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Antilles Guyane

French Guiana and Suriname

BETTER MUTUAL ECONOMICS KNOWLEDGE FOR BETTER COOPERATION

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French Guiana and Suriname

Better mutual economics knowledge for better cooperation

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Foreword

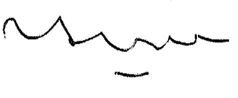
French Guiana and Suriname are two territories on the eastern edge of South America. They are separated by a 520-kilometer river-border. Although they don't know each other very well, participants in the economies of both territories share similar challenges, just as the people living on each side of the river often share certain life experiences.

Several differences make it difficult for each to understand the other, and slow the creation of what could be mutually beneficial partnerships. For instance, Suriname is a sovereign state while French Guiana is a French-administered territory. They do not share a common language : French is French Guiana's official language while Suriname's is Dutch. Internal and external land-, marine-, air and telecoms-based communications networks are deficient. Regulatory standards and laws are not the same. Furthermore, misinformation leads toward mutual misunderstanding of one by the other.

It's within this context that the CEROM[1] partners thought it would be useful to create a comparative study of the two territories' economic systems. The goal was to create a report that would provide a factual basis through which key stakeholders and decision makers could more easily understand what Suriname and French Guiana have in common, what complementary assets and abilities they have, and where their perspectives for development and economic growth converge or diverge from one another.

To create this baseline set of facts, the authors of this study contacted a number of institutional stakeholders in French Guiana and Suriname, all of whom were very interested in producing such a report. We would like to take the opportunity to thank everyone who contributed their precious time, information, data and documents to this breakthrough research report.

Despite its limitations in terms of the time allowed for its production and the differences in the formats of the baseline data being compared here, we hope this document will serve as a tool to inspire reciprocal interest, increase economic understanding, and to further organized cooperation between these two neighbors.

Director of IEDOM French Guiana	Director of AFD French Guiana	INSEE Department Head French Guiana
		

[1] CEROM is the name of a partnership composed of AFD (the French Development Agency), IEDOM (the French Reserve Bank for the French Overseas Departments and Territories) and INSEE (the French National Statistics Office). Its principal objective is to further economic analysis of French Overseas Territories, Departments and Collectivities.

Summary

Two neighbors, one a European region, and the other a developing country, share a river border and many of the same opportunities and challenges. Understanding where their interests and capabilities converge will allow them to improve their current partnership to overcome shared problems and develop more joint projects aimed at social and economic growth.

A river shared by a European region and a developing country

French Guiana, a French region, and Suriname, a former Dutch colony, are located along the northeast coast of South America on the Guyana Plateau, which they share with Guyana, part of Brazil and part of Venezuela.[1] French Guiana and Suriname are neighbors separated by the Maroni River who share a certain number of characteristics. Almost all of their landmass is covered by the Amazon forest: Their inland regions are difficult to access and most of their people live along the riverbanks and coast. The two territories have similar constraints when it comes to development because they are both cut off from their immediate neighbors and some distance from main air and ocean transport lines. Shared objectives include improving infrastructure and access to various towns, as well as to the outside world.

Suriname has twice as many inhabitants as French Guiana, 492,000 versus 209,000. The gap is closing because French Guiana has a population growth rate that is 10 times higher than Suriname's. The high growth rate is due, in part, to exceptionally high fecundity and birth rates in French Guiana and because there is more emigration from Suriname, particularly to the Netherlands, and more immigration to French Guiana. The net effect is that French Guiana has a growing working-age population that the job market cannot keep pace with, resulting in tensions and a higher level of unemployment (20.6%) than in Suriname (12%). In both Suriname and French Guiana, unregistered "informal economy" workers make up a significant percentage of the job market.

One of the difficulties in comparing Suriname and French Guiana is that they each have completely different institutional frameworks. Suriname is a sovereign nation. French Guiana is a region of France that depends on the French national framework, despite certain derogations. French Guiana is also an ultra-peripheral (distant) region of Europe. As a European region, French Guiana is a recipient of European Union structural funds designed to compensate for its particular "handicaps" of distance from the European mainland and difficult terrain.

Economic trajectories are marked by their historical and institutional backgrounds.

French Guiana has a per capita GDP that is four times that of Suriname's. Suriname's economy has been held back by years of political troubles that caused a continuous drop in per capita GDP

[1] Suriname, French Guiana, Guyana, the Venezuelan state of Guyana and the Brazilian states of Amapá and Roraima make up the Guyana Plateau.

year after year. The civil war years were also marked by an exodus of educated, qualified workers, which to this day negatively affects the country's development potential. Fortunately, a return to sound political and economic management in the last decade, along with commodity price increases, have benefited Suriname's economy: Its recent evolution has been especially positive and dynamic. Now Suriname's challenge is to diversify its economy and find other avenues for growth in order to avoid brutal slow-downs caused by reversals of high commodity prices, for instance, as have often happened in the past

French Guiana has evolved in a totally different context. It has been protected from external shocks and the vulnerabilities inherent in small economies because it receives a large part of its budget through transfer payments from mainland France. French Guiana's inflation rate is very close to that of France and the Euro zone: It is much lower and more stable than Suriname's inflation rate.

Even if French Guiana's and Suriname's development trajectories and engines of growth are radically different, they do have certain challenges in common. Both need to **diversify and open** their economies. Suriname depends very much on external trade and the export of three main products: alumina, gold, and in a smaller measure, oil. Its open economy ratio (sum of imports + exports divided by GDP) of 130% is four times that of French Guiana's at 33%. Moreover, French Guiana has a structural trade deficit because of low exports.

Complementary sectors and activities.

French Guiana and Suriname have followed different development paths that have resulted in different but complementary sectors of activity. For instance, in French Guiana, economic growth has followed population growth and the concomitant increase in public and private spending. In particular, business and personal services, and the retail and construction industry sectors took advantage of these population-related growth opportunities. Suriname's economy hasn't been able to count on significant transfer payments, so it has very pragmatically turned to internal sources of development. The main drivers of Suriname's economy are the exploitation of natural resources, such as agriculture, fishing, mining, and oil; and a quantitative and qualitative improvement in tourism services.

An analysis of the French Guianese economy to Suriname's shows that natural resources are under-exploited, whether in terms of mining, agriculture, forestry or fishing: Production levels are one-tenth Suriname's. The absence of projects and policies to exploit natural resources limits industrial development in French Guiana, and contrasts sharply with Suriname's energetic embrace of extractive industries.

In both Suriname and French Guiana, tourism is a promising sector, but it has not yet reached its full potential because of a lack of adequate travel infrastructure: roads, railways, airports, and cruise ship ports.

The absence of satisfactory roadways also prevents French Guiana and Suriname from better integrating their economies and developing high value-added services, such as tourism, but also retail stores, and personal and business services. The key to economic development resides in building an efficient transportation sector. Additionally, optimizing shipment of merchandise between the two territories and simplifying administrative procedures and customs processes would facilitate trade between Suriname and French Guiana.

Shared fundamental needs to satisfy.

Both Suriname and French Guiana share problems in the field of **healthcare**: Shortages of equipment and qualified medical personnel are accentuated by the distances and the difficulties in accessing interior regions and populations. As regards **education**, the Maroni River border region has a high concentration of school non-enrollment and dropouts. Schooling conditions are difficult and many students can't read, write or understand the language used for teaching classes.

In the face of numerous needs, there are good prospects for development partnerships and cooperation between Suriname and French Guiana in many diverse domains. A way of working together needs to be found so that key stakeholders can make effective and efficient progress by starting-up joint projects that will be conducted with the broadest possible consensus.

French Guiana and Suriname
Key Indicators

	French Guiana	Suriname
Demographics		
Population (*)	209,000	492,000
Birthrate (per 1000) (**)	30.5	17
Fecundity index (no. babies per mother) (**)	3.9	2.6
HDI (Human Development Index)	43	85
Environment		
Land mass (km²)	83,534	163,820
Density (population /km²)	3	2.5
Forest area (% of total surface)	94%	86%
Economy		
GDP (€ billion) (**)	2.8	1.5
GDP per capita (**)	€ 13,800	$ 4,080
Growth rate (*)	4.10%	5.80%
Unemployment rate (*)	20.60%	12%
Price inflation rate (*)	3.10%	6.40%
Exports (€ million) (*)	117	821
Number of companies (**)	9 010	10 700
Industry		
Gold exports (million) (*)	€ 50	$489
Rice production (in tons) (**)	15,073	145,000
Fish and shrimp exports (million) (*)	€ 15.40	$ 99.2
Forest products (1000s of m3) (*)	56	200
Sea traffic (number of ships) (*)	225	600
Finances		
Bad debt ratio (*)	10.90%	8.70%
Government revenues (**)	144.6	583.2
Government expenses (**)	934.1	604.9

Source: French Guiana (INSEE, IEDOM, Douane Trésor Public) Suriname (ABS, Central Bank, EIU, FMI)
(*) 2007, (**) 2006

Chapter 1

GENERAL CHARACTERISTICS

1.1 Geography

A long common border.

French Guiana and Suriname are located on the Guyana Plateau[1] along the northeast coast of the South American continent. Neighbors, French Guiana lies to the east of Suriname. They each face the Atlantic Ocean and are bordered by Brazil to the south. The two territories share a fluvial border measuring 520 kilometers along the Maroni River. French Guiana is one of the few European regions that shares borders with developing countries: It shares one border with Suriname and another with Brazil, both of which are sovereign states. Covering 83,534 square kilometers, which represents 16% of French-controlled territory, French Guiana is half the size of its neighbor Suriname, which covers 163,820 square kilometers and is the smallest country in South America.

Populations are concentrated along the riverbanks and coast.

Most of the landmass in both French Guiana (94%) and Suriname (86%) is covered by the Amazon forest. Population densities are low and relatively similar, with 3 inhabitants per square kilometer in Suriname, and 2.5 inhabitants per square kilometer in French Guiana. In both places, the vast majority of people live in or near the main cities along the rivers and coast.

In Suriname, nearly half the population is concentrated around the capital city of Paramaribo, with a total of three-quarters of the Surinamese living along the Suriname River estuary. The other quarter of the population lives in three mining and industrial centers where bauxite is produced, Paranam, Onderwacht and Moengo, as well as in Albina and Nickerie. Western Suriname is an important rice-growing area. In the future it is likely to develop with the exploitation of bauxite reserves. The urbanization of Suriname was quite rapid: over the course of 30 years people moved from rural areas to the cities, whose share of the total population grew from 49% in 1975 to 74% in 2005.

In French Guiana, the main cities are Cayenne and Kourou, which are located along the central coast. Together they account for 73% of the population and almost all economic activity. Another center of population concentration is located in the town of Saint Laurent du Maroni, which is in western French Guiana across the border with Suriname. It has 19,211 inhabitants, which represents 12% of the total population. Since 1999, western French Guiana has experienced the largest growth in population.

[1] Suriname, French Guiana, Guyana, the Venezuelan state of Guyana and the Brazilian states of Amapá and Roraima make up the Guyana Plateau.

In both French Guiana and Suriname, land settlement and development is complicated by the existence of two or three population centers and the way they attract the vast majority of people. These urban and semi-urban concentrations means large regions that are located far away from urban centers are marginalized and under-developed in both countries.

Isolated territories.

The borders between French Guiana and Suriname, between Suriname and Guyana to the west, and between French Guiana and Brazil, are defined by rivers that do not have bridge crossings at present.[1] Subsequently, both French Guiana and Suriname are somewhat isolated and cut-off from their immediate neighbors. They are equally isolated from air transportation hubs and mainline international ocean transportation routes. Limited internal highways compound the problem of inaccessibility. Transportation constraints reduce the free flow of goods and labor, and also limit communication in and between the regions, all of which combines to hinder the full exploitation of economic potential in both French Guiana and Suriname. Improving transportation infrastructure is the first order of business to overcome their isolation and under-development, with the caveat that accessibility be improved without harming the wealth of cultural diversity in either region.

1.2 Demographics trends

Ethnic and cultural mosaics.

The Surinamese and French Guianese peoples have unusual ethnic and cultural backgrounds by South American standards. In Suriname, the largest ethnic community is comprised of Indian descendants, followed by Creoles, and Javanese whose ancestors came from Indonesia at the end of the 19th century. There is also a small number of ethnic Chinese and some Europeans. The interior region of Suriname is populated by descendents of African slaves known as Maroons, along with small communities of Amerindians.

In French Guiana, a similar cultural diversity exists. The French Guianese are comprised of people of Creole and Amerindian origin, as well as people from the French West Indies,[2] mainland France and Maroons. Other ethnic groups include the Laotian Hmong, who live primarily in the villages of Cacao and Javouhey; the Chinese, who have taken the lead in local commerce; and various new immigrants who hail primarily from Haiti, Suriname and Brazil.

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[1]A bridge over the Oyapock River between Brazil and French Guiana is under construction, and projected to be completed in 2010.

[2] French West Indies refers to the four territories presently under French sovereignty in the Caribbean: the two overseas departments of Guadeloupe and Martinique, plus the two overseas collectivities of Saint Martin and Saint Barts.

French Guiana's population nears Suriname's.

In 2007,[1] the total population of Suriname was 492,000 and 209,000 in French Guiana. The difference in population sizes is diminishing rapidly because Suriname's annual population growth rate of only 0.3% in the last ten years[2] is being overtaken by French Guiana's more than 3.5 % annual growth rate.

The difference in population growth rates is due primarily to a relatively low birth rate in Suriname of 17 ‰[3] which is about half the 30 ‰ birth rate in French Guiana. In addition, Suriname's death rate is almost twice that of French Guiana's, at 5.5 ‰. There are also fewer immigrants than emigrants in Suriname.

The slowing of population growth in Suriname is a relatively recent phenomenon: In 1970 the birth rate was 37 ‰ and averaged 5.3 children per mother between 1970 and 1975. The average number of children dropped to 2.6 in 2001-2006[4] in Surname, whereas in French Guiana the number is more stable, with 4 children per mother.

A slightly older population in Suriname than in French Guiana.

In 2005, the number of people under the age of 15 was 5% higher in French Guiana than in Suriname, 35% versus 30%, while there were 3% fewer people aged 60 years old or older, with 6% in French Guiana versus 9% in Suriname. The slowing of the Surinamese population growth rate will likely increase these differences over time.

A comparison of age pyramids[5] shows there is no diminution of high school and college-aged youths in Suriname. In French Guiana the opposite is true: There is a decrease in the young adult age bands because many are emigrating to pursue higher education or enter the work force. The reduction is highest amongst women but lasts longer amongst men. It appears, therefore, that emigration from Suriname is more evenly distributed along all age groups.

In terms of average life expectancy, French Guiana outperforms Suriname by nearly five years. Although Suriname's average life expectancy has improved since 1970-75[6] when it was 64 years compared to 69.6 years in 2005, it remains inferior to that of French Guiana for both men and women. As of 2005, life expectancy for women was 73 years and 66.4 for men in Suriname, compared to 79.1 years for women and 72.2 for men in French Guiana in 2004.

[1] U.S. Census Bureau estimate as of January 2007 for Suriname and INSEE estimate as of January 2001 for French Guiana.

