

Forming Coalitions in the EU after Brexit
Alliances for a European Union that Modernises and Protects

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Foreword

On 9 May 2017, members of the House of Representatives Anne Mulder, Pieter Omtzigt and Joël Voordewind submitted a motion requesting the Advisory Council on International Affairs (AIV) to produce an advisory report as a follow-up to its earlier report 'Brexit Means Brexit: Towards a New Relationship with the UK'.¹ In the motion, adopted on 16 May 2017, the House of Representatives notes that, after the UK leaves the EU, the Netherlands will lose an important ally and that, as a result of Brexit, power relations within the EU will be redefined. The House also noted that, in the advisory report on Brexit, the AIV concludes that after the departure of the UK the Netherlands should focus on close cooperation and coordination not only with Germany, but also with North-West European countries. In the motion, the House requests the AIV to indicate in a follow-up advisory report how best and with whom to form coalitions in the EU, and what action is needed to achieve that aim.²

The text of this motion, incorporated in the request for advice sent to the AIV by the House of Representatives on 4 July 2017, is the point of departure for this advisory report. The request for advice is attached to this report in annexe I. The AIV will answer the question on how the Netherlands can best form coalitions in the EU after Brexit against the broader background of the internal and external context of the EU, which has changed dramatically in recent years. These changes have had an impact on the EU's priorities, the Netherlands' activities within the EU, the potential for fresh vigour in the EU's activities and capacity for action, and power relations within the EU. There is every indication that forming coalitions within the EU has become increasingly important for the Netherlands.

A committee was set up to prepare this report, consisting of M. Sie Dhian Ho (chair), Professor M.O. Hosli, M. Krop, Professor C.W.A.M. van Paridon, Dr A. Schout, Professor M.L.L. Segers, Professor L.A.J. Senden, Professor A. van Staden, C.G. Trojan, M.C.B. Visser and N.P. van Zutphen of the European Integration Committee, and Dr A.R. Korteweg of the Peace and Security Committee. The executive secretary was A.R. Westerink, assisted by trainees B.W.J. van der Kroon and N.S. Bagga. C.W.J. Devillers and W. Slagter were the civil service liaison officers from the Ministry of Foreign Affairs. In the final phase of preparing the report, the committee was also able to benefit from the expertise of Professor L.J. van Middelaar, who was appointed as the new chair of the European Integration Committee.

The committee consulted a large number of experts in preparing this report. The AIV is very grateful to them for their contributions.

The AIV adopted this advisory report at its meeting on 6 July 2018.

¹ AIV, advisory report no. 103, 'Brexit Means Brexit: Towards a New Relationship with the UK', The Hague, March 2017.

² Parliamentary Papers 21 501, no. 1229.

Introduction

The significance of the United Kingdom's withdrawal from the European Union

The upcoming departure of the UK from the EU will not leave the Netherlands unscathed. Apart from the economic damage caused by new trade barriers, the greatest impact will be on the Netherlands' position in the EU. Even though the Netherlands' expectations when the UK acceded to the European Community in 1973 did not materialise, Brexit will nonetheless be a painful blow to the Netherlands. After all, the two countries have often taken the same line on a range of important areas within Europe. These include liberalising global trade through broad trade agreements, working towards a common European market with equal access for all, police cooperation through Europol and promoting a well governed EU with efficient budgetary management and effective legislation. Britain's contribution has also been of great importance in maintaining an Atlantic orientation in European integration and cooperation. Brexit will therefore constitute a geopolitical loss for the Netherlands. The same applies to relations within the EU: after Britain's departure, the Netherlands will lose its strategic position between Germany, France and the UK. It is therefore inevitable that the EU will look completely different for the Netherlands without the UK. What will this mean for Dutch European policy?

