



# Inward Investments in the Netherlands: Trends and Patterns in the Nineteenth and Twentieth Centuries

*Onno de Wit, May 13, 2003*

## **Introduction**

This paper deals with trends and patterns of inward investments by foreign companies in the Netherlands. During the nineteenth and twentieth centuries, there has been interesting twists and turns in both the character and the intensity of the flows of foreign direct investments directed at the Netherlands. This paper tries to identify these twists and turns. Inward investment – defined as substantial and sustained interests by foreign firms in Dutch businesses – will be analyzed on a primarily meso-economic level, although sometimes firms that were involved in inward investments are dealt with in some depth. Also, if necessary and available, macro-economic figures are provided. The basis question this paper tries to answer, concerns the periodization of foreign direct investments in the Netherlands in the nineteenth and twentieth century. How was the process of foreign involvement geographically structured? Were there delays and accelerations in the intensity of inward investment? And which sectors of the Dutch economy benefited most? As has been said, the analysis is not yet on a strategical level. Another paper will primarily deal with questions about individual firm strategies, problems, successes and failures, and will focus upon the interaction between foreign investors and the Dutch business system.

### *The nineteenth century: ad hoc investments and imperial adventures*

Just like any other country, the Netherlands always has been subjected to the import of foreign commodities, which were sold directly by traders, handled on bourses, or transferred to other countries. Until the nineteenth century, it was hard to link these commodities to specific foreign companies, at least by the buying public. This changed with the emergence of branding in the nineteenth century.<sup>1</sup> Local retailers

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<sup>1</sup> R.S. Tedlow, *New and improved. The story of mass marketing in America* (New York 1990); P.W. Laird, *Advertising progress. American business and the rise of consumer marketing* (Baltimore 1998).

explicitly began to refer to the name of the (foreign) company. For instance, in the 1840s, pills and greases from the British firm Holloway were regularly advertised in Dutch newspapers. Undoubtedly, Holloway engaged Dutch sales agents, through which its products were further distributed to physicians and pharmaceuticals.<sup>2</sup>

The deployment of sales agents was a common practice for foreign companies who wanted to geographically expand their markets. Obviously, sales agents were often first users, who got aware that there were other potential users. This was at least the way by which the Leiden printer A.W. Sijthoff acquired the exclusive agency of the German Maschinenfabrik Augsburg. As an employee of the rival firm of Koenig & Bauer, its manager Carl Reichenbach had already tested the Dutch market in the late 1820s. Having bought a printing press in 1854, requests for the erection of similar presses by friendly printers must have convinced Sijthoff that there was a Dutch market for these presses. In return, Sijthoff conditioned provision from his German partner.<sup>3</sup> In other instances, Dutch trading companies introduced products that were totally new to the Dutch market. Around 1883, the trading company Fred. Stieltjes and Company became the Dutch sales representative for the American Remington Typewriter Company.<sup>4</sup> At around the same time, and probably along similar lines, English ironers and American photo cameras were introduced on the Dutch market.<sup>5</sup> Obviously, a number of foreign companies decided to be not dependent upon the efforts of Dutch sales agents, and set up their own sales offices and storage stations. Stubenitsky mentions the following American examples: the Singer Company (1870), Mobil Oil (1890), Pure Oil, and the American Petroleum Company (1891).<sup>6</sup> In fact, the American Petroleum Company, one of the predecessors of Esso and ExxonMobil, was a joint venture of trading companies that up till then imported lamp oil from Standard Oil. Finally, Quaker Oats may be

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<sup>2</sup> W. Scheurs, *Geschiedenis van de reclame in Nederland* (Utrecht 1989), 25-28.

<sup>3</sup> O. de Wit, 'Zetten en drukken', in H.W. Lintsen et al. (red.), *Geschiedenis van de techniek in Nederland. De wording van een moderne samenleving, 1800-1890*, deel II (Zutphen 1993), 223-247: 231-235.

<sup>4</sup> O. de Wit, 'Innovation Junctions. Office technologies in the Netherlands, 1880-1980', in *Technology and Culture*, Jan. 2002, Vol. 43 no. 1, 50-72: 56.

<sup>5</sup> R. Oldenziel m.m.v. M. Berendsen, 'Het ontstaan van het moderne huishouden: toevalstreffers en valse starts, 1890-1918', in J.W. Schot et al. (red.), *Techniek in Nederland in de twintigste eeuw*, deel IV (Zutphen 2001), 15-35: 25; H. Baudet, *Een vertrouwde wereld. Honderd jaar innovatie in Nederland* (Amsterdam 1986), 132.