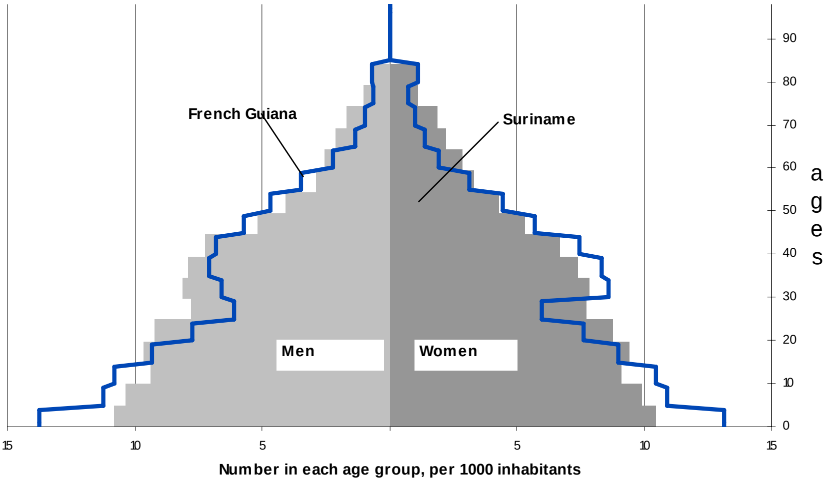
[2] Was 1.2% in 1990-96 according to United Nations Development Programme (UNDP)

[3] Statistiques-mondiales.com/surinam.htm and INSEE for French Guiana

[4] UNDP; Economist Intelligence Unit (EIU)

[5] 2005 ABS; INSEE

[6] UNDP, Human Development Report 2007/2008 for Suriname. INSEE for French Guiana.



Source: ABS, INSEE

Massive emigration from Suriname and immigration to French Guiana.

The migration patterns of people moving to and from Suriname and French Guiana are very different. The relatively strong population growth in French Guiana is partly due to its high net immigration rate, which contributes about a quarter of total population growth each year.

In the case of Suriname, emigration of the Surinamese towards the Netherlands, and other countries including French Guiana, has been quite high for decades. For instance, in 2004, when the total population of Suriname was 487,000 people, there were 309,000 Surinamese living in the Netherlands, of which 185,000 had been born in Suriname, i.e. 38 % of Suriname's population[1] . In contrast, in 1999, French Guiana had 157,000 inhabitants; only 21,200 French Guianese lived in France, of whom 15,600 had been born in French Guiana, i.e.10 % of French Guiana's population.

Suriname had a net negative migration rate of more than 1,600 people per year over 2001-2005. Even though the net negative migration rate has declined recently, the population growth rate remains under pressure since many of the Surinamese emigrants are of child-bearing age, which tends to reduce natural growth rates. The positive side of this population loss is that the emigrants provide an important source of revenue. According to the Inter-American Development Bank, transfer payments from the Surinamese diaspora add up to $120 million per year, which is equivalent to one third of the nation's entire budget.

French Guiana is a land of net immigration, with about 2,000 people arriving from foreign countries[2] each year on average. Brazilians account for about half of the incoming immigrants, followed by Surinamese who represent about a quarter, and Haitians who have made up about an

[1] ABS, EIU Country report 2007

[2] This is the gross number of new immigrants, not to be confused with the net migration.

eighth of the total in recent years. As of 2005, Surinamese accounted for 35% of the total immigrant population of French Guiana, followed by the Haitians at 27% and the Brazilians at 22%. The immigrant population increases at about the same rate as the native population in French Guiana, maintaining itself at about 30% of the total population for several decades.

However, the statistics are somewhat incomplete, in that they do not take into account many of the people living in small, rural, subsistence communities who live along both sides of the river alternatively between Suriname and French Guiana.

1.3 Institutional frameworks

The national framework: A sovereign state and a French region.

Suriname was a Dutch colony from 1667 until it achieved independence from the Netherlands on the 25th of November 1975. In 1987, the Republic of Suriname was established as a constitutional democracy. After two coup d'états in 1980 and 1990, and a civil war, democracy was restored in 1991. Political equilibrium is still relatively fragile. There are several parties that are separated along ethnic lines. Presidents usually have to form coalition governments.

The legislative branch of government consists of a 51-member unicameral National Assembly; members are popularly elected for a five-year term. The president, who is elected for a five-year term by a two-thirds majority of the National Assembly or, failing that, by a majority of the People's Assembly, heads the executive branch. If at least two-thirds of the National Assembly cannot agree to vote for one presidential candidate, a 340-person People's Assembly is formed from all National Assembly delegates and regional and municipal representatives who were elected by popular vote in the most recent national election. Major decisions can be put to a referendum vote. As the head of government, the president appoints a 16-minister cabinet composed of representatives of different political parties, unions, businesspeople and the military. The president has veto powers over new laws and evaluates their impact on the economy.

Unlike Suriname, French Guiana is not a sovereign state. It is a region of France, and since 1946,[1] it is also a "*département*" of France, which is an administrative division roughly analogous to an English or United States county. According to the French constitution, the same laws and regulations as in mainland France generally apply, e.g. the civil code, penal code, administrative law, social laws, tax laws, et cetera. A President of the Region and a President of the Department are each elected for six years. Since 1982, French Guiana's local authorities have been granted greater responsibilities than those in mainland departments in that they are allowed to determine the means and applications of their own local public financing. The Region determines taxable income, tax rates, tax credits and an extra value-added tax that is specific to French Overseas Territories and Departments. The local authorities of French Guiana have benefited from responsibilities-transfer and funds from France, following a law on decentralization that was put into place in January 2005. Local authorities have jurisdiction over economic development; railroads; social welfare; health; social housing; education and culture. Professional training is administered at the regional level. Each local authority, except for smaller municipalities known as "*communes*," holds the role of coordinator for one of these areas of activity. In this way, the

[1] Following the French 19th March 1946 Law of Departmentalisation

Department defines and executes public social policies while the region coordinates economic development.

Since it is a French territory and therefore part of Europe, French Guiana follows French and European standards and regulations. Nonetheless, certain adaptations to the rules are allowed if they are justified by “characteristics and constraints specific to these local authorities”.

Financial aid from the European Union (EU) is mobilized for both Suriname and French Guiana, albeit in far greater measure for French Guiana, since it is considered an “ultra-peripheral” region of Europe.

French Guiana is considered a region of Europe

As a French Overseas Territory, French Guiana is considered an integral part of the EU. As such, it benefits from European public development policies, such as being eligible for **structural funds**, which aim to promote the development of under-developed European regions. In fact, even though French Guiana is quite wealthy in comparison to its neighbors, it was one of the poorest regions of Europe until certain Eastern European countries were added to the EU. In the Treaty of Amsterdam, the EU gave the special status of “Ultra-Peripheral Regions” (UPR) to seven different European regions,[1] which are a group of territories belonging to European member states. This special status recognizes the permanent handicaps of these territories, which are linked with their distance from the European continent, their difficult topography and climate, and their dependence on a small number of products. The goal of the EU aid policy for the Ultra-Peripheral Regions is to achieve a level of development that compares with the average amongst countries in Continental Europe: the objective is known as “convergence.”

EU Funding for French Guiana (SPD[2] and OP[3])

2000-2006	2007-2013
€389.6 million	€485.8 million

Source: DIACT, French Guiana Prefecture

French Guiana has long benefited from large financial transfers from both the EU and the French State, which contributed to its development. Despite this financial assistance, French Guiana has yet to reach convergence levels with other European regions: It remains the Ultra-Peripheral Region with the lowest GDP per inhabitant.[4] It is thought that because French Guiana has to apply the regulations and standards of the EU, in terms of social benefits, health and technical standards, that its economic dynamism and competitiveness are penalized in comparison to neighboring countries in the South American development zone that do not have the same structures.

[1] Madeira and the Azores (Portugal), Canary Islands (Spain), Guadeloupe, French Guiana, Martinique and Reunion (France).

[2] Single Programming Document

[3] Operational Programme

[4] See. CEROM report of March 2008 : "L’Ultrapériphéricité définit elle un modèle de croissance?"

As an ACP[1] country, Suriname benefits from the EU's development policy.

As a country within the European Union's ACP partnership zone, which includes certain African, Caribbean and Pacific countries, Suriname receives a significant amount of money from the European Union through the European Development Fund (EDF). Although the amount it receives is inferior to that received by French Guiana, Suriname is estimated to have received €165 million since its independence in 1975. The main sectors of activity that have received funds include transportation, which was allocated 60% of funds; micro-projects; rice culture; banana culture; private sector enterprises; tourism; the environment; and governance. In 2005, the EU also contributed funds to finance legislative elections.

EU Funding for Suriname (EDF[2])

8th EDF (1996-2000)	9th EDF (2000-2007)	10th EDF (2008-2013)
€23 million	€19.3 million	€21 million

Source: EU

For the 10th European Development Fund, the EU will continue to underwrite the Surinamese government's main objectives, which include reducing poverty and increasing access to basic services. The transportation sector is the sector in which the EU invests most: It will receive 85% of the total, or about €17.5 million, to rehabilitate the 140 kilometer road that runs between the capital city of Paramaribo and Albina. Albina is directly opposite the French Guiana town of Saint Laurent du Maroni.

These EU programs for French Guiana and Suriname are complemented by other regional and cross-border EU development programs that are designed to help enhance cooperation between all parties. They include:

- Operational Programme Amazonia:[3] €17.1 million for 2007-2013.
- Interreg IIIB programme:[4] €37 million.

Suriname benefits from favorable trade agreements signed by the EU as it is one of the 79 ACP countries. The ACP countries are guaranteed preferential access for exporting their products – especially rice, bananas and sugar – to EU markets. However, Brazil and Thailand have used the World Trade Organization's (WTO) Dispute Settlement Body to attack these trade agreements as unfair because they don't respect the Most Favored Nation status clause and are not compatible with WTO rules. In order to maintain preferential trade deals with the ACP countries, the EU is negotiating new bilateral trade deals known as Economic Partnership Agreements (EPA). The EPAs will create six regional free-trade zones. French Guiana and Suriname both belong to the

[1] ACP are African, Caribbean and Pacific countries that signed the Lomé and Cotonou agreements. The Lomé Convention is a cooperation program between 27 European Union countries and 79 ACP countries, including Suriname.

[2] The European Development Fund (EDF) is the financing vehicle through which the EU funds its development policy: The eradication of poverty within the context of sustainable development, including the achievement of the UN's Millennium Development Goals

[3] Community financing from the European Regional Development Fund (ERDF) under the European Territorial Cooperation objective for France in partnership with Brazil and Suriname.

[4] Interreg IIIB is an EU-funded program that helps Europe's regions form partnerships to work together on common projects.

Caribbean negotiation zone, the only region that has so far successfully completed a trade agreement.[1] The agreement allows free export of ACP products to the European market (with the exception of rice and sugar which are being phased in during a transition period) in exchange for the progressive opening of ACP markets to European products. As a European region, this means that French Guiana should have better access to the Surinamese market and vice versa. In this way the commercial aspect of the Caribbean Economic Partnership Agreement offers real opportunities for further trade between the two territories. Furthermore, the development aspect of the trade agreement will help each participant adapt to this new trade framework.

National and regional frameworks: an integration yet to come.

Since 1995, Suriname has been a member of the Caribbean Community (CARICOM), which is composed of 14 other members[2] who form a common market (except for the Bahamas) and five associate members.[3] Inside this common market, most trade restrictions have been lifted and a common external tariff for imports from non-member countries has been put into place. People have free movement for certain professions, and businesses originating in one member state can set up in any other member state. The CARICOM members who are associated with the Dominican Republic and Cuba are called the **Cariforum**. The Cariforum's objective is to enhance cooperation between its member countries and the European Union. It allows Caribbean states to have a single interlocutor within the European Union to make sure there is a rational and fair application of aid to the region. It also facilitates negotiations, in particular those concerned with Economic Partnership Agreements.

Suriname also belongs to the 25-member Association of Caribbean States (ACS). The ACS was created in July 1994 with the aim of "promoting consultation, cooperation and concerted action among all the countries of the Caribbean." France is an associate member of the ACS through French Guiana, Guadeloupe and Martinique. Associate members have the right to participate in discussions and vote on issues that directly affect them and which are part of their constitutional responsibilities. Suriname is also a signatory to the **Amazon Cooperation Treaty Organization[4] (ACTO)**, which is aimed at promoting sustainable development in the Amazon Basin. Its member states include Bolivia; Brazil; Colombia; Ecuador; Guyana; Peru; Suriname; and Venezuela.

As for French Guiana, its participation in regional organizations is somewhat limited by its status as a French region rather than a sovereign country. To mitigate possible exclusion from regional cooperation agreements, the French Overseas Departments have been given powers exceeding those of French mainland departments in that their General and Regional councils are authorized to negotiate and sign regional agreements with their neighbors in the name of the French Republic.[5]

In addition, the French Overseas Regions may, with the agreement of the French authorities, become associate members of certain regional cooperation organizations. Such as is the case for French Guiana and the Association of Caribbean States.

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[1] EU Caribbean EPA was signed 16th December 2007.

[2] Antigua and Barbuda ; Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Montserrat; St Lucia; St Kitts and Nevis; St Vincent and the Grenadines; Suriname; Trinity and Tobago.

[3] Anguilla; Bermuda; Cayman Islands; Turks and Caicos; British Virgin Islands

[4] Treaty signed on 3rd July 1978 in Brasilia, regarding development in the Amazon basin.

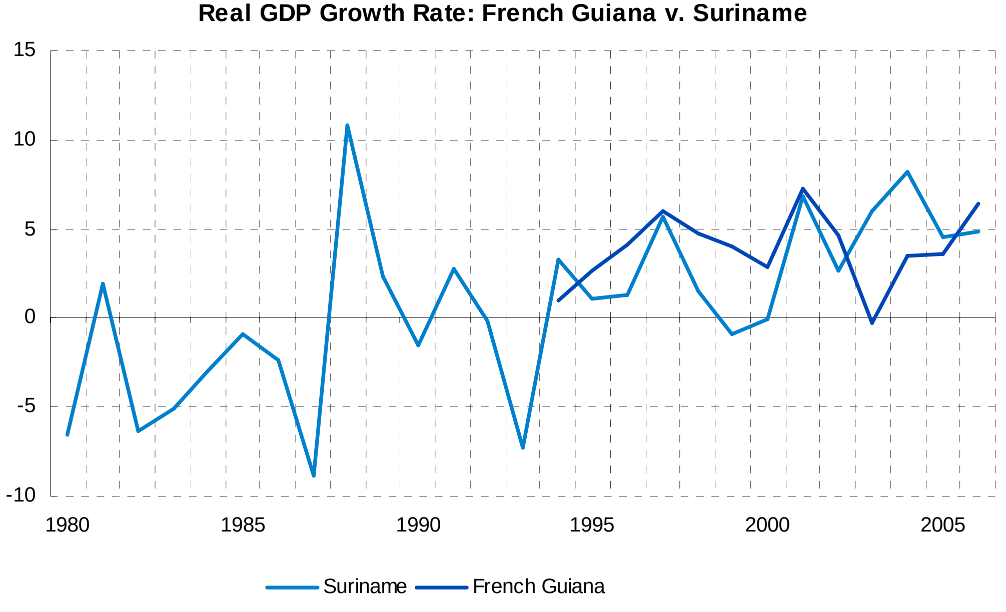
[5] Powers granted by the Overseas Orientation Law (LOOM) of 13th December 2000 and the Programme Law (LOPOM) of 2003.

Chapter 2

ECONOMIC TRENDS AND PUBLIC POLICIES

2.1 Economic trends

2.1.1 Economic trajectories



Source: IMF World Economic Outlook, CEROM

History has very much determined how the economies of Suriname and French Guiana have evolved.

Suriname's economic growth has been hit by internal and external shocks.

The political unrest of the 1980s considerably slowed the economic development of Suriname. It found itself isolated from the international community and deprived of foreign aid, especially any from Holland and the United States. The 1980s were a period of almost uninterrupted economic

decline. In the 1990s, improvements to the economy alternated with periods of macroeconomic instability, as evidenced by hyperinflation and monetary devaluation.
Since 2000, the government has undertaken a macroeconomic stabilization program and put more rigorous economic policies into place that have led to significant outcomes: public budget consolidation; deficit reduction; harmonization of foreign exchange; and a tightening of monetary policy have combined to reduce inflation to less than 10% per year. These efforts have led to a notable improvement in macroeconomic fundamentals and permitted growth to start again from a sound base. The high increase in commodity prices that took place in the first half of 2008, especially for aluminium and gold, served to reinforce Suriname's growth dynamic and significantly improved several macroeconomic variables.

