Golden Age Revisited

THROUGH HARVESTING 'HUMAN CAPITAL'

For centuries, the Low Countries had an open door policy with regard to foreign entrepreneurs. A considerable part of the affluence in the Golden Age came from foreign business owners who were allowed to settle in the Netherlands, start a company here, and then made it big.

By Patrick Rovers

Entrepreneurs from France, Spain, Scotland and Germany established their trade empires in cities like Amsterdam, Schiedam, or Veere, and the local authorities welcomed and even allowed special considerations for these foreigners. In Veere, a small harbour town in the Zeeland province, the Scottish community – consisting mainly of specialist traders in wool and sheepskins – was allowed to maintain its own Scottish legal system. The community was further favoured with protective tax regulations. In its heyday in the 16th century, between 50 and 60 ships delivered their precious cargo to Veere each day. And with all of that enterprise came jobs, more commerce, and increasing prosperity.

Things have changed considerably. These days, most non-EU or non-EEA entrepreneurs have to jump through considerable hoops before they are allowed to legally reside here. Different rules apply to Swiss, American, and Japanese entrepreneurs, but in general, it is fair to state that the Dutch open door policy has changed to a strict 'only if you meet all these regulations' policy. Unfortunately, these regulations apply to most of the Western world and they make it increasingly difficult for foreign entrepreneurs to get into the Netherlands. It is unclear how many illegal foreigners are currently in the Netherlands, with estimates varying from 50,000 to 135,000 – but it is virtually impossible to legally run a business in the Netherlands without the right residence papers. Registering with the local Chamber of Commerce, arranging for a Dutch bank account or a Dutch VAT number: it all ties in with your legal status.

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There is some good news, though. The Netherlands has made maintaining its position as one of the Top 5 most competitive countries for businesses a priority. The World Economic Forum's 2015/2016 Global Competitiveness Report ranked the Netherlands in the Top 5 of 140 countries for businesses, listing the Netherlands as part of an elite group, along with Switzerland, Singapore, the US and Germany. A top position is great, but the Netherlands seems to suffer from the so-called innovation-paradox. On the one hand, it is listed as a top innovation country, but at the same time, the Dutch business community itself lacks sufficient funding and innovation. Countries like Switzerland, Singapore and the US are investing heavily in both education and in 'human capital'. The effects of these investments are considerable, and may explain why these countries rank number 1, 2 and 3 in the Global Competitiveness Report.

The Netherlands maintains a high investment in its educational system. The focus now is on attracting 'human capital'. With this in mind, the Dutch cabinet has decided to partly re-introduce its open door policy, and allow easier access for one subset of foreigners; the start-up entrepreneur. The Dutch cabinet has long recognized that highly skilled migrants, as regular employees, are important to the Dutch economy. Ambitious and innovative entrepreneurs, however, are of equal importance to the Dutch economy as a source of innovation, new jobs, globalization and increased productivity. The start-up entrepreneur policy change is meant to create an attractive environment for business and establishment.

As mentioned before, the rules and conditions regarding regular entrepreneurs are quite strict. The idea and reasoning behind the policy change is to allow start-up entrepreneurs to legally reside in the Netherlands for a one-year period in which they can set up their businesses, prepare and organize, and get enough momentum going to qualify for a residence permit as a regular entrepreneur.

So where is the catch? Well, the start-up entrepreneur will have to meet certain requirements. Some of these requirements may be difficult, while others are fairly easy. First and foremost, the start-up entrepreneur has to find a trusted and experienced business mentor. The Dutch immigration service refers to this mentor as 'facilitator'. This person must be based in the Netherlands, have a financially sound background, and have a proven track record in assisting innovative start-ups.

The other key requirement is that the new business's intended product or service must be innovative. A product or service is deemed innovative if at least one of the following three conditions are met: the product or service is new to the Netherlands, a new technology or technique for production, distribution, or marketing is involved, and/or it entails an innovative organizational procedure and method.

Other important requirements are a detailed action plan in which the start-up entrepreneur describes the evolution of his/her idea into a business, a proper entry of the business in the Trade Register of the Dutch Chamber of Commerce, and the availability of sufficient financial means so that the start-up entrepreneur can remain afloat in the Netherlands for the one-year period.

The Dutch immigration service, as part of the Dutch Department of Security and Justice, processes and decides on the application. Before a decision is taken, the service consults with the Netherlands Enterprise Agency, an agency of the Dutch Department of Economic Affairs. The Netherlands Enterprise Agency evaluates the facilitator, the innovation, the action plan and Trade Register entry, while the Dutch immigration service checks the remaining requirements.

In order to make the program for start-up entrepreneurs even more inviting, the Dutch immigration service has recently dropped the special entry visa (MVV) requirement. In general, most foreign applicants must obtain an MVV, which is issued by the Dutch diplomatic post in the applicants' country of origin or abode, before travelling to the Netherlands. The MVV is a prerequisite for the residence permit. The Dutch immigration service have concluded that upholding the MVV requirement for start-up entrepreneurs would undercut the aim of the program, namely easier access to the Netherlands. If and when it is determined that the applicant meets all conditions, the application should not be rejected based on the grounds that the applicant does not have the MVV in his/her passport. For example, if a South African travels to the Netherlands based on a regular visitor's visa, in order to start preparations with the facilitator, his/her application should not be rejected if and when all the requirements are met. It seems that for now, the Dutch merchant spirit has conquered the Dutch preference to overregulate.

ABOUT THE AUTHOR

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