

# International trade, foreign direct investment and global value chains



2017

## NETHERLANDS

### TRADE AND INVESTMENT STATISTICAL NOTE

International trade and foreign direct investment (FDI) are the main defining features and key drivers of global value chains (GVCs). However, despite their strong complementarities, the two flows are typically presented and treated separately in the statistical information system. Drawing on new and improved measures of trade and investment, this country note provides relevant statistical information from OECD databases on trade, investment, the activities of multinational enterprises (MNEs) and global value chains (TiVA). It sheds new light on the trade-investment nexus by highlighting the interrelationships between trade and FDI, their economic impact in the context of GVCs, and the role of MNEs as the main directors of these flows. The data are as of 1 May 2017. More information and country notes are available at [www.oecd.org/investment/trade-investment-gvc.htm](http://www.oecd.org/investment/trade-investment-gvc.htm).

Over one-third (34% in 2014) of economic activity (GDP) in the Netherlands depends on foreign markets, around the same as in Belgium and Poland. The Netherlands outward investment (equivalent to 163% of GDP in 2015) was much larger than the size of its inward investment (almost 100% of GDP). Under a broader notion of international orientation that captures the impact on national income of exports and sales through foreign affiliates, the Netherlands' international orientation was equivalent to nearly 37% of GDP in 2014.

Considering both trade and investment through this broader perspective can also shed new light on the Netherlands' most important partner countries. For example, while most partner countries supply Dutch consumers mainly through trade, the United States and France do so almost evenly between trade and sales by foreign affiliates. Furthermore, considering both trade and investment, Germany is no longer the most important partner to the Netherlands as the United States moves ahead because of its more extensive investment links with the Netherlands.

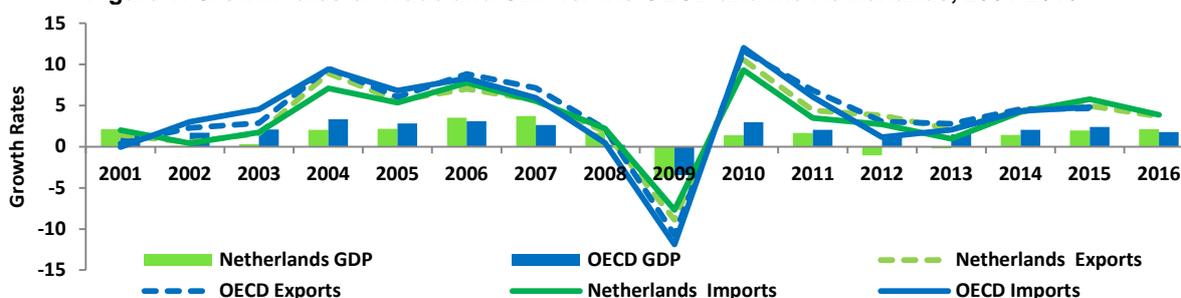
The top manufacturing exporting industries in the Netherlands are chemicals and chemical products (CHM) and food and beverages (FOD). In the chemicals industry, which has a high share of value added that is exported, inward investment plays an important role in GVC integration as foreign-owned firms account for 70% of value added, while in the food and beverages industry, a strong presence of Dutch MNEs helps drive integration. The services content of Dutch exports (58%) is above the OECD median, and this is correlated with a relatively high share of its inward investment going to the services sector.

# Trade and investment in the Netherlands

## Growth in trade has recovered since the global and euro crises

Like many European economies, Dutch trade contracted significantly at the height of the global crisis and again during the euro crisis. Dutch trade growth was in sync with the OECD average in the pre-crisis years and broadly continued this pattern since the crisis. In 2016, export growth dropped slightly to 3.5%.

