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## The Netherlands in the EU: From the Centre to the Margins?

### 1. From internal market narrative to a narrative of uncertainties

In this post-2008 era of European integration, every year seems to have specific – and fundamental – European challenges. For the Netherlands, 2012 was a year in which it was highly uncertain how the Dutch would vote.<sup>1</sup> The rather populist anti-EU party of Geert Wilders (PVV-Freedom Party) had proclaimed that the elections would be about and against the European Union. This strategy did not pay off as people voted for stability, also regarding the EU. However, existential doubts about European integration and the euro have persisted and even increased as the emergence of a referendum movement in early 2013 has shown. Although the number of signatures supporting the idea to consider a referendum about the future of the EU rose to close to 60.000 in a couple of months, anti-EU feelings have found less support than one could have expected on the basis of opinion polls. Nevertheless, a strong and persistent doubt about the EU seems evident in the Netherlands even though it has a fairly low level of priority in daily policy debates. For once because there are few real EU issues on the agenda and, secondly, because discussions on, for instance, Treaty changes or the meaning of a ‘political union’ are being downplayed. Pew Research<sup>2</sup> showed that 39% of the Dutch would like to leave the EU and Eurobarometer indicates a drop in public support from 60% in 2012 to 45% in 2013. The Eurobarometer of July 2013 again indicated a further drop in trust in EU institutions. Currently, 58% distrust EU institutions – which is not too bad compared to the 54% that do not trust the national government. A Eurobarometer survey published in September 2013 showed that although 62% of the Dutch think the EU is a good thing, its popularity dropped with 8% compared to a year earlier. Only 35% feel really attached to the EU, which is low compared to other countries.<sup>3</sup> A growing disenchantment with the EU is clear.

Until 2005, when the Constitutional Treaty was vetoed, the Dutch EU objective – ‘narrative’ – was apparently clear. Being an open economy, the Dutch were always in favour of an internal market with binding legislation.<sup>4</sup> To ensure effective internal market legislation, Dutch ministers and diplomats had fought hard to reinforce supranational institutions such as the European Commission and European Parliament.<sup>5</sup> In contrast, current Dutch debates on the EU are marked by fundamental uncertainties and the absence of a narrative. While the country is confronted with new, and possibly profound, European trends concerning nothing less than questions of a political union and simultaneous intergovernmentalisation,

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<sup>1</sup> Schout, A., J.M. Wiersma (2013), ‘For as well as against: The Dutch-EU paradox’, in N. Walton & J. Zielonka (eds), *Reinventing Europa: The new political geography of Europe*, London: ECFR.

<sup>2</sup> *The New Sick Man of Europe is the European Union*, 2013:

<http://www.pewglobal.org/2013/05/13/the-new-sick-man-of-europe-the-european-union/>

<sup>3</sup> [www.europarl.europa.eu](http://www.europarl.europa.eu), September 2013

<sup>4</sup> Priestley, J. (2008), *Six battles that shaped Europe's parliament*, John Harper.

<sup>5</sup> De Visser, J. (2012), ‘Het Nederlandse fiasco van 1991’, *Trouw*, 13 December.

<http://www.trouw.nl/tr/nl/5009/Archief/archief/article/detail/3362694/2012/12/13/Het-Nederlandse-fiasco-van-1991.dhtml>.

Dutch politicians have provided little clarity about the desired outcomes and the direction to be taken.<sup>6</sup>

This contribution outlines the contours of the Dutch EU debate. First we take a brief look at the history of the EU debate (Section 2). Section 3 reviews the concerns in the Dutch EU policy debate, section 4 discusses whether recent EU policy choices help to reduce these concerns and section 5, finally, concludes that no concrete answers to the profound questions can be expected but will nevertheless try to describe some basic attitudes of the present government. The concluding section also briefly indicates how subsidiarity based on networks could offer a way to integrate deeper integration and respect for national institutions. This suggests a way forward while doing justice to the Dutch concern that European integration has to reinforce instead of take over national institutions.<sup>7</sup> The text is based on numerous discussions we have both had with (Dutch and European) officials, politicians, experts and journalists. Yet, the assessments and conclusions are our own.

## **2. The Dutch view on the EU: strict EU rules while avoiding political interference**

Being an open economy with strong trade links to its European neighbours, the Netherlands has a strong pro-EU history. Yet, the image of frontrunner in European integration is somewhat mistaken. Dutch governments and its diplomats have been pragmatic in fostering the internal market in terms of policy and institutions. Over the past 60 years, Dutch positions on Europe were mostly dictated by economic interests. The country wanted the internal market including a monetary union; but preferably little else. Thus it became a follower (for example of Germany) and has been taken the lead less than its proactive image would suggest.<sup>8</sup> In fact, it has on several occasions tried to slow down plans by countries or the EU Commission towards, for example, monetary union, defines cooperation and political union.<sup>9</sup>

It joined the original EEC with major reservations based on fears that the latter would turn into a French dominated protectionist project. Originally, only the establishment of the internal market raised real enthusiasm and was from the 1950s on actively promoted ('Beyen plan'). Although the advantages of monetary integration were acknowledged, the Netherlands had persistently sided with Germany throughout the 1970s and 1980s to prevent any French dominated 'monetarist' plans and during that period helped to pre-empt monetary union before convergence criteria were met.

