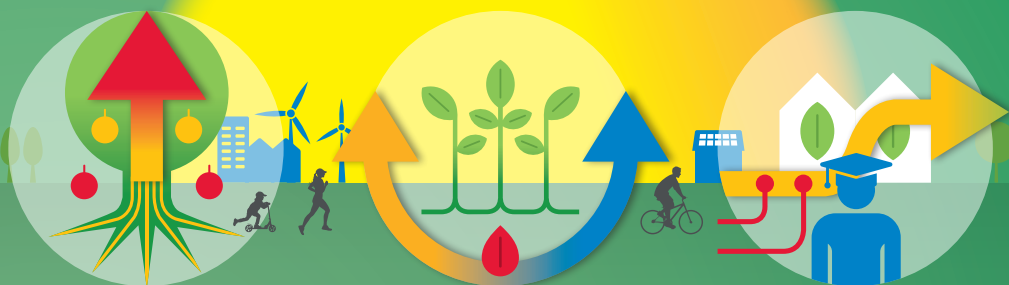




2030



PART 1

2023 INVESTORS' AGENDA OF PRIORITY POINTS

PART 2

INVESTMENT CLIMATE STUDY



The American Chamber of Commerce in the Netherlands (AmCham) is a non-profit, non-governmental, non-political, voluntary organization of companies that invest in and trade between the United States of America and the Netherlands. The Netherlands is one of the most important destinations for U.S. direct investment in Europe and a major hub of American professionals living and working abroad. Since 1961, AmCham is the main voice of U.S. business in the Netherlands and strives to improve the investment climate in the Netherlands.

This publication consists of two parts.

PART 1 – INVESTORS’ AGENDA OF PRIORITY POINTS

Each year, AmCham publishes its recommendations – the ‘Priority Points’ – to improve the investment climate in the Netherlands. These recommendations are the key to an ongoing dialogue with government, employer organizations, legislators and other stakeholders. The issues raised have been distilled from concerns expressed by our 350 member companies. The solutions proposed are aimed at creating an attractive environment for business and society to prosper.

PART 2 – INVESTMENT CLIMATE STUDY

The Priority Points are underpinned by an annual ‘Investment Climate Study’ that is commissioned by AmCham and executed by Bain & Company. The Investment Climate Study gives an insight in current Foreign Direct Investment (FDI) trends and the FDI position of the Netherlands. The study analyses the strengths and weaknesses of the Dutch investment climate against other EU countries and zooms in on opportunities for the Netherlands to continue leading.



PART I

2023 Investors' Agenda of Priority Points

DRIVING GREEN GROWTH IN THE NETHERLANDS

Recommendations to Achieve a More
Sustainable Economy by 2030 and Beyond



INTRODUCTION

The Netherlands has a long history of being an economic powerhouse, with the high-tech, (petro-)chemical, energy and food processing industries as important pillars underneath that economic success. These industries have attracted a lot of investment to the Netherlands and are considered state-of-the-art by global standards. Other segments of the economy benefit from the well-developed industrial ecosystems in the Netherlands as well – SMEs, innovative startups, various service industries, industries further down the chain.

Now that we are going through a fundamental economic transformation to achieve net zero, the basic and manufacturing industries will be needed to provide carbon-free and circular solutions with healthy economic growth as an essential precondition. Funding the energy transition will cost 8% of GDP annually in the Netherlands, which will result in a decline in prosperity – something unseen since the 1980s – if economic growth is not kept up. All industries will have to play their part in maintaining the Netherlands' earning capacity, and in providing

the sustainable solutions and base materials to facilitate the transition to a net zero economy.

The basic and manufacturing industries form a critical link for the transformation of the economy, especially so in a world where geopolitical tensions increase and where more and more countries realize that a certain level of strategic autonomy and self-reliance is critical to ensure stability and have access to essential materials, products and goods.

All industries are tasked with achieving sustainability. The basic industries in this context are operating under the most regulated regime, which is intended to give them the leading edge as compared to industries in other parts in the world. Stimulating industries within that ambitious frame and collaborating on sustainable pathways, rather than pushing them away from production here, offers the Netherlands an opportunity to become a shining example in the global transition to net zero. In this document, AmCham shares recommendations that can help the Netherlands succeed whilst balancing the needs of society, sustainability and business as we grow.



THE INVESTMENT CLIMATE IN THE NETHERLANDS

The Netherlands' favorable geographic location in the heart of Europe, the extensive system of canals and ports, combined with an advanced digital, energy and transportation infrastructure (including Schiphol airport which serves as an international hub), has historically made the Netherlands a preferred destination for companies looking to set up operations in Europe. Also an attractive tax climate, a highly educated and skilled workforce, an open culture and a business climate with a strong focus on innovation, entrepreneurship and research and development have helped the Netherlands stay ahead of the curve in emerging industries such as biotechnology, nanotechnology, and renewable energy. In addition, the Netherlands has a long tradition of free trade and an open economy. This has enabled the country to attract foreign investment and to become a key player in global supply chains.

This unique combination of strengths has made the Netherlands a natural hub for industrial activity and a leader in several key industries. Yet, what made the Netherlands successful in the past is no guarantee of future success and we cannot be complacent nor lose our focus on our continued wellbeing. To future proof

itself, the Netherlands must position itself as a leader in the transition to a net zero economy. This is challenging though as companies experience high regulatory complexity and policy uncertainty. Competitiveness of the Netherlands is sliding as demonstrated in AmCham's 2023 Investment Climate Study.

So how can the Netherlands future proof itself? By promoting sustainable practices in the (basic) industries that are the bedrock of the economy, the Netherlands has an opportunity to raise the bar on green transition, and become a recognized global leader. These industries are often significant emitters but are essential for the transition. Efforts to reduce their environmental impact can have a significant impact on the overall sustainability of the country's economy. In addition, both the basic and high-value-added industries are significant employers and provide opportunities for economic growth in the regions. The current global, European, and domestic reality forces us to re-evaluate the enabling conditions that have made the Netherlands so successful in the past.