In the opinion of the AIV, the expected damage to the Netherlands should be seen in proportion. First of all, the UK was only partly a like-minded ally for the Netherlands in the EU. Britain's perspective on European integration was in reality never more than economic, and even then only to a limited extent. Europe as a political project to promote peace and reconciliation was never a priority for the UK and, as such, its European ambitions always lagged behind those of the Netherlands, even in recent years, when our own attitude towards integration has been somewhat less enthusiastic. Unlike the Netherlands, the UK actively worked against the institutional and substantive deepening of the EU, as shown by its decision to remain outside the eurozone and the Schengen area, or to secure an opt-out – as initially with the Social Policy Protocol – or some other form of exceptional arrangement, as with the area of freedom, security and justice. The UK (together with Poland) even insisted on an exceptional position in respect of the protection of fundamental rights, which can impact on nationals of other member states if they are confronted with British (or Polish) rules.³ The UK has thus been less of an ally than the Netherlands predicted in the early 1970s: it did stand by us in our efforts to keep European integration on a realistic footing where necessary, but it did not help us to strengthen our position on the continent, and certainly not to deepen European integration. For the latter, we had to rely more on other member states and alliances, especially our Benelux partners and France and Germany, as well as the European Commission. If anything, this was even more true in the final years of British membership than before. As far as the Netherlands' position in EU decision-making is concerned, the AIV sees Brexit as a regrettable development but not an insurmountable problem.

Broader EU internal and external developments

The UK's departure coincides with a number of other developments, moreover, that call for European integration to be strengthened rather than weakened. These include dealing

³ See Protocol No. 30 to the Treaty on the Functioning of the European Union (TFEU) on the application of the Charter of Fundamental Rights of the European Union to Poland and to the United Kingdom, which excludes the judicial assessment of the laws and regulations of the UK and Poland against the Charter of Fundamental Rights of the EU.

with the pressure on Europe's external borders exerted by an unstable Middle East and a rapidly growing Africa, how to respond adequately to neighbouring countries with assertive and authoritarian governments such as Russia and Turkey, and finding a response to the socioeconomic consequences of globalisation and digitalisation for our welfare states.

Of more fundamental significance, in the AIV's opinion, is the current undermining of the international multilateral order by the United States. The US has built, safeguarded and led this order – the order from which Europe derives its security and prosperity – since 1945. Since taking office at the beginning of 2017, President Trump has systematically disrupted every form of international cooperation (withdrawing from the UN climate agreement, opting out of the nuclear deal with Iran, showing reluctance to express solidarity with NATO, taunting allies in the G7). He has particularly targeted the EU as too strong an economic bloc that does not contribute enough to its own defence. While European integration has been able to progress since 1950 under America's constant military protection and political encouragement, we are now in an unprecedented situation in which Washington supports those European forces and parties that are trying – in the wake of Brexit, which President Trump admires – to weaken and break up the Union.⁴

This unravelling transatlantic backdrop is certainly forcing the Netherlands to reorient itself in Europe. We have always felt most comfortable with the economic integration of the market and later the currency, based on the internal project to secure peace in Europe; that is what the Netherlands has focused on and where it has proved most constructive. On the other hand, we have always been hesitant to give European political structures any form of geopolitical, international task or substance, given that – unlike France, for example – we have always relied exclusively on America for our security. It was precisely in this 'division of labour' that the Netherlands found the UK on our side in the EU. The British approach was always based on 'negative' integration, particularly liberalising markets. The UK worked hard to achieve this objective, and on enlargement of the EU. It devoted much less effort, on the other hand, to 'positive' integration, building European unity and mutual protection in areas other than the single market, or to the capacity to act in concert as a Union. These are issues that are more urgent than ever in the prevailing geopolitical climate. In that sense, the disadvantage of Britain's departure could prove to be a benefit.

In this situation, it is possible that intense debates will develop simultaneously within the EU on 'how to move forward without the UK' and 'how to move forward with Europe'. These events are unfolding in an EU where the euro and migration crises have made relations tense: within countries, between those who are for and against further European integration, and between countries, between North and South, East and West. Despite these tensions, there is also a growing awareness that public concerns about the consequences of globalisation and irregular or large-scale migration – concerns that found expression in the Brexit referendum – call for an EU that focuses not only on liberalising markets, but also protects its people; an EU that is not simply a pawn in the international game, but instead controls the game. A Union that helps its member states to manage threats and address challenges, so that they do not have to resort to unilateral 'national' solutions. A Union that helps its people feel that they can take control over their own lives, rather than surrendering it. To achieve those aims, an antagonistic

⁴ For a more detailed treatment of the changed external situation, especially in the area of security, see AIV advisory report number 106, 'The Future of NATO and European Security', The Hague, October 2017.

and inward-looking UK would not be a suitable ally. The Netherlands should seek other partners.

