

IS THE NETHERLANDS PLAYING IN THE BIG LEAGUE?



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As a result of Brexit, this Member State, which is highly integrated into the European market, has both expanded the number of its allies within the EU and invested in the Franco-German tandem, in particular by moving closer to several French positions.

The Netherlands is currently repositioning itself within the European Union. The United Kingdom's departure means that it has lost its closest ally. While it is not striving to replace or imitate this relationship, it is, however, aiming to renew its alliances and take new European initiatives with Paris and Berlin, a move which may make this country, which is holding a general election from 15-17 March, one of the most influential out of the EU-27 at the moment. In 2020, the annual survey among European experts conducted by the ECFR think tank¹ ranked the Netherlands as the third most influential country in the European

Union after Germany and France and ahead of Italy and Spain. What follows is an analysis of the current deliberate strategy.

1 ■ Historical reminders: the long-standing champion of a market-led Europe

Dutch influence has left its mark on the European integration process since the very beginning. The Netherlands is among the six founding States of the first Community. Without a developed steel industry, its membership was by no means compelling. The loss of its colonial empire and its economy's interest to trade with the West German economic miracle resulted in its informed decision to join the burgeoning European project. This traditionally neutral country did, however, join

1. EU Coalition Explorer – European Council on Foreign Relations [ecfr.eu]

cautiously, fearing the dominant weight of the Franco-German tandem. In the negotiation of the Treaty of Paris which founded the European Coal and Steel Community, which celebrates its 70th anniversary this year, the Netherlands insisted to endow the future organisation with a Council of Ministers in order to establish democratic oversight of the High Authority², thus reintroducing the intergovernmental level in the budding Community decision-making process.

A small and very open economy dependent on exports, the Netherlands is attached to Europe's trade expansion. Even before the resounding failure of the EDC, the Dutch minister for foreign affairs, Johan Willem Beyen, one of the "Founding Fathers of Europe", proposed, via a memorandum in 1953³, the establishment of general, rather than sectoral, economic integration, thus laying the foundation of what would become, under the broader impetus of Benelux, the Common Market. **The Netherlands managed to make this single market the hinterland of its economy**, for which Rotterdam became and remains the main port (Europort) and logistical hub.

In addition to the market, the other key reason for the Netherlands' continued attachment to European integration is the fact it is based on law. For this very small country, the enactment of common standards and rules is the best protection against the larger countries who would otherwise take advantage in the power relationship. The Hague, which is home to several international courts (see below), continues the historical role played by the Netherlands in affirming compliance with international law.

When the UK joined the European Communities in 1973, the Netherlands flourished as a stakeholder in European construction. Enjoying the depth of the internal market, it took part in each integration phase (Schengen Agreement, proposed by Benelux; single currency). **It saw itself at the barycentre of the three "major" States, namely**

Germany, France and the UK. Its clear Atlantism and liberalism more often than not pulled it into the British political sphere, while remaining a fully integrated member of the Union. It looked towards London, leaning on Germany and at a remove from France.

The Dutch openness to Europe was bolstered by economic standing ("Dutch miracle") until the start of the 2000s. It was eroded by the relinquishment of the guilder for the euro, which public opinion struggled to accept. The EU's enlargement to the East in 2004, which was nonetheless in line with the Netherlands' interest in a large European market, saw a reticence towards Europe settle in. This was exposed by the people's rejection of the Constitutional Treaty (63% of votes in the referendum), particularly for the sake of defending the country's national identity and despite support from the main political parties. The Netherlands then worked on asserting the role of national parliaments in the European decision-making process and on ensuring greater compliance with the principle of subsidiarity.

2 ■ From discomfort to change

Brexit has heightened Dutch discomfort in relation to the development of the European project. The outcome of the 2016 British referendum meant that the Netherlands had lost its natural major ally and, as for other States, suddenly disrupted relations between EU Member States. **The Dutch feared being relegated to the periphery of the Union from their position at the barycentre of the three major players**, just as the Franco-German tandem was being renewed by president Macron.

This risk of isolation compounded a growing feeling of discomfort within a Union shaken by the repercussions of the euro area sovereign debt crisis and the migration crisis. Furthermore, the decline in US global leadership, exacerbated by

2. *Histoire de la construction européenne*, under the leadership of Michel Catala, Presses académiques de l'Ouest, 2000 (in French)

3. *Memorandum from the Netherlands Government concerning the European Community (5 May 1953)* - CVCE Website (Memorandum in French)

the Trump presidency, was a blow to the Atlanticism of this country which is among the founders of NATO.

