SHORT DESCRIPTION OF THE RELEVANT ASPECTS OF THE DUTCH ECONOMY IN THE GLOBAL ECONOMIC SYSTEM

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Abstract: *Despite of its reduced population number and small area, the Netherlands is one of the top countries in terms of trade and FDI. The aim of this article is to present its trade, FDI flows and to highlight some of the advantages that the country has in the mentioned fields. Even though it was hit by the economic crisis, the state recovered fast and, since 2009, maintained a positive trend to its foreign trade and FDI. Moreover, because it has a stable economic environment and a professional labour force, foreign investors are eager to start investing in businesses in this country.*

Keywords: trade; FDI flows; investment projects; destination.
JEL Classification: F19; F63; 052; P45.

INTRODUCTION

Although it is a state with a small area and population, Netherlands is one of the main European players in economic terms. The size of the investments made in different countries and the high level of foreign trade recommends this state as a continental power.

The Dutch trade is the mainstay of the economy. The geographical position of the country represents one advantage because is situated in the highest populated place on the continent. In fact, nearly 160 million people are within a radius of circa 450 kilometres from the Netherlands, giving this country multiple areas where commerce can be carried out. Roughly 80% of the exports are destined for the European countries and 70% of the imports are from Europe.

Foreign direct investments in the Netherlands increased by 25% in 2011 compared to the previous year, indicating that the country held its position as a stable and competitive location for foreign companies. Netherlands Foreign Investment Agency (NFIA) reported that more than 4300 new jobs were created in 2011, investment commitments capped out at approximately 1.74 billion Euros and 41 multinational companies have set up operations in this area, concentrating in Amsterdam. Overall, NFIA made 193 foreign investment projects, increasing their volume by about 25% (Middleton, 2012). As previously mentioned, foreign companies are keen on this location due to its strategic positioning, being near the main developed countries in Europe, like France, United Kingdom and Germany. Another key advantage is represented by the languages spoken in this state,

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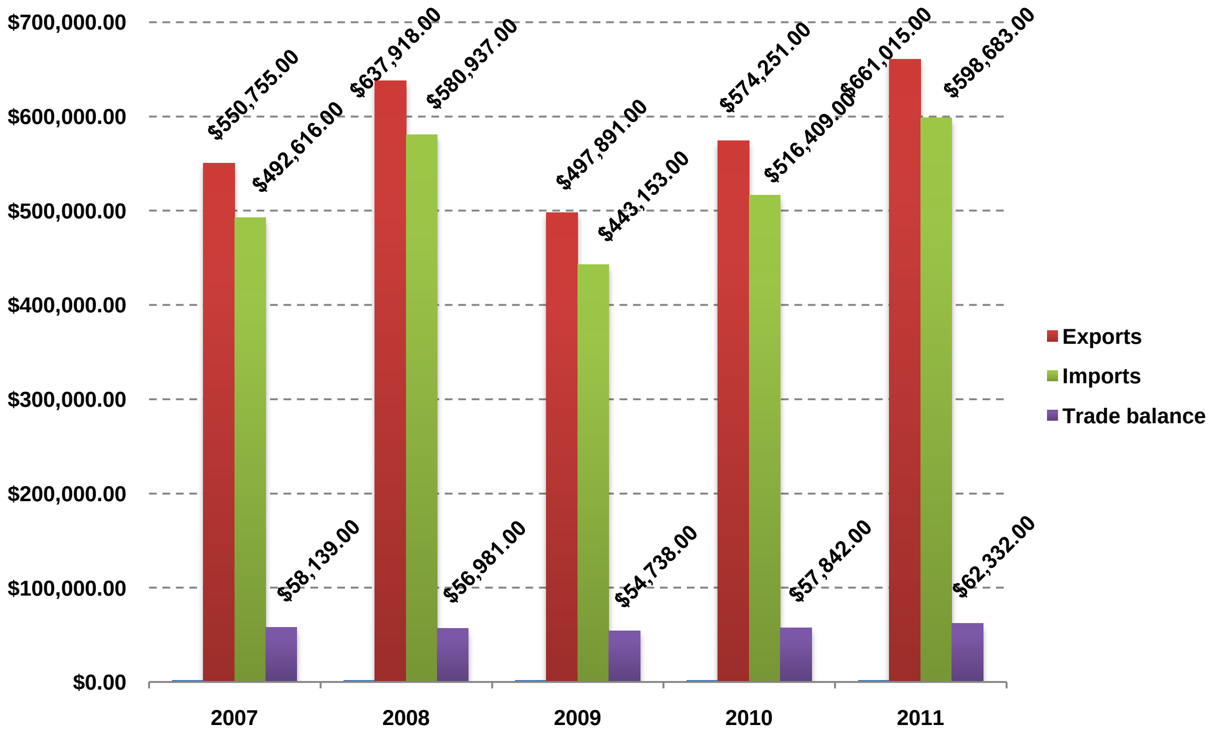
widely circulated, such as German, French and English, the populations high level of education and the tax system.