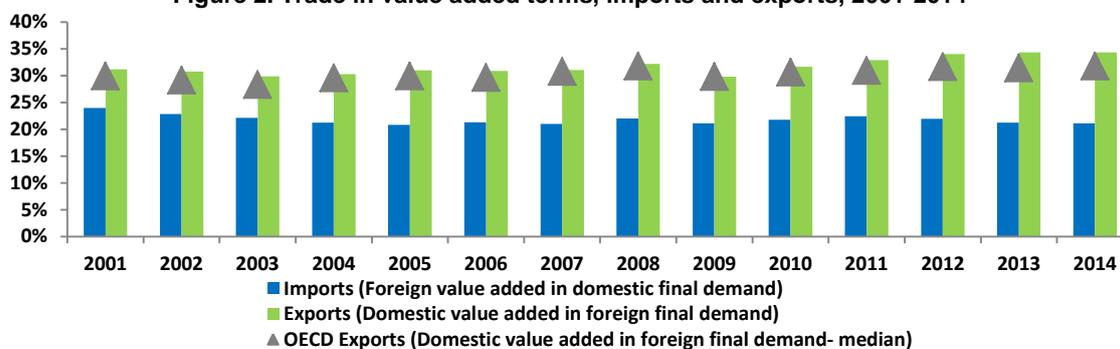
Figure 1. Growth rates of Trade and GDP for the OECD and the Netherlands, 2001-2016



Source: OECD SNA

Gross exports amounted to USD 623 billion in 2016 (90% of GDP), and gross imports to USD 539 billion (78% of GDP). Gross trade figures, however, overstate the ‘real’ contribution of trade to the economy, especially in the case of a country like the Netherlands with a significant amount of re-exports. In value-added terms, exports contributed 34% of total GDP in 2014, the highest value recorded, and above the OECD median (grey diamond). The contribution of direct and indirect imports to domestic final demand measured 21% of GDP in 2014.

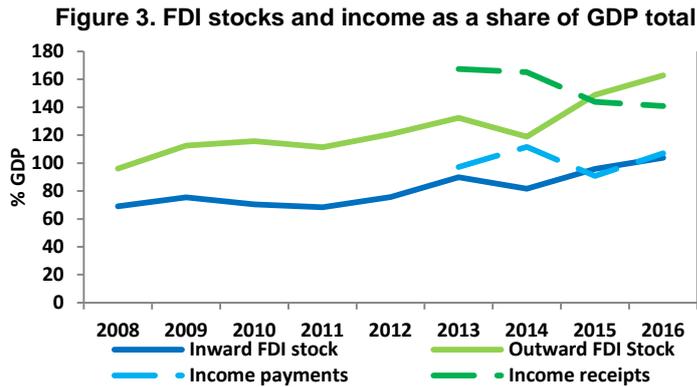
Figure 2. Trade in value added terms, imports and exports, 2001-2014



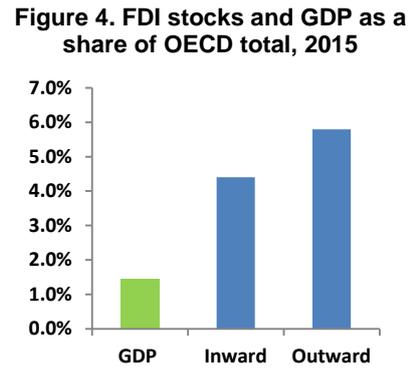
Source: OECD-WTO Trade in Value Added Data

## Investment is more outward than inward

Although both outward and inward FDI stocks have been growing relative to GDP since 2008, FDI remains outward orientated, equivalent to 163% GDP in 2016 (Figure 3). In 2015, the Netherlands’ share of the OECD total outward FDI stock (5.8%) was almost four times its share of GDP (1.4%), and its share in inward stock was 4.4% of the OECD total, also higher than its share of GDP (Figure 4).



Source: OECD FDI Statistics (BMD4)



Source: OECD FDI Statistics (BMD4)

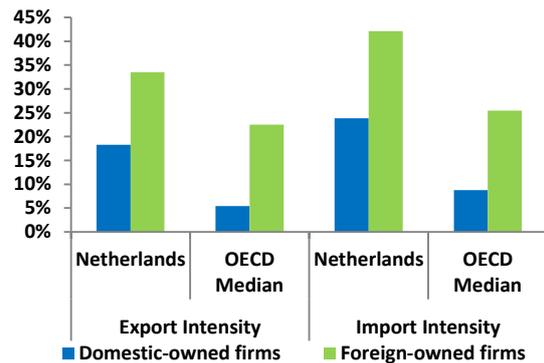
### Foreign-owned firms directly sustained 16% of jobs in the private sector in 2013....

In line with the relatively large size of inward investment compared to other OECD economies, foreign-owned enterprises accounted for 16% of jobs in the private sector in 2013 and 28% of private sector value added produced in the Netherlands, excluding the agriculture and finance sectors.