The temptation to imitate the UK's exit was ruled out, however. At the last Dutch general election, which followed Brexit, held on 15 March 2017, "Nexit" championed by Geert Wilders' extreme-right party (Party for Freedom, PVV), managed to attract 13% of votes, a score below that obtained in 2010. As an important trade partner to the UK, the Netherlands is too dependent on the European market and integrated in the euro area to claim that it could do better without.

On the contrary, Mark Rutte's government has been strategically changing its European position. Brexit actually mechanically increases the relative weighting of this country and its 17.4 million inhabitants within the European Council⁴. In the European Parliament, it has won three additional seats (as many as Italy). For the Netherlands, the idea is to occupy the expansion of its European political space, particularly as Brexit has also increased the relative weighting of Southern Europe.

3 ■ New allies and a rapprochement with France and Germany

In a pragmatic move, the Netherlands has decided to offset the loss of influence that it enjoyed behind the UK in two ways. Firstly, by investing in new alliances forged among the EU-27 and, secondly, by moving closer to the Franco-German tandem.

The Dutch approach to build new coalitions is flexible according to the interests it wishes to defend, regardless of other divergences and without feeling constrained by past frameworks (Benelux, the Europe of Six). "Sometimes you have to dance with whoever's on the dance floor", says Mark Rutte. **The alliances forged are informal,**

tactical and subject to change, without being exclusive. Arranged to meet a specific objective, they are only in place for the time necessary to achieve it.

■ The "New Hanseatic League"

Led in practice by the Netherlands, the "New Hanseatic League" includes Ireland, Denmark, Sweden, Finland and the three Baltic States. This alliance between eight EU Member States, named in memory of the medieval trade association between Northern European countries, does not reflect a commercial reality but rather expresses a convergence of liberal economic standpoints that were up to now embodied by the UK. It is a means of **opposing France's integrationist plans specifically for the euro area** expressed by President Macron in 2017 and of keeping the EMU's management between States, as advocated in a joint publication dated 6 March 2018. Launched as a counterweight to the UK's departure, its meetings are held on a technical level, among EU Permanent Representatives and politically among finance ministers, a field in which this group exerts its influence, without involving heads of government.

Germany is not a member of the League but has given its implicit consent to this grouping of States to stifle Macron's own plans for the euro area. The German Minister for Economic Affairs, Peter Altmaier, has directly taken part. The Netherlands lends itself in this way to carry positions and to test reactions that Berlin could not express due to its rank within the EU and its Franco-German commitment.

Following the Franco-German Meseberg Declaration on 19 June 2018 which established the principle of a very timid euro area budget, the Netherlands expanded its opposition to this initiative by means of a letter to the Eurogroup sent on 22 June by its finance minister, Wopke Hoekstra, on behalf of his counterparts of the New Hanseatic League and four other Member States

⁴. As a reminder, qualified majority voting requires 55% of States (15) representing 65% of the EU's population to vote the same way.

(Austria, Belgium, Luxembourg and Malta). The letter also expressed opposition to any increase in EU expenditure.

■ The “frugals”

The Netherlands has also grown closer to Austria, Denmark and Sweden, with distant support from Finland, forming the self-proclaimed “frugal” group, at the level of heads of government, which made itself heard during the negotiations of the 2021-2027 multiannual financial framework with a view to limiting its scope and opposing the recovery plan promoted by Paris and Berlin on 18 May 2020 (see explanations below).

However, beyond this budgetary issue, the political differences within this alliance and its internal division between members and non-members of the euro area make it ineffective regarding other issues. **Yet it could easily regroup for a future budget negotiation.**

■ Benelux

A union dating to a time before European construction, Benelux has long since lost its original European vigour. However, thanks to a political situation which currently aligns the liberals leading the coalitions in the three countries, their heads of government are holding discussions more frequently. They recently held common summits with the Baltic States and the four Visegrád countries (Central Europe), for example.

■ Rapprochement with France

Within the scope of European affairs, the Netherlands’ political proximity with Germany is already deeply rooted, as stated above, particularly among finance ministers. This was not traditionally the case with France. Following Brexit, the Hague has launched a diplomatic exercise to res-

tore the balance in its relations so that it is not too connected to a single major country, thereby giving itself room for manoeuvre and influence, particularly in areas where the German position appears less secure. Its opposition to the French integrationist project for the euro area did not stop Rutte’s government from taking the initiative to move closer to Paris on other issues and to draw up common positions with a view to staying a step ahead of them rather than facing a *fait accompli*. The French authorities are bearing witness to an activism on the part of the Dutch authorities, which has resulted in unprecedented joint “non-papers”.

