

15.

Foreign direct investments

Author
Fintan van Berkel

15.1 Introduction

The patterns in Dutch foreign direct investment (FDI) are the topic of this chapter. It kicks off with a comparison of Dutch investment to FDI worldwide. Next the values of flows and stocks and their shares in GDP are presented. It ends with a description of the Dutch FDI by country and by economic sector. The reference year for the data is the year 2000. The data cover the period up to 2011 and 2012 was included where possible. The Special Purpose Entities (see Chapter 3) are excluded here.

FDI is defined as a cross-border investment made by a resident in one economy (the *direct investor*) with the objective of establishing a lasting interest in an enterprise (the *direct investment enterprise*) that is resident in an economy other than that of the direct investor. The 'lasting interest' is in evidence when the direct investor owns at least 10 percent of the voting power of the direct investment enterprise (OECD, 2008). Note that the direct investor is not necessarily the ultimate controlling institutional unit (UCI). For example, if a Dutch enterprise controls a German enterprise that controls an Austrian enterprise, the UCI of the Austrian enterprise is Dutch, but the direct investor in Austria is German.

We distinguish inward FDI and outward FDI. *Inward FDI* is the foreign direct investment in the reporting economy. *Outward FDI* is the direct investment of the reporting economy made abroad.

We also distinguish between flows and stocks. *Flows* of foreign direct investment consist of the annual changes in share capital, reinvested profits and other investments, including loans. *Stocks* of foreign direct investment are measured at the end of the year and consist of capital participations, loans (including trade credits, intra concern loans), and other liabilities. The difference between stocks at the end of two subsequent years is equal to the flow of FDI plus reassessments as a result of changed exchange rates, changed prices and other causes such as goodwill write-downs.

De Nederlandsche Bank (DNB) is the leading authority on measuring FDI in the Netherlands. It collects and compiles the data in line with the Balance of Payments Manual (IMF, 1993). According to the directional principle in this manual, DNB nets out the transactions of a subsidiary enterprise to the parent enterprise with those of the parent to the subsidiary.

15.2 The Dutch share in worldwide FDI

The share of the Netherlands in the global stock of inward FDI was 2.5 percent in 2012 (see 15.2.1). This percentage was 0.3 percentage points lower than in 2011. In most EU-15 countries the shares were comparable to the year before. Only Belgium (–0.4 percentage points) experienced a bigger drop than the Netherlands in 2012.

Outside the EU-15, China managed to increase its share in total worldwide inward FDI by 0.3 percentage points. It was the fifth successive year in which this country experienced an increase. This reflects the growing interest to invest in China. Its economic growth is far higher than those of most developed countries and thus creates opportunities for enterprises. The United States remained the biggest player regarding the global stock of inward FDI in 2012, followed by the United Kingdom.

Concerning worldwide outward FDI stock, the shares of most EU-15 countries were also relatively stable compared to 2011. The Netherlands stood out in a negative way and lost the most of its share (–0.5 percentage points) in 2012, while France was the EU-15 member with the biggest increase (+0.4 percentage points).

Of the other important countries outside the EU-15, the United States and China increased their shares in global outward FDI stock by 1.0 and 0.2 percentage points respectively. The share of China had also grown in previous years, together with its own economy. In 2012 the United States' share in the global stock of outward FDI remained the largest by far (22 percent).

Figure 15.2.2 provides a closer look at the Dutch share in EU-15's total worldwide inward FDI stock. Back in 2005, the Netherlands accounted for 10.8 percent of the EU-15 inward FDI stock. With that percentage it came in third place of all EU-15 countries. However, in 2012, the Dutch share had dropped to 8.1 percent, resulting in only a sixth place.

