

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

**DEVELOPMENT AND WAYS OF IMPLEMENTATION OF THE
INTERNATIONAL INVESTMENT PROJECT “BIKE-SHARING SERVICE IN
NETHERLANDS”**

Student: Ivan Kandela

Group: MEB-17a

Specialty: 292 International economic relations

Supervisor: Mahdich A.S., Ph.D. in Economics

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Approved by:
 Head of the Department
 _____Anatolii Zadoia_____

(signature, last name, initials, scientific degree,

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Student _____ Ivan Kandela _____
signature last name, initials

Supervisor _____ Alisa Mahdich _____
signature last name, initials

Abstract

Kandela I.Z. Development and ways of implementation of the international investment project “Bike-sharing service in Netherlands”.

The paper examines the current state and trends of the Netherlands economy over the past fifteen years. It has been revealed that the Netherlands is one of the most developed countries in Europe, showing high rates of economic dynamics and successes in international economic relations. The number of cyclists is growing at a rapid pace every year, but not everyone is comfortable with owning their own bike. This creates favourable conditions for the organization of small bike-sharing service, where it is possible to combine investment and job creation for the investor. An international investment project to create a bike-sharing service in Amsterdam was developed at the expense of an investor from Ukraine. The calculations of the need for investment resources are given, the organizational and legal form of the created enterprise is substantiated, as well as the calculations of the main indicators that made it possible to evaluate the investment attractiveness of the proposed project.

Keywords: labour market, investment climate of Netherlands, NPV, payback period of the investment project.

Анотація

Кандела І.З. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Прокат велосипедів у Нідерландах».

У роботі проведено дослідження сучасного стану та тенденцій розвитку економіки Нідерландів за останні п'ятнадцять років. Було виявлено, що Нідерланди є однією з найбільш розвинених країн Європи, демонструючи високі темпи економічної динаміки та успіхи в міжнародних економічних відносинах. Кількість велосипедистів щороку зростає стрімкими темпами, але не кожному зручно мати власний велосипед. Це створює сприятливі умови для організації послуг спільного використання велосипедів, де можна поєднати інвестиції та створення робочих місць для інвестора. У роботі розроблено міжнародний інвестиційний проект по створенню служби спільного використання велосипедів у Амстердамі за рахунок власних коштів інвестора з України. Наведені розрахунки потреби в інвестиційних ресурсах, обґрунтовано організаційно-правову форму створюваного підприємства, а також проведено розрахунки основних показників, які дали змогу оцінити інвестиційні привабливість запропонованого проекту.

Ключові слова: ринок праці, інвестиційний клімат Нідерландів, NPV, термін окупності інвестиційного проекту.

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INTRODUCTION

In today's world, the issue of environmental protection is acute. Every year the amount of CO₂ emissions is growing at a very high rate and one of the main challenges of mankind is to reduce the negative consequences of the use of transport. The most common source of pollution in cities is transport infrastructure. Today, there is an active search for alternative environmental means of transportation that would not only not pose a danger to the environment, but would also be silent, beneficial to human health and would bring economic benefits. As there is no such "ideal" transport today, a bicycle will be a good alternative.

This means of transportation has long been common in Europe, Asia and America and is used not only for recreational and sports purposes, but also every day. Moreover, in other countries, the bicycle is not considered a seasonal transport and is used at any time of the year, so the authorities are interested in ensuring that cycling conditions are comfortable and safe.

The positive aspects of using a bicycle are obvious:

- A bicycle is one of the most common means of transportation;
- It is an effective cardio training of the body;
- Cycling normalizes the nervous system;
- It increases the efficiency of the lungs;
- Visual muscles are trained;
- The probability of manifestations of varicose veins decreases.

Currently bikes and e-bikes make up 6% of miles traveled in world cities. If by 2050, bikes and e-bikes make up 14% of travel in world cities, there would be an overall 11% reduction in carbon emissions (The Institute for Transportation and Development Policy). Therefore, bicycles are not only an affordable and useful form of transport, they also help fight global warming and improve the ecological state of our planet.

The aim of this project is to:

- Improve interchange between different modes of transport;
- Promote sustainable travel;
- Implement a sustainable, health-inducing service fully integrated with the city's public transport system;
- Promote bike as a common means of transport;
- Improve the quality of life, reduce air and noise pollution;
- Road and parking cost savings, consumer cost savings, energy conservation;
- Reduced crash risks, improved public health, and support for smart growth land use development.

The object of the research – investment climate in the Netherlands; the subject of the research – investment climate in the Netherlands - economic relations between the subjects of investment activity in the process of the formation of the investment climate in the system of economic development of the Netherlands.

When doing this work, I used international data sources such as World Bank, IMF, UNCTAD, OECD as well as official resources such as Government of the Netherlands and De Nederlandsche Bank. Also, I used all kinds of books, journals and Internet resources related to the topic of my work. In addition, I have looked at many bike blogs and visited several forums discussing various bike-sharing services around the world.

Finally, I talked to people with business experience. I consulted on how best to act in a certain situation and what should be paid attention to first of all. Consulted about many things related to the project and the structure of my project.

Approbation of the thesis. The abstract “Development of cycling infrastructure in the world” was published in the collection of abstracts devoted to 30th Annual International Conference for Students and Young Scientists “Transformation of economic systems and institutions in the new geostrategic realities”.

CHAPTER 1. THE NETHERLANDS ECONOMY: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. General characteristics of the development of the Netherlands economy and its problems

A number of historical and geographical factors, features of economic development and the labor market, the presence of highly qualified scientific and industrial personnel, determined the place of the Netherlands in post-war Europe and the international economic system. The Netherlands has always sought to play an important role in world trade, gravitating towards intermediary operations.

The formation of the European Community has had a very beneficial effect on the Dutch economy. The Netherlands became the gateway to the European continent, the main "distribution" center of Western Europe. The transit function of the Netherlands has increased. The Netherlands is the most important trans-shipment point in Europe for non-ferrous and ferrous metals, oil products, gas, cocoa, and a number of other agricultural products. The Netherlands has an advanced transport system based on the seaports of Rotterdam (the largest container port in the world) and Amsterdam, as well as Schiphol International Airport (the fastest growing airport in Europe), and a dedicated distribution infrastructure.

The growth of the economy led to the creation of new jobs and a decrease in unemployment, thereby creating a basis for significant demand, which, in turn, also supported a stable growth rate. From 1996 to 2000, the country's GDP increased annually by an average of 3.7 percent (Rodriguez-Pose, 1999).

The solid foundation allowed the government to increase spending on health, social welfare and education in the 1990s, thus reactivating the notion of the Netherlands as a “welfare society”. However, the economic miracle of the late 1990s was short-lived. The increase in wages negatively affected the competitiveness of the Dutch economy and caused a surge in inflation. The increase in prices, in turn, led to capital outflows and a decrease in foreign investment.

In the 2000s, the Netherlands as a whole remained a stable country in the Eurozone, which was attributed to the prosperous North of Europe, as opposed to the problematic states: Greece, Ireland, Spain, Portugal and Italy. At the same time, the debt crisis of the Eurozone still affected the Netherlands (O’Higgins, 2001).

The most striking episode was the allocation of state aid to the largest Dutch bank ING Group in 2009, which received 10 billion euros in order to avoid bankruptcy. Another troubled financial institution, ABN Amro Bank, received a total of up to 30 billion euros in aid from 2008 to 2013. The mechanism that was chosen by the Dutch government to finance the bank later caused criticism in the EU and even led to several legal proceedings in Brussels.

In the same 2009, the economy of the Netherlands contracted by 3.5 percent. After slight growth in 2010 and 2011, the economy contracted again by 1.2 percent in 2012. The budget deficit in 2010 was 5.3 percent of GDP, which is higher than the Eurozone norms that require the budget deficit to be limited to 3 percent. By 2013, the government was still unable to reduce the deficit to the levels required by the EU (OECD).

At the same time, despite its small size and relatively small population (about 16 million people), the Netherlands occupies 17th place in the world in terms of absolute GDP - in 2011, according to the UN, it exceeded \$ 836 billion. In Figure 1.1 we can observe the GDP in current prices in the Netherlands for last 15 years (IMF) (Fig.1.1).



Figure 1.1. GDP, current prices (Billions of U.S. dollars)

Source: imf.org

In 2020, GDP for Netherlands was 909.5 billion US dollars. Though Netherlands GDP fluctuated substantially in recent years, it tended to increase through 2001 - 2020 period ending at 909.5 billion US dollars in 2020.

The relatively unfavorable macroeconomic statistics in the Netherlands in 2013 coincided with a new round of aid to the financial sector. In February 2013, the bankruptcy bailout of banking and insurance group SNS Reaal required \$ 14 billion, raising domestic and EU concerns about the resilience of the Dutch banking industry as a whole. In Figure 1.2 we can see gross domestic product per capita in current prices in the Netherlands for last 15 years (Fig.1.2).

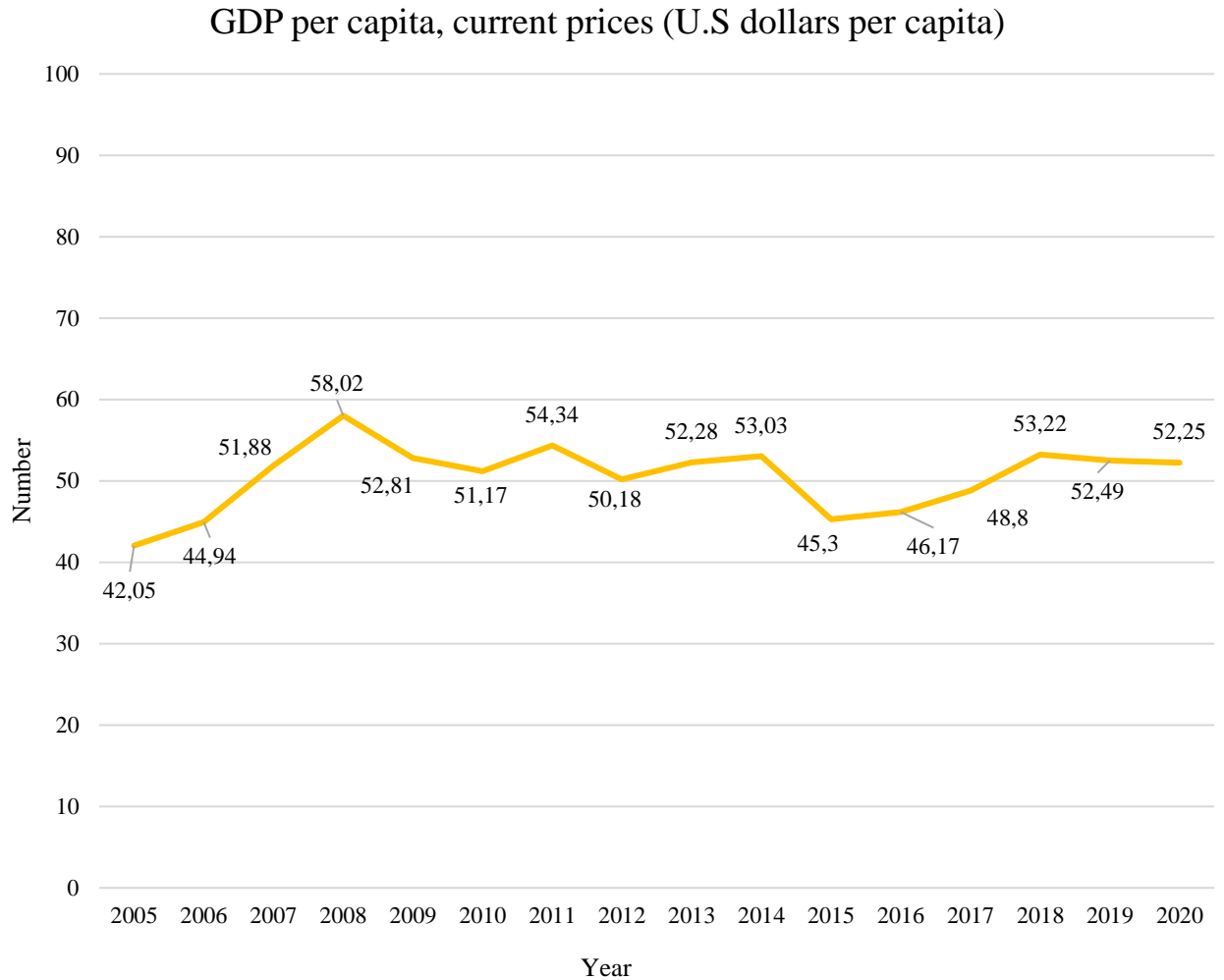


Figure 1.2. GDP per capita, current prices (U.S dollars per capita)

Source: imf.org

The Netherlands is among the richest countries of the European Union. The gross domestic product (GDP) per capita was the sixth highest in the EU in 2019 (World Bank). Last year, the average income in the Netherlands was one quarter higher than the overall EU average. In 2020, GDP per capita for Netherlands was 52,248 US dollars. Though Netherlands GDP per capita fluctuated substantially in recent years, it tended to increase through 2001 - 2020 period ending at 52,248 US dollars in 2020. Concerning inflation rate, in Figure 1.3 we can observe average consumer prices inflation rate in the Netherlands for last 15 years (Fig 1.3).