This change of tack by the Dutch government regarding the European trade and competition policies has brought about a rapprochement with French positions. A Franco-Dutch non-paper on international trade and sustainability, published in May 2020 in the *Financial Times*, caused a stir by calling for the implementation of sustainable development commitments in trade agreements as a prerequisite to enjoy tariff preferences. **It also supports the principle of a carbon border adjustment mechanism.**

Another common position for the two countries is the need to step up competition on **digital platform** markets. This position was set out in a non-paper⁵ on 15 October 2020, ahead of the Digital Markets Act proposed by the Commission. The adoption of this directive and the adaptation of competition and trade policy rules are likely to be legislative priorities of the next French presidency of the Council, which will require the support of the Netherlands.

In the negotiations concerning the new EU/UK relationship, France and the Netherlands have also worked together regarding their **advocacy of a level playing field within the European internal market**. Given the depth of its position, both on the European and British markets, the Hague was the first to alert Paris to this issue, making it a powerful advocate. France respected the Dutch government’s unflinching resolve on this issue.

5. [Non-paper-FRA-NL-ex-ante-regulation-platforms_final_1410.pdf](#) (euractiv.com)

In Paris, this rapprochement has been welcomed and appreciated. In the French ministries, the Netherlands is considered to be a proactive and respected country and a reliable and agile partner. This convergence of views also concerns sovereign issues, such as Schengen, enlargement and the migration policy. As regards social issues, it was demonstrated in 2017 regarding the revision of the directive on posted workers. As regards the future revision of the budgetary Stability Pact, Dutch diplomacy in Paris is open to developing the parameters.

Beyond the Franco-German position, the Netherlands is diversifying relations within the EU to bolster its positions with allies that are more unexpected than previously. Following the Dutch general election on 17 March, it is preparing to publish a **non-paper on strategic autonomy with the Spanish government**.

4 ■ A change in posture

In addition to this change of tack, the government has also adopted a change of posture regarding Europe. While up to now he has not been very forthcoming regarding European construction and has even been distrustful of “high ideals”⁶ in this regard, the head of the Dutch government, Mark Rutte, gave three speeches in 2018 and 2019 that set a more positive tone regarding Europe, in Berlin, Strasbourg and Zurich successively. These public positions expressed outside the Netherlands go back to basics: compliance with rules and agreements, with national sovereignty and the importance of the internal market. They also indicate a shift in the Dutch position concerning European affairs, given the turbulent development of its geopolitical situation and the climate change emergency.

“Realpolitik must be an essential part of Europe’s foreign policy toolkit. Because if we only preach the merits of principles and shy away from exerci-

sing power in the geopolitical arena, our continent may always be right, but it will seldom be relevant”, stated the Dutch prime minister in his address in Zurich⁷, on 13 February 2019, in favour of a more robust European foreign policy, in terms that president Macron could well have used himself.

Mark Rutte’s party, the VVD (the People’s Party for Freedom and Democracy), has also changed. **It is no longer the archetype of classic liberal formation** which it embodied with emblematic figures such as former commissioner Frits Bolkestein. In the current election campaign, which is mainly being played out virtually due to Covid and which is primarily focused on national issues, the party has taken up the narrative of a “Europe that protects”, familiar to France. This means a Europe that is able to define its conditions for a level playing field in competition. It also advocates for greater integration regarding defence. The terms “industrial policy” and “European champions” are now part of the political vocabulary. Atlanticism is also more subdued due to the lack of reliable leadership in the USA. Moreover, beyond the VVD, all campaigning parties claim to be in favour of an increase in public investment.⁸

5 ■ Structural assets

The Netherlands can support its determined political strategy and influence as it enjoys several favourable assets.