One more or less permanent position of successive Dutch governments was (and is) support for an independent role of the European Commission. Binding legislation

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<sup>6</sup> Schout, A. (2013), 'Rutte wat nu?', NRC 26 January. <http://www.clingendael.nl/publication/rutte-wat-nu>

<sup>7</sup> Schout, A. (2013), 'Nederland krijgt het Europa dat het verdient', *Elsevier*, 27 Juli. [http://www.clingendael.nl/sites/default/files/Nederland-krijgt-het-Europa-dat-het-verdient\\_0.pdf](http://www.clingendael.nl/sites/default/files/Nederland-krijgt-het-Europa-dat-het-verdient_0.pdf)

<sup>8</sup> Schout, J.A. (1999) *The internal management of external relations - The adaptation process of an economic affairs ministry to European integration*, Maastricht: European Institute of Public Administration.

<sup>9</sup> Harryvan, A.G. (2009), In *Pursuit of Influence. The Netherlands' European Policy during the Formative Years of the European Union, 1952-1973*, Brussels: P.I.E. Peter Lang. James, H., (2012) *Making the European Monetary Union*, Belknap Press.

required, according to The Hague, strong supranational supervision and law enforcement. More generally, the Dutch position has always been rules-oriented: the EU needs to define rules and Member States have to fully respect them. In other words, the EU should be a kind of '100% Union' – if you are in it, you have to respect the agreements.<sup>10</sup> Evidently, this Dutch position has resulted in repeated frustrations due to European political cultures less concerned with rules and due to, of all countries, the German breach of the Stability and Growth Pact budget rules in 2003.

The Dutch, and in particular the Dutch parliament, have been operating until recently on the assumption that supranational institutions would be better able to legally monitor big countries. Hence, the European Parliament was best placed to control EU legislation.<sup>11</sup> For example in 1973 and 1991, the Dutch had helped to reinforce the European Parliament. The Dutch parliament for its part would control Dutch policy making. In recent years this position has been modified and the focus is now on strengthening national parliaments – introduction of the yellow and orange cards in the Lisbon Treaty was strongly supported by the Netherlands.

In this spirit, the Dutch government audaciously presented a federal blueprint for a European Union in 1991 but it was rebuffed by the others with the exception of Belgium. It was a relatively short timeframe in which federal solutions were supported with the aim of strengthening the economic<sup>12</sup> project and complementing the EU with the political and institutional instruments to allow it to become a global market player. In those days discussions over EMU were still abstract and concentrated on the EU as defines against globalisation.<sup>13</sup> Similarly, related to the ambition of completing the internal market, successive Dutch governments were active in areas such as environment policy, free movement of people, enlargement and fostering the rule of law in new Member States.<sup>14</sup>

Overall, interests have prevailed over ideals in the Dutch approach to Europe as is also clear from the persistent complaints over the net contribution after the EU budget reforms of 1992. This was probably one of the concrete factors that created negative images of the EU as inefficient and not concerned with costs. Media coverage of cost declarations of MEPs and allegations of fraud and mismanagement by the Commission did not help either.

The increasing contributions to the EU budget, the growing impact of EU policies on almost every aspect of life, and the resulting visibility of the impact of European integration have made the EU a real issue from the second half of the 1990s onwards and ignited the doubts that contributed to the rejection of the constitutional treaty in 2005.<sup>15</sup> Political consensus on whether 'Europe' was generally good had

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<sup>10</sup> Schout and Wiersma (2013) *supra*.

<sup>11</sup> De Bruijn, Th. (2011), 'De veranderende rol van nationale parlementen in de Europese unie', *Regelmaat*, 26(6).

<sup>12</sup> Just de Visser (2012) *supra* argues for example that the Dutch plan for a federal union would have had more support from France had it included defence cooperation.

<sup>13</sup> James (2012) *supra*.

<sup>14</sup> Schout and Wiersma (2013) *supra*.

<sup>15</sup> Schout, A., (2014), 'Europa als bestuurlijke uitdaging: Nederlandse ministeries en ambtenaren over en in Europa', in J. van der Harst, G. Voerman, J. Vollaard, *De Nederlandse opstelling in Europa, 1970-2010*, Lemma.

started to break down or 'normalised'<sup>16</sup> since the late 1990s. The emergence of the euro crisis however started to make the lack of consensus on the EU and the euro more painful and politically more costly. Whether this consensus can be restored remains a question. Dutch politics has had major contending issues in the past such as the famous Dutch Disease (high wages, a generous welfare system and falling competitiveness masked by gas income) and the resistance against the deployment of US cruise missiles in the Netherlands in the 1980s. Political parties were able to re-find common ground after the collapse of the Soviet Union and in view of eroded competitiveness in the 1980s. As regards the current EU-cleavage the question is who at this stage has an interest to develop a new European narrative or who is willing to risk offering new EU perspectives to the public.