### ...and are more export intensive than domestically owned firms

On average, foreign-owned firms in the Netherlands are almost twice as export intensive (share of exports in turnover) as domestically owned firms, and their export intensity is above the OECD median. The import intensity of foreign-owned firms (share of imports in purchases) is also significantly higher for foreign-owned than domestic firms.

**Figure 5. Export and import intensity of domestic and foreign-owned enterprises**

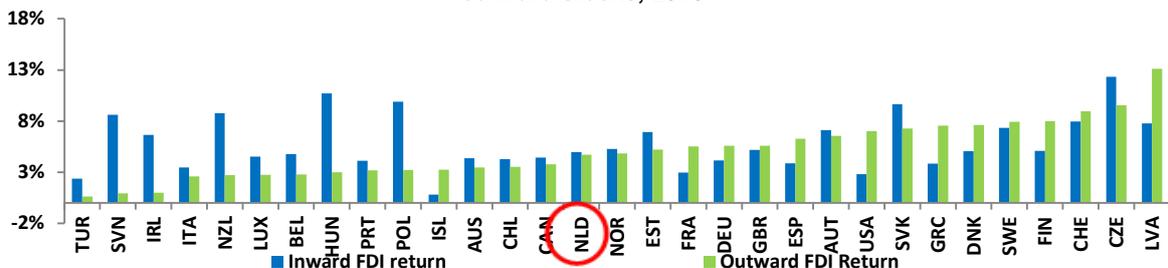


Source: OECD AMNE and Trade by Enterprise Characteristics (TEC) statistics (2011)

### Domestic MNEs provide important channels to penetrate foreign markets via affiliates...

In 2015, the Netherlands received USD 48 billion in income from its outward investment, equivalent to approximately 6% of GDP. The Netherlands's rate of return at 4.7% (green bar) on its outward FDI is at the OECD median. The return to foreign investors in the Netherlands was 5% in 2015, marginally above the median.

**Figure 6. Return on investment, income receipts and payments as a share of inward and outward stocks, 2015**

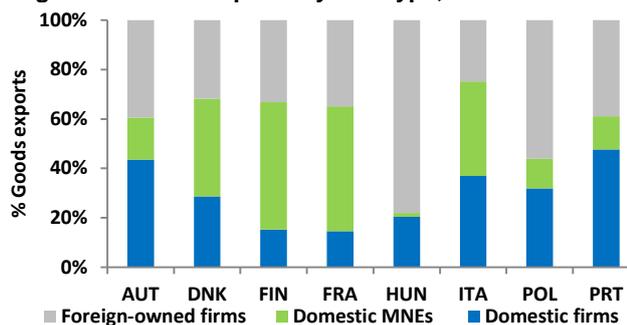


Source: OECD FDI Statistics (BMD4)

### ...and via exports

Looking across a selection of European economies, MNEs play a significant role in GVC integration. In some countries it is through the activity of MNE parents, while for other it is foreign-owned firms. In each country, at least half of all goods exports are conducted by MNEs.

**Figure 7. Goods Exports by firm type, the role of MNEs**

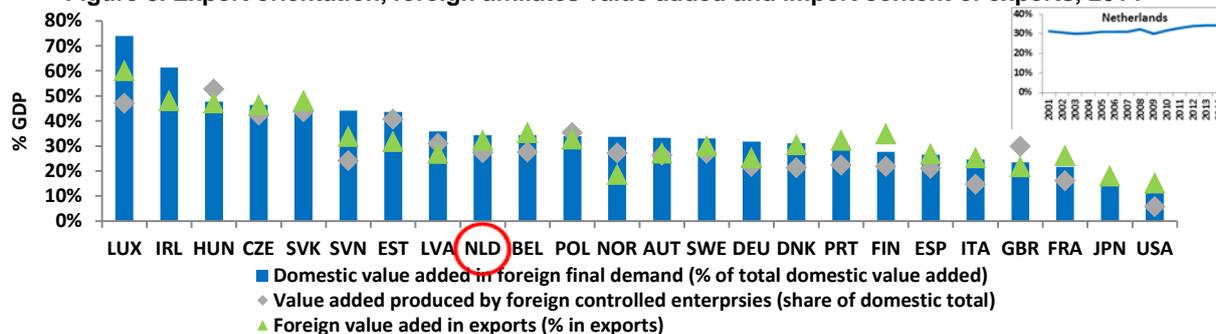


Source: OECD TEC statistics (2011)

### The Netherland's export orientation is comparable to similar sized economies

Exports (in value added terms) contribute 34% of Dutch GDP; this is above the OECD median, and comparable with Belgium and Poland. It may in part reflect high levels of inward investment and their relatively high export intensity (compared to foreign affiliates operating in other countries) supporting the Netherlands' GVC integration as measured by the import content of exports. Export orientation has increased slightly since the crisis (see insert chart).