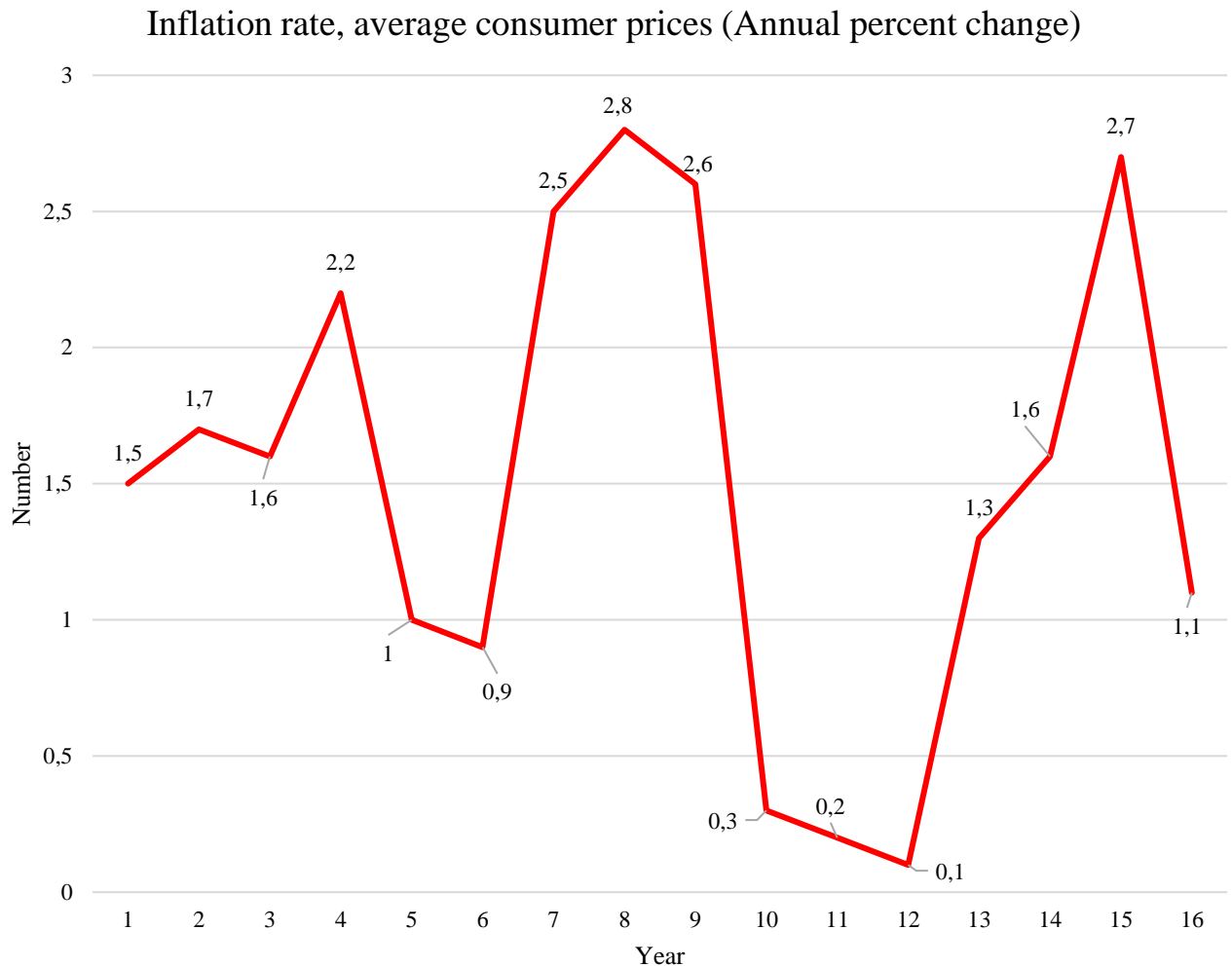


Figure 1.3. Inflation rate, average consumer prices (Annual percent change)

Source: imf.org

In 2020, inflation rate for Netherlands was 1.1 %. Though Netherlands inflation rate fluctuated substantially in recent years, it tended to decrease through 2001 - 2020 period ending at 1.1 % in 2020. Despite this lower inflation rate, the price increase in the Netherlands was once again among the highest in the Eurozone last year.

At the same time, unemployment rate, one of the most important indicators while analysing the economic situation of any country. In Figure 1.4 we can see unemployment rate in the Netherlands for last 15 years (Fig 1.4).

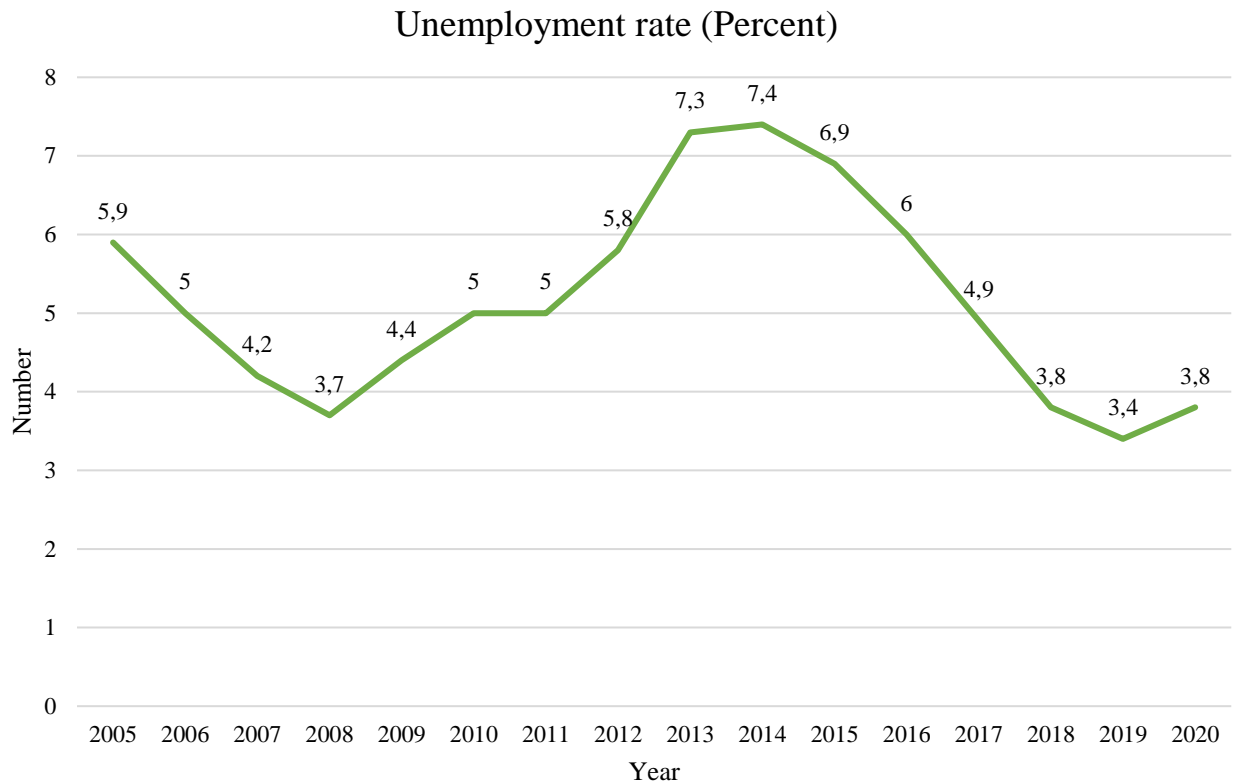


Figure 1.4. Unemployment rate (Percent)

Source: imf.org

Netherlands unemployment rate was at level of 3.8 % in 2020, up from 3.4 % previous year. Compared to the average unemployment rate for Europe, which is 7.6% for 2020, in the Netherlands, this figure is much lower, which indicates a well-developed labour market in the country.

1.2. Analysis of strength and weaknesses of the Dutch economic system

The crisis facing the Netherlands should not be exaggerated. So far, it has more to do with the coincidence of a number of unfavorable factors than with the structural vulnerability of the local economy. The country continues to rank among the top in the world in terms of major economic indicators. In the World Bank's Doing Business rating, the country was in

31st place. The reliability of the Dutch public debt is not questioned by the rating agencies - it retains the highest AAA rating.

The high level of economic development so far allows the Netherlands to maintain benefits for its citizens. Including such controversial ones as the absence of taxes on interest received on mortgage securities. Obviously, the absence of taxes has a beneficial effect not only on the condition of individual Dutchmen, but also on the entire real estate market, which remains attractive to investors.

In September 2013, King Willem Alexander of the Netherlands announced the end of the welfare state. On its ruins, the monarch proposed to build a "participation society", which presupposes, mainly, a reduction in social expenditures of the state and an increase in responsibility for their own well-being of the Dutch themselves. Thus ended (at least on a symbolic level) yet another "European economic fairy tale", which assumed a high standard of living for the entire population of the country.

The speech of King Willem Alexander should be perceived mainly in a symbolic way: it was no coincidence that it was he who uttered it, and not the author of the text, Prime Minister Mark Rutte. The symbol turned out to be contradictory and at the same time belated. Controversial - because, as Agence France-Presse caustically pointed out, to announce the end of the welfare state, the king arrived in parliament in a golden carriage.

The Dutch tax system is very complex. Fiscal authorities take into account the place of residence and work, age, marital status of taxpayers, as well as various types of income. Income tax can be as high as 52 percent. In return, the country's legislation guarantees all employees a minimum leave of 28 days, as well as various social benefits, including child benefits, compensation for the unemployed and sick. For example, a few years ago (relative to 2013), the government transferred monthly over 300 euros to families with children for each child. In addition, in 2013, families with young children can claim compensation for the costs of kindergarten - such compensation reached 10-12 thousand euros per child per

year. During pregnancy, women receive full salary compensation, but not more than 193 euros per day.

The Netherlands, despite its modest size, has one of Europe's largest economies. Exports, which comprise manufactured, processed, and raw items, account for a major amount of the country's earnings. Furthermore, the Netherlands has a well-established services industry, with major European companies establishing operations there. To assess the country's current and future position, I recommend conducting a SWOT analysis of the Dutch economy, which considers the strengths, weaknesses, opportunities, and threats.

Strengths

The Netherlands' outstanding infrastructure is perhaps its main strength. This includes well-maintained transportation infrastructure like as ports, airports, and roads, all of which are critical to the country's trading economy. As a result, from one border to the next, the country has world-class public transportation. Aside from transportation, the Netherlands has well-developed energy and telecommunications infrastructures, both of which are critical to the country's digital transition.

The Netherlands has positioned itself as a trading hub thanks to its well-developed transportation infrastructure and central European location. The Netherlands is particularly well-known for its seaports, particularly in Rotterdam and Amsterdam. Rotterdam port was the world's largest port until 2004, however it is still Europe's largest. Many items destined for Europe pass via these ports, and Dutch enterprises are frequently awarded for handling them.

Despite its small size, the Netherlands has one of the world's top 10 export economies. The country exports a variety of produced items, including machinery and pharmaceuticals, as well as a variety of raw materials, including fossil fuels and metals. Despite its small population and geographical area, the country is able to have a powerful, booming total economy due to its large export economy.

Finally, it's important to note that the Netherlands is a European Union member. This means it has a strong, united currency (the Euro) as well as a variety of advantageous trade and tax agreements, which are particularly significant given the country's large export volume.

Weaknesses

The Netherlands is able to give its residents with high-quality education, nutrition, and healthcare since it is such a developed country. As a result, it boasts one of the greatest life expectancy rates in the world. As a result, the average age of the population in the country is gradually increasing. This means that the ratio of working-age people to elderly people is unfavorably skewed. It also means the Dutch government will have to pay out more pensions than it would otherwise, putting a pressure on the economy.

Another flaw in the Netherlands is its reliance on polluting energy. Dirty energy, as contrast to clean energy, is energy that hurts the environment (often produced through the combustion of fossil fuels). Surprisingly, the Netherlands consumes as much nonrenewable energy as it contributes to the country's economic growth. While the country's current usage of dirty energy has little impact, it may become a concern in the future if new European directives to incentivise the use of fossil fuels are implemented.

