

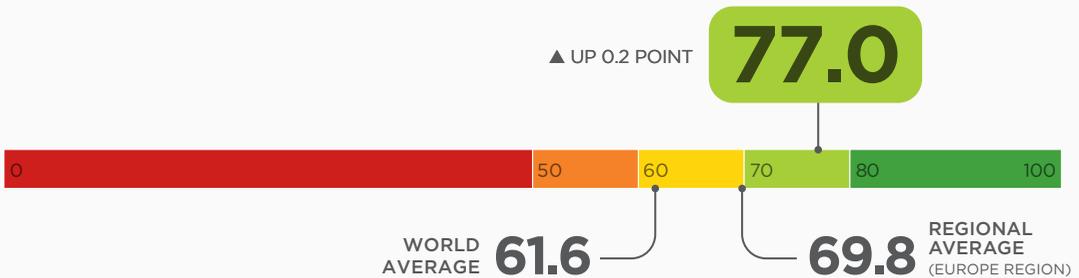
NETHERLANDS

The Netherlands' economic freedom score is 77.0, making its economy the 14th freest in the 2020 *Index*. Its overall score has increased by 0.2 point due to modest increases in **property rights** and control of **government spending**. The Netherlands is ranked 8th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Dutch economy has been mostly free for two decades yet never seems to make it over the final hurdle into the ranks of the free. Moderate GDP growth over the past five years has begun to slacken as slower growth has set in among the economy's largest eurozone trading partners. There are concerns that U.S.–China trade problems will also curtail trade growth for economies like that of the Netherlands.

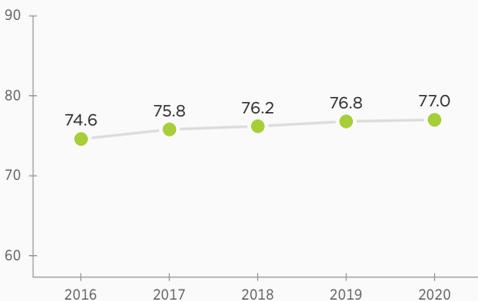
As is the case with many large EU economies, the biggest obstacle to greater economic freedom in the Netherlands is too much government spending, although the government has managed to cut budget deficits in recent years.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +7.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.2 million

GDP (PPP):
\$969.2 billion
2.5% growth in 2018
5-year compound annual growth 2.2%
\$56,383 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
1.6%

FDI INFLOW:
\$69.7 billion

PUBLIC DEBT:
54.4% of GDP

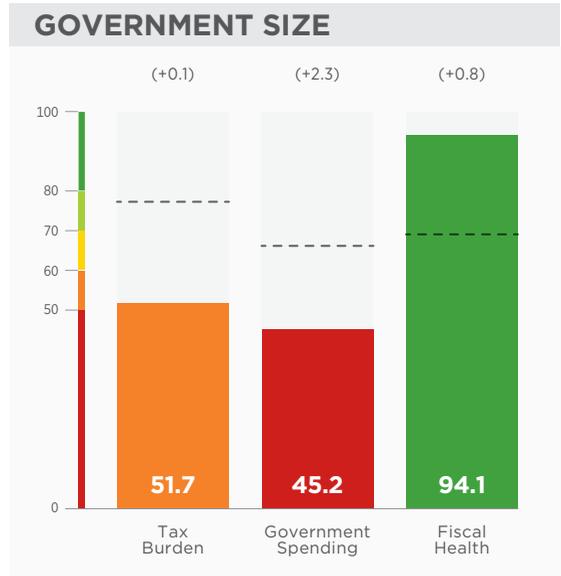
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Prime Minister Mark Rutte has been in office since 2010. His center-right People's Party for Freedom and Democracy, which won a plurality of seats in 2017 parliamentary elections, heads a governing coalition with the center-right Christian Democrat Appeal, center-left Democrats 66, and center-right Christian Union Party. Geert Wilders' populist Party for Freedom, despite receiving the second-highest number of votes in 2017, remains out of government. The nationalist Forum for Democracy party, which favors strict controls on immigration, has been gaining popularity. A European transportation hub, the Netherlands has the EU's sixth-largest economy, supported by exports of chemicals, refined petroleum, and electrical machinery as well as by a highly mechanized and profitable agricultural sector.

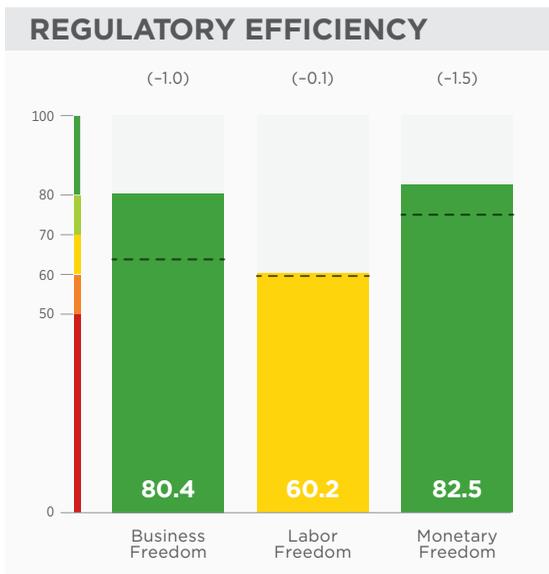
12 ECONOMIC FREEDOMS | NETHERLANDS



Private property rights are strongly protected, and contracts are reliably enforced. The judiciary is independent of political interference and provides impartial adjudication of disputes. The Dutch do not tolerate political corruption, and the cases that do arise are prosecuted expeditiously. Anticorruption laws are effective and promote government integrity. The Netherlands is signatory to major international anticorruption conventions.



The top personal income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.8 percent of total domestic income. Government spending has amounted to 42.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 54.4 percent of GDP.



The transparent regulatory framework allows businesses to compete effectively in their fields, innovate, and enhance productivity. The labor market is heavily regulated. Labor costs ranked near the highest in Europe in 2018 at 35.9 euros per hour. In 2019, the government imposed a "climate tax" on airline tickets and removed aviation subsidies while continuing to subsidize renewable energy sources such as solar power.



The total value of exports and imports of goods and services equals 155.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The Netherlands has an additional four country-specific nontariff barriers. The investment environment is favorable to dynamic growth in new investment and production. The well-developed financial sector is competitive.