Concerning outward FDI stock, the Netherlands was the fourth most important EU-15 country from 2005 up to and including 2010, after which it was overtaken by Belgium (see figure 15.2.3). In 2012 the Netherlands accounted for 10.1 percent of the EU-15's total worldwide outward FDI stock. This share was 1.1 percentage points lower than in 2005.¹⁾

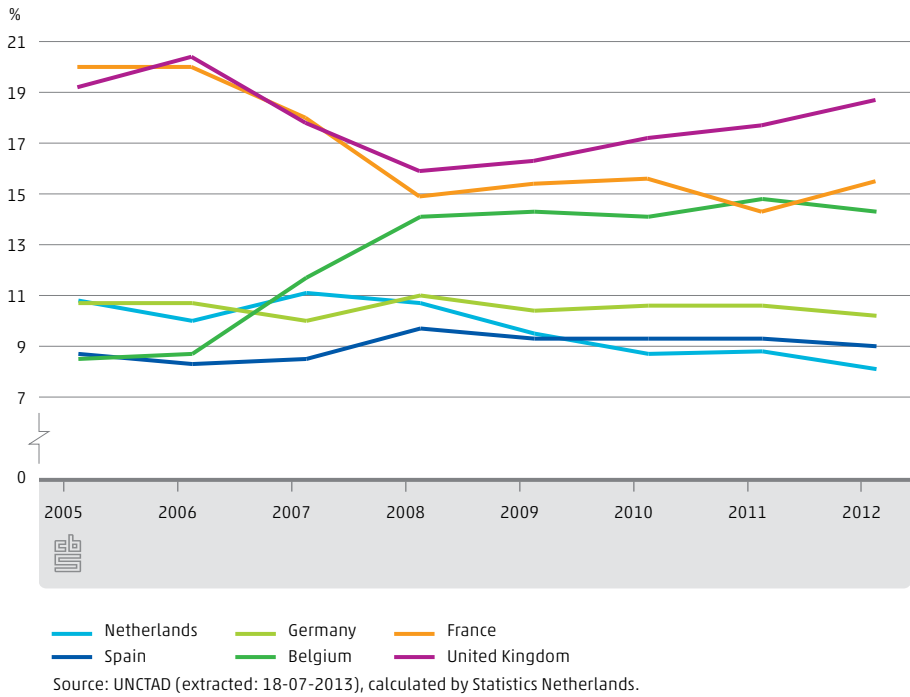
¹⁾ The Netherlands does not generally include SPEs in FDI, but most other countries do. If we include SPEs in Dutch FDI, the share of the Netherlands in worldwide FDI would be higher.