French Guiana's economy is protected from external shocks.

The economic growth trajectories of Suriname and French Guiana are comparable only from 1993 on. Between 1993 and 2006, the two economies grew at just about the same pace. Growth in real GDP averaged 3.5% in Suriname and 3.9% in French Guiana. Suriname's growth is far more volatile: the standard deviation[1] is 2.8 up to 4.9 since 1980, versus 2.1 for French Guiana. The growth profile of Suriname is typical of small, open economies in that it is highly specialized, dependent on exports and vulnerable to external shocks. French Guiana, on the other hand, has developed along a closed economic model, protected from external shocks because almost all of its trade is with mainland France or the European Union. In addition, the transfer payments it receives from France and the EU smooth the vagaries of economic cycles and allow it to have a kind of protected "greenhouse economy."[2]

2.1.2 Development levels

French Guiana's economy is twice as big as Suriname's.

In 2006, the GDP of Suriname was €1.3 billion (SRD 4.5 billion). If the informal economy[3] is included, estimated by the Surinamese Office of Statistics to be 14% of GDP, the total equals €1.5 billion (SRD 5.3 billion). The GDP of French Guiana was €2.8 billion euros in 2006, twice the level of Suriname's.

GDP per capita is four-times higher in French Guiana

In 2006, GDP per capita in Suriname was $4,080 versus €13,000 (approx. $17,327[4]) in French Guiana. French Guiana is one of the richest areas in the Latin American-Caribbean region: Only the Bahamas, Martinique and Guadeloupe have a higher GDP per capita, as can be seen in the following graph:

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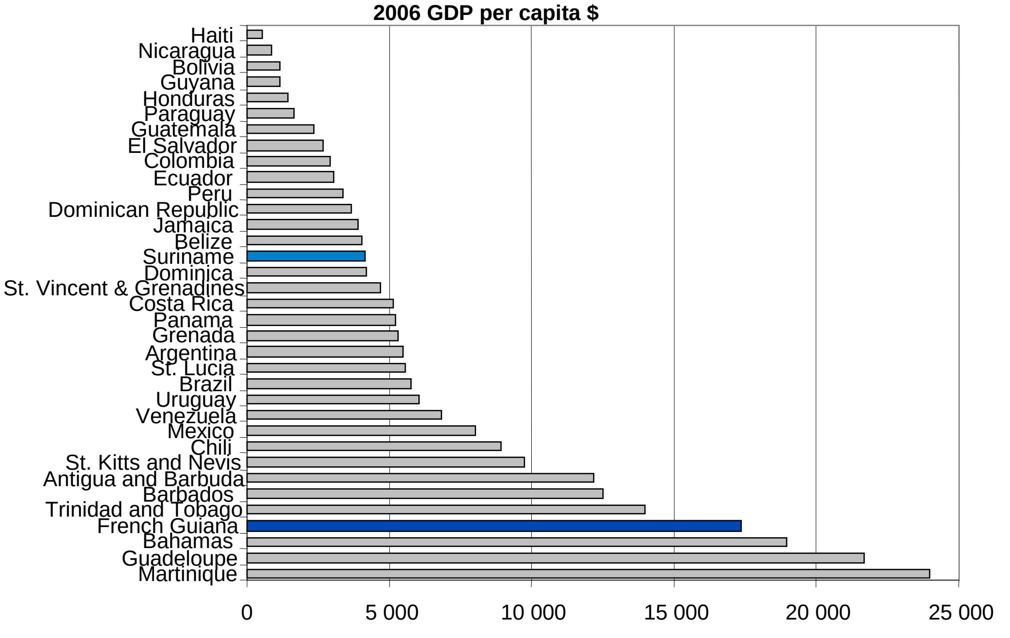
[1] Standard deviation measures the dispersion of a value series around its average.

[2] Refer to an analysis by Jean-David Naudet, *"Outre-Mer, une croissance sous serre?"*, Economists Letter n°12 March 2006.

[3] The informal economy is made up of unregulated micro-enterprises or activities owned by unregistered employers who hire one or more employees on a continuing basis; and own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis.

[4] Based on a rate of €1 = US$ 1.255



Source: CEROM estimates, IMF

The difference in the rate of increase of per capita GDP between French Guiana and Suriname exists primarily because of French Guiana's higher population growth rate. Since it is twice as high as that of Suriname's, it tends to reduce the rate of increase in GDP per capita. Hence, average GDP per capita grew by 1.4% per year between 1993 and 2006 in French Guiana versus 2% in Suriname even though real GDP growth is similar.

Significant differences in the HDI.

Suriname is ranked 85th out of 177 in the Human Development Index[1] (HDI), trailing Brazil (70th) and the Dominican Republic (79th) but coming before Guyana (97th). The HDI is calculated for member-states of the United Nations, but not for French Guiana, as it's only a region of France. However, using the same methodology as the United Nations Development Programme, French Guiana would have an HDI ranking near 43rd place, approximately equivalent to Slovakia, Lithuania or Estonia.

[1] The Human Development Index is used for international comparisons of well being between populations. In addition to using GDP per capita, the index is based on qualitative elements that contribute to the quality of life such as health and education, e.g. life expectancy rate; literacy rate; levels of education attained.

While social welfare has improved in French Guiana[1] in terms of rising per capita income; a longer life expectancy; and better housing and equipment, progress has been somewhat less rapid than in other regions of France.

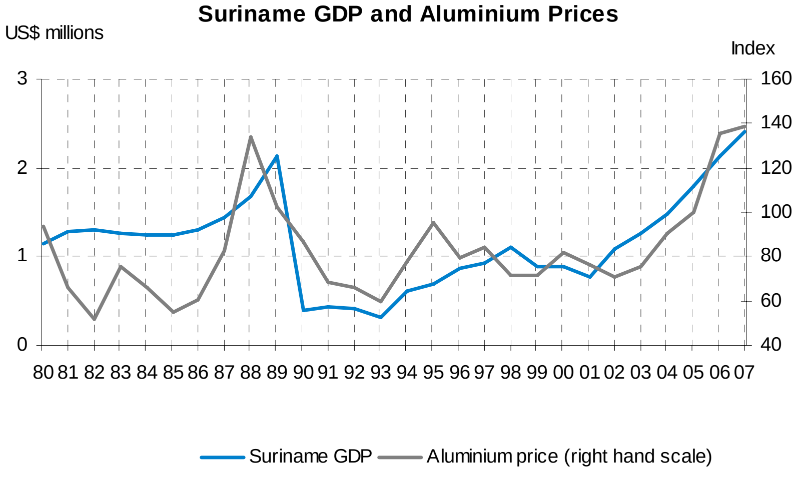
In Suriname, social inequalities seem to be more pronounced. Despite an undeniable increase in per capita incomes; and improvement in certain indicators of well being, such as literacy rates and life expectancy, the percentage of people living under the poverty level is still quite high.

2.1.3 Economic engines

> ***French Guiana's economic growth is propelled by the aerospace industry and domestic consumption. Suriname's growth is based on exports of natural resources.***

78% of French Guiana's value added to the economy comes from service industries rather than natural resources, construction or manufacturing. Within the services sector, non-commercial services such as education, health care and public administration predominate.

In French Guiana, the economy is very tied to the aerospace industry. Growth spikes in 1997, 2001 and 2006 were entirely related to higher levels of aerospace investment and activity. The aerospace industry holds an important place in the economy of French Guiana both for its direct purchases of retail and wholesale products; business services; and transportation; as well as its indirect contributions to various aspects of the entire department's economy. In terms of direct and indirect economic contributions, aerospace represented 16% of French Guiana's GDP in 2002. However, as the economy in French Guiana has diversified, the aerospace industry's share of total GDP has fallen by about 10% in the last ten years.



Source: IMF World Economic Outlook, EcoWin

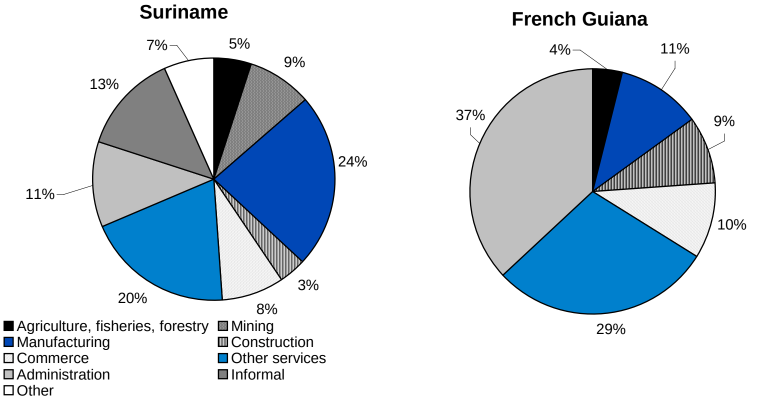
[1] See monograph published by CEROM in July 2008 about French Guiana: *"Guyane, un développement sous contraintes".*

Suriname's economy is based in large part on extractive industries. Bauxite and gold are its primary natural resources, along with oil to a lesser – but growing – degree. These three products account for 80% of exports and generate 25% of government receipts. Dependence on commodity exports makes for volatile growth, where high prices and economic booms are followed by low prices and brutal recessions.

The share of GDP generated by the natural resources sector, not including extractive industries, is nearly identical in Suriname as in French Guiana, at 4% to 5% of GDP. The share generated by agricultural industries has decreased in Suriname, primarily because they are not competitive, although a large part of agricultural production is exported. In French Guiana, traditional agricultural sectors are also having difficulty. *(cf. infra).*

In Suriname as in French Guiana, the public sector is a very large part of the economy. That said, the Surinamese authorities have started to reform and reduce the public sector. Key industries are being privatized, such as banana growers, telecommunications and financial services.[1]

Share of Value Added by Sector



Source: Suriname, FMI 2006
French Guiana, CEROM Rapid Economic Accounts 2006

[1] The state has an equity stake in six out of nine banks.

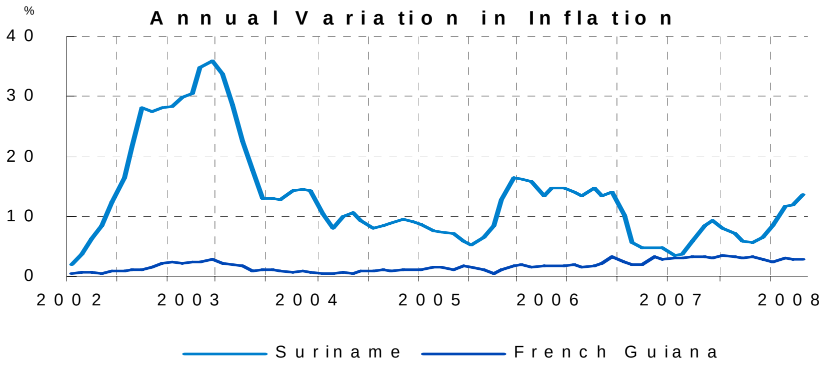
2.1.4 Inflation

Relatively high and volatile levels of inflation in Suriname reflect recurring episodes of monetary easing and budgetary laxity through the years.

Until recently, Suriname succeeded in bringing inflation down below 10% per year by embracing more rigorous economic policies. However, unlike in the past where episodes of inflation or hyper-inflation came from internal imbalances brought on by excessive public spending and currency devaluations, the current increase in price inflation is due to external factors, primarily the increase in the price of food and energy. Between April 2007 and April 2008, the highest price increases were seen in food (+25%), transportation (+15.5%) and household products (+12.8%).

French Guiana imports price disinflation.

Inflation levels in French Guiana are more stable than in Suriname, and at levels close to those of mainland France. That is because 60% of products imported into French Guiana come from France and the European Union. Recently there has been an increase in price inflation in French Guiana as elsewhere in the world, primarily due to the surge in oil prices in the first half of 2008.



Source: ABS, INSEE

2.1.5 Employment

The job markets in French Guiana and Suriname share a certain number of similarities:

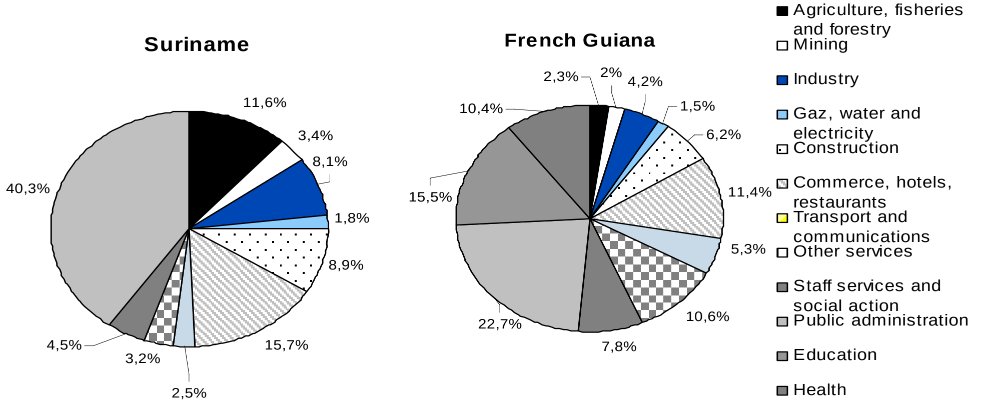
- a large share of public sector employment: In French Guiana, the three main public sector functions – state, territorial and hospital civil services – employ 44 % of all employees. In Suriname, nearly 40 % of the working population is employed in the public sector;

- the unemployment rate is estimated to be 12% in Suriname versus 20.6% in French Guiana. The high unemployment level in French Guiana is primarily due to the region not being able to generate enough jobs to absorb the high growth of its working-age population, which represents 52.3% of the total population versus an employment rate of 41.5%. While the number of jobs more than doubled (+105%) between 1982 and 2005, the working age population increased by nearly one and a half times (146%) over the same period. In French Guiana, long-term unemployment is quite pronounced: 81% of the unemployed seek work for a year or longer. Unemployment is higher among women than men, 25.8% versus 16.7% in 2007;

- the level of skills and knowledge for workers in both French Guiana and Suriname is weak overall. French Guiana's workers' qualifications are far lower than the national French average: 54% of the working-age population has not graduated from secondary school. In Suriname, low levels of qualifications are the result of a mass exodus of the best qualified workers during the political turmoil of the 1980s, leading to a general lack of skilled workers;

- the "informal sector"[1] represents about 9% of all workers and 14% of private sector jobs in French Guiana. In 2006, nearly 4,000 French Guyanese claimed they had an informal job, of which more than half were working in personal services, construction and agriculture. In Suriname, the number of informal sector jobs must be even higher, given that the weight of the informal sector in the economy is 13%, versus 4% in French Guiana.

Share of Jobs by Sector of Activity



Source: *Suriname, jobs (ABS, IMF)*
French Guiana, salaried workers (INSEE, ASSEDIC)

[1] The informal sector is made up of unregulated micro-enterprises or activities owned by unregistered employers who hire one or more employees on a continuing basis; and own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis.

2.2 Public Policies

2.2.1 The "Plan" in Suriname and the "Programmation" in French Guiana

It must be said straight away that it is not really possible to compare Suriname's "Multi-Year Development Plan" or MOP[1] as it's known in Dutch, to the documents that describe French Guiana's "Programmation" or CPER[2] and DOCUP as they are known in French, as these tools for planning public investments and financing cover entirely different domains.

In Suriname, the MOP is a medium-term planning tool whose purpose and use was written into the Constitution of 1987. It defines a 5-year development strategy for the country and serves as the basis for annual national budget exercises. The most recent MOP, for 2006-2011, was approved by the National Assembly in August 2006. It is based on four pillars: Governance; economic development; human and social development; and equitable distribution. It forecasts that of the **$2.8 billion** necessary to execute the MOP, 18% will come from the government, 34% from the private sector, and 48% from external financing, which includes foreign investors and international funders.