**Figure 8. Export orientation, foreign affiliates value added and import content of exports, 2014**

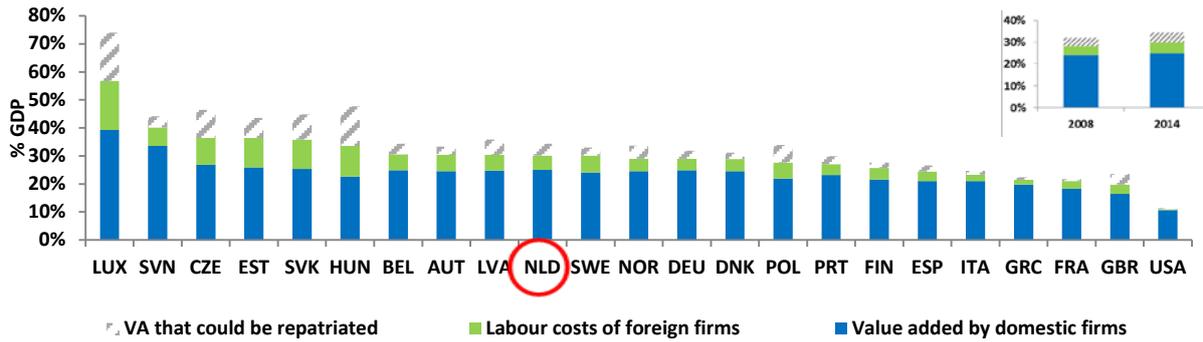


Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics

### And not all of the domestic value added content of exports sticks in the economy...

Gross export figures overstate the real economic impacts of trade to the exporting economy, but TiVA estimates can also overstate these impacts as the profits earned by foreign-owned firms through exports are repatriated if they are not reinvested. Figure 9 illustrates the importance of these flows across countries by showing the value added in exports of domestically-owned firms (blue bar), wages paid by foreign-owned firms (green bar), and profits of foreign-owned firms (grey bar), which in practice can be repatriated. Excluding these profits Dutch exports contain 30% of value-added that remains in the economy. So, 12% of the Netherland's exported domestic value added represents profits, and 15% represents wages paid by foreign-owned firms. The share of value added that remains in the economy has increased since 2008 (see insert chart).

Figure 9. Exports by ownership and their contribution to income, as a share of GDP, 2014

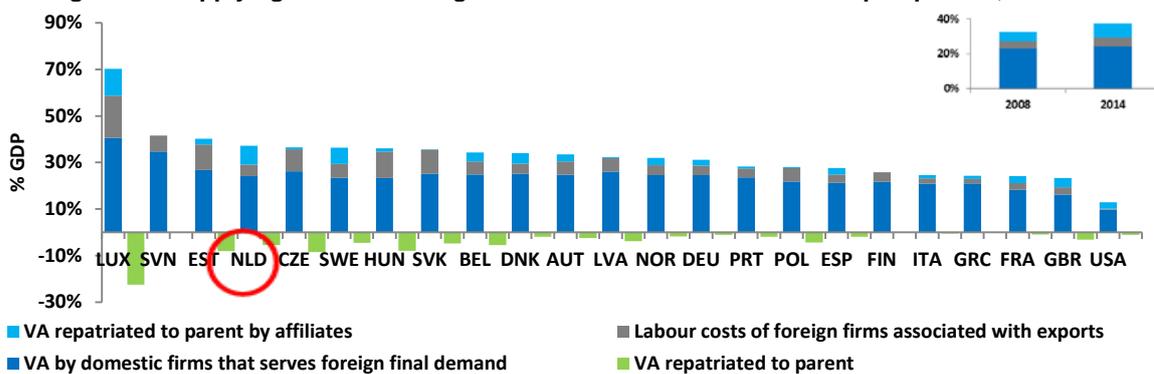


Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics

**Taking a broader view by including the income of foreign affiliates can provide a more complete picture of the international orientation of the Dutch economy**