<sup>6</sup> F. Stubenitsky, *American direct investment in the Netherlands industry. A survey of the year 1966* (Rotterdam 1970), 43.

regarded as one of the first and still surviving American companies with Dutch production facilities before the twentieth century.<sup>7</sup>

In contrast to foreign firms that established Dutch production sites as part of emerging international networks of factories, sometimes firms that were specifically founded for this goal established factories in the Netherlands. A good example of such a greenfield plant concerns the paper factory of the firm Lhoest Weustenraad & Cie. at Maastricht, near the Belgium border. Financed by a group of financiers from the Belgium city of Luik and established in 1850 primarily to avoid, on the one hand, import duties on paper and, on the other hand, the ban on the export from the Netherlands of raw materials for the paper production, this factory soon developed as one the largest and also one of the most innovative paper factories of the Netherlands.<sup>8</sup> It is perfectly thinkable that there are in the nineteenth century numerous examples of cross-border investments by foreign investors who, for one reason or another, located their facilities just over the Dutch border.

To sum up, foreign operations in the Netherlands in the nineteenth century at least partly seem to vindicate the classic pattern of increasing levels of commitment in foreign markets by individual companies. Starting with export by engaging local agents and hiring (exclusive) sales representatives, firms, subsequently, established sales subsidiaries, service or distributions centers, and finally started production facilities.<sup>9</sup> One rational behind this evolutionary development path model deals with the assumption that risk reductions become less important with the increase of learning experiences.<sup>10</sup>

However, the nineteenth century also witnessed other and perhaps more substantial forms of foreign investments, especially in the field of public utilities. At least in three sectors, foreign investments acquired some scale and momentum: public lighting, railways and telephony.

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<sup>7</sup> Stubenitsky, *American direct investment*, 43. Compare Schreurs, *Geschiedenis van de reclame in Nederland*, 92, and G. Jones, *The evolution of international business. An introduction* (London and New York 1996), 111. In 2001, the Quaker Oats Company became part of PepsiCo.

<sup>8</sup> 1850-1950. *Honderd jaar papierfabriek KNP* (Maastricht 1950); B.W. de Vries, *De Nederlandse papiernijverheid in de negentiende eeuw* ('s-Gravenhage 1957), 206-208; *Koninklijke Nederlandse Papierfabriek. Een industrieel-archeologische verkenning* (Stichting Werkgoep Industriële Archeologie Maastricht, Maastricht 1989); O. de Wit, *Papierfabricage in Nederland in de negentiende eeuw. Van molen naar fabriek* ('s-Gravenhage 1990), 48-53. In 1875, the firm changed its name in Royal Dutch Paper (Koninklijke Nederlandsche Papierfabriek, KNP).

<sup>9</sup> M. de Smidt and E. Wever, *An industrial geography of the Netherlands. An international perspective* (London and New York 1990), 150; R. van Hoesel, *Beyond export-led growth. The emergence of new multinational enterprises from Korea and Taiwan* (Rotterdam 1997), 11-12.

<sup>10</sup> J. Bell, 'Entry modes and location decisions', in R. van Hoesel and R. Narula (eds.), *Multinational enterprises from the Netherlands* (London and New York 1999), 172-190: 177.

In 1825, the London based but actually freestanding Imperial Continental Gas Association (ICGA) received a gas lighting concession from the Rotterdam city council. Rotterdam was the first Dutch city that used a gas system for street lighting. In 1834, the ICGA took over the 'Amsterdamsche Pijp-Gaz Compagnie' (APGC), which had been established in 1825 to supply a number of public and private buildings in the city of Amsterdam with gas lighting. After having secured a monopoly in gas lighting in these two major Dutch cities, the ICGA went on and build gas lighting systems in smaller cities like Haarlem, Flushing, and Delfshaven.

The substantial investments in gas utilities by the ICGA were not exclusive to the Netherlands. In the 1820s and 1830s, the company invested in almost all European countries. In the Netherlands, from the start its activities were strongly controlled and regulated. As the strengthening of the economic position of Dutch firms was one of the policy goals of King Willem I, the growing British influence upon one of the countries' emerging industries did not go unnoticed. The ICGA had to order its materials in the Netherlands, and its factories were not allowed to enlarge without permission. Probably to counter these criticisms, the multinational sometimes used Dutch firms as intermediaries. However, in combination with occasional strong price increases and reoccurring accusations that large profits were transferred to England instead of reinvested in the Netherlands, in 1837 local and national mistrust against the ICGA led to an official investigation. Still, not all authorities found the foreign influence of the ICGA undesirable. Some stated that the establishment of gas lighting systems concerned an investment no Dutch firm was willing to make at that time, let alone the lack of experience and missing knowledge regarding this type of industrial activity.

