



Group 9A Research Project I: The Netherlands

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Detailed Country and Regional Analysis

Introduction

The Netherlands stands as a dynamic and highly competitive economic hub within Europe, offering a unique blend of stability, innovation, and global connectivity. The country has experienced a steady increase in their population, contributing to their 18 million population as of 2024 (World Population Review, 2024). The population is made up of a strong working-age demographic, a well-educated and multilingual workforce that complement the high degree of urbanization that their economy thrives off of. The Dutch economy, with a GDP of over \$1.1 trillion, maintains steady growth, low unemployment, and a strong purchasing power. The economy is accompanied by their overall efficient and transparent legislative system. The government is the eighth least corrupt in the world and is involved in several trade agreements that they utilize to their benefit. Their vibrant economy, paired with the constitutional monarchy with a parliamentary democracy government provides ample opportunity for foreign direct investment (FDI). This has proven itself in recent years, but specifically since 2023 with a record breaking USD 2.86 trillion worth of stocks in the nation. The Netherlands has established itself as a blossoming economy and has characterized itself as a competitive nation for global trade.

Demographic Factors

The Netherlands, with a population of approximately 18 million people in 2024, has experienced a steady growth rate of around 0.69% (World Population Review, 2024). The country has a relatively balanced age distribution, with about 17.4% of the population under the age of 14, 67.7% between the ages of 15 and 64, and 14.9% aged 65 and older. This demographic structure indicates a strong working-age population. However the country, like



many in Europe, faces the challenge of an aging population, and the majority of population growth today comes from migration (Exhibit 1). The Netherlands is one of the most urbanized countries in the world, with nearly 90% of its population residing in urban areas (Statistics Netherlands, 2025). Despite its high urbanization, the Netherlands maintains a well-planned infrastructure that supports both urban and rural communities. Additionally, education is a cornerstone of Dutch society and contributes to a nearly 100% literacy rate. They have a robust and well-structured education system that ensures compulsory, high quality schooling. The Netherlands is known for its strong higher education institutions, which attract both domestic and international students. Many Dutch students pursue vocational training or university degrees, which makes their domestic workforce highly skilled and adaptable. The emphasis on education and lifelong learning has helped the Netherlands maintain a competitive position in global markets, particularly in STEM and finance sectors. The Dutch labor market consistently demonstrates stability and growth, with the unemployment rate standing at approximately 3.7%, reflecting a healthy economy and labor participation (Statistics Netherlands, 2025). The country is known for its flexible work culture, with a significant portion of the workforce engaged in part-time employment. Dutch workers are consistently recognized for their high productivity, innovation, and strong work-life balance (Business Culture, 2013). The Netherlands is a country that is growing in the global business world, and ample opportunities present themselves there.

Economic Factors

With a robust 1.118 trillion USD 2023 GDP, The Netherlands has shown consistent rising GDP growth, averaging an annual increase of 2.0% yearly over the past decade (World Bank Group, 2024). Increasing from 765 Billion USD in 2015, we can attribute this consistent steady



expansion of GDP growth to an economic stability fostered by a low unemployment rate of 3.7% and a focus on strong infrastructure development by the government of the Netherlands (Statistics Netherlands, 2023). The Dutch economy reaps these rewards with an average citizens income of 58,828 USD (Statistics, 2024). The average tax rate is 27.5%, which is much higher compared to the United States at 14.5% (Statistica, 2024). This higher tax rate is creative in its use to more government initiative programs, government funded healthcare programs, and higher social welfare programs. However, these taxes do not affect their purchasing power with a relatively lower cost of living. The Netherlands boasts one of the highest PPP percentages, which is 366% above the world average (World Bank Group, 2024). This purchasing power and combined social and governmental infrastructure has set the Dutch government up for a powerful economy in today's world, only holding a moderate 2.9% falling inflation rate and 3% interest rates (World Bank Group, 2024).