Firms serve foreign markets by exporting or by selling through their foreign affiliates. Figure 10 takes a broader view of an economy’s international orientation by taking account of both trade and investment. The chart begins with the domestic value added in exports that remains in the economy – exports of value added by domestic firms (blue bar) and wages paid by foreign-owned firms associated with exporting (grey bar) – and adds to it the profits that domestic MNEs receive from the activities of their foreign affiliates as measured by FDI income receipts (light blue bar). The income payments made to foreign parents are presented for information purposes (green bar). For the Netherlands this broader measure (37%) is higher than the export orientation measure from TiVA (34%) because the Netherlands is a net outward direct investor. The Netherlands moves to the higher end of OECD countries using this measure, and this has increased since 2008, mainly due to increases in FDI income receipts (see chart insert).

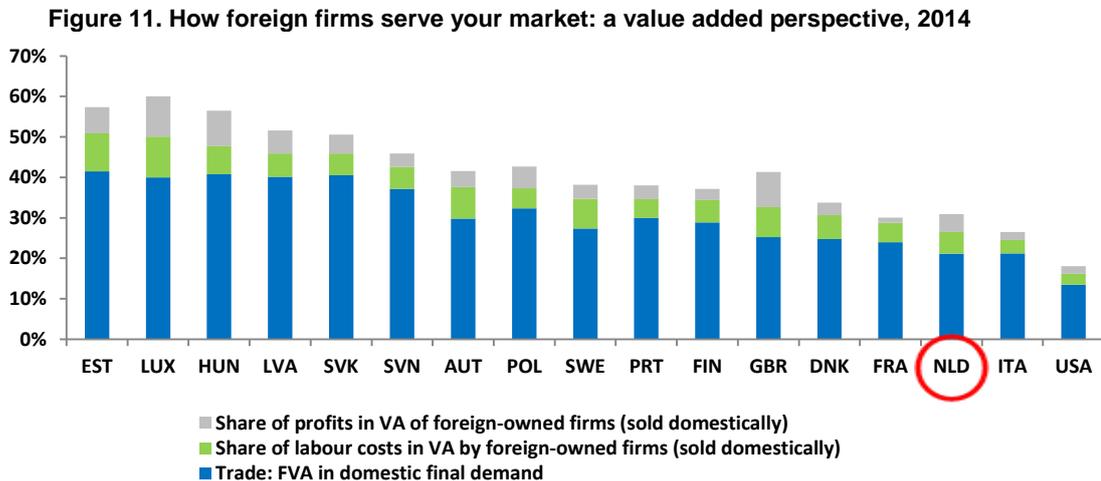
Figure 10. Supplying markets through trade and investment: a broader perspective, 2014



Source: OECD-WTO Trade in Value Added Data, OECD AMNE and OECD FDI (BMD4) statistics

## This broader perspective can also shed light on how foreign firms serve the Dutch market

Foreign producers supplied products and services for Dutch final consumption equivalent to 31% of GDP in 2014, the majority is through trade (foreign value added in Dutch final demand equals approximately 21% of GDP), but value added generated by foreign affiliates in the Netherlands for domestic (non-export) sales (Figure 11) accounts for 10 % of GDP. Although some of this value added is profits that can be repatriated to parents, the share is similar to that in other countries with substantial inward FDI (grey bar).



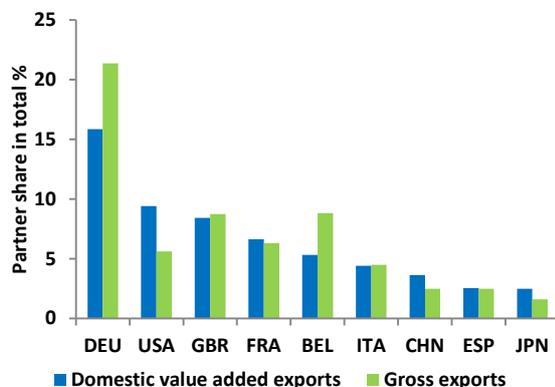
Source: OECD-WTO Trade in Value Added Data, OECD AMNE and OECD TEC statistics

