

Losing the Game of Advantage – The Netherlands’ Strategic Drift in Economic Policy

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Reorienting the Nation’s Compass: Charting a Strategic Course for the Netherlands.

Executive Summary

The Netherlands faces a structural paradox. Despite its reputation for innovation and stability, the country is losing its strategic footing. Political debate has shifted from *how we earn* to *who gets what*. Public capital is increasingly allocated to preserve legacy industries instead of building future advantage. This imbalance is not simply a matter of inefficient spending — it strikes at the heart of the country's long-term competitiveness.

Strategic neglect compounds quietly but irreversibly. When innovation and high-value industries receive too little public focus, talent migrates, supply chains follow, and the ecosystem that sustains global leadership erodes. Within a decade, the Netherlands could find itself managing decline rather than driving growth — a high-cost economy with limited strategic autonomy. Once lost, such ecosystems cannot easily be rebuilt.

The asymmetry in public investment illustrates this drift: €2 billion for Tata Steel's decarbonisation — a defensive subsidy — versus less than €500 million to strengthen the semiconductor ecosystem that underpins Europe's technological sovereignty. This contrast reflects a political economy focused on redistribution, not creation. Without a decisive reorientation toward productivity, innovation, and strategic capital formation, the Netherlands risks transitioning from a value-creating to a value-redistributing, increasingly stagnant economy.

Economic Diagnosis: Declining Productivity and Weak Capital Formation

Dutch productivity growth has slowed to a crawl. Over the past decade, labour productivity (GDP per hour worked) has grown by just 0.4% annually — less than half the OECD average. The dynamism that once defined Dutch industry has been replaced by operational efficiency without strategic renewal. The manufacturing base, logistics sector, and professional services are performing steadily but not advancing structurally. The country remains efficient but no longer adaptive.

This stagnation is rooted in underinvestment. Net capital formation has barely recovered since the global financial crisis, and the capital stock per worker is flattening. Public and private R&D expenditures remain fragmented — spread across countless pilots rather than concentrated in a few scalable strategic bets. According to Eurostat and OECD data (2024), the Netherlands invests roughly 2.3% of GDP in R&D, below the EU target of 3% and far behind South Korea (4.9%), the United States (3.4%), and Finland (2.9%). This structural underinvestment limits technological spillovers and weakens the innovation ecosystem. Where leading economies such as Finland, South Korea, and the United States invest deliberately in deep-tech ecosystems, the Netherlands maintains a short-term, risk-averse funding model that rewards incrementalism.

The result is a structural imbalance: high labour participation combined with low innovation yield. The Dutch economy creates employment but struggles to increase value per job. This undermines long-term prosperity, erodes fiscal resilience, and weakens geopolitical leverage. In short, the Netherlands is becoming a nation of *operators* rather than *originators* — efficient in administration, but slow in invention.

The Political Drift: From Vision to Distribution

Historical Shift

In the decades following World War II, Dutch politics centered on economic renewal—fiscal prudence, export strength, and innovation-led industrial policy. The collective aim was to create growth and competitiveness in an open, small economy. From roughly 2001 onward, however, this orientation shifted. Economic debates became secondary to cultural, moral, and identity-based issues. Political energy migrated from strategy to sentiment.

This change matters because it alters how political capital is spent. Instead of driving long-term competitiveness, governments now deploy resources to manage dissatisfaction, offset perceived inequalities, and neutralize voter volatility. As a result, economic vision has become a by-product of social compromise. Political cycles reward responsiveness, not foresight.

The Governance Trap

Policy today is reactive rather than anticipatory. Success is measured by visibility—short-term popularity and crisis avoidance—rather than by durable improvements in

national productivity. Budget cycles reinforce this behaviour: every euro must be justified within one political term, leaving little incentive for multi-decade investments in skills, R&D, or strategic infrastructure.

Public funds thus flow to projects that are politically defensible, not economically transformative. Subsidies for declining industries are easier to announce than coordinated long-term bets on innovation ecosystems. This is the structural essence of what could be called the Dutch “governance trap”: excellent management of detail, limited capacity for bold direction.