1. THE VOLUME AND STRUCTURE OF THE FOREIGN TRADE

Figure 1 – Total merchandise trade in US dollars at current prices (millions)



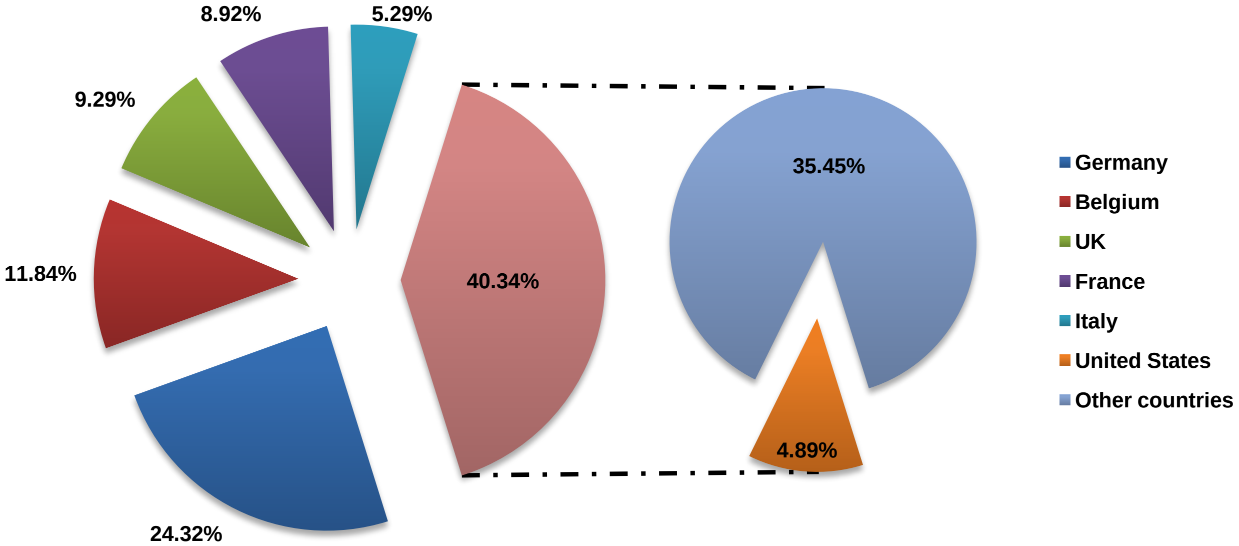
Source: WTO database, http://stat.wto.org/StatisticalProgram/WSDBViewData.aspx?Language=E

2011 has marked a revival in terms of export value, by circa 15% increase versus 2010, rising from $574 billion to $661 billion. From this point of view 2009 was not very profitable: the foreign trade decreased by 21.95%, from $638 billion in 2008 to roughly $498 billion in the next year.

As figure 1 points out, the foreign trade balance of Netherlands from 2007 to 2011 is in excess. Among the reasons that the trade balance of this country is in redundancy, which can be attributed to the following (Dutch trade: more European than global, 2011):

- The Dutch products are highly competitive and they have a high added value;
- A large part of the production is export-oriented;
- The transit exports hold a large share, equating to circa 10% from the GDP;
- Although the labour productivity has decreased due to the economical recession, labour force is still effective due to the high level of qualification.

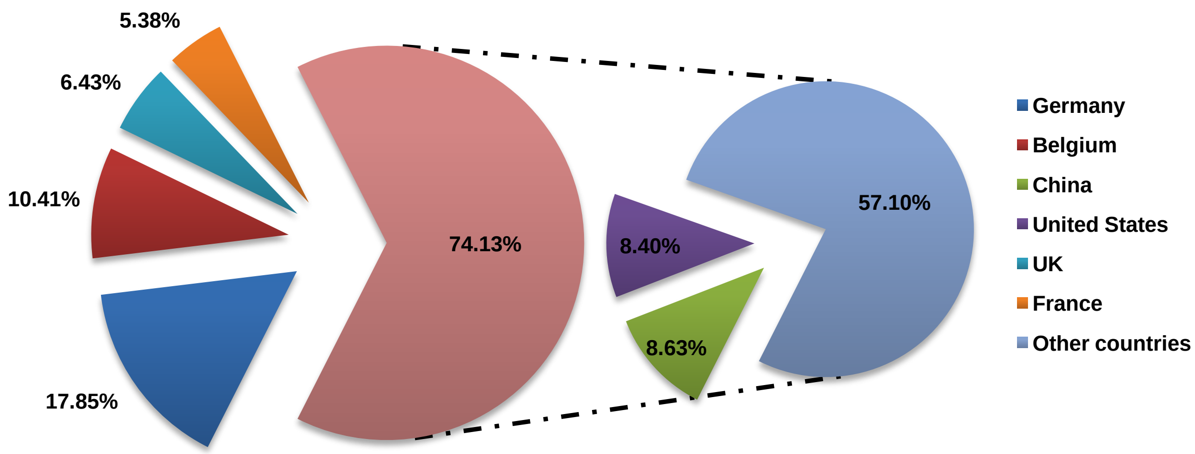
Figure 2 – The main destination of Dutch exports