### 3. Worries and doubts

The Dutch may have never experienced the EU as a 'comfort zone' and have always feared that its own values are being thwarted by French-type politics and by domination of big countries. However, there are now reasons to feel even less at home in the EU. Recent developments including rescue packages, the constraints of the 3% now forced upon the Netherlands and the outline presented in Barroso's blueprint for a genuine EMU<sup>17</sup> have stirred up feelings of loss of influence and of ending up in the wrong European narrative. Some of the uneasiness includes the following issues:

#### **Enlargement**

Despite low approval in the Eurobarometer, the enlargement process has continued. Instead of assuming that with more countries, a resourceful country as the Netherlands could exploit European fragmentation, the sheer number of actors has resulted in a feeling of being overwhelmed. Similarly, a College of 28 Commissioners raises questions and doubts about whether it is good to keep a national 'representative' or whether the old Dutch preference for a small Commission still applies.

#### **Germany as wobbly hegemon**

With 28 countries and the current challenges the EU's governance is facing, France and Germany have continued to play a powerful leadership role. They have struck (often vague and multi-interpretable) compromises that have overruled the Dutch positions. Examples include the Deauville compromise (October 2010) in which Germany succumbed to French pleas against automatic sanctions, the creation of an employment funds and Germany giving in to pressures from southern countries and the EP against cutting the EU budget for 2013. These compromises exemplify the character of the Stability (Germany) and Growth (France) Pact and the euro project more generally. The entire project is of course seen by many in the Netherlands as a compromise between France (Mitterrand) and Germany (Kohl). The Netherlands feels forced to continuously follow Germany (but not wholeheartedly) on the basis of shared economic interests but not always on the basis of a balanced relationship. In

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<sup>16</sup> Schout, A., J. Rood (eds) (2013) *The Netherlands as an EU member state: a normal partner at last?* Portland: Eleven International Publishing.

<sup>17</sup> Communication from the Commission (2012), *A blueprint for a deep and genuine economic and monetary union Launching a European Debate*, Brussels: European Commission, COM/2012/0777 final.

order to safeguard its strategic position in the EU and out of consideration concerning its dark European history, Germany has felt obliged to support measures that have not been in line with Dutch preferences. Given its history, Genscher wanted to change the view of Germany as a political pygmy while France needed the economic power of Germany.<sup>18</sup> Moreover, given the healthy state of the German economy, Germany can afford to be more generous than its western neighbour. For the Netherlands this has meant that although it preferred a German-type EMU it seems, in the eyes of many, to be ending up with a French-type EMU without having had much influence.

### **The composition of the Eurogroup**

The composition of the core group in the EU, the eurozone, is such that the Dutch do not feel automatically at ease in the eurogroup as the basis for deeper integration. Apart from Germany and France, key actors in this group are Italy and Spain usually supported by countries such as Portugal and Greece with different views on EU budgets and the role of the state. More recent additions such as Slovenia have not proven to be beacons of trust either. Traditional friends of the Netherlands are the UK, Sweden and Denmark who remain outside the eurozone. The split between the ins and the outs of the eurozone concerns more than just the future of the euro but leads to questions about the nature of the core group in the EU, the consequences this may have for the future of the EU and the course the traditional Dutch friends may take in the possible second tier. Paradoxically, some of the traditional non-euro friends such as the UK, Sweden and Denmark are in favour of deeper integration in the eurozone in order to solve the eurocrisis as quickly as possible, including the introduction of eurobonds. The Netherlands as euro country is put under pressure by its traditional allies to accept measures the Danes, Brits or Swedes themselves would never do.

### **Brexit**

The threat of a Brexit following Cameron's in/out speech, has added to the fears that EU membership might become less desirable. The Netherlands has had difficulties in coping with the changes of 1989. The Cold War pro-Atlantic bias lost its ground. Instead, the Netherlands now has to rely more on continental Europe. Even though the Netherlands has always emphasised the importance of the UK as a counterbalance to the French-German axis (*prealable Anglais*), it has never copied British resistance to integration steps and joined the euro when Britain did not. Current EU politics in the UK and the growing support for UKIP are carefully monitored in the Netherlands. Cameron's surprise to propose an in-out referendum came as a shock in the Netherlands<sup>19</sup> but the idea of consulting citizens resonated well and triggered the anti-EU referendum movement. Having on the one hand felt forced to follow Germany out of self-perceived economic necessity, British membership has, on the other, been of paramount importance to Dutch EU politics. But the threat of a British exit had added to the most basic worries in The Hague over the nature of the internal market and to transatlantic cooperation. The wobbly nature of German EU politics in the core group makes the position of the UK even more

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<sup>18</sup> Garton Ash, T., (1994), *Will the real Germany please stand up?*, Random House.

<sup>19</sup> Boekestijn, A.J. (2013), 'Verenigd Koninkrijk mag niet uit EU stappen', in *NRC*, 26 January 2013. Schout, A., (2013), 'Rutte, wat nu?' in *NRC*, 26 January 2013.

relevant. The UK has been a partner in keeping Germany on (market) track. Hence, the threatening loss of the UK may reinforce the French position vis-à-vis Germany – and that of Italy and Spain in its wake.

### **A European Bermuda triangle**

What emerges is a rather gloomy picture of the Netherlands being lost in a Bermuda triangle between Berlin, Paris and London while the EU might be moving towards a political union.<sup>20</sup> The Dutch public is starting to believe that national politics is becoming irrelevant as ‘Brussels decides anyhow’ – fear of domination by big Member States has been a consistent element in Dutch EU politics.<sup>21</sup> This creates a certain estrangement and a loss of sense of ownership for the European project.

