

Economy of the netherlands



Introduction

The Netherlands is the main country of the Kingdom of Netherlands. It comprises of 3 main large and important cities, Amsterdam, Rotterdam and The Hague. Amsterdam is the country's capital. The economy of Netherlands is market based and ranks 16th of 177 countries and was also ranked the 4th happiest country in the world.

The Dutch economy is a free-market economy. They have the world's 16th best economy due to its early industrialization, specialized exports and agricultural growth. They focus mainly on exporting ideas, technology and maintaining good relations with other countries. The Dutch from a long time are known as traders and almost 2/3rd of the economy is based on foreign trade. Along with the United States, the country has been an important part of international free trade. They have a total market share of 3.9%, ranking it 6th in the international exportation of goods.

They have a history of trade, as they (1600-1700) carried spices and other raw materials from India and other Asian countries to Europe and manufactured products back. They were the ones to open trade (seaborne) with China and Japan. The design of their having large cargo holds and small crew was the reason of their success. This reduced the cost of transportation of goods. The tradition continues even today as the nation remains dependent on trade. The Dutch today are the distribution center of Europe. Rotterdam having the Port of Rotterdam (one of the largest single ports) handles annually 400 million tons of cargo has the most advanced facilities in the world. The 4th largest port in Western Europe i. e. The Port of Amsterdam

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and holds 7.4% of the market shares. It plays a vital role in the economy of both city and the country, contributing 45 million Euros in 2007, also adding 5.2 billion Euros to the city's value. The shipping industry hugely impacts the economy. In 2007, Dutch exports were 318 billion Euros comparing to imports of 285 billion Euros. The country is the second largest (after US) exporter of food in the world. Over 1/2 of the shipping industry comprises of re-exportation which equals to 140 billion Euros (2007). The reason why this small country is capable of carrying transportation on such large basis and shipping is due to its exploration of new ideas of transportation.

World War II and After

The German armies in May 1940 overran The Netherlands and the bombing destroyed the center of the city of Rotterdam. Queen Wilhelmina (1840-1948) and the Dutch government exiled (UK). The Dutch government (which exiled) declared war on Japan after the Japanese attack on Pearl Harbor in 1941. In 1942 The Dutch East Indies fell.

The government (after World War II) returned and then began the process of rebuilding. The Dutch under the European Recovery Program received more than \$100,000,000 in aid. The Netherlands joined with Belgium and Luxembourg to form Benelux (customs union that went into effect in 1948) becoming charter member of the UN. In 1949, Dutch joined North Atlantic Treaty Organization (NATO), and in 1958 became a member of the European Union.

A military conflict over West New Guinea, came up with Indonesia when independence was granted in 1949. The Netherlands reclaimed it in 1962.

The postwar rebuilding phase was followed by an economic boom, highly developed social-welfare system was established under socialist governments.

Dutch exports and imports grew about 7.5% annually in the last four decades, while in the last two decades re-exports experienced a boom. Trade policy, reducing in import taxes and other trade barriers and the creating a European internal market, significantly impacts on the growth of trade. The major reason in an increase in trade is income developments. Without any liberalization of trade policy since 1970 the ratio of trade (excluding re-exports) to GDP would have been about 8% points lower. The trade policy has contributed 6% - 8% to the growth of national income in Netherlands since the 1970s. Foreign Direct Investments (FDI) experienced a massive but erratic growth, mostly in the last two decades.

Dutch trade has increased by about 7.5% a year on average between 1971 and 2005. Exports grew slightly faster than imports. Trade and FDI grew thus much faster than GDP. Dutch firms are becoming more and more internationalized.

The goods exports of the Dutch firms doubled from 88% in 1969 to 175% in 2007. The re-exports of goods rose even more, i. e. from 16% 1969 to 154% in 2007. Services exports remained stable as a share in value added. This observation does not alter the fact that services exports has increased over time as did the value added of services. Services became much more important in the economy over that period. The composition of GDP changes in favor of services. Because services sectors are less open to trade than

manufacturing sectors total exports increased less than good exports alone. Exports for goods and services and re-exports increased gradually from 51% of the value added of all Dutch firms in 1969 to 93% in 2007. The increase in trade is mainly caused by increased trade with existing trading partners.

FDI(Foreign Direct Investments)has grown particularly fast, at a much higher rate than trade transactions since the 1980s. FDI flows have increased by about 25% per year on average and trade flows by about 10%. International capital control restrictions and strict national capital market regulation prevented the international unification of capital markets. After the abolishment of these controls FDI started to rise, first slowly but after 1985 it has accelerated with several peaks. The peaks in Dutch inward and outward flows in 2001 was due to a large extent by investments of banks and holding companies.

The country supports investments and innovation by setting aside € 500 million for a Research and Development Allowance for businesses. For innovative projects more capital is made available via the Innovation Fund for SMBs. The Ministry has created a business web portal to improve services for the business sector.

Tourism and recreation are vital to the Dutch economy. A record number of almost 12 million tourists visited this country in 2012, spending a total of €5 billion. As in previous years, the majority were from Germany. The tourism industry has an annual turnover of €37 billion. It also accounts for 400, 000 jobs - 4. 5% of the national total. The government wants to boost tourism by attracting more visitors from abroad.