Source: http://countries.bridgat.com/Netherlands_Trade_Partners.html#.UVNsKFc4Rfk

As figure 2 shows, the main destination of the Dutch exports are developed countries such as Germany (24.32% of total), Belgium (11.84%) and UK (9.29%). These destinations are proof that the Dutch products are highly competitive since they were able to penetrate those markets. Moreover, it was shown that the five mentioned European countries, totalling 59.66%, with the European Union as a whole, totalling 74%.

Figure 3 – Main importers in Netherlands



Source: http://countries.bridgat.com/Netherlands_Trade_Partners.html#.UVNsKFc4Rfk

Following the imports trends, Germany is the the most important import partner, with a share of 17.85% of the total, followed by Belgium (10.41%) and China (8.63%). An interesting fact is the China's presence in this ranking. As the figure 3 points out, important countries like Germany, US or China see in the Netherlands a good environment to start or to develop a business because they can find there an attractive tax system and a very skilful labour power.

According to World Trade Organization, the Dutch exports reveals that the most popular products are the manufactured ones, with a share of 28.8% from the total, followed by fuels and mining products (15.9%) and machineries and transport equipment (14.4%). Table 1 highlights the next issue: the exported products have a high market value, which is exacerbated by the total value of the exports. A significant proportion have the re-exports, which are goods that were originally imported and underwent various transformations to be subsequently sent for export, such as printers, laptops or medical devices.

The import structure is similar to the one seen in exports. The manufactured products still have the largest share of the total, 28.58%, followed by fuels and mining products, 19.78%, and machineries and transport equipment, with a share of 14.63% of total.

Table 1 – The Netherlands exports and imports structure

Product	Share of total exports	Share of total imports
Manufactures	28,80%	28,58%
Fuels and mining products	15,90%	19,78%
Machinery and transport equipment	14,40%	14,63%
Office and telecom equipment	7,80%	8,19%
Agricultural products	7,70%	5,50%
Chemicals	7%	5,45%
Food	6,20%	4,62%
Electronic data processing and office equipment	4%	4,28%
Telecommunications equipment	2,80%	2,89%
Pharmaceuticals	1,30%	1,16%
Iron and steel	1,10%	1,03%
Integrated circuits and electronic components	1%	1,02%
Other products	2%	2,87%
TOTAL	**100%**	**100%**

Source: World Trade Organisation

2. FOREIGN DIRECT INVESTMENT

United Kingdom, Ireland and the Netherlands are amongst the main investors in each other's economies. By assisting companies from the UK, Ireland, United States and Asia to facilitate their penetration in Europe, the NFIA office in London contributed significantly to the results obtained by the parent companies in 2011.

In 2011, circa 21% from the 193 projects that were related to international headquarters comprised of 30 new operations, 9 expansions and 2 retentions. Those headquarters provided nearly 1200 jobs and the high majority of the projects came from Asia and North America. Examples in this direction are the headquarters of Kuwait Petroleum (Hague), Menicon (Emmen), the US guitars producer, Taylor Guitars, and New Zealand Dairy Cooperative Fonterra, both based in Amsterdam (Government of the Netherlands, 2012) .

In 2010 a total of 19 research and development projects have been confirmed in the Netherlands. One of the most important investment in this field is the one that refers to the Nijmegen Heinz infrastructure. On the other hand, small companies, most of them from Asia and Europe, operate their activities of research and development in food and high-tech industries (Government of the Netherlands, 2012).

Northern provinces have absorbed most of the investment projects in 2011. For example, the TAQA Company from AUE has invested in Bergermeer Gas Storage between Bergen and Alkmaar and due to this investment; the Dutch energy sector has incorporated most of the investment funds in 2011.

The Dutch technologic sector produced, in 2011, most of the projects and jobs. Exactly 100 projects were from Asia, 50 from North America and 31 from Europe. At country level, the United States remained the most important source of investment projects, 46 projects were from that state, followed by China, with 29 projects, Korea, 25 projects, and Japan, with 24 projects (NFIA, 2011).