■ Economic credibility

An EU Member State’s influence is conditional on its economic health. At -4.1%, the Dutch recession was one of the least pronounced in the EU in 2020⁹. Its unemployment rate, despite rising due to Covid, remains limited, and fell back down to 3.6% last January (source: Eurostat). Its rising public debt remains around 60% of GDP. Its growing population enjoys fluent command

6. Speech by the Prime Minister of the Netherlands, Mark Rutte, at the Bertelsmann Stiftung, Berlin | Speech | Government.nl

7. Churchill Lecture by Prime Minister Mark Rutte, Europa Institut at the University of Zurich

8. Analysis by Corinne Deloy, Robert Schuman Foundation (European Elections Monitor), March 2021

9. The Commission’s Economic Forecast, 11 February 2021

of English. In 2019, the Netherlands ranked the fourth most competitive country in the world by the World Economic Forum¹⁰ and, last year, was considered one of the most capable of adapting to the post-Covid situation.

In addition, Brexit strengthened its relative economic weighting within the EU-27, with the country presenting itself as the **fifth-largest economy in the Union**. Symbolically, Amsterdam ousted London last year as Europe's largest share trading centre¹¹. The country is invited to the G20, without formally being a member.

■ European positions

A few Dutch figures hold several influential positions within the European institutions. As Executive Vice-President, Frans Timmermans is the Commission's number two, in charge of the decisive "European Green Deal". Within the Commission, three Dutch citizens head up three Directorate Generals that are strategic for the Netherlands, the budget (Gert-Jan Koopman), economic and financial affairs (Maarten Verwey) and social affairs (Joost Korte). However, the Netherlands is less invested in intermediary European positions. Kalin Anev Janse is CFO of the European Stability Mechanism (ESM). In addition, we must remember that the Eurogroup was chaired for five years (2013-2018) by Jeroen Dijsselbloem.

In the Netherlands, European commitment is said to vary within the outgoing coalition government. The Dutch foreign ministry has commissioned a comparative study to improve its own internal coordination regarding European affairs. The professionalism of its officials is underscored.

■ Mark Rutte's long tenure

The Netherlands' political influence is primarily embodied by Mark Rutte, who has been in power since October 2010, with a European presidency under his belt in 2016. If he is elected to head the next government, as the polls predict, **he will have had, after the departure of Angela Merkel, the longest uninterrupted tenure at the European Council**, almost on a par with Viktor Orban. What is set to be his fourth and last term of office will most likely give him more scope to take political risks. His ease at holding together three successive heterogeneous coalitions in the country even qualified him for a time as a potential successor to Donald Tusk, in 2019, as President of the European Council. As he has a voice that is listened to within the Council, his counterparts have visited the Hague more frequently. This does not mean, however, that he is renowned for his European leadership.

■ The Hague's position in Europe

A hub for international law, home in particular to the International Court of Justice and the International Criminal Court, the Hague has also been the headquarters of Europol since 1999 and of Eurojust since 2002. In addition, following Brexit, the European Medicines Agency (which notably grants marketing authorisations for anti-Covid vaccines) was transferred to the capital Amsterdam, close to the Hague.

Beyond the EU, the Hague is also home to various departments of the European Space Agency, the OSCE (Organisation for Security and Cooperation in Europe) and a department of the European Patent Office. The Organisation for the Prohibition of Chemical Weapons (OPCW) is also located here, a body with expertise that plays a key role in developments in EU/Russia relations.

10. WEF_TheGlobalCompetitivenessReport2019.pdf (weforum.org)

11. Financial Times, 11 February 2021

6 ■ Limitations on Dutch influence

Despite these structural assets and an active influence strategy, this must take into account several obstacles:

■ Reserved public opinion

Opinion in favour of European construction has waned in the Netherlands as in several of the other founding States. The outright Dutch rejection of the European Constitutional Treaty in 2005 expressed this by referendum. To a much lesser extent later on, in April 2016, the rejection by referendum proposed by popular initiative of the Ukraine-European Union Association Agreement indicated a form of reticence.

Preceded by Pim Fortuyn who was assassinated during the 2002 election campaign, the breakthrough of Geert Wilders' far-right party (PVV), which still advocates a Nexit and anti-Islam rhetoric, is now joined by that of the national-populist party of Thierry Baudet (FvD) which is openly Eurosceptic. These two parties share an electorate that is hostile to the EU, estimated at 15% to 20%. Beyond this, they influence the rhetoric of government parties, by making them act defensively in their management of European affairs.