Despite its controversial position, the ICGA remained for the rest of the nineteenth century an important player in the Dutch gas industry, at least until the emergence of municipal gas lighting at the end of the century. The more liberal tendencies of the 1840s and the growing competition in the following years from both Dutch and foreign gas producers led to a weakening of the mistrust against the ICGA.<sup>11</sup>

Railway services started in the Netherlands in 1839, with the opening of a railway line between Amsterdam and Haarlem by the Dutch Iron Railway Company

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<sup>11</sup> J.L. van Zanden, *De industrialisatie in Amsterdam 1825-1914* (Bergen 1987), 32; J. van den Noord, *Pion of pionier. Rotterdam - Gemeentelijke bedrijvigheid in de negentiende eeuw* (Rotterdam 1990), 85-99; G. Dil en E. Homburg, 'Gas', in *Techniek in Nederland in de negentiende eeuw. De wording van een moderne samenleving 1800-1890*, deel III (Zutphen 1993), 113-120; W. Cornelisse, *Waar licht is, is vreugde. Een eeuw gemeentelijke energievoorziening in Amsterdam* (Amsterdam 1995), 8-9; Jones, *The evolution of international business*, 155.

('Hollandsche IJzeren Spoorweg Maatschappij', HIJSM). Despite being build with Dutch capital, soon a substantial part of the shares fell into the hand of German investors. Since the 1840s, the Dutch Rhenish Railway Company ('Nederlandse Rhijnspoorweg', NRS) operated the railway line between Amsterdam and the Dutch cities of Utrecht and Arnhem. In 1856, railway service with Germany was opened. However, already in 1845, at the height of the British 'railway mania', English investors acquired about 67 percent of the shares of the NRS. As a result, Dutch Rhenish Railway Company became its official second name.

In the second half of the nineteenth century, political debates about the choice for private or public operation of the Dutch railway lines carried on. After its establishment in 1863, the state railway company soon run in financial troubles. No Dutch banking house wanted to invest in the new company. However, Dutch government refused to transfer the ownership of the state company to a foreign consortium, the French-Belgium banking house Bisschoffsheim & Hirsch. Eventually, in 1867 the German Darmstadter Bank made a substantial loan, by which the future of the state railway company was secured.<sup>12</sup>

This sketchy overview of inward investments in public utilities is concluded with another new market that emerged at the end of the nineteenth century and in which foreign investments played some role: telephony. As a subsidiary of the American Bell Telephone Company, in 1880 the International Bell Telephone Company (IBTC) was established to operate telephone systems in the major European cities. In general, the IBTC tried to engage local financiers as much as possible. Therefore, it mostly acquired only minority shares in the various telephone operators that were established on a national level. The Netherlands was no exception to this strategy. In 1880, the IBTC received a concession from the Amsterdam city council to operate a public telephone system. In the same year, the IBTC assigned its concession to the Dutch Bell Telephone Company ('Nederlandsche Bell-Telefoon Maatschappij', NBTM). Its president, H.F.R. Hubrecht, acquired almost 40 percent of the start-up capital of the NBTM, while local financiers who partly also joined the board of the NBTM, obtained 30 percent. Finally, the IBTC acquired the remaining 30 percent of the shares. With telephone operations active in almost of all the major Dutch cities, for years – at least until in 1895

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<sup>12</sup> A.J. Veenendeel Jr., 'Spoorwegen', in H.W. Lintsen et al. (red.), *Geschiedenis van de techniek in Nederland. De wording van een moderne samenleving 1800-1890*, deel II (Zutphen 1993), 129-163: 147-148, 160.

municipal authorities in various cities decided to start up municipal telephone services – the NBTM was the most important Dutch telephone operator.<sup>13</sup>

On the basis of this very fragmentary evidence, it is difficult to make inferences. Still, it can be concluded that inward investments in the Netherlands in the nineteenth century concentrated on at least two different markets: investments in the field of new, fast-growing markets in both consumer and durable goods, and investments in the field of emerging infrastructures and services. Also, in both cases, investments occurred as part of multinational growth strategies, to enter new regions and new markets.

*From the end of the nineteenth century to the 1950s: border activities and American investments*

Unfortunately, at this moment we do not know very much about the value and characteristics of foreign direct investments in the Netherlands before the 1950s. Quantitative data are available only on a very limited basis, and the qualitative information that is available only makes it possible to suggest some broad trends and patterns.

