Netherlands

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On Friday 8 February Dutch Prime Minister Mark Rutte presented the preliminary outcome of EU member-states' negotiations on the EU's long-term budget (2014-2020). His message to the Dutch public clearly was: "mission accomplished"—the Netherlands had achieved its double objective of reducing the total EU budget while holding on to the Netherlands' one billion euro rebate that it had obtained in 2005 for the first time. Throughout 2012 draft budget proposals had envisaged cutting the Dutch rebate substantively. In the end, Austria lost her rebate completely, Sweden's was reduced, and Denmark obtained a rebate for the first time; the Netherlands and the United Kingdom managed to hold on to the original sizes of their rebates. Mr. Rutte's self-congratulatory press conference thus seems justified.

The outcome of the Euro-top of 7-8 February limits the financial problems the Dutch government is presently encountering: in order to meet EU budget standards, the Netherlands has embarked on an ambitious €24bn package of budget cuts and tax increases for the coming years. The package is no guarantee that the Netherlands will meet the EU's agreed-upon ceiling of 3% budget deficit, a norm strongly advocated in the past by the Netherlands itself. On top of that, the Dutch government effectively nationalized SNS Bank, one of the country's largest retail banks, in order to prevent its collapse. This measure alone will cost €3.7bn, a sum narrowly offset by the government's recent sale of network concessions. The Dutch government thus could not afford another financial setback in the form of a strong reduction in its EU rebate. These stakes were reinforced last month by the election of Dutch Finance Minister Jeroen Dijsselbloem as chair of the Eurogroup: it will complicate his job if the Netherlands will not meet the strict criteria for the Eurozone.

The double aim the Netherlands had set for itself reflects the critical attitude the country has openly adopted vis- a-vis European integration since, roughly, 2005. In 2005 over 60% of the Dutch population rejected the Constitutional Treaty in a referendum. This was a major blow to the Dutch foreign policy elite which had simply expected Dutch public opinion to rally around the government's position and had underestimated the organizational strength of the opponents of the Treaty. Since then, most politicians have remained extremely sensitive to the idea of anti-European sentiments among the Dutch population. In particularly, they feared that the idea would take hold that the Netherlands pays far more to the EU than it receives and that more and more national prerogatives would slowly leak away to what opponents call a 'European super-state'. One of the results of this increased government's sensitivity was the bitter fight for a Dutch rebate, in order to redress this alleged unfairness of distorted contributions. This fight resulted in a €1bn rebate for the Netherlands in the EU's 2007-2013 budget.

In 2013 this sensitivity has not disappeared: there has been a relative instability in the Dutch political system since the murder in 2002 of Mr Pim Fortuyn—then leader of a new, highly successful anti-elite party (LPF); the Dutch political system has been characterized by high electoral volatility and unstable government coalitions (5 elections and 6 cabinets since 2002, including a minority government [2010-2012]). Although the populist freedom party PVV and its leader Mr Geert Wilders campaigned unsuccessfully on an explicit anti-European platform during the 2012 national elections, the political elite is aware of the anti-European undercurrent in Dutch society cutting across most political parties (the exceptions are D66 and the Greens, whose voters remain relatively pro EU). It thus remains essential to avoid the impression with the general public that the Dutch pay more than others and that Brussels will take on more tasks.

In sum, from a short term perspective Mr Rutte and his Foreign Secretary, Mr Frans Timmermans, have done well. Two sectors in the Netherlands seem to have fallen victim to the current budget deal: agriculture and Research & Development. The farmers, speaking through their main lobby organization LTO Nederland, complain about the reduction of subsidies (indeed, the EU's Common Agricultural Policy traditionally also favours the highly efficient Dutch agricultural sector) and expect more competition from Central and Eastern European countries. The smaller rise in the EU budget for innovation than planned may work to the disadvantage of Dutch research institutes. The immediate political fall-out of these groups is likely to be minimal.

