

# BANKING ON A SWEETER FUTURE

For three centuries 'King Sugar' ruled on the luxuriant Caribbean island state of St Kitts. But the downturn in international sugar prices means that is no longer sustainable, and the economy is moving rapidly towards a broader base combining tourism and financial services.

## EARNING A REPUTATION FOR QUALITY

As the Prime Minister, Dr Denzil Douglas, puts it: "We took the decision to diversify away from agriculture and sugar production, and have been working towards this over several years. The economy's service orientation is now quite distinct, with tourism and financial services now dominating foreign exchange earnings and providing new employment opportunities."

"St Kitts is targeted towards the high end of the tourism market", says Ricky Skerritt, Minister of State for Tourism, Sports and Culture, who sees the contribution of the tourism sector doubling over the next ten years from 40% to nearer 80% of the overall economy.

The main thrust, he says, is to establish St Kitts as a golf and conference destination, with new, world-class and environmentally-friendly championship courses in luxuriant surroundings, while conference and convention business has been growing rapidly since the Marriott's opening. Hosting the Cricket World Cup in 2007 will provide an opportunity to spread international recognition of St Kitts as an upmarket destination.

New developments catering to high-end visitors include Whitegate, La Vallee, Kittitian Heights and the South East Peninsula, while the completion of a new pier and shopping facilities at Port Zante will be an additional draw to cruise traffic. The government's approach to tourism is to maximize local employment and business participation, from construction and services to the provision of fresh local produce, thereby increasing the economic and social benefits to islanders.

St Kitts has adopted a rigorous regulatory approach to its financial services sector, making the jurisdiction more attractive to legitimate investors. Shawna Lake, director of marketing and development at the financial services department, notes that the process of setting up a company in St Kitts "is rigorous, but not in any negative way", with her department acting as a clearing house for licence applicants and a contact point for investors.

In terms of St Kitts' attractions as a financial services centre, Lake singles out the passing two years ago of foundations legislation. "We were one of the first common law jurisdictions to do so", she says, "and it has taken off very well – especially with Europeans, because it is familiar to them."

The "citizenship by investment" programme, whereby an outside investor putting up US\$250,000 or more may apply to become a citizen of St Kitts, has also attracted great interest – especially as there exists a natural synergy between tourism and villa ownership on the one hand, and offshore financial services on the other, so that investors can stay "close to their money".

Lake, who has a legal background, also points to the availability of high quality legal services in St Kitts. A more recent development was the launch of an international ship registry, operated out of London. "We already have more than a hundred ships on the registry", says Lake, "and there are good prospects for growth."

While St Kitts has relatively large sovereign debt, accumulated primarily because of the losses of the sugar industry, Douglas has placed debt management high on the agenda. "We have put in place a stabilization programme", he says. "We are extremely conscious of controlling expenditures, and have adopted some aggressive initiatives in terms of revenue enhancement and collection." And as financial secretary Janet Harris points out, "we have a very good track record of paying our debt," adding that "we make sure everything we do is transparent and fully accountable". A privatization programme should further reduce debt and stimulate the private sector.

"My vision", says Prime Minister Douglas, "is that we will continue to pursue sustainable economic development by further diversifying our own productive base". In doing so, he sees "improving competitive advantage and building important niche markets" as the way forward. "Tourism is at the apex, along with financial services and information communications technology (ICT), and then a smaller manufacturing sector."

Given the island's highly educated workforce and more price-competitive telecoms following the sector's liberalization, Douglas sees "the higher end of ICT becoming a critical part of our development in future". The end of 'King Sugar's' long reign has brought major challenges, but these are being addressed by building a more diversified and sustainable economic base.



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