The Netherlands is a much smaller country than France or Germany, two other big European economies. This size limitation might be a Weakness in several aspects. For example, due to its tiny size, the country has less natural resources than other countries. However, it appears that the Netherlands can effectively manage this constraint, particularly by centering its economy on service or manufacturing-based enterprises.

Opportunities

The United Kingdom's choice to quit the European Union presents an opportunity for the Netherlands in several areas. Most notably, London has been a popular financial centre for Europe for decades; yet, with Brexit on the horizon, thousands of European organizations

appear to be looking for a new home. Many of these organizations could see the Netherlands as a genuine challenger, bringing a new generation of service-based firms to the country.

Tourism is another opportunity for the Netherlands. The country (especially its capital city, Amsterdam) is already a well-known tourist destination, but there's no doubt it could do more to share its history and dynamic modern culture with visitors. The Netherlands may consider investing in tourism infrastructure outside of Amsterdam to generate cash in other parts of the country.

Threats

On the one hand, Brexit presents an opportunity for the Netherlands, but it may also pose a threat to the country. Because the United Kingdom accounts for about 10% of the country's exports, any changes to current tax and trade treaties could have an impact on this important revenue stream. Furthermore, Brexit may have broader ramifications for the entire European economy, which could damage the Netherlands.

Climate change is another growing hazard to the Netherlands. The Netherlands is recognized for being a low-lying country, making it vulnerable to flooding. Despite significant investment in multiple dams and other flood-prevention measures, there are concerns that climate change could result in increasing sea levels and more erratic weather patterns, putting extra strain on the country's already stressed weather systems.

To conclude, the Netherlands has a lot going for it, including strong infrastructure, significant export volumes, and participation in the European Union. It does have a few flaws (such as an aging population), but they appear to be well balanced by the country's strengths. Looking ahead, depending on how governments and businesses respond, Brexit will be both an opportunity and a threat. Otherwise, the active growth of the tourism industry and the severe implications of climate change are both intriguing prospects.

1.3. Analysis of the Netherlands labour market

The Netherlands is an example of a highly organized labor market in which much attention is paid to justice. The government and the social partners (unions and industry associations) are seeking to change the structure of the labor market to address the challenges of increasing international competition, increasing women's demands for a position in the labor market and the growing share of immigrants and their children. The most notable developments since 2001 are a significant increase in the number of part-time jobs and flexibility, as well as an increase in inequality. In Figure 1.5 we can observe the countries with the best work-life balance in 2019 (Fig 1.5).

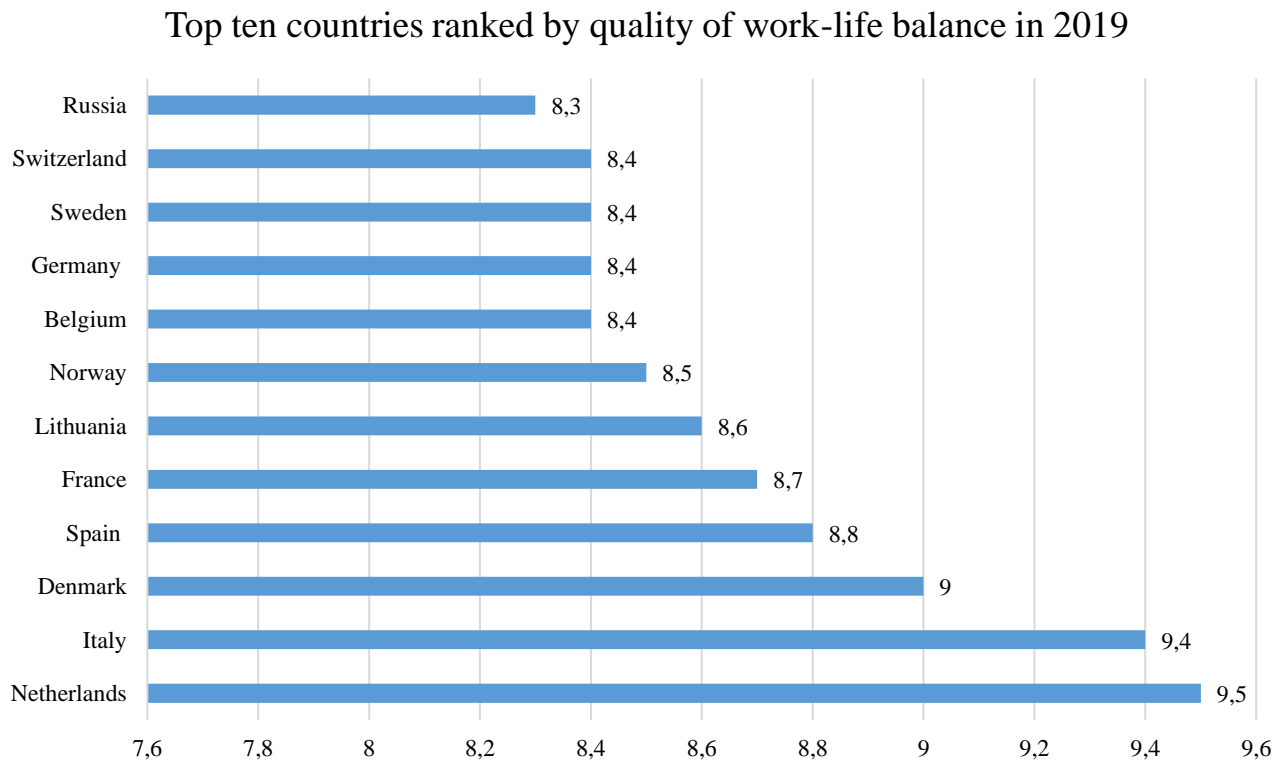


Figure 1.5. Top ten countries ranked by quality of work-life balance in 2019

Source: oecd.com

The foundations of the current Dutch social security system were introduced immediately after World War II (De Beer, 2013). The growth of welfare and the growth of the working middle class led to the creation of a social security system in which social

security rights were available to every citizen. According to Esping-Andersen (1990), the Dutch welfare state was classified as a system based primarily on social democratic principles. Later, other authors placed the Dutch social security system in a more conservative corporate model (Arts & Gelissen, 2002).

Currently, the Dutch welfare state can be classified as a hybrid, with elements of social democracy and conservative corporatism, such as active labor market policies focused on the participation of women and vulnerable groups, as well as a system of benefits that has become less generous in recent years. However, before World War II, there was no social security system as we know it. The first principles developed slowly from the second half of the XIX century, gradual changes in those days led to a situation where workers received greater social protection. In the first half of the 20th century, the number of social security rights expanded, and since the 1950s they have grown rapidly. To understand the current Dutch labor market and social security system, this section highlights the most important innovations in social security legislation mentioned in the 19th and 20th centuries.

Measures taken by the government in the 1980s and 1990s to gain control of the expansion of the Dutch social security system bore fruit at the turn of the century. The internationally recognized "Dutch disease" of the 1980s became a "Dutch miracle" (Zijl, 2006). At the beginning of the 21st century, the economy prospered and unemployment fell to 3.8% 2.

The benefits of these positive results at the international level are mainly due to cooperation between trade unions, employers' organizations and the government. The search for consensus between these participants led to a situation in which each participant felt more or less satisfied with the agreements. Finally, the emphasis was on job creation. Figure 1.6. illustrates the unbalanced situation between government revenues and expenditures since the late 1970s. Around the end of the 90's the situation stabilized.

Then, at the beginning of the 21st century, there was even a short period of budget surplus. In addition, for the first time since the 1970s, social security spending has fallen, reflecting the economic recovery and long-term efforts of the social partners and the government. However, the focus on consensus agreements on wage moderation and the reduction of short-term working hours was not the only topic that dominated the labor market. In particular, institutional reforms played an important role in increasing the efficiency and effectiveness of executive organizations in the 1990s and in the first decade of this century. In Figure 1.6 we can see overview of revenues and expenditures for the entire Dutch government, including aid expenditures, from 1970 to 2012 (Fig 1.6).

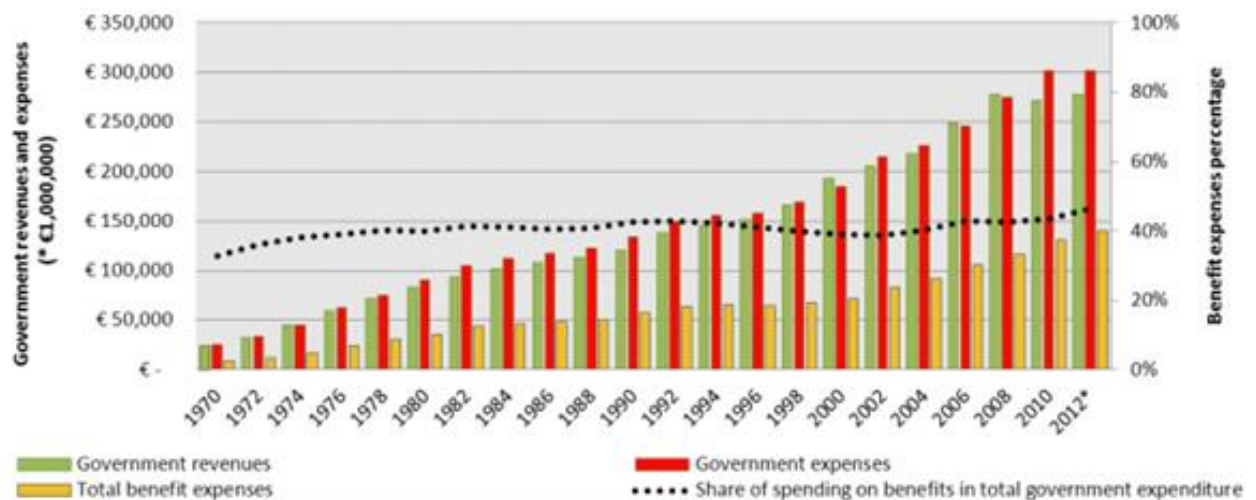


Figure 1.6. Dutch government revenues and expenses from 1970 to 2012

Source: Own calculations based on CBS StatLine

The Dutch labor market was characterized by low unemployment in the early 21st century. However, the "Dutch miracle" of those years was halted by the global economic crisis of 2001, which arose as a result of stock market speculation and inflated expectations of a new Internet-based economy. This crisis has had a major impact on employment: at a record low, unemployment reached as high as 6.5% in 2005.

However, since 2006 the labor market has shown clear signs of recovery and in 2008 reached the same low unemployment rate as in the beginning of the century. Thus, the labor

market has shown a higher degree of resilience than during the crisis of the 1970s and 1980s, when unemployment remained high for a longer period of time. Despite the decline in employment between 2001 and 2005, the employment rate of the Dutch workforce during this period increased steadily.

In addition, the number of inactive people gradually but steadily declined, indicating that more people were taking participation in employment market. In addition, there are changes in the direction of increasing the flexibility of the labor market and increasing the number of part-time jobs. The number of temporary contracts increased from 13.5% in 2000 to 20% in 2013, while the number of part-time contracts increased from 32% to 42% over the same period (Fenger, 2014).

In particular, one of the main aspects of these events is the increased participation of women in the labor market. Women's gross employment increased from more than 40% in the 1990s to 67% in 2009, with three-quarters of them working part-time (Bigos, 2013). However, the period of stable economic growth and employment growth until the end of 2008 faced a new global crisis. Unlike the previous crisis, this financial and economic crisis was longer and had a more serious impact on the labor market. The lowest figure was reached at an unemployment rate of 8.3% in 2013, which is close to the post-war unemployment record of the 1980s. However, this crisis seems to have had little effect on employment growth and a reduction in the number of inactive people.

The crisis hit the Dutch economy in 2009, when GDP fell by 3.7%. This was the largest decline since World War II (Eurostat regional yearbook, 2012). First of all, the effects of the recession directly affected such cyclical industries as trade and transport. The overall unemployment rate rose to 6% in February 2010 along with 290,000 unemployment benefits. However, since this period, unemployment rates have stabilized somewhat by mid-2011. Since September 2011, unemployment has been rising steadily until it reached a peak of 8.5% by the end of 2013 and unemployment benefits of 460,000 (Eurostat regional yearbook,

2013). Such fluctuations in unemployment show that the financial and economic crisis has not had a direct impact on the labor market. In fact, this was followed by two crises, except for some periods of stabilization in 2010 and 2011 (Eurostat regional yearbook, 2011).

Beginning in the first quarter of 2010, the Dutch economy seemed to recover from the recession, and the labor market situation stabilized. At the time, the government's general view was that labor shortages would return when the crisis ended. Thus, the government continued to focus on increasing employment opportunities and labor force participation. An example of such a policy is a temporary reduction in the length of the working day so that employees remain employed until the crisis ends, which later became "deeltijd-WW" ("partial unemployment benefits") (Van der Mooren, 2013).

