

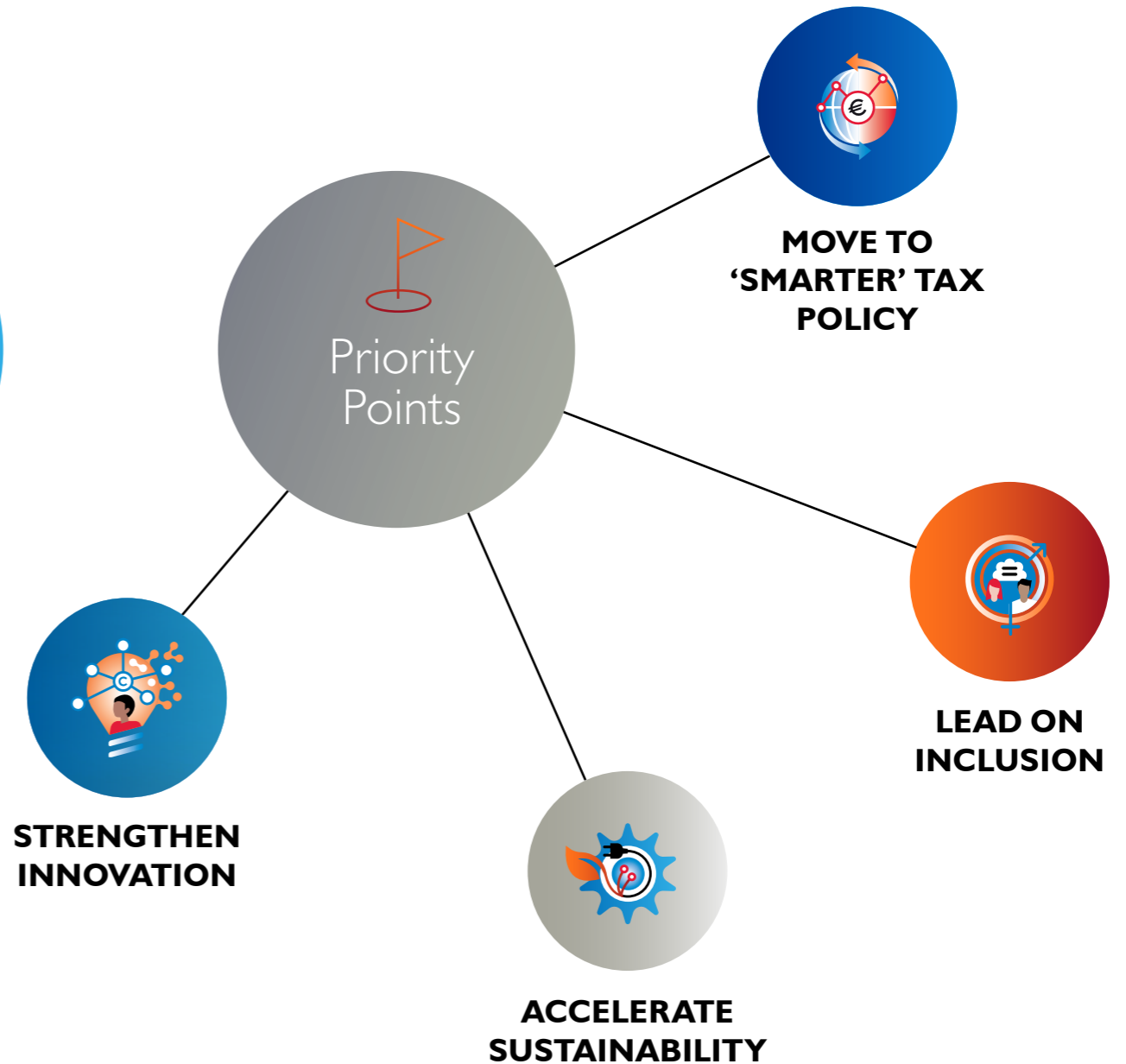


INVESTMENT CLIMATE STUDY

May 2021



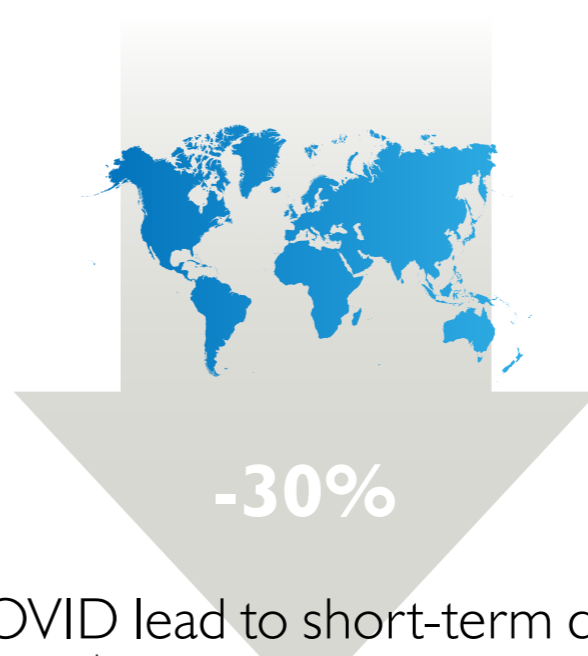
INVESTMENT CLIMATE STUDY



Aimed at monitoring important trends in Foreign Direct Investment (FDI) and the attractiveness of the Netherlands for foreign companies, the annual **Investment Climate Study** executed by **Bain & Company** is an important source for AmCham to shape its advocacy agenda. Global FDI has been declining for several years, and was particularly hit hard by COVID. While the Netherlands is generally considered an attractive economy to invest in and has been doing relatively well in attracting foreign FDI from the U.S., there are plenty of opportunities for optimization. Innovation, sustainability and inclusion, having vision and being more predictable on tax, supported by quick decision-making and an