In the long run, however, the current Dutch position may have different, and even adverse, consequences. Critics of the Dutch position in Brussels, who include opposition parties in the Dutch parliament, European parliamentarians of the ruling coalition, and Dutch Euro commissioner Ms Neelie Kroes, argue that the government has protected vested interests and failed to develop a long term perspective on Europe, which should have been the purpose of a seven years' budget in the first place. Indeed, if future European prosperity and political power depends on increased competitiveness and on the attraction of trained migrants, it seems odd that the EU decided to give a lower priority to innovation and infrastructure (in particular in ICT). This is all the more pertinent for the Netherlands, which still seems hesitant in recognizing that future economic growth may not exclusively reside in its well-functioning transport and agricultural sectors, but rather in high-tech service industries, which would require investments in education and innovation.

More importantly, by focusing on maintaining the rebate, the Netherlands has firmly sided with more Eurosceptical member states, such as Denmark, Sweden, and the United Kingdom. Traditionally, the Netherlands has always kept close to the French-German tandem which usually lies at the heart of European policies. The budget summit of 7-8 January, however, witnessed a rift between on the one hand the Eurosceptics, supported by Germany, and on the other hand a coalition of southern and eastern EU member states, the European Parliament and the Commission, who, all for different reasons, jockeyed for a higher budget. Indeed, the race has not yet been run as the European Parliament, strongly in favour of a higher budget, can still reject the summit deal. The summit thus revealed the existence of a major cleavage between EU member states that is not easily resolved as long as the current economic crisis in the eurozone continues.

Although usually labelled Europhile until the mid-2000s, the Netherlands and its foreign policy elite always took a very pragmatic stance despite that official doctrine. In order to prevent the dominance of a few big member states, it sided with the UK regarding the widening of the EU—the more member states, the stronger the intergovernmental character. Meanwhile, because its efficient farmers profited from CAP rules, it sustained the size of the EU agricultural budget, and because the Guilder was effectively pegged to the D-Mark, the Netherlands followed the German position on EMU. What changed in the mid-2000s, however, was the increased electoral salience of EU issues. Whereas in the past the Dutch foreign policy elite officially complained about Europe's democratic deficit, the same deficit helped them hide effective costs and benefits of European policies from the broader public. Various issues, however, made the public increasingly aware of the effects of

Europeanization, such as migration and the displacement of production sites. The financial and economic crisis have increased the sensitivity of the public to European policies: the EU is often portrayed as curbing the macro-economic policy freedom of the national government—the arrival of a EU bureaucrat in January who will permanently reside in The Hague and who will closely watch the Dutch efforts to meet EU budget rules has reinforced such images.

It is no coincidence that parallel to the budget negotiations, Dutch political parties have been drafting lists of competencies which should remain national, or which should be 'retaken' from Brussels. They also demanded from Prime Minister Rutte a long term vision of the European project, a request he has gently put aside. These movements reflect the difficulty with which Dutch politicians realize that they must eventually comply with the same EU budget rules they so eagerly formulated in the past. Then, they underlined that the Netherlands was not like Italy or Greece; now they can only present Dutch compliance to these rules as long as they can maintain at the same time that not all Dutch policy freedom has been handed over to Brussels.

The fight over the EU budget 2014-2020 thus hides a deeper rift characterizing the Netherlands and its attitude towards the EU: the electorate watches ever more closely the costs and benefits of European integration. Dutch politicians therefore have to seem tougher in Brussels than they used to. They may thus be driven into the Eurosceptical camp, as happened over the budget, and thus drift away from the French-German EU engine to which they sought to remain so close in the past. This situation will worsen as long as the Dutch political system remains as volatile as it has become since the 2000s, allowing Europe to become a salient issue in electoral campaigns. The situation may ameliorate when the Eurozone shows signs of substantive growth and costs of European integration become less visible or less painful. Unfortunately for Dutch politicians, the Dutch economy has just entered its third official recession since 2007.