THE NETHERLANDS
NATIONAL MARKET REPORT 2000

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Netherlands's Timber Trade Association (VVNH)
Ministry of Housing, Spatial Planning and Environment
Ministry of Economic Affairs
Netherlands' Paper and Board Association, VNP

1 GENERAL ECONOMICAL OVERVIEW

1.1 Key economic indicators

Since the beginning of 1999 the global economic environment has constantly improved. A substantial part of this improvement is the result of the very favourable economic development of the United States. In the first half of 2000 the growth of the US economy was - again - higher than expected, which meant a continuation of high economic growth in combination with a moderate inflation development. GDP growth for this year is expected to be about 5¼%. For 2001 a deceleration of GDP growth to about 3¼% is forecasted ('soft landing').
On the contrary, economic growth in Europe as a hole has been relatively low in the last few years. Growth of the EU economy is expected to rise from 2.3% in 1999 to about 3½% in 2000 and 3¼% next year. As in the past years there will be differences in growth rates of the several members of the Euro-economies.
Both the economic developments and forecasts of the emerging economies have constantly improved since last year. Many countries recovered rather quickly form the international financial crisis and some of them, like Korea, have even shown a remarkable high economic growth.

Since 1996 the growth of the Dutch economy has been 3% or more. As shown in table 1, the Dutch economy also performed very well in 1999. Economic growth accelerated slightly from 3.7% in 1998 to 3.9% in 1999. For both 2000 and 2001 GDP growth is expected to stay at a high level. Both consumption and investment are expected to bring a somewhat smaller contribution to economic growth. Specifically investment growth is forecasted to decline from 9.4% in 1999 via 7% in 2000 to 5¼% in 2001. Consumer spending has been the engine for economic growth in 1998 and 1999, boosted by the increase in wealth of households from rising house- and stock prices and the substantial employment growth. It is expected that growth of consumption spending will decrease somewhat in the course of 2000. On the other hand are exports expected to pick up, due to the recovery of economic growth of the European Union economy and world trade.
These various developments result in an estimated economic growth of 4½% in 2000 and 4% in 2001.

Table 1
Main indicators of Dutch economic performance

	1999	2000	2001
	% change from last year:		
World trade of goods	4.1	9¾	8¾
Gross Domestic Product	3.9	4½	4
Consumption	4.4	4¼	4¼
Investment market sector	9.4	7	5¼
Exports of goods	6.3	9½	9
Imports of goods	6.2	9¾	8¾
Employment	2.9	2½	2¼
Unemployment	4	3½	3
Public surplus (EMU-definition, % of GDP)	1.0	1.8	1

Source: Centraal Planbureau, 2000.

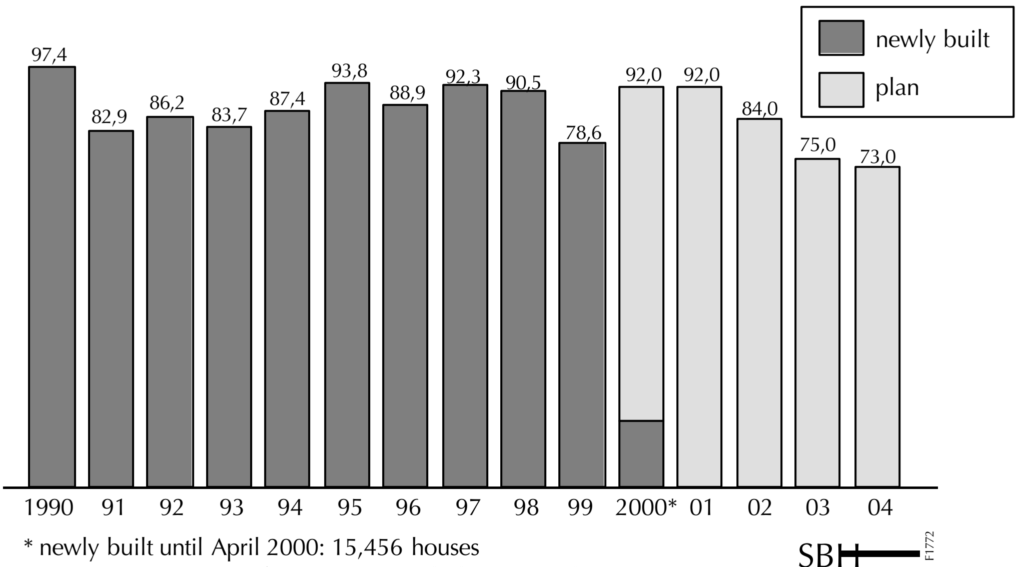
The flourishing economy has resulted in a massive rise of employment. Ultimo 1999 employment (measured in labour years) was 12.2% higher than at the beginning of 1996. In 1999 the number of people employed has risen with nearly 3% (more than 200.000 persons). In line with the higher economic growth, the rise in employment is expected to continue in 2000-2001. However, the number of new jobs will be somewhat lower than in the past years, as it has become more and more difficult to find new workers. Although official unemployment is already at a very low level (4,0% in 1999) it is expected to fall somewhat further (3% in 2001). The frictions on the labour market are reflected in an acceleration of wage increases from 2.6% in 1999 to 3% in 2000. As a result of the substantial tax relief in 2001 wages are not expected to accelerate further. In the past tax cuts resulted in a moderate wage development.