In French Guiana, execution of public policy is based on two documents that serve as tools to structure multi-year programs. They are:

- The CPER at the national level. The CPER lays out seven-year financial commitments from the state and from the region, to which can be added commitments from other partners, such as the department and CNES, the French space agency.

  The current CPER priorities for the period 2007-2013 are: accessibility in rural areas; urban planning and development; sustainable development in terms of waste management, biodiversity, and renewable energy; improving working capacity;[3] as well as two new projects, which are developing IT and telecommunications, and tourism.

- The Operational Programme at the European level, for the period 2007-2013.

For the period 2007-2013, funding will be in excess of **€1 billion**, of which €500 million will come from the European Union.

2.2.2 Fiscal policies

In terms of fiscal policy, in French Guiana the standard French tax code has been adapted in many ways and derogations have been approved by the European Union. Personal and business income is taxed at a lower rate than in mainland France, and there is no value-added tax (VAT).

However, there is a "dock due"[4] that is specific to the French Overseas Departments, which is imposed on imported products and, since 1993, on locally-produced products except for certain

[1] Meerjarige Ontwikkelingsplan.

[2] *Contrat de Projets Etat-Région* (State-Region Projects Contract) and *Document Unique de Programmation* (Single Programming Document).

[3] A quantifiable level of performance in a professional activity or a task.

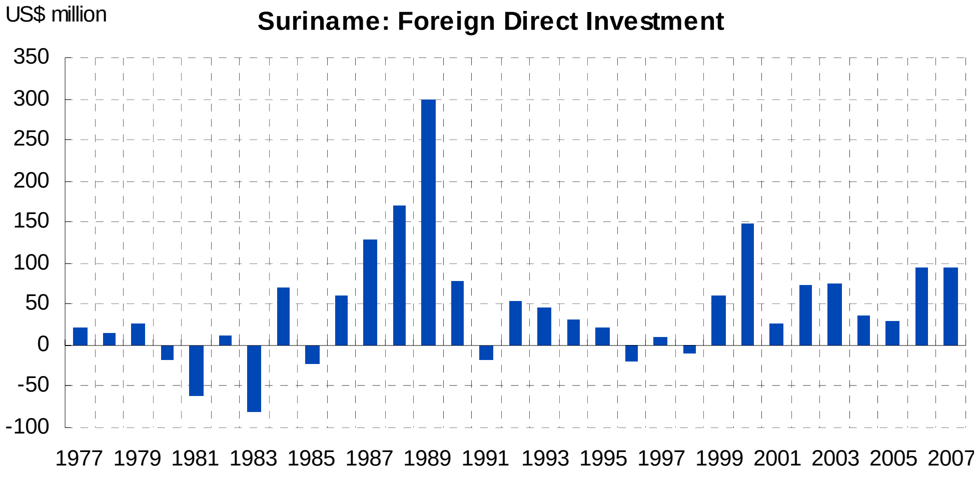
[4] *L'octroi de mer*.

items that require duty-free entry according to EU rules. Duty rates and exemptions are determined by regional councils. The dock dues are a significant source of revenue for the local authorities, generating €100 million in 2007.

There are several different types of tax incentives to encourage investment in housing, rental property and businesses in the French Overseas Departments. In French Guiana, as in other French Overseas Departments, there are numerous other tax credits and incentives available, such as a reduction in social security charges, housing assistance and subsidized loans.

In Suriname, a new law encouraging national and foreign direct investments was recently approved. Despite the new law, the tax rate of 36% for business income is still high and slows local investment, particularly for the smallest businesses.

Recent improvements in macroeconomic fundamentals have improved the credibility of the Surinamese economy and have thus attracted new foreign direct investment. The country has received significant foreign direct investments of about 5% of its GDP. However, these flows are still mostly invested in the mining and energy sectors.



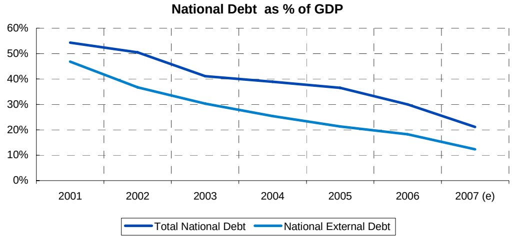
Sources: World Bank, IMF

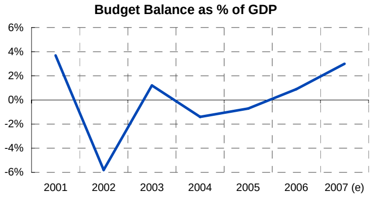
2.2.3 Public finances

Spectacular improvement in Suriname's public finances.

Since the beginning of the 1980s, problems tied to imbalances in public finances occurred repeatedly in Suriname. When foreign aid was cut off in the early 1980s, the public deficit reached 25% of GDP in 1986 and created deep macroeconomic imbalances, in particular galloping inflation and successive devaluations of the Surinamese currency. Since the current president's election in 2000, he and his government have followed a policy of strict budget consolidation which, combined with the increase in commodity prices at export, has brought about a spectacular improvement in the state of public finances. Foreign currency reserves have been replenished, increasing from $100 million in 2002 to more than $450 million at the end of 2007. What was traditionally a budget deficit became a budget surplus. This was achieved in large measure because of the increase in commodity prices, which directly increased government receipts through fee and tax income, and also because of improvements in the actual collection of taxes. These good results have allowed the country to reduce its debt considerably: National debt has gone from 50% of GDP in 2002 to about 20% in 2007. [1] External debt (or foreign debt) has fallen from 36.7% to 12.3% of GDP. Both of these ratios are below the legal limit: The State Debt Act limits national debt to 60% of GDP, of which not more than 15% internal debt and 45% external debt. Unfortunately, these ratios will likely worsen significantly as a loan, currently under negotiation, is taken from China. The loan will be used primarily to finance the Paramaribo-Afobaka road rehabilitation project. Suriname prepaid part of the debt it owes to the Netherlands, which reduced its debt by 4 basis points. It also paid some of its arrears, which nevertheless still represent 5.5% of GDP. These improvements resulted in Standard and Poor's raising Suriname's sovereign debt rating from B to B+.

Suriname: National Debt and Budget Balance





Source: IMF

[1] The total debt limit authorized by the EU (Maastrich Treaty) is 60% of GDP.

Higher state transfer payments for French Guiana.

An analysis of funding flows shows that public spending in French Guiana is nearly twice that of Suriname, at €934 million versus €482 million[1] ($605 million). The level of public spending per capita is nearly 4.5 times higher in French Guiana as in Suriname, at €4,469 per person versus €979[3] ($1,229). The difference is even higher if French Guianese spending by local communities at €2,852 per person and for health care expenses at €1,683 per person is included in the total for public spending. At €575.5 million, spending by local communities for public administration and functions is a large part of the budget. In particular, 73% of local budgets are spent on National Education personnel. In Suriname, a large portion of the national budget is absorbed by public sector salaries.

Public Budgets: Receipts and Outlays

French Guiana	2006 € M	Suriname	2006 SRD M	2006 $ M
National outlays	**934,1**	**National outlays**	**1 660,4**	**604,9**
Running costs	575,5	*Running costs*	1 451,0	528,6
Investments	55,3			
Subsidies	132,7			
Special accounts (advances to local authorities)	170,5			
Local authorities outlays	***596,0***	**Local authorities outlays**	***na***	***na***
Total outlays (not including advances)	***1 359,6***			
National per capita spending	***4 469,1***		***3 374,8***	***1 229,4***
Local authorities per capita spending	***2 851,9***			
Other outlays				
National grants to local authorities	97,2			
Net expenses on EU funds	33,2			
National public establishments budgets (1)	*342,0*			
Total other outlays	***472,4***			
Total outlays (national + local authorities)	***1 831,9***			
Total per capita spending (national + local authorities)	***8 765,3***			
Public healthcare insurance outlays	***351,7***	**Public healthcare outlays**	***162,0***	***59,0***
National receipts	**144,6**	**National receipts**	**1 601,0**	**583,2**
Direct tax receipts	92,4	*Direct tax receipts*	610,4	222,4
Personal income tax	65,5	*Personal income tax*	270,6	98,6
Business income tax	25,6	*Business income tax (including bauxite)*	305,5	111,3
Indirect tax receipts	19,6			
Local authorities receipts	***652,0***			
Direct tax receipts	112,5			
Indirect tax receipts	230,9	*Indirect tax receipts*	674,7	245,8
Dock dues	100,7	*Import tax*	146,9	53,5
		Customs duties	180,1	65,6
Customs duties	***796,6***	**Total receipts**	***1 601,0***	***583,2***
Total direct tax receipts	*204,9*			
Total indirect tax receipts	*250,5*			

1) CSG, CCIG, EPAG, ONF, CA

Sources: French Guiana Public Treasury, Tax Revenue Service, CGSS

Sources: Suriname Ministry of Finance, IMF, Central Bank of Suriname

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[1] Based on a rate of €1 = US$ 1.255.

Compared to French Guiana, Suriname collects higher tax receipts from business income taxes, taking in $111.3 million or €88.7 million[1] versus €25.6 in 2006, primarily from mining and oil companies. The difference in personal income tax revenue is less pronounced, with Suriname collecting $98.6 million or €78.6 million[1] versus €65.5 million for French Guiana.

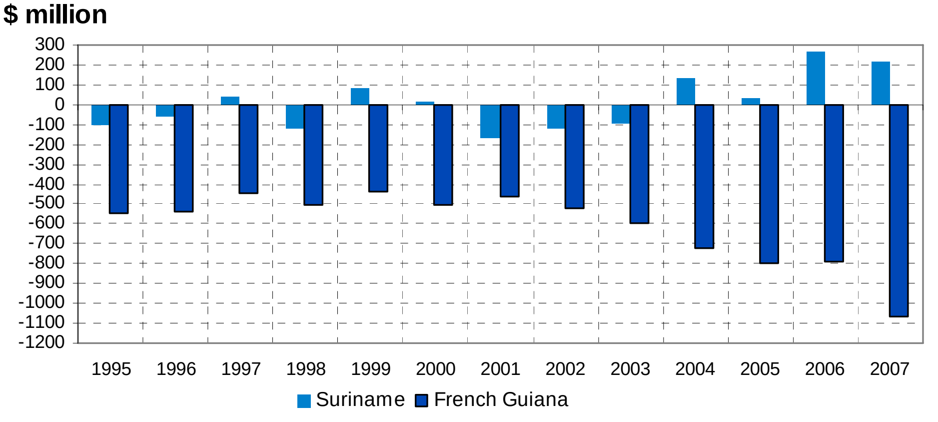
In Suriname, tax receipts cover 96.4% of national outlays, whereas only 15.5% of French Guiana's outlays are covered by tax receipts.

2.2.4 External trade balances

> ***Trade balances reflect French Guiana's and Suriname's different paths of development.***

French Guiana exports very few products, both in the absolute and in comparison to Suriname. In 2007, Surinamese exports were seven times larger in value than exports from French Guiana, at €821 million versus €117 million. French Guiana has a persistent trade deficit: In 2007, it reached €777 million ($1.065 billion[1]) or approximately 25% of GDP. The open economy ratio (sum of imports + exports divided by GDP) is only 33%.

Commercial Trade Balance



Source: IMF Direction of Trade Statistics, Customs

The structural weakness of French Guiana's exports is due to several factors. French Guiana is less competitive than its neighbors because costs and salaries are much higher than the regional average. In addition, the small size of the domestic market makes it hard for companies to achieve critical mass. Developing trade with European and other countries that have similar cost and price structures is made more difficult because of the added cost of shipping over a greater distance. Given these factors, and the fact that French Guiana has never been required to balance its trade deficit since the French state ensures the necessary transfer payments, there has been no incentive

[1] At a rate of €1 = $1.37

to develop export industries. French Guiana's economic development has been primarily based on the service sector, especially government services and personal services, which limits trade with foreign partners.

Suriname's economy, on the other hand, depends very much on foreign trade: Its open economy ratio is approximately 130% of GDP. 90% of Suriname's export income is based on a limited number of commodity products – primarily alumina, gold and oil, followed by bananas, wood and rice – which renders the economy very sensitive to global commodity price fluctuations.

If it were not for its commodity exports, Suriname would be relatively isolated from commercial trading opportunities.

The trade balances of French Guiana and Suriname evolve in opposite directions. The structural deficit of French Guiana never stops increasing: It has been about 20% to 25% of GDP since the 1990s. Suriname's balance of payments is much more dynamic and has registered significant improvements in recent years as its export commodities have gained in value. In French Guiana, the trade deficit is more than compensated for by the flows coming in from France, resulting in a positive foreign trade balance, which attained €350 million in 2004.

Main Export Products as Percentage of Total Value ('000,000) : 2007

	Suriname	French Guiana
Alumina	47.4%	
Gold	35.9%	43.0%
Oil	7.9%	
Shrimp and fish	7.3%	13.1%
Rice	1.3%	1.7%
Wood	0.1%	2.3%
Value	***$1.125 (€ 821)***	***€ 116.9***

Source: IMF, Customs

Export Markets as Percentage of Value: 2007

Suriname		French Guiana	
Canada	23.0%	France	58.6%
Norway	14.4%	*the French West Indies*	*7.1%*
United States	12.1%	EU	16.2%
France	5.4%	Other European countries	20.8%
Islande	2.1%	Latin America	2.1%
Netherlands	1.9%	Rest of world	2.3%
Japan	0.6%		
Regional trade			
Trinidad and Tobago	7.2%		
Barbados	1.8%		
Guyana	1.6%		
Jamaica	0.5%		
Others	29.3%		

Sources : FMI, Douane

Comparing suppliers and customers for French Guiana to those of Suriname also shows remarkable differences. French Guiana trades almost exclusively with mainland France and EU countries; 75% of its exports and 69% of its imports come from Europe. Suriname's trading partners are much more diversified geographically. Suriname exports only 2% of its goods to its former "motherland" and receives only 20% of its imports from the Netherlands. Suriname does far more trade in the dollar zone, or with countries whose use dollars for foreign trade, e.g. in North America, Latin America and China.

Main Suppliers as Percentage of Value: 2007

Suriname			French Guyana
United States	31.7%	France	56.1%
Netherlands	20.4%	*the French West Indies*	*11.4%*
China	5.5%	EU	13.2%
Japan	3.6%	Latin America	9.7%
Germany	1.1%	*Trinidad and Tobago*	*5.8%*
Regional trade		Asia	6.2%
Trinidad and Tobago	17.9%	Rest of world	14.7%
Brazil	2.9%		
Netherlands Antilles	1.5%		
Panama	1.2%		
Autres	11.6%		

Sources: IMF, Customs

Trade between French Guiana and Suriname is underestimated.

As can be seen in the chart below, because of the lack of volume and diversification, a single operation can generate atypical fluctuations in the value of trade between French Guiana and Suriname. Exports from Suriname to French Guiana are made up, for the most part, of agricultural and food products, especially rice. Exports from French Guiana to Suriname are less homogenous, and their composition can vary greatly from year to year.

The share of trade between the two neighbors is remarkably small: Only 1% of French Guiana's exports are destined for Suriname, while Suriname's exports towards French Guiana represent less than 0.1% of its total exports. That said, the official share of trade as reflected in the balance of payments is smaller than the real share in that it does not include the informal economy's trade values.

Trade between Suriname and French Guiana (€ million)

	2004	2005	2006	2007
From Suriname to French Guiana	**1,301**	**715**	**471**	**521**
Fishing boats	*554*			
Rice	*147*	*101*		*119*
From French Guiana to Suriname	**395**	**68**	**3,532**	**1,328**
Fishing boats			*754*	
Construction materials			*1,669*	
Shrimp			*997*	*1,170*
Balance Suriname-French Guiana	**906**	**647**	**-3,061**	**-807**

Source: Customs

Chapter 3

PRIVATE AND PUBLIC SECTOR ECONOMIC ACTIVITIES

3.1 Business profiles

Comparing that which is comparable in Suriname and French Guiana.