Recent political developments

In a number of EU countries, and France in particular, the broad political centre has acquired sufficient electoral strength to give shape to a new European *élan*. Brexit has not proved a tempting example on the continent, even though elections in Austria and Italy have made it clear that there is still widespread disillusionment with the EU. The EU institutions – the European Council, the Council of the European Union, the Commission and the Parliament – are all making their own efforts to steer a course towards fresh European vigour. The European Council is playing an increasingly central role, concerning itself more and more with major policy areas like migration. The European elections in May 2019 will also be a test of the EU's capacity to act.

Emmanuel Macron's election as president of France in May 2017 created the necessary conditions for a renewed Franco-German 'engine' to give greater direction and power to the process of European recovery. Since then, President Macron has taken up the gauntlet of reforming France's stagnating social economy and so credibly claiming a galvanising role for France in the process of European integration. He has presented his initiatives and proposals for achieving the latter goal. After a long drawn out process of coalition-forming following the Bundestag elections of September 2017, the new German government, strengthened by a coalition agreement full of European ambitions, responded to Macron's proposals in June 2018, through Chancellor Angela Merkel. That has set the European discussion in motion, calling for debate and dissenting voices.

These changes to the European stage also call for Dutch engagement, to support European decision-making in areas that are important to the Netherlands, such as foreign policy, modernisation of the economy, climate and migration, and where possible and necessary, to try to influence it in ways that are in the Netherlands' interests. In his speeches in Berlin on 2 March and to the European Parliament on 13 June, Prime Minister Mark Rutte gave this engagement a significant boost.⁵ Pointing out that, in the new situation, Europe is not only about the economy, but also values and security, Mr Rutte said, 'If we want to determine our own future, Europe must stand united'.

The importance of forming coalitions

To exert influence, the Netherlands will have to actively forge coalitions. First, because the number of EU member states has increased, making it necessary to negotiate with more potential partners, each with less voting power. Second, since the Lisbon Treaty, the ordinary legislative procedure applies in more areas of policy, requiring a qualified majority or a blocking minority to achieve a desired outcome. On top of this is the impact of the UK's departure. For a long time, the UK was a major ally for a number of smaller Scandinavian and Baltic member states, and for Ireland and the Netherlands, in acquiring a qualified majority or a blocking minority. Now that this trusted ally is leaving, active coalition-forming will be required to compensate for the UK's substantial voting power.

While the necessary European resolve is difficult to imagine without a strong core of Franco-German cooperation, the smaller Northern and Baltic countries are also

⁵ See <<https://www.rijksoverheid.nl/documenten/toespraken/2018/03/02/toespraak-van-minister-president-mark-rutte-bij-de-bertelsmann-stiftung>> and <<https://www.rijksoverheid.nl/ministeries/ministerie-van-algemene-zaken/documenten/toespraken/2018/06/13/toespraak-minister-president-rutte-over-de-toekomst-van-de-europese-unie---europees-parlement-straatsburg>>.

concerned that, given the new balance of power after Brexit, they will have to accept Franco-German *faits accomplis* on sensitive dossiers. A loose alliance dubbed the 'Hanseatic coalition' (after the medieval alliance of Northern European trading cities linked by sea and major rivers) has delivered a warning shot by sharing common principles in the discussion on the architecture of Economic and Monetary Union (EMU). In the media, the Netherlands has emerged as the informal leader of this group, whose members are like-minded not only on issues relating to the eurozone but also on the new EU budget. Meanwhile, the leaders of Poland and Hungary have not been idle. They are trying to obtain the support of the Visegrád Group, other Eastern European countries like Romania and Bulgaria and, on some points, the Baltic States for their opposition to cutbacks in European funds, to an automatic formula for distributing migrants within the EU, and to European pressure to reverse Polish and Hungarian interventions in the judiciary, media and civil society. With tensions rising, forming coalitions will be even more crucial in shaping the Europe of the future. This will require a fully engaged Netherlands to navigate skilfully between the desired Franco-German political energy and decision-making supported by enough member states, as well as between Europe's capacity to act in response to social and economic challenges and the desire to cut back on and modernise the EU budget. In other words: forming alliances for a European Union that modernises and protects.