In 2000 inflation will increase slightly to 2½% (2.2% in 1999), which is partly due to higher oil prices. In 2001 consumer prices will rise sharply (to 3½%) as a consequence of the tax reforms. The VAT and eco-tax increase, which are part of this reform, will contribute approximately 1%-point to inflation in 2001.

1.2 Construction

The year 2000 shows a slight increase in Dutch housing construction, probably due to the on-going tension on the housing market. However, the need for houses is expected to drop on the short term, as a result of demografic developments. Therefor, the increase in housing construction will only be temporary.

Figure 1
Newly built houses and current plan for residential construction in the Netherlands (number of houses built each year, thousands)



* newly built until April 2000: 15,456 houses
Source: CBS, Ministry of Housing, Spatial Planning and Environment

Table 2
Recent developments and prospects of the construction sector in the Netherlands

	1997	1998	1999	2000[1]	2001[1]
	Annual Percentages Change				
Investment in houses	3.9	-1.3	1.1	4.5	2.5
Of which: new construction	5.7	-2.5	-0.0	5.2	2.5
repair and renovation	0.8	1.1	3.0	3.0	3.0
Investment in non-residential buildings (public & private)	1.2	8.6	8.6	5.0	3.5
Investment in civil engineering (public & private)	9.2	-2.4	1.7	2.5	-1.5
Price change of production carpentry & joinery industries	0.5	0.9	1.3	0.75	1.5
Average mortgage rate new mortgages	5.8	5.6	5.2	5.7[2]	

1) Forecast
2) Average until end of June
Source: National Statistics (CBS), Ministry of Housing, Partial Planning and Environment / Centraal Planbureau

2 REVIEW OF DUTCH FORESTRY SECTOR

(See Annex too)

2.1 Roundwood

In 1999 the removals in the Dutch forests reached the level of 0.88 million m^3 industrial roundwood under bark. A slight decrease compared to 1998. The Dutch forest industries consumed 0.90 million m^3 roundwood under bark. Although this level has not changed since 1998, the consumption of domestic roundwood has increased by 7%. Poplar is the single most important species with 28% of total volume. Douglas fir, spruce and larch account for 41%.
In 1999 Dutch exporters of roundwood sold 407.000 m^3 industrial roundwood under bark abroad.

2.2 Pulpwood

Total domestic demand for pulpwood and chips increased slightly in 1999. Both roundwood and chips consumption increased by 4.000 m^3. The input of Dutch roundwood decreased sharply with almost 15%.

The production of newsprint and to a lesser extent that of folding boxboard, determines the demand on domestic pulpwood. The industry expects a somewhat higher consumption in 2000: 5% more non-coniferous wood.

The export of fibrewood for the pulp and paper- and fibreboard and particleboard industry has decreased by 15%. About 26% was re-export.

2.3 Paper and board industry

Table 3
Fibre furnish of the Dutch paper and board industries

	1994	1995	1996	1997	1998	1999
	1000 m^3 roundwood equivalents under bark					
Roundwood	170	167	143	144	157	160
Chips	142	138	106	110	130	135
Market pulp	3,079	2,602	3,101	3,401	3,411	3,127
Recovered paper	6,945	6,886	6,845	7,478	7,365	7,719
Total fibre input	10,336	9,793	10,195	11,133	11,063	11,141

Source: SBH, VNP

Whereas in 1998 the turnover of the Dutch paper and board industry increased more than sales, the situation was the reverse in 1999 when the turnover increased by 1.9 percent to NLG 4.3 billion and sales increased even more, i.e. by 2.4 percent to 3.25 million tonnes.
The industry started the year somewhat hesitantly but the market picked up as the year progressed. In view of the fact that raw material prices of waste paper and pulp increased considerably in the course of 1999, companies were unable, or if so with great difficulties, to maintain their margins in spite of the major cost savings. As in previous years, reorganisations and process improvements considerably increased the efficiency.
For the paper- and board industry, domestic sales lagged somewhat behind the growth of the national economy in 1999. Growth was mainly in sales abroad.

In 1999, the European paper and board industry grew by 2.9 percent on average and in doing so exceeded the Dutch average, i.e. 2.4 percent. The growth in Europe is comparable to America and Japan.