The first half of the twentieth century partly witnessed a continuation of trends that were already visible at the end of the nineteenth century. First, investments emerging from financiers and entrepreneurs in neighbouring countries continued to exist. Attracted in the nineteenth century for instance the Southeast region of the Netherlands foreign investors - we already mentioned the establishment of a paper factor at the city of Maastricht in 1850, at the beginning of the twentieth century the Southwest region of the Netherlands in particular witnessed some substantial foreign activities.<sup>14</sup>

In 1904, Saint-Gobain, a large French producer of glass, sulphuric acid and superphosphate, decided to establish a glass factory in Sas van Gent, just across the Belgium border in the Dutch province of Zeeland, along the Terneuzen-Gent canal. In the 1910s, this factory was expanded to include facilities for the production of

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<sup>13</sup> M. Wilkins, *The emergence of multinational enterprise: American business abroad from the colonial era to 1914* (Cambridge, Mass. 1970), 48-51; O. de Wit, *Telefonie in Nederland 1877-1940. Opkomst en ontwikkeling van een grootschalig technisch systeem* (Amsterdam 1998), 48, 65.

<sup>14</sup> This, of course, did not mean that the Southeast region of the Netherlands had become unattractive for foreign investors. For instance, in 1908, a Dutch-Belgium consortium established a cokes factory in Maastricht, *de Hollando-Belge pour la Fabrication du Coke*: B.P.A. Gales en J.P. Smits, 'Het leven bruist in Nederlands bodem', in J.W. Schot et al. (red.), *Techniek in Nederland in de twintigste eeuw*, deel II: Delfstoffen, energie en chemie (Zutphen 2000), 110.

sulphuric acid.<sup>15</sup> At that time, besides being established in the Netherlands, Saint-Gobain owned already eight factories in Germany, Belgium, Italy, Spain, and Austria-Hungary.<sup>16</sup>

In 1911, the Association Coöperative Zélandaise de Carbonisation (ACZC) was established near the small village of Sluiskil, like Sas van Gent situated in the Zeeuws Flanders region. The cokes factory happened to be an initiative from Belgium and French steel entrepreneurs located in the Lotharingen region. It produced cokes for their blast furnaces in their home countries and additionally supplied cokes gas to neighbouring cities and, from the 1950s, larger parts of Zeeland.<sup>17</sup> At the same site, in 1929 La Compagnie Néerlandaise de l'Azote (CNA) was established by Italian and Belgian entrepreneurs, with the Belgian Société Evence Coppée et Cie, the Italian fertilizer producer Montecatini, and the ACZV as major corporate drivers. With a capacity up to 45,000-ton nitrogen a year, the CNA ranked among one of the largest European fertilizer production sites. As this factory used part of the cokes gas produced by the ACZC, the development of the two complexes increasingly became interwoven. In both cases, expectations about future market developments and the wish to improve existing market positions played important roles in the decision to enter the Dutch market.<sup>18</sup>

Naturally, not all foreign entries ended successfully. In 1898, Walloon investors established the S.A. Forges et Aciéries Néerlandaise à Ter Neuzen. However, due to financial malversations, the steel factory never became operational. A second life, in the 1950s, as a ceramic factory owned by Brussels investors, also proved unsuccessful.<sup>19</sup>

For a long time, the industrial sites at Sluiskil, Sas van Gent and Terneuzen in the Zeeuws-Flanders region remained enclaves in a landscape that was used primarily for agriculture. It is not difficult to visualize these industries as outlets of an industrial zone that stretches from France to Belgium. In fact, a lot of the industrial employees in the province of Zeeland came from Belgium. Combined with the fact

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<sup>15</sup> E. Homburg en H. van Zon, 'Grootschalig produceren: superfosfaat en zwavelzuur, 1890-1940', in J.W. Schot et al. (red.), *Techniek in Nederland in de twintigste eeuw*, deel II (Zutphen 2000), 285, 295.

<sup>16</sup> Jones, *The evolution of international business*, 106.

<sup>17</sup> R. de Broeck, *Association Cooperative de Carbonisation GA te Sluiskil 1911-1961* (Wormerveer 1961).

<sup>18</sup> P. Puype, *Van kiem tot korrel. Nederlandse stikstofmaatschappij NV 1929-1979* (Sluiskil 1979); E. Homburg, J. Small en P. Vincken, 'Van carbo- naar petrochemie, 1910-1940', in J.W. Schot et al. (red.), *Techniek in Nederland in de twintigste eeuw*, deel II: Delfstoffen, energie en chemie (Zutphen 2000), 341-345.