Structure of the advisory report

Because the questions 'how to move forward after Brexit?' and 'how to move forward with Europe?' are closely related to the great challenges facing the Union and the changes in the external and internal context of the EU, the AIV has elaborated on and answered the request for advice in a broader context. As such, the AIV has not confined itself to the original question posed by the House of Representatives: how and with whom can the Netherlands best form coalitions within the EU after Brexit, and what is required to do that?

The report is structured as follows. Chapter I discusses the increasing importance of forming coalitions for the Netherlands and the consequences of Brexit for power relations within the EU. It also examines different forms of coalition. Since Brexit will not have the same impact in all areas, chapter II analyses possible coalitions for the Netherlands post-Brexit in a number of key policy areas. In this report, the AIV focuses on policy areas where it believes that the departure of the UK will have a significant effect, which are of great importance to the Netherlands and/or where a high degree of activity is expected. The report does not address policy areas in detail where, in the AIV's opinion, the UK's departure will not have far-reaching consequences, such as parts of the judicial cooperation within the EU in which the UK did not participate.

The UK's departure will have a major impact on the upcoming negotiations on the Multiannual Financial Framework (MFF). While the challenges facing the EU continue to grow, an important, like-minded net-contributor is leaving. Chapter III analyses the hot-button issues surrounding the MFF, the Netherlands' approach to the negotiations and possible new partners. Chapter IV presents conclusions and specific recommendations regarding a number of policy areas and coalitions.

This report addresses the consequences of Brexit for power relations within the EU and how the Netherlands can best form coalitions with the remaining 27 EU member states. The consequences of Brexit for the EU and the Netherlands' relationship with the UK

were examined in the AIV advisory report 'Brexit Means Brexit: Towards a New Relationship with the UK',⁶ and will not be repeated here.

⁶ AIV, advisory report number 103, 'Brexit Means Brexit: Towards a New Relationship with the UK', The Hague, March 2017.

I The playing field: coalitions in the European Union

I.1 The importance of forming coalitions

Groups of member states with more or less structural ties have always formed coalitions within the EU to influence the decision-making process. They do this through consultation, informal coordination and cooperation between their representatives, both before and during formal negotiations. This process has attracted considerable attention in recent years.⁷

Two developments in the past decade have accentuated the importance of forming coalitions: enlargement of the EU and majority decision-making. Because of the larger number of member states – the Union grew from 15 to 25 members in 2004 and now has 28 – the influence of each individual state on decision-making has declined. That means that, although there are now more member states with which the Netherlands can form coalitions, there are also more to negotiate with. With so many potential partners, forging relations and coalitions demands more time and attention. There is also limited time to exchange standpoints around the negotiating table. That is why coalitions are formed at an early stage, during the informal run-up to formal talks in the European Council and the Council of the European Union.

The expansion of policy areas governed by qualified majority voting, as laid down in the 2007 Lisbon Treaty, also increased the importance of forming coalitions. If member states no longer have a veto, they can only stop a proposal as a group, by forming a blocking minority. Conversely, anyone wishing to see a proposal adopted must find a majority of supporters.

Informal political pressure along national lines can be felt in all EU institutions, including the European Commission and European Parliament. In these institutions, however, it does not lead to coalition-forming in the sense intended here. British MEPs have to date often chaired committees that are also important to the Netherlands, for example on the single market or trade. British officials also hold leading positions in these areas in the Commission. With the imminent departure of these like-minded influencers, the AIV would urge the Netherlands to adopt an active strategic approach regarding its representation in EU institutions and the Commission in particular.

The natural playing field for forming coalitions between EU member states lies in the two institutions in which all 28 members are represented: the European Council (composed of the heads of state and government) and the Council of the European Union (composed of the members of government who hold the various policy portfolios). This report will therefore focus on these two institutions. Both have their own role to play, according to their own rules. And both will be affected differently by the imminent departure of the UK.