15.2.1 Shares in worldwide FDI (stocks)

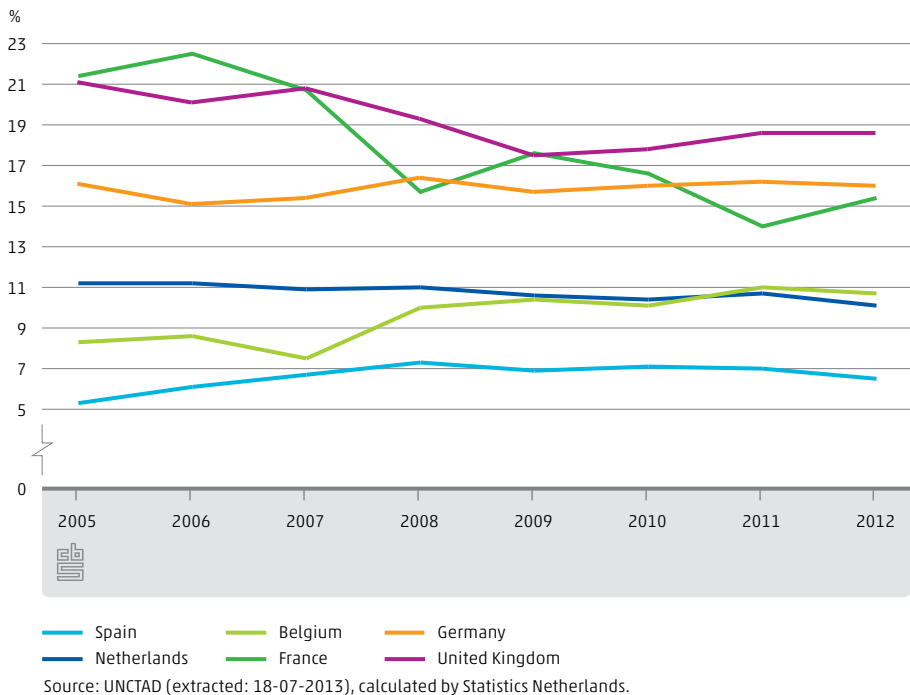
	2000	2005	2009	2010	2011	2012
	%					
Inward stocks						
World	100	100	100	100	100	100
EU-15	29.8	38.0	36.9	33.1	32.1	30.9
Netherlands	3.2	4.1	3.5	2.9	2.8	2.5
Austria	0.4	0.7	0.9	0.8	0.7	0.7
Belgium	2.6	3.2	5.3	4.7	4.8	4.4
Denmark	1.0	1.0	0.9	0.7	0.7	0.6
France	5.2	7.6	5.7	5.2	4.6	4.8
Germany	3.6	4.1	3.8	3.5	3.4	3.1
Italy	1.6	2.0	2.0	1.6	1.6	1.6
Spain	2.1	3.3	3.5	3.1	3.0	2.8
Sweden	1.2	1.5	1.8	1.7	1.6	1.6
United Kingdom	6.2	7.3	6.0	5.7	5.7	5.8
Switzerland	1.2	1.5	2.7	3.0	3.1	2.9
Brazil	1.6	1.6	2.2	3.3	3.3	3.1
China	2.6	2.3	2.6	2.9	3.4	3.7
India	0.2	0.4	0.9	1.0	1.0	1.0
Russian Federation	0.4	1.5	2.1	2.4	2.2	2.2
Australia	1.6	2.1	2.3	2.5	2.6	2.7
Canada	2.8	2.9	3.0	2.9	2.8	2.8
Japan	0.7	0.9	1.1	1.1	1.1	0.9
United States	37.1	24.1	16.4	16.7	16.8	17.2
Outward stocks						
World	100	100	100	100	100	100
EU-15	43.6	45.8	46.2	43.4	42.5	41.1
Netherlands	3.8	5.1	4.9	4.5	4.6	4.1
Austria	0.3	0.6	0.8	0.8	0.9	0.9
Belgium	2.2	3.8	4.8	4.4	4.7	4.4
Denmark	0.9	1.0	1.1	1.0	1.0	1.0
France	11.5	9.8	8.1	7.2	5.9	6.3
Germany	6.8	7.4	7.2	6.9	6.9	6.6
Italy	2.1	1.9	2.5	2.3	2.4	2.4
Spain	1.6	2.4	3.2	3.1	3.0	2.7
Sweden	1.5	1.7	1.8	1.8	1.8	1.7
United Kingdom	11.5	9.7	8.1	7.7	7.9	7.7
Switzerland	2.9	3.4	4.4	4.9	5.0	4.8
Brazil	0.6	0.6	0.8	0.9	0.9	1.0
China	0.3	0.5	1.3	1.5	2.0	2.2
India	0.0	0.1	0.4	0.5	0.5	0.5
Russian Federation	0.3	1.2	1.6	1.7	1.7	1.8
Australia	1.2	1.7	1.8	2.0	1.8	1.8
Canada	3.0	3.1	3.1	3.0	3.1	3.0
Japan	3.5	3.1	3.8	3.9	4.5	4.5
United States	33.6	28.9	22.0	22.6	21.0	22.0

Source: UNCTAD (extracted: 18-07-2013).

15.2.2 Shares in EU-15 inward FDI (stocks)



15.2.3 Shares in EU-15 outward FDI (stocks)



15.3 Dutch FDI: stocks and flows

From 2000 onwards the Netherlands has more outward than inward foreign direct investment (see table 15.3.1). This is common for most other developed countries, as has been noted in the Internationalisation Monitor 2011. Emerging markets have relatively favourable economic conditions and therefore, in general, more inward than outward FDI (UNCTAD, 2012).

The difference between Dutch outward and inward FDI stocks has strongly increased since 2000. In 2012 outward FDI stock accounted for 783 billion euros and inward FDI stock for 457 billion euros. These values were 3.6 and 1 percent higher than in 2011, respectively.

The ratios of inward and outward FDI stocks to GDP (in current prices) are often considered to be measures for the openness of an economy (OECD, 2008). Figure 15.3.2 shows that the openness of the Dutch economy with respect to outward FDI has clearly increased since 2008. However, the inward FDI/GDP ratio has slightly decreased compared to that year.

