

Massachusetts Institute of Technology

13.67J – International Logistics



Logistical Profile of The Netherlands

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1. What are the rough dimensions of the country in miles?

Area

Total:	16,033.28	miles ²
Land:	13,082.30	miles ²
Water:	2,950.98	miles ²

Land Boundaries

Total:	638.45 miles
Border Countries	
Belgium:	279.62 miles
Germany:	358.53 miles
Coastline:	280.24 miles

2. What is the population? What percentage lives in the three largest cities?¹

Population:	16,125,375 (registered inhabitants as of 27 February 2002)
Amsterdam:	737,000
Rotterdam:	608,000
The Hague:	455,000

3. What is the predominant language? How widely used is English in business?

The predominant language is Dutch, or Netherlandish. In the northern portion of the country, a similar language called Frisian is spoken. Given the Netherlands dependency on foreign trade and relative small size, the vast majority of businesses conduct business in English. Fluency in English is widespread.

4. In the last three years, have there been any instances of political instability?

There have been no instances of political instability. They have a constitutional monarchy.

¹ The only city data available was from 1997. This was scaled linearly from a national population in 1997 of 15,654,192 to today's population. In 1997: Amsterdam – 715,000, Rotterdam – 590,000, and The Hague – 442,000



5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?

Currency was originally the Netherlands guilder, but was abandoned in 1998 in favor of the Euro.

Year: Netherlands guilder/US Dollar

1996: 1.6859

1997: 1.9513

1998: 1.9837

Year: Euros/US Dollar

1999: .9386

2000: 1.0854

2001: 1.0659

6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge?

Only one time zone exists in the Netherlands. They are 1 hour ahead of Greenwich Meant Time and 6 hours ahead of Eastern Standard Time. Therefore, if it is noon in Cambridge, it will be 6:00 PM in Amsterdam. The time difference between European and Western Middle East countries ranges from 0 hours to 2 hours, very convenient for business practices.

7. What unique requirements exist for products sold in this country? (E.g. testing, packaging, language, safety, etc.)

Labeling Requirements

With only minor exceptions, there are no general requirements for marking imported goods with the country of origin. Requirements for specific products should be obtained from the importer. The import, export, or transits of non-Dutch goods having markings that imply that the goods are of Dutch manufacture or origin is prohibited.

There are no regulations for the marking of shipping packages. Good shipping practice dictates that packages should bear the consignee's mark and be numbered unless the shipment is such that the content of the packages can be readily identified without numbers.

Labels must use metric units.



7. (Continued)

Standards

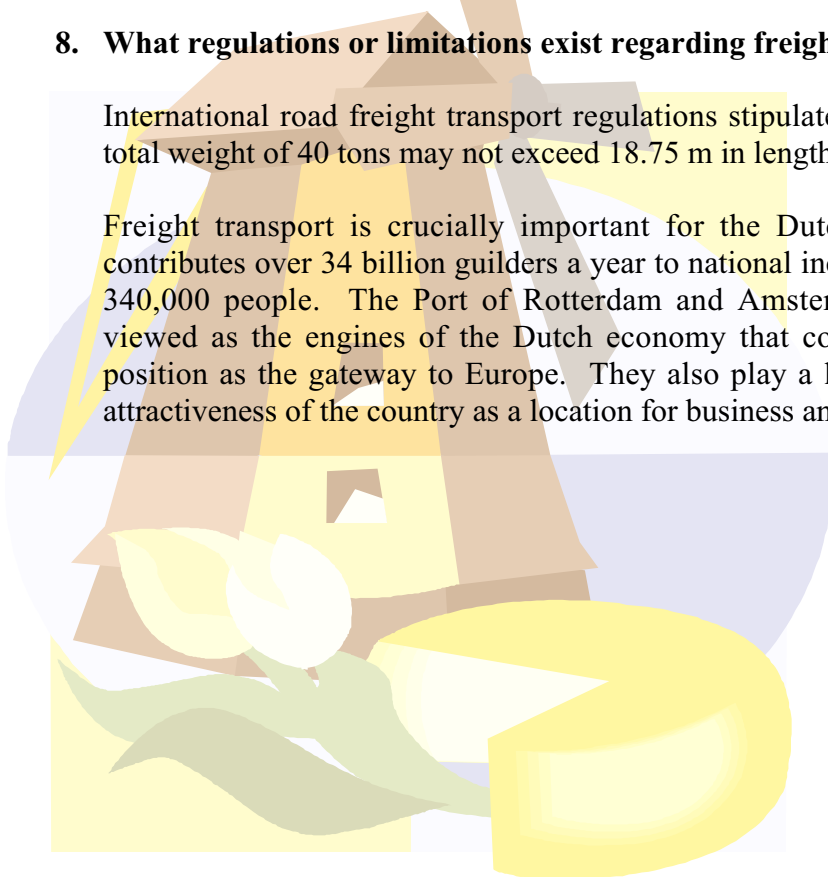
U.S. firms exporting to Europe are still confronted with both national and EU product standards. These regulations occasionally change to meet new technology and demands that are more stringent.