open, collaborative dialogue between the public and private sector, will provide a path to overcoming the challenges presented by the pandemic, towards future sustainable growth and a continuation of the Netherlands' attractive investment climate.



FDI WORLDWIDE



Globally, COVID lead to short-term decline in FDI inflow of 30%¹, on top of several macro-trends that continue to challenge global trade.

← short-term →

← long-term →

COVID lead to equity divestments and reluctance to (re) invest

Trade as a **geopolitical tool** e.g. tense US-China relations

Governmental interference on national security grounds, e.g. data, tech, medical

A sentiment shift away **from globalization towards regulation** and protectionism

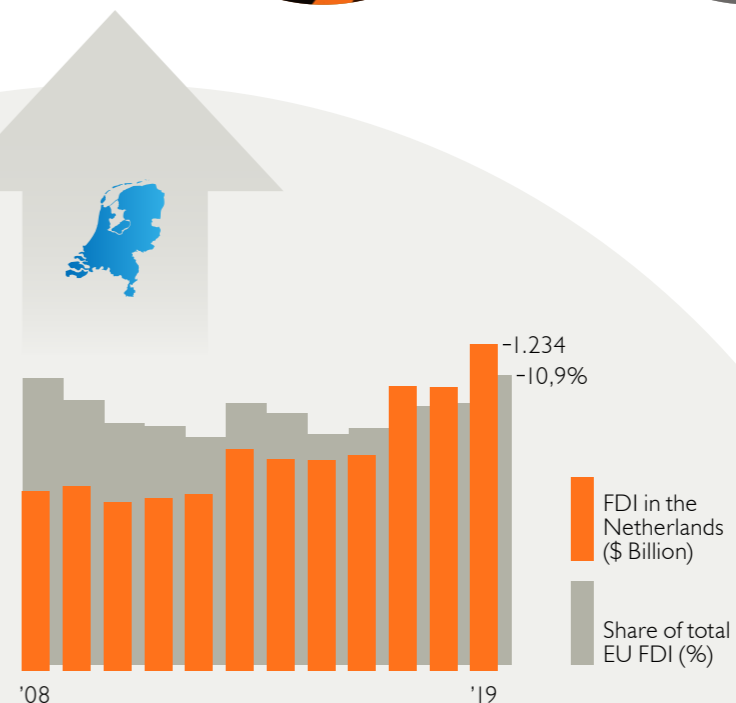
Foreign Direct Investment (FDI) is an important driver for the Dutch economy².