AmCham's recommendations focus on **stimulating** what we already have, **transforming** what has potential to further improve, and **enabling** the economy through (among others) talent and infrastructure.



OVERVIEW DRIVING GREEN GROWTH IN THE NETHERLANDS

Recommendations to Achieve a More Sustainable Economy by 2030 and Beyond



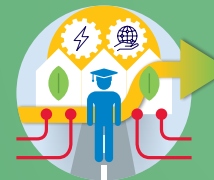
STIMULATE WHAT WE HAVE

- Recognize the interlinkages of basic and high value-added production when formulating policies.
- Avoid importing CO2 and exporting jobs.
- Be prepared to step in to stimulate transition efforts in the Netherlands.
- Re-appreciate the contribution of multinationals in view of green potential.
- Promote resilient supply chains and mitigate the impact of raw material shortages, digital infrastructure and chip scarcity.



TRANSFORM WHAT HAS POTENTIAL TO FURTHER IMPROVE

- Long-term legislative stability is an absolute necessity.
- Coordinate between ministries to avoid inconsistencies between different departments.
- Allow experiments to find solutions for pressing problems. Describe goal or outcome, not the method – be technology-agnostic.
- Broaden the scope of the ‘Maatwerkafspraken’.
- Reconsider current tax base measures that adversely affect sustainable investments.



ENABLE THE ECONOMY THROUGH TALENT AND INFRASTRUCTURE

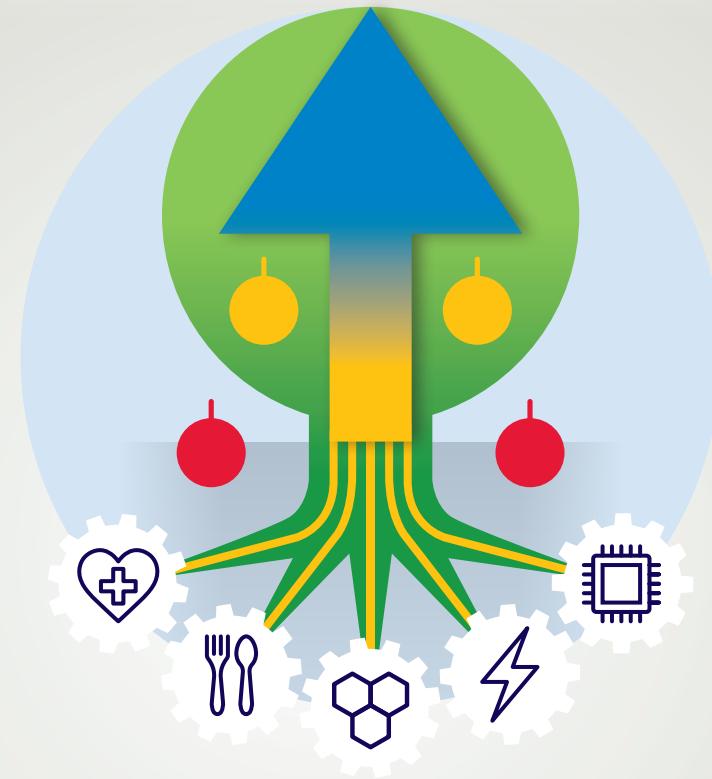
- Facilitate broad labor market participation.
- Recognize the importance of tools like the 30% ruling.
- Increase participation of women and gender equity.
- Be a catalyst for diversity, equity and inclusion.
- Develop and upgrade infrastructure and keep up the pace.
- Strive for stability and predictability in national tax regulations, while supporting new international standards.



STIMULATE WHAT WE HAVE

Basic industries form the backbone of the country's industrial sector. They provide the raw materials and energy required to produce goods and services that are crucial for the development of the country's high value-added manufacturing sectors, like the high-tech and healthcare industries. The Netherlands has several high-value supply chains that are critical to the economy, including the chemical, energy and food processing industries. Such well-integrated supply chains also help to optimize production processes, reduce costs and increase competitiveness. The basic industries ensure that businesses have access to the materials and resources they need to operate efficiently, thereby promoting economic growth. It is important to understand that these supply chains are highly interlinked, and that any disruption in one sector can lead to significant challenges to other sectors. Simultaneously, the interaction between industries is a driver of innovation in the Netherlands and increases Dutch exports.

Keeping (basic) industries as part of the Netherlands' economy is crucial for the country's overall economic development and resilience, employment opportunities, and the transition to a sustainable, green economy.





- The Netherlands has a history of being a frontrunner in innovation, and it is crucial to leverage this strength by valorizing the country's high-value supply chains that successfully integrate basic and high value-added production. **The interlinkages of these chains bring synergies that spur innovation. It is vital to incorporate this insight when formulating policies.** Successful interconnectedness can be observed in the ecosystems of for example the Port of Rotterdam or the Eindhoven tech cluster where basic producers are well integrated with value-added producers.
- Tackling tough climate targets, as outlined in the Dutch Climate Act, should not result in pushing industry away from the Netherlands to countries with laxer policies. **The focus should be on avoiding importing CO2 and exporting jobs.** In this light, mechanisms like CBAM can be a helpful tool for the competitiveness of our industries.
- Incentivizing the green transition will help achieve net zero targets. In a competitive international landscape, the Netherlands will benefit from an EU approach that is designed for speed and simplicity. **However, the Dutch government should be prepared to step in to stimulate transition efforts in the Netherlands when an EU response takes too much time to develop.** Countries like Germany and France are already investing heavily in the transition efforts and development of their own economies and industrial sectors.