### **Hiding for transfers and for political union?**

Since the start of the eurozone crisis, eurozone decision making has been strengthened and surveillance over national policies tightened. These recent steps have been presented as inevitable to repair the Maastricht Treaty and to avoid financial disaster. Unable to muster sufficient opposition in the second chamber, parliament has been silent as regards the possible consequences of these steps for the formation of a political union.<sup>22</sup> Commission president Barroso, in the meantime, has presented a clear-cut vision (blueprint) of what this future political union might entail: the EU Commission becoming a European economic government, a stronger role for the European Parliament and major steps towards a transfer union.

Discussions about this type of political union have been taking place since the 1960s and the Netherlands has been at the forefront of trying to halt them including related calls for ‘solidarity’.<sup>23</sup> The prospect of a transfer union, for example, has bothered the major ruling liberal party of prime minister Rutte (VVD) in particular but is not welcomed by most other parties either. Apart from the liberal D66 party, parties are reluctant to further transfers of money, economic contracts and competences to ‘Brussels’. Being in power, the ruling VVD has had to downplay the impact of the six pack, two pack, ESM and fiscal compact. Insisting that these transfers do not involve new transfers of power because they are based on earlier agreements and are still falling under the European Council as the major decision-making body, has not calmed concerns about loss of sovereignty and has added to worries that the Netherlands has little influence on decisions. Moreover, it is as yet unclear whether the European Council will further develop the dominant role it played until now in addressing the euro crisis – nor is it clear whether this would suit the Dutch interests. All these developments have taken place with little parliamentary opposition or debate<sup>24</sup> or guidance from the government (see below).

### **The Commission and supranationalism: are they what they used to be?**

All this has caused concern among the Dutch that they are losing touch with another traditional friend: the EU Commission. The Netherlands has always claimed a central place for the – allegedly independent – European Commission as guardian of the

<sup>20</sup> See: Mathieu Segers, *Reis naar het Continent*, Amsterdam, 2013.

<sup>21</sup> Schout and Rood (2013) *supra*.

<sup>22</sup> Schout, A., J.M. Wiersma, I Ebben (2012). ‘Wel controle maar weinig visie: de Tweede Kamer en de Europese toppen’ *Internationale Spectator*, 66/10.

<sup>23</sup> James (2012) *Supra*.

<sup>24</sup> Schout, Wiersma and Ebben (2012) *supra*.

Treaties and of the 'European' interests. In the Dutch view, bodies like the European Commission are in principle more trustworthy when it comes to the correct implementation of EU policies (100% Union) and keeping a check on big Member States.<sup>25</sup> The Netherlands however may be losing the battle for neutral supranational solutions due to two developments: the growing role of the European Council following the Lisbon Treaty, the politicisation of economic (the European semester) and financial policies after 2008, and the renewed political ambitions of the Commission itself. Barroso has also strengthened his more political role by starting the tradition of an annual State of the Union in September 2010 such as given by 'normal' heads of state. Finally, the Commission itself has used the economic crisis to dust off old plans<sup>26</sup> for developing itself into the European economic government including larger EU budgets, increased transfers and political control by the European Parliament. This trends however lead to new uncertainties: if the EU Commission behaves more politically, would this also mean that its supervision of the legal order, of the GSP rules or of the implementation of the Schengen agreement will become more political and easier to influence by individual Member States? The Dutch are losing their confidence in the EU institutions<sup>27</sup> and are starting to question what the EU institutions – in particularly the Commission – actually stand for. Similarly, the much-acclaimed 'independence' of the Commissioner for economic and monetary affairs is, on closer examination, less than it seems because, among other things, a Commissioner depends on input from other DGs outside his direct competence and from the College.<sup>28</sup> The Commission's position is changing but it is as yet not clear whether old concepts of supranationalism still hold.

### **National parliaments under threat?**

The European Parliament played a significant role in the strengthening the political profile of the European Commission. Barroso himself has been searching – and was forced by the EP to assume – a more political role during his re-election in 2009. The EP did not immediately approve of Barroso in the first round of the official investiture debate in June 2009 and demanded a political declaration over the summer resembling a government declaration. This represents a longer trend of creating stronger legal, political and administrative links between the European Parliament and the European Commission.<sup>29</sup> This development is watched with some degree of uneasiness from within the Council.<sup>30</sup> The growing role of the EP<sup>31</sup> might threaten the ambition, also of the Netherlands, to strengthen the role of the national parliaments in secondary legislation. The initial Dutch support for the EP has changed towards a preference for keeping democratic control national.<sup>32</sup>

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<sup>25</sup> De Visser (2012) *supra*.

<sup>26</sup> James 2012 *supra*.

<sup>27</sup> Eurobarometer July 2013.

<sup>28</sup> Schout, A., A Mijs (2013), From governance back to government: An administrative perspective on the EMU, paper presented at CES Conference, June 25-27, University Amsterdam.

<sup>29</sup> *Framework Agreement on relations between the European Parliament and the Commission*, European Parliament resolution of 9 February 2010 on a revised Framework Agreement between the European Parliament and the Commission for the next legislative term, P7\_TA(2010)0009, 2010.