14.420
Foreign multi-national companies in NL

~1 Million
People employed by foreign multinationals

39%
Of total company revenue in the Netherlands

The Netherlands performed relatively well historically, increasing inward FDI and outperforming most peer countries.



Global inward FDI stock in NL³

Sources:
 1) OECD
 2) CBS. Note: excluding financial institutions
 3) OECD (FDI) and Worldbank (GDP numbers). Note: total EU consists out of member composition of reporting period (EU25 for '05-'06, EU27 for '07-'12 and EU28 from '13) and excludes Special Purpose Entities (SPEs) – correction has been applied for 2014-2015 stock revision to make time series comparable.



CONTRIBUTION U.S. FIRMS

American companies have a significant contribution to many aspects of Dutch society.

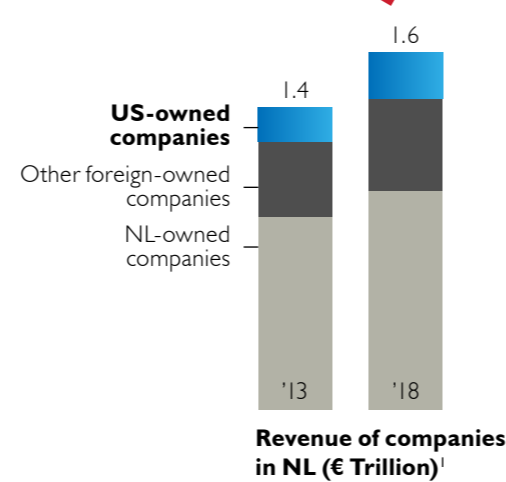
The U.S. is a significant and consistent source of incoming FDI, with entities present across the entire economy.



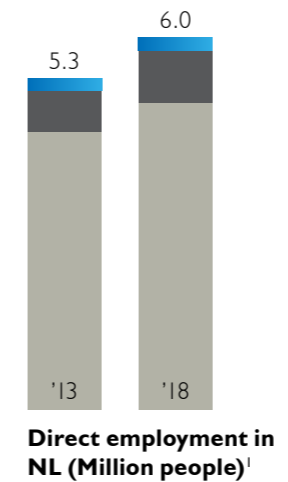
“The bond between the Netherlands and the U.S. is strong and centuries old. 250,000 (direct) jobs in the Netherlands are due to American activity.”

Dutch Prime Minister Rutte, 2019

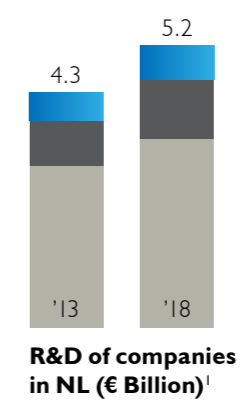
Directly contributing 5% of GNP to the Dutch economy based on value-add



~450k jobs generated (including indirect)



R&D by U.S. affiliates amounted to ~€600M in '18



Making an active contribution to society

Nike Netherlands hands out community grants
Nike website, last seen February 22nd 2021

Coca-Cola NL transitions to recycled bottles
Forbes September 20th 2020

The value of American companies goes beyond what we see in the numbers.²



Breeding ground for top talent

“I often see that management talent that worked at large multinationals moves to Dutch companies, and helps them expand abroad.”

H. Volberda, Professor Strategy & Innovation, UVA



Catalysts of Dutch clusters

“There’s a big contribution to universities and research institutes, through financing, teachers, internships and more.”

C. Van Beers, Professor Innovation Management, TU Delft



Knowledge transfer

“Companies that want to expand internationally can benefit from this knowledge, e.g. by asking for help with setting up an expat network.”

K. Sluyterman, Professor Business History, UU



Facilitating indirect jobs

“Large multinationals help suppliers gain size, and can significantly speed-up internationalization.”