Although the Netherlands appears to be a golden opportunity for investment and long term stability, it has some underlying issues. With a total foreign direct investment of negative 300 billion reported in 2023, it's a strong indicator of high taxes and increased government regulation, making it not a fully free economy (World Bank Group, 2023). These indicators show that the Netherlands is no longer as strong of a choice for foreign direct investment as companies have chosen to leave and relocate in cheaper locations for production, taking advantage of other countries, and leaving the Netherlands to recoup with the losses of jobs and income for its citizens. The decline of low-cost foreign investment means that manufacturing firms and labor-intensive industries that require a blue-collar workforce are seemingly absent from the country. However, businesses that value government regulation, higher standards of living, and the encouragement of high quality organizations such as IKEA, Heineken, and



multinational technology and financial groups thrive in the Netherlands. These service focused companies combined with the forward movement of technological innovation, research, and development in the Netherlands leaves it open for continuous innovation and growth.

Cultural and Social Factors

The Netherlands is known for its openness and tolerance, which creates a welcoming environment for foreign companies. In particular, The Hague is home to the UN peace palace and the International Court of Justice. Much of Dutch culture emphasizes directness, transparency, and egalitarianism, and businesses that respect local customs and engage with the community are well-received (Business Culture, 2013). Results show that foreign companies succeed by building trust through clear communication and aligning with values such as sustainability and innovation. Dutch consumers are quality-conscious and price-sensitive. They tend to prefer durable and environmentally friendly products. E-commerce is also quite popular, especially for goods like clothing and electronics. Brand loyalty is generally less important than product quality and value. The social stability in the Netherlands is high and the population is supported by a strong welfare system. However, challenges like income inequality and housing affordability persist, especially in urban areas. Additionally, the Netherlands is multilingual. Dutch is the official language, but there is widespread proficiency in English, German, and French. While religious practice has declined in recent years, Christianity remains their dominant religion and is still practiced by some (O'Neill, 2024). Overall, their work culture values efficiency, work-life balance, and collaboration. Direct, polite communication is key in the Netherlands, and work hierarchies are frowned upon. Additionally, punctuality and structured



meetings are important in business settings, and companies succeed most when they embrace transparency and corporate responsibility.

Political Factors

The Netherlands operates under a constitutional monarchy with a parliamentary democracy. Their political system is characterized as a decentralized unitary state, with power divided among the monarchy, the parliament, and the judiciary (World Atlas, 2017). The nation's current leader is King Willem-Alexander, who has been ruling since 2013. The King, as well as the parliament and judiciary, all work together towards their main goal of achieving political consensus on important issues. The systems and policies practiced by the Netherlands have deemed them a politically stable economy and earned them a score of 79 on the World Population Review's 2024 corruption index and considered one of the least corrupt nations in the EU (World Population Review, 2024).

With the nation having a stable economy, they are active participants in international trade. They have a pro-trade policy that greatly supports their international trade and investment. The country emphasises an approach that facilitates smooth and efficient trading operations both within the European Union and globally. After the long history of trade benefits, the United States has characterised the Netherlands as “neutral traders of Europe”, but have also encountered a complex business culture due to; as mentioned previously; their emphasis on achieving consensus (International Trade Association, 2014). The Netherlands primarily focuses their trade and trade agreements with European countries. This is due partly to their membership in the EU. The nation's economy benefits greatly from their membership. They have access to the EU single market, which means there is a free movement of goods, services, capital, and people across member states. The unrestricted access allows the Netherlands to access roughly



450 million potential consumers without facing the burden of tariffs or quotas (APG, 2023). This also increases their competitive value globally. They also benefit from the EU's common trade policy. In 1968 the EU implemented its Common Trade Policy which means that all member states act as one single entity under international trade with the union. Because of this policy, the Netherlands is benefiting from the EU's bargaining power and uses it as leverage. EU-Japan Economic Partnership Agreement, EU-Canada Comprehensive Economic and Trade Agreement, EU-South Korea Free Trade Agreement, and EU-Mexico Global Agreement are all examples of agreements that the Netherlands have benefited from thanks to the EU (International Trade Association, 2017). Lastly, the nation's GDP has increased a notable 3.1% due to the benefits from the EU (Freeman, 2022). The Netherlands is also a part of the UN Arms Trade Treaty, Convention on Cluster Munitions, and Non-Proliferation Treaty, all of which are agreements that ultimately serve protection to the nation.