<sup>19</sup> P. de Schipper, *Achter de dijken. Dow in Terneuzen 1962-1997* (z.p., z.j.), 73-77.

that the foreign investors heavily controlled the site management, these isolated industrial complexes were some kind of social enclaves as well.<sup>20</sup>

As these examples indicate, in the twentieth century foreign investments by investors from neighbouring countries continued to be of some importance. European multinationals also made their presence felt, and perhaps on a larger scale than in the nineteenth century. For instance, in 1912, Nestlé, the Swiss producer of baby milk and dairies, took over the Galak Condensed Milk Company in Rotterdam, thereby establishing its first production site in the Netherlands. At that time, Nestlé already ranked among the largest of the Swiss multinationals, with 14 foreign factories in 1914. In the 1920s, Nestlé also acquired the Dutch cheese company Gerber, as well as the dairy producer Hollandia, one of the oldest Dutch producers of condensed baby milk.<sup>21</sup> Also, the 1920s saw the establishment of the Ford Motor Company of Holland NV (first as a trading company, in the 1930s as a production facility as well), and the establishment by France's Michelin of a factory for rubber tyres.<sup>22</sup>

American investments in the Netherlands also continued to be important. In fact, in the first half of the twentieth century, American investments seemed to have intensified. Unfortunately, no figures are available for the first two decades of the twentieth century, but in 1929, the value of total American direct investment in the Netherlands was estimated to be 43,2 million dollars. In the years following the Crash of 1929, the value decreased to 18,8 million dollars, but increased again in the second half of the 1930s and the first years of the 1940s. In 1943 and 1950, respectively, American direct investments in the Netherlands were valued 59,6 and 84 million dollars.<sup>23</sup> The number of American establishments in the Netherlands rose from less to fifty prior to 1930, to less than hundred in the 1930s and 1940s, and to more than hundred around 1950.<sup>24</sup>

In general, American investments in Europe focused on manufacturing, with food products, chemicals, machinery and transportation equipment as important

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<sup>20</sup> De Schipper, *Achter de dijken*, 57-58.

<sup>21</sup> H.G. Schröter, 'Swiss multinational enterprise in historical perspective', in G. Jones and H.G. Schröter, *The rise of multinationals in continental Europe* (Aldershot and Brookfield 1993), 49-64; Jones, *The evolution of international business*, 106; A.P. de Knacht en A. Albert de la Bruhèze, 'De witte motor', in *Techniek in Nederland in de twintigste eeuw*, deel III: landbouw en voeding (Zutphen 2000), 311-314.

<sup>22</sup> F. de Goey, 'De assemblagefabriek van Ford in Rotterdam (1924-1931). Lokale overheid versus een multinational', in *NEHA-Jaarboek voor economische, bedrijfs- en techniekgeschiedenis* 63 (Amsterdam 2000), 166-195; Jones, *The evolution of international business*, 111.

<sup>23</sup> Stubenitsky, *American investments*, 43, 45-46.

<sup>24</sup> Stubenitsky, *American investments*, 46.

sectors.<sup>25</sup> In contrast to this situation, American investments in the Netherlands traditionally concentrated upon the petrochemical industry. This is, at least, what the figures about the value of American inward investment from the year 1950 seem to suggest.<sup>26</sup> In this sense, the establishments of Mobil Oil, Pure Oil, and the American Petroleum Company at the end of the nineteenth century were no incidents, but part of a long-lasting presence of foreign, especially American companies in this sector. As the oil-refining and petrochemical industry increased in importance after the Second World War, American oil companies increased their significance as foreign investors as well. This is not to say that American investments in other sectors were of less importance. In fact, foreign investments in manufacturing were also dominated by American companies, while the investments by other European countries were primarily of British and French origin. Anyway, after the Second World War, German companies needed official approval to invest abroad, while the number of Belgian establishments was limited. Also, they were concentrated in the border zone.<sup>27</sup>

#### *The 1950s and 1960s: industrial and European commitments*

From the 1950s, the Netherlands started to conform to the European pattern of foreign, especially American, investment, at least regarding one crucial aspect. In 1965, manufacturing did overtake petroleum as the most important sector of inward investment in the Netherlands. In the second half of the 1960s, the share of the petroleum sector steadily decreased, while the share of manufacturing steadily increased. At the end of the 1960s, American investments in the Dutch petroleum sector amounted to about one quarter of total American investments, against more than half for manufacturing.<sup>28</sup> This, of course, did not mean that investments in the petrochemical industry ceased to exist, on the contrary. With the rise of Rotterdam as the largest harbour in the world, a lot of foreign multinationals were attracted to 'Europoort'. In the 1950s and 1960s, companies like Esso, Gulf Oil, British Petroleum, Mobil Oil, Caltex, Dow Chemical, Continental & Columbian Carbon, Montecatini, Alusuisse, and ICI all established refineries or built storage facilities in

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<sup>25</sup> Stubenitsky, *American investments*, 37, table 4.