Following Luxembourg, Belgium and Ireland, the Netherlands was the fourth most open economy of all EU-15 countries with respect to outward FDI stock in 2012. Regarding inward FDI/GDP ratios, the Netherlands also came fourth. Again, Luxembourg, Belgium and Ireland were the most open economies in 2012.

FDI flows are more sensitive to large transactions than FDI stocks, and hence varied substantially between 2000 and 2012. An example of a large transaction is the acquisition of ABN AMRO by foreign enterprises in 2007 and the subsequent sale of the Dutch part of Belgium-based Fortis to the Dutch state in the following year. Another example is the restructuring of Shell in 2005, when the company which previously had two headquarters (one in the Netherlands and one in the United Kingdom) became an enterprise with only one headquarter in The Hague. Activities in the United Kingdom were then reclassified as foreign investments of the Netherlands abroad.²⁾

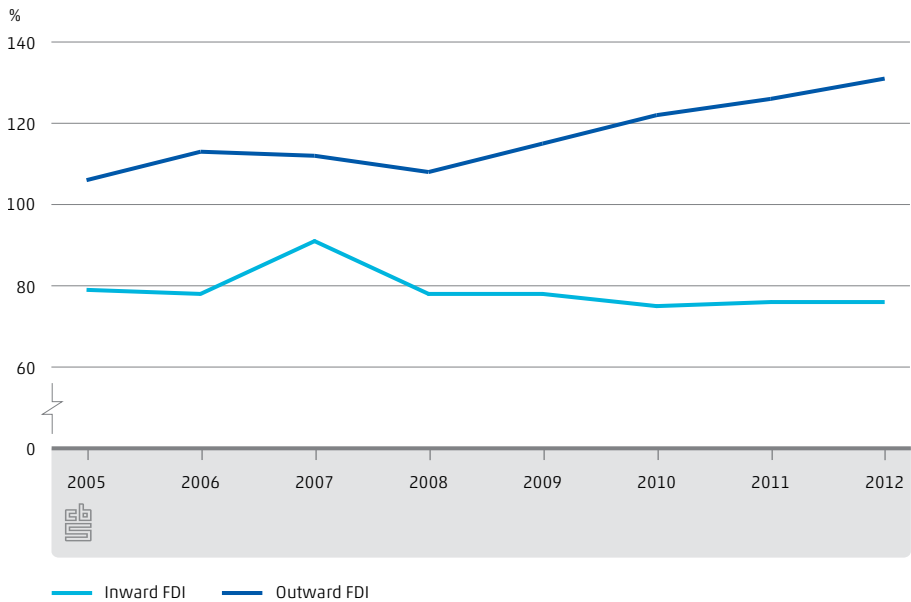
²⁾ The considerable fluctuations of FDI flows diminish the relevance of the indicators that compare the size of flows with GDP. These indicators used to give information about the relative attractiveness of economies, of the Netherlands and of foreign countries. However, recent fluctuations in these indicators could not be separated from sudden flows caused by large acquisitions or from the decrease in FDI caused by the economic crisis.

15.3.1 Dutch FDI (flows and stocks): value and share in GDP

	2000	2005	2007	2008	2009	2010	2011	2012
	million euros							
Value								
Inward FDI, flows	69,308	31,399	87,226	3,106	27,793	-5,562	12,358	-94
Outward FDI, flows	82,094	98,964	40,628	46,650	24,814	51,594	29,421	473
Inward FDI, stocks	261,937	406,392	520,766	463,894	447,211	438,065	452,459	456,912
Outward FDI, stocks	328,276	545,828	639,960	639,425	661,281	715,362	756,548	783,461
	%							
Share in GDP								
Inward FDI, flows	17	6	15	1	5	-1	2	-0
Outward FDI, flows	20	19	7	8	4	9	5	0
Inward FDI, stocks	63	79	91	78	78	75	76	76
Outward FDI, stocks	79	106	112	108	115	122	126	131

Source: De Nederlandsche Bank (FDI) and Statistics Netherlands (GDP) (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.3.2 Dutch FDI (stocks) relative to GDP



Source: De Nederlandsche Bank (FDI) and Statistics Netherlands (GDP) (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.4 Dutch FDI stocks: by country

Table 15.4.1 illustrates that the United States and the EU-15 countries are the main investors in the Netherlands. Together these countries accounted for 340 billion euros, or three quarters of total Dutch inward FDI stock in 2011. Switzerland is also a big investor, while the accumulated value of investment of the BRIC countries in the Netherlands still remained relatively small.