At the end of December 2006, by official count Suriname had 10,700 public and private sector "places of business"[1] (stores, warehouses, plants, workshops, etc.) and 96,100 jobs. French Guiana had 9,000 active places of business and 41,900 employees. Although the definition of places of business is about the same in Suriname as in French Guiana, the way of counting the number of businesses and the number of employees differs a bit between the two. In Suriname, workers in known business places and jobs are both counted, whether salaried or contract labor; while in French Guiana, only salaried employees are counted. The following table attempts to make a comparison:

Sector of activity	SURINAME						FRENCH GUIANA			
	Places of business				Jobs		SIRENE		CLAP :	
	# Businesses		# Workers				# Businesses		# Employees	
	#	%	#	%	#	%	#	%	#	%
Agriculture, Forestry, Hunting, Fishing	118	1.1%	771	1.1%	11 191	11.6%	0	0,0%	670	1,6%
Mining	159	1.5%	2,132	3.1%	3,302	3.4%	141	1.6%	639	1,5%
Manufacturing	1,478	13.8%	9,627	14.1%	7,799	8.1%	918	10.2%	2,243	5,3%
Utilities	18	0.2%	1,488	2.2%	1,757	1.8%	71	0.8%	594	1,4%
Construction	286	2.7%	4,366	6.4%	8,538	8.9%	1,463	16.2%	2,875	6,9%
Retail, Repairs of vehicles & other personal items, Hotels & restaurants	6,431	60.0%	28,583	42.0%	15,044	15.7%	3,073	34.1%	5,249	12.5%
Transportation, Telecoms, Warehousing	528	4.9%	4,315	6.3%	2,423	2.5%	695	7.7%	2,871	6.8%
Financial services, Real Estate, Rentals, Business services	663	6.2%	8,025	11.8%	3,036	3.2%	1,701	18.9%	3,903	9.3%
Public administration, Health-care, Defense, Education, ãctiòn, Social Security, Other social welfare activities	987	9.2%	8.291	12.2%	43,020	44.8%	948	10.5%	22,891	54.6%
Undeclared or other	42		515						10	
Total	10,710	100.0%	68,113	100.0%	96,110	100.0%	9,010	100.0%	41,945	100.0%

Sources : ABS, Insee

[1] INSEE, the French statistical office collects data in a database known as SIRENE. SIRENE's way of counting places of business (*établissements*) includes those in Industry, Commerce and Services, but excludes public sector administrations. A more localized database, known as CLAP (*Connaissance Locale de l'Appareil Productif*) is used to count the number of workers on the ground, including government workers.

The services sector is by far the largest sector for both economies, both in terms of the percentage of places of business, accounting for 80% of the total in Suriname and 71% in French Guiana, as well as in terms of jobs, accounting for 66% of the total in Suriname, or in terms of salaried employees in French Guiana at 83%.

The second largest sector is industrial activity (including mining) in terms of jobs and which accounts for 18% of the places of business in Suriname and 29% in French Guiana. Industrial activities provide 22% of jobs in Suriname, and 15% of salaried employees in French Guiana.

The third largest sector is natural resources (excluding mining), such as agriculture, fisheries and forestry, which employs 12% of Suriname's workers and 2% of French Guiana's by official counts.

A more granular view shows similarities and differences.

Within the services sector, further similarities are seen between French Guiana and Suriname in that public sector workers make up an outsized share of workers in both places: local and national government positions account for 55% of salaried employees in French Guiana and 45% of jobs in Suriname. For the latter, more fragility in employment is implied as Suriname is a more open economy compared to French Guiana's more protected "greenhouse economy."[1]

The government is the main driver of services sector jobs in Suriname, since private sector services such as transportation, financial services and business services represent only 11% of jobs.

French Guiana's services sector is somewhat more evolved, with 16% of employees working in private sector service jobs.

Retail stores; hotels and restaurants; and repair shops are the third biggest employers in the services sector in Suriname, providing 16% of all jobs. It's the fourth biggest in French Guiana, with 13% of employees. Shops, hotels, restaurants and repair shops account for the highest number of places of business in both Suriname (60%) and French Guiana (34%). Retail trade is an essential part of the fabric in both economies, with a stronger tourist-oriented dimension in Suriname.

Going any further with the analysis is made difficult by the limited data available at this time. In particular, not taking into account non-salaried workers in French Guiana understates construction activity. Also, none of the official tallies for French Guiana or Suriname include the informal sector activities and workers, who, by definition, are unknown.

3.2 Commercial activities

Suriname ranks 17th among countries that are rich in natural resources, according to the World Bank. Natural resource exploitation contributes positively to Suriname's trade balance and employment rate. In French Guiana, exploitation of natural resources is in an embryonic state and contributes little to its economic development.

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[1] Refer to an analysis by Jean-David Naudet , *"Outre-Mer, une croissance sous serre?"*, Economists Letter n°12 March 2006.

Far from being great local sources of wealth creation, **agriculture, fisheries** and **wood products** generate a mere 4% of the value added to the French Guianese economy and only 5% in Suriname. Since 1993, the share of value added by these sectors of activity has contracted in French Guiana, and stayed the same or increased a bit in Suriname. Farms in French Guiana are generally family-owned, and employ about 20,000 workers, few of whom are salaried.[1] In Suriname, agriculture, fisheries and forestry provide jobs for 11,200 workers. In both Suriname and French Guiana, extensive traditional, manual farms co-exist with industrial, mechanized farms along the coast that grow crops primarily for sale (as opposed to self-sustenance). Suriname's agricultural industry is distinguished by two large-scale agribusinesses for export: rice and bananas. Half of all cultivated land is dedicated to rice growing. The other large cash crops are palm oil and lemons.

In French Guiana, agricultural, forestry and fishery resources are under-exploited: Suriname produces up to tens times as much value from their natural resources as French Guiana.

Rice

Although both are self-sufficient in rice production, Suriname out-produces French Guiana by 145,000 tons to 15,000.[2] However, compared to other rice-growing regions,[3] both experience crop difficulties with weak yields of only 3.5 tons per hectare[4] in Suriname, and a very weak 1.7 tons per hectare in French Guiana. It would require a large investment of approximately $80 million for Suriname to increase yields to 4.5–5.5 tons per hectare. Such an improvement would allow Suriname to increase its already substantial rice exports significantly. It currently exports a third of its total rice crop, bringing in $18.1 million. French Guiana exports about half its crop. The early 2008 increase in rice prices[5] could help modernize the sector, especially as substantial increases in production are expected in Asia. The largest rice grower in Suriname, the Suriname Rice Organization, was recently privatized. In French Guiana the main growers[6] are much smaller. As a member of CARICOM, Suriname is able to export a large part of its crop to other member countries duty free. About 94% of French Guiana's rice exports go to European Union countries; primarily Portugal, as well as Spain and the Netherlands.

Bananas

Banana culture is little developed in French Guiana. In Suriname, the main producer is the SBSS (Stichting Bahoudbananen Sector), which was restructured in 2005 and directly employs 2,000 people.[7] In 2006, 50,000 tons of bananas were exported at a value of $12 million. The banana sector is nevertheless still very dependent on the special ACP tariff regime for export into European markets. ACP growers, including Suriname, currently have a quota of 775,000 tons of bananas that can be imported customs tax-free. However, because of the EU's Economic

[1] 640 salaried agriculture workers in 2006, not including the landowners, and 600 fishermen in French Guiana.

[2] 15,073 tons in 2006 y. 8,671 tons in 2007, when growers went from two production cycles to one.

[3] From 5.5 tons per hectare in Brazil to 8.5 tons per hectare in Egypt.

[4] 1 hectare = 10,000 square meters = 2.47 acres

[5] According to the UN Food and Agriculture Organization, 37 countries are faced with a food crisis; in Asia, 2 billion people get 60% to 70 % of their daily calorie requirement from rice.

[6] Growers and cooperatives using French or Spanish funds.

[7] SBBS is the largest employer in the country; restructuring brought great gains in productivity.

Partnership Agreements, these quotas will no longer be applied. Global trade liberalization, tied to lower import duties for non-ACP countries in Latin America, will likely put pressure on producer prices. Suriname sells only 25% of its banana exports to France, and has only a 3% share of the French market. Bananas from Suriname are transported via a “feeder”[1] in Pointe-à-Pitre, then shipped to Dunkirk by freighters carrying bananas from the French West Indies, which helps keep freight costs competitive.

Thanks to their geographic location, banana plantations in Suriname are usually spared the destruction caused by the annual hurricanes that pass through the CARICOM countries. The French were extremely helpful in supporting SBBS’s restructuring plan: They provided technical assistance through SOFRECO; sales and marketing support for Europe through Agrisol, a subsidiary of the French company Katope International; CMA-CGM provided sea transport from Paramaribo to Dunkirk; in-vitro plants were provided by CIRAD:[2] and an irrigation system was set up by ERAL.

Fisheries

The commercial fishing industry has grown on the banks of the Maroni River and Atlantic Coast where it employs nearly 5,000 people in Suriname and 600 in French Guiana. Suriname exports $99.2 million worth of seafood and French Guiana exports €15.3 million worth. Shrimp is the leading harvest, followed by red snapper and whitefish. The increase in the price of diesel fuel and the reduction in the price of shrimp are weighing on the profitability of the industry. Overall harvests have been declining over the past decade in French Guiana, primarily because of difficulties with the shrimp catch, despite an increase in red snapper harvests. French Guiana has responded by creating a brand for their shrimp to capture the high-end market, known as “wild shrimp from French Guiana.” In 2007, Suriname made an agreement with Venezuela to open its waters to nearly a more hundred fishing boats, risking over-fishing. Aquaculture, especially for shrimp, has been slow to develop, unlike in Brazil to the south. The farmed shrimp are mostly destined for internal consumption rather than export. Limited experience with aquaculture has limited its large-scale growth in both Suriname and French Guiana.

Wood products

Forests cover 94% of French Guiana but are under-exploited because of difficulties in access and the low density of desirable species. In Suriname, there are an estimated 4 million hectares of forestable land out of 15 million hectares of forest. Annual production is estimated to be about 200,000 metric cubes versus only 56,000 metric cubes in French Guiana. Surinamese roundwood and wood products represent only a small part of exports, worth the relatively small sum of $1.5 million.

The stakes involved in the development of other wood products such as fuel ethanol, palm oil or wood energy are diverse. There is a need for energy independence, for French Guiana in particular; for agricultural diversification; and for environmental improvements that are

[1] A "feeder" is a medium-sized ship that takes on regional freight.

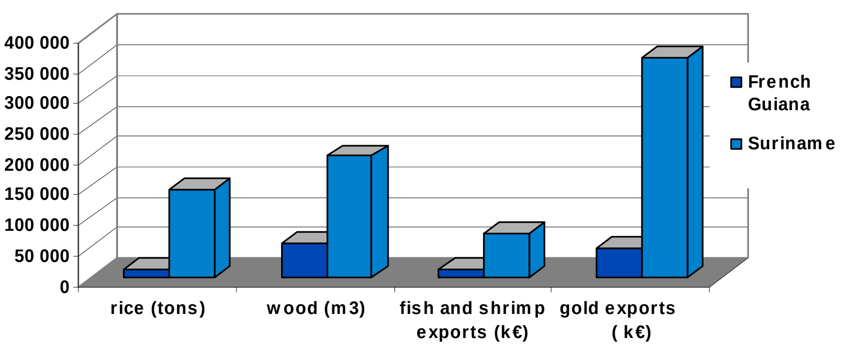
[2] *Centre de Coopération Internationale en Recherche Agronomique pour le Développement* (Center for International Cooperation and Agronomic Research for Development) Scientific organization specialized in tropical and subtropical agriculture.

associated with these profitable industries. Some Asian countries, such as China, India and Indonesia, have proposed exporting their palm oil production know-how to Suriname. In French Guiana, the ADEME[1] and French Guiana-Technopole have launched a fuel ethanol industry feasibility study. Initial results indicate that sugar cane and cellulose-containing agricultural products such as grass and wood are the only materials that can be efficiently produced on available lands. Given the sizeable investment necessary to create a fuel ethanol industry, it would be necessary to develop production capacity that would exceed French Guiana's internal needs and be able to provide export returns.

Wood energy also presents a development opportunity in both Suriname and French Guiana. The wood energy industry has many positive aspects, such as job creation and the ability to create electric energy through a renewable resource. Wood energy plants would be fed by sawnwood's waste materials, from clearing agricultural lands and forest roads, as well as from woodlots dedicated to wood energy production.

Suriname has been very adept at exploiting its mineral resources. French Guiana has no particular project or policy for the mining industry, which limits its development there.

Exploitation of Natural Resources : 2007



Sources : FMI, IEDOM, EIU

The mining industry plays a major role in Suriname's economy and accounts for two-thirds of export revenues. Suriname is the tenth largest producer of **bauxite** in the world, which is refined into alumina and supplies 3.7% of the world's production. The value of Suriname's alumina exports has doubled since 2003, reaching $646 million in 2007. The two alumina operators, Suralco, which belongs to Alcoa, and BHP Billiton, foresee developing new mines in the west of the country. The supposed existence of bauxite in French Guiana would require proximity to hydroelectric power to be exploited.

The **gold** mining industry is another important source of income for Suriname. Exports represented less that 1% of global production, but brought in $489 million in revenue. In comparison, French Guiana's gold exports were worth only €50 million. The number of gold exploration permits has

[1] Environment and Energy Agency (Agence de l'Environnement et de la Maîtrise de l'Energie)

stayed stable because of the strict requirements necessary for mining concessions. In Suriname, the industry is structured around major gold operators, who are often Canadian companies such as Iamgold, Canadian Resource Corporation and Golden Star. The Gross Rosebel gold mine accounts for 40% of Suriname's total production. In French Guiana, gold concessions are run primarily by two local medium-sized enterprises, the Compagnie Minière Espérance and Auplata, since the "Camp Cayman" project was abandoned on the Kaw Mountain in early 2008.

The **manufacturing** industry accounts for a large part (22%) of Suriname's GDP and is driven by bauxite refining. Suriname's food-processing industry is in competition with that of Trinidad and Tobago. For instance, local rum production suffers because imports are less expensive. In French Guiana, the manufacturing sector is smaller, contributing 11% of GDP. Its main driver is the aerospace industry. Food processors are trying to develop locally grown, high-quality products such as yogurts, fruit juices and rum, but financial success is difficult because of the small domestic market and strong competition from imports.

Suriname is self-sufficient in **oil**, primarily because of the Tambaredjo oil field, which is 40 kilometers away from Paramaribo. Nearly two-thirds of oil production is refined by a state-owned company, Staatolie. Part of Suriname's oil is exported to CARICOM countries.

Since 2007, French Guiana buys its supplies of gasoline and diesel from SARA,[1] which refines fuels to European standards. Prior to being obligated to use fuels that meet the higher standards, French Guiana obtained all of its petroleum products from a refinery in Trinidad that still provides it with fuels other than gas and diesel.

Suriname and French Guiana are nearly self-sufficient in terms of **electrical energy**. Hydro-electric dams provide 60% to 80% of demand depending on water levels. In addition, an active policy of diversifying into renewable energy sources is being followed by both Suriname and French Guiana: They are also studying how to connect their electrical networks to one another.

Transportation is a key sector of the economy.

In Suriname, rivers are used to ship commodity products while roads are the principal channels for travel and communication. The absence of adequate road infrastructure on the Guyana Plateau limits the economic integration of Suriname with French Guiana. It especially limits the development of high value added services sector industries such as tourism, retail and business and personal services. Installing an efficient transportation system is the key to optimizing transfers of merchandise from sea freighters to riverboats between the two territories and to simplifying administrative and customs procedures.