<sup>26</sup> Stubenitsky, *American investments*, 45, table 9.

<sup>27</sup> N.J. Kemper and M. de Smidt, 'Foreign manufacturing establishments in the Netherlands', in *Tijdschrift voor Economische en Sociale Geografie* 71 (1980), nr. 1, 21-40: 25.

<sup>28</sup> Stubenitsky, *American direct investments*, 45.

the Botlek and Pernis region. In addition, Du Pont De Nemours built a major production site in Dordrecht, while Hoechst established itself in Flushing.<sup>29</sup>

Between 1950 and the second half of the 1960s, the number of American establishments increased from 195 to almost 600. During that same period, the value of American direct investments in the Netherlands rose from 84 million dollars to 859 million dollars.<sup>30</sup> The attractiveness of the Netherlands for American investments can be explained by at least three factors. First, comparative costs appear to have played an important role in the decision of American enterprises to establish a production unit outside the United States. Actually, by keeping the cost of labour relatively low compared to its neighbouring countries, the Netherlands experienced a relative cost advantage in the 1950s and early 1960s. Also, labour supply was abundant.<sup>31</sup>

Second, at about the same time, the effects of the establishment of the Common Market made itself felt. In 1957, a number of European countries signed the Treaty of Rome. Basically, it provided for complete free trade without discrimination between the member states and for a common tariff against the rest of the world. As the abolition of the custom barriers was accelerated, already in 1968 a European customs union was realized. The free movement of labour, services, and capital was achieved by that same date. The common external tariff was also gradually harmonized.<sup>32</sup> Especially the export orientated petrochemical industry in the provinces of Zuid-Holland and Zeeland profited from the new function of the Netherlands as the 'Gateway to Europe'. The locational advantages of Rotterdam and Terneuzen stimulated the import of raw materials or semi-manufactured products and the transportation of finished products either by truck, rail, barge or pipeline throughout Europe. However, to be sure, it was not the Treaty of Rome that attracted an increasing number of American companies, but the expectations of a growing European market, which the Treaty in fact symbolized. Therefore, already before the Treaty of Rome, American companies anticipated upon these developments, and established enterprises in the Netherlands. Of course, the prospects of sustained

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<sup>29</sup> M. de Smidt, 'Foreign industrial establishments located in the Netherlands', *Tijdschrift voor economische en sociale geografie* 57 (jan./febr. 1966), nr. 1, 1-19: 17; J. ten Hove, 'De chemische industrie in Nederland 1800-1990', in NEHA (red.), *Delfstoffenwinning en chemische industrie. Een geschiedenis en bronnenoverzicht* (Amsterdam 1993), 13-58: 33-38.

<sup>30</sup> Stubenitsky, *American direct investment*, 46.

<sup>31</sup> De Smidt, 'Foreign industrial establishments', 1-2; J.L. van Zanden, *Een klein land in de 20<sup>e</sup> eeuw. Economische geschiedenis van Nederland 1914-1995* (Utrecht 1997), 201-202.

<sup>32</sup> S. Pollard, *European economic integration 1815-1970* (London 1974), 160-170; H. van der Wee, *Prosperity and upheaval. The world economy 1945-1980* (Harmondsworth 1986), 358-379.

European growth were at least partly generated by the United States itself, through the massive Marshall Aid.<sup>33</sup>

Third, within the context of the Dutch post-war industrial policy, as one of the first European countries Dutch government pursued an aggressive open-door policy regarding the establishment of foreign industry. This involved a combination of investment subsidies and grants, accelerated depreciation schemes, and fiscal stimuli. On the promotional side, the Netherlands also made itself heard. Already in 1946, private Dutch capital established the Netherlands Industrial Institute, later renamed Institute for Dutch-American Industrial Cooperation. It helped American companies to study plant sites, labour supply, financing and staff procurement. In addition, in 1950 Dutch government established the Commissariat for Industry of the Ministry of Economic Affairs in New York.<sup>34</sup> Recruiting policies seem to have been quite successful. In the period between 1950 and 1963, nearly 30,000 jobs directly emanated from direct foreign industrial investment, which amounted to 15 percent of the growth in industrial employment during that period.<sup>35</sup>