A closer look at the EU-15 shows us that Luxembourg has taken over United Kingdom's first place regarding Dutch inward FDI in 2011. Its share represents 13 percent of the accumulated value of investments in the Netherlands. With 10 percent the United Kingdom now comes in second place, together with Belgium. Germany and France complete the top five with 9 and 8 percent respectively.

Vice versa, the Netherlands also invested a lot in the EU-15 countries and the United States. In total 63 percent (480 billion euros) of Dutch outward FDI stock was concentrated in these countries in 2011. However, note that this share is considerably lower than the combined share of the EU-15 and the United States in Dutch inward FDI (75 percent). Relatively speaking, Dutch outward FDI stock in e.g. Luxembourg, the US and the UK remained clearly behind the Dutch inward FDI stock from these countries in 2011. It was the other way around for another big investor in the Netherlands, Switzerland. This country is known for its favourable tax and financial conditions, and therefore attractive for investors (resident in the Netherlands) (Deloitte, 2011). The shares of outward FDI going to the BRIC countries were still relatively small in 2011.

63% of Dutch outward FDI stock
went to the EU-15 and the United States



In figure 15.4.2 and figure 15.4.3 we categorise the origin and destination of Dutch FDI stocks by most important countries. First of all, we see that inward FDI is more concentrated than outward FDI. Concerning outward FDI, we also see that the accumulated investment value of the Netherlands in the United States has decreased gradually between 2005 and 2011. One of the causes for this decline

was the selling of American subsidiary enterprises such as US Foodservices, La Salle and Harcourt by Dutch firms in 2007 (DNB, 2008). At the same time, the Dutch investments in Switzerland have increased substantially.³⁾

15.4.1 Dutch FDI (stocks), by country of origin or destination

	Value						Share (2011)
	2000	2005	2007	2009	2010	2011	
	million euros						%
Inward FDI							
World	261,937	406,392	520,766	447,211	438,065	452,459	100
EU-15	161,775	241,705	343,972	265,392	265,588	276,421	61
Belgium	40,490	38,946	59,885	35,501	29,621	45,279	10
France	13,467	28,525	42,227	43,320	43,328	34,385	8
Germany	35,867	42,666	44,633	33,021	35,075	40,885	9
Ireland	8,362	15,429	19,366	21,833	21,307	23,020	5
Italy	1,064	2,197	2,570	2,825	3,596	4,828	1
Luxembourg	8,877	34,586	50,775	49,212	53,396	59,764	13
Spain	807	9,290	24,493	8,550	4,555	3,087	1
Sweden	6,418	3,934	4,403	8,346	8,158	7,819	2
United Kingdom	41,630	57,154	86,424	53,072	56,815	46,579	10
other EU-15 countries	4,793	8,978	9,197	9,712	9,738	10,774	2
Russian Federation	3	119	240	347	328	444	0
Switzerland	12,531	18,312	17,381	21,390	29,718	37,731	8
other European countries	3,230	20,361	11,904	20,367	13,898	15,271	3
Brazil	176	837	861	-62	-102	15	0
China	33	23	96	86	268	180	0
Dutch Antilles and Aruba	7,896	7,772	8,145	9,217	8,938	9,790	2
India	26	4	8	8	162	50	0
Japan	9,187	7,428	8,630	10,888	12,740	11,330	3
United States	56,765	77,265	94,527	84,363	69,030	63,830	14
other countries	10,316	32,566	35,001	35,215	37,497	37,395	8
Outward FDI							
World	328,276	545,828	639,960	661,281	715,362	756,548	100
EU-15	165,159	314,761	391,399	368,691	381,781	404,127	53
Belgium	35,242	39,649	74,989	60,321	68,805	73,579	10
France	19,636	32,428	37,612	33,014	31,592	36,357	5
Germany	32,932	57,097	65,343	62,684	53,724	59,238	8
Ireland	11,018	12,173	12,300	12,203	11,446	13,803	2
Italy	5,846	15,017	21,419	17,706	22,311	19,019	3
Luxembourg	5,487	17,791	32,533	45,850	55,281	59,275	8
Spain	9,729	24,401	28,859	26,484	19,982	19,155	3
Sweden	2,631	7,020	5,876	4,901	5,458	4,315	1

