



## The consequences of the credit crisis from both national and international perspectives

**The international credit crisis has kept a great deal of minds quite busy during the past months. The dilemma started in 2007 and has escalated from a credit problem to a bank crisis. What are the general implications for the Netherlands Antilles as a consequence of these developments in the international financial market?**

Compared to countries in the European Community and the United States where results have been disastrous, the outcome for the Netherlands Antilles has been rather controllable. The reason: the restrictive policy encouraged by the Dutch Antilles' Central Bank applying to both small and affluent investors and to companies depositing their excessive liquidity as well. The general policy allows local banks to keep only a limited amount of their investments overseas; in this way, Dutch Antillean banks and their clients were spared the credit and bank crisis. Individuals and companies that invested abroad, especially in Europe and in the United States were more vulnerable to the negative effects of this crisis and as a result, the safety of their investments has become somewhat uncertain.

Different European governments compete to offer the best guarantee for savings accounts in case a bank files for bankruptcy or is at risk of doing so.

Investors are encouraged, in this way, to remain calm so as to prevent massive cash withdrawals. The European Union's current strategy guarantees a minimum of EUR 20.000 per person. Individual governments, however, are inclined to offer higher coverage in order to retain foreign investment.

The credit crisis has had a few implications for one sector, however. The General Retirement fund of the Dutch Antilles has been indisputably affected by the present economic situation. The first half of 2008 saw a negative result of 8.4% in foreign investment. According to a report, this is a direct result of the credit crisis, showing a need for financial regulation in order to overcome high inflation and a stagnant economy on this side of the world.

Due to present developments in the global financial market, there is certainly an abundance of bargains at different stock markets. The Netherlands

Antilles has no experience in this area and plans are still in their early stage. Currently, the market situation is too unstable to invest in foreign stock exchange or international current and savings accounts. Investment is always risky and during a period of extreme panic the imbalance is very disproportionate. High profits as well as great losses can be expected. Therefore, it is recommendable to invest in oil, food and telecommunication industries since, in general, these are less being affected by recession. Despite all this, foreign investment continues to appear very enticing due to its yield. However, "the grass may seem greener on the other side of the fence", but our gardener i.e. the Central Bank, has managed to keep our leaves from withering.

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