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**Article**

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# THE ECONOMIC PARTNERSHIP BETWEEN THE NETHERLANDS AND USA

Razvan Hagima\*

**Abstract:** *The economic relations between The Netherlands and USA represent an important pylon for the economic environment from both countries. USA is the main investor in the Netherlands because of its fiscal policies but the European country, despite of its small area, it is ranked in top 5 investors in US. Only in Texas about 70000 jobs were created by the Dutch investors so it's clear to see that this partnership brings mutual benefits for both countries.*

**Keywords:** foreign direct investment; trade; job.

**JEL Classification:** G01; E00.

## INTRODUCTION

The partnership between USA and The Netherlands is one of the oldest on the globe and dates back to the American Revolution. It is based on historical and cultural ties as well as some similar attitudes on freedom and human rights. The Netherlands share the same economic and commercial view as USA. For example, in 2011 the Netherlands represented the main destination of US foreign direct investment with a share of about 14.3% (595.1 billion dollars) of total (The Netherlands top recipient of US foreign direct investment in 2011, I am Amsterdam). Furthermore, the European country was the third most important investor in the US in 2010, with a share of about 9.3% (217.1 billion dollars), after the UK (18.5% - 432.5 billion dollars) and Japan (11% 257.3 billion dollars) (Invest Utrecht, Netherlands ranks first US FDI).

### 1. Trade relation between USA and the Netherlands

Both US and the Netherlands held, often, similar positions on some problems of different nature but they have worked together to resolve them, in bilateral or multilateral frame such as the United Nations, NATO, World Trade Organization, OECD and European Union, with the declarative aim of instilling the existence of an open global economy.

For highlighting this historical partnership it is important to mention that these two countries joined NATO in 1949. Moreover, the European country aided the US in the Korean War, as well as

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in the first part of the Golf War. Furthermore, the mentioned countries channelled forces to sustain peace in former Yugoslavia, Afghanistan and Iraq.

To consolidate this relation, former US president George W. Bush stated that The Netherlands and US are like brothers. Moreover, Obama continued to confirm that without the support of Netherlands, US would not exist today as everybody knows it (Meeus, 2009).

**Figure 1 - USA - Total trade 2013**

Rank	Country	Exports	Imports	Total trade	Percentage of total trade
---	Total, all countries	<b>1,578.9</b>	<b>2,267.6</b>	<b>3,846.4</b>	<b>100.0%</b>
---	Total, top 15 countries	<b>1,078.7</b>	<b>1,711.6</b>	<b>2,790.3</b>	<b>72.5%</b>
1	Canada	300.3	332.1	632.4	16.4%
2	China	122.0	440.4	562.4	14.6%
3	Mexico	226.2	280.5	506.6	13.2%
4	Japan	65.1	138.5	203.7	5.3%
5	Germany	47.4	114.6	162.1	4.2%
6	South Korea	41.6	62.2	103.8	2.7%
7	United Kingdom	47.4	52.6	100.0	2.6%
8	France	32.0	45.3	77.3	2.0%
9	Brazil	44.1	27.6	71.7	1.9%
10	Saudi Arabia	19.0	51.8	70.8	1.8%
11	India	21.9	41.8	63.7	1.7%
12	Taiwan	25.6	37.9	63.6	1.7%
13	Netherlands	42.7	19.2	61.9	1.6%
14	Switzerland	27.0	28.3	55.2	1.4%
15	Italy	16.5	38.7	55.2	1.4%

Source: United States Census Bureau, Top Trading Partners - December 2013 <http://www.census.gov/foreign-trade/statistics/highlights/top/top1312yr.html>

Regarding the bilateral trade relations, they are important for both countries. The Netherlands represented, in 2013, the 13<sup>th</sup> trade partner of US (the first one was Canada with a share of about 16.4% of total trade flows, 632.4 billion dollars) with about 1.6% of total trade flows (61.9 billion dollars).

As can be seen from the above figure, top 15 partners of US have about 72.5% of total trade flows (2790.3 billion dollars). Moreover, from those 15 states, six of them are from Europe. This could represent the fact that the European countries have adopted quite quickly US products but also the fact that they have enough know-how to resist and perform in the US intern market.

**Figure 2 - Foreign trade of the Netherlands with US (2009-2013)**

<b>Year</b>	<b>Imports</b>	<b>Exports</b>	<b>Balance</b>
<b>2009</b>	32.241.5	16.098.5	-16.143.1
<b>2010</b>	34.740.3	19.055.5	-15.684.8
<b>2011</b>	42.159.4	23.455.0	-18.704.5
<b>2012</b>	40.627.2	22.257.5	-18.369.8
<b>2013</b>	42.654.3	19.220.5	-23.433.8

Source: United States Census Bureau, Trade in Goods with Netherlands (<http://www.census.gov/foreign-trade/balance/c4210.html#2013>)

As it can be seen from figure 2, the trend of Netherlands' exports to US suffered a decline in the last analysed year, 2013, from 22.257.5 million dollars to 19.220.5 million dollars (a decreased of about 13.6%). The situation is quite strange because the trend of exports was positive from 2009 to 2011, fact that highlights some interesting points: the Dutch companies recovered well from the economic crisis but they have lost their competitiveness. This ultimate statement is underlined by the share of the Dutch trade flows with US, from 1.8 % in 2011 (approx. 66 billion dollars) to 1.6% in 2013 (approx. 61.9 billion dollars). However, the value of exports grew with about 3122 million dollars from 2009 to 2013 so from this perspective the Dutch products are still strong "rooted" in the US market.