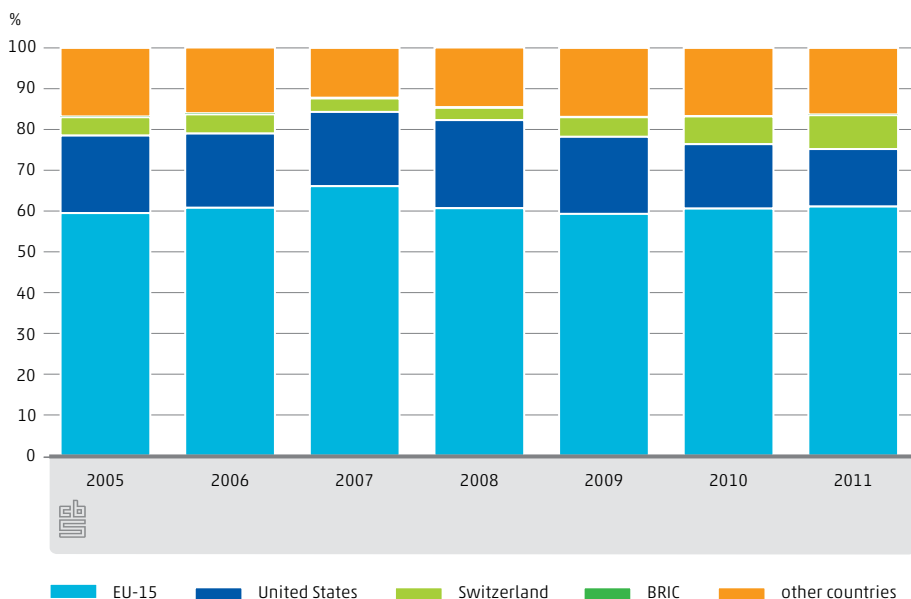
³⁾ Some of the shifts, particularly in outward FDI, are caused by fluctuating exchange rates. For example, the dollar lost approximately half of its value against the euro between 2000 and 2011. So even if investments in the United States had retained their value in dollars, their value in euros would have decreased.

15.4.1 Dutch FDI (stocks), by country of origin or destination (end)

	Value						Share (2011)
	2000	2005	2007	2009	2010	2011	
United Kingdom	34,234	99,093	93,917	87,860	94,859	104,529	14
other EU-15 countries	8,404	10,092	18,552	17,668	18,322	14,856	2
Russian Federation	1,871	5,646	9,014	6,589	7,020	6,746	1
Switzerland	15,999	35,533	42,852	54,478	71,509	72,159	10
other European countries	13,286	23,527	28,603	28,756	30,362	32,056	4
Brazil	4,886	8,229	11,562	7,647	8,224	10,694	1
China	1,800	1,827	4,367	6,510	5,738	6,070	1
Dutch Antilles and Aruba	2,110	1,886	2,393	2,133	2,730	3,156	0
India	531	1,254	2,167	2,040	2,591	2,666	0
Japan	1,248	1,577	3,338	6,100	7,683	7,834	1
United States	84,545	87,939	65,136	76,768	70,041	75,867	10
other countries	36,841	63,649	79,129	101,568	127,683	135,174	18