Encouraging the accumulation of labor was the main idea of reducing working hours and partial unemployment. Employers and employees will receive temporary compensation in the form of these partial unemployment benefits due to the lack of available work so that employers can leave their employees. In total, this policy worked for almost 80,000 people, especially in the construction industry. Although this is a significant proportion, this "averted unemployment" is no more than half a percent of total unemployment (Kickert, 2012).

Nowadays a Dutch work permit is not required for citizens of EU member states, as well as Norway, Iceland and Liechtenstein. Citizens of other countries require a work permit, and the procedure for their employment is regulated by the act of employment of foreigners (Wet Arbeid Vreemdelingen - WAV). The WAV provides for the priority employment of Dutch and EU citizens and imposes serious legal liability on Dutch employers who are required to obtain a work permit for their employees from third countries and register it with the Center for Work and Income (CWI). In addition, other requirements regarding working conditions, terms of employment and provision of housing for workers from other countries must be met. The decision to grant a work permit is issued by the CWI 5 weeks after receiving the request.

CHAPTER 2. FOREIGN ECONOMIC ACTIVITY OF THE NETHERLANDS: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

2.1. Export-import activity of the Netherlands

The Dutch economy has always been dependent on foreign trade, and the country's geographic position makes it a European trade center, with Rotterdam being the largest European port. In Table 2.1 we can observe the foreign trade values of the Netherlands for the last 5 years (Table 2.1).

Table 2.1

The Netherlands foreign trade values

Foreign Trade Values	2015	2016	2017	2018	2019
Imports of Goods (million USD)	505.806	503.414	574.646	645.502	635.490
Exports of Goods (million USD)	567.217	569.705	652.065	726.697	709.415
Imports of Services (million USD)	157.116	169.458	206.137	244.587	246.145
Exports of Services (million USD)	178.068	179.776	215.814	246.336	262.139

Source: World Trade Organization (WTO)

In recent years, foreign trade values have constantly increased, but in 2019 the import and export of goods fell slightly, but this did not affect the import and export of services.

International trade is one of the key pillars of the Dutch economy, accounting for a remarkable 156 percent of GDP in 2019 (World Bank), making it one of the most transparent and outward-looking economies in the world. In Table 2.2. we can see the percentage of the trade in the Netherlands GDP.

Other than crude petroleum oils, processed foodstuff (plants, flowers, dairy products, meat, fruit and vegetables), line telephony electrical apparatus, and medicaments are the main exports of the Netherlands. In Table 2.2 we can see main exports of the Netherlands in 2019 (Table 2.2).

Table 2.2

Main exports of the Netherlands

576.8 bn USD of products exported in 2019	
Petroleum oils and other oils	9.3%
Electrical apparatus for line telephony	3.3%
Medicaments	3.1%
Instruments and appliances used in medical purposes	2.3%
Electronic integrated circuits and microassemblies	1.9%
Automatic data processing machines	1.9%
Orthopaedic appliances	1.6%
Printing machinery	1.5%
Motor cars and other motor vehicles	1.2%
Tractors	1.1%

Source: Comtrade, 2020

As the country serves as a European trade center, the majority of sales are re-exports: in 2019, domestic exports accounted for 55 percent of total exports, a year-on-year rise of 2.2 percent, with re-exports increasing more rapidly, by 5.4 percent.

Machinery and transportation equipment accounted for 30% of total goods exports in 2019. Other important export categories include chemical products (17%) and mineral fuels (13 percent). Petroleum oils, line telephony electrical apparatus, automated data-processing devices, computer integrated circuits, and automobiles lead imports. In Table 2.3 we can observe main imports of the Netherlands in 2019 (Table 2.3).

Table 2.3

Main imports of the Netherlands

514.9 bn USD of products imported in 2019	
Petroleum oils and other oils	6.6%
Electrical apparatus for line telephony	4.3%
Automatic data processing machines	2.9%
Electronic integrated circuits and microassemblies	2.6%
Motor cars and other motor vehicles	2.4%
Instruments and appliances used in medical purposes	1.9%
Medicaments	1.9%
Printing machinery	1.4%
Orthopaedic appliances	1.2%

Source: Comtrade, 2020

Because of its openness to foreign trade, the Netherlands was heavily impacted by the COVID-19 crisis, with an estimated 9.8 percent decrease in exports and a 9 percent decrease in imports in 2020 (IMF). Both indicators are projected to rebound partially (+5.5% and 4%, respectively) if the situation stabilizes in 2021. In Table 2.4 we can see foreign trade forecasts for the Netherlands (Table 2.4).

Table 2.4

Foreign trade forecasts, Netherlands

Foreign Trade Forecast	2020	2021(e)	2022(e)	2023(e)	2024(e)
Volume of exports of goods and services	-4.2	4.0	3.6	3.0	2.8
Volume of imports of goods and services	-4.4	3.8	3.5	3.5	3.4

Source: IMF, World Economic Outlook 2020

The Netherlands' economic surplus is almost entirely due to trade with European Union countries. Germany (22.2 percent), Belgium (10.1 percent), France (7.8 percent), and the United Kingdom (7.7 percent) are the country's main trading partners, while imports are mostly from Germany (17.1 percent), Belgium (9.9 percent), China (9.4 percent), and the United States (8.1 percent) (WTO). In Table 2.5. we can observe main trading customers of the Netherlands in 2019 (Table 2.5).

Table 2.5

Main trading customers of the Netherlands

Main Customers (% of Exports)	2019
Germany	22.2%
Belgium	10.1%
France	7.8%
United Kingdom	7.7%
United States	5.2%
Italy	4.0%
Spain	3.0%
Poland	2.6%
China	2.5%
Sweden	1.9%

Source: Comtrade, 2020

As we can clearly observe, the main customers of the Netherlands are European countries. The main country for export is Germany, which is twice ahead of Belgium in second place and three times ahead of France in third place, respectively. Exports to the US and China are comparable to exports to the UK at 7.7%.

Concerning main suppliers of the Netherlands, we can see them in Table 2.6 (Table 2.6).

Table 2.6

Main trading suppliers of the Netherlands

Main Suppliers (% of Imports)	2019
Germany	17.1%
Belgium	9.9%
China	9.4%
United States	8.1%
United Kingdom	5.4%
France	3.7%
Russia	3.4%
Norway	2.7%
Italy	2.6%
Ireland	2.0%

Source: Comtrade, 2020

As with exports, Germany and Belgium are in the lead with 17.1% and 9.9% respectively. However, China and the United States moved up in the table and ranked 3rd and 4th with 9.4% and 8.1% correspondingly, overtaking other European countries in imports to the Netherlands. United Kingdom is 5th

In Table 2.7. we can observe foreign trade indicators of the Netherlands for the last 5 years (Table 2.7).

Table 2.7

The Netherlands foreign trade indicators

Foreign Trade Indicators	2015	2016	2017	2018	2019
Foreign Trade (in % of GDP)	157.8	148.9	156.0	157.7	154.3
Trade Balance (million USD)	72.651	72.645	81.221	87.339	77.473
Trade Balance (Including Service) (million USD)	57.713	79.957	89.578	97.492	97.495
Imports of Goods and Services (Annual % Change)	14.5	-2.0	6.2	3.3	3.1
Exports of Goods and Services (Annual % Change)	7.4	1.7	6.5	3.7	2.4
Imports of Goods and Services (In % of GDP)	75.2	69.3	72.6	73.3	71.8
Exports of Goods and Services (In % of GDP)	82.7	79.5	83.4	84.3	82.5

Source: <https://data.worldbank.org>

According to the World Bank, the Netherlands has a structurally positive trade balance for goods and services, which stood at about 10.7 percent of GDP in 2019.

In the same year, the country's products exports totaled USD 709.4 billion (a 2.3 percent decrease year on year), with imports totaling USD 635.4 billion (-1.6 percent), while commercial services exports totaled USD 262.1 billion (+6.4 percent), and imports totaled USD 246.1 billion (+0.6 percent - WTO data).

2.2. Foreign direct investment activity in the Netherlands

The Netherlands is the seventeenth-largest economy in the world and the sixth-largest in the European Union. Furthermore, the Netherlands is one of the world's largest recipients of FDI, having recently surpassed the United Kingdom as Europe's top FDI destination. According to UNCTAD's 2020 World Investment Report, the Netherlands consistently ranks

among the top three source and recipient countries of foreign direct investment (FDI) in the world, which can be seen in Figures 2.1. and 2.2 (Fig 2.1) and (Fig 2.2).

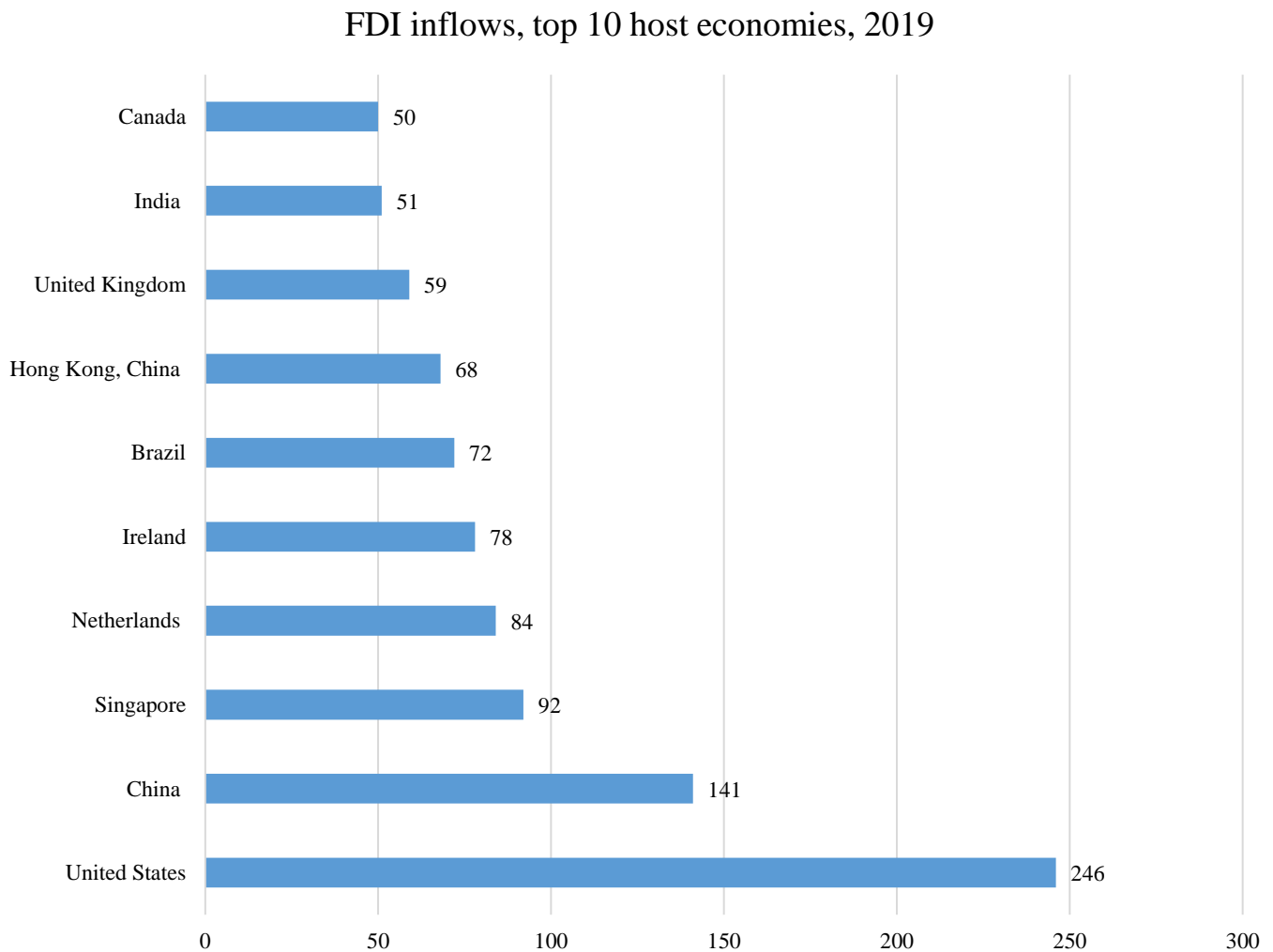


Figure 2.1. FDI inflows, top 10 host economies, 2019

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

For many years the Netherlands was one of the most attractive countries for investments. This was facilitated by the excellent geographical position, developed economy and infrastructure, as well as economic and political stability. Investment inflows are growing every year, which indicates that the Netherlands remains one of the top destinations for investors from all over the world.