## Trade and investment by partner country

### Trade measured from a value added perspective better reflects the bilateral relationships

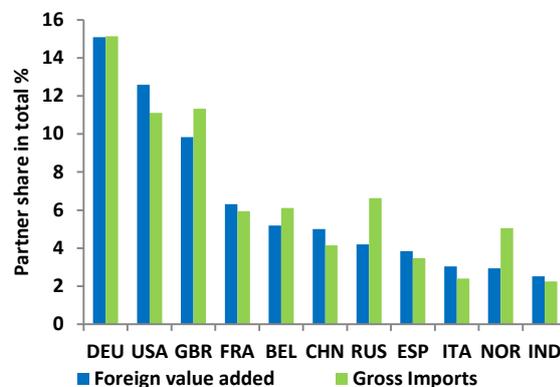
Gross bilateral trade figures can disguise the true nature of trade interdependencies, particularly between final consumers in one country and producers at upstream parts of the value chain. This is evident for the bilateral export relationship with the United States, which jumps ahead of Belgium, France and the United Kingdom once value added measures are used. On the import side, imports from Russia fall behind France, Belgium and China once value added measures are used.

**Figure 12. Exports: gross and value added terms, by partner country, 2014**



Source: OECD-WTO TiVA Data

**Figure 13. Imports: gross and value added terms, by partner country, 2014**

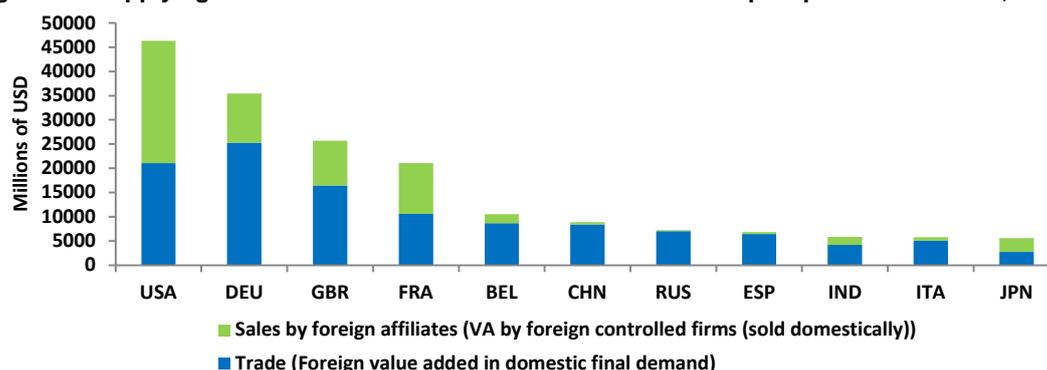


Source: OECD-WTO TiVA Data

## ...and interdependencies are further revealed when looking at the broader notion of 'trade'

Foreign firms can serve an economy through trade or sales by foreign affiliates; bringing the trade and investment perspectives together can shed a different light on who a country's most important partners are (Figure 14). Substantial variation exists across countries in how they supply the Dutch market. For example, while most partner countries supply Dutch consumers mainly through trade, the United States and France do so almost evenly between trade and sales by foreign affiliates. Furthermore, considering both trade and investment, Germany is no longer the most important partner to the Netherlands as the United States moves ahead.

Figure 14. Supplying the Dutch market via trade and investment: Top 10 partner countries, 2014