- In an affluent economy like the Netherlands, the link between industrial and economic activity and prosperity is not always seen. It is essential to work with the private sector to promote this connection, and a re-appreciation of the contribution of multinationals. **This re-appreciation should take place in view of green potential of different industries. For example, a transformation process of large emitters can have substantial benefits for the long-term, or tech companies can facilitate the transition with data-driven solutions.**
- **Promoting resilient supply chains includes mitigating the impact of raw material shortages, digital infrastructure and chip scarcity.** Dutch industries can serve as a lighthouse for the world, and the Dutch government can leverage this by promoting the green potential of different industries. The basic industries are, for example, critical in the context of solar and wind energy production, and chips are essential for medical technology. Strategic trade agreements, promotion of circularity practices to reduce demand for new materials and other policies can help build resilience.



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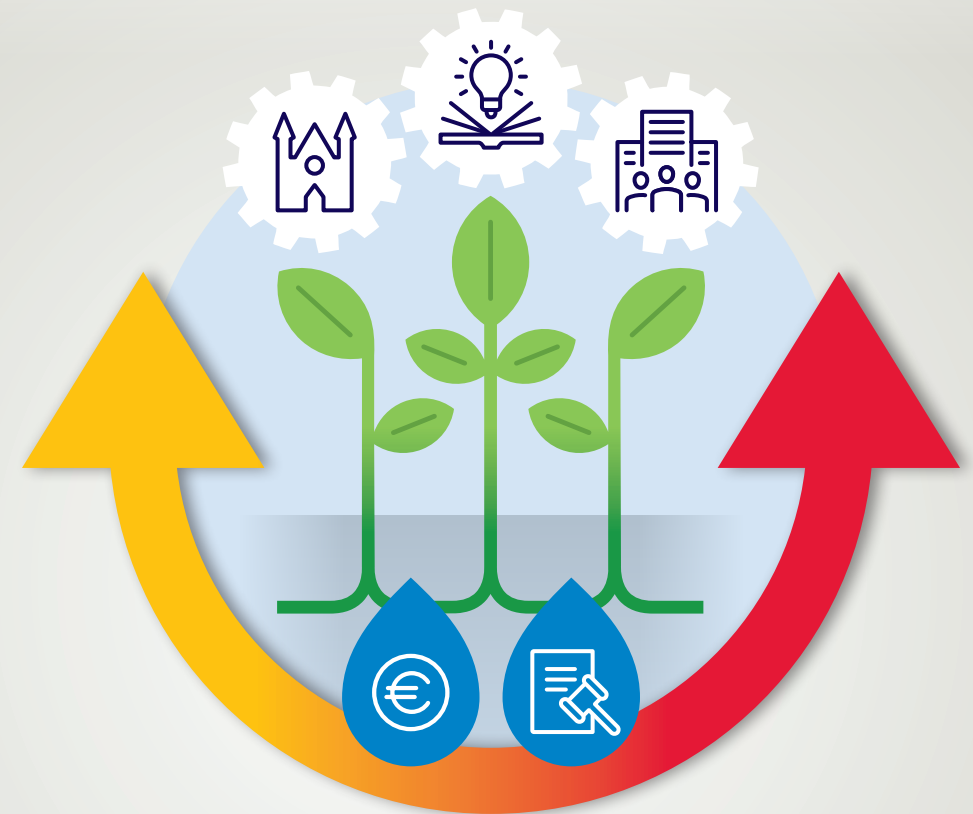


TRANSFORM WHAT HAS POTENTIAL TO FURTHER IMPROVE

In order to get to a more sustainable future, the Netherlands not only needs to 'stimulate' certain value chains, it also needs to 'transform' the status quo. Realizing that many societal problems are interlinked, changing the status quo requires many actors to work together on integrated solutions. The will to work together on pathways that help us achieve the shared ambitions for 2030 and beyond is omni-present within the private sector. A willingness to pragmatically collaborate, in a spirit of mutual trust and with a sense of urgency, is now necessary to move forward with these much needed public-private partnerships.

The Netherlands has built a large and active investment stock in various industries, due to continued focus on innovation in combination with an attractive regulatory and fiscal environment for both Dutch and international companies. Those past investments can give the Netherlands a competitive advantage in many industries, if we decide to keep them here and seize the huge opportunity to create a massive impact on the green transformation.

If the Dutch government empowers industries in their transformation, the Netherlands will be an example for other countries in the European Union, and beyond. Developing transparent, long-term and stable pathways through public-private collaboration will be key to that success.





- **Long-term, stable legislative certainty is an absolute necessity.** A law that enforces that subsequent cabinets cannot introduce contradicting new legislation unless it has an EU basis, could be a way to achieve this. Large investments, which are necessary for innovation and the transition, will only take place if companies have certainty that they will be able to earn back their investments in the long term in a revenue model. Uncertainty kills investment.
- To avoid 'getting stuck', the Netherlands needs to give some room back to the market. Too much complexity hinders and delays innovation and we should ensure that we remove these obstacles. Consistent and predictable policies should be adopted as a reliable fundament. AmCham proposes to make lower regulation density a goal for the coming years. **This will require coordination between ministries as to avoid overlap and inconsistencies between different departments.** AmCham strongly supports the Dutch government's growing attention for interdepartmental policy-making and initiatives like e.g. the 'Action Plan (De)Regulate Healthcare' (Actieplan (Ont)Regel de Zorg).
- An average permitting process takes 8 years on average, which implies a decision on current permitting requests would only become available by 2031. **Therefore, AmCham recommends allowing experiments to find solutions for pressing problems. Describe the goal or outcome, not the method – and be technology-agnostic.** The use of data and (cloud) computing, for

instance, will help solve many sustainability challenges faster. Allowing foreign partners with similar norms and values to participate, will help us advance. AmCham believes the Netherlands should actively advocate for the most open form of Strategic Autonomy – leaving room for collaboration with nations and companies with whom we share norms and values.

