



INVESTORS' AGENDA OF PRIORITY POINTS

The Attractiveness of the Netherlands as a Location for Foreign Investment

An AmCham Survey **2010**

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The American Chamber of Commerce in the Netherlands (AmCham) conducted an *Investment Attractiveness Survey* among its members in Q1 of 2010. Top executives of AmCham member companies were asked for their opinion, perception and expectations of the attractiveness of the Dutch investment climate - the country's ability to attract and retain foreign investment in an internationalizing business world.

Major Conclusions of the Survey

- Respondents listed a *stable social environment* (94%) and *clear and stable policies, legislation and administration* (90%) as **satisfying factors** of the Dutch investment climate. These are essential qualifications for investors in turbulent economic times and give the present national debate on the benefits of a multicultural society a new perspective - i.e. these are important selling points for the Netherlands in attracting foreign investment. Similarly, over 80% of respondents listed *knowledge of foreign languages and openness to international matters* as the most attractive location criterion for investing in the Netherlands. *Entrepreneurship* (38%) and a *high productivity* (27%) are other listed appreciated qualities that contribute to the country's attractiveness.
- The economic crisis has only had a slight negative effect on foreign investors' perception of the Netherlands. 39% of respondents indicate their perception of the country as a location where their company establishes or develops activities has slightly (32%) or significantly (7%) *deteriorated*. On the other hand, 25% indicate their perception has slightly (20%) or significantly (5%) *improved*.
- 91% of respondents indicate they will definitely (64%) or probably (27%) retain operations in the Netherlands. Over half of the respondents indicated that their group is probably (34%) or definitely (18%) considering *expanding* activities in the country. On the other hand, 28% of respondents indicated that they will probably (20%) or definitely (8%) *relocate* part of activities out of the Netherlands.
- The cost (71%) and flexibility (64%) of labor are considered the major **dissatisfying factors** of the Dutch investment climate. Labor is the most significant component of location-sensitive costs and *local headcount* a prime concern of parent company management in the US - and thus a concern for local country managers here. (Managing perception is vital here in marketing the country - recent studies have indicated Dutch labor costs to be relatively favorable in comparison to neighboring countries.) One factor that has become more relevant to many investors in the last couple of years is the time and cost of laying off redundant workers. 93% of respondents indicate that the Dutch Government could have a major (74%) or medium (19%) influence on improving the attractiveness of the Netherlands on this issue.

Policy Implications

To provide Dutch business and the foreign investment community the environment they need to *improve* productivity, to *innovate* and to *create* employment in a continuously evolving and highly competitive world, AmCham makes the following serious recommendations:

1. Support labor flexibility & employability Employment protection legislation - notably for permanent contracts - remains complex and strict by international comparison (noted repeatedly by the OECD). This restricts the resilience of the Dutch economy as it gives employers little scope to adjust employment level to economic conditions. It also seriously inhibits innovative start-ups in their early growth stage. It discourages older employees to invest in their own employability. AmCham would encourage any likely employer cost savings to be reinvested in skills enhancement and education of employees to increase the employability level of the workforce.

2. Do not increase income and corporate taxation Higher tax rates for labor and business will brake - even damage - the present brittle economic recovery. Higher income taxes will reduce labor availability in a time where greater participation is needed. OECD researchers have demonstrated that taxes on corporate profit and capital are economically the most disruptive of taxes. Stability and predictability on this front is essential to make the Netherlands more attractive as a country to invest in. The OECD recommends reducing taxes on increasingly mobile production factors such as labor and capital and to replace these with increases in consumption taxes.

3. Invest in innovation and knowledge intensification The nation's talent pool will be the source of economic growth in an increasingly knowledge intensive economy - an economy confronted with an aging workforce. The nation can not afford to mark time. AmCham supports the Innovation Platform's agenda for increased investment in the nation's talent resulting in an effective and measurable program containing measures to increase teaching quality, more customized and made-to-measure applications in education of individuals, life-long learning, and stimulation of R&D in the country's core sectors of scientific competence.

Conclusion

The attractiveness of the Netherlands for foreign investment has improved significantly in recent years. Effective tax rates on companies have decreased. Extensive fiscal incentives measures have been introduced for companies active in research and development. Measures to increase labor flexibility are being debated. The country is well positioned to attract a good share of the next wave of foreign investment - as long as the fiscal improvements made in recent years are not eliminated with deficit repair measures. Fiscal stability and predictability is an essential characteristic for a country wishing to attract foreign investors.

The Netherlands is preparing for some serious budget cutting and tough policy decisions after the June elections. Many political parties rightly acknowledge the need for continued investment in education. The present economic circumstances are trying. But, it is clear that economic recovery and *sustained* growth will have to come from the country's business and entrepreneurial community - including the foreign investment community. The country's openness to foreign investors and diverse cultures has served it well in the past - and should be nurtured to remain a catalyst for increased business dynamism and innovation in the future.



ABOUT THE INVESTORS' AGENDA OF PRIORITY POINTS

The first US investor came to the Netherlands in 1891. The firm – the American Petroleum Company, later called Standard APC, then Esso, and now ExxonMobil – is still here and is now the oldest hydrocarbons company in the Benelux. What attracted APC in 1891 still holds true for investors today: the Netherlands has a liberal attitude towards foreign trade and investment. This has contributed significantly to the country's past and present prosperity.

It is in the best interest of all parties to ensure that American and other foreign investors continue to have good – or even better – reason to come, to stay, and grow in the Netherlands. A study (July 2007) commissioned by the Ministry of Economic Affairs (*Buitenlandse Investeerders zijn Groeiversnellers voor de Nederlandse Economie*) noted that foreign investors are catalysts for growth in Dutch economy – they are more successful, create more employment, hire more skilled workers and outsource more locally than their Dutch counterparts. Attracting more of these catalysts is good for the Netherlands' growth and welfare ambitions.

AmCham annually publishes the Investors' Agenda of Priority Points – policy suggestions and initiatives for making the country more attractive to (foreign) investors. We see the Priority Points as a tool for motivating change and informing the process of policy making. AmCham seeks open dialogue and debate regarding the Priority Points with political parties, social partners and Government.

ABOUT AMCHAM

The American Chamber of Commerce in the Netherlands (AmCham) is a **non-profit, non-governmental, non-political, voluntary** organization of companies and individuals involved in investment and trade between the United States of America and the Netherlands. The Netherlands is one of the most important destinations for US direct investment in Europe. US business is the Netherlands' leading foreign investor. In 2008, American direct investment in the Netherlands amounted to over \$442 billion with over \$1.2 trillion in assets. Majority and minority-owned American companies directly employ some 225,000 people in this country – increasingly in knowledge intensive businesses.

AmCham is concerned with matters affecting the investment climate in the Netherlands. We actively promote increased US investment in the country. We make sure that potential investors understand the well-known advantages of the Netherlands, which should be built upon:

- The Gateway to Europe with Schiphol Airport and the Ports of Rotterdam and Amsterdam;
- A workforce with impressive language capabilities, trained at excellent schools and universities;
- A stable and safe political, economic, labor relations, taxations and monetary environment.

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