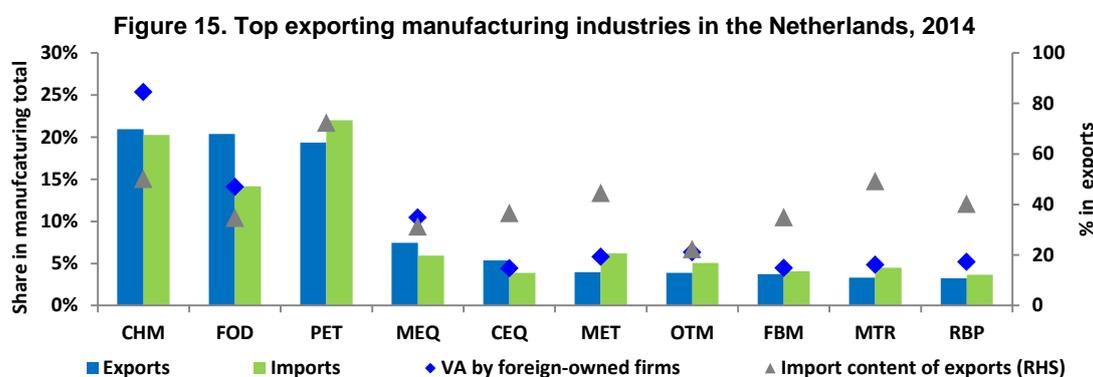


Source: OECD-WTO TiVA Data and OECD AMNE statistics

## Trade and investment by industry

### Outward and inward investment help shape the Netherlands's GVC integration

The top manufacturing exporting industries in the Netherlands are chemicals and chemical products (CHM) and food and beverages (FOD). The import content of exports is relatively high across these industries—illustrating the role that importing plays in supporting exports and indicating the degree of GVC integration in these industries. The role of foreign-owned firms differs across Dutch industry, in part reflecting the Netherlands's own comparative advantages and specialisation of its MNEs as well as the importance of foreign investment for certain industries.

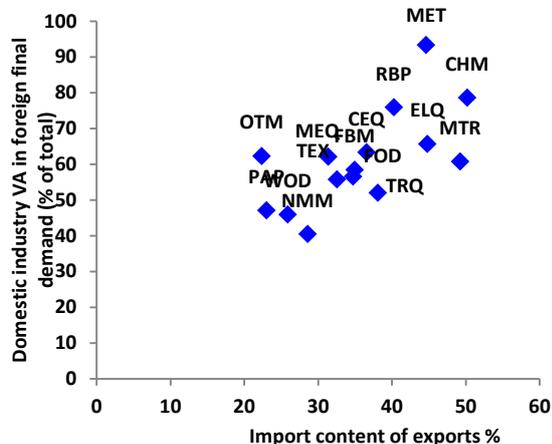


Source: OECD-WTO Trade in Value Added Data and OECD AMNE statistics. See page 10 for a description of industry codes.

## Exports and imports go hand in hand...

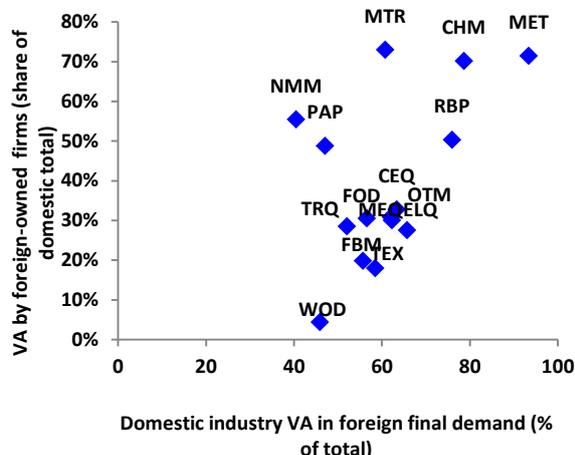
Across most industries there is a strong correlation between higher import content of exports and a higher share of their domestic value added being exported (export orientation) illustrating the complementarity of exports and imports.

**Figure 16. Import content of exports and export orientation, 2014**



Source: OECD-WTO TiVA Data and OECD AMNE statistics

**Figure 17. Foreign-owned firms and export orientation, 2014**



Source: OECD-WTO TiVA Data and OECD AMNE statistics

## ...and investment and export orientation can also go hand in hand

At the same time, strong complementarities can exist between inward investment and export orientation (Figure 17). For the Netherlands, the industries where foreign-owned firms produce more of the value added are also those that have a higher import content of exports. Figure 18, gross trade in goods by enterprise ownership and industry, cannot be calculated for the Netherlands due to limited data availability.

## Service industries play an important role in the export orientation of an economy...

Typically, services account for a large share of the value added in the economy but conventional gross trade statistics understate this as they cannot reveal the contribution that the upstream services industry plays in the production of goods exports. Accounting for this contribution, the services content of the Netherlands' total exports of goods and services was 58% in 2014 (Figure 19), above the OECD median of 57%. Considering the services content of manufactured goods alone, nearly 42% of manufacturing exports reflects services value added, above the OECD average of 36%.

