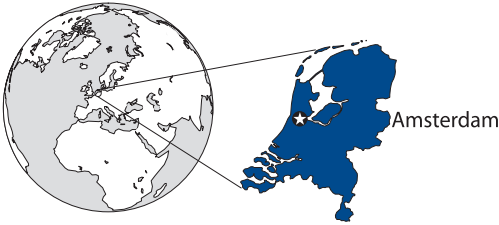


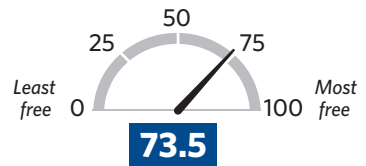
NETHERLANDS



World Rank: **17**

Regional Rank: **8**

Economic Freedom Score



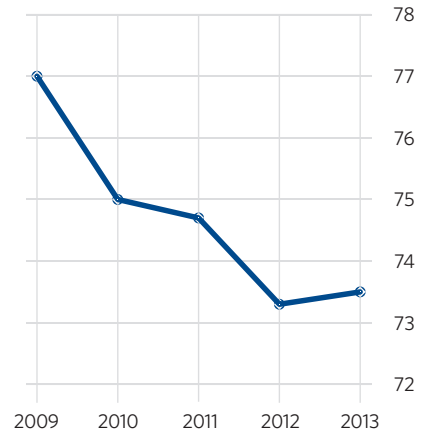
The Netherlands' economic freedom score is 73.5, making its economy the 17th freest in the 2013 *Index*. Its score is 0.2 point better than last year, reflecting improvements in the management of public spending and business freedom that offset declines in monetary and labor freedom. The Netherlands is ranked 8th out of 43 countries in the Europe region.

The foundations of economic freedom in the Netherlands are solid. The judicial system, independent and free of corruption, provides strong protection for property rights. Low scores in fiscal freedom and government spending, however, highlight a need to strengthen respect for the principle of limited government. Although the corporate tax rate is competitive, the overall tax burden remains heavy. Government spending still accounts for about half of GDP.

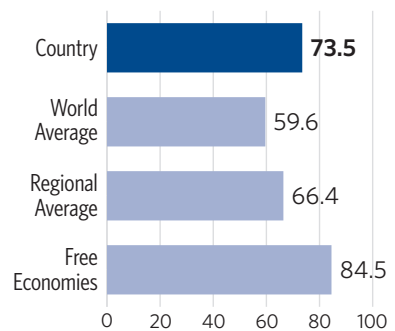
With its openness to global trade and investment, the Dutch economy benefits from high degrees of business freedom, investment freedom, and financial freedom. The overall regulatory environment, transparent and efficient, encourages entrepreneurial activity. Sensible banking regulations facilitate robust entrepreneurial activity, although the combination of the ongoing European sovereign debt turmoil and stricter financial supervision has considerably reduced the size of the banking sector. Monetary stability is well maintained, although inflationary pressures are rising.

BACKGROUND: In elections held in June 2010, Mark Rutte of the Peoples Party for Freedom and Democracy became prime minister as head of a center-right coalition. In April 2012, the pro-austerity coalition collapsed when the Freedom Party's Geert Wilders refused to back Rutte's austerity package, sparking early elections in which both Rutte's party and its principal coalition partner won increased support. The Netherlands is heavily involved in international commerce. Rotterdam is one of the world's largest ports and Europe's largest in terms of cargo tonnage handled. The economy is sensitive to changes in the global market and has been hard hit by the eurozone crisis. In 2012, the Netherlands was one of only five members of the eurozone to be in recession, and its consumer confidence index was the lowest since 2003.

Freedom Trend



Country Comparisons



Quick Facts

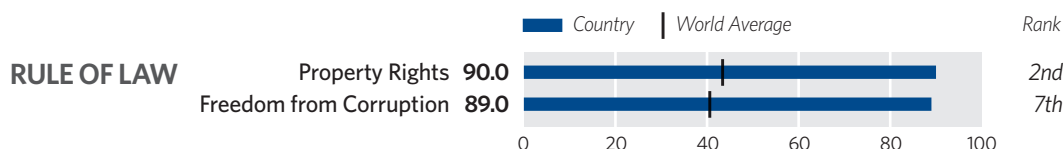
Population: 16.7 million
GDP (PPP): \$704.0 billion
 1.3% growth in 2011
 5-year compound annual growth 1.0%
 \$42,183 per capita
Unemployment: 5.3%
Inflation (CPI): 2.5%
FDI Inflow: \$17.1 billion
Public Debt: 66.2% of GDP

How Do We Measure Economic Freedom?

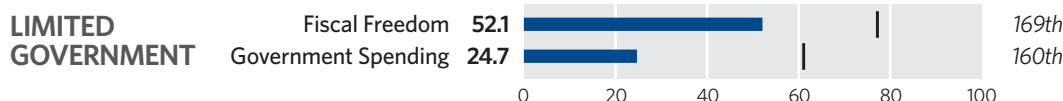
See page 477 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2011 data unless otherwise noted.
 Data compiled as of September 2012.

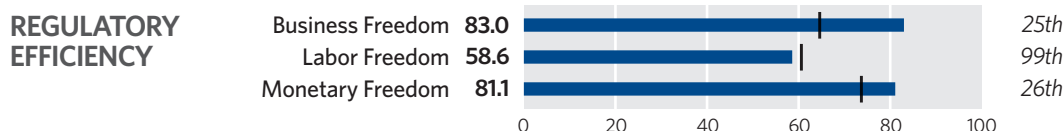
THE TEN ECONOMIC FREEDOMS



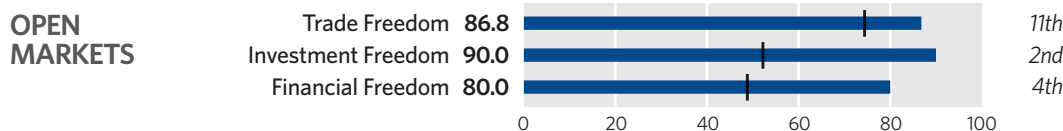
The legal framework ensures strong protection of private property rights and enforcement of contracts. Citizens and foreigners purchasing real property receive equal treatment. Independent of political interference, the judiciary is respected and provides fair adjudication of disputes. Intellectual property rights are relatively well protected. Effective anti-corruption measures and minimal tolerance for corruption ensure government integrity.



The top income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and environmental taxes. The overall tax burden equals 38.2 percent of total domestic income. Government spending is equivalent to 50.1 percent of GDP. The budget has been in deficit, with public debt exceeding 65 percent of GDP. Divisions in the governing coalition make austerity measures uncertain.



The overall regulatory framework is transparent and competitive. Launching a business is subject to minimum capital requirements, but establishing a company takes only five days in comparison to the world average of 30 days. Bankruptcy procedures are modern and efficient. Labor regulations are relatively rigid, and the non-salary cost of employing a worker is high. Monetary stability has been well maintained.



The trade-weighted average tariff rate, standard throughout the European Union, is a low 1.6 percent, but non-tariff barriers add to the cost of trade. With few restrictions in place, the investment environment is favorable to dynamic growth in new investment and production. The well-developed financial sector has been competitive, although the banking sector, under increasing strain, has become more oriented toward the domestic market.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.9	Business Freedom	+1.1	Trade Freedom	-0.3
Freedom from Corruption	+1.0	Government Spending	+3.8	Labor Freedom	-1.4	Investment Freedom	0
				Monetary Freedom	-2.5	Financial Freedom	0