- Inclusive leadership can play a role in avoiding polarization. Including different perspectives will open up new pathways towards common goals. AmCham strongly supports public-private partnerships (PPPs) as a method to reach long-term stability and become the leading example within the EU. **Representatives of U.S. companies, organized in AmCham, want a green and clean future as well. AmCham calls on the government to broaden the scope of the 'Maatwerkafspraken' – which are an example of successful PPPs – to more industries.**
- **Reconsider current tax base measures that adversely affect sustainable investments.** Companies that want to make green investments should be facilitated fiscally. In addition, consider the use of certain subsidies, ideally from an EU supported fund (Net Zero Industry Act) topped up with domestic incentives. This will speed up the green transition and attract the 'right' companies to the Netherlands. In the end, society should win!

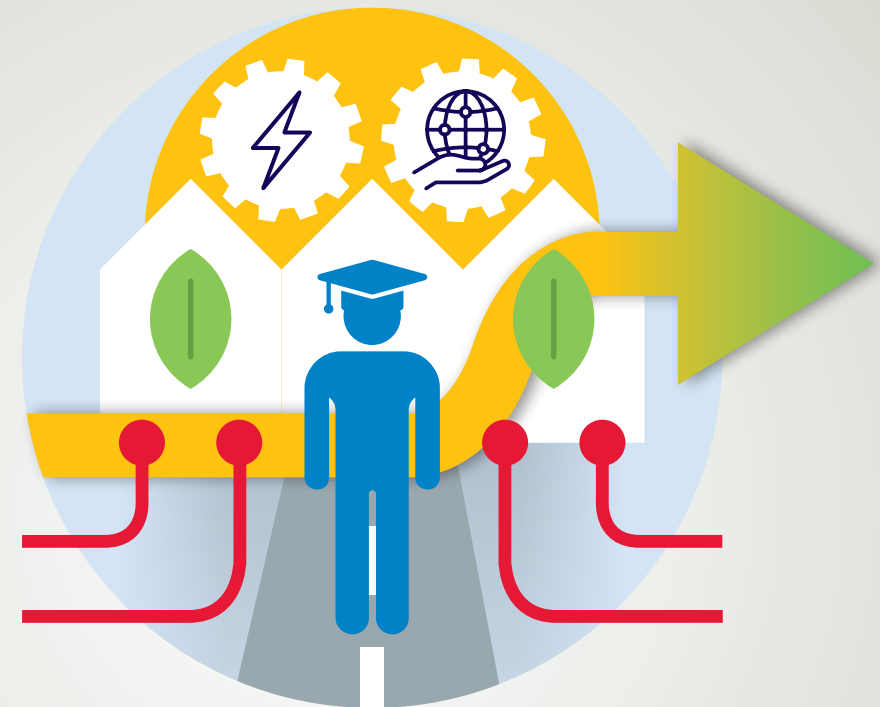


ENABLE THE ECONOMY THROUGH TALENT AND INFRASTRUCTURE

To succeed in the transition, there are crucial enabling conditions that are currently under pressure. Historically, the Netherlands has performed very well on multiple enablers: excellent education, a well-functioning labor market, top-notch infrastructure, an attractive tax climate and policy stability. The current reality forces us to evaluate whether these enablers are still adequate to continue the transition successfully and achieve our 2030 targets.

Companies are increasingly confronted with scarcity in the labor market. Even though an impending recession may lighten the pressure on the labor market temporarily, the longer term demographic trend shows that the Dutch workforce will be insufficient for the much needed economic growth. Optimal labor market participation, new approaches to work and access to international talent will be needed to keep up with the transition ambitions and maintain economic productivity. In a labor market that is tight, also organizations need to evolve in order to stay relevant and resilient. AmCham continues to promote equal opportunities in the workplace, in education and in society, and aspires to contribute to a more equitable workplace, a fair working climate for everyone and inclusive leadership.

We should also continue to invest – with a sense of urgency – in infrastructure that is ready for the new demands of tomorrow, in energy, digital and transportation. Tax policies as well can be a major enabler. Rather than competing for the lowest tax rates in general, seeking opportunities to incentivize labor, innovation and sustainability will stimulate desired developments.

