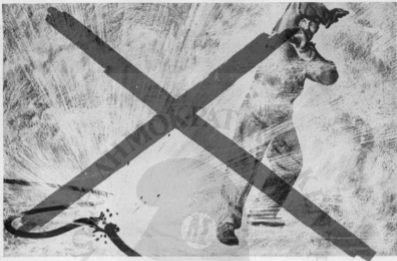


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SOME U. S. RECRUITS FOR HOLLAND



PULLING IN U. S. COMPANIES



RECRUITER: Joseph Bourdrez spearheads Dutch drive for new foreign investors from headquarters in New York. He finds American businessmen more and more interested in selling to world markets.

One day last year, the president of a midwestern machine tool company, concerned about growing European competition in foreign markets, was toying with the idea of manufacturing abroad—on the theory that if you can't lick 'em, join 'em. That afternoon he received a brochure from the Netherlands Industrial Institute in New York, which proclaimed, in effect, that Holland was the place to manufacture his machine tools. The machine tool builder thought the brochure sensible—the sort that invites questions—and he wrote to New York. "It seems within hours," he recalls today, "Bourdrez was sitting across my desk."

The upshot is that the machine tool company has set up a manufacturing agreement with a Dutch firm, and is delivering to customers abroad at half the U. S. price. And Joseph P. Bourdrez (picture), the big, forceful Netherlander who acts as U. S. scout, missionary, and recruiter in the Dutch drive for foreign investment, has successfully delivered another recruit.

• **Impressive**—The results of the campaign have been, even to some of the most optimistic Dutch, mildly astonishing (map, above). Since the war, some

500 license deals have been concluded between Dutch and foreign firms; so have 87 cooperative ventures (17 involving Americans) in which outsiders have participated with Dutch partners in new or existing enterprises. There are 49 cases where foreign companies have set up wholly owned subsidiaries in Holland, 24 of them American.

This year has seen the start of U. S.-owned Dutch affiliates of Fairchild Engine & Airplane Corp., Royal Typewriter Co., and Curtiss-Wright Corp. Just two weeks ago Borden Co. announced it was taking the step. And Joseph Bourdrez says he has a score of more "hot prospects"—from machine tool builders to glassmakers and a baby food manufacturer.

The campaign for new U. S. investment in Holland is a low-key, low-pressure affair. But the Dutch are deadly serious about the need for new skills, new investment, new products for their small country. Without them, they think the Netherlands can't survive.

I. Roadwork

An Ohio executive, whose company recently entered a partnership in

Holland and whose enthusiasm for the country is virtually unbounded, described the Dutch last week as "clean-eyed and ruddy-cheeked—on Sunday you see them out in track suits doing road-work, not spending the day in some joint." He had discovered that hard work is a hallmark of Holland, bred by centuries of grappling with natural and man-made catastrophes.

In 1945, nearly half of Dutch machinery had been lost, huge acreages of reclaimed land were flooded, transport was paralyzed, production was languishing at 27% of prewar. By 1949—with only the vanguard of Marshall aid to help—the Dutch had restored prewar production.

Then trade troubles, accentuated by the Korean War, began to weigh down the economy. In 1951, the government introduced a drastic deflationary program to correct its heavy balance-of-payments deficit. Labor, which plays a key role in the Dutch government, accepted a 5% cut in real wages; management buckled down to produce even more. Everything was decontrolled but wages and rents; a strict monetary policy was relied upon to keep everything else down.

The policy paid off spectacularly. Deflation didn't harm output or employment: Industrial production is now at an all-time high and unemployment is low. There's a moderate dollar surplus, a large balance of payments surplus, exports are at record peaks. Gold and foreign exchange reserves have doubled in two years—now up to over \$1-billion, with the guilder almost a hard currency. Controls are being dropped, and taxes are to be cut. The verdict, from economists here and abroad, is that the Netherlands is in sound shape.

II. Sales Campaign

Early in the postwar period, however, Dutch leaders realized that mere reconstruction—getting back to "sound shape"—wasn't enough. The war and its aftermath had cost Holland a lot of income in the form of liquidated foreign investments. Every arable acre in Holland was under cultivation. Dutch cradles were filling with a bumper crop of babies. Economists wondered how such a rapidly expanding population could be put to work in a country not so large as Massachusetts and Connecticut combined. The answer seemed to be a policy of rapid, intense industrialization. Fortunately Holland had a small, solid base of industry to build on. But there was no question that it needed outside help.