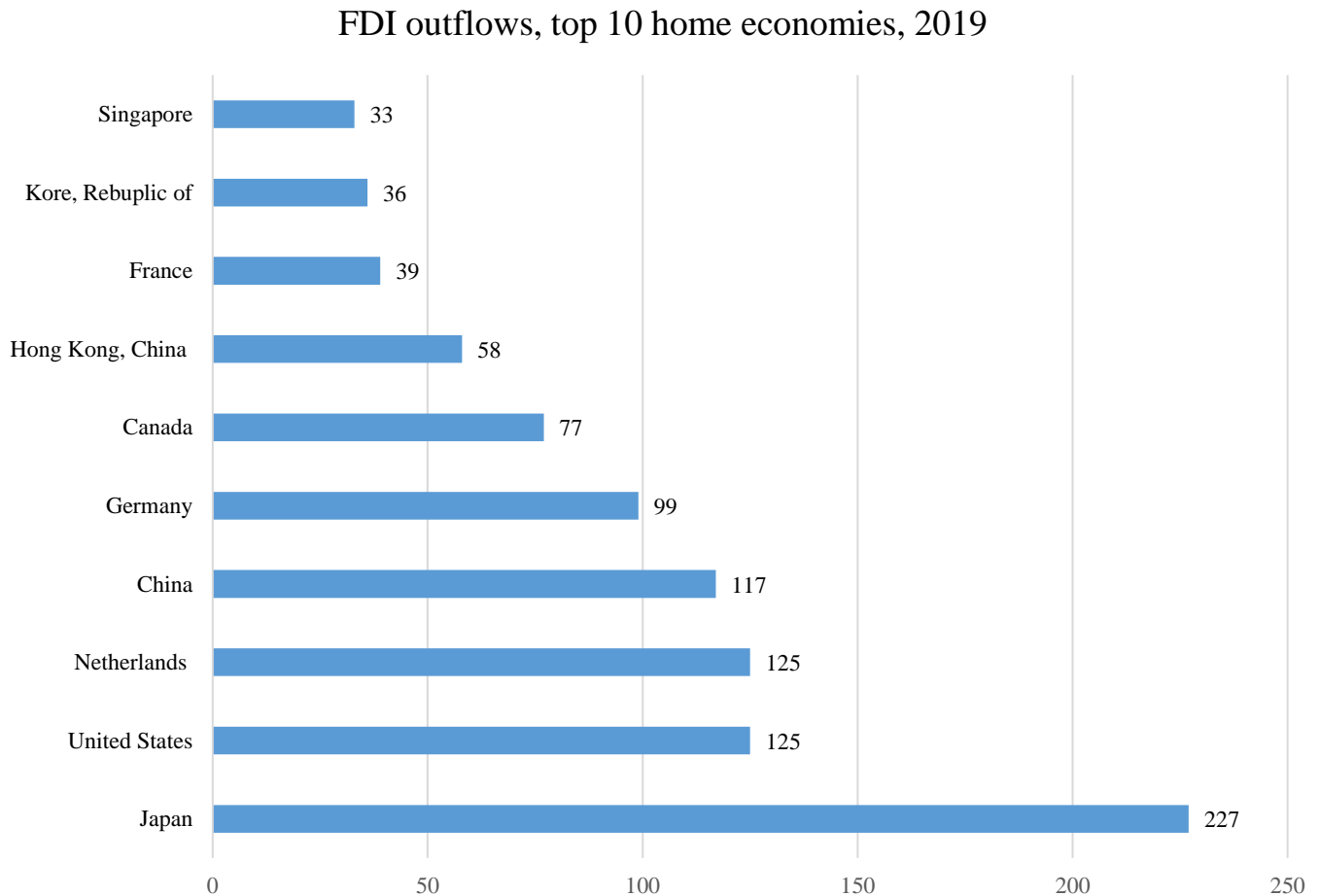


Figure 2.2. FDI outflows, top 10 home economies, 2019

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

However, FDI into the Netherlands fell to USD 84 billion in 2019, from USD 114 billion in 2018. (-26.3 percent). This was mostly due to a major transaction – the USD 36 billion IPO of a Nasper international affiliate (South Africa), which was registered as a divestment. Total FDI stocks were USD 1.75 trillion in 2019, down from USD 1.86 trillion the previous year.

Despite the decline in inbound investment, the number of greenfield projects has been increasing since 2016: according to InvestmentMonitor, the country attracted 334 greenfield projects in 2019, up from 309 the previous year. The top countries for investment are the United States, Luxembourg, the United Kingdom, and Switzerland. The financial and insurance sectors receive the vast majority of investments, followed by manufacturing,

wholesale and retail trade. According to UNCTAD statistics, FDI inflows to the Netherlands fell to a negative USD 150 billion in 2020 as a result of high equity disinvestment (estimated at -125 billion) and negative intra-company loans (-102 billion), primarily as a result of the COVID-19-driven global economic crisis, which caused a 69 percent decrease in FDI inflows to developing economies.

As for main sources of FDI in the Netherlands, we can see them in Figure 2.3 (Fig 2.3).

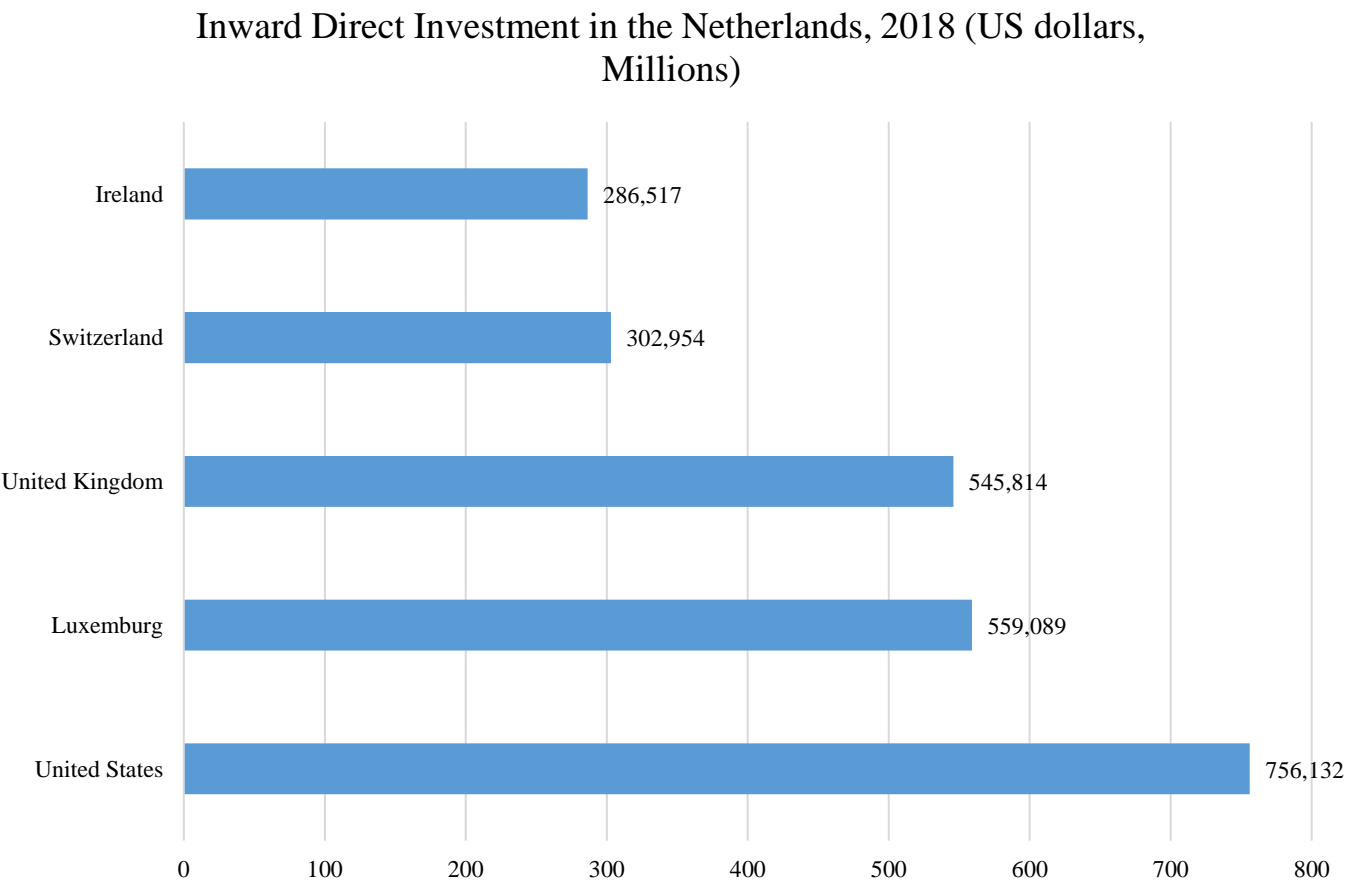


Figure 2.3. Inward Direct Investment in the Netherlands, 2018 (US dollars, Millions)

Source: OECD Statistics

The US invests most in the Netherlands; they have 16% of the total investment. Luxembourg and the United Kingdom follow with 12% of total investments. Switzerland

and Ireland close the top five sources of investment in the Netherlands with 6% of total investments.

Concerning top destinations of FDI in the Netherlands, we can observe them in Figure 2.4 (Fig 2.4).

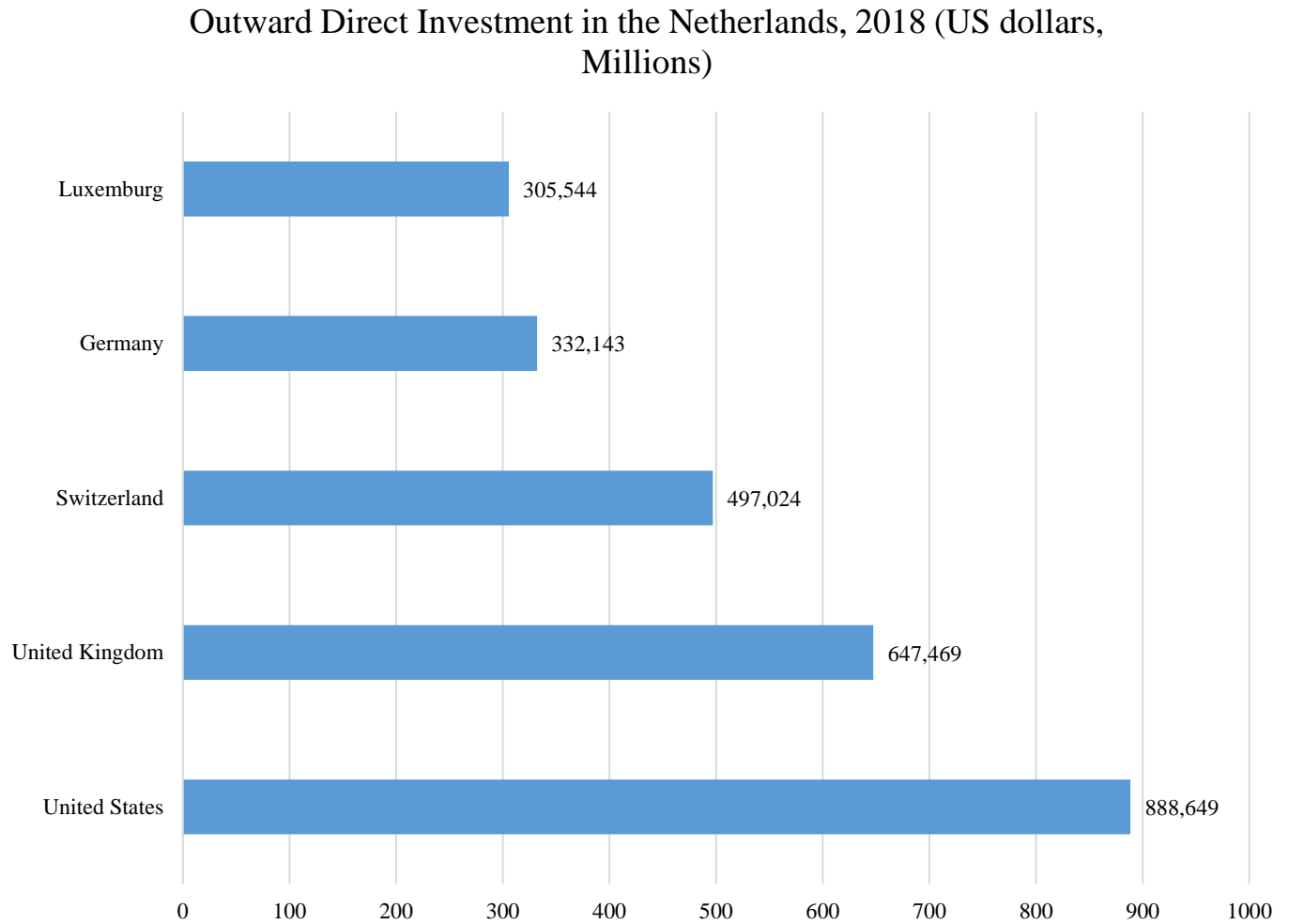


Figure 2.4. Outward Direct Investment in the Netherlands, 2018 (US dollars, Millions)

Source: OECD Statistics

In the case of top investment destinations, the US also leads with 15%. The second and third places are occupied by Great Britain and Switzerland with 11% and 9%, respectively. Germany and Luxembourg are at the bottom of the table with 6% and 5%, each.