<sup>30</sup> The new Framework Agreement on co-operation between the European Parliament and the European Commission, breaches the EU Treaties, *The European Foundation*, 25 October 2010.

<sup>31</sup> See Priestly (2008) *supra*.

<sup>32</sup> Rapportages Voorzitter Europese Raad: «Naar een echte economische en monetaire unie», Eerste Kamer der Staten-Generaal, 2012-2013, 33454.

The possible 'parliamentarisation' of the EU is cause for different kinds of concerns and Dutch parliamentarians have in interviews already stressed the danger of shifting power blocks in the European Parliament, and the Dutch parliament has been struggling for measures to become better and earlier involved where it concerns EU policies.<sup>33</sup> The fear of southern domination in the EP – igniting fears that market forces could be curtailed, essential rules weakened or additional financial demands be posed – is closely linked to the discussion on the EU's parliamentarisation.

In terms of policy preferences it is, however, too early to conclude that the EP will have a bias against Dutch preferences. As regards the 2013 budget and the financial framework for 2014-2020, the EP voted against Dutch interests by demanding higher (annual and multiannual) budgets and more flexibility between budget lines and between years. However, when it came to tightening SGP rules, it were the European Council – and the Dutch parliament – that agreed to a watered down French-German compromise in which automatic sanctions were avoided. It was subsequently the EP that ensured that the famous six pack resembled the 100% union the Dutch desired - with stricter rules including automatic sanctions and the independent Commissioner as economic watchdog.

In the end parliamentarisation of the EU will depend on the future balance between the Council and the supranational institutions and on the outcome of the debates between the major Member States about political union and economic governance – a balance concerning which the Dutch themselves have not yet decided their preferences as it seems. Germany might support a strengthening of Commission and Parliament<sup>34</sup>, whereas France might opt for the intergovernmental approach. The European Parliament on the other hand might demand stronger economic surveillance powers. The Netherlands, in the end, might prefer the substance of the German approach, but choose the method of the French option.

### **Doubts over the future role of the ECB**

The ECB, endowed according to the Treaty of Maastricht with the responsibility for price stability, was envisaged as a haven of independent policy making. Yet it has been moving heavily into supporting weak countries through equilibration of balance of payments (Sarp), into supporting banks (through LTRO 1&2) and it has promised to do 'whatever it takes' (implying buying of bonds of failing states) to protect the euro. Moreover, Draghi has also developed into an advocate for a more political role for the ECB, including the targeting of employment (Draghi 8 July 2013)<sup>35</sup>; a line already earlier demanded by the European Parliament.<sup>36</sup> All of this has resulted in financial risks for Member States through the accounts of the ECB<sup>37</sup> and, what is

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<sup>33</sup> 'Liaisonfunctie Brussel-Den Haag en ondersteuning inzake Europees Beleid', Tweede Kamer der Staten-Generaal, 11-04-2002, 28632.

<sup>34</sup> See the government programme of the SPD as an example of tendencies in the German debate about the future of the EU at [www.spd.de](http://www.spd.de). Merkel has been less clear about her preferences ('The Merkel Plan', *The Economist*, 15 June 2013).

<sup>35</sup> <http://www.forexlive.com/blog/2013/07/08/draghi-asked-if-employment-should-be-part-of-ecb-mandate/>

<sup>36</sup> <http://politicalpress.eu/2013/04/press-release-meps-to-discuss-ecbs-role-and-activities-with-mario-draghi/>

<sup>37</sup> Financiën (2012) *Raad voor Economische en Financiële Zaken*. Brief van de minister van Financiën aan de Tweede Kamer d.d. 13 september 2012 over de vormgeving van de parlementaire

probably more frightening in the Dutch perspective, a move away from the German-type central bank and a northern dominance of the ECB. The option is still open that it may be developing into a central bank modelled on the *Banque de France* rather than on the *BuBa*. Independence and the no-bail out clause were core principles for the Dutch when joining the EMU. What started out as a German-dominated euro-project might develop into the political monetary union Mitterrand actually pursued.<sup>38</sup>

### Will the European Semester work?

After the disaster of 2003-2004 when the Netherlands had asked the European Commission to make a case against France and Germany for breaking the 3% rule, the Dutch were strongly in favour of tightening the SGP rules and, later, of creating the independent Commissioner for monetary and economic affairs. Although the renewed EU Semester in 2012 seemed a success, the EU Semester 2013 raised doubts over, among others, the leeway that was given to France despite the obvious economic difficulties it is facing – and the political bargaining that must have been going on between France the ‘independent’ Commissioner. Hence, the doubts surrounding the SGP that existed since the 1990s still seem valid. Moreover, deeper integration has been achieved through six pack, two pack and fiscal compact, and programme countries are reorganised the hard way. However, whether this deeper integration also works for countries such as Italy and possibly France is still up in the air – and these doubts increase the fears over the future of the euro.<sup>39</sup> Similarly, steps have been taken in developing the banking union but even here questions remain concerning who pays for undercapitalized banks and who ensures bank deposits. France and other southern countries are looking for more EU support versus German and Dutch preferences for a banking union only after current weaknesses are solved. As regards the semester and possibly the banking union, the danger exists that *plus ça change, plus c'est la même chose*.

