

COUNTRY PROFILE:**KINGDOM OF THE NETHERLANDS****DATED:****JULY 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	1A	No restrictions

Recent Political Highlights

- ❑ Chief of state since April 1980 has been Queen Beatrix and head of Government since July 2002 has been Prime Minister Jan Peter Balkenende. The prime minister is appointed by the monarch following Second Chamber elections due in December 2010.
- ❑ There is also a Council of State comprising of the monarch, heir apparent and councillors that provides consultations to the cabinet on legislative and administrative policy.
- ❑ The Dutch military mission in Afghanistan has been extended until 2010, but public support for this could decline should casualties rise.

Recent Economic Highlights

- ❑ The Netherlands has a population of 17m people with an expected growth rate of 0.4%.
- ❑ GDP grew by 3.5% in 2007 but is expected to slow to 1.8% in 2008 and 1.3% in 2009 due to lower export growth and will average 2% per year in 2010-2012. Inflation is below the euro average area, but is forecast to rise to around 2.5% in 2008-09 before falling in 2010-12.
- ❑ Economic growth in the Netherlands is expected to slow in 2008 and 2009, while inflation is set to rise according to the Dutch central bank DNB. The bank forecasts growth of 2.4% this year and 1.5% next year from an earlier forecast of 2.1% for next year. The bank said that domestic growth will mirror global growth trends. It warned of rising inflation to average 2.6% in 2008 and 3.4% in 2009 before falling to 2.2% in 2010. The Netherlands is characterised with one of the lowest inflation rates in the EU.
- ❑ The Bakker Commission recommended that the retirement age be raised to 67 from 65 and suggested that firms take responsibility for finding a dismissed employee a new job during the first six months. While discussing the labour market, the commission avoided the difficult issue of relaxing the law on dismissals.
- ❑ ANB Amro and Deutsche Bank announced their signing of an agreement that will see Deutsche acquire part of ABN's commercial banking activities in the Netherlands for €709m. The sale is inline with the commitments that Fortis made to the European Commission last year aimed at addressing the EC's concerns regarding concentration in the Dutch banking market resulting from Fortis's acquisition of ABN Amro shares. The transaction is subject to several authorisations of De Nederlandsche Bank, the approval by the EC and other regulatory bodies.
- ❑ A voluntary ban by Dutch cattle importers on the live imports from the UK has threatened the UK export industry. This follows twelve calves, which were exported from a farm in England, being slaughtered after tests on the English farm revealed tuberculosis in the herd. Dutch vets are currently testing over 4,000 cattle. The news has shocked farmers in the Netherlands, which has been free of TB since 1994.
- ❑ Researchers from Delft University of Technology say that electrical transport is on the verge of a major breakthrough. Compared with hybrid or hydrogen vehicles, electrical transport is clean and highly economical. The first fully electrical car is already available in the US. At the moment a very simple electric car is at least twice the price of a regular one. The Dutch company Duracac produces the Quickk, a small delivery van designed for postal and fast food deliveries that can seat two with fuel costing less than €1 per day.
- ❑ The Dutch are building windmills along the coast to generate electricity. Government has already built an enormous farm of mills far off the coast and is planning a second farm. It was also concerned that one of Netherlands's foremost symbols was disappearing as a result of neglect and approved an \$80m programme to build or restore 120 mills of the roughly 1,040 still standing. The need to find renewable source of energy is driving the Dutch to build the modern turbines.

Latest Trade Developments

- ❑ Major exports: machinery and equipment, chemicals, fuels and food.
- ❑ Major imports: machinery and transport equipment, chemicals, fuels and food.
- ❑ Main trading partners: Germany, Belgium, UK, France, Italy, US, Russia and China.
- ❑ South African exports to the Netherlands totaled R19.8bn in 2007 from R18bn in 2006 and R1.6bn in January 2008.

Lily Maharaj – Economic Services