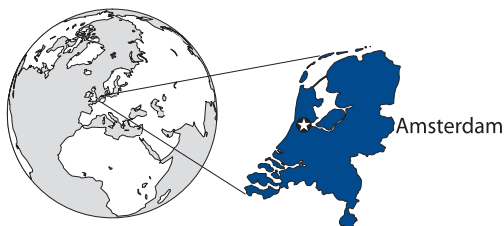


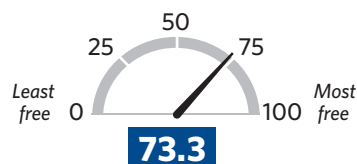
THE NETHERLANDS



World Rank: **15**

Regional Rank: **6**

Economic Freedom Score



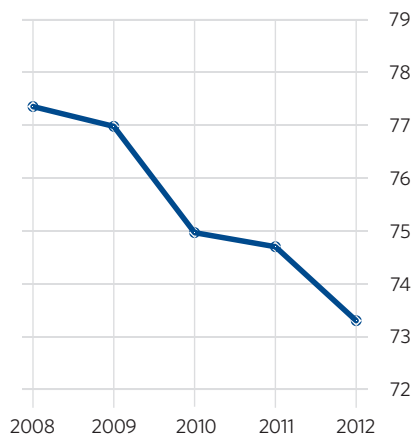
The Netherlands' economic freedom score is 73.3, making its economy the 15th freest in the 2012 *Index*. Its score is 1.4 points worse than last year due to significant deterioration in the control of public spending. The Netherlands is ranked 6th out of 43 countries in the Europe region, and its overall score is above the world and regional averages.

The Dutch economy benefits from a traditional emphasis on the rule of law and an efficient legal framework. The judicial system, independent and free of corruption, provides strong protection for property rights. Openness to global trade and investment is well established, and the overall regulatory and entrepreneurial environment remains transparent and efficient. Sensible banking regulations facilitate robust entrepreneurial activity, and lending practices are prudent. Monetary stability is well maintained, and inflationary pressures have been under control.

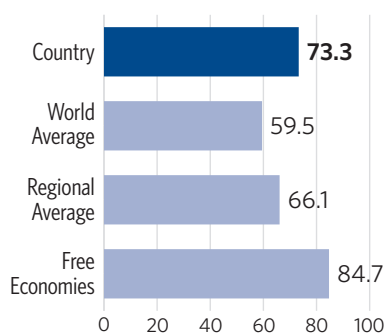
However, the Netherlands' respect for the concept of limited government has eroded further. Government spending has been expansive, and the overall tax regime to finance the growing scale of government has become burdensome and complex. Spending on subsidies and various social transfers has driven the deficit to over 5 percent of GDP and resulted in rising public debt.

BACKGROUND: In elections held in June 2010, the right-wing Freedom Party of Geert Wilders, whose campaign highlighted problems with the assimilation of Muslim immigrants, showed the strongest gains, but Mark Rutte of the Peoples Party for Freedom and Democracy became prime minister as head of a center-right coalition. The Netherlands is heavily involved in international commerce, and its prosperous economy is sensitive to changes in the global economy. Rotterdam is one of the world's largest ports and Europe's largest in terms of cargo tonnage. During the financial turmoil in 2009, the government nationalized Dutch operations of Fortis bank and put billions into saving a large part of the troubled banking sector. The government's traditionally significant role in the economy may change as the new government works to shrink the public sector.

Freedom Trend



Country Comparisons



Quick Facts

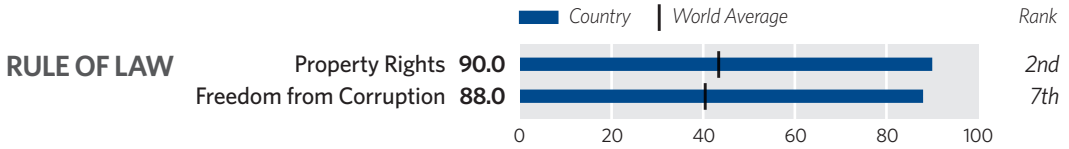
Population: 16.6 million
GDP (PPP): \$676.9 billion
 1.7% growth in 2010
 5-year compound annual growth 1.4%
 \$40,765 per capita
Unemployment: 4.3%
Inflation (CPI): 0.9%
FDI Inflow: -\$16.1 billion
Public Debt: 63.7% of GDP

How Do We Measure Economic Freedom?

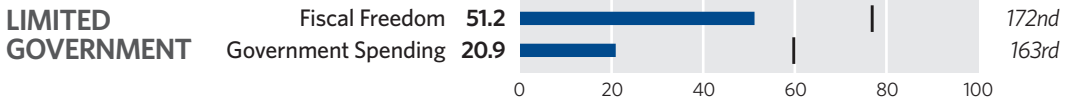
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

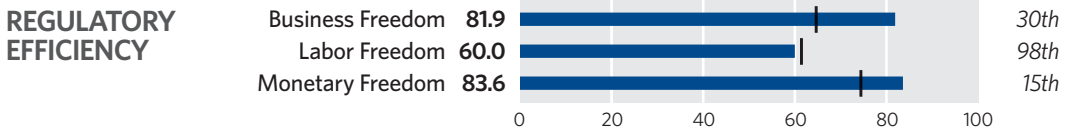
THE TEN ECONOMIC FREEDOMS



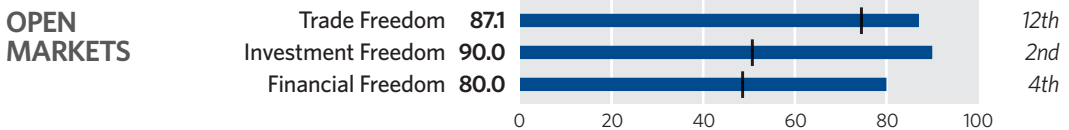
The well-functioning legal framework ensures strong protection of private property rights and enforcement of contracts. Citizens and foreigners purchasing real property receive equal treatment. Independent of political interference, the judiciary is respected and provides fair trials. Intellectual property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



The top income tax rate is 52 percent, and the top corporate tax rate is 25.5 percent. Other taxes include a value-added tax (VAT) and environmental taxes, with the overall tax burden amounting to 39.1 percent of total domestic income. Government spending is equivalent to 51.4 percent of total domestic output. The budget has been in deficit in recent years, and public debt has grown to over 60 percent of GDP.



The overall regulatory framework is transparent and competitive. Launching a business is subject to minimum capital requirements, but establishing a company takes only eight 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, with very low inflation.



The trade weighted average tariff rate, standard throughout the European Union, is low, but lingering 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. Banking remains relatively stable, despite the ongoing European sovereign debt turmoil.

Score Changes

| RULE OF LAW | | LIMITED GOVERNMENT | | REGULATORY EFFICIENCY | | OPEN MARKETS | |
|-------------------------|------|---------------------|-------|-----------------------|------|--------------------|------|
| Property Rights | 0 | Fiscal Freedom | +0.6 | Business Freedom | 0 | Trade Freedom | -0.5 |
| Freedom from Corruption | -1.0 | Government Spending | -15.9 | Labor Freedom | +1.7 | Investment Freedom | 0 |
| | | | | Monetary Freedom | +0.9 | Financial Freedom | 0 |