Speaking of foreign direct investment, it is worth mentioning the most invested sectors of the Dutch economy. We can see them in Figure 2.5 (Fig 2.5).

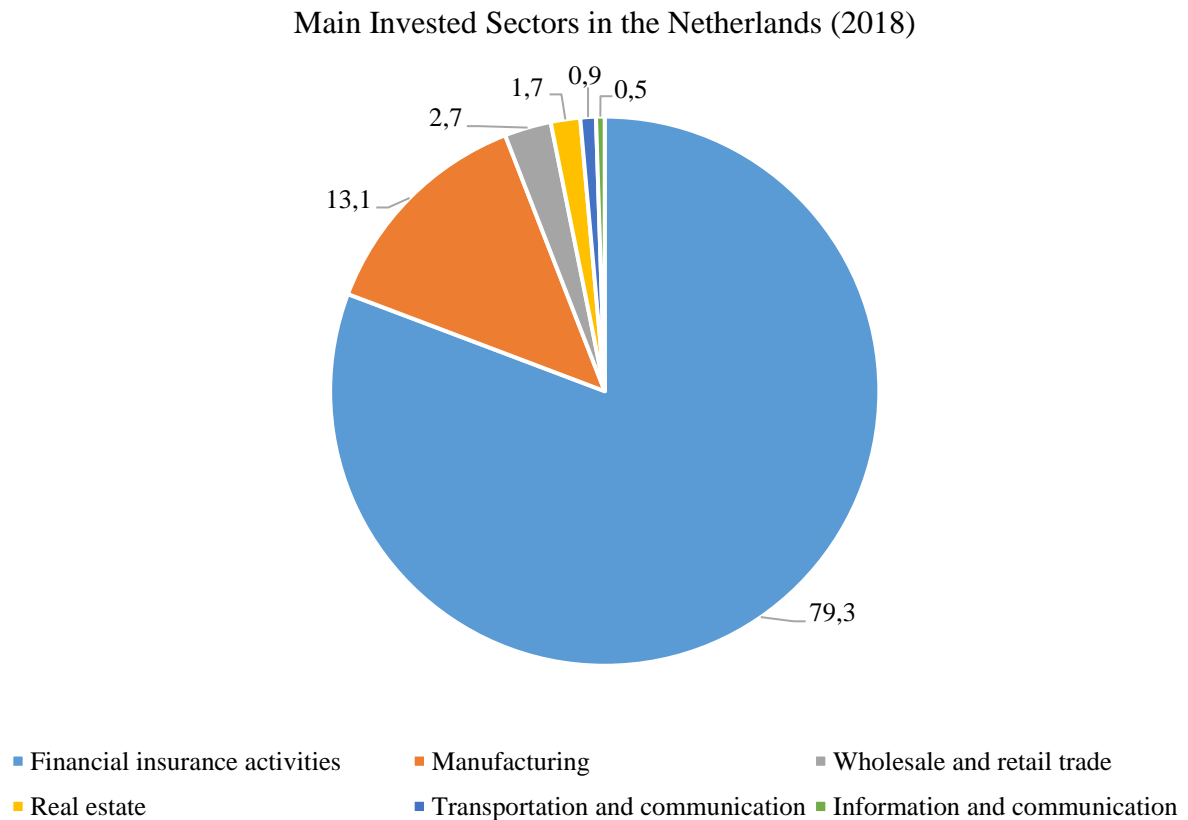


Figure 2.5. Main Invested Sectors in the Netherlands (2018)

Source: OECD Statistics

Financial and insurance activities are leading by a huge margin and have 79.3% of total investments. Manufacturing ranks second with 13.1%, which is also a big indicator. Most of the investments go to these two sectors of the economy. They are followed by real estate with 1.7%, transportation and storage with 0.9% and information and communication with 0.5% respectively.

The Dutch investment policy is distinguished by a deep international outlook and a liberal foreign investment policy. Many Dutch companies are international in nature, and some are listed on foreign stock exchanges. Furthermore, there are no legal barriers to foreign direct investment in the Netherlands. Many of these investments are regarded as high-risk, high-yield. The Netherlands have a competitive fiscal climate, advanced technology, and a strategic position. In addition, the country hopes to benefit from foreign companies leaving London ahead of Brexit and looking for a new base in Europe. However,

the state has a limited domestic market and is highly reliant on the economic success of its trading partners (especially in the EU).

The Dutch government adheres to a liberal foreign direct investment policy, has established itself as a platform for investment from third countries with approximately 145 active investment agreements, and adheres to the Organization for Economic Cooperation and Development (OECD) liberalization codes and the Declaration on International Relations. Investment, including adherence to national treatment and adherence to relevant guidelines.

Maintaining an investment-friendly reputation is an essential priority for the Dutch government. It provides public information and institutional assistance to potential investors through the Netherlands Foreign Investment Agency (NFIA). Besides, the Netherlands business gateway, supported by the Dutch government, provides information on the rules, taxes and investment incentives that apply to foreign investors in the Netherlands, as well as clear instructions on how to set up a business in the Netherlands.

Summing up this section, I would like to highlight the key strengths and weaknesses of investing in the Netherlands.

Strong points:

- A political and macroeconomic climate that is more stable than the European average, sound public finances that are continually improving, and a highly developed financial sector;
- Infrastructures for communication and transportation are highly developed.
- A skilled, active, and multilingual workforce that qualifies it for export trade.
- It has a strategic geographical position that allows it to serve as a gateway to the major European markets.
- Because of export-friendly systems and infrastructure, exports are diverse and external accounts are in surplus.

Weak points:

- Workforce costs are extremely high.
- The internal market's limited scale

- A high reliance on the global economic situation, with EU banks relying heavily on wholesale lending (loans/deposits = 136%) and real estate.

2.3. Investment climate in the Netherlands

The Netherlands has consistently ranked among the most competitive industrialized countries in the world. It offers an attractive business and investment climate and remains an attractive destination for business investment from all countries.

The strengths of the Dutch economy include a lot of factors such as a stable political and macroeconomic climate, a strategic location, a highly developed financial sector, a well-educated and productive workforce, and high-quality physical and communication infrastructure. Investors in the Netherlands are taking advantage of highly competitive logistics close to the largest seaport and fourth-largest airport in Europe.

The Netherlands is one of the largest recipients and sources of foreign direct investment in the world. This can be attributed to the competitive economy of the Netherlands, a historically favourable tax climate for businesses and a multitude of investment treaties that protect for investors.

According to the U.S. Chamber of Commerce, there are 12 main criteria for the investment attractiveness of countries:

1. Characteristic of the local market
2. Availability of the market
3. Quality of labour
4. Currency risk
5. Repatriation of capital
6. Protection of intellectual property
7. Trade policy
8. State regulation
9. Tax rates and exemptions
10. Political stability

- 11. Macroeconomic policy
 - 12. Infrastructure development and support services
- I propose to consider each of the points in more detail.

Characteristic of the Netherlands market

The Netherlands grants a stable economy, a reliable and fair tax regime, an advanced internationally oriented infrastructure, society and a culture of openness for both outsiders and new ideas. The same openness refers to foreign investment. Also, the Dutch economy is described by steady industrial relations, a productive and well-educated workforce.

Globally, the financial sector in the Netherlands is one of the best in retirement and financial logistics as well as a trading platform. The Netherlands has accumulated a wealth of knowledge on climate and financial sustainability and is featured prominently in international rankings.

In the World Economic Forum's (WEF) Global Competitiveness Report, the Netherlands moved up from sixth in the Global Competitiveness Index 2018 to fourth in 2019. It can be seen in Table 2.8 (Table 2.8).

Table 2.8

Global Competitiveness Index 2019

Rank	Economy	Score
1	Singapore	84.8
2	United States	83.7
3	Hong Kong SAR	83.1
4	Netherlands	82.4
5	Switzerland	82.3
6	Japan	82.3
7	Germany	81.8
8	Sweden	81.2
9	United Kingdom	81.2
10	Denmark	81.2

Source: www.weforum.org/reports/the-global-competitiveness-report-2019

Dutch businesses are highly developed (fifth place) and the Netherlands' excellent education system (third in higher education and training categories) and excellent infrastructure, especially the commodity market (third), contribute significantly to business activity. The country is also a highly developed innovation country: according to the INSEADS global innovation index for 2019, the Netherlands ranked fourth in the world, which we can see in Table 2.9 (Table 2.9).

Table 2.9

Global Innovation Index 2019

Economy	Score (0-100)	Rank	Income	Region
Switzerland	67.24	1	HI	EUR
Sweden	63.65	2	HI	EUR
United States	61.73	3	HI	NAC
Netherlands	61.44	4	HI	EUR
United Kingdom	61.30	5	HI	EUR
Finland	59.83	6	HI	EUR
Denmark	58.44	7	HI	EUR
Singapore	58.37	8	HI	SEAO
Germany	58.19	9	HI	EUR
Israel	57.43	10	HI	NAWA

Source: <https://www.wipo.int/portal/en/>

In the OECD Skills Outlook (2019) ranking of adult skills in 24 countries, the Netherlands workforce ranks third in reading and fourth in numeric skills.

In the latest global business environment ranking for 2014-2018 published by the Economist Intelligence Unit (EIU), the Netherlands ranked 16th in the world (out of 82 countries).

Summing up the general characteristics of the market, the most important points should be noted:

- The central geographical location of the Netherlands offers a strategic position to serve the markets of Europe, the Middle East and Africa.
- The country's favourable business climate creates a gateway to Europe that helps international companies to succeed across the continent.
- The Netherlands is ranked sixth in the world in terms of logistics (Logistics Performance Index, World Bank, 2018).
- The Dutch application of the supply chain management concept is extremely well developed.
- The Netherlands has an excellent technological infrastructure with a fully digital modern fibre-optic network and the largest Internet hub in Europe.
- The Dutch tax system has several features that can be useful for domestic tax planning.
- The Netherlands is home to one of the most highly educated, flexible and motivated employees in Europe.

Quality of labour and level of salaries

The Netherlands has one of the most highly educated, flexible and motivated employees in Europe. Dutch specialists are also among the most multilingual in the world. This enables them to successfully work in companies in every industry and serve clients across the continent. Moreover, Dutch law gives employers a range of contracting options for flexible recruitment of employees.

According to Centraal Planbureau (CPB), in 2021 the average gross income of a person working in the Netherlands will be € 36,500 per year or € 2,816 gross per month. Salaries can differ greatly from average income, as they vary by age, sector, professional experience and hours worked. Below, in Table 2.10., we can see the average salary in the Netherlands by age (Table 2.10).

Table 2.10

Average salary in the Netherlands by age

Age group	Annual income (gross)
15-25 years	10.600 euros
25-45 years	36.400 euros
45-65 years	42.400 euros
65 years+	24.900 euros

Source:

<https://opendata.cbs.nl/statline/#/CBS/nl/dataset/83740NED/table?ts=1551363788064>

As for bank deposit interest rate, the value for January 2021 is 0.98. In Figure 2.3., we can observe how the interest rate has changed over 15 years (Fig 2.3).