Key product areas are being regulated at the Union level for conformance to mandatory requirements to protect the health and safety of consumers, as well as the environment. To indicate this conformance to the mandatory requirements, the manufacturer or a representative must place a CE mark on all regulated products before they can be sold on the EU market. The applicable product testing and certification requirements for individual product categories are specified in the various EU directives. The CE mark relates only to the mandatory health, safety, and environmental requirements established by the EU; it does not indicate conformity to European product standards. Thus, national marks of conformity with product standards remain compatible with the CE mark and both may be applied to the product. The CE mark replaces all national safety marks for the regulated products.

8. What regulations or limitations exist regarding freight transport?

International road freight transport regulations stipulate that freight vehicles with a total weight of 40 tons may not exceed 18.75 m in length.

Freight transport is crucially important for the Dutch. The transport industry contributes over 34 billion guilders a year to national income and employs more than 340,000 people. The Port of Rotterdam and Amsterdam's Schiphol Airport are viewed as the engines of the Dutch economy that contribute to the Netherlands' position as the gateway to Europe. They also play a large part in determining the attractiveness of the country as a location for business and industry.



9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?

There are two major saltwater shipping ports in the Netherlands: Rotterdam and Amsterdam. Amsterdam, Rotterdam, The Hague, and Utrecht are the four major cities of the Netherlands. Approximate distances from Amsterdam and Rotterdam are listed below.

From	To	Distance
Amsterdam	Rotterdam	73 km
Amsterdam	The Hague	56 km
Amsterdam	Utrecht	37 km
Rotterdam	The Hague	25 km
Rotterdam	Utrecht	56 km



10. What business terms and financial instruments are typically used for import commercial transactions?

The following information was obtained from www.ecomsquare.com:

Import / Export Documentation

Shipments to the Netherlands require one copy each of the bill of lading (or air waybill) and the commercial invoice for customs clearance. Certificates of origin are required for a small number of goods such as textile products. The need for a certificate of origin should be ascertained directly from the importer or from the appropriate customs authority. Letter-of-credit terms may stipulate that a certificate of origin be provided. Goods may clear customs with an EU transit procedure that provides for the issuance of a single transit document under which the goods may be easily shipped across frontiers of the EU member states. The transit document provides the basis for a single, comprehensive procedure covering the goods with the Union. Since this is an EU procedure, the European importer, customs house broker, freight forwarder, or shipper must prepare these documents at joint of entry.

Customs Regulations

Merchandise may be examined by the importer before customs clearance for the purpose of making an inventory. Goods cannot clear customs without shipping documents and payment of any customs duty, applicable value added taxes, and any excise taxes. These formalities must be undertaken by the importer at the time of clearing customs. Import licenses, if required, should be presented by the importer within the period for which they were issued.



10. (Continued)

Import Taxes

Value-added tax, most frequently called by its acronym VAT, is charged on the sale of goods and services within the country. Unlike the customs duty, which is the same for all EU member countries, the VAT is established by the tax authorities of each country and differs from country to country. At each stage of the manufacturing and distribution chain, the seller adds the appropriate amount VAT (tax on the amount of value that the seller added to the product, plus the amount of VAT passed on to the seller by the supplier) to the sales price. The tax is always quoted separately on the invoice. The firm periodically subtracts the VAT paid on its purchases of goods and services from the VAT collection on sales and remits the balance to the Government. This process repeats itself at each stage until the product is sold to the final consumer, who bears the full burden of the tax. The importer is liable for payment of customs duties VAT, and any other charges at the time of clearing goods through customs. Exports from the Netherlands are exempt from VAT since they are not consumed in the country, but will be subject to any tax imposed in the country of destination. Temporary imports that will be re-exported are not subject to the VAT. The importer may have to post a temporary bond for the amount of customs duty and taxes as security which will be canceled when the goods are taken out of the country. Excise taxes are levied on a small number of products such as soft drinks, wine, beer, spirits, tobacco, sugar, and petroleum products. For imports, the excise tax is paid by the importer and is in addition to any customs duty or Vat. The EU plans to harmonize excise taxes and create a single internal market.

Temporary Entry

A carnet is a customs document that facilitates customs clearance for temporary imports of samples or equipment. With the carnet, goods may be imported without the payment of duty, tax, or additional security. Granting of duty-free status may require that the samples be rendered useless for future sale by marking, perforating, cutting, or other means.

