

THE NETHERLANDS IN MAPS

THE REGIONAL BUSINESS CLIMATE IN THE NETHERLANDS: INTRODUCTION TO THE 2007 MAPS

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The 2007 series of *The Netherlands in Maps* describes the regional variations in the Dutch 'business climate'. The theme is chosen because 2007 marks a turn in the national government's regional policy, i.e. the final termination of the 'traditional' policy of strengthening existing weaknesses in regional economies by improving their 'business climate'. Even when a country is relatively small like the Netherlands, regional variations in the level of economic development can be felt as big and calling for remedial action in the form of regional assistance policy. The Dutch national government pursued such regional policies for more than half a century, but definitely ended the last remains of them, a dedicated set of instruments for the three northern provinces, in 2006. At the same time, the government continues what is labelled as 'spatial economic policy', i.e. stimulating economic growth in *all* regions by supporting specific regional development potentials of national importance, the so-called 'Peaks in the Delta' (MINEZ 2004). Such a policy is based on the argument that public investments from the national treasury are only justified when they lead to national economic growth, through improvement of the competitive power of the business climate on the national level *vis-à-vis* other countries. Supportive measures for elements of the regional business climate can be considered only (1) if they stand out as 'peaks' of national importance, reinforcing the Netherlands' position as an international location, and (2) if the development of the 'peaks' is somehow hampered by deficient regional location conditions that can be attributed one way or another to 'market failures'.

The proclamation of the new spatial economic policy principles, which in fact can be traced back to earlier memoranda of the Ministry of Economic Affairs in the 1990s (Oosterhaven 1996) aroused an intensive search by local and provincial governors for projects eligible for 'peak' status. The projects found by some regions easily correspond with 'peaks' indicated by national policy makers. This is the case for the Randstad area, where all government levels agree that the unique mainport status of Schiphol airport and seaport Rotterdam need support. Projects reinforcing these mainports are important both for the Randstad region and the country as a whole. But outside the Randstad it is not always clear if and how public investment projects serve regional development interests in the best possible way. Sometimes the most promising regional development potentials are found in sectors that are *not* very unique or region-specific and *not* in the first place instrumental for the international competitive position of the country as a whole. The North of the Netherlands, being the unique scene of the first as well as the last episodes of traditional regional assistance policy (and, with other regions, of the whole period in between) is a clear-cut example of this position. The quest for peaks in

the North leads to high tech development projects in the fields of water purification, sustainable energy, and radio telescopes. At the same time, consensus is growing about the importance of housing and leisure projects as the real carriers of a prosperous economic future for the North (Hermans and De Roo 2006).