H. Volberda, Professor Strategy & Innovation, UVA

Sources:
1) CBS. Note: Based on Dutch business economy: excluding agriculture, government, education, healthcare and financial services
2) Financieel Dagblad 18 November 2017, Rapport Topteam hoofdkantoren



PRIORITY POINTS

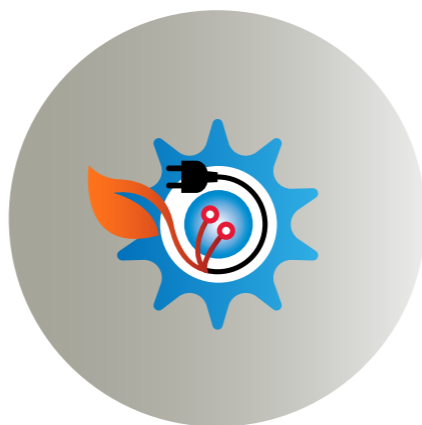
Across this report, we will cover four priority points to help the Dutch economy thrive in a post-COVID world.

STRENGTHEN THE **INNOVATION** ECOSYSTEM



The Dutch are strong in innovation. However, despite their potential, they risk falling behind.

ACCELERATE **SUSTAINABILITY** AND CLIMATE POLICY



The Netherlands has a strict environmental policy, but risks not capitalizing on innovation expertise due to slow energy transition.

INCLUSION - BECAUSE EVERY VOICE COUNTS



The Netherlands continues to face a lack of diversity at different levels and should strive for greater cultural and gender equality.

MOVE TOWARDS A 'SMARTER' **TAX** POLICY



The Dutch tax system is less competitive than it once was, but there is opportunity to optimize it for attracting high value-add functions.



STRENGTHEN THE INNOVATION ECOSYSTEM

STRENGTHS

The Netherlands has historically been strong in innovation, with potential to continue to lead in the future.

Strong public-private R&D hubs
 BRAINPORT Eindhoven, LEIDEN BIO SCIENCE PARK, TNO

Native technology companies
 ASML, DSM, PHILIPS

Start-up ecosystem
 startup 100 amsterdam, Holland Startup, reekstart.

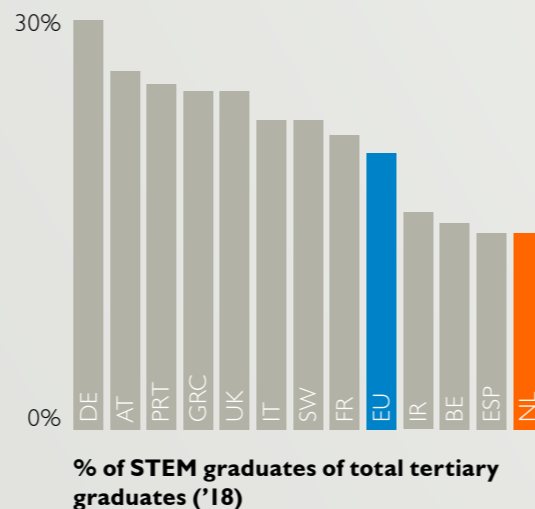
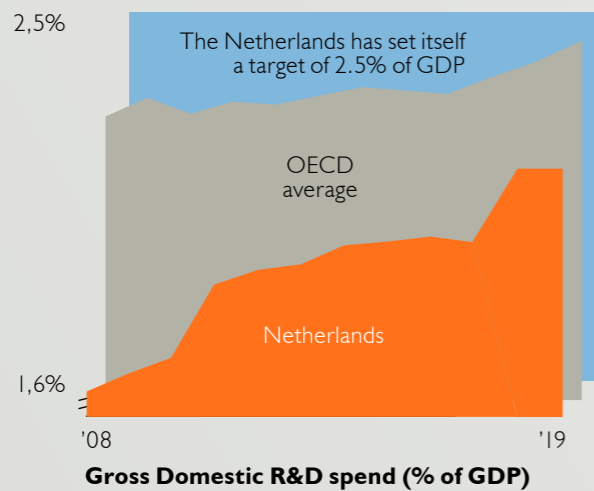
International scale-ups
 NETFLIX, Uber, TESLA

High ranking universities
 Erasmus, XE, TU Delft

OPPORTUNITIES

Despite the Netherlands' innovation potential, it risks falling behind on crucial areas.¹

Investments in innovation are accelerating but still below target and OECD average.



% of STEM graduates continues to be significantly below peers.

RECOMMENDATION

This will strengthen the Dutch leadership position in innovation:

Accelerate investments in innovation

Ensure policies and infrastructure support growth of the system

Keep a close eye on quality of all levels of education

Source: 1) OECD



ACCELERATE SUSTAINABILITY AND CLIMATE POLICY

STRENGTHS

The Netherlands does relatively well on sustainability with an ambitious environmental policy.