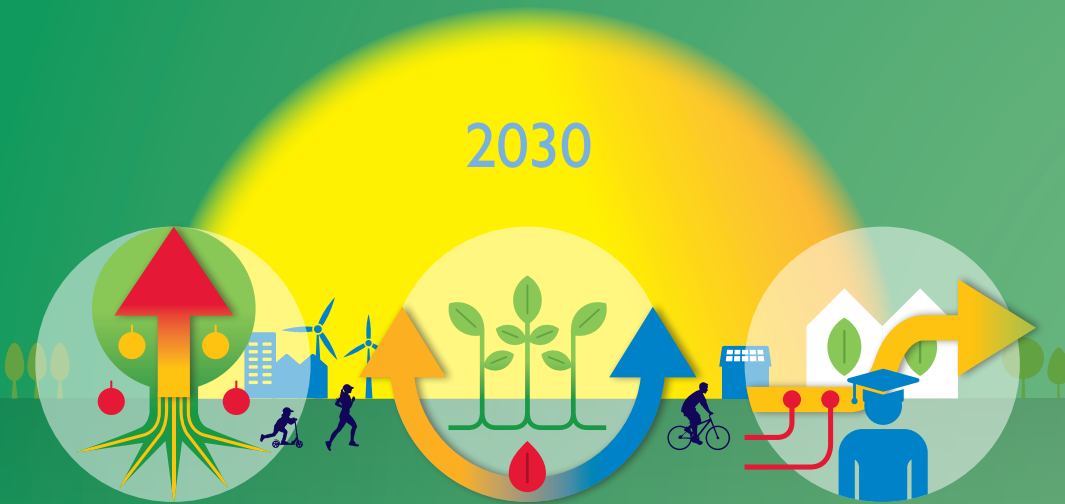




- The need for (especially digital and technical) talent will remain very high the coming decades. It is important to continue to give this the highest attention and **pursue a strategy of facilitating broad labor market participation**. An integrated approach should also include solving issues around affordable housing, (continued) education and childcare as these all have an impact.
- Where talent is not sufficiently available on the Dutch labor market, it should be easier for companies to attract talent from abroad, and it should be attractive for much-wanted talents to choose the Netherlands as their place to work and live. **Tools like the 30% ruling are instrumental in facilitating this and their positive impact in a competitive labor market should not be underestimated**. The attractiveness of the Netherlands can be further increased through a reduction in complex tax rulings, ease of entry and work, and encouragement of talent growth and retention within the Netherlands.
- The Netherlands has a solid societal foundation for gender parity with legal protection, high rates of digital and financial inclusion. The Netherlands has more women than men under the age of 45 with a higher education. Nevertheless, the number of paid labor hours for women, the average monthly income and the number of women in management positions is the lowest in Western Europe. **Increased participation of women and thus improved gender equity are a must, and will have a direct, positive impact on the Dutch economy**. The private sector has an obligation to help close gender gaps

and provide equal opportunities for everyone. Member companies of AmCham can and should play a role but AmCham also calls on the government to take more action on gender equity.

- Every voice counts. **Governments and (international) companies can be a catalyst for growing diversity, equity and inclusion**. Many multinational organizations are already a successful melting pot and breeding ground for all sorts of talent. AmCham promotes further stimulation in this regard.
- A future proof infrastructure is one of the basic enabling conditions for our country to thrive. We need to future proof our energy, digital and transport infrastructures to unlock the green potential of our industries in the transition. Top of the bill (international) infrastructure is one of the pull factors for economic investment. **AmCham supports the Dutch government's continued efforts towards developing our infrastructure and encourages all parties involved to keep up the pace**.
- AmCham supports the government's ambition to **strive for stability and predictability in national tax regulations, while supporting new international standards** (Pillar 2, ATAD3) and encourages the government to stimulate investment in innovation and sustainability in the new Pillar 2 environment.



IN CONCLUSION

It is good to be ambitious in the drive for net zero, but if the Netherlands does this without understanding what other countries are doing, then we are blind. Competition between countries is fierce and AmCham believes it is important to ensure that the Netherlands retains its attractiveness and leadership position in a transforming world.

AmCham will continue to seek constructive public-private dialogue to find solutions that will help us lead in the transition to net zero while maintaining a strong competitive position, and sustainable prosperity for all.



PART 2

INVESTMENT CLIMATE STUDY 2023

Commissioned by the
American Chamber of Commerce in the Netherlands and
Executed by Bain & Company



Please use the QR code to
download a detailed presentation
of the findings in this report.



SUMMARY

KEY MESSAGES

- 1 2022 (in particular H2) was a challenging year for global Foreign Direct Investment (FDI) as a result of inflation, recession risk and energy insecurity – the impact was strongest in the EU with large loss of share to the U.S. and China (~30% '21 vs. '19).
- 2 Within the EU, the Netherlands remains an attractive free-trading nation (~25% of EU FDI stock is in the Netherlands) with top-notch innovation. However, tight labor, infrastructure capacity and an uncertain policy landscape challenge the investment climate.
- 3 In addition to these historical challenges, managing through the energy transition is critical for the Netherlands and the EU as the current energy set-up will (continue to) impact global trade competitiveness across industries.
- 4 Europe is responding to competition on 'green' capital by China and the U.S. (Inflation Reduction Act) with its own subsidies. A collective fund can be considered the 'lesser of two evils' for the Netherlands versus state-by-state funding, given the deeper pockets of Germany and France.
- 5 In this new playing field, it is important to prioritize 'green' capital opportunities where the Netherlands is well positioned to win – driving an integral transition across industries, e.g. in Tech, Industrial Food, Energy and Chemicals.



OBSERVATIONS

The year 2022 was a tumultuous one, characterized by a range of crises and challenges that impacted the business community around the world. The ongoing COVID-19 pandemic continued to pose significant economic risks, while geopolitical tensions between Russia and Ukraine erupted into open conflict. In addition, businesses faced mounting inflationary pressures and questions around energy security, which further strained global supply chains. Against this backdrop, companies had to navigate a highly volatile and uncertain environment and clearly became more hesitant with regards to foreign investments. The core question addressed in this year's investment climate study is how the Netherlands should respond to the changing macro landscape and how the nation can thrive in the long-term becoming an attractive and high-impact transition leader.

RECOMMENDATIONS

STIMULATE

- Fiercely support collective EU subsidies vs. state-by-state funding (level-playing field)
- Prepare to invest in the Dutch industry to potentially bridge the gap with a EU approach

TRANSFORM

- Closely collaborate with the private sector to ease the burden of the transition within the Netherlands' borders
- Set-up private-public transition pathways (technology agnostic) for long-term stability

ENABLE

- Talent – Create attractive (economic) migration and participation regulations and support structures
- Infrastructure – Invest to future-proof capacity (e.g. housing, electric grid)

Note: These recommendations have served as the starting point for AmCham's broader membership consultation in the context of the 2023 Investors' Agenda of Priority Points. Additional recommendations have been made by AmCham's members during that consultation.



FINDINGS

GLOBAL TRADE CONTEXT IN 2022

In 2021, global Foreign Direct Investment (FDI) showed a strong recovery (+~70% vs. 2020), to exceed pre-pandemic levels. 2022, however, discontinued the strong recovery trend with FDI declining by ~10-30% (ref. **FIGURE 1**). Several factors, including the Russia-Ukraine conflict, high energy prices and risk of recession have had particularly strong effect on the European continent, resulting in a significant loss of FDI share (~30%) to the U.S. and China (ref. **FIGURE 2**).