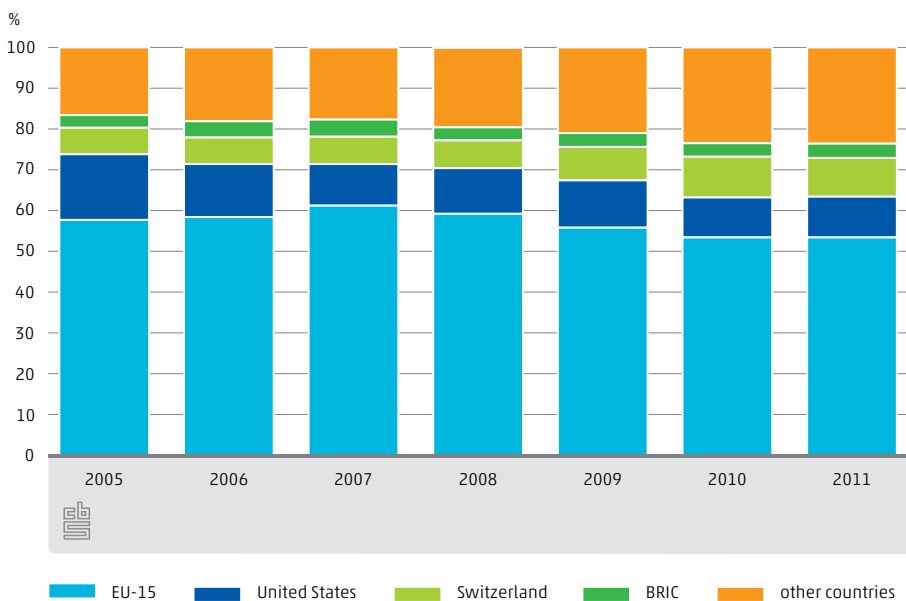
Source: De Nederlandsche Bank (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.4.2 Origin of inward FDI (stocks) by share



Source: De Nederlandsche Bank (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.4.3 Destination of outward FDI (stocks) by share



15.5 Dutch FDI stocks: by economic sector

In 2011 enterprises in the Dutch manufacturing sector had 15 percent more inward foreign direct investment (stock) than in the year before (see table 15.5.1). Of all inward FDI in manufacturing 48 percent focused on the *mining and quarrying, petroleum and chemical products* sector. *Electro technical and metal products* was the manufacturing sector in which the accumulated value of other countries' investments showed the strongest growth compared to 2010.

The Dutch inward FDI stock in services was 9 percent lower than in 2010. This drop was mainly due to the sectors *monetary intermediation and insurance* and *trade*. In 2011 the accumulated values of other countries' investments in these sectors decreased by 14 and 22 percent respectively. Nevertheless, *monetary intermediation and insurance* still had the biggest share (16 percent) of Dutch inward FDI stock of all services sectors.

Concerning outward FDI (stock), *mining and quarrying, petroleum and chemical products* (34 percent) and *monetary intermediation and insurance* (25 percent) were also the two most important sectors in 2011. Overall, investments of Dutch manufacturers were 12 percent higher than in 2010. This increase mainly came to the credit of the *mining and quarrying, petroleum and chemical products* sector. The accumulated value of investments by Dutch service providers abroad decreased by 1 percent compared between 2010 and 2011. Much of this was the result of a big drop (8.8 billion euros) in *monetary intermediation and insurance*.

Figure 15.5.2 shows that the United States was the main partner for manufacturers concerning Dutch inward FDI stock in 2011. For service providers, this was Luxembourg. The United Kingdom is the most important outward FDI partner for Dutch manufacturing enterprises (see figure 15.5.3). In 2011, 17 percent of the Dutch manufacturers' FDI stock was in this country, whereas services enterprises had invested most in the United States (15 percent).⁴⁾