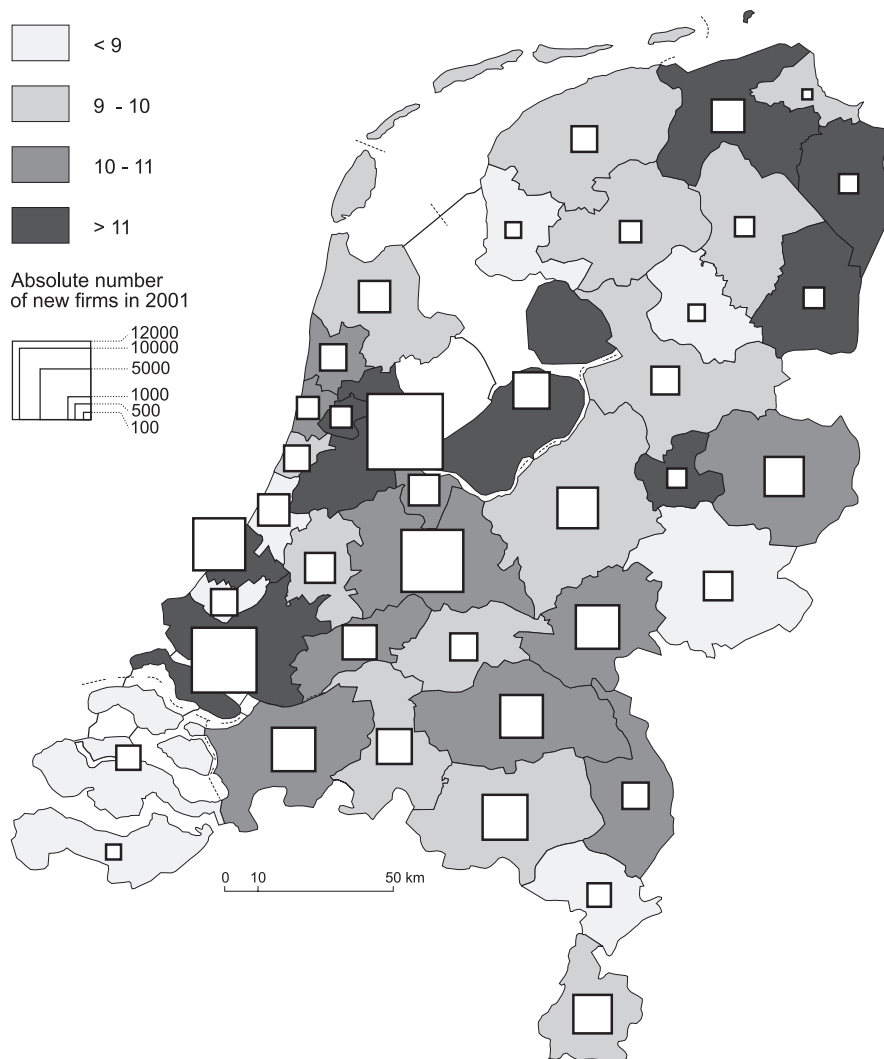
Questions can also be asked about the targeting of government investments for improving regional economic structures. Both in traditional and contemporary policies, government investments tend to be used for building material infrastructures. Undeniably useful. But are they the real bases of regional economic growth? Economic-geographical studies unravelling regional economic potentials mention many more growth- or strength determining factors. Some of them highlight the importance of the 'production structure' (i.e. the sectoral composition of the economy) while others consider the 'production milieu' (i.e. the local and regional location conditions) more important. Alternative views point at the growth potential hidden in new firms, high-tech firms, export-oriented firms, creative entrepreneurs, institutions, etcetera. The variation is almost endless. Not surprisingly, we also find studies that prefer to choose a combination of many indicators for regional economic potential. The well-known annual publication of the Dutch Rabobank about the economic performance of regions in the Netherlands is an example of this. This publication shows the 'economic growth' and 'economic strength' of regions. "Economic strength" in the Rabobank study is determined by four indicators: firm dynamics, production structure, export performance, and private investment (Versteegh 2006).

In this year's series of *The Netherlands in Maps* we intend to show a selection of maps that show different aspects of the economic development potential of regions. We chose for the rather neutral term 'regional business climate' as a label for the series, but it should be clear that what we want to describe is the 'production milieu', thereby ignoring the consideration that the production structure eventually could be understood as one of the elements of that milieu. We chose, different from the Rabobank, for a rather traditional approach in describing the production milieu. We understand that milieu in the first place as a specific regional combination in the supply of production factors: labour, capital, knowledge and information, and entrepreneurial activity. The first map, in this issue, visualizes the last one of these four factors, entrepreneurial activity (1). The maps in the next issues of this year's TESHG will show (2) regional variations in labour productivity and the changes over time in that productivity (as a proxy for the labour factor in the business climate), (3) regional variations in public investment (as a proxy for the factor capital), and (4) regional indicators for variations in the factor knowledge and information. The fifth and final map will depict the regional variations in the economic growth of regions as they are calculated by the just mentioned Rabobank study. Here we face the question: do the regional factor variations as we depict them in maps 1-4 (together: the 'business climate') give a satisfactory explanation for regional variations in economic strength? Theoretically, the first four 'factor maps' should add up to the fifth 'result' map.

In the concluding article we will also pay attention to the *national* business climate, and how it compares to other countries. As aforementioned, the competitive position of the national business climate is the focus of the contemporary approach in the government's spatial economic policy. Here we will use a recent benchmark study by the Dutch Central Bureau of Statistics (CBS 2006).

Each of the maps in the 'business climate' series is a compromise, because for depicting the constituent factors, each time a wide choice of indicators is available, and each time the resulting map is different. The entrepreneurship factor is a clear example of this. In our regular map 1 'entrepreneurial activity' the factor is measured by the number of 'economic independent' persons as a percentage of the total labour force, in 2005. This map shows high levels of entrepreneurial activity in a number of peripheral regions, and moderate to low levels in the Randstad region (the economic core area). As an alternative we present figure 1 below, showing new firms as a percentage of the total number of firms in 2001 (a map taken from *The Netherlands in Maps* series of 2003) which shows the opposite: high figures in the Randstad area, and low ones in most of the periphery. The difference lies in the choice between taking the population of people or the population of firms as a basis for the calculation. As argued in the recent dissertation by Koster (2006), both are justifiable.

Figure 1 New firms as percentage of total number of firms per COROP region, on January 1, 2001 (national average 10.1%)



Source: Pellenberg and Van Steen 2003

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