The manufacturing industry(second largest sector of the economy), comprises 17% of the total economy. Oil and natural gas deposits forms 3% of this sector. The manufacturing sector is mainly developing and designing of high-tech products to be produced at a less cost for exportation.

The twelfth largest portion is the public sector. Efforts have been made by the government of tax breaks and privatization.

The Agriculture Sector accounts for two percent of the economy and is important because the industry provides over 600, 000 jobs, and accounts for 1/5th of Dutch exports. As of 1 January 2012 antibiotic use in agriculture is to be cut by 20%. The local authorities, citizens, companies and civil society will conclude green deals. Sustainable energy production will increase with the help of an incentive scheme for SMBs. The Ministry of Economic Affairs, Agriculture and Innovation will release more than € 288 million in government cuts from the merger of the Ministry of Economic Affairs and the Ministry of Agriculture, Nature and Food Quality. The first savings of € 49. 1 million will be released in 2012.

Statistics:

Trade:

- &% of Dutch companies are exporters.
- 33% of income generated from abroad.
- 44% of employees work for exporting companies.
- 87% of R&D expenditure is provided by exporting industries.

Foreign Investments:

- 1% of companies in Netherlands have foreign ownerships.
- 15% of Dutch people work for foreign owned companies.
- 25% of GDP comes from foreign owned companies.
- 33% of R&D expenditure is provided foreign investors.

Rankings of Netherlands:

- 5th largest global exporter.
- 7th largest global importer.
- 7th largest global investor.
- 8th largest receiver of foreign investments.
- 16th largest global economy.

Exports per Sector:

- 41% re-exports from imports.
- 34% from industries.
- 6% from trade and transport.
- 4% industry and energy.
- 4% financial services.
- 3% business services.
- 3% agriculture, forest and fisheries.

According to Statistics Netherlands the economy decreased by 0.2% in this year's second quarter, while the first quarter showed double this figure. Both consumer spending and business investments decreased in this year's second quarter. During the same period exports grew by 0.4%. The number of jobs decreased by 147,000.

Future Prospects:

Energy Agreement for Sustainable Growth:

- More wind turbines

A thousand new wind turbines are to be built. By 2020, 14% of all energy will be generated from renewable sources, rising to 16% by 2023.

- Resources for home insulation

The government is investing €400 million in insulating rented homes. As well as reducing heating costs and emissions of the greenhouse gas CO₂, this measure will generate new jobs.

- More jobs

Taken together, the investments in energy from renewable sources and energy conservation will create 15, 000 jobs.

- An energy label for every home

All privately owned and rented homes that have not already been assigned one, will be allocated energy label starting in 2015, indicating the home's energy efficiency and raising awareness of energy consumption.

- Tighter agreements on emissions trading

Tighter European agreements are needed to reduce greenhouse gas emissions. The government wants the EU to take steps to improve the CO₂ emissions trading system, to reduce emissions by at least 80% by 2050.

- National Energy Saving Fund

Homeowners can take out low-interest loans to fund energy-saving measures, financed by the National Energy Saving Fund, which has a budget of €600 million.

- Tax breaks for local clean energy initiatives

Local initiatives in which people club together to generate electricity from sustainable resources will be rewarded with lower energy tax rates for those involved. This may for example include residents who club together to invest in a large solar panel system, placed on the roof of a school or warehouse.

Relations with India

Since 1947, Indo-Dutch relations have been excellent, marked by strong economic and commercial ties, based on foundation of shared democratic ideals, pluralism, multiculturalism and rule of law. Indo-Dutch relations have been multi-faceted and encompass close cooperation in various areas including political, economy, academics and culture. Since the early 1980s, the Dutch Government has identified India as an important economic partner. The relations underwent further intensification after India's economic liberalization in the 1990s with growing recognition of India as an attractive trade and investment partner. For many decades, India was a major recipient of Dutch development aid. Today contacts between the two countries focus mainly on economic, technical and scientific cooperation.

Economic relations

- India has developed into a rapidly expanding economy, focused on technological development and technical and scientific cooperation.

- The Netherlands is a major investor in India, through Dutch companies involved in sectors like technology, energy, logistics, financial services and transport. Central government seeks out opportunities for Dutch companies and tries to attract Indian investment to the Netherlands. There are particularly lucrative opportunities for Dutch companies in the following sectors of India's economy: agri – food, logistics (ports, shipping and inland waterways), technology (the automotive and defence industries), infrastructure and water management, energy, health, chemicals and creative industry. Dutch interest in India as a trading partner has increased sharply, and although trade remains limited, it is growing rapidly. Exports from the Netherlands to India include machinery, optical equipment, cast iron and steel. The main Dutch imports from India are mineral fuels, including oil.
- The enormous trade and investment potential of the Indian market offers plenty of scope for expanding Dutch exports to and investments in India. Help can be provided by the Dutch Trade Board (DTB), a public-private partnership that works to strengthen the position of Dutch companies abroad.
- The Netherlands has an extensive trade promotion network comprised of the embassy in New Delhi, the consulate-general in Mumbai and two Netherlands Business Support Offices in Chennai and Ahmedabad. Dutch entrepreneurs can contact them for information about market opportunities and for assistance with government contacts. Trade missions and networking meetings are also organized.