#### *The 1960s to the 1980s: The rise of European and non-industrial investments*

From about the middle of the 1960s onwards, the patterns of foreign direct investment changed quite dramatically. The comparative cost advantage of the Netherlands disappeared entirely. Also, the growth spurt of the integrated European market somewhat weakened, while the industrial incentive programs were cancelled or redirected towards regional development plans. Although the long economic recession between 1973 and 1985 constituted a temporary setback to foreign investment in the Netherlands<sup>36</sup> – actually during several years the number of new foreign establishments declined as well as the value of foreign direct investment – it is still possible to identify some general trends and patterns. To be sure, the United States continued to be the single most important source of inward investment. However, its initial domination eroded. In the 1940s and 1950s, 51 percent of foreign

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<sup>33</sup> De Smidt, 'Foreign industrial establishments', 2.

<sup>34</sup> Stubenitsky, *American direct investment*, 48-50, 54.

<sup>35</sup> De Smidt, 'Foreign industrial establishments', 6.

<sup>36</sup> A. Loeve, *Buitenlandse ondernemingen in regionaal perspectief* (Amsterdam en Utrecht 1989), 44; M. van Nieuwkerk en R.P. Sparling, *De internationale investeringspositie van Nederland* (uitgave De Nederlandse Bank, Deventer 1985); figures K.E. Sluyterman.

establishments in the Netherlands were of American origin. In contrast, between 1975 and 1984 this figure was 37 percent.<sup>37</sup> From the beginning of the 1960s, especially British, Swiss, Scandinavian, German and French corporations started to invest on a larger scale than before. Between 1968 and 1974, British investment almost equalled the total American investment in the Netherlands. Strikingly, almost all investments by firms originating in other European countries concerned greenfield plants.<sup>38</sup> Not surprisingly, therefore, the relative share of European countries in inward investment in the Netherlands increased considerably.<sup>39</sup>

Alongside this marked geographical development, there also occurred a shift from manufacturing to trade, distribution, and services. The importance of manufacturing in terms of jobs continued. In 1984, manufacturing still provided 59 percent of foreign employment in the Netherlands, against 41 percent for trade and services.<sup>40</sup> However, the share of industrial investment in total inward investment declined from 73 percent in 1973 to 57 percent in 1984.<sup>41</sup> Part of this decline favoured trade and sectors such as banking and insurance. At the middle of the 1980s, in all the major sectors of the Dutch economy, large foreign investments were clearly visible.<sup>42</sup>

### *The 1990s and beyond*

The 1990s partly witnessed a continuation of the trends that occurred in the decades before. Due to international depressions, the increase in foreign investments had slowed down in the 1970s and eased again in the first half of the 1980s as well as the first half of the 1990s. Despite these temporary setbacks, foreign investment continued to increase with an average of 15 percent between 1984 and 2000. The Netherlands therefore remained a very important host for foreign investment. Although the United States continued to be the most important individual investor in the Netherlands, its share in the stock of inward investment further declined. The share of European countries further increased, with a remarkable growth spurt by

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<sup>37</sup> De Smidt, *An industrial geography of the Netherlands*, 154.

<sup>38</sup> Kemper and De Smidt, 'Foreign manufacturing establishments', 25-26; De Smidt, *An industrial geography of the Netherlands*, 153.

<sup>39</sup> De Smidt, *An industrial geography of the Netherlands*, 153, figure 7.6. Also Loeve, *Buitenlandse ondernemingen*, 44-45.

<sup>40</sup> Loeve, *Buitenlandse ondernemingen*, 39.

<sup>41</sup> Van Nieuwkerk en Sparling, *De internationale investeringspositie van Nederland*; R.P. Sparling, *Het externe vermogen van Nederland* (Themanummer Statistisch Bulletin, februari 2002), 24-27.

<sup>42</sup> H.W. de Jong and J.T. de Mare, *Multinational enterprises and the structure of the Dutch economy* (University of Amsterdam, Amsterdam 1984).

Ireland. Also, the shift from industry and manufacturing towards trade and services was prolonged.<sup>43</sup>

In 2003, from the more of 5000 foreign-based companies in the Netherlands, more than thirty percent was of United States origin. Over fifty percent were European companies, of which most were from Germany (19,5%) and the United Kingdom (14%). French investments in the Netherlands were relatively small. Despite that, three French companies ranked in the Top 10 list of most important investors from continental Europe (Cap Gemini/Ernst & Young, Atos Origin, and Thales). Although in the 1990s the number of Japanese and other Southeast Asian establishments increased dramatically, in 2003 Asian-based companies accounted for nearly ten percent of the total number of foreign-based companies only.<sup>44</sup> In terms of employment, American companies still were dominant, creating about forty percent of the jobs generated by foreign companies in the Netherlands.