Some subjects are clearly nationally inspired. Co-operation agreements are entered into with (chain)partners for instance communication, recycling and competence development. Covenants in the field of environment, energy and health and safety are clearly national. Important themes such as raw materials are dealt with internationally. There is contact, for instance, between the Forest-Based and Related Industries (FRI) and the European Commission. An important assignment in this is to ensure a 'level playing field': companies competing with each other with the help of government measures needs to be avoided.
The development in the Dutch paper and board industry is given in table 4.

Table 4
Recent developments of the Dutch paper and board industries

	1994	1995	1996	1997	1998	1999
	Annual Percentages Change					
Production:						
Thermo-mechanical pulp (integrated)	0.4	24.2	-19.1	9.6	-8.8	11.0
Newsprint	1.0	16.2	-6.3	10.4	-7.0	8.0
(Other) graphic papers	16.4	-9.3	2.7	4.9	0.0	2.0
Case materials	4.9	-0.8	5.1	2.8	2.0	8.0
Wrappings upto 150 gsm	11.5	-12.0	7.1	11.6	-3.0	17.0
Folding boxboard and other paper & Board for packaging	7.1	1.0	-1.4	6.9	4.0	2.0
Sanitary & household	0.9	-3.7	-1.3	6.1	0.0	14.0
Total paper & board	5.4	-1.4	0.7	5.7	1.0	2.0
(Turnover (million NLG))	(3,646)	(4,344)	(3,843)	(4,117)	(4,238)	(4,320)
Price change of production of paper and board industries	2.0	12.7	-5.5	-1.25	2.75	n.a.

Source: VNP

2.4 Sawn wood market

Softwood

The increased production of the construction industry caused a considerable increase in the consumption of sawn softwood in 1998. The increase in sawn wood consumption was supplied by imports and using existing stocks. In 1999 the growth of the Dutch economy continued, also the consumption of sawn and planed softwood increased.

Table 5
Key facts of the Dutch sawn softwood market

	1995	1996	1997	1998	1999	2000[1]
	x 1000 m^3 under bark					
Domestic Production	200	186	223	196	203	200
Net Imports	2323	2413	2413	2658	2629	2720
Stock Change	-46	-50	-50	25	-68	-
Apparent Consumption	2569	2649	2686	2829	2900	2920

1 Forecast
Sources: National Statistics (CBS) / Netherlands's Timber Trade Association (VVNH)

Hardwood

In 1999 the imports and consumption of sawn hardwood increased substantial after a decrease during the previous years, especially of tropical sawn wood. The imports of American sawn hardwoods decreased like in 1998 with 20%. In 1998 the imports from Belgium and Germany increased by one third, in 1999 the increasing was 45%. An important supply region of sawn tropical hardwood for the Netherlands is Malaysia (about 50% of total imports of sawn tropical hardwood).

Table 6
Key facts of the Dutch sawn hardwood market

	1995	1996	1997	1998	1999
			x 1000 m³ under bark		
Domestic Production	227	176	178	153	159
of which tropical	49	41	40	40	45
Net Imports	497	503	465	468	542
of which tropical	330	330	346	276	315
Apparent Consumption	724	679	643	621	701
of which tropical	379	371	386	316	360

Sources: SBH, National Statistics (CBS)

2.5 Act on mandatory labelling of all forest products

The draft legislation of the Dutch Parliament on 'red and green labelling' of timber and paper products sold in the Netherlands has been subject of discussion again. After the bill was accepted in 1998 by The Lower House of Parliament The Upper House requested for notification by the European Union and World Trade Organization. In the same year this notification resulted in a strong international opposition against the bill from six WTO countries, eleven countries of the European Union and from the European Commission itself.

All countries and the European Commission have raised objections: the proposed measure of the Dutch Parliament is an obstacle to international trade and incompatible with the articles 30-36 of the EC Treaty and also with WTO rules (Articles 2.2 and/or 2.5 of the Agreement on Technical Barriers to Trade).

This spring the Dutch Lower House completed the notification procedure by sending an extensive reaction to Brussels and to WTO headquarter. None of the international comments was accepted, only on minor points the bill was changed. The arguments behind the Dutch reaction can be summerized as follows:

" The progress achieved by means of the current policy based on voluntary certification is limited and is so slow that it is doubtful whether and, if so, when the aim (no deforestation in the world) will ever be achieved. The actual trend in relation to deforestation indicates that this will in any event not be in the short or medium term. The imperative requirement of European law, namely retention and sustainable development of forests, is not currently be met. The protection of the global environment requires that substantial progress must be achieved. Measures which go beyond the current pursuit of voluntary certification are therefore required." And:

"With an obligatory mark there is, in juridical words, a restriction of free trade, but there is no infringement of the nature of free movement of goods. Crucial is, there is no measure which ánd contributes to the specified aims (protection of forests for the benefit of biodiversity and climate control) ánd which gives less negative trade effects than a compulsory mark. By that the proposed measure is proportional and not in conflict with Articles 30-36 of the EC Treaty."