The legal system in the Netherlands is pro-business. The government also operates in a way that is transparent and efficient, making it an attractive country for global business relations. There are two specific entities that can operate a business in the Netherlands: corporate or non corporate. Corporate refers to Dutch entities with legal personnel, which consist of BV or NV. BV or 'besloten vennootschap', is a private company that is limited by shares. There is no minimum share capital required and incorporation issued shares may be paid at a later stage. The legislation associated with BV is classified as "very flexible, user friendly, and can cater to your needs" (Van Der Linden, 2024). The business calls for an annual meeting with the shareholders and other holders of meeting rights. The general consensus associated with BV companies is that the board of directors must approve the distribution, unless the intended distribution would be detrimental to the continuity of the company. NV or 'naamloze vennootschap' is a public



company that is more strictly regulated and mainly used for companies that are very large and/or will be listed in stock exchange (Van Der Linden, 2024). The businesses call for at least 45,000 USD worth of shares, allows different types of shares (similar to BV) and all shareholders have voting and profit rights. The company holds similar governance legislation as NV, with the exception that the articles of association may grant shareholders limited possibilities to give instructions (only general guidelines) to the board of directors (Van Der Linden, 2024). With this categorization of business entities and a transparent and efficient government, the Netherlands has become one of the largest recipients for foreign direct investment in the world. With the help of the nations top FDI holders such as the United States, the United Kingdom, and Germany, the Netherlands 2023 FDI stock had reached USD 2.68 trillion (UN Trade and Development, 2023). Additionally, according to The Organization for Economic Cooperation during the first semester of 2024, the Netherlands had already accumulated USD 23.5 billion of FDI inflows (Lloyds Bank, 2025).

There are many incentives for participating in business in the Netherlands. One of them being their tax policies. The Dutch tax system includes six attractive features, those being that they offer a robust and transparent tax system with fiscal unity for corporations, an extensive network of tax treaties, advance tax certainty for investments, a broad participation exemption, a favorable expat tax program, and strong alignment with international standards (Lloyds Bank, 2025). Overall, the Dutch have a clear and practical approach to taxes. Other incentives for foreign business in the Netherlands is that they have a R&D Tax Credit (WBSO) system that compensates companies for part of their R&D wage costs (Invest in Holland, 2025). They also have a 30% facility for expatriates. Expatriates are people who live outside of their native country, so this policy is great for companies sending employees from the domestic office



overseas to work. Finally, their tax system includes the Environmental Investment Deduction. This policy allows companies to deduct up to 45% of the investment costs for environmentally friendly projects from their taxable profit, with the hope that companies will practice sustainable activity (Invest in Holland, 2025). The simplest incentive alone to do business in the Netherlands is them being the eighth least corrupt nation in the world, and their government being considered transparent and efficient.

Foreign Direct Investment

In the past 20 years, the Netherlands has experienced large fluctuations in their FDI inflows and outflows, reaching its first noticeable peak in 2007 with FDI reaching about \$115 billion USD. Following the world recession in 2008, foreign direct investment in the Netherlands experienced a steep decline in flows of nearly \$122 billion, causing the country to reach the negatives (UN Trade & Development). Dutch FDI steadily increased after the recession, finally reaching its largest peak in history in 2015 of just under 176 billion USD. The COVID-19 pandemic forcefully struck the economy resulting in a historical deficit in the Netherlands FDI (Exhibit 2). In 2020, foreign direct investment in the Netherlands reached an all time low of a negative \$86.5 billion USD. Since the global pandemic, the country has slowly been rebuilding their FDI and, while still negative, accomplished a steady increase in their inflows. While taking a glance at the Netherlands FDI in comparison to other European countries, they have historically ranked very high. In 2018, the Netherlands was the top country in Europe for FDI inflows despite its smaller market size (Karadima, 2021), making it an extremely impressive and competitive nation in the European Union. Regional location, low cost of living, high



performance on government regulation and a wide tax treaty network; are all factors that lead to the strong investments in the Netherlands.