Regarding the shift from manufacturing to trade and services, companies in the manufacturing and assembly sector accounted for 28 percent of the total number of companies, against 57 percent for wholesale, sales, marketing, consultancy and distribution companies: that is, essentially, trade and services. In terms of employment, a slightly different picture emerged. In 2003, over forty percent of the jobs generated by foreign companies were created by manufacturing or assembly operations (against 59 % in 1984 – see page 12). Wholesale, sales, marketing, consultancy and distribution services accounted for 38,5 percent of the total number of jobs, while headquarter operations were relatively important with 11 percent. Research & Development accounted for 1,8 percent of the total number of foreign-based companies and for only 1 percent of the total number of jobs.<sup>45</sup>

Within the trade and services sector, relative young ICT-companies played a very important role. Although manufacturing and assembly operations were not unimportant to them, most ICT-companies established sales and marketing or headquarter facilities in the Netherlands. Perhaps this is the reason that, compared to other sectors, foreign ICT-companies generated the largest numbers of jobs. Over

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<sup>43</sup> *Business-operations of foreign companies in the Netherlands* (Stec Groep for the Netherlands Foreign Investment Agency/Ministry of Economic Affairs, February 2003); Sparling, *Het externe vermogen*, 22-27.

<sup>44</sup> The number of Japanese companies in the Netherlands rose from 20 in 1987 to 301 in 2003: Loeve, *Buitenlandse ondernemingen*, 220; *Business-operations of foreign companies*, 4.

<sup>45</sup> See for foreign Research & Development activities in the Netherlands in the 1970s-1990s, J. Cantwell and O. Janne, 'The internationalisation of technological activity. The Dutch case', in R. Van Hoesel and R. Narula, *Multinational enterprises from the Netherlands* (London and New York 1999), 84-137, esp. pp106-116. According to the authors, within industries, the activities of large foreign (especially American) companies in the Netherlands have led to a substantial number of patents only in the chemicals, coal and petroleum products, motor vehicles, and electrical equipment sector.

fifty percent of the ICT-companies was United States-based, while fourteen and ten percent of the companies originated from Great Britain or Japan, respectively. However, as table 1 indicates, in 2003 the ten largest foreign ICT-companies in the Netherlands were exclusively France-, UK- or US-based.

Table 1: Top 10 foreign ICT-companies in the Netherlands, 2003.

Company	Country of origin
Cap Gemini Ernst & Young	France
Atos Origin	France
O2	United Kingdom
Hewlett-Packard	United States
Vodafone	United Kingdom
CMG-Logica	United Kingdom
EDS International	United States
Dutchtone/Orange	United Kingdom
Sogetti	France
Oracle	United States

Source: *Business-operations of foreign companies in the Netherlands* (Stec Groep, NFIA/Ministry of Economic Affairs, February 2003), 23.

Finally, the heavy promotion of the Netherlands that was initiated in the 1950s but partly abandoned in the decades thereafter was reenergized and professionalized in the 1990s. As a government agency and a division of the Dutch Ministry of Economic Affairs, since the end of the 1980s the Netherlands Foreign Investment Agency (NFIA) provided especially American companies information and practical assistance regarding direct investments in the Netherlands. It owned offices in New York, San Mateo, Boston, Chicago, Austin, Atlanta and The Hague and published its own periodical, *The Netherlands Investment News*. Not surprisingly, the NFIA neatly nourished the image of the Netherlands or its regions as a 'delta-economy', 'gateway to Europe', 'chemical corridor of Europe', or 'maritime mecca'.<sup>46</sup> All these qualifications pointed to the presumed Dutch strengths of a strategic geographic location, an outstanding logistics infrastructure, plentiful raw materials, business-friendly regulatory policies (including strong but realistic environmental regulations),

<sup>46</sup> *The Netherlands Investment News*, various numbers.

and high commitments to innovation, efficiency, and education. Apart from the questions if these strengths were perceived as real in the eyes of foreign investors, and if they were *that* different from the strengths of other European countries, the discrepancy with the image promoted in the 1950s of the Netherlands as industrial champion, was striking.<sup>47</sup>

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<sup>47</sup> Compare Van Zanden, *Een klein land*, 195.