OPPORTUNITIES

Though overall doing well, NL is still heavily reliant on fossil fuels with no increase in public funding support.

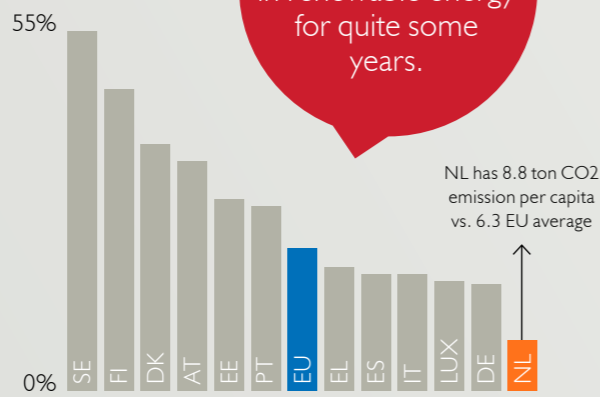
NL is ranked 11th on the EPI sustainability index and lingers at this position.

Public R&D budget has not increased to catch-up; % in renewables remained stable.

A pain point is the bottom-ranking in renewable energy for quite some years.

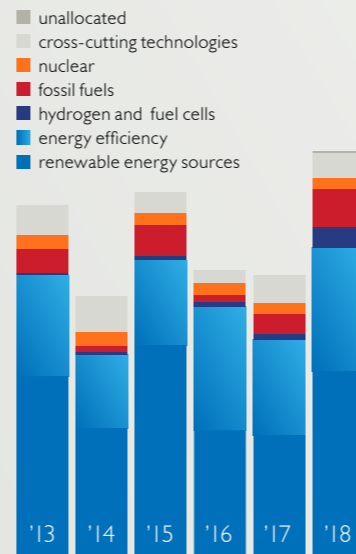
- 1 Denmark
- ➔ 2 Luxembourg
- 3 Switzerland
- 4 United Kingdom
- 5 France
- 6 Austria
- 7 Finland
- 8 Sweden
- 9 Norway
- 10 Germany
- ➔ 11 Netherlands

EPI sustainability index¹



Renewable energy as % share of total NL energy consumptions ('18)²

NL has 8.8 ton CO2 emission per capita vs. 6.3 EU average



Public Energy R&D budget in NL (€ Million)

Note: Europe average % renewable energy based on unweighted average; Wind power received the largest share, 38% of renewable energy funding, followed by geothermal (22%), solar (21%) and biofuels (17%); RVO found that 721M in public funding on energy spurred 600M in private sector investments over the period '15-'18

Sources: 1) Yale EPI index 2) International Energy Agency

RECOMMENDATION

The following actions will accelerate the Dutch sustainability and climate policy:

Continue stimulation of climate-friendly practices

Build a transparent eco-framework that ensures a level playing field across the EU with consistent policies

Encourage public / private cooperation





STRENGTHS

The Netherlands has made progress towards more inclusivity, particularly on female representation in education.



INCLUSION - BECAUSE EVERY VOICE COUNTS

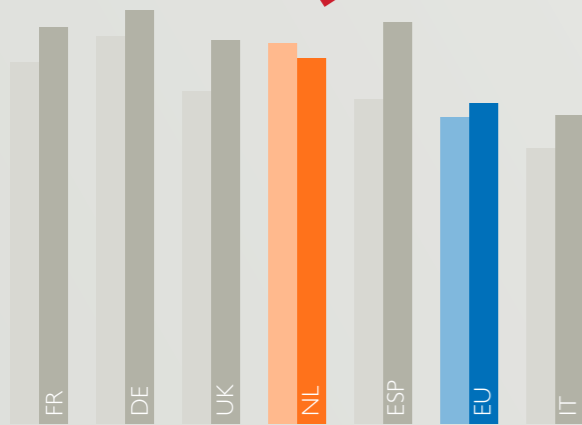


OPPORTUNITIES

Lack of gender and cultural diversity continues to persist in government and private organizations, despite targets.

Gender gap has widened whereas other EU peers have improved.

Lower female and migrant participation across society.



