



European Council: Netherlands

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1 Introduction and Executive Summary

Both historically and geographically in the heart of Europe and the European Union, the Netherlands have benefited from exchange with its European Allies. In recent years, however, this positive image of the EU has been challenged by right-wing populists such as Geert Wilders, an avid islamo- and eurosceptic. With the European idea under fire, it is up to Prime Minister Mark Rutte to again win Dutch hearts for his pro-European policies of cooperation, preferably before European Elections in May.

As Dutch Prime Minister,

- expanding defence cooperation in Europe,
- solving the migration crisis on a European level, and
- strengthening the European Monetary Union

are key areas of interest. This document provides a quick glance at Dutch policy in Europe and can serve as a starting point for research. Please especially take a look at the references, as they include a number of very comprehensive articles, data collections and reports.

2 Societal and Economic History

As one of the EU's founding members, the Netherlands have always been at the heart of the EU. Being a comparably small nation with an historical emphasis on trade, the Schengen area, the European Customs Union and the European Single Market are core to Dutch social and economic success.

Since the 1970's, the Netherlands have been under scrutiny for its involvement in tax avoidance schemes by multinationals in offshore financial centres (OFCs), tax havens such as Bermuda or Curaçao. In these schemes, multinational corporations shift their profits (often through royalty payments, patents and other IP related items) into

a Dutch subsidiary, which is allowed to shift its profits by similar means tax-free to OFCs. Between 2007 and 2009, for instance, Google was able to move the majority of its profits generated outside the US (\$ 12.5 bln.) to Bermuda through corporate entities in the Netherlands, resulting in an effective tax rate of 2.4% and \$ 60 bln. lost to tax loopholes. [2]

In 2015, the European Commission decided that the Dutch government had granted selective tax advantages for Starbucks, which had established a similar scheme. The Commission argued, that Starbucks' Dutch tax ruling had endorsed artificial and complex methods to establish taxable profits for the companies, which did not reflect economic reality. [3]

3 Political Position [5]

Prime Minister Mark Rutte is the head of the liberal conservative *People's Party for Freedom and Democracy* (VVD). Their parliamentary majority is currently sponsored by a centre-right coalition with the Christian Democratic Appeal (CDA), Democrats 66 (D66) and Christian Union (CU), however Mark Rutte's second cabinet was formed as a result of a centre-left coalition with labour. In the European Parliament, the VVD is part of the *Alliance of Liberals and Democrats for Europe Party* (ALDE).

In 2019, the Dutch government plans to achieve a common EU approach to migration, with agreements on stronger external borders, disembarkation arrangements on the North African coast and controlled processing centres on the southern European coast, and a revision of the common asylum system. In the EU budget debates, the Netherlands are pressing for a modern budget that shares the burdens evenly. To guarantee a robust European Monetary Union, it is essential that EU budget rules are observed and agreements kept. In addition, the government wants the banking union to be completed in order to minimize risks to taxpayers. [4]

4 Foreign Policy [1]

The Netherlands abandoned a longstanding policy of neutrality after World War II, when joining NATO as a founding member. Dutch foreign policy is geared to promoting a wide variety of goals: the rule of law, human rights, and democracy. Priority is given to enhancing European integration, ensuring European security and stability (mainly through NATO and the EU/PESCO), and participating in conflict management and peacekeeping missions.

The Benelux customs union paved the way for the formation of the European Community (precursor to the EU). Likewise, the Benelux abolition of internal border controls was a model for the wider Schengen accord. The Dutch have traditionally been strong advocates of European integration, and most aspects of their foreign, economic, and trade policies are coordinated through the European Union. However, Dutch voters rejected the EU constitutional treaty in June 2005, it was later approved in parliament in September 2008.



Fig. 1: Starbucks' tax setup in Europe, as reported by the European Commission. [3]

5 Domestic Policy

The Dutch economy is running smoothly, with unemployment at its lowest level for 17 years. While Brexit is regarded as a challenge for most economies in Europe, Brexit-related company relocations to the Netherlands might even lead to the Dutch economy coming out on top. [6]

Anti-immigration sentiments from populist parties have put pressure on the governments domestic agenda. Of the total Dutch population in 2010, 11% were foreign-born, of these 8.5% of the total population were born outside the EU.

6 Recent Developments

The Dutch government has said it is in talks with more than 250 companies about moving their operations from the UK to the Netherlands before Brexit. The economic affairs ministry said it had lured 42 companies or branch offices and 1,923 jobs from the UK last year, as it increases its efforts to gain Brexit business. While Mark Rutte recently said he did not see Brexit as a business opportunity, countries including Ireland, France, Germany, Belgium and Luxembourg have been actively looking for opportunities to capitalise on Brexit ever since the EU referendum. [6]

7 References

- 1 GlobalSecurity.org: 'Netherlands - Foreign Relations', <https://www.globalsecurity.org/military/world/europe/nl-forrel.htm>
- 2 Nature Magazine: 'Uncovering Offshore Financial Centers: Conduits and Sinks in the Global Corporate Ownership Network', <https://www.nature.com/articles/s41598-017-06322-9>
- 3 European Commission: 'IP/15/5880', http://europa.eu/rapid/press-release_IP-15-5880_en.htm
- 4 Government of The Netherlands: '<https://www.government.nl/government/the-government/s-plans-for-2019>',
- 5 Government of The Netherlands: 'Statement of policy', <https://www.government.nl/government/policy-statement>
- 6 The Guardian: 'Brexit: Netherlands talking to 250 firms about leaving UK', <https://www.theguardian.com/politics/2019/feb/09/brexit-uk-companies-discuss-moving-to-netherlands>