After the Dutch Parliament published her reaction on the notification it became clear that not only all wooden but also paper products were involved. This resulted in a broader opposition of Dutch organizations and companies against this draft bill. In August about fifty with wood and paper related organization and individual companies send their objections to the members of The Lower House. Thereupon the trade and industry was invited by The Lower House to give their views on the subject. In the meantime the Lower House has accepted the amendment of the law on 14 September after an extensive discussion. The draft bill will now be discussed in The Upper House of Dutch Parliament. She will examine the law on consistency with the international conventions, soundness of the law in relation with the desired effects and also the verifiability. The Dutch Timber Platform incites the European Commission and all EC and WTO countries to comment again on the Dutch draft law on "sustainable wood production"

ANNEX

WOOD BALANCE OF THE NETHERLANDS - 1999

Land surface (x 1000 ha) :	3400
Forest surface (x 1000 ha) :	341
Forest sur. in % of landsur. :	10.0
Inhabitants (x million):	15.9
Forest surface per inhabitant (ha):	0.02

	Unit x 1.000	Production	Import	Export	Net import	Consumption	Consumption per 1000 Inhabitants (m^3/1000kg)	Share in Total Consumption in % *
Saw-/veneer logs total	m^3	575	-	-	-	-	-	-
o.w. coniferous	m^3	440	-	-	-	-	-	-
non-coniferous	m^3	135	-	-	-	-	-	-
Pulpwood (roundwood)	m^3	215	-	-	-	-	-	-
Fuelwood and charcoal	m^3	162	63	29	33	195	12.3	1.2
Other roundwood	m^3	92	82	4	78	170	10.7	1.0
Total roundwood	m^3	1044	490	306	185	1229	77.3	-
Roundwood excl. fuelwood	m^3	882	428	276	151	1033	65.0	-
o.w. Coniferous	m^3	651	-	-	-	-	-	-
non-coniferous	m^3	231	-	-	-	-	-	-
Restwood	m^3	1174	322	241	81	1255	78.9	-
o.w. Chips en particles	m^3	42	109	78	31	73	4.6	-
Wood residues	m^3	1132	213	163	50	1182	74.4	-
Sawn wood total	m^3	362	3606	446	3160	3522	221.5	29.4
o.w. Coniferous	m^3	203	2911	282	2629	2832	178.1	23.4
non-coniferous	m^3	159	694	164	530	689	43.3	6.0
Wood based panels	m^3	61	1875	290	1585	1646	103.5	14.7
o.w. Veneer	m^3	19	23	15	8	27	17	0.2
Plywood	m^3	3	573	53	520	523	32.9	5.3
Particle board	m^3	39	747	118	629	668	42.0	5.3
Fibreboard	m^3	0	532	104	427	427	26.9	3.8
Wood pulp total	tonnes	117	1144	352	792	909	57.2	-
o.w. Mechanical pulp	tonnes	117	43	12	31	148	9.3	-
Semi-chemical pulp	tonnes	0	33	0	33	33	2.1	-
Chemical pulp	tonnes	0	969	340	630	630	39.6	-
Dissolving pulp	tonnes	0	99	0	99	99	6.2	3.3
Recovered paper/paperboard	tonnes	2417	1341	1675	-334	2083	131.0	-
Paper and paperboard total	tonnes	3256	3494	2586	908	4164	261.9	50.4
o.w. Newsprint	tonnes	376	592	216	376	752	47.3	-
Printing/writing paper	tonnes	892	1418	1321	97	989	62.2	-
Other paper/-board	tonnes	1988	1485	1049	435	2423	152.4	-

Wood and wood products x 1000 m^3 rondwood equivalents		Total	Total	Per 1000 inhabitants	Per 1000 inhabitants
		Including fuelwood	Excluding fuelwood	Including fuelwood	Excluding fuelwood
Excluding recovered paper/-board** :	Production	1044	882	66	55
	Import	21474	21411	1351	1347
	Export	6051	6022	381	379
	Net import	15422	15389	970	968
	Consumption	16308	16112	1026	1013
	Self support (%)	6.4	5.5	-	-

Value wood and wood products x miljoen Euro		Including fuelwood	Excluding fuelwood
Excluding recovered paper/-board** :	Import	4503	4495
	Export	2460	2457
	Netto-import	2043	2038

- Not available or irrelevant.
* Share in total consumption excluding recoverd paper/-board, in m^3 roundwood equivalents.
** - Import en export: excluding the quantities and values of recovered paper/-board.
- Consumption: Excluding the share of recoverd paper/-board in new paper/-board.