Despite the global and European trend, the Netherlands remains a leading destination for foreign investments. In fact, the Netherlands continues to hold around 25% of the installed FDI stock of the European mainland, demonstrating its long-standing reputation as a free-trading nation and hub for international business.

Furthermore, FDI in the Netherlands is increasingly allocated to new technology development,

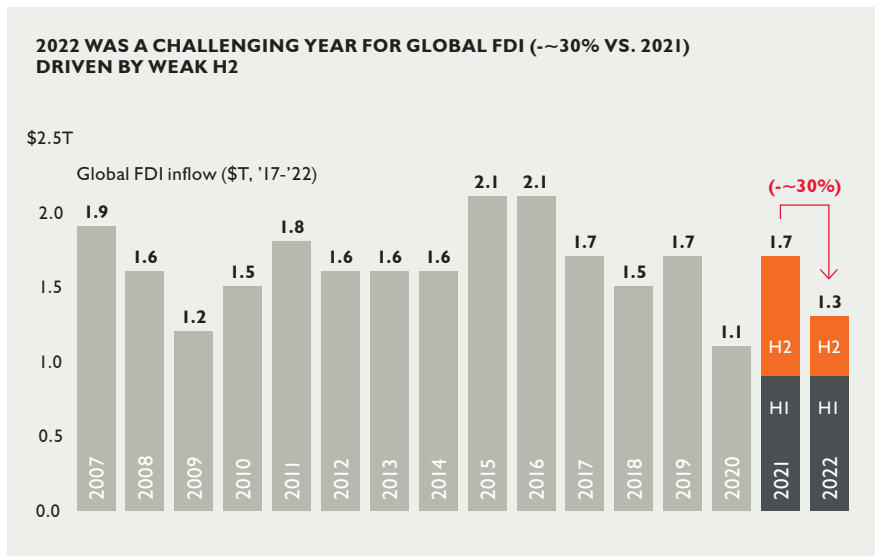


FIGURE 1 SOURCE: OECD

EU'S GLOBAL FDI INFLOW SHARE AT HISTORIC LOW LEVELS POST-COVID

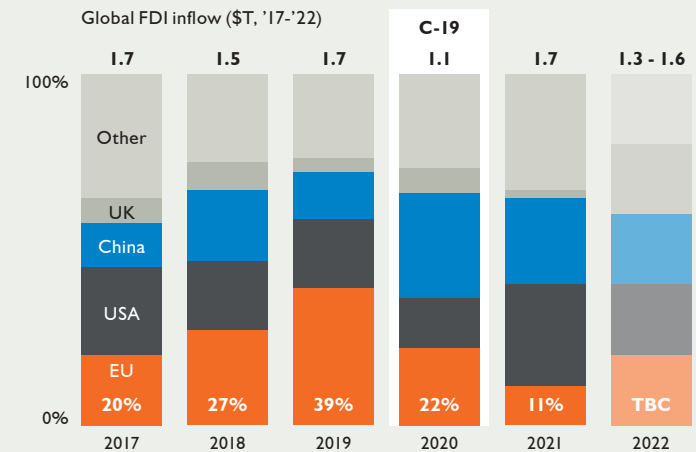


FIGURE 2 SOURCE: OECD

“The outlook for global FDI in 2022 remains bleak due to the multiple ongoing geopolitical and economic crises. The second quarter of 2022 was a ‘turning point’ whereby FDI across greenfield projects, cross-border mergers and acquisitions (M&A) and project finance globally is now falling.”

James Zhan, UNCTAD's Director of Investment and Enterprise, October 2022

bolstering the position of The Netherlands as an innovation frontrunner. For example, foreign investments in Dutch renewable power (Wind, PV, H2) have grown at an annual rate of around 35% since '18 to total ~\$25B in '22. More generally, FDI for research and development (R&D) across industries grows steadily at approximately 5% per annum, comprising ~30% of all R&D spend in The Netherlands in 2021. In the long run, the Netherlands will only thrive if Europe thrives. However, the continent appears to be on the back-foot due to an uncompetitive wiring of its energy system. Therefore, managing the transition to net zero will be fundamental to both Europe and the Netherlands' long-term economic outlook. As a key innovation powerhouse, the Netherlands should aspire to be a transition leader with high-impact by continuing to be a nexus for global investment and innovation.



NL IS A LEADING FREE-TRADING NATION (~\$1.8T REAL FDI) BUT HAS SEEN NET OUTFLOW OF FDI IN LAST 5 YEARS

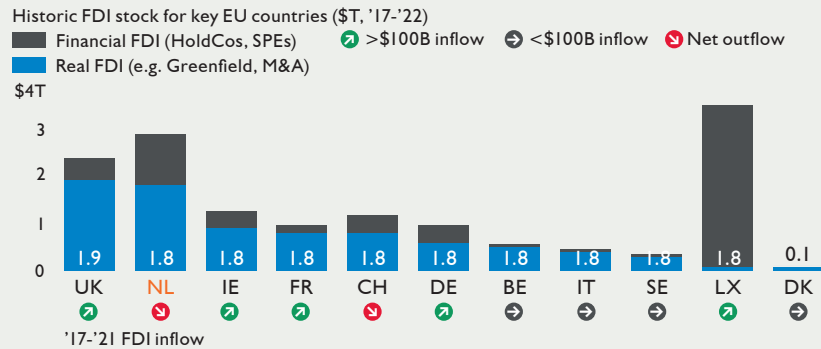


FIGURE 3 SOURCE: OECD

EUROPEAN MARKET SCAN

The Netherlands has a rich global trade history, underlined by the ~\$2 trillion of FDI stock within its borders (twice that of Ireland and three times that of Germany). However, recent trends suggest that the Dutch are falling behind on attracting new foreign investment in Europe.