### Losing control?

Overall, a growing sense of losing control is feeding anti-European sentiments amongst those who think they have nothing to gain from Europe. Support for the 3% budget rule has dropped because many regard it as unwelcome interference by Brussels and leading economists doubt its wisdom under current economic crisis conditions.<sup>40</sup> There is also a growing resistance to an austerity programme that threatens basic social rights. Yet, a parliamentary majority has chosen to follow Rehn's advice.<sup>41</sup>

## 4. Hesitant European and Dutch responses

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betrokkenheid bij ESM-besluiten. Tweede Kamer, vergaderjaar 2011-2012, 21 501-07, nr. 942. Den Haag: Sdu.

<sup>38</sup> Connelly, M. (1995), *The rotten heart of Europe*, London: Faber and Faber.

<sup>39</sup> Stark, J. (2013) „Die Euro-Krise wird sich im Spätherbst zuspitzen“, *Handelsblatt*, 26 juli 2013. [http://www.handelsblatt.com/politik/konjunktur/geldpolitik/ex-ezb-chefvolkswirt-stark-die-euro-krise-wird-sich-im-spaetherbst-zuspitzen/8549974.html?utm\\_source=twitterfeed&utm\\_medium=twitter](http://www.handelsblatt.com/politik/konjunktur/geldpolitik/ex-ezb-chefvolkswirt-stark-die-euro-krise-wird-sich-im-spaetherbst-zuspitzen/8549974.html?utm_source=twitterfeed&utm_medium=twitter)

<sup>40</sup> <http://www.welingelichtekringen.nl/economie/177618/coen-teulings-cpb-we-hadden-beter-niet-aan-de-euro-kunnen-beginnen.html>

<sup>41</sup> Canoy, M. (2012), 'Krugman overspeelt zijn hand', *Economische Statistische Berichten*, 11 mei, <http://www.economie.nl/weblog/krugman-overspeelt-zijn-hand>; Econoom Paul Krugman: politici, luister gewoon eens naar Coen Teulings, NRC 1-4-2013, <http://www.nrc.nl/nieuws/2013/04/01/econoom-paul-krugman-politici-luister-gewoon-eens-naar-teulings/>.

Following the 'no' to the Constitutional Treaty in 2005, a resolution was adopted in Dutch parliament asking the government to provide clarity as regards the future direction of the EU. It was feared that the EU was losing popularity because it is hard to love the EU when the people do not know where it is heading.<sup>42</sup> However, a new grand narrative did not emerge as the EU – and the Dutch government – were soon overwhelmed by the euro crisis.

Rehn – the European Commission – has not convinced. Commentators in the Netherlands gave him the benefit of the doubt in 2013. However, his reports presented in spring 2013 were broadly regarded as political compromises – and were approved as such by the June European Council. France, with a state debt beyond the 90% and rising and successive unpopular governments, has been described as one of the major risks to the stability of the eurozone.<sup>43</sup> Yet, while Rehn granted France more time to reform, the Dutch, seemingly arbitrarily, had to bring the deficit back to 2.8% within one year (hence, even below 3%), which involved (extra) budgets. As a consequence, Rehn was presented in the Dutch media as a politician (Visser, 2013<sup>44</sup>) instead of as an independent technocrat.

Similarly, the ECB has not convinced the Dutch to be a reliable partner. More generally, trust in the ECB has fallen even more deeply than trust in the EP.<sup>45</sup> The So far the ECB has taken drastic measures when these were deemed necessary. However, in the absence of a narrative for the eurozone (including the ECB), it is unclear whether this concerns temporary measures as Draghi and other EU leaders are underlining or whether we see a form of European integration by stealth (Majone 2005; Lubik and Rhodes 2012).<sup>46</sup> It is also not clear whether the ECB will go back to what it was before 2010. The ECB is also growing in size due to its work in the programme countries and new its banking supervisory task. The increased responsibilities of the ECB also pose questions as regards its organisation: will it be a network organisation working closely with the national central banks or will it develop into a more centralised European Central Bank, and what will this mean for the role of national central banks? Will it be like the *Buba* or like *Banque de France*? Moreover, questions have risen in the Netherlands about the mandate of the ECB that has been broadened without a proper discussion whether this is in line with the Treaties.

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<sup>42</sup> Tweedekamer, motie-Pechtold nr. 23 (31202)2007.

<sup>43</sup> Stark, J. in Handelsblatt: "Das Staatsanleihekaufprogramm OMT solle eigentlich in Spanien und Italien zum Einsatz kommen. „Aber der Druck wird enorm werden, das Instrument auch in Frankreich einzusetzen. Und zwar ohne, dass sich das Land unter den Rettungsschirm begeben muss".

[http://www.handelsblatt.com/politik/konjunktur/geldpolitik/ex-ezb-chefvolkswirt-stark-die-euro-krise-wird-sich-im-spaetherbst-zuspitzen/8549974.html?utm\\_source=twitterfeed&utm\\_medium=twitter](http://www.handelsblatt.com/politik/konjunktur/geldpolitik/ex-ezb-chefvolkswirt-stark-die-euro-krise-wird-sich-im-spaetherbst-zuspitzen/8549974.html?utm_source=twitterfeed&utm_medium=twitter)

<sup>44</sup> <http://www.bnr.nl/?service=player&type=archieff&fragment=20130613155524300>; *Nieuwsuur* 29 May 2013 <http://nieuwsuur.nl/onderwerp/512091-nederland-moet-extra-bezuinigen.html>

<sup>45</sup> Eurobarometer *supra*.