Over the past 5 years, the countries that have had the highest partnerships with the Netherlands in order to contribute to their FDI are the United States, United Kingdom, Germany, and Luxembourg. These four countries were responsible for approximately 60% of total investments in the Netherlands in 2022 (Berkenbos et al., 2023). The most impactful partnerships that contributed to inflows and outflows of Foreign Direct Investment are the United States and the United Kingdom; the US investing \$533 billion and the UK investing \$519 billion. Industries that attract FDI to your country and the region. The promising business atmosphere of the Netherlands has become extremely attractive to various industries, especially those attempting to integrate and begin to capitalize Europe. Major cities in the Netherlands, such as Amsterdam and Eindhoven, are tech hubs that push for technological innovation (Generis Global, 2024). The Dutch government's assistance in investing in research and development, grasps the attention of foreign tech companies and sways their investments. Investments in the agricultural industry thrive in the Netherlands due to a significant focus on sustainability, emphasis on efficiency, and advanced technology. These aspects are supported by a steady growth in the agricultural sector, which is particularly attractive to foreign investors. A prime location on the North Sea opens endless opportunities for global imports and global distribution, making logistics and distribution a lead industry for the Netherlands FDI's (Generis Global, 2024). This regional advantage allows the Netherlands to have one of the largest ports in Europe, and their sophisticated logistics network makes it simple for wholesale and retail companies to capitalize on the European market. The final industry with strong investments in the Netherlands is the renewable energy sector (Generis Global, 2024). The Netherlands along with many other



European countries strive to find means with the potential to combat climate change, leading to large strides in renewable energy. This opens up opportunities for foreign investors looking to enhance the sustainability of their company.

The attractiveness of the Dutch economy brings thousands of foreign company investments in the Netherlands. The British oil and petrol corporation, Shell, is responsible for contributing over \$10 billion to the Netherlands economy every year, both directly and indirectly (consultancy.eu, 2024). This global corporation provides a steady source of energy to the Netherlands industries, transport networks, and homes. Philips is another notable corporation that draws in foreign business to the Dutch economy (Maltha, 2021). It is a company that fosters innovation and has had a long term positive partnership with many international companies. Currently standing for over a century, Philips has had a long standing positive impact on the Netherlands through their innovation strategies and business successes. These companies have had a noticeable impact on the Netherlands economy not only from their successes but for the encouragement for other Foreign Investments to engage in the Netherlands.

Among the many industries that choose to invest in the Netherlands, the distribution industry presents an extremely strong opportunity. This is primarily due to their advanced logistic abilities and being home to the largest distribution port in Europe, Rotterdam. Strong distribution abilities allow retail companies to ensure efficient product movement, reducing costs, and improving delivery speed not only in the Netherlands but all over Europe. Utilizing the Netherlands as a retail port will allow companies to reduce operational costs and enhance their supply chain performance with their European business, benefiting both the Netherlands and their home country.



Conclusion

The Netherlands offers a highly attractive environment from its stable economy, political environment, strategic location, and promising demographic trends. From their involvement in the European Union, the Netherlands has access to free trade agreements, business friendly trade agreements, and regulations making it an appealing destination for global commerce.

Economically, the Netherlands holds a high GDP and customer purchasing power, all while having low unemployment rates. This creates an ideal market for business. Its prime location on the North Sea allows for easy and cost efficient distribution of goods throughout Europe.

Companies are further enticed by the country's commitment to innovation and environmental sustainability particularly in sectors like technology, retail, and renewable energy. While costly, the Netherlands has a highly skilled workforce and a diverse consumer base with strong digital adoption, creating a broad market for goods. The combination of political stability, economic strength, and a dynamic demographic profile; the Netherlands an ideal destination for retail investment. Leveraging its strategic advantages, international businesses are able to optimize operations and expand within the European market.



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Foreign Direct Investment



Appendices

Appendix A: Population and Demographic Data

- World Population Review, 2024: Netherlands population estimate (18 million)
- Statistics Netherlands, 2024: Urbanization rate (93%)

Appendix B: Economic Indicators

Netherlands GDP (765.6 Billion USD, 2015 - 1.118 Trillion USD, 2023).