Concrete examples of this governance trap are the nitrogen (stikstof) and energy transition policies. Both challenges have been visible for more than two decades; the data and forecasts were available as early as the early 2000s. Yet successive governments failed to act proactively. The result is a reactive stance—crisis-driven interventions rather than long-term strategy. The EY *Netherlands Attractiveness Survey 2025* explicitly identifies both nitrogen regulation and energy transition uncertainty as major risks to national competitiveness, citing policy fragmentation and regulatory unpredictability as deterrents to foreign investment. These issues highlight how the absence of anticipatory policy has transformed what could have been an opportunity for industrial leadership into a chronic competitiveness liability. In place of embracing these long-foreseen transitions, political focus shifted toward issues such as immigration, identity, healthcare, and the childcare benefits scandal (toeslagenaffaire). These topics, while socially relevant, dominated the national agenda at the expense of economic foresight. As a result, the physical and digital infrastructure that underpins long-term productivity—energy systems, logistics, and innovation capacity—has been neglected or deferred. This lack of strategic prioritization has left the Netherlands reacting to crises rather than shaping its economic future.

In Drucker’s words: “Management is doing things right; leadership is doing the right things.” The Netherlands has perfected management—but lost sight of leadership.

Case Study: Tata Steel vs. ASML – Two Faces of Policy

The contrast between government investment in Tata Steel and ASML epitomizes how Dutch policy choices reflect legacy preservation rather than strategic renewal. Both companies symbolize important aspects of the economy: one tied to industrial history, the other defining global technological leadership. Yet the balance of public support reveals a preference for safeguarding existing employment and industrial heritage over cultivating future-oriented innovation ecosystems.

Tata Steel, once a cornerstone of Dutch heavy industry, faces immense pressure to decarbonize and modernize. The government’s recent €2 billion commitment is politically defensible — it preserves jobs and aligns with climate objectives. However, it is economically defensive: capital is used to sustain an aging industrial asset base that struggles to compete on cost and innovation. The investment buys time rather than transformation.

ASML, in contrast, represents a rare global monopoly in high-value technology. Its EUV lithography systems underpin nearly every advanced semiconductor produced worldwide. Supporting ASML and its surrounding ecosystem yields far higher long-term returns through export growth, knowledge diffusion, and high-skilled employment. Yet direct investment remains limited — less than €500 million, primarily through indirect measures such as the Operation Beethoven initiative to improve regional conditions in Eindhoven.

Dimension	Tata Steel (Decarbonization)	ASML & High-Tech Ecosystem
Public Investment	~€2 billion	< €500 million (plus indirect support via Operation Beethoven)
Economic Role	Low-margin, CO ₂ -intensive industry	Global monopoly in EUV technology, export multiplier effect
Policy Framing	Jobs, regional stability, climate compliance	Innovation, knowledge ecosystem, global competitiveness
Strategic Return	Preserves old assets	Builds new capabilities
Policy Logic	Compensation for past emissions	Investment in future leadership

This juxtaposition illustrates a deeper structural flaw: policy tends to reward risk avoidance over strategic ambition. The Netherlands is spending heavily to sustain its past while underinvesting in the industries that define its future. The lesson is not that heavy industry should be abandoned, but that national investment logic must evolve — from protecting continuity to creating capacity for reinvention.

This juxtaposition captures the essence of Dutch policy failure: subsidizing continuity rather than transformation.

Strategic Analysis

A deeper strategic analysis reveals that the erosion of Dutch competitiveness is not incidental — it is the logical outcome of an unbalanced strategic model. Using the frameworks of Porter, Henderson, and Drucker, three structural issues emerge.

Competitive Position (Porter)

Historically, the Netherlands built its advantage on high-value manufacturing, logistics, and openness to global trade. Yet in recent years, policy coherence supporting these strengths has weakened. High-tech sectors like semiconductors and photonics are global niches in which the Netherlands could dominate, but their ecosystems are undercapitalized. Meanwhile, logistical superiority — once a hallmark of Dutch competitiveness — remains strong in physical terms, but digital and regulatory bottlenecks are undermining this advantage.

The most visible constraint is the growing congestion on the national power grid. Grid capacity is now fully allocated in most major economic regions, including Amsterdam, Brabant, and parts of the northern provinces. For many companies — especially data centers, high-tech manufacturers, and scale-ups — new or expanded connections will not be available for the next five to ten years. This effectively halts regional expansion, prevents new business establishment, and forces innovation projects abroad.