Several projects to improve the transportation system are underway or under study in Suriname, such as the road between Albina and Paramaribo, rehabilitation of the Paramaribo port, a cruise ship terminal and a new barge operation. The same is true in French Guiana, for projects such as the road between Saint-Laurent and Apatou, and projects to improve accessibility to certain isolated villages as part of the CPER. Both Suriname and French Guiana are waiting for the

[1] The French West Indies Refinery (*Société Anonyme de Raffinerie des Antilles*)

results of a study looking at how best to build a bridge across the Maroni River between Albina and Saint-Laurent.

Sea-going traffic from the port of Paramaribo is made up of 500 to 600 ships per year, two to three times the flow of the Dégrad-des-Cannes port at the edge of Cayenne, which handles 225 ships per year. The ocean routes are not optimized since there is no regular commercial traffic flow between Suriname and French Guiana. The costs of ocean shipping are high in French Guiana, where 9 out of 10 containers leave the port of Dégrad-Des-Cannes empty. Shipping costs are lower in Paramaribo, which is a deep-water port: Downtime for ships is shorter and there is a better chance that they will ship out full of freight.

Regarding the **telecommunications** industry, in French Guiana, landline penetration reaches about 45% of the 18-years and older population, compared to 83% in mainland France. In Suriname, the landline penetration rate is half that at 18% as of 2004, primarily because mobile phone penetration is much higher, covering 48% of the population. Internet access in both French Guiana and Suriname is limited because of the relatively weak capacity of the underwater cable known as "Americas 2." Since the end of 2006, two new cables, Global Caribbean Network and Medium Caribbean Network, have linked Guadeloupe and Martinique to the rest of the world. With the Mediaserv project, a new, more powerful cable will be put into place between the Caribbean and French Guiana with a loop to Suriname. It will link French Guiana to a new, more reliable network that will be less expensive for the consumer. The project will help increase telephone communications and data transfers between Suriname and French Guiana.

Tourism is a promising industry for the Guyana Plateau.

Although the **tourism** industry is underdeveloped in French Guiana and Suriname and contributes less than 2% of GDP, **ecotourism** appears to be a potential vector of development. The Guyana Plateau region offers an exceptional ecological environment and amazing cultural diversity. In French Guiana today, business travel and visits to family and friends constitute three-quarters of tourist activity. The re-launch of the aerospace industry increased in-bound travel. Leisure and recreational tourism to see the forests and culture of the region is only a small part of the industry and is expected to be developed in the future. In Suriname, business travellers represent just 10% of visitors, compared to 84% who arrive for family visits or leisure. Only 11% of tourists use hotels while 40% stay in independent homes and 49% stay with family or friends. Half of the tourists come from the Netherlands, stay for a long period and spend about $50 million per year. The increase in tourism to Suriname is reaching double digits, and was up more than 22% en 2007, but the country is less visited than other CARICOM countries like Jamaica or Barbados. A large but unquantifiable number of visitors come from French Guiana, as seen in an exponential increase in visa demands at the Surinamese consulate in Cayenne.

The number of travellers flying into French Guiana is higher than the number who fly into Suriname, 192,000 to 153,000. Suriname is naturally more open to Guyana and other countries in the Caribbean, such as Aruba, Barbados, Curaçao and Trinidad. Even without air links between them, there is a flow of tourists from French Guiana towards Suriname who go there primarily to take advantage of a favorable exchange rate and lower prices, especially for retail purchases. The lack of air links[1] between them is one of the factors blocking the development of trade and tourism between the two territories.

The hotel industry in French Guiana has not seen much change since 1993, and is composed of medium-quality three-star hotels for the most part. In Suriname, new four- and five-star luxury hotels have been built in Paramaribo, and several other big projects are being built to meet growing demand, in particular because of the casino business. Hotel capacity will soon exceed 1,300 rooms, which is about equivalent to the number available in French Guiana.

In addition, lodges are available to house ecotourists in Suriname's interior. Two eco-lodge projects are under study in French Guiana; one on the Saut Maripa site in the village of St. Georges de l'Oyapock and another at Saut Hermina on the Maroni River.

3.3 Non-commercial activities[2]

Both Suriname and French Guiana share certain problems in their healthcare and education sectors: lack of equipment; a pronounced lack of qualified personnel; incomplete service coverage due to the large, inaccessible landmass; communication difficulties; low population densities; and unequal distribution across the territories. These problems are particularly apparent along the Maroni River border, where paths to cooperation are only just being sketched out and should be extended, or even institutionalized.

3.3.1 Healthcare

Health problems are often comparable.

As in the rest of France, people in French Guiana benefit from a high level of social insurance and an excellent quality of care. Despite this system, a certain number of factors make it such that the health situation in French Guiana[3] is more similar to that of Suriname in some areas. Both places are going through an epidemiological transition where they must confront the coexistence of ever-increasing and persistent chronic illnesses with a relatively high prevalence of infectious diseases and maternal and infant diseases. The infant mortality rate in French Guiana sits between that of Suriname's 29 per 1,000 and mainland France's 4.4 per 1,000.

The main infectious diseases are malaria, dengue fever and HIV/AIDS. Since the beginning of the AIDS epidemic, French Guiana has had a much higher rate of infection at more than 1% of the population compared to other French departments. In Suriname, HIV/AIDS infects 1.9% of the population.

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[1] The line between Cayenne/Paramaribo was supposed to open in December 2007.

[2] The non-commercial sector[2] includes all activities that are not-for-profit or that rely on public financing or philanthropy. Public administrations, state enterprises, voluntary associations, healthcare and education make up the bulk of the non-commercial sector.

[3] See *"Etat de santé de la Guyane"*, Regional Health Observatory of French Guiana; November 2006.

Job insecurity, social exclusion and unequal access to healthcare are aggravating factors that are heightened with poor access to clean water. In French Guiana, 20% of the population does not have access to good water.

Key Health Indicators

	Suriname	French Guiana
Birth rate	17%	30.5%
Death rate	5.5%	3%
Infant mortality (per 1000 births)	29	13
Life expectancy at birth (years)	68	76
Maternal mortality (per 1000 live births)	154	na

Sources: DSDS, ABS

The Maroni River region that borders both Suriname and French Guiana is where most of health issues are concentrated: 70% of malaria cases are identified in this area along with HIV/AIDS infections; tuberculosis; digestive pathologies caused by unclean water; and parasitosis.

Insufficient access to healthcare in both areas.

In Suriname, levels of health and sanitation vary greatly according to geography. In the capital city of Paramaribo, health care services are good, even if not of the highest quality. People living on the edges of the capital have more limited access to care. In the interior, accessing healthcare is a real concern. Most villages have an office or medical center, but health-related evacuations are very difficult and difficult to organize when they are necessary

Suriname and French Guiana have about the same number of hospitals. Suriname has five hospitals, all in Paramaribo, of which three are public[1] and two are private.[2] French Guiana has three public or semi-public hospitals, three private medical clinics and one convalescent center. The only hospital that can receive patients along the Maroni River is the CHOG at Saint-Laurent. French Guiana has a total of 607 hospital beds versus 1,566 beds in Suriname. The equipment rate per capita is about the same, with 3.2 beds per person in French Guiana versus 2.9 beds in Suriname. The equipment rate for medical specialists is far lower than European standards.[3] But since the demographic profile of the population is different than that of Europe, the needs are not exactly comparable.

In addition to the hospitals, medical centers and offices have been built to serve people living in the interiors of Suriname and French Guiana. They are managed by French Guiana's General Council and Suriname's regional health service, the "*Stichting Régionale Gezondheidsdienst*."

[1] One in Paramaribo and one in Nickerie.

[2] In Paramaribo.

[3] There are 1.5 medical beds and 0.88 surgical beds per 1000 inhabitants in French Guiana versus 2.1 medical and 1.7 surgical beds in mainland France. Only the equipment rate for obstetrics and gynecology is higher in French Guiana than in France, with 0.63 versus 0.38 beds per 1000.

These medical centers offer free consultations, everyday medical care, nursing care and pharmaceuticals. Serious cases are transferred to hospitals.

There are 10 medical centers and 12 medical offices in French Guiana. The medical centers have telemedicine equipment.[1] In addition, there are 18 disease prevention and vaccination centers situated along the riverbanks and coast. They are designed to take care of maternal and infant health, undertake vaccination campaigns and combat “societal plagues” such as violence, delinquency, and alcoholism and drug abuse. There are also four centers in Cayenne that provide vaccines and that work to prevent sexually transmittable diseases, as well as taking care of leprosy and tuberculosis cases. In Suriname, there are 62 medical offices in eight districts - Nickerie, Coronie, Saramaca, Wanica, Paramibo, Commewijne, Para and Marowijne - and six medical-social centers in the Maroni region.

To supplement its medical offices and centers, the Surinamese government has delegated the delivery of subsidized primary care in its interior regions to non-governmental organizations. They administer free healthcare to people living in the Brokopondo and the Spaliwini districts through 56 healthcare offices.

Qualified medical personnel is in short supply.

Both French Guiana and Suriname suffer from a lack of qualified healthcare professionals at all levels of specialization. The penury is due to the limited number of students enrolled in medical school, particularly in Suriname, and the exodus of nurses to the Netherlands and mainland France.

The number of doctors in French Guiana has not changed since 2005. In terms of density, the number of private healthcare professionals is weaker than in mainland France or the French West Indies. There are 2.9 times fewer generalist doctors per 100,000 inhabitants than in mainland France, and half as many as in the French West Indies.[2] There are four times fewer specialist doctors than in mainland France; 3.3 times fewer dental surgeons; 2.9 times fewer physical therapists, and 1.8 times fewer nurses.

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Healthcare Professionals as of January 1, 2006

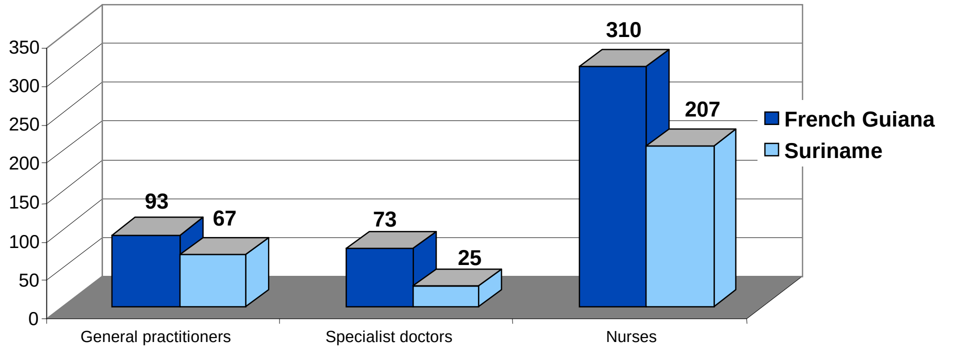
	Suriname	French Guiana
General practitioners	330	195
Specialist doctors	121	153
Nurses	1016	648

Sources: DSDS, ABS

[1] Telemedicine was implemented in 2003 to allow the encrypted exchange of medical information between the Cayenne Hospital and regional medical centers.

[2] Martinique and Guadeloupe.

Healthcare Professionals: Density per 100,000 inhabitants



Big differences in healthcare spending levels and in financing systems.

In French Guiana as in mainland France, healthcare is mostly financed by the health insurance portion of social security payroll taxes. In addition, the majority of insured workers and their families pay small portion of the costs through co-payments, as well as paying for charges in excess of state limits if they choose certain private physicians or clinics. In 2007, insured workers' national healthcare costs increased 7.9% to €337.3 million, to which is added €19.9 million for the cost of supplemental coverage for low-income people (CMU[1]), and €27.7 for covering the care for illegal aliens (AME[2]). The €384.9 million covered by national health insurance represents 80% of total healthcare expenses in French Guiana.

In Suriname, about 60% of the population is covered by health insurance, either through the National Health Insurance system, or through a health insurance system for government employees. The rest of the population is uninsured.

3.3.2 Education

Common problems marked by imbalances.

Following on the example of healthcare, in education, too, French Guiana and Suriname share a number of difficulties because of geographical constraints and the diversity of their populations. In particular, in the interior regions far away from the rivers, populations are dispersed over a large

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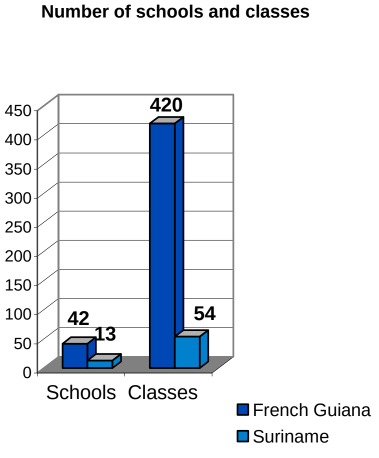
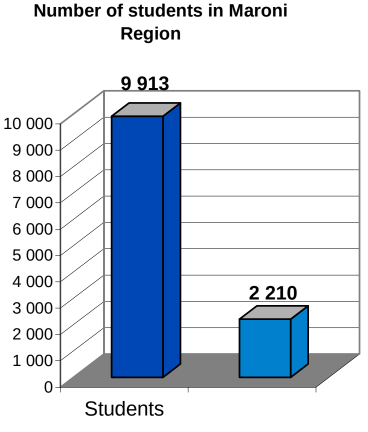
[1] CMU (*Couverture maladie universelle complémentaire*) is supplemental health insurance that was put into place in January 2000. It covers the co-payment portions of healthcare expenses for low-income French residents, resulting in 100% of their expenses being covered by national insurance.

[2] AME in another supplemental health insurance program that was put into place in January 2000, to replace what was previously known as "Free Medical Aid." Its primary purpose is to cover the healthcare expenses of indigent illegal aliens residing in France.

territory, isolated, and speak many different languages. The region bordering the Maroni River has the biggest problems with non-enrollment in school and with dropouts. For many young children, schooling is especially difficult because they can't understand the official language in which courses are taught – French in French Guiana and Dutch in Suriname. Educational opportunities are often insufficient, both in terms of quantity,[1] as well as quality.





Source: Rectorat

In Suriname, the economic crises and suspensions of foreign aid that have taken place since the 1980s have greatly reduced investment in school infrastructure and burdened the school system with debt. People living in distant and isolated areas of the interior are the worse off in terms of educational opportunities. Because of this, and because the schooling offered along the border region is insufficient, many Surinamese students attend school in French Guiana, particularly at St. Laurent. This accentuates the deficiencies and imbalances of the education system.

In French Guiana, demographic pressure is the main challenge for the education system. Between 2000-2006, the number of primary and secondary school students increased 21%, adding 11,670 students to the system. 68,059 students were registered for the 2007 school year, which represents more than a third of the entire population. In addition to capacity problems, this growth in the student population creates problems in terms of the cost and availability of transportation, housing, food service and school supplies. These problems are accentuated for people living near the rivers or in the interior: Nearly 50 schools are located in isolated areas. In 2006, a census[2] revealed more than 2,000 children between the ages of 6 to 16 were not attending school, primarily because of distance or the lack of school transportation.

[1] The average ratio of primary school teachers to students is 1 :24 in Suriname and 1 :17.1 in French Guiana.

[2] According to "L'Observatoire de la non-scolarisation."

To respond to the challenge of the increase in school-aged children, which is expected to grow by 20,000 students by 2012, it is estimated that French Guiana must spend €350 million on buildings, infrastructure and equipment for primary, elementary and high schools.

In Suriname, institutional and operational capacity remains weak despite the relatively large amounts of government spending for education, which amounted to 4.5% of GDP in 2006, of which 90% was spent on salaries.[1] Funders ensure about 70% of the education budget plan.[2]

A generally weak level of education.

Even if the rate of enrollment in school is relatively high in Suriname and French Guiana, the general level of education is still rather low. The Surinamese education system has evolved little since 1975. A direct consequence is the on-going lack of qualified workers. Primary schooling is characterized by a high level of dropouts and grade repeating. Access to higher levels of education is very limited; only 7% of 19 to 29 year olds attended higher-level institutions in 2004. More than 30% of students abandon their studies before graduating or obtaining a diploma.