<sup>46</sup> Dilemmas of European Integration: The Ambiguities and Pitfalls of Integration by Stealth Giandomenico Majone 2005 Oxford University Press. S. Das [http://articles.economictimes.indiatimes.com/2013-01-29/news/36616171\\_1\\_esm-eurozone-ecb](http://articles.economictimes.indiatimes.com/2013-01-29/news/36616171_1_esm-eurozone-ecb).

Lubik, Thomas A., and Karl Rhodes, "TARGET2: Symptom, Not Cause, of Eurozone Woes", richmondfed.org, August 2012.

[http://www.richmondfed.org/publications/research/economic\\_brief/2012/pdf/eb\\_12-08.pdf](http://www.richmondfed.org/publications/research/economic_brief/2012/pdf/eb_12-08.pdf)

Meanwhile, Dutch politicians have had difficulties reacting to the developments that have unfolded since 2008. In practice, and notwithstanding expressions of Euroscepticism, the previous minority government headed by Rutte and supported by the EU-critical Freedom Party of Geert Wilders agreed – with help from especially the labour party in the opposition – to the crisis measures. The anti-EU campaign that Wilders pursued in the election campaign of 2012 did not give him a boost probably because he had just supported the government, which had excelled in European integration. Polls also show that most voters actually did not believe that the government had any alternatives and that support for the euro had been inevitable.

The current Rutte administration combining the liberal and labour party has not changed course drastically. It allowed its finance minister to chair the eurogroup signalling at least a positive attitude and is keen to maintain its place at the euro table. Nevertheless, the government has had difficulties with reacting to Cameron's speech suggesting a more distant, subsidiarity based, approach towards European integration and to Barroso's blueprint (actually expressing quite the opposite more centralised option). In the meantime, Prime Minister Rutte has ducked<sup>47</sup> questions about the future of integration: "During a famine, one should not talk about changing the constitution".<sup>48</sup> With talk about a political union (whatever it may mean<sup>49</sup>) and about a possible Brexit or a split between eurozone and EU, it is not surprising that the Dutch government feels caught between the devil and the deep. Silence has been the main response to Barroso's blueprint and Cameron's speech. In the meantime, the government renewed the Dutch focus on subsidiarity. The State of the Union report that was sent to the Second Chamber early 2013 and the Dutch subsidiarity review conclude more or less that the Dutch support for an ever closer union is over.<sup>50</sup>

Subsidiarity seems to be the new buzzword although at least informally major transfers of competences to Brussels have taken place since 2008 with full support of the Netherlands. Will subsidiarity now help the Dutch to forestall further institutional developments like those we have seen coming from the European Council, the possibly changing role of the European Commission, the increasing powers of the EP and the changing role of the ECB? Unsurprisingly, the government has been accused of creating the image of being against Barroso's political union by raising the issue of subsidiarity while going along with steps in the direction of economic governance whilst, on the other hand, avoiding a discussion about *finalite*.<sup>51</sup> The subsidiarity discussion has been, so far, about details (individual pieces of legislation) rather than about bigger questions of EU competencies or subsidiarity-based models for the ECB, EU Commission and parliamentary democracy.

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<sup>47</sup> Visser, M., (2013), 'Rutte kan het', FD, <http://fd.nl/economie-politiek/columns/martin-visser/917610-1306/rutte-kan-het>.

<sup>48</sup> <http://www.ad.nl/ad/nl/5597/Economie/article/detail/3266276/2012/06/05/Rutte-nu-niet-de-tijd-voor-Europese-vergezichten.dhtml>

<sup>49</sup> P. de Grauwe (2007) *Economics of Monetary Union*, Oxford University Press, p. 113 ('The many dimensions of political union').

<sup>50</sup> Staat van de Europese Unie 2013, <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2013/02/15/aanbiedingsbrief-bij-staat-van-de-europese-unie-2013.html>; Inventarisatie EU-regelgeving op subsidiariteit en proportionaliteit – Nederlandse lijst van actiepunten, <http://www.rijksoverheid.nl/documenten-en-publicaties/vergaderstukken/2013/06/21/inventarisatie-eu-regelgeving-op-subsidiariteit-en-proportionaliteit-nederlandse-lijst-van-actiepunten.html>.

<sup>51</sup> Engelen, W. (2013), 'De Eurofiel in tijden van crisis', *NRC Handelsblad* op 19 februari.

The governing labour party has been underlining the ‘honest story’<sup>52</sup> about what is happening to European integration. Already during the election campaign in 2012, it stressed that more write-offs of debts to southern countries could not be excluded and that more transfers of powers to the EU level could be necessary. It will be difficult for the Dutch ruling coalition to reconcile that ‘more powers will be shifted towards the EU level’ with ‘pursuing the ever closer union is over’. With this, the current government seems to be built on a paradox – a new version of being for and against the EU<sup>53</sup> – and leaves open what kind of EU the Dutch want, or, maybe even more important these days: what the Netherlands do not want.