In the last 5 years alone, the Netherlands has seen a net outflow of FDI of ~\$50B (ref. FIGURE 3), while key alternative countries such as Ireland, France, and Germany have experienced a strong net inflow of \$300B, \$110B, and \$270B respectively. To understand this, one should consider the Dutch investment climate along financial and non-financial enablers.

While financial enablers like tax levels and subsidies have long been considered crucial in attracting FDI, non-financial enablers such as innovation, talent, reliable policy and infrastructure are increasingly important for foreign investment decisions. Compared to key European peers (ref. FIGURE 4), the Netherlands is known for its differentiating innovation, high-skill talent and world-class infrastructure. However, trend analysis(1) of this study suggests that caution is warranted as some of the Dutch staples for attracting FDI might be slipping and lack clear long-term perspectives.

Innovation

A true bedrock for the economy, the Dutch pioneering spirit and innovation remain top-notch. High public R&D spend and leading ecosystems (Eindhoven, Delft, Wageningen) supported by private-public partnerships contribute to the continued strength of Dutch innovation.

Talent

Despite a skilled workforce with high English literacy and a history of effective economic migration, one of the recent challenges for Dutch talent is a persistent tightness on the labor market. The Dutch labor market had approximately 5 vacancies per 100 jobs in 2022, which was 2-3 times higher than in the UK, Ireland and Switzerland.

Analysis of the Dutch labor market suggests that migration will remain a key lever to resolve tightness given zero natural growth in last 5 years and already a top-decile performance on participation with ~85% in The Netherlands versus a ~75% West-Europe average.

Reliable Policy and Procedures

Across the globe, regulators find it difficult to predictably respond to the defining transitions of our day and age (e.g. energy, post-globalism). Where the Netherlands was historically known for its stable and *no surprises* approach to policy-making, there is less clarity on the Dutch long-term position on the energy transition.

Recent examples of unpredictability include the nitrogen dossier, decisions around the future of immigration, preponed closures of coal plants and a general fracturing of the political landscape.

NL DIFFERENTIATING ON INNOVATION AND TALENT – KEY WATCH-OUTS ARE TIGHT LABOR MARKET, INFRA CAPACITY AND UNCERTAIN POLICY

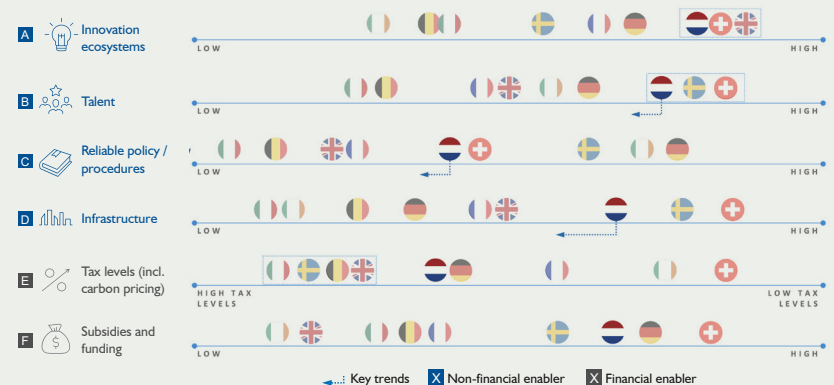
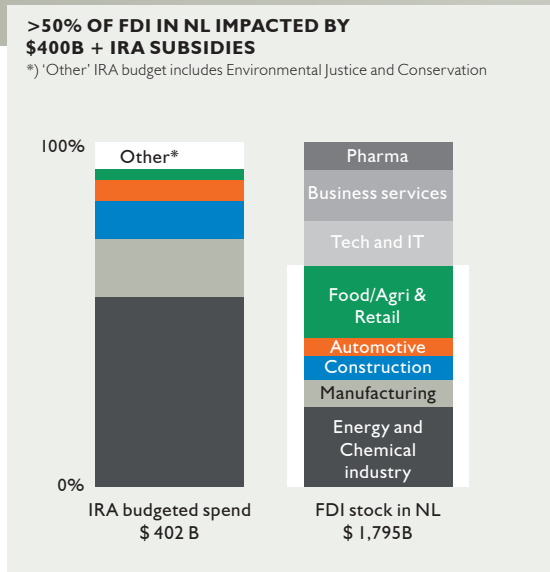


FIGURE 4 SOURCE: EC, EUROSTAT, GLOBAL INNOVATION HUBS INDEX, GLOBAL INNOVATION INDEX, IMD, OECD, WIPO, WORLDBANK



“It’s increasingly difficult to justify a long-term business case for new technologies with the cost position outlook in EU. On other elements [e.g. Talent, Innovation], there is real belief that NL is well positioned to be a frontrunner in the transition.”

Dow Chemical, March 2023

FIGURE 5 SOURCE: US GOVERNMENT, OECD

Infrastructure

Perhaps the most critical physical enabler for the energy transition is infrastructure. Where the Dutch reputation for world-class basic infrastructure (roadway, ports) remains unchanged, there are cries for expansion of its data and, particularly, energy infrastructure. One key example is the capacity of the electric grid that is lagging EU peers.

ROLE OF THE NETHERLANDS IN THE ENERGY TRANSITION

Since the 1990s, Europe has been a leading force in the global transition to net zero. It has long viewed *principle-based* measures such as standard-setting, disclosure and (carbon) pricing as instrumental to its transition policy in the hope to *lead by example*. However, the recent surge in subsidies for developing clean technology from China and the United States has fundamentally altered the long-term outlook the EU industry. As such, policy-makers are caught between altering the EU’s playbook for climate action and consigning the region to large scale de-industrialization in the long-term.