The situation in French Guiana is also difficult. Half of the youths leave school without any diploma or technical qualification. The failure rate for primary school evaluations is 80% and more than one student out of two enters secondary school without being able to master French and/or reading.

The share of high school graduates per generation[3] is still very weak, at 37% versus 54.1% in other French Overseas Departments, and 64.3% in mainland France.[4] Improving graduation rates is a priority, since it is clear that unemployment rates are partly linked to education levels. The unemployment rate for workers without a diploma is 46% versus 15% in mainland France, while the unemployment rate for high school graduates who have two years of additional schooling is only 5% versus 10% in mainland France.

Ambitious projects for higher education everywhere.

Suriname recently adopted a higher-education diploma system that is comparable to the European university system of bachelor, master, doctor. The purpose of the changes that are currently underway is to facilitate recognition of Surinamese degrees in other countries and to foster scholarly exchanges and cooperation with universities in Europe, and possibly in French Guiana.

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[1] This amount of spending is about the average for other countries in the region. 2006 comparison: Brazil = 4.1% ; Guyana = 5.5% ; Jamaica = 4.9%. Source: Rosa Klein, Master in Public Policy Candidate from Harvard University: "The Education Budget in Suriname 2004-2007" and "A Tool to Prevent Corruption and Fraud: Child-friendly Budget Analysis", September 2007.

[2] The most active education sector funders are The Netherlands; the InterAmerican Development Bank; UNICEF; the Flemish Association for Cooperation, Development and Technical Assistance; UNESCO; and the European Union.

[3] Source INSEE, Ministry of National Education.

[4] The 64% rate has stagnated for the last 20 years, and is far from the objective of 80% that was set in 1985.

Even though being able to read and speak each other's language could go a long way to facilitating exchanges between Suriname and French Guiana, such mastery does not seem to be a priority in either place. Suriname has chosen English as its primary language, partly because of its membership in CARICOM where English is primary: French is no longer taught in schools due to a lack of French language teachers. In fact, Spanish and Portuguese are the favored second languages in Suriname, as they are the more dominant languages in South America.

The number of students in higher-education is larger in Suriname, which has 3,000 students versus 1,000 in French Guiana, and nine higher-level institutions[1] versus two in French Guiana.[2] The vision for scholarly exchanges is real even though recent and a bit fragile. An ambitious project to support the development of higher education and research in French Guiana has recently been launched, known as the *Pôle Universitaire Guyanais.*[3] Several subjects have been chosen to optimize potential research and development with research organizations, such as biodiversity; ecology of health; dynamics of the territory; and understanding the societies and civilizations of the Guyana Plateau.

In addition to the "Pole" project, French Guiana has several research centers[4] and technology centers, such as those connected to the electrical utility company, EDF, and to the Space Center. The Anton de Kom University in Suriname has 11 research centers, all of which identify and study development problems,[5] among other things. However, there are currently few exchanges and little collaboration on subjects of shared interest between scholars in Suriname and French Guiana.

[1] Six higher education institutions are public and located in Paramaribo: Anton de Kom University; Teachers and Professors Training Institute; Foundation for Children's Dentistry; Academy of Arts and Culture; Central School of Nursing; Polytechnic Institute. Two are private: Lim A Po Institute of Social Studies, and the Surinamese Hotel and Tourism Institute.

[2] The Institut d'Enseignement Supérieur de la Guyane and the Institut de Formation des Maîtres.

[3] The first phase of work for the Pole will be completed in 2009, with an initial capacity of 3,000 students and 5,000 when fully finished.

[4] BRGM, IFREMER, CIRAD, ORSTOM, INRA, INSERM, ENGREF, Pasteur Institute

[5] Center for Agricultural Research in Suriname (CELOS), Institute for Applied Technologies (INTEC), Institute of Biomedical Research (MWI), Institute of Social Science Research (IMWO), National Herbarium (BBS), Institute for Quality Insurance and Information Management (IKIM), Institute for Women, Gender and Development Studies (IWGDS), Institute for International Relations (IIR), University Institute for Children's Rights (UK), University Computer Center (UCC), Center for Environmental Research (CMO).

3.4 Banking and financial systems

Banking systems are in development and focused on assets.

The first difference between financial systems in French Guiana and Suriname is the circulating currency. French Guiana uses the Euro, and Suriname's financial system is characterized by the circulation of the Euro and the US dollar (USD) in addition to the national currency, the Suriname dollar (SRD). The SRD exchange rate with the USD is stable since 2005, having fluctuated greatly before then. Cash deposits represent 48% the money supply and 49% of loans.[1] Suriname's financial system evolved in a context of an expansionist monetary policy *(cf. infra)*. In line with the higher inflation rate, the cost of credit is much higher than in French Guiana.

Since 2002, French Guiana has seen an acceleration in its fiduciary activity, because of the attractiveness of the Euro; along the borders of Suriname and Brazil; and by the weight of the informal economy, which operates in a environment of controlled inflation. In French Guiana, the cost of commercial borrowing has fallen since 1998, to a global[2] rate of 6.2% in 2007, while in Suriname, 19% of loans are made at a rate of 15%-20% interest per annum; 44% at a rate of 10%-15% and 24% at a rate of 5%-10%.

The **banking system** in Suriname is composed of nine banks. In French Guiana, there are 12 local banks that are either subsidiaries or branches of French banks. Other financial companies operate from mainland France and are classified as "non-local credit establishments." They primarily finance "mixed economy"[3] real estate companies, territorial authorities and local public establishments.

In Suriname, there are three major banks: Hakrinbank, of which the state owns 51%; De Surinaamsche Bank, which includes the insurance company Assuria that owns 49% of equity; and RBTT Bank of Trinidad and Tobago, which was recently acquired by Royal Canadian Bank. The financial system also includes non-bank financial services companies, pension funds and insurance companies that together hold about 27% of assets. In total, financial services make up about 5.5% of GDP.

In both Suriname and French Guiana, local banking is characterized by the largest banks holding a large concentration of deposits. Deposits collected by the three principle banks in Suriname account for 77% of all deposits, whereas the top three in French Guiana hold 74% of deposited funds. Market concentration is less for loan distributions: The three largest banks in French Guiana account for 51% of loans made. The market share of the top institutions changed little between 2004 and 2008.

Opportunities for partnership between Surinamese and French banks exist, but French banks have done little to investigate the opportunities because of the small amount of trade between the parties. The difficulty of doing business between the banks in Suriname and French Guiana is

[1] IMF, Suriname Central Bank.

[2] IEDOM study on the cost of commercial credit.

[3] A mixed economy is one in which numerous private enterprises exist with a powerful pubic sector, and/or where industrial companies are financed by both private and public capital and/or a large part of the economy is directly controlled by the state.

heightened by the fact that Suriname is ineligible for credit insurance from Coface, the French export credit agency.

Banking activity is quite dynamic when it comes to making loans.

In French Guiana, the **bank credit markets** were worth €1.8 billion in 2007, up 5.8% over the previous year. Nearly 44% of loans were made by local banks, up 3% from the previous year. The growth rate for healthy loans from local banks is very strong: It increased more than 18.5% in 2006, and more than 16.9% in 2007. This progress can be explained by home mortgage lending that increased more than 20% per year, and an increase in business equipment loans since 2005.

In Suriname, the private sector credit market is equally dynamic, with an annual progression of about 34%. A 30% increase in the aggregate money supply (M3[1]) is behind this growth in credit. In fact, the acceleration in credit shows it rising above trend lines, which denotes a credit boom.

The portfolios of banking and credit establishments in French Guiana have been cleaned up in the last decade. The percentage of **doubtful loans** dropped from 38.5% in 2000 to 10.9% at the end of 2007. The percentage of doubtful loans in Suriname is even lower, at 8.7%. However, both percentages are high by European standards. Provisioning for doubtful loans is higher in French Guiana than in the other French West Indies departments, with a rate of 84.6% for French Guiana versus 66% for Martinique and 69.6% for Guadeloupe. In Suriname, the doubtful loan provision is 72%.

Under the impetus of ADIE[2] and other volunteer groups, alternative financing solutions are being put into place in French Guiana: Microcredit allows people who want to start a small business to get small loans that would be denied by normal banks. Opportunities for partnerships between French Guiana and Suriname exist in the area of microfinance, since micro-businesses can play such an big role in reducing unemployment, especially in disadvantaged areas.

A breakdown of bank financing by sector shows major trends in the economy.

In Suriname, nearly a third of bank loans are destined for retail stores versus only 12% in French Guiana, where retail is just starting to expand. Similarly, three times as many manufacturing loans are made in Suriname as in French Guiana, representing 9% versus 3% of outstanding loans. On the other hand, investments in **real estate** represent nearly three-quarters (74%) of financing in French Guiana versus only 17% in Suriname. The percentage of loans outstanding to lessors of social housing[3] is particularly high, at 78% of mortgage lending, while loans to private sector real estate rental companies only increased by a little more than 4% between 2002-2007, and represented only 14% of real estate financing.

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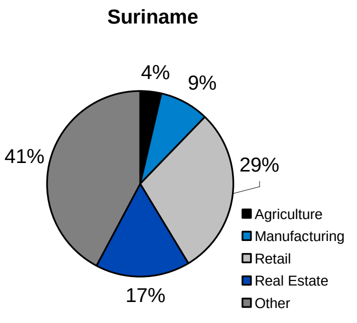
[1] The M3 money supply aggregate is composed of financial assets of a country, e.g. cash, demand deposits, term deposits, mutual funds, and debt securities of two years or less.

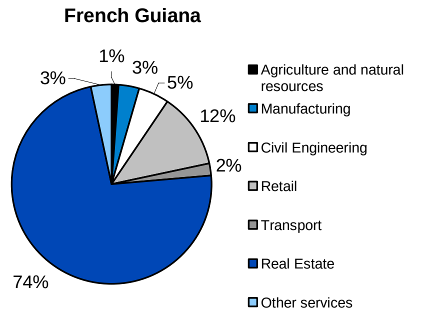
[2] The Right to Economic Initiatives Association (*Association pour le Droit a l'Initiative Economique*)

[3] Social housing is an umbrella term referring to rental housing, which may be owned and managed by the state, by not-for-profit organizations, or by a combination of the two, usually with the aim of providing affordable housing.

By year end 2007 in French Guiana, other commercial sectors catch up with double-digit growth: +17% for retail; +29% for manufacturing; +35% for construction; and +14% for agriculture and natural resources. The total of medium and long-terms loans outstanding represent 75% of all credit, more than off-balance sheet commitments (13%), short-term loans (8%) and leases (4%).

Banking Risks by Sector of Activity





Sources: Central Bank of Suriname, IMF, IEDOM

Chapter 4

BILATERAL RELATIONSHIPS

4.1 Background

Bilateral relations between France and Suriname are relatively recent. A development partnership was started between the two countries when Suriname was identified as one of the countries qualified to be in the French “Priority Solidarity Zone” [1] (PSZ) in 1999

The major purpose of the partnership is the sustainable economic development of Suriname’s eastern region. This area was badly damaged during Suriname’s civil war and long abandoned by international aid groups. Development should lead to a reduction in poverty and diminish economic migration from eastern Suriname to western French Guiana. The influx of Surinamese immigrants puts pressure on public services such as healthcare and education in French Guiana, and leads to societal tensions. The development strategy is focused on satisfying the needs of Surinamese living along the banks of the Maroni River, and to encourage a territorial re-balancing toward the eastern part of the country by making structural investments.

Another shared problem is clandestine exploitation and polluting of forests and mines in both Suriname and French Guiana. A strategy for the sustainable protection of biodiversity and the primal forest that extends across the Guyana Plateau can be successful only if it is conducted in partnership between the two territories. Protecting the Maroni River that runs between the two countries should also receive particular attention.

4.2 Modes of intervention

In terms of bilateral and multilateral programs and plans, partnerships are managed by several entities: the French Ministry of Foreign and European Affairs (MAEE); the French Development Agency (AFD); the European Commission; various U.N. organizations like UNICEF and the United Nations Development Programme (UNDP); the Dutch Embassy through its cooperation service; the Inter-American Development Bank (IDB); and others such as the French Fund for the Global Environment (FFEM) and the Global Fund to Fight Aids, Tuberculosis and Malaria.

[1] The Priority Solidarity Zone (PSZ) was defined by the French government in February 1998, as an area in which public aid, engaged in a selective and concentrated manner, can produce a significant effect and contribute to the smooth development of institutions, society and the economy. It is composed of countries among those least developed in terms of income; without access to financial markets; and with which France intends to forge a strong partnership link for solidarity and sustainable development.

Bilateral cooperation that reinforces itself.

AFD[1] has been active in Suriname since 2000 through its office in Cayenne, French Guiana. The knowledge and understanding that AFD has developed about both territories allows it to work simultaneously with representatives of both places, e.g. decision-makers, operators, NGOs and funders.[2]

AFD's operations in Suriname have been mostly to provide loans. Since Suriname is a country of intermediate revenues, AFD can make concessional loans to the Surinamese government. AFD also subsidizes the expense of feasibility studies prior to investing in projects, and provides technical assistance. Several projects are in the works for infrastructure, health and the environment. The total value of AFD's financial assistance and loans to Suriname will likely reach €40 million by the end of 2008.

Suriname still receives a large portion of international aid.

Despite clear improvements in its economic and financial situation over the last five years, Suriname still depends on international aid. For the period 2006-2011, international aid commitments will equal €650 million,[3] of which 67% will be outright grants.

The **main funders** and their commitments are as follows:

- When the treaty of independence was signed, the Netherlands committed €1.6 billion to Suriname. The remaining balance of that sum, €108 million, should be paid off by 2010 and will be spent on six priority sectors: education; health; management; environment; housing; and agriculture. In parallel, the Dutch Cooperation Fund is putting financing and grant programs into place for the same sectors, with commitments valued at €25 million per year.

- Suriname is one of the principle beneficiaries of European Union aid in the region. The 10th EDF (2008-2013) will focus on the transportation sector and provide €21 million in funding, of which €17.5 million will be consecrated to co-financing the Paramaribo-Albina road rehabilitation project. The EU also provides support for the tourism sector; to reform banana culture; and to microprojects.

- The Inter-American Development Bank has been present in Suriname since 1980, primarily by providing loans to the country. For the 2006-2010 period, IDB's strategy will focus on three sectors: public sector reform; modernization of the private sector; and integration of the

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[1] AFD is the *Agence Française de Développement* (French Development Agency) a development finance institution established in 1941 that works on behalf of the French government.

[2] Funders are entities such as development banks, philanthropic organizations and foreign governments who provide financing for development projects through grants, loans, subsidies, equity states and other financial instruments.

[3] To give an idea of scale, €650 million represents 17.5% of the total cost of investments defined in the Surinamese government's strategic development Plan for the 2006-2011 period. (Source: Ministry of the Plan, April 2006).

Surinamese interior. The commitments to execute this strategy should be on the order of $50 million to $75 million.

- Other funders make smaller contributions. It is worthwhile noting the increasing presence of emerging countries, such as China, India and Brazil, in the list of aid providers.

New resources from European regional cooperation programs are managed from French Guiana and Guadeloupe.

In order to encourage the regional integration of the French Overseas Departments, specific French laws[1] have given general and regional councils the legal attributes necessary to be able to negotiate and sign regional agreements with neighboring countries and organizations in the name of the French Republic. In addition, if French authorities agree, the French Overseas Regions can become associate members of certain regional organizations.

The European Union has shown the priority it gives to the integration of the "Ultra-Peripheral Regions" in their regional environment through the large budgetary resources it is providing. The third goal of the DOCUP, "Promote regional cooperation as a growth factor," permitted €4 million in funds to be obtained from the EU.