**Figure 19. Services content of gross exports for OECD countries, 2014**

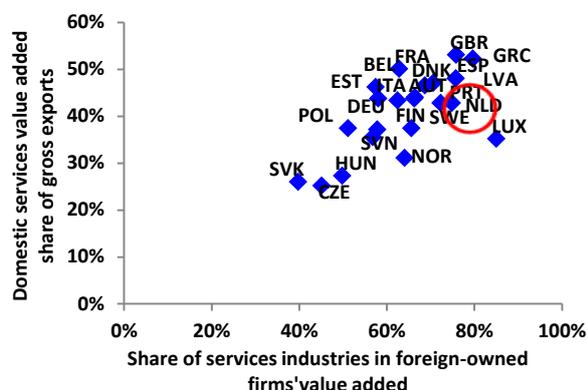


Source: OECD-WTO TiVA Data

**...and so inward FDI in the services sector can be an important channel for export success**

Greater foreign investment in the services sector is associated with higher services content in exports. For the Netherlands, the share of investment in services is towards the higher end for OECD economies which could contribute to the relatively high (above the median) services content in exports.

**Figure 20. Share of services industries in foreign-owned firms' value added and domestic services value added share of gross exports, OECD countries, 2014**



Source: OECD-WTO TiVA data and OECD AMNE statistics

## Links and data sources

### Guide to the trade and investment statistical notes

[www.oecd.org/investment/Guide-trade-investment-statistical-country-notes.pdf](http://www.oecd.org/investment/Guide-trade-investment-statistical-country-notes.pdf)

**Activity of Multinational Enterprises - AMNE** [www.oecd.org/sti/ind/amne.htm](http://www.oecd.org/sti/ind/amne.htm)

### OECD Benchmark Definition of Foreign Direct Investment - 4th Edition (BMD4)

(see Chapter 8 for information on the intersection of AMNE and FDI data)

[www.oecd.org/investment/fdibenchmarkdefinition.htm](http://www.oecd.org/investment/fdibenchmarkdefinition.htm)

**Foreign Direct Investment (FDI) Statistics** [www.oecd.org/investment/statistics.htm](http://www.oecd.org/investment/statistics.htm)

### Trade by Enterprise Characteristics - TEC

[www.oecd.org/std/its/trade-by-enterprise-characteristics.htm](http://www.oecd.org/std/its/trade-by-enterprise-characteristics.htm)

### Trade in Value Added - TiVA

[www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm](http://www.oecd.org/sti/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm)

**Table of industry codes**

Industry Type	Ind Code	Industry Description	
<b>Primary Industries</b>	<b>AGR</b>	Agriculture, hunting, forestry and fishing	
	<b>MIN</b>	Mining and quarrying	
<b>Manufacturing</b>	<b>FOD</b>	Food products, beverages and tobacco	
	<b>TEX</b>	Textiles, textile products, leather and footwear	
	<b>WOD</b>	Wood and products of wood and cork	
	<b>PAP</b>	Pulp, paper, paper products, printing and publishing	
	<b>PET</b>	Coke, refined petroleum products and nuclear fuel	
	<b>CHM</b>	Chemicals and chemical products	
	<b>RBP</b>	Rubber and plastics products	
	<b>NMM</b>	Other non-metallic mineral products	
	<b>MET</b>	Basic metals	
	<b>FBM</b>	Fabricated metal products except machinery and equipment	
	<b>MEQ</b>	Machinery and equipment n.e.c	
	<b>CEQ</b>	Computer, electronic and optical products	
	<b>ELQ</b>	Electrical machinery and apparatus n.e.c	
	<b>MTR</b>	Motor vehicles, trailers and semi-trailers	
	<b>TRQ</b>	Other transport equipment	
	<b>OTM</b>	Manufacturing n.e.c; recycling	
	<b>Services</b>	<b>EGW</b>	Electricity, gas and water supply
		<b>CON</b>	Construction
<b>WRT</b>		Wholesale and retail trade; repairs	
<b>HTR</b>		Hotels and restaurants	
<b>TRN</b>		Transport and storage	
<b>PTL</b>		Post and telecommunications	
<b>FIN</b>		Finance and insurance	
<b>REA</b>		Real estate activities	
<b>RMQ</b>		Renting of machinery and equipment	
<b>ITS</b>		Computer and related activities	
<b>BZS</b>		Research and development & Other Business Activities	
<b>GOV</b>		Public admin. and defence; compulsory social security	
<b>EDU</b>		Education	
<b>HTH</b>		Health and social work	
<b>OTS</b>		Other community, social and personal services	
<b>PVH</b>		Private households with employed persons	