Table 2 – Total structure of the net FDI inflows in the Netherlands by sector of activity in 2009

Economic sectors	Industry	The value of FDI inflows (million $)
Primary economic sector	Mining and quarrying	80,1
	Oil industry	4.757,6
Secondary economic sector	Unspecified activity	25.136,7
	Food and tobacco	-680,8
	Chemicals	455,1
	Metals and metal products	1.764,8
Tertiary economic sector	Wholesale and retail	5.061,1
	Business activities	1.256
	Transport, storage and communications	866,4
	Unspecified activities	276
	Constructions	-686,3
	Financial services	-5.688,7
TOTAL		**32.599**

Source: International Trade Center

As table 2 shows, the wholesale and retail commerce is the economic sector that attracts the most significant part of the net FDI inflows in the Netherlands. The oil industry is very important for foreign investors. Approximately 4.8 billion dollars were invested in this sector in 2009. Ranking third in this section is the metal and metal products industry were the FDI inflows that reached circa 1.8 billion dollars. At a closer glance, it stands out that the FDI inflows are attracted to industries that have a high added value.

Table 3 – Total structure of the net FDI flows from the Netherlands by sector of activity in 2009

Economic sectors	Industry	The value of FDI inflows (million $)
Primary economic sector	Mining and quarrying	15,7
	Oil industry	14.778
Secondary economic sector	Unspecified activity	3.298,3
	Food and tobacco	8.632,6
	Chemicals	-19
	Metals and metal products	-762,5
Tertiary economic sector	Wholesale and retail	316,l
	Business activities	-13,5
	Transport, storage and communications	2.197,4
	Unspecified activities	3.235,6
	Constructions	2.271,2
	Financial services	-5089,7
TOTAL		**28.965,9**

Source: International Trade Center

The most attractive sector in terms of net FDI flows of the Netherlands is the oil industry, with roughly 14,8 billion dollars invested in this field. Another sector where the size of the net FDI flow is high is represented by the food and tobacco industry, with an amount of 8,6 billion dollars. The Dutch invested 2.2 billion dollars in the transport, storage and communications industries.

It should be noted that the net FDI inflows in the Netherlands exceed those made by this country abroad by 11.15%, respectively 3.6 billion dollars.

Table 4 – Favourite destinations of FDI stocks and the most important investors' countries in term of FDI stock in 2010

Country	Foreign direct investment in the respective country and the position in the overall standings	Foreign direct investment from the respective country and position in the overall standings
USA	1 Place – 2.581 billion USD	1 Place – 3.597 billion USD
France	2 Place – 1.207 billion USD	2 Place – 1.837 billion USD
UK	3 Place – 1.169 billion. USD	3 Place – 1.705 billion USD
Germany	4 Place – 1.057 billion. USD	4 Place – 1.484 billion USD
Belgium	5 Place – 741,7billion. USD	9 Place – 632,8 billion USD
Netherlands	**6 Place – 687,8billion. USD**	**5 Place – 950,8 billion USD**
Romania	42 Place – 80,16 billion. USD	67 Place – 1,8 billion USD

Source: Centrall Intelligence Agency, *World Factbook*

According to table 4, the Netherlands ranked, in 2010, sixth place as the preferred destination of FDI and was the fifth most important investor in other countries in terms of FDI stock. These achievements, together with those presented above suggest that the Netherlands is one of the main investors in the world. In 2010 this country had a share of 5.86% of the total FDI performed worldwide (16,220 billion dollars). As an investment destination, the analysed economy attracted, 2010, nearly 4.21% of the total FDI, circa 16,360 billion dollars.

CONCLUSIONS

Perhaps the best health indicator for Netherland's economic environment is given by the inflows of the FDI. Due to the fact that this country has de ability to attract such a large proportion of FDI, it indicates that it has an optimal economic system. The inflows mentioned above generate new jobs, help to develop new industrial technologies and bring a lot of other advantages. It is easy to understand that the foreign investors should not try to enter in a market where there is not a good economic stability. Moreover, although the Dutch labour force is relative expensive, and this represents a solid statement for foreign investors to avoid investing in this region, the rate of FDI upright trend year on year. This happens because investors are attracted by the efficient tax system and the highly skilled labour force.

Because the Netherland's riches are not natural resources, they were forced in some way to undertake trade acts in order to develop. Items like a very high degree of industrialization, a large know-how possession and a very well established infrastructure helped the country to develop an impressive commerce network. Moreover, the Dutch products managed to penetrate important markets like the ones in the US or Germany, which is clear proof that the Dutch economy is competitive, efficient and very well positioned in the global economy.

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