For the most recent program period, 2007-2013, a cross-border operational program known as "Operational Programme Amazonia" has been endowed with €17 million. It will be managed by the French Guiana region with the intention of synergizing the potential for three-way partnerships between French Guiana, Suriname and Brazil. The program has three objectives:

1. ***To contribute*** to the improvement of living conditions by supporting better economic growth and the preservation and management of a common natural heritage.
2. ***To develop*** economic activities by supporting cross-border cooperation between businesses and promoting local resources and potential.
3. ***To support*** education and professional training activities, encourage multilingualism, and promote multiculturalism and cultural activities.

Cooperative projects such as the "Albina Resort" project and support for healthcare services in the Maroni River border area are eligible for Operational Programme Amazonia funds. *(cf. infra).*

French Guiana is also participating in the program known as **Interreg IV Caribbean 2007-2013** that was conceived by the Guadeloupe region in partnership with Martinique, Saint Martin and Saint Barts. Funded with €43 million, up from €12 million for the previous period, the program aims to help French regions in the Caribbean establish working partnerships with almost all of the countries who share a border with the Caribbean Ocean.

[1] Powers granted by the Overseas Orientation Law (LOOM) of 13th December 2000 and the Programme Law (LOPOM) of 2003.

The Interreg IV Caribbean proposes to:

- finance investments that will reinforce ***means of communicatio***n in the Caribbean zone;
- provide support for communications network ***innovation***;
- encourage new projects in the areas of ***sustainable tourism*** and the ***protection of marine and terrestrial natural resources***;
- ***bring people together*** by supporting activities in the areas of education; professional training; culture; health; and mutual understanding of institutional administrative systems.

On a smaller scale,[1] a Regional Cooperation Fund will help with co-financing activities in the areas of culture, education, research, and tourism. Other decentralized regional partnership and cooperation activities will be directed by the General Council; the French Guiana Region[2] using their own funds; and by French Guiana's Chamber of Commerce[3] (CCIG).

4.3 Projects

The partnership projects that are being planned or that are already underway follow four priority objectives:

1. To permit access to a fair offer of basic health and education services for people living in the Maroni River area.
2. To encourage economic development and accessibility in the areas bordering French Guiana.
3. To rehabilitate transportation, energy and communications infrastructure wherever a common interest is shared by Suriname and French Guiana.
4. To put into place a joint policy to rationally manage natural resources between all the countries and territories of the Guyana Plateau.

<u>Projects that are currently underway</u>

1. *Rehabilitation of the Paramaribo-Albina road*

The rehabilitation of the Paramaribo-Albina road is a prerequisite for the Albina region being able to catch up economically. It will also allow better management of the flow of goods, services and people between French Guiana and Suriname. The road project is part of a bigger project to provide ground links across the entire Guyana Plateau, from Venezuela to Brazil. It is part of Suriname's national Plan: Transportation is a priority for the Surinamese authorities.

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[1] 2008 budget was €500,000.

[2] Culture, education, sport.

[3] Searching for institutional partners and raising awareness among entrepreneurs about the potential of their regional environment.

The total cost is estimated to be €100 million. AFD will likely help finance the project by providing loans and grants totalling €25 million. Other funders include the Inter-American Development Bank, the EU, and the Dutch Embassy through its cooperation service.

2 Suriname Health Project: supporting the Surinamese government in taking care of patients in health care centers in Albina and along the river.

Healthcare options being inadequate on the Surinamese side of the river, some Surinamese people go into French Guiana for care, particularly to Saint-Laurent, and even Kourou and Cayenne, overburdening those services.

A health project financed in partnership with the Priority Solidarity Fund known as “Support for fighting infectious disease, in particular malaria on the Maroni” was put into place by a technical assistant from March 2003 to July 2008. The project aims were to reinforce epidemiologic surveillance along the Surinamese part of the Maroni River basin, to develop a central laboratory for the Surinamese Health Ministry in conjunction with the Pasteur Institute in Cayenne, and to cooperate in the control and prevention of common infectious diseases on the Upper Maroni.

On January 1, 2006, the project was transferred to AFD under the title “Support for health partnership between French Guiana and Suriname.” The overall objective of the project was not modified, even if its presentation was improved, particularly in terms of intensifying bilateral cooperation between Suriname and France. The project has made networking between healthcare professionals in Suriname and French Guiana more efficient, with more participants, in order to better address cross-border health issues.

In light of the overall satisfaction of participants, and the bilateral partnerships that have been engaged, along with the size of the healthcare needs and the weakness of the offer available to local populations, Surinamese officials have asked AFD that this project be continued. So a follow-on project has been put in place. It is called “Support for the Surinamese government in caring for patients in Surinamese healthcare centers (Albina and along the river).” The first tranche of investment for this project is estimated to be €15 million and will likely be financed in its entirety by AFD.

The project has three goals:

1. To construct, rehabilitate and equip healthcare infrastructure, both at the central level, e.g. public hospitals in Paramaribo and the central laboratory; as well as at the regional and local levels, e.g. the Albina hospital, the Atjoni hospital and healthcare centers.
2. To help obtain investment funds and drive bilateral cooperation by using international technical expertise.
3. To encourage cross-border collaboration between key participants from Suriname and French Guiana within a formal framework.

3. FFEM Project

The environment is an important concern to both Suriname and French Guiana: They are located in a zone that is highly important because of its concentration of the planet's biodiversity. An approach to economic development that is too brutal could endanger an exceptional ecological heritage, e.g. development that allows wildcat cutting of trees; illegal gold washing; pollution of the soils and rivers; trafficking in animals; violence and insecurity.

The FFEM[1] project for sustainable development of forest resources on the Guyana Plateau is designed to help put into place a shared approach for:

- sustainable forest management and eco-certification;
- reduction in the impact of gold washing on the land and on people;
- sustainable management of nature preserves through the creation of appropriate economic activities for people living near them.

4. The Guyana Plateau Shield Initiative

This project is piloted by the Dutch Committee of the International Union for Conservation of Nature, Conservation International and the United Nations Development Programme. It aims to establish an environmental information network to follow the status of the Guyana Plateau. By using mapping tools, it would identify and distribute information about ecosystems and areas under pressure from human activities and help establish priorities for vigilance in such areas. Partner countries for the project include Brazil, Guyana, French Guiana, Colombia, Suriname and Venezuela.

Projects being considered

1. Projet "Albina Resort"

The town of Albina was particularly hard hit by the civil war in Suriname. There was vast destruction and insufficient reconstruction. Large investments are necessary to revitalize economic activity and urban development in this border region. The poor situation in Albina makes the town of Saint-Laurent on the French Guianese side of the river seem especially attractive for its first-class public services, especially healthcare and welfare benefit payments.[2] While there are an estimated 17,000 people living in the Albina region, there are only 8,000 people working. The potential for pressure on French Guiana's services on the other side of the Maroni River is quite high.

An ambitious pilot project in the Marowijne district for the economic, social and environmental development of the Albina region is envisaged, based on a policy of decentralization. The project totally fits the strategic orientations of French partnerships with Suriname because it will increase accessibility in the region and contribute to sustainable economic development in this border

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[1] *Fonds Français pour l'Environnement Mondial* (French Fund for the Global Environment)

[2] Healthcare costs are paid in full for indigent illegal aliens and non-illegals can qualify for a minimum income stipend (RMI) and benefits for families with children.

region. It should revitalize the region by providing health, education and hydraulic infrastructure. It should also help new business projects emerge that can be financed by private investors or funders.

An initial research study provided the base for a development strategy that could be translated into projects. The strategic goals for "Albina Resort" have been defined as follows:

- be the capital of a district, with delegation of state powers to the district level;
- be a border town capable of playing an active role in cross-border economic development;
- be a center of economic development, the first activity being to rebuild and rehabilitate the town.

Almost 45 different areas of action have been identified of which 23 qualified as priorities. An investment of €19 million would be required over two phases: an urgent program in 2008-2009 and a five-year plan for 2009-2013. Some of the priority plans include the creation of an urban development agency, new housing construction and rehabilitation of social housing.

2. Project for electrical grid connections between Suriname and French Guiana

A feasibility study for this project was launched in 2007. If undertaken, the project will consist of building an electricity transmission line to power the Albina region from a station in Paramaribo and include the interconnection of electric grids. The end results of this project would be to secure the electric power systems of both Suriname and French Guiana, meet the growing need for power and optimize costs.

3. Telemedecine

Several other modes of intervention are of shared interest to stakeholders in French Guiana and Suriname, such as developing telemedicine capabilities. Telemedicine was first put into operation in French Guiana in 2001. Another project of interest is to equip a special boat to provide healthcare and medical interventions along the Maroni River.

4.4 Perspectives

The comparative study of the economies of French Guiana and Suriname reveals promising prospects for the future of economic relations between the two territories. Those relations are currently weak in the formal economy.

Cooperative efforts aiming to expand economic relationships should concentrate on the following areas of activity:

1. Transportation

Efficient transportation services are a prerequisite to the development of exchanges of goods and services between French Guiana and Suriname. In order to reduce costs and optimize logistical operations, improvements to the transportation sectors should include every one of its components: road transport, air transport; ocean transport; and river transport. Certain concrete measures have already been taken in this domain, as seen in the Paramaribo-Albina road rehabilitation project.

However, it should be noted that the Paramaribo-Albina road project will not be sufficient in itself to significantly increase trade between the two economies. To really augment trade between Suriname and French Guiana, improvements must be made to facilitate crossing the Maroni River. Short-term improvements could include the renovation or replacement of the “Gabrielle” ferry along with an expansion of its scheduled runs. A longer-term solution would be to construct a bridge across the river.

It would be useful to being thinking today about the next phase of improvements for the transportation sector. All infrastructure improvements should be accompanied by additional measures designed to facilitate trade between Suriname and French Guiana, such as reciprocal agreements and measures to simplify administrative procedures and customs processes.

2. Education

Efforts aimed at increasing scholarly exchanges between Suriname and French Guiana should be pursued. Partnerships could be set up between French Guiana’s “*Pôle Universitaire,*” which is in the process of being totally modernized, and Suriname’s higher education institutions, such as the University of Suriname and the renowned Lim A Po Institute. Such partnerships could give students the opportunity to study for one or more semesters in a neighboring country’s university. The two education systems could also launch joint research and development projects in domains of shared interest, such as the environment. These university-level exchanges could be complemented by exchanges at the secondary school level.

One of the end products of such exchanges would be to spread the language and culture of each of the two neighbors. It should be added that learning their neighbor’s language should not let French Guianese who are involved in business and economics forget that it’s necessary to master English as well, as it’s the common language for international business.

3. Tourism

Suriname and French Guiana both have great potential for tourism that they are each trying to develop separately. Inasmuch as this potential is complementary, it would be worthwhile to create shared tourism products in order to attract each others’ leisure and family travellers, and more international visitors overall. Different combinations could be imagined, such as an association between lodges in Suriname with those in the Islands called “Iles du Salut”, located off the coast of French Guiana.

Greater opening of markets should be explored.

In parallel to efforts aimed at increasing their own cooperation, French Guiana and Suriname should continue to make efforts to integrate themselves further in the region. In a regional context characterized by the emergence of the Brazilian giant, neither territory has a domestic market that is big enough to create or sustain “leader” companies capable of anchoring economies that are made up primarily of very small enterprises. However, because Suriname belongs to CARICOM and French Guiana belongs to the European Union, each benefits from the status of being an ***entry point*** for distinct economic spaces. Currently, Suriname has taken better advantage of this status to export a large part of its rice and fish to CARICOM countries than has French Guiana, which makes only limited exports to the EU or French West Indies.

There are many prospects for development and cooperation between Suriname and French Guiana in many diverse domains. To make effective and efficient progress starting up joint projects it will certainly be necessary to find ways for the various stakeholders to work together, so that operations are conducted with the broadest possible consensus.

Acknowledgements

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Ministry of Planning and Development Cooperation (PLOS)
Ministry of Education and Community Development (MINOV)
Statistics Office (ABS)

Inter-American Development Bank
Dutch Cooperation Fund
United Nations Development Programme
European Union

Association of Economists
Chamber of Commerce and Industry
Lim A Po Institute of Social Studies
Trade and Manufacturers' Association (VSB)

List of Acronyms

ABS:	*Algemeen Bureau voor de Statistiek* (Suriname Statistics Office)
ACP:	Africa Caribbean Pacific
ACS:	Association of Caribbean States
ACTO:	Amazon Cooperation Treaty Organization
ADEME:	Agence de l'Environnement et de la Maîtrise de l'Energie (Environment and Energy Agency)
ADIE:	*Association pour le Droit a l'Initiative Economique* (The Right to Economic Initiatives Association)
AFD:	*Agence Française de Dévéloppement* (French Development Bank)
AME:	*Aide Médicale d'Etat* (State Medical Aid)
ASSEDIC:	French unemployment insurance system
CARICOM:	Caribbean Community and Common Market
CARIFORUM:	Caribbean Forum of African, Caribbean and Pacific (ACP) States
CCIG:	*Chambre de Commerce et d'Industrie de la Guyane* (French Guiana Chamber of Commerce)
CEROM:	*Centre d'Etudes et de Recherche sur le Management et les Organisations* (Center for Management and Organization Studies and Research)
CIRAD:	*Centre de Coopération Internationale en Recherche Agronomique pour le Développement* (Center for International Cooperation and Agronomic Research for Development)
CMA-CGM:	*Compagnie Maritime d'Affrètement-Compagnie Générale Maritime*
CMU:	*Couverture Maladie Universelle* (Universal Illness Coverage)
CPER:	*Contrat de Projets Etat-Région* (State-Region Projects Contract)
DIACT:	*Délégation interministérielle à l'aménagement et à la compétitivité des territoires* (Interministerial Delegation for the Installation and Competitiveness of Territories)
DOCUP:	*Document Unique de Programmation* (Single Programming Document)
DOM:	*Départements d'Outre-Mer* (French Overseas Departments e.g. Reunion, Guadeloupe, Martinique and French Guiana)
DSDS:	*Direction Départementale de la Santé et des Affaires Socials* (Departmental Health and Social Affairs Directorat)
EPA:	Economic Partnership Agreement
EDF:	European Development Fund
EDF:	*Electricité de France*
FCR:	*Fonds de Coopération Régionale* (Regional Cooperation Fund)
FFEM:	*Fonds Français pour l'Environnement Mondial* (French Fund for the Global Environment)
FSP :	*Fonds de Solidarité Prioritaire* (Priority Solidarity Fund)
IEDOM :	*Institut d'émission des départements d'Outre Mer* (Central Bank for French Overseas Territories)
HDI:	Human Development Index
IDB:	Inter-American Development Bank
INSEE:	*Institut National de la Statistique et des Etudes Economiques* (French National Statistics Office).
INTERREG:	An EU-funded programme that helps Europe's regions form partnerships to work together on joint projects
MAEE:	*Ministère des Affaires Etrangères et Européennes* (French Ministry of Foreign and European Affairs)
MOP:	*Meerjarige Ontwikkelingsplan* (Multi-Year Development Plan)
OP:	Operational Programme
PSZ:	Priority Solidarity Zone
RMI:	*Revenue Minimum d'Insertion* (Minimum Income Stipend)
SARA:	*Société Anonyme de Raffinerie des Antilles*
SBSS:	*Stichting Bahoudbananen Sector*
UNDP:	United Nations Development Program
UPR:	Ultra-Peripheral Region

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French Guiana and Suriname are two territories separated by a 500 kilometer river-border where the economic agents don't know each other very well even though they are confronted with similar challenges, just as people living on each side of the river share certain life experiences.

The truth is that several key differences make it difficult for one to know the other and slow the creation of partnerships. Their administrative and organizational frameworks are different: one territory is a sovereign South American country and the other a French-administered region of Europe. There are linguistic barriers, poor communications networks, different standards and regulations, as well as long-held preconceptions.

It's within this context that the CEROM partners thought it would be useful to create a comparative study of the two territories' economic systems. The objective was to create a report that would provide a factual basis through which key stakeholders and decision makers could more easily identify points of complementarity, convergence and divergence, with a view towards developing cooperative partnerships between the two territories.

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