In Porter's terms, the nation's "strategic fit" between assets, policies, and capabilities is unraveling: strong physical infrastructure is being offset by weakening digital and energy infrastructure, eroding the country's competitive coherence.

Strategic Competition (Henderson)

Henderson's principle that true strategy changes the rules of competition applies directly to the current Dutch dilemma. The Netherlands continues to invest in improving yesterday's industries rather than inventing tomorrow's. Energy transition policy largely subsidizes existing emitters instead of creating new value chains in hydrogen, storage, or electrification. The real structural weakness lies not in ambition but in delayed execution: decades of underinvestment in the electricity grid, innovation capacity, and energy infrastructure have led to predictable scarcity that now constrains growth. Grid congestion has become a strategic choke point — limiting industrial policy options, hindering digital infrastructure rollout, and blocking the establishment of new data centers in key regions such as Amsterdam, Flevoland, and Limburg. These energy bottlenecks are now shaping corporate investment decisions and diminishing the Netherlands' attractiveness for high-value industry.

The same pattern is seen in agriculture and housing reform: incremental adaptation rather than transformational design. Strategy has become defensive — reactive to public pressure instead of proactive toward opportunity.

Leadership & Vision (Drucker)

Drucker's concept of leadership as the ability to allocate resources toward long-term purpose exposes the governance weakness at the core of Dutch policy. This raises a critical question of agency: is the stagnation primarily the result of voters preferring short-term comfort over structural reform, or of politicians lacking the courage and competence to guide citizens toward necessary but initially unpopular solutions? The answer likely lies in a shared responsibility—an electorate accustomed to immediate returns and a leadership class hesitant to articulate a compelling long-term vision. Political cycles and coalition fragmentation encourage short-term management over direction. This pattern is visible in the recent political instability: two consecutive cabinets have failed to complete their terms, triggering two mid-term elections in quick succession. Polling data show no clear economic mandate from voters, while the political landscape remains fragmented—symptomatic of a lack of convincing leadership capable of aligning vision and execution. Institutions excel in process control but lack a mandate for future-oriented investment. The nitrogen crisis, delayed energy transition, and underfunded innovation agenda all reflect a failure of anticipation — leadership without vision. The absence of a coherent strategic narrative leaves investors uncertain and talent unconvinced.

Taken together, these three dimensions form a systemic pattern: the Netherlands optimizes for efficiency within existing constraints instead of reshaping the environment for future advantage. Without deliberate correction, the country risks a slow decline in relevance — a world-class manager of yesterday’s success stories rather than a designer of tomorrow’s.

Strategic Recommendations

Strategic renewal will require more than isolated reforms — it demands a deliberate redesign of how the Netherlands conceives, finances, and executes its economic priorities. The following recommendations outline an integrated roadmap for national competitiveness over the next two decades.

1. Concentrate Public Capital on “Winning Bets.”

The Netherlands must reintroduce focus and selectivity into its industrial policy. By identifying two or three strategic domains — for instance, semiconductors, AI and digital infrastructure, and green energy systems — the country can build scale advantages rather than diffuse effort. These areas are already embedded within existing Dutch strengths in precision engineering, applied sciences, and logistics. A concentration strategy should link universities, regional ecosystems, and major corporates through stable, multi-year investment programs, not project-based funding cycles.

2. Establish an Independent Strategic Investment Council.

Governance reform is the cornerstone of effective execution. A key question, however, is accountability: who will hold this council responsible for tangible results? Clear governance must define whether oversight lies with the Ministry of Finance, Parliament, or an independent supervisory body, and establish mechanisms for transparent performance evaluation and public reporting of outcomes. A council modeled after Singapore’s Economic Development Board or Finland’s SITRA would act as a professional, data-driven body, insulated from electoral cycles. It would assess projects on three criteria: long-term productivity contribution, export potential, and innovation spillover. However, such a body must be carefully safeguarded against influence from entrenched lobby groups and representatives of the ‘old economy.’ Without strict governance and transparency, there is a real risk that vested interests could capture the agenda and redirect resources toward legacy industries rather than transformative ones. To ensure credibility and expertise, the institution should follow a DNB-style governance model: independent yet accountable, operating with statutory autonomy and a clear mandate. Its leadership could consist of a small board of technocrats drawn from the financial sector, academia, and senior civil service, supported by an advisory council representing the strategic sectors identified as national priorities. This model would combine neutrality with domain expertise, ensuring that decisions are based on evidence, long-term value creation, and national interest. This institution would function as a national “investment board,” transforming public capital from a fiscal instrument into a strategic asset.