Prohibited Imports

Certain imports into the Netherlands and the EU are prohibited or require an import license. These products fall under the categories of strategic goods or environmentally unfriendly items.



11. How large is a typical supermarket or retail food store (square feet or meters)?

405 square meters (4,360 sq. feet) in 1995 compared to U.S. of 28,077 square feet in 1995.

12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?

There are no Wal-Mart, Toys 'R Us, Target, or K-Mart retail stores in Holland.

13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?

Extensive - There are 2,808 km of railways (2,061 km are electrified). There are 125,575 km of highway total. 113,018 km of these highways are paved (2,235 km are expressways), while 12,557 km are unpaved.

In 1997, the Dutch government approved construction of an additional 60 substations simply to maintain the minimum voltage necessary. The highway and railway infrastructure are hugely significant to the passenger and freight transport in the Netherlands.



14. How bad is the traffic congestion in the major cities?

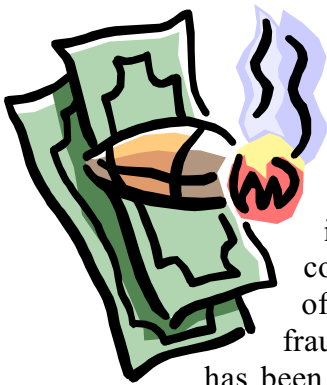
While the highway network is extensive and modern between cities, the street width and patterns within cities limit vehicle size compared to the United States. Traffic congestion occurs on highways during the rush hours despite extensive public transportation. Within cities, traffic congestion is mitigated by the density of the city layout ("walkability"), however, larger vehicles are precluded from using most central city streets. Smaller delivery vehicles are used.

15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?

Netherlands does the majority of its trading with Germany, sending 26% of exports there, and receiving 18% of its imports from there as well. Belgium-Luxembourg is the second overall, with 12% exports and 10% imports, while France (12% exports, 6% imports) and UK (11% exports, 5% imports) are very close followers. U.S. imports account for 9% of all imports to the Netherlands.

16. Is Security an issue in logistics? Why?

Having the largest port in the world as well being the number one producer (and consequently, exporter) of the illegal drug, Ecstasy, has created a serious security issue for Holland. Currently, the Netherlands employs a risk analysis



method of spot inspection as well as spearheading the purchase of container size scanners that will be able to scan 130,000 containers per year per scanner. Even with the four scanners (and more on order) currently in operation, an adequate risk analysis continues to be the predominant method of policing contraband and import/export



fraud. For example, one of the biggest issues that the Netherlands has been combating with (outside of the drug trade) is Tobacco fraud, where importers continue to manage to evade import fees through loopholes in inspection. By 1996 estimates, the cost to Holland was a *conservative* loss of 1 Billion guilders (\$394,490,090.41 US Dollars). With the continual addition of container scanners in all major ports and with the necessitated security measures of post September 11, the Netherlands is aiming to be able to scan *all* inbound and outbound cargo by 2006. Already, even with the current risk analysis method, Holland has been able to curb the exportation of Ecstasy by intercepting a record number of shipments in the past two years.

17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

The Netherlands possesses an extensive telephone network. Nearly all Dutch homes possess a phone. Currently, the existing system of multi-conductor cables is being gradually updated to a fiber-optic network.

The extensive telephone infrastructure means that phone lines can be added within days of request.

The past decade has witnessed a dramatic increase in cellular phone use with density rapidly increasing. The system is being further upgraded to the 3rd generation of the Global System for Mobile Communications.

18. How many people have Internet access?

Internet Service Providers (ISPs):	2 (2000)
Internet users:	6.8 million (2000)



19. What is the price of regular gasoline, \$ per gallon?

\$3.62 per gallon, 2/25/02

20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

There are no significant Dutch barriers to exports, and relatively few trade complaints are registered by other countries. The few trade barriers that do exist result from common EU policies.

The Netherlands complies with weapon embargoes laid down by the UN Security Council and the EU.



Agricultural Trade Barriers: These result from the Common Agricultural Policy (CAP) and common external tariffs, which severely limit imports of U.S. agricultural products, e.g., canned fruits (high tariffs), frozen whole turkeys, and parts (high tariffs). Bilateral import barriers, although usually connected with EU-wide regulations, do arise in customs duties, grading, inspection, and quarantine, e.g., fresh beef (hormones) and poultry (phytosanitary). EU rules and procedures sometimes hinder commodity and product entry. Although only a few cases have been reported to date, an increasing pattern of delayed or rejected

20. (Continued)

shipments of agricultural commodities, food, and beverages appears to have developed. Current EU-wide regulations and the lack of timely approval processes for agricultural products, including Genetically Modified Organisms (GMOs), hinder U.S. exports. Some of these rejections or delays in clearance cause major financial and logistical problems to Dutch importers and U.S. exporters for particular products, thus dampening trade prospects and flows.