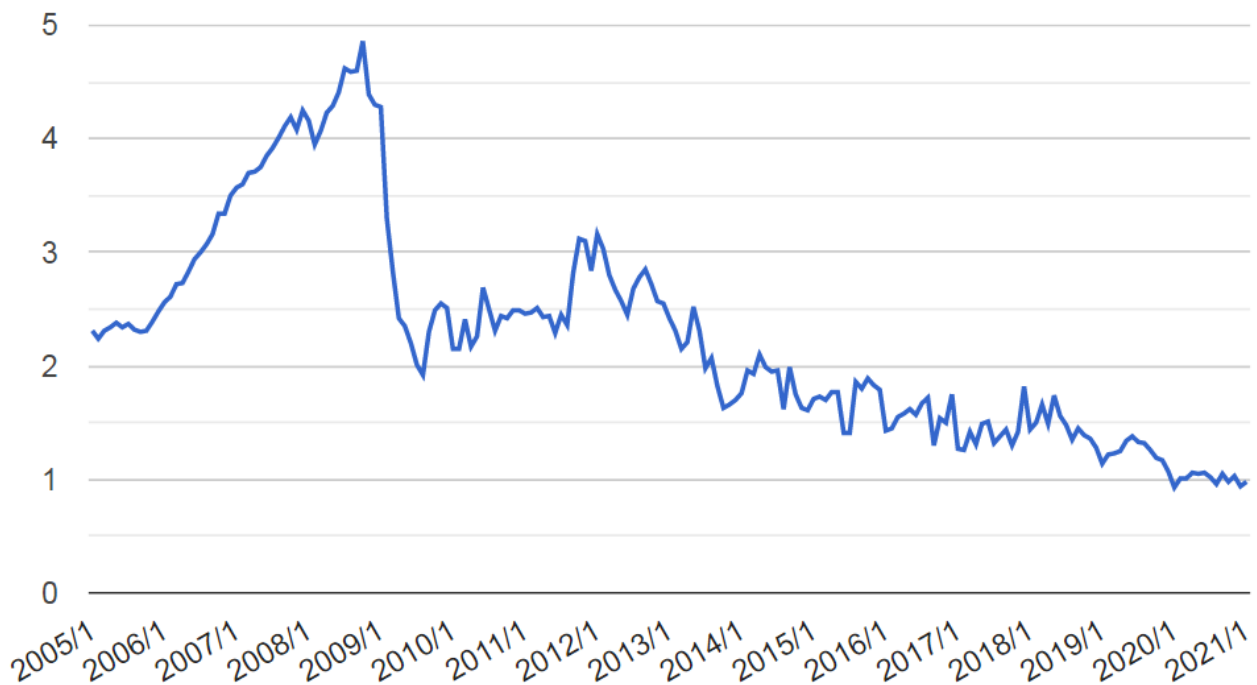


Figure 2.3. Netherlands: Deposit interest rate (2015-2021)

Source: https://www.theglobaleconomy.com/Netherlands/deposit_interest_rate/

The average value for the Netherlands during last 15 years was 2.26 percent with a minimum of 0.93 percent in January 2020 and a maximum of 4.86 percent in October 2008.

Availability of the market

In the World Bank's 2020 Ease of Doing Business Index, the Netherlands ranked 24th in terms of the number of openings. In the reports, the Netherlands ranked first in cross-border trade with zero costs and few hours of border and paperwork, respectively. The report places the Netherlands better than the OECD average in terms of registration time, number of procedures and minimum capital required. In Table 2.11 we can see the Netherlands rankings on doing business (Table 2.11).

Table 2.11

World Bank's 2020 Ease of Doing Business Index

Category	Rank
Doing Business	42
Starting a business	24
Dealing with Construction permits	88
Getting Electricity	58
Registering Property	30
Getting Credit	119
Protecting Minority Investors	79
Paying Taxes	22
Trading Across Borders	1
Enforcing Contracts	78
Resolving Insolvency	7

Source: <https://www.doingbusiness.org/en/doingbusiness>

Currency risk

The world's oldest stock exchange, founded four centuries ago, is located in the Netherlands. Also, the first options exchange in Europe is located in Amsterdam. The Amsterdam financial exchanges are part of the Euronext group, which operates stock exchanges and derivatives markets in Amsterdam, Lisbon, Brussels and Paris.

The financial markets in the Netherlands are fully developed and operate at market rates, which facilitates the easy flow of financial resources. The Netherlands is an international financial centre for the foreign exchange market, bullion trading and Eurobonds. Besides, there are no limitations on foreign investors access to local funding sources.

Repatriation of capital

The Netherlands is one of the founders of the EU as well as one of the initial members of the Eurozone. The European Central Bank oversees monetary policy, and the President of the Netherlands Central Bank (DNB) sits on the Governing Council of the European Central Bank.

There are no constraints on the conversion or repatriation of capital and profits (including affiliate profits, interest, dividends and royalties) or management and technical fees, except for the requirements of a nominal exchange license for non-resident firms.

Concerning the remittance policies, the Netherlands does not introduce waiting periods or other foreign exchange measures for remittances. Likewise, there are no restrictions on the inflow or outflow of funds to transfer profits or revenues. The Netherlands, as a member of the Eurozone, does not resort to currency manipulation tactics.

Protection of intellectual property

When doing business in the Netherlands, the management of a company may face various challenges regarding the protection and use of its intellectual property. Mainly, it is important to focus on Dutch law relating to patents, brand (trade name and trademark) protection and copyright protection.

In the Netherlands, a patent application is filed with the Patent Center in Rijswijk. You can also file an international application with the World Intellectual Property Organization (WIPO) or apply with the European Patent Office in Munich under the European patent application procedure. If the patentee's rights to an invention have been infringed, for example by using it in a product, he or she will resort to injunctive relief, recall of infringing products, compensation for damages, and a profit statement of the infringer.

Before starting a business in the Netherlands, a company is advised to find out if the trade name of its choice already exists. A trade name may partially reflect the value of a firm's business reputation. Trade names in the Netherlands are protected by the Netherlands Trade Names Act (Handelsnaamwet). To obtain ownership of a trading name, the only legal requirement is the legal and consistent use of the trade name. Registration is not required to claim a trading name.

A competitor may object to the use of a trading name if there is a similarity between the trade names of both companies and there is a possibility that the public could be confused or misled into believing that the goods or services of one company are in some way related to another company. To establish this, the Dutch court will take into account several other aspects, such as the location of the companies and the type of business they do.

Copyright law in the Netherlands applies automatically to the creation of a literary, artistic or scientific work that bears the intellectual creative attribute of the author. Obtaining copyright protection does not require any formalities.

To obtain copyright protection, two requirements must be met:

1. The work must embody the individual intellectual creativity of the creator; those embodies the free creative choice of the creator.
2. The idea itself is not copyrighted; only the actual expression, the concrete modelling of the idea in the work, is entitled to copyright protection.

State regulation

Dutch commercial laws and regulations are in line with international legal practice and standards; they are equally applicable to foreign and Dutch companies. The rules for mergers and acquisitions and reinvestments are not discriminatory. The Social and Economic Council (SER), an official advisory body made up of employer representatives, union representatives and independent experts appointed by the state governs Dutch mergers and acquisitions rules. SER policies serve to protect the interests of stakeholders and employees. These include requirements for the timely announcement of mergers and acquisitions (M&A) and discussions with trade unions.

As a member of the EU and a country in the Eurozone, the Netherlands is firmly integrated into the European regulatory system, where national and European institutions exercise authority over specific markets, industries, consumer rights and the competitive behaviour of individual firms.

Financial markets are regulated by an interconnected system of prudential and behavioural supervision of the EU and the country. The internal regulators are the Netherlands Central Bank (DNB) and the Netherlands Financial Market Authority (AFM). Their partners in the EU are the European Central Bank (ECB) and the European Securities and Markets Authority (ESMA).

The Dutch government is showing growing concern about protecting its open market economy from malicious foreign government activity, and the Netherlands is currently in the process of finalizing legislation that would establish a formal inspection mechanism for inward investment. In March 2019, the Ministry of Economy and Climate Policy presented to parliament its long-awaited proposal for a law to audit investments in the telecommunications sector. The law is currently in its final stages of development and will be the first “critical” sector in the Netherlands to have an investor screening mechanism in place to protect the national security of the Netherlands.

Structural and regulatory reforms are an integral part of Dutch economic policy. Usually, laws are developed to stimulate market forces, liberalize, deregulate and tighten competition policies.

As a member of the EU and the Eurozone, the Netherlands is firmly integrated into the European regulatory system with national and European institutions exercising authority over specific markets, industries, consumer rights and the competitive behaviour of individual firms.

Tax rates and exemptions

The Dutch tax system has many features that can be very helpful in international tax planning. These include a corporate income tax rate of 16.5 per cent for the first 200,000 euros and 25 per cent for taxable income over 200,000 euros. Also, the Dutch ruling practice

proactively provides clarity and certainty about future tax positions. Besides, in terms of R&D, companies can benefit from an innovation box that results in an effective corporate tax rate of only 5 per cent, an R&D surcharge (WBSO) in the form of payroll taxes and social security contributions, as well as tax deduction facility for R&D expenditure (RDA).

The Dutch tax law also provides for an exemption from participation, which states that all benefits associated with a certain shareholding are exempt from the Dutch corporate income tax, as well as from the financial cohesion regime, designed to seamlessly offset profits and losses between group members. There are also advantages in structuring debt and losses and a wide network of tax treaties, resulting in lower withholding taxes on dividends, interest and royalties.

Finally, there is the 30 per cent rule, which is a tax-free refund of 30 per cent of an employee's salary, provided that the employee has been hired or appointed from abroad and has the specific experience that is not enough in the Dutch labour market.

Political stability

Although political violence rarely occurs in a very stable and consensus-driven Dutch society, public debate on issues such as immigration policy and integration policy has been controversial. Although rare, there have been some acts of political and religious violence.

The Dutch economy is largely based on a stable business climate that fosters partnerships between trade unions, business organizations and the government. Strikes are rarely used to resolve labour disputes. With ten workdays per 1,000 employees lost to strikes, the Netherlands ranks as the tenth lowest-strike OECD country.

Infrastructure development and support services

The Netherlands is strategically located and ideally positioned to serve the European market and beyond. The country is located between major seas and airports, on the one hand, and key commercial and industrial centres in Europe, on the other. Its long tradition of international trade has resulted in an extensive logistics support structure comprised of logistics providers, specialized banking services and terminals. Other important factors that have made the Netherlands so popular are its well-developed infrastructure with an excellent

international airport, a dense network of motorways and railways, an inland waterway network and an outstanding logistics industry.

The Dutch logistics industry has centuries of experience. The experience of Dutch firms is of very high quality, supported by both government and industry. The spectrum of service providers is vast, from small operators to giant organizations offering all types of services. In addition to warehousing, picking, and transportation, large logistics businesses provide many other services such as tax processing, re-labelling, invoicing, and repairs. The Netherlands is one of the best places in Europe to enter the markets of Europe, the Middle East, Africa and other countries.

For the foreseeable future, the country will continue to attract foreign investors who want to take advantage of all the attributes that provide efficient international logistics - a central location, well-developed infrastructure, high-quality logistics, a good business climate and a supportive government. The fact that about 75 per cent of all operations of the European Distribution Center of foreign investors in the Netherlands are outsourced to local logistics providers is proof of the industry's high quality.

CHAPTER 3. DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A BIKE-SHARING SERVICE

3.1. Analysis of the relevance of creation bike-sharing service

Because of rising societal mobility, population growth, new products, and technological advances, cities are transforming into smart cities. These factors also emphasize the importance of properly shaping traveller behaviour. Currently, the most difficult obstacle in many cities and metropolitan areas is to solve the issue of prevalent private car use. Bike-sharing schemes are thought to be an important tool for popularizing new modes of transportation and can be used to help communities achieve more sustainable mobility. Sustainable mobility is described as user contact activity formed by spatial structure and transportation in such a way that the length of the travel route is reduced, individual motorization does not degrade public transportation or non-motorized transportation (walking and cycling), and the transportation system's operation allows for environmental harmony. Sustainable transportation contributes to the improvement of the city's image and spatial order, as well as the creation of high-quality public space, while also reducing the disparity in the growth and quality of life of different city areas. The goal of modern system solutions that link space and transportation planning is to increase the use of bicycles as a mode of transportation. Private cycle trips, as well as trips made through a bike-sharing scheme, result in substantial savings and benefits for both bike users and the community (i.e., no negative effects on the city's quality of life) (no noise and no emissions) Monuments and flora are protected; more space is used for movement and parking; the road network is less degraded; improvement of the city centre's attractiveness (business, culture, leisure, and social life); reduction of traffic congestion and economic losses; increased traffic flow; increased attractiveness of public transportation; improved access to urban services for the entire society; saving time and money for parents who are not required to take their children to school; saving time and money for parents who are not required to take their

children to school; cyclists save a considerable amount of time over short and medium distances, and there is no need for the household to buy a second vehicle (budget increase).

Since the creation of an advanced bike-sharing system is quite a difficult task, the period for the implementation of my project would be 3 years. The main sources of investment funds will be a personal investment and government grants as well as subsidies and grants from the Dutch government. The investments currency would be Euro.

My main competitors will be other bike rentals operating in Amsterdam, such as OV-fiets. The main competitive advantages of my bike-sharing service are:

- Ease of use of the bicycles
- User-friendly app
- The most suitable locations of the bike stations
- Great value for money
- Support 24/7

The Netherlands is the unrivalled number one cycling nation. In the Netherlands, more than 25% of all trips are made by bicycle, which is relatively high compared to other countries, which we can see in Figure 3.1 (Fig 3.1).