According to the latest Eurobarometer survey conducted in November and December 2020, the European Union enjoys a positive image among 52% of Dutch citizens. This percentage, which is very close to the European average, increased by nine points in one year, following a sharp decline last summer. While EU membership remains broadly accepted, it is not free from doubts regarding its near future. Above all, the Dutch claim to be hostile, like public opinions in the other so-called "frugal" states, to the idea of endowing the EU with greater areas of competence or resources¹². In the 2019 Eurobarometer surveys, prior to the Covid crisis, 69% of Dutch citizens

believed that the EU's financial resources were sufficient to meet its objectives, a percentage much higher than the European average. Dutch reservations are fuelled by a feeling of having completed difficult structural reforms that other EU partners have not fully achieved. As a sign of Dutch trust in its renewed capacity of influence in the EU, the feeling that their country's voice counts within the Union increased by eight points in one year, reaching 85% in November/December 2020 (Eurobarometer).

■ A fragmented political landscape

With a fully proportional voting system, the governments in power in the Netherlands are usually made up of several parties. These coalitions have, however, shifted from two parties in the 1990s to currently three or four. This fragmentation delays the formation, every four years, of a new coalition: the coalition resulting from the last general election in 2017 took more than 200 days to be formed. These delays weaken the Netherlands' position during this time. The heterogeneous nature of the coalitions restricts the executive body's bargaining power, as demonstrated regarding the European budget, while conferring it a deep-rooted culture of compromise.

■ A defensive agenda

The Netherlands uses its influence primarily to defend its national interests, without always coordinating with a reforming agenda for the EU. Mark Rutte's doggedness as the leader of the "frugals" in the historic European Council meeting last July was a prime example of this. Aside from an EU budget strictly limited to 1% of the EU's GDP, the Netherlands remained in its traditional position and called for a restructuring of European policies funded from the budget, to the detriment of the CAP and to the benefit of research and innovation. In the negotiations, during which the addition of a wide-ranging recovery plan (NextGenerationEU) was a sudden game-changer, these demands to

¹². Frugal Member States vs. the EU: not too much please, Daniel Debomy, Jacques Delors Institute - Blogpost 2/11/2020

reform the European budget were abandoned, shifting the focus on limiting its national contribution, specifically by extending and increasing their rebate and increasing their port collection fees.¹³

The Netherlands' initial hostility towards the European recovery plan and its refusal regarding any subsidies only benefitting loans were also unsuccessful. Very present in the media, it tinged its European influence with Eurosceptic tones. However, other than the aforementioned budget cuts and rebate extensions, the Rutte government has been able to directly influence the future governance of the European recovery plan, particularly with a view making the release of European funds conditional on structural reforms. Yet if this right of review becomes too aggressive, the Netherlands may be pressured into correcting their aggressive fiscal practices¹⁴ criticised by their European partners. **This lack of cooperation regarding fiscal practices weakens Dutch demands on their partners.**

More broadly, the Dutch agenda for European construction stands out for its caution. It is focused on the efficacy of public policy, compliance with subsidiarity, common rules, the rule of law and a level playing field regarding competing global powers. Yet this attachment to the law and proper management does not at this stage feed into a new, more aggressive integration project. Mark Rutte's new European rhetoric has not given rise to strong political actions as yet and the current election campaign is not promising in this respect.

■ The lack of an alternative

What both deeply motivates and restricts the Netherlands' influence is its total dependence on the European Union. Firstly, **its political size prevents it from directly opposing the Franco-German tandem**, hence its rapprochement initiative described above. Secondly, its economy is completely immersed in the European market

(70% of its exports are to EU countries and 53% of imports come from the EU). Lastly, its European integration is one of the oldest and fullest, without any opt-outs. For these three reasons, **the Netherlands cannot be considered to be the "new UK" of a European Union that it cannot live without.**

Conclusions ■

Brexit has placed the spotlight on the Netherlands, which has proved to be more active in asserting its positions within the Union, thanks to a strategy of fluctuating alliances in accordance with its interests and a new positioning in relation to the Franco-German tandem. In light of the geopolitical upheavals, the Dutch positions have tempered the country's traditional liberal approach, favouring in particular new convergences with Paris.

The robust assets specific to the Netherlands strengthen its influence, which is used more to defend national interests than to imprint its conception of the European project, for which it is not the driving force but rather plays the role of watchdog. ■

¹³. *Un accord historique à améliorer et à réaliser*, Sébastien Maillard, Jacques Delors Institute, Brief, 27/07/2020 (in French).

¹⁴. Harmful tax competition, *overcoming unfair frugality*, Edgar Rivoli, Jacques Delors Institute – Policy Paper, 10/09/20

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