IMPORT DUTIES:

Basic goods (foodstuffs, such as fresh chicken, sardines, milk, cheese) and a number of tourist related articles (for instance pearls, gold coins, watches, perfumes, sugar confectionery, chocolates, a number of audio- and video related items, cameras) do not pay import duty – 0%.

- General goods (such as tea, spices, carrots, onions, toilet articles, cotton, clothing) - 10.5%
- Semi-luxury goods (such as flowers, bulbs, playing cards, refrigerators, washing machines) - 17%
- Luxury goods (such as parasols, mirrors, air conditioning machines, bath-heaters, pianos) - 27%
- Import duties on margarine, butter, sugar, beverages, alcohol, cigarettes, live animals, and cinematography film are not based on c.i.f. value, but on weight, quantity, or bandwidth
- An additional duty of 17% is applied to the following luxury goods: passenger cars, motorcycles and sidecars
- Extra import duties are also applied to a number of products, which are locally manufactured
- Excise duties are levied on beer, cigarettes, spirits and gasoline

21. What customs documents are required for an import shipment? For export?

Import and export documentation required: Shipments each require one copy of the bill of lading (or air waybill) and a commercial invoice for customs clearance. The commercial invoice should include the following: data and place of shipment, firm's name and address of seller/buyer, method of shipment, number/markings on packages/numerical order, description of goods (using usual commercial description according to kind, quality, grade and the weight and the weight, along with any factors increasing or decreasing value), agreed price of goods, unit cost, total cost f.o.b. factory plus shipping, insurance charges, delivery and payment terms, and signature of responsible official within shipper's firm. Bills of lading must have the name of the party to be notified. The consignee must have the original bill of lading in order to take possession of the shipment. Certificates of origin are required for products such as textiles, and the need for a certificate should be ascertained from the importer or from the customs authorities.

All available information suggests that shipments arriving and departing from the Netherlands must meet the above documentation requirements.

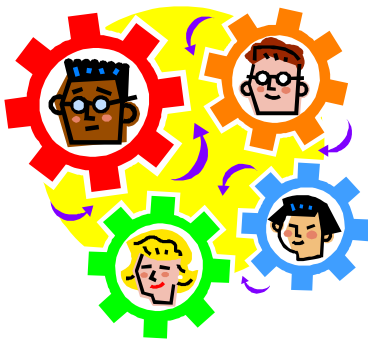


22. How common is “bribery” (US definition) in trade sanctions? (normal, infrequent, very rare). What are the legal ramifications?

The Dutch government is currently taking steps to prevent and combat corruption and bribery of public officials in procurement and in international business transactions. Implementing 1996 OECD recommendations, draft legislation eliminating the tax deductibility of foreign bribes was introduced in 1997. Draft legislation aimed at criminalizing commercial bribery in an effective and coordinated way is based on UN, EU, and OECD anti-bribery initiatives. Corruption in the Netherlands is, however, not expected to become a penal offense until the year 2000. Likewise, bribes paid by Dutch businesses in landing contracts abroad will continue to be deductible for corporate tax purposes until new anti- bribery legislation will be passed sometime in 2000. The Dutch have signed the OECD's convention on the criminalization of foreign commercial bribery and hope to ratify it before the end of 1999. At a national level, Dutch justice and interior ministries have taken steps to sharpen regulations that seek to combat bribery in public procurement and in the issuance of permits and subsidies.

23. How strong are the unions? In what industries are they an important factor? Are they predominately national or local? What impact do they have on logistics?

The pro-labor/socialist politics and attitude of the Netherlands has lead to good labor/management relations in both the public and private sectors. However, trade unions and associations are widespread with 75% of workers covered. Contracts are negotiated on a sector basis and are written into law by the government. There is little protest or dispute arising from the enactment of these collective bargaining agreements in the past few years. The number of days lost to strikes are relatively low. Given the highly consensus-oriented Dutch society, political violence is virtually nonexistent. Strikes are not the primary means to settle labor disputes, and labor strikes in recent decades have been very rare.



Nearly all sectors are represented by trade unions. These smaller unions are subsets larger and more powerful national trade unions with socialist or religious affiliations. The Netherlands contains the world's largest port and serves as a major gateway to central Europe. Dutch companies provide 40% of inland waterway transportation services and 25% of roadway transportation services to the EU. Disruptions in these services would be detrimental to this dominance, the companies, and their employees so extended disputes are unlikely.