

This country report focuses on the investment relationship and investment performance of the two smallest economies selected for the study. Because of their size, and the fact that both are actually smaller in terms of GDP than Canada, they are being covered within a single country report, using less extensive data than was the case for the United States, the United Kingdom, Germany, Japan and France.

The Netherlands

The Netherlands is a relatively small economy; in fact, it is one of the smallest economies covered in detail by this report. The 1993 GDP of the Netherlands was only U.S. \$295 billion, or about 54 per cent of the corresponding Canadian figure.

What is distinctive about the Netherlands is the degree to which the Dutch are outwardly oriented. Dutch investment stocks abroad stood at more than U.S. \$126 billion in 1993, a level that was as high as that of France, a country that is more than four times larger in terms of GDP. Similarly, foreign direct investment stocks in the Netherlands are substantial, particularly relative to the size of the economy, totalling more than U.S. \$83 billion in 1993.¹

Sluggish growth in the late 1980s and the global recession of 1990 did not spare the Netherlands. Both foreign direct investment in the Netherlands and Dutch direct investment abroad declined substantially as a per cent of trade after 1989 (see Figure S-1). Relative to GDP, FDI in the Netherlands in 1989 represented over 4 per cent of GDP. This was substantially higher than the other countries selected for the study. Subsequently, inflows of foreign direct investment in the Netherlands have declined to slightly less than 2 per cent of GDP (by 1993). This represents a decline in foreign direct investment in the Netherlands of about 50 per cent from the 1990 peak, and represents less than 5 per cent of trade (down from slightly more than 10 per cent of trade in 1990). Thus, Dutch direct investment inflows appear to have been significantly affected by the global recession starting in 1990. However, because the relative investment inflows were already

¹ The corresponding figure for Canada is U.S. \$110 billion, despite the fact we are twice as large in terms of GDP.