Regarding the imports from US, it is obviously that the trend is positive and the value of this indicator is growing almost every year. If in 2009 the value of imports was 32241.5, almost two times bigger than the exports to US, the value grew in 2013 to about 42654.3 million dollars, with about 32.3% bigger than the first year analysed. This happens due to the continuously growing demand of the Dutch population for US products.

The structure of the products imported/exported by/from USA from the same European country, Netherlands, reveals certain symmetry, meaning that some of the top 10 goods traded by the Dutch country with US are the same in both trade flows.

The composition of US exports to the Netherlands, in 2013, was the following (World's Richest Countries, 2014):

- Oil: \$11.8 billion;
- Medical, technical equipment: \$5.8 billion;
- Machines, engines, pumps: \$4.1 billion;
- Electronic equipment: \$3.6 billion;
- Pharmaceuticals: \$3.4 billion;

- Organic chemicals: \$2.2 billion;
- Aircraft, spacecraft: \$1.5 billion;
- Plastics: \$1.1 billion;
- Other chemical goods: \$750.4 million
- Vehicles: \$652.3 million

The goods exported from US by the Netherlands have a very high value, so it can be explained the level of this indicator. An interesting fact is that US exports to the Dutch state have a high added value, which incorporates an important level of know-how and innovation, as the products from the nuclear industry or the medical equipment, so their higher price it can be explained.

The composition of US imports from the Netherlands, in 2013, was the following (World's Richest Countries, 2014):

- Oil: \$3.7 billion;
- Machines, engines, pumps: \$2.8 billion;
- Pharmaceuticals: \$1.6 billion;
- Organic chemicals: \$1.2 billion;
- Alcoholic beverages: \$1.2 billion;
- Medical, technical equipment: \$870.4 million;
- Inorganic chemicals: \$675.3 million;
- Iron and steel: \$579.5 million;
- Electronic equipment: \$535.3 million;
- Plastics: \$475.7 million.

As it was in the case of exports, the imports composition reveals the fact that US prefers products with a high added value, as medical and electronic equipment or engines.

## **2. The direct investment flows between the two analysed countries**

As a result of the bilateral trade relations, the investment flows between the two analysed countries grew almost every year. In 2011, it was estimated that almost 7000 jobs were created in the US by investment flows from the Netherlands. A recent report highlighted the idea that the Netherlands created only in Texas about 100000 jobs and the total value of the direct investment in that specific area was about 9.4 billion dollars. Moreover, the total foreign direct investment of

Netherlands in US territory has surpassed in value the ones from China, India and Russia gathered together (U.S.–Dutch Trade Supports 700,000 American Jobs, 2011).

In the same mentioned year, 2011, the Netherlands was the third most important investor in the USA holding an aggregated value of about 217.1 billion dollars. Also, the European country represented the most important destination for the US investors, the stocks of FDI worth in that year 521.4 billion dollars. More than 850 Dutch companies can be found in USA and only in Texas they created more than 75000 jobs.

As mentioned before, Texas represented the main beneficiary of the economic relations between US and the Netherlands. Furthermore, more than 75 Dutch companies are operating in this region, including Fugro, KLM Royal Dutch Airlines, Shell Oil, Heerema Offshore. The Dutch investment, like the exports of the above companies to Netherlands, created 75653 jobs. The Dutch foreign direct investment in Texas valued about 11.4 billion dollars, the European country represented the fourth main investor in the region. The exports of Texas to the Netherlands reached the value of 6 billion dollars in 2010 and the main exported products were the one made from oil and coal.

In California, there were about 80 Dutch companies, like NXP Semiconductors, Rabobank and Nielsen Company. The Dutch investment and the exports activities of California created 57968 jobs. In 2010, the Netherlands was the fifth investor in this region and the level of FDI reached 6.7 billion dollars. The exports of California to the Netherlands, was in 2011, about 4.1 billion dollars (Area Development Online News Desk, 2011).

The US investment in the Netherlands represented, in 2009, about 23.9% (471.57 billion dollars) from the total US foreign direct investment made in Europe. The most important investments were the one made in the Dutch holding companies with a share of about 70.3% (331,62 billion dollars) from total, being followed by the companies from the financial and assurance sector with a share of 10,7% (50,35 billion dollars) and those who are operating in the manufacturing sector, 6,5% (30,67 billion dollars).

## CONCLUSIONS

All the information presented in this article suggests the fact that the economic relations between the Netherlands and the US are extremely profitable for both countries, the bilateral trade flows as well as the foreign direct investment flows have a high value. However, because of those extremely high values and important share in the total grand of each other's trade indicator, an

important mutual dependence can grow, one that can be strongly rooted and which can last a long time

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