The Netherlands

In brief... The Dutch United Provinces declared their independence from Spain in 1579; during the 17th century, they became a leading seafaring and commercial power, with settlements and colonies around the world. After a 20-year French occupation, a Kingdom of the Netherlands was formed in 1815. The Netherlands remained neutral in World War I, but suffered invasion and occupation by Germany in World War II. A modern, industrialized nation, the Netherlands is also a large exporter of agricultural products. The country was a founding member of NATO and the EU, and participated in the introduction of the euro in 1999. After two decades of strong growth and low unemployment, the economy ran into more troubled waters as global trade, in which the Netherlands is a major player, slowed in the early years of the new millennium. The Netherlands has produced many of the world's most famous artists from Rembrandt and Vermeer in the 17th century to Van Gogh in the 19th and Mondrian in the 20th. It attracts visitors from across the globe.

Political Structure... The Politics of the Netherlands take place within the framework of a parliamentary representative democracy and a constitutional monarchy. The head of state is the monarch who has in practice a mainly ceremonial function. On February 22, 2007, a new center-left coalition government was sworn in, composed of the center-right Christian Democrats (CDA), Social Democrats (PvdA), and left-of-center orthodox Protestant Christian Union (CU) under CDA Prime Minister Jan Peter Balkenende.

Policy Issues... There was concern that Dutch society's longstanding tradition of tolerance was under threat when homosexual anti-immigration politician Pim Fortuyn was assassinated in 2002. Anxiety over increased racial tension has intensified further since the murder in 2004 of Theo Van Gogh who had made a controversial film on the position of women in Islamic society. Since Mr Van Gogh's killing, the government has hardened its line on immigration and failed asylum seekers. And although the Dutch have traditionally been strong advocates of European integration, Dutch voters rejected the EU constitution in June 2005. Queen Beatrix appointed Jan Peter Balkenende as head of a three-party centrist coalition in February 2007, three months after general elections in November 2006.

Foreign Relations... The Netherlands is an active and responsible participant in the UN as well as other multilateral organizations such as NATO, the EU, the Organization for Security and Cooperation in Europe, the Council of Europe, the OECD, the WTO, and the International Monetary Fund. A centuries-old tradition of legal scholarship has made the Netherlands the home of the International Court of Justice; the Yugoslavia and Rwanda War Crimes Tribunals; the European judicial and police organizations Eurojust and the International Criminal Court. Dutch security policy is based primarily on membership in NATO, which the Netherlands joined as a charter member in 1949.

Economy... After a strong performance in the 1990s, which brought unemployment to below 3%, the Dutch economy has struggled in recent years, plagued by relatively high costs and weak domestic demand. Real GDP growth fell back to an estimated 0.75% in 2005, coming down from 1.7% in 2004, largely due to lagging corporate investment and decreased government consumption. The economy grew by 2.9% in 2006. The 2007 growth rate of 3.5% was the highest since 2000. In 2007, the volume of imports increased 6% and exports 8%. Export growth slowed to an estimated 3.25% in 2005, but in 2006 both grew by 10%. In 2007, the volume of imports increased 6% and exports 8%. This 2005 slowdown was matched by growth in imports, which grew by 3.25% in 2005, resulting in a slight reduction of the country's trade surplus. The government achieved a budget surplus of 0.6% in 2006 and 0.7% in 2007. The unemployment rate dropped further from 5.5% in 2006 to 4.5% in 2007, but stabilized in 2008. The IMF predicts that the economy will contract by 4.8% in 2009 but then improve to negative growth of 0.7% in 2010.
**Taxation...** Corporation tax in 2006 was 29.6%, down from 31.5% in 2005 and 34.5% in 2004. As part of a radical overhaul of personal taxation in 2001, income tax was lowered, but the basic rate of value-added tax was raised from 17.5% to 19%. The rate for essential goods such as food is 6%.

**Foreign Trade...** In 2005, with exports at US$341.2bn and imports at US$297.4bn, the Netherlands recorded a trade surplus of US$43.8bn and a current-account surplus of US$40bn.

**Netherlands-U.S. Relations...** The Netherlands shares with the United States a liberal economic outlook and is firmly committed to free trade. The Netherlands is the third-largest direct foreign investor in the United States, and the United States is the third-largest direct foreign investor in the Netherlands. The Dutch have worked with the United States at the WTO, in the OECD, as well as within the EU. The Dutch, like the United States, supported the accession of 10 new members to the EU in 2004, and accession negotiations for Turkey in 2005. The Dutch fought alongside the United States in the Korean War and the first Gulf War and have been active in global peacekeeping efforts in the former Yugoslavia, Afghanistan and Iraq. They currently are contributing to EU peacekeeping forces in Bosnia. In the initial phase of the recent Iraq conflict, the Dutch deployed Patriot missiles to protect NATO ally Turkey, and sent a battalion of troops to Iraq to participate in stabilization operations.

*Excerpts are taken from BBC news, the IMF & US Department of State*