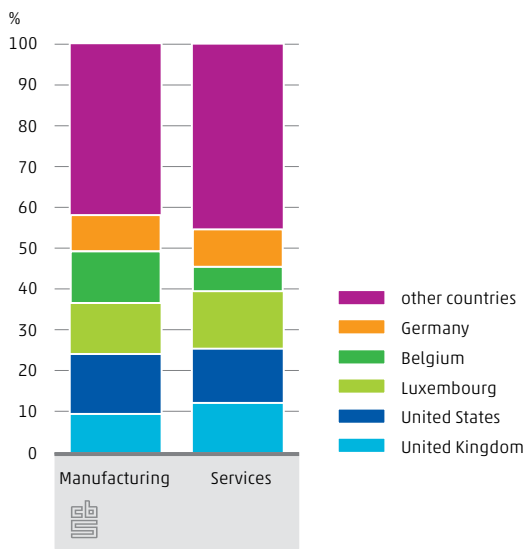
⁴⁾ DNB divides FDI into two categories: manufacturing (sectors A through F in NACE Rev. 2) and services (sectors G through S minus O). Besides the economic sectors in table 15.5.1, manufacturing also consists of agriculture, utilities and construction. Services also consist of real estate, renting and business activities, education, health, social work, entertainment and recreation. Public administration is not included.
Note that the economic sector for outward FDI is the sector of the Dutch enterprise investing abroad. The destination sector in the other country can differ from the economic sector of the Dutch enterprise.

15.5.1 Dutch FDI (stocks), by economic sector

	Value						Share (2011)
	2000	2005	2007	2009	2010	2011	
	million euros						%
Inward FDI							
Total	256,787	406,392	520,766	447,211	438,065	452,459	100
manufacturing	89,702	164,503	199,406	204,813	220,924	255,131	56
electro technical and metal products	15,464	23,098	17,271	23,316	23,799	35,128	8
food, beverages and tobacco	13,321	33,299	48,298	47,705	59,126	62,518	14
mining and quarrying, petroleum and chemical products	47,397	84,540	108,761	111,012	108,193	121,482	27
other	13,519	23,567	25,076	22,781	29,806	36,003	8
services	167,085	241,889	321,360	242,398	217,140	197,328	44
monetary intermediation and insurance	18,774	70,460	144,706	92,515	81,872	70,580	16
trade	40,744	44,392	43,688	47,935	41,247	32,104	7
transport, storage and communication	18,284	24,948	42,249	41,313	42,325	46,262	10
other	89,283	102,089	90,717	60,635	51,696	48,383	11
Outward FDI							
Total	318,833	545,828	639,960	661,281	715,362	756,548	100
manufacturing	136,322	240,255	287,254	338,367	377,885	422,399	56
electro technical and metal products	33,137	34,858	39,946	45,375	47,762	52,559	7
food, beverages and tobacco	32,028	38,057	48,760	58,873	72,841	77,559	10
mining and quarrying, petroleum and chemical products	54,858	148,654	175,494	206,476	229,148	259,207	34
other	16,298	18,686	23,054	27,643	28,135	33,074	4
services	182,511	305,573	352,706	322,913	337,477	334,149	44
monetary intermediation and insurance	57,360	145,277	197,856	176,339	196,888	188,051	25
trade	29,857	42,619	39,180	33,335	32,970	30,826	4
transport, storage and communication	24,954	49,384	49,837	61,181	59,823	60,329	8
other	70,341	68,292	65,833	52,058	47,795	54,942	7

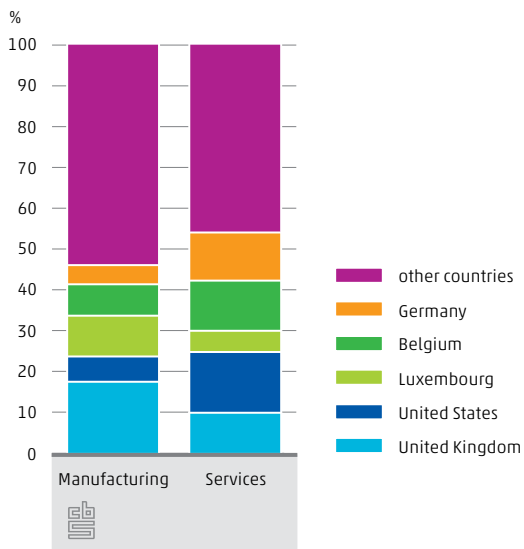
Source: De Nederlandsche Bank (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.5.2 Inward FDI (stocks) by economic sector and country, 2011



Source: De Nederlandsche Bank (extracted: 18-07-2013), calculated by Statistics Netherlands.

15.5.3 Outward FDI (stocks) by economic sector and country, 2011



Source: De Nederlandsche Bank (extracted: 18-07-2013), calculated by Statistics Netherlands.