- The Dutch embassy in New Delhi promotes the interests of entrepreneurs in the agri-food sector. There are also technical and scientifically attached in both Delhi and Mumbai, who focus on matters such as establishing contacts between Dutch and Indian universities. The Netherlands Foreign Investment Agency (NFIA) also has an office which provides advice, information and practical support to entrepreneurs wishing to do business in India.

In recent months the Ministry of Economic Affairs, together with several Indian states, the Netherlands Agro, Food and Technology Centre (NAFTC) and Greenport Holland International (GHI) have worked on proposals for the establishment of Dutch-Indo Centers of Excellence.

India's central Government has now agreed to the establishment of 10 Dutch-Indo Centers of Excellence across India and has given the green light for the steps necessary for further development.

The Centers of Excellence will provide training and give businesses the opportunity to demonstrate their production methods and techniques. Dutch businesses will contribute to increasing food production in India through improved production methods, logistics and food safety measures. The ten Centers of Excellence will concentrate on the horticulture, dairy cattle, potato, meat and pork chains and will provide opportunities for collaboration between Dutch and Indian businesses.

Trade and investment cooperation – a key component of India-Netherlands relationship – has shown satisfactory growth over the years. Two-way trade has continued to grow steadily, reaching Euro 5. 287 billion in 2011.

Netherlands remains among the top ten partners of India in terms of trade volume with positive balance of trade in favor of India. It is also one of the largest investor in terms of foreign direct investment into India with FDI inflows during period 2000 to 2011 amounting to US \$ 5. 62 billion (accounting for 4. 3% of total inflows into India). Indian investments into Netherlands during period 1996 to 2010 amounted to \$11. 46 billion. The current ongoing Eurozone crisis has not seriously impacted trade and investment flows between India and Netherlands. India's exports to and imports from Netherlands have significantly increased during past 3-4 years and the same is true for trade in services. Many Dutch multinationals and major companies like Phillips, Shell, Unilever (Hindustan Lever in India), KLM, the three big banks - ABN AMRO, ING, Rabobank and others have a growing and successful presence in India. Dutch SMEs with niche technologies and world-class expertise are also actively looking at the Indian market. Similarly, several Indian companies including major IT companies have established their presence in Netherlands. There have been major acquisitions and mergers by Indian companies including that of Tata Corus (now Tata Steel), Apollo - Vredestein, acquisition of Theodoor Gilissen Bankiers by Hindujas and many Indian companies are exploring the possibilities for further tie-ups. The proposal for opening a branch of State Bank of India in Amsterdam is also under process. There is potential for further bilateral collaboration in areas like water management, infrastructure, logistics, ports, highways; inland water transportation; ICT; biotech; agriculture, agro-processing, floriculture, creative design industry. Main Indian exports to Netherlands are - textiles & garments; electric machinery & equipment, agricultural products and processed foods including marine products; leather goods; cars and

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other vehicles, organic chemicals, rubber, plastics & works thereof; mineral and metal products. Main products imported from Netherlands to India are – machinery/equipment; medical/optical instruments, chemicals; plastics, metal products.

Since the beginning of the year there have been several trade missions and business relations established between The Netherlands and India. A number of high-level official visits have taken place including visits by Dutch Minister of Infrastructure & Environment as well as by Mayors of Rotterdam and Amsterdam and Vice Mayor of The Hague with delegations. Foreign Minister Prof. Dr. Uri Rosenthal made an official visit to India at the invitation of Hon'ble External Affairs Minister Shri S. M. Krishna where opportunities for Dutch investments in logistics, water management and communications were discussed.

The trade mission of 40 Dutch businesses to India led by the Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen, met with an enthusiastic response from Indian entrepreneurs and investors. During the mission a number of agreements were signed in both New Delhi and Mumbai, worth tens of millions of euros. The Dutch SME Schouten Food Products, which specializes in manufacturing protein-rich meat substitutes, for instance signed a €10 million contract with a local Indian partner. Talks were also held with Indian companies interested in investing in the Netherlands. These included United Phosphorus Ltd, which decided to earmark €15 million for the expansion of its factory in Rotterdam.

Ms Ploumen expressed satisfaction at the mission's outcome. ' Trade with India generates jobs and income in the Netherlands,' she said.

In talks with the Indian authorities, the Minister urged that the trade and investment climate between the Netherlands and India be improved, along with market access. During the mission it was decided to establish a joint committee on investment and trade, so as to eliminate existing trade barriers between the two countries and strengthen economic ties.

Ms Ploumen also spoke with Indian ministers, organizations and companies about corporate social responsibility. It was agreed that both countries would meet again soon to pursue this discussion, and invite companies like Tata and Unilever to join it.

Signing a Memorandum of Understanding (MoU) on technical cooperation between their two countries in the fields of spatial planning and architecture, water and transport management, and sustainable building took place this year. The aim is to learn from one another and to open doors for the business community.

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