## 5. Conclusions: dynamics without directions?

How the Dutch position concerning the future of European integration will evolve, will depend on the trends that will emerge. What will happen to the German-French axis? How will the ‘battle’ between the supranationalists and the supporters of the intergovernmental approach develop? Will the EP and the national parliaments be able to find a balance in terms of (joint) control of EU policies? Will the European Commission remain the more or less independent arbiter that upholds the Treaties or should its position be rethought as EU government? Will the UK remain a valuable ally or will it disappear from the European scene?

As to the fundamental issue of a French or a German Europe, the Netherlands would hope to marshal allies to make sure that a French-led coalition will not steer the eurozone in the direction of a transfer union, governed by Brussels. Moreover, although unwilling to side with the negative tone of Cameron, the Dutch might have to campaign for continued British EU membership as a counterweight to the Berlin/Paris axis. How great is the risk that the eurozone is slowly moving towards economic governance, including an EU fiscal capacity and Brussels defining macro-economic policies? This is an old French dream. Berlin is, for the time being, not protesting against moves in a direction that contradicts its own economic principles in exchange for French support for austerity or forced by circumstances (the need for structural reform in the debtor countries). Whether this will define the Dutch strategy is unclear. Simply following Germany might entail a risk for the Netherlands as history shows. Mitterrand and other French presidents have been openly following Germany in order to slowly gain influence on Germany in the long run. As Tony Judt (Postwar p. 308) concluded that: “The EEC was a Franco-German condominium, in which Bonn underwrote the Community’s finances and Paris dictated its policies.” Or as Charles de Gaulle formulated it: “The EEC is a horse and a carriage: Germany is the horse and France is the coachman”. The impression of growing French influence and of gradual erosion of the German-type EU also emerges when looking at the ECB which was first formally bound by the Treaties to prevent bailouts of Member States but has announced it will do so if deemed necessary. Germany has so far had the upper hand in providing the common answers to the debt crisis and the way in which to support the debtor countries – conditionality, austerity and structural reforms – but these steps could lead to a French type European economic governance.

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<sup>52</sup> Rutte verwijt Wilders spelletjes - Samsom pleit voor eerlijk verhaal Europa, *NRC*, 26 August 2013, <http://www.nrc.nl/verkiezingen/2012/08/26/wilders-valt-rutte-aan-over-europa/>

<sup>53</sup> Schout and Wiersma 2012, *supra*.

The second main question concerns the further institutional development of the EU and the balance between the intergovernmental and the supranational approaches. This is a key issue for the Dutch. They would most likely not accept a political union; a form of banking union is the maximum. This also means that the Dutch would like to avoid treaty change. So far, the Dutch position is contradictory. On the one hand it has stressed that the increased role of the European Council protects the sovereignty of the Member States and that intergovernmental cooperation has helped to prevent transfers of power since 2008. On the other hand, the Netherlands demanded an independent supervisory role of the supranational commissioner for monetary affairs.

How The Hague would react to further integration discussions depends also on the somewhat polarised and unpredictable domestic EU attitude. There simply is no dominant European narrative. The upcoming European elections might force all parties to put their cards on the table.

For the time being Europe will have to cope with the Netherlands as a supporter of the EU as it comes to the protection of (economic) interests, but which is uncertain about its strategic place among its EU partners. The main lines of a renewed Dutch EU-narrative could include the following priorities:

- Safeguarding of the internal market;
- Continuation of the euro supported by continued austerity and structural reforms;
- Avoidance of Treaty change and of speculations about any form of political union;
- Promotion of a rule-based EU (high priority of the rule of law).

We, finally, would like to emphasise one approach the Dutch could push as alternative for deeper integration based on subsidiarity (networked-based governance)<sup>54</sup> – and preferably one that integrates the involvement of eurozone and non-eurozone members. Such a Dutch perspective on the future of the EU is an option. It would build on the 100% union based on strong national institutions working closely together in EU networks. Hence, it would offer a subsidiarity-based model of deeper integration in which Member States are reinforced rather than side-lined.<sup>55</sup> For example, it would start from questions about whether it is possible to keep ECB, EP and Commission small and working with national administrative and political capacities. The Netherlands is actively supporting the build-up of national capacities in new Member States under the heading of ‘rule of law’. However, its rule of law agenda is not pushed in the eurozone area. What remains for the eurozone is that debates about the future of the EU and the eurozone are taking place in Brussels and between France and Germany. The Netherlands seems to have chosen once again a more passive role even though it could enrich the EU with a subsidiarity-based view on the future of the EU that goes beyond detailed legislation.

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<sup>54</sup> Schout, A. and A.J. Jordan (2008) ‘The European Union's governance ambitions and its administrative capacities.’ *Journal of European Public Policy*, 15(7), 957-974.

<sup>55</sup> Schout, A. (2013), ‘Hoe 55.000 mensen de verkeerde eis kunnen stellen: Geen bevoegdheden overdragen – of subsidiaire samenwerking?’, Rondetafelgesprek Tweedekamer, 11 september 2013.

“Geen EU-bevoegdhedenoverdracht zonder referendum”

Tweede Kamer, 11 september 2013

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This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein."