legislation in 1988 with the support of the Netherlands. All this suits the neoliberal ambition that was present in the development

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<sup>261</sup> Hoebink, "The Humanitarianisation of the Foreign Aid Programme in the Netherlands," 198.

<sup>262</sup> Van Beurden and Jonker, "A Perfect Symbiosis," 89.

strategy of the Netherlands to incorporate developing countries into the international economic system.

This thesis supports Ogle's claim that tax havens were regarded as means to achieve economic uplift and that archipelago capitalism was an attempt to adapt to globalization.<sup>263</sup> These arguments also apply to the case of the Netherlands Antilles and help to understand the motivations behind Dutch development aid in the Caribbean part of the Kingdom. Therefore, this thesis contributes to our understanding of the history of development and modernization efforts by illustrating how the Netherlands Antilles were to anticipate expanding globalization, the rise of neoliberal capitalism, and democratic changes by means of Dutch development policies during the 1980s. Nevertheless, the neoliberal road did not lead to Antillean independence. Aruba was able to develop as a separate nation within the Kingdom of the Netherlands and it therefore was considered an example for the rest of the Antilles. However, regardless of the economic diversification of the Antillean and Aruban economies, the Netherlands had to offer budgetary support to both countries in the late 1980s. Although it is beyond the scope of this research to specifically indicate why the ambition for Antillean independence was halted, it is clear that the neoliberal policies did not prepare the Netherlands Antilles for their intended future. This could be the result of the major role that Dutch technical aid played in implementing policies allowing the restructuring of government expenses, but this is only speculative for the moment.

The focus of this thesis has been the Dutch perception of the offshore industry as a development tool for the Antilles. Although the Dutch source material was rather limited, the combination of different kinds of source material contributed to the reconstruction of the perception of the Netherlands during the 1970s and 1980s. As a result of this thesis' scope, it lacks a profound Antillean perspective on the Dutch development aid and the country's independence struggle. As for now, we can only conclude that the Dutch ideas and visions of development cooperation did not constructively contribute to the preparation of the Netherlands Antilles and their future of independence. We do not know to what extent the different Antillean perceptions of the economic and constitutional challenges in the Antilles affected the implementation of the Commission's proposals. In order to comprehensively understand the impact of neoliberal ideas, we need to research the role of the individual Antillean islands regarding international organizations and partners. For example, how did the Antilles anticipate the CBI and in what ways did the Caribbean country invest in relationships with others in the

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<sup>263</sup> Vanessa Ogle, "Archipelago Capitalism," 1441–1458.

region? Such relationships are important to explore in order to understand how the Antilles and Aruba regarded their independent future and to examine the role of the offshore industry in the region. Therefore, future research is necessary to incorporate the dynamics in Antillean politics and its consequences for the implementation of development policies. Only then we can start to understand in what ways the current relationship between the Netherlands and the islands of the former Antilles is the result of complex historical developments.

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## PLAGIARISM RULES AWARENESS STATEMENT

### **Fraud and Plagiarism**

Scientific integrity is the foundation of academic life. Utrecht University considers any form of scientific deception to be an extremely serious infraction. Utrecht University therefore expects every student to be aware of, and to abide by, the norms and values regarding scientific integrity.

The most important forms of deception that affect this integrity are fraud and plagiarism. Plagiarism is the copying of another person's work without proper acknowledgement, and it is a form of fraud. The following is a detailed explanation of what is considered to be fraud and plagiarism, with a few concrete examples. Please note that this is not a comprehensive list!

If fraud or plagiarism is detected, the study programme's Examination Committee may decide to impose sanctions. The most serious sanction that the committee can impose is to submit a request to the Executive Board of the University to expel the student from the study programme.

### **Plagiarism**

Plagiarism is the copying of another person's documents, ideas or lines of thought and presenting it as one's own work. You must always accurately indicate from whom you obtained ideas and insights, and you must constantly be aware of the difference between citing, paraphrasing and plagiarising. Students and staff must be very careful in citing sources; this concerns not only printed sources, but also information obtained from the Internet.

The following issues will always be considered to be plagiarism:

- cutting and pasting text from digital sources, such as an encyclopaedia or digital periodicals, without quotation marks and footnotes;
- cutting and pasting text from the Internet without quotation marks and footnotes;
- copying printed materials, such as books, magazines or encyclopaedias, without quotation marks or footnotes;
- including a translation of one of the sources named above without quotation marks or footnotes;
- paraphrasing (parts of) the texts listed above without proper references: paraphrasing must be marked as such, by expressly mentioning the original author in the text or in a footnote, so that you do not give the impression that it is your own idea;
- copying sound, video or test materials from others without references, and presenting it as one's own work;
- submitting work done previously by the student without reference to the original paper, and presenting it as original work done in the context of the course, without the express permission of the course lecturer;
- copying the work of another student and presenting it as one's own work. If this is done with the consent of the other student, then he or she is also complicit in the plagiarism;
- when one of the authors of a group paper commits plagiarism, then the other co-authors are also complicit in plagiarism if they could or should have known that the person was committing plagiarism;
- submitting papers acquired from a commercial institution, such as an Internet site with summaries or papers, that were written by another person, whether or not that other person received payment for the work.

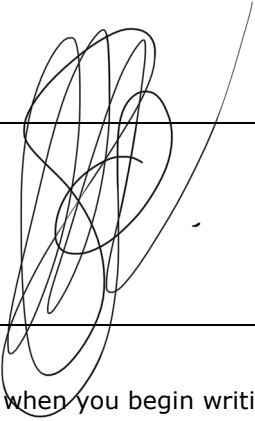
The rules for plagiarism also apply to rough drafts of papers or (parts of) theses sent to a lecturer for feedback, to the extent that submitting rough drafts for feedback is mentioned in the course handbook or the thesis regulations.

The Education and Examination Regulations (Article 5.15) describe the formal procedure in case of suspicion of fraud and/or plagiarism, and the sanctions that can be imposed.

Ignorance of these rules is not an excuse. Each individual is responsible for their own behaviour. Utrecht University assumes that each student or staff member knows what fraud and plagiarism



entail. For its part, Utrecht University works to ensure that students are informed of the principles of scientific practice, which are taught as early as possible in the curriculum, and that students are informed of the institution's criteria for fraud and plagiarism, so that every student knows which norms they must abide by.

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