Unemployment rate trend (6.87%, 2015 - 3.5%, 2024)

Appendix C: Trade Agreements and Policies

- EU Trade Agreements impacting the Netherlands (EU-Japan, EU-Canada, EU-South Korea, EU-Mexico)

Appendix D: Business Environment

- Corruption Index Score World Population Review 2024, (79)
- Netherlands Tax Rate Comparison (Netherlands, 27.3% vs. U.S. 14.5%)



Exhibits

Population dynamics

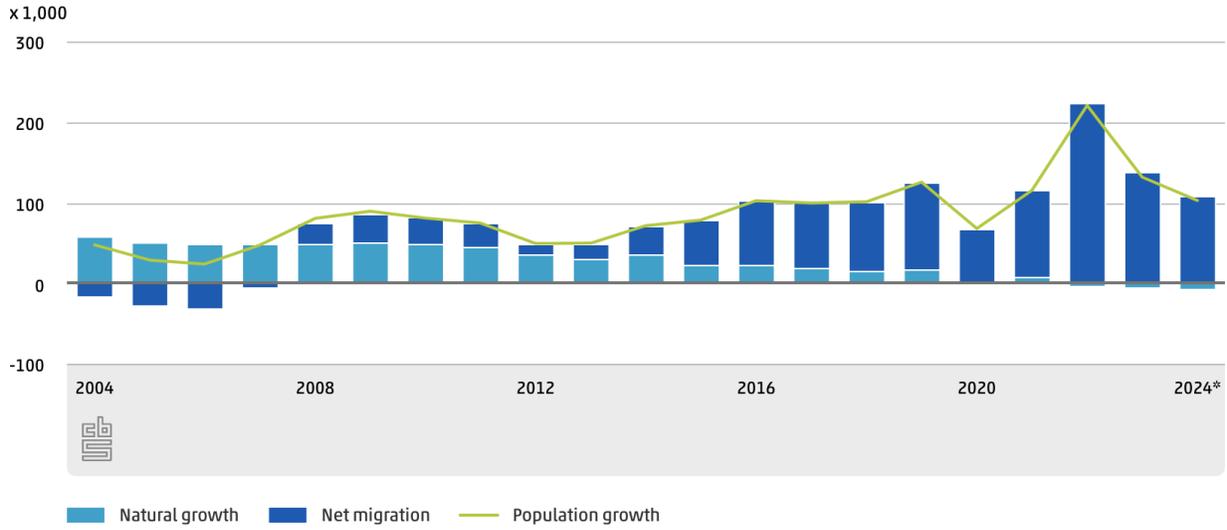


Exhibit 1 - Netherlands population growth since 2004 (Statistics Netherlands, 2024)

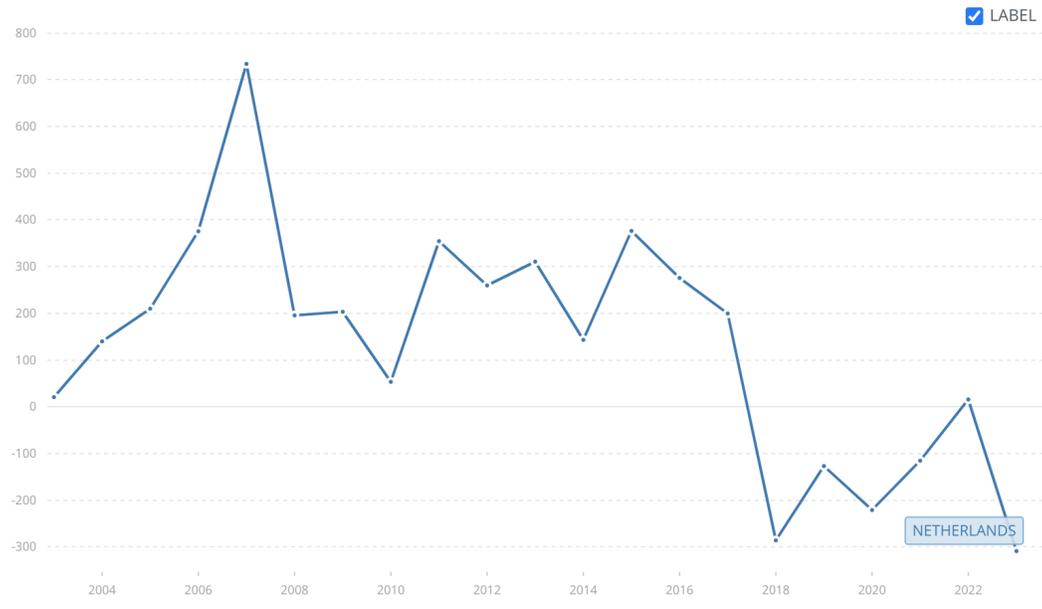


Exhibit 2 - Net FDI Inflows and Outflows since 2003 (World Bank, 2023)