Women represent²

35.3%

of ministerial posts

31.3%

of seats in parliament

25.7%

of managerial posts

12.5%

of exec. board members in listed firms

Migrants are

2x less likely

to be following education or training, or to be employed in age group 15-29²

RECOMMENDATION

The following actions should help the Netherlands move towards more diversity and equality:

Strengthen policies to create equal opportunities and wage for everyone



Encourage sharing of good practices

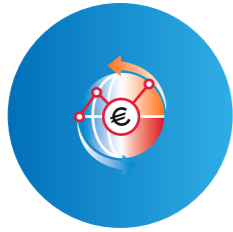


Ensure workforce resilience to changes driven by tech or a recession



Sources: 1) World Economic Forum Gender Parity Index 2) CBS, Eurostat, Bedrijvenmonitor topvrouwen 2020

Note: Gender Parity index of 100 represents perfect male / female parity on 14 indicators in various sectors including health, education, economy, politics; 1) 2020 statistics; 2) 2019 statistics



MOVE TOWARDS A 'SMARTER' TAX POLICY



CURRENT SITUATION

The Netherlands has lost some of its appeal as an investment location.

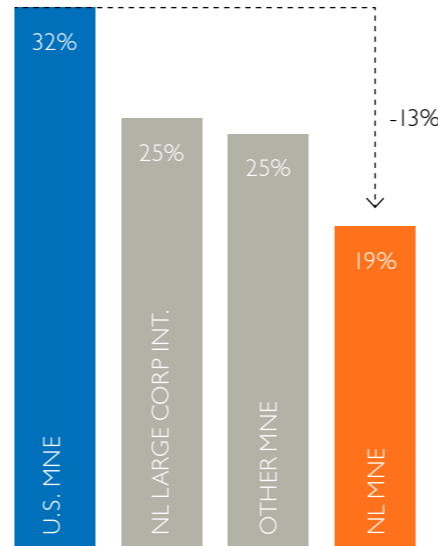


Until recently, NL offered a competitive tax system for FDI. However, this system relied on tax structuring tools (hybrids, conduits, tax rulings, etc.), while other countries rely on **beneficial rates** and **active investment incentives**.



Due to **changes in Dutch law**, U.S. Tax Reform and international standards (BEPS, ATAD, etc.), the Dutch structuring tools are no longer available. This has done a lot to combat abuse, but it has affected the Netherlands more than any other country.

Contrary to popular belief, U.S. MNEs pay more tax than their Dutch counterparts.



Effective corporate tax rate of U.S. multinationals vs. other corporations (%,'10-'17 average)¹

Source: 1) Commissie ter Haar

"Although the average tax burden for corporates has decreased slightly in relation to GDP over the past twenty years, we cannot justify the notion that multinationals as a group systematically pay less corporate tax than Dutch national companies."

Commissie ter Haar, 2020

Developing international tax standards (Pillar I, CCCTB) will place increasing importance on the location where important business functions are performed.

RECOMMENDATION

The following actions should help the Netherlands move towards a 'smarter' tax policy:

After a period of tremendous changes, focus on tax certainty, stability and predictability



Actively participate in multilateral solutions across the EU and the OECD



Promote investments in innovation, sustainability and inclusive employment for companies and individuals



Develop a vision on international tax distribution that stimulates business activities with high value add, and increases taxation on passive situations





ABOUT AMCHAM

The American Chamber of Commerce in the Netherlands (AmCham) has been the representative of the American business community in the Netherlands and of Dutch / international companies with major interests in the United States since 1961. AmCham represents the interests of its 347 members in the field of trade and investment, and aims to strengthen the investment climate in the Netherlands and the transatlantic economic relationship.

American companies form a substantial part of the Dutch economy with a turnover of **€ 211 billion** in 2018. American companies account for more than **450,000 jobs** in the Netherlands, of which **218,000** are **direct jobs**. In 2018, these direct employees produced **€ 144 billion** worth of goods and services in the Netherlands, with an added value of **€ 37.3 billion** accounting for almost 5% of Dutch GDP. In addition, exports to the United States are also important for the Dutch economy. In 2019, **€ 26 billion** worth of goods was exported from the Netherlands to the United States and **€ 20 billion** worth of services (source: CBS).



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