• **Inducements**—Dutch officials set about drafting a foreign investment program that, according to one U.S. investor, "gives us a better deal than



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Dutch officials are leaning over backward to be flexible—they say, proudly, that every deal is "tailor-made," be it a simple licensing arrangement, a partnership, or a wholly owned U.S. subsidiary (actually, the Dutch tend to encourage the latter form of investment). If a prospect represents an industry that the Dutch particularly want—machine tools, certain chemical and steel processing, printing, textile and dairy machinery are examples—they'll stretch the rules to make a worth-while offer.

• **Sales Talk**—Armed with these inducements, Netherlands officials went out to sell Holland to investors, European as well as North American. Their pitch can be summarized about as follows:

• The Netherlands has a pool of skilled, dependable workers—with almost no labor strife. Wage rates are among the lowest in Europe.

• There's an astonishingly stable government. Right now, it plans to free still further what one observer calls a "moderately managed economy."

• The Dutch are shrewd and resourceful world traders. There are first-rate banking and credit facilities, especially for foreign trade.

It's the latter point—Holland as a base for world trade—that Joseph Boudrez is emphasizing in the U.S. The Dutch home market (some 10.5-million) or even the total Benelux market (26-million) is hardly enough to support a major U.S. manufacturing operation. Rather, Holland is presented as an ideal spot to manufacture for world markets, be they in Europe, Africa, Asia, or even Latin America.

By and large, the U.S. branch plants in Holland are exporting an average of 80% to 90% of their production.

• **On the Road**—It's a company with this kind of export problem that Boudrez looks for on his rounds of U.S. industry (he and his assistant each average four months a year on the road). They've built a mailing list from scratch, maintain contact with organizations like the National Assn. of Manufacturers and the National Foreign Trade Council, have a small but expanding advertising campaign.

Boudrez finds that the field is more "fertile" than he ever dreamed: More and more U.S. businesses, small ones especially, are considering pushing overseas sales. He claims to have found



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some that think expansion abroad right now might be more sensible—and cheaper—than expansion at home.

• **No High Pressure**—When a prospect is sighted, Bourdrez's philosophy is to let him make up his own mind—there's no high-pressure sales or tub thumping. The Dutch government, for example, won't take responsibility for making market surveys for a particular product. Bourdrez's job is one of laying all the facts about Holland before a manufacturer, acting as go-between urging a prospect to visit the country and talk to businessmen there.

• **Taking Root**—Above all, Dutch officials say they're looking for companies that will sink roots in the Netherlands for the long haul. They assume that the small beginnings of a certain branch of industry (dollarwise, U.S. investment in the Netherlands postwar is small) may, in a generation, grow into a complete industry. They're confirmed European integrationists, looking for the day when trade barriers will drop away, Europe will be united and competitive in world markets, and Holland will be a small, profitable workshop for industrial goods.

III. Interim Report

It's too early to assess the results of Holland's drive for foreign investment, or how U.S. investors are making out. Many of the newcomers are just getting started. Most of them are enthusiastic, some are making big money, all but a very few are doing well. So far, U.S. recruits to Holland have added the equivalent of \$160-million, most of it in exports, to Holland's postwar production.

Most problems and complaints you hear reflect the inevitable adjustments to doing business abroad. One company built a high-cost plant and underestimated the strength of the European cartel dealing in its product. Another, according to some observers in Holland, may be making the wrong product for the European market. One executive, doing O.K. in the Netherlands, isn't sure he'd recommend the country as the site for a firm's first overseas plant—its very small home market affords little cushion if exports were to fall. Many investors find trade restrictions in nearby countries difficult, but they remark that the Dutch government is doing a heroic job of helping them clear away barriers to trade.

Beyond that, there's always the problem of getting used to foreign life: You hear comments like "Dutch suppliers behave differently than ours do," or "It takes time to teach even the most highly skilled Dutch craftsmen our way of doing things." But even the complainers reckon that they're in the Netherlands to stay.