Post-global Climate Action

From the U.S. and Chinese perspective, the EU’s *principle-based* approach has long felt dogmatic. Driven by a decoupling of global supply chains in the pandemic, both moguls have adopted a *market-based* approach to climate action with large subsidies schemes for repatriation of clean technology development.

A key example of this is the U.S. Inflation Reduction Act (IRA), that was signed by President Biden in August 2022. The climate package, doubling as a bid to secure strategic (energy) autonomy, is the largest ever passed in the United States and includes \$402B in corporate incentives that will substantially reduce the cost of clean energy products across sectors. The legislation is expected to reduce greenhouse gas emissions to ~42% below 2005 levels by 2030.

More than \$1.0T of FDI stock in the Netherlands is impacted by IRA subsidies (ref. FIGURE 5). The IRA’s mandate, ticket size and technology-agnostic nature are expected to be a magnetic pull on private sector green capital investment, posing a real challenge to expanding or even maintaining FDI levels in the Netherlands.

Europe’s Response

It is clear that the EU must reinvent its climate playbook to remain competitive in the current *post-global* landscape. This may require the adoption of more *market-based* policy and protectionist measures, such as trade barriers and subsidy schemes (ref. FIGURE 6). Given the Netherlands’ committed free-trading mentality, these measures might go against the grain of

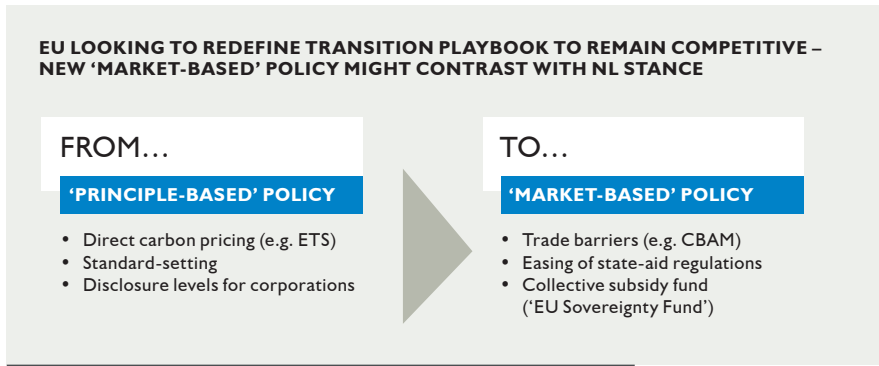


FIGURE 6 SOURCE: EUROPEAN COUNCIL, EUROPEAN ENVIRONMENT AGENCY



the traditional Dutch position in EU. Yet, a change in mindset might be needed. In this context, the EU is facing the choice between two subsidy approaches. On one hand, there is the state-by-state approach, referring to further relaxing the EU state-aid regulations. On the other hand, there is a collective approach including an EU-wide subsidy fund. Given The Netherlands' (export) dependence on a strong unified EU market, it can be argued that Dutch policy-makers should be a vocal supporter of a collective approach to protect clean production and demand across EU and maintain a level playing field, rather than a state-by-state approach that in the end might only benefit states with deep pockets, such as Germany and France.

Long-term Role for the Netherlands

Besides acknowledging the need for subsidies to secure the European industrial heartlands in light of high industrial pressure, it is essential for the Netherlands to prepare for action on the national level as well.

Considering the historic strength of Dutch innovation, the reputation for world-class infrastructure and strong (international) talent, the Netherlands is uniquely positioned to drive the next wave of decarbonization and circularity across industries. Analyses of this study suggests the Dutch *right-to-win* is highest in Tech, Industrial Production of Food, Energy and Chemicals and Pharma sectors. Ensuring that these industries drive the next wave of green opportunities in the Netherlands might require an easing of (tax) burdens for transitioning and a potential supplement to the European subsidy response.

Secondly, the Dutch private sector has expressed a strong need for long-term clarity akin to the IRA. Transition pathways, as successfully formulated by Germany and Ireland, could further support long-term viability of green business cases. The German and Irish pathways have remained unchanged irrespective of political sentiment and have consequently provided a stable starting point for the inevitable future complexity of policy decisions.

Looking ahead, the Netherlands has the potential to transform its domestic industries into global frontrunners. It should aspire to remain a leading innovator across (carbon-intensive) industries. In the long-term, the Netherlands could again be known as a key knowledge exporter but this time to accelerate the global transition to net zero.

SOURCES

APPENDIX: SOURCES OF PUBLISHED TEXT

SOURCE	TOPIC	SOURCE DETAILS / METHOD / DEFINITION
AmCham The Netherlands members	Various	Interviews to understand members' views on topics such as Dutch attractiveness for FDI, the energy transition and potential other challenges facing the (future) economy
AmCham Netherlands, Belgium, Ireland, Germany, Sweden	Various	Interviews to get a better understanding of the attractiveness of other countries for FDI. Main focus on the six enablers of an attractiveness investment climate.
European Commission (EC)	EU market scan	Electricity prices for non-household consumers
Eurostat	EU market scan	Job vacancy rate
Global Innovation Hubs Index	EU market scan	Global Innovation Hubs Index 2022
Global Innovation Index	EU market scan	Global Innovation Index 2022
IMD	EU market scan	Score and ranking along multiple enablers (e.g. policy stability and predictability, basic infrastructure and effective legal environment)
OECD	FDI inflow data, global trends in FDI, FDI in figures reports, EU market scan	FDI inflow equals transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy less transactions that decrease the investment of foreign investors in resident enterprises. This includes cross-border M&A activity and inter-company loans between a parent and a subsidiary company for example
WIPO	EU market scan	Trademark applications
Worldbank	EU market scan	Carbon pricing

The American Chamber of Commerce in the Netherlands (AmCham) is the leading platform for U.S. business in the Netherlands, bringing together U.S., Dutch and international companies that are involved in transatlantic trade. AmCham's membership consists of approximately 350 organizations.

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