3. Replace Subsidies with Strategic Co-Investment.

Subsidies preserve; co-investments build. Instead of providing grants that reduce risk without accountability, the government should enter shared-risk arrangements where both public and private parties have skin in the game. This can include convertible equity, innovation bonds, or growth capital structures tied to performance. Successful ventures would yield financial and capability returns to the state, recycling gains into the next generation of strategic projects.

4. Institutionalize Horizon Thinking.

True competitiveness cannot be built on four-year political terms. All strategic investments should be planned with a 10–20 year horizon, backed by clear key performance indicators. Annual reporting should include measurable outcomes — R&D intensity, export growth, productivity per worker, and intellectual property generation — benchmarked against peers like Finland, South Korea, and Germany. This long-range discipline would create continuity and investor confidence.

5. Rebuild the Narrative of Growth and Competence.

Economic renewal also requires a cultural and political shift. The Netherlands must rediscover the language of enterprise, innovation, and ambition. Public discourse should move from redistribution to value creation, from entitlement to excellence. A *National Strategy Report* published annually — similar to the UK's Productivity Commission or Denmark's Growth Council — could assess competitiveness, track progress, and communicate strategic direction to citizens and investors alike.

6. Embed Strategic Leadership Development.

Finally, long-term success depends on the quality of national leadership. The Netherlands should invest in building strategic capacity within government, business, and academia through advanced leadership programs, secondments, and strategic foresight units. Yet, the current political climate shows the opposite trend: being a technocrat or heavyweight administrator is often framed as a weakness — as if expertise distances one from the 'ordinary citizen.' This anti-elitist reflex undermines respect for competence and erodes the pipeline of capable leaders. By cultivating leaders capable of long-term thinking and restoring respect for professional excellence, the country can ensure that institutional excellence is matched by strategic intent and political courage.

Together, these measures form a cohesive policy architecture that shifts the Netherlands from managing decline to designing advantage. Strategy must once again become a national discipline — embedded in institutions, rewarded in politics, and visible in outcomes.

Conclusion: From Bean Counters to Builders

The Netherlands stands at a crossroads between managed stability and renewed ambition. It remains a country with vast capabilities — world-class research institutions, a highly educated workforce, robust infrastructure, and a proven record of economic resilience. Yet these assets risk being squandered by the absence of a coherent national strategy and a culture that prioritizes administration over vision.

The warning signs are already visible. Consecutive governments have failed to complete their mandates; political fragmentation has replaced continuity with volatility. The electorate expresses frustration with inequality and bureaucracy, yet offers no consistent economic direction. At the same time, strategic sectors such as semiconductors, clean energy, and advanced manufacturing compete globally for talent and capital — and the Netherlands, once an innovation leader, is losing its edge.

To reverse this drift, the country must rediscover the essence of strategic statecraft: the ability to think beyond electoral cycles, to allocate resources where they generate enduring advantage, and to reward competence rather than populism. Leadership must be measured not by the number of crises managed, but by the clarity of the future built.

If the Netherlands continues to focus on redistribution over creation, the outcome is predictable: steady decline masked by administrative excellence. But if it reclaims the discipline of long-term strategy — investing in innovation, human capital, and governance with courage and consistency — it can once again shape, rather than follow, the trajectory of European competitiveness.

The transition from *bean counters* to *builders* is not merely a policy challenge; it is a cultural and moral one. It demands confidence in expertise, respect for knowledge, and the courage to make choices that pay off beyond the next election. Only through that lens can the Netherlands move from managing decline to designing advantage — transforming today's stability into tomorrow's strength.

About Outdoor Connect

Outdoor Connect is an independent strategy advisory platform focused on board-level value creation for mid-sized, growth-driven companies (€50–€1B). We bring direct senior engagement—without the traditional consulting pyramid—to help founders, CEOs and boards set direction, make sharper capital allocation choices, and embed an execution rhythm. Core areas include growth strategy in technology and the energy transition, strategic repositioning in fragmented markets, and board-level sparring on value creation and M&A preparation.

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