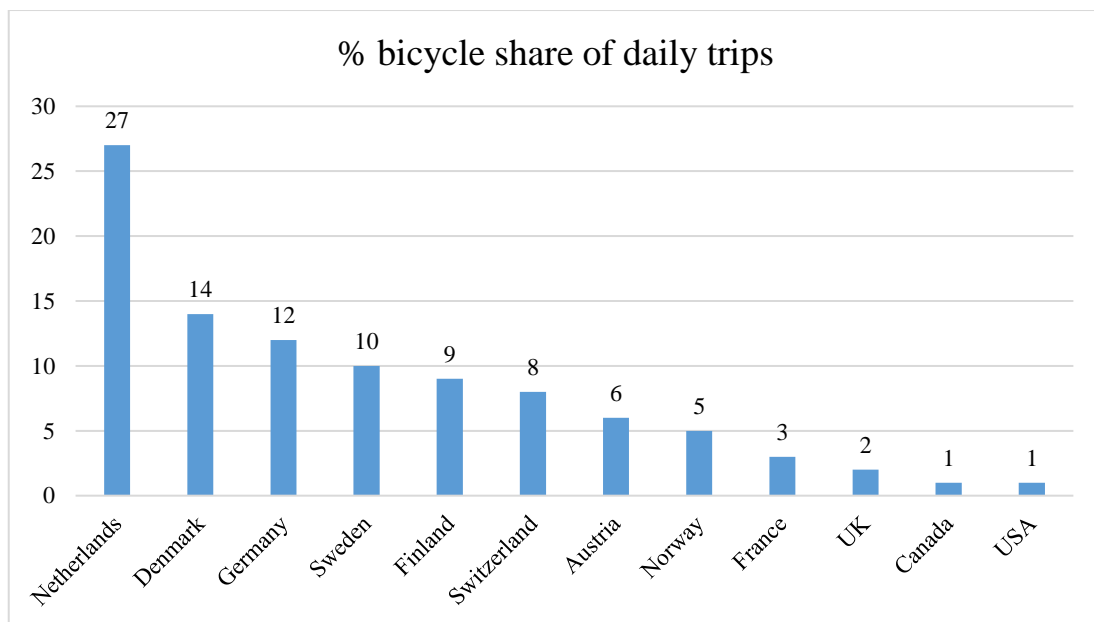


Figure 3.1. Bicycle share of daily trips in selected countries.

Source: (Buehler, 2018)

Even with an ageing population, a very large majority cycles. The number of bicycles in the country outnumbers the number of people. Cycling and sport participation are the most important contributors to adhering to the physical activity guidelines. In Figure 3.2 we can observe the percentage of cycling as a mode of transport (Fig 3.2).

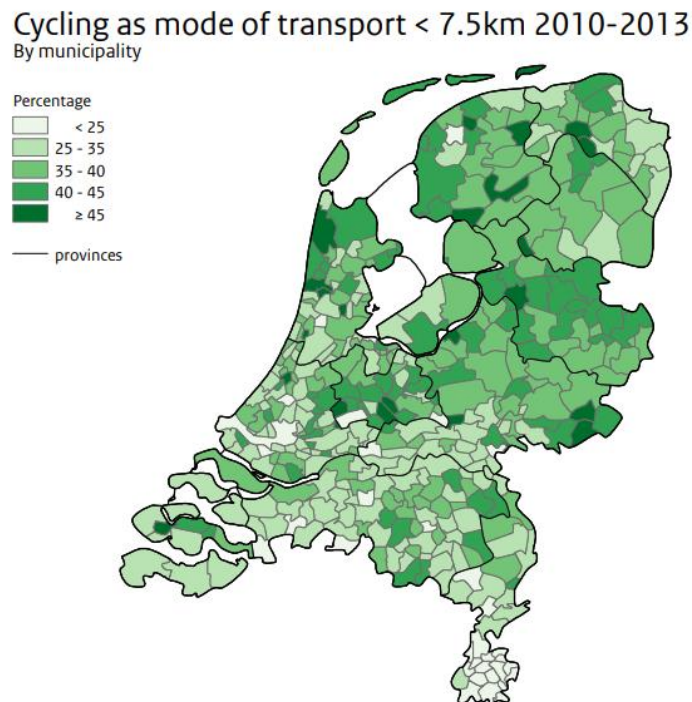


Figure 3.2. The percentage of cycling as a mode of transport

Source: Dutch National Travel Survey, Statistics Netherlands

As we can see, almost all regions choose a bicycle as a main mode of transport. This trend is increasing every year and the number of bike trips is growing rapidly. The Dutch government utilizes the power of cycling in an integral implementation process based on mobility, spatial planning, sustainability and health. The modal share of cycling in the Netherlands is high. However, there still is room for further growth. The Tour de Force entails a comprehensive coalition of governments, companies, civil society organisations, research institutes and associations responsible and involved in the bicycle policy of the Netherlands. This coalition aims to increase the number of kilometres cycled in the period 2017-2021 by 20 percent. For this purpose, nine goals were installed:

1. The Netherlands as the leading bicycle country

2. More room for the bicycle in cities
3. Boosting the quality of busy and important regional cycling routes
4. Optimize the transition between modes, public transport bike and car-bike
5. Targeted promotion of cycling
6. Less cycling accidents
7. Less bicycle theft
8. Increase knowledge
9. Environmental visions

Thus, the bike-sharing market will only grow and the government is doing its best to promote the development of the market.

The major issues with the earlier generation of bike-sharing schemes were people keeping bikes longer than the allowed period, theft and vandalism. The use of smart technology and credit cards has reduced these risks. In most systems, users must provide credit card information so that if they do not return a bike, they will be charged its replacement cost. Also, smart bikes are designed to require the use of special tools for disassembly, thereby discouraging unauthorised removal, and most of the components are of uncommon dimensions that would not be usable on other bikes. Another challenge is to maintain mutual respect between cyclists, pedestrians and car drivers need to be strengthened.

3.2. Analysis of total costs and revenues of bike-sharing service, calculation of the payback period of equity

First of all, it is important to prepare an initial plan of expenses to establish a bike-sharing service. In Table 3.1 we can see the general expenses of establishing the bike-sharing service (Table 3.1).

Table 3.1

General expenses on opening the bike-sharing service

№	Name	Amount (EUR)
1	Rent 1 month 30 m2	4500
2	Purchase of 200 bicycles	30000
3	Establishing 20 bike stations	45000
4	Legal consultations	1000
5	Registration of the company	50
6	Advertising expenses (billboards, social networks)	5000
7	Brand development	3000
8	Storage	5000
9	Computers 2 pcs* EUR 300	600
10	Chairs 2 pcs* EUR 40	80
11	Tables 2*120	240
12	Lamps 2pcs*EUR4	8
13	Printer	100
14	Stationary	100
15	Litter bins	3
16	Cleaning office for 1 month	50
17	Wardrobe for clothes	50
18	Sofa	75
19	Router	5
20	Headhunter expenses	1000
Total		€ 95861

Thus, for establishing the bike-sharing service it is needed 95861 euro for the initial payment.

Next, it is crucial to calculate the payroll costs. In Table 3.2 we can observe the payroll costs for the bike-sharing service (Table 3.2).

Table 3.2

Payroll costs

	Job position	Number of people	Wage, EUR/month	Total, EUR/month
1	Managing director	1	3000	3000
2	Programmer	2	2500	5000
3	Mechanic	3	2000	6000
4	Customer support specialist	3	1800	5400
5	Cleaner	1	1500	1500
6	Total payroll:	10	10800	20900

The social security payments in the Netherlands are 20,3%. So, the total payroll with social security payments will be $20900 \times 1,203 = 25143$ euro.

Then it is vital to calculate the expenses per month. In Table 3.3 we can see the overall expenses for 1 month (Table 3.3).

Table 3.3

Overall expenses

	Name	Amount (EUR)	Data
1	Salary	25143	Monthly
2	Communal payments	800	Monthly
3	Stationary	35	Monthly
4	Rent	4500	Monthly
5	Other costs	100	Monthly
6	Accounting Outsourcing	700	Monthly
	Total	31277,7	Monthly
	31277.7×12	375332,4	Yearly

Now we can calculate the income. In Table 3.4 we can observe the income from the project (Table 3.4).

Table 3.4

The income from the project

	Services	Expected number	Price	2021	2022	2023
1	Hourly bike rental	30	€ 5	€ 7 200	€ 7 704	€ 8 320
2	Daily bike rental	70	€ 15	€ 50 400	€ 53 928	€ 58 242
3	Monthly subscription	100	€ 300	€ 360 000	€ 385 200	€ 416 016
4	Bicycle repair	10	€ 15	€ 54 000	€ 57 780	€ 62 402
5	Total			€ 471 600	€ 504 612	€ 544 981

Then we should calculate estimated earnings for 3 years. In Table 3.5 we can see the estimated earnings from the project for the nearest 3 years (Table 3.5).

Table 3.5

Estimated earnings

		Year	Year	Year
Indicators		2021	2022	2023
Investment, EUR	€ 95861			
Revenue of the sale, EUR		471600	504612	544981
VAT (9%)		42444	45415	49048
Expenditures, EUR		375585	390609	410139
Profit before taxation, EUR		53571	68588	85794
Tax on income (36,65%)		19634	25137	31443
Net profit, EUR		€ 33937	€ 43450	€ 54350

Having finished the calculations of income and expenses, we can start to calculate indicators of the project's economic efficiency.

1. Net Present Value

$$NPV = \sum_{k=1}^n \frac{P_k}{(1+i)^k} \quad (3.1)$$

The interest rate in the Central Bank for 2021 is 1%. Estimated inflation rates for 2021 is 1,4%, for 2022 is 1,5% and for 2023 is 1,6%. Risk-adjusted is 10%.

Discount rate:

$$i_{2021} = (1+0,014) * (1+0,1) * (1+0,01) - 1 = (1,014*1,1*1,01) - 1 = 0,127$$

$$i_{2022} = (1+0,015) * (1+0,1) * (1+0,01) - 1 = (1,015*1,1*1,01) - 1 = 0,128$$

$$i_{2023} = (1+0,016) * (1+0,1) * (1+0,01) - 1 = (1,016*1,1*1,01) - 1 = 0,129$$

Discount index:

2021

$$1 / (1+0,127) = 0,888$$

2022

$$1 / (1+0,127) * (1+0,128) = 1 / (1,127*1,128) = 0,787$$

2023

$$1 / (1+0,127) * (1+0,128) * (1+0,129) = 1 / (1,127*1,128*1,129) = 0,697$$

Finally, we can build up a full table to make our calculations. In Table 3.6 we can observe all necessary information to calculate our NPV, Profitability index and Payback period (Table 3.6).

Table 3.6

Final calculations

Year	Investment, EUR	Net profit, EUR	Amortization EUR	Cash Inflow, EUR	Discount Index	Investments	Discounted Cashflows
0	95861					95861	
2021		33937	253	34190	0,888		30349
2022		43450	263	43713	0,787		34410
2023		54350	276	54626	0,697		38094
Total	95861	131737	792	132529		95861	102853

NPV = Discounted Cashflows – Investments = 102853 – 95861 = 6992

Our NPV>0 so that we can say our project is interesting for the investor.

2. Profitability Index

$$PI = \frac{\text{Discounted Cashflows}}{I} \quad (3.2)$$

$$PI = \frac{102853}{95861} = 1,07$$

3. Payback period

$$PP = \frac{I}{\text{Average annual investment (AI)}} \quad (3.3)$$

$$AI = \frac{30349+34410+38094}{3} = 34284$$

$$PP = \frac{95861}{34284} = 2,8$$

CONCLUSIONS

To sum up, considering the analysis of the market and the calculations done, it is safe to say that this project is attractive to investors. The bike rental market is increasing every year and the demand for them is growing very quickly, but at the moment there is no perfect system, so launching a smart bike-sharing service is a very good idea in such circumstances. Moreover, the Dutch government strongly supports the promotion of bicycles as the main mode of transport. The market and demand will increase every year and hence the profit from the project, respectively.

In general, the economic condition and cities have strengthened, as bicycles in the Netherlands are the main means of transportation and the service will be loaded around the clock.

In addition, many of the aims set were met. By creating a bicycle-sharing service, CO₂ emissions have decreased, the city's infrastructure has also improved and the total number of people who are in favour of the environmental future of the world has increased. Also, although not much, the number of cars on the road has decreased, which contributes to better traffic in the city and fewer accidents and traffic jams.

Next, the construction of the service contributed to an increase in the sports population of the city, more people began to monitor their health and began to devote more time to sports. Thanks to the service, more tourists can ride a bike around Amsterdam and fulfil their cherished dream.

Globally, the service encourages people to switch from cars to bicycles, thereby reducing harm to the environment, which in turn has an impact on the life of every person.

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