The European Council has grown to become the place where the major EU decisions are made and, as shown during the debt and migration crises, where crisis management

⁷ This introduction is based largely on insights from Hedwich van der Bij and Jan Rood, 'Samenwerking en coalitiepatronen in de Europese Unie, Nederland op de Europese politieke assen' (*Cooperation and coalition patterns in the European Union: the Netherlands and the European political axes*), Clingendael publication, The Hague (2016); IOB Evaluation, 'A strategic approach? Dutch coalition-building and the "multi-bi approach" to influencing EU decision-making (2008-2012)' (2014); and publications by the European Council on Foreign Relations, especially the *EU Coalition Explorer*, see <<https://www.ecfr.eu/eucoalitionexplorer>>. A recent publication relevant in this context is the issue of the *Clingendael Spectator* 3, 2018 (vol.72), entitled 'Het Europese Coalitiespel' (The European Coalition Game).

occurs. The members recently underscored this central role in their support for President Donald Tusk's Leaders' Agenda.⁸ Presidents and prime ministers primarily form coalitions around major political themes like the future of the euro, migration, enlargement and the EU budget. Personal relations also play a prominent role. Since 2010, prime minister Mark Rutte has consolidated his position (and thereby that of the Netherlands) through a successful Dutch EU presidency, his long experience as prime minister and his close relationship with German chancellor Angela Merkel and French president Emmanuel Macron. In addition, Mr Rutte's individual and group meetings with the leaders of the Nordic, Baltic and Visegrád countries have contributed to their appreciation of and support for the Netherlands' position.

After the UK has departed, the European Council will still have 27 voting members.⁹ As voting (with a few exceptions) takes place by consensus, the balance of votes will not change, in principle. That is one reason why some observers see a potential leadership role for the Dutch prime minister in the new, post-Brexit Union, as spokesperson for the economic liberal and 'Atlantic' voice which was formerly the domain of the British prime minister. Yet a Dutch prime minister, no matter how talented, cannot compensate for the loss of the British voice on his (or her) own. Here, too, coalitions are required.

Britain's departure will have a clearer impact on relations in the Council of the European Union. The Council is not an institution that lays out major political lines in the public spotlight; instead it focuses more on legislation on important but often technical dossiers. That means more variable coalitions among the 28 ministers on specific policy themes. These coalitions are often forged by civil servants in the capitals and in Brussels during the preparatory stages.

The impact of Brexit on power relations within the Council will depend on the voting procedure.¹⁰ Although the Council aims for consensus, the members are always well aware of the number of votes required for a qualified majority or a blocking minority. The Council has three voting procedures:

1. **Unanimity.** This procedure continues to apply to some decisions in the context of the Common Foreign and Security Policy (CFSP), a number of rules relating to Justice and Home Affairs (JHA), harmonisation of national legislation on direct taxation and the EU's financial resources. A unanimous decision is also required to conclude international treaties.

As each member state can block decision-making in the above areas, nothing will change in theory in the balance of voting power in the Council after the UK leaves the EU, though smaller member states will be more vulnerable and less influential than a large state like the UK when it comes to blocking a decision. This is a relevant consideration, for example, in negotiations on the MFF (see chapter III).

2. **Simple majority:** this voting procedure is used only rarely, for procedural matters and requests to the Commission to perform studies or submit proposals.

⁸ See <<https://www.consilium.europa.eu/media/21594/leaders-agenda.pdf>>.

⁹ Besides the heads of state or government of each member state, the presidents of the Commission and the Council are also members of the Council, but they do not have the right to vote.

¹⁰ This section on the Council is largely based on an introduction by H.A. Würzner of the Ministry of Foreign Affairs at a symposium marking the 40th anniversary of the Policy and Operations Evaluation Department (IOB) on 14 December 2017. See the report on the symposium here: <<https://english.iob-evaluatie.nl/publications/publications/2017/12/14/report-iob-lustrum-symposium-14-december-2017>>, pp. 46-47.

A simple majority requires that 15 of the 28 members vote in favour, with abstentions counting as votes against. The departure of the UK will cause a minor change, in that a simple majority will require a vote in favour of only 14 of the 27 members. Considering the kinds of decisions made by a simple majority, the impact of Brexit will be small.

3. **Qualified majority:** This is now the standard voting procedure in the Council,¹¹ and is mainly used for the ordinary legislative procedure.¹² This is where Brexit will have the greatest impact. Under the Treaty, a qualified majority requires at least 55% of the members of the Council, with a minimum of 15 members and representing countries that together account for at least 65% of the population of the Union.¹³ That means that, conversely, a blocking minority can be achieved with 13 member states voting against, or at least four member states representing more than 35% of the EU's population. Sometimes, informal political pressure against a proposal from a group of member states that do not formally constitute a blocking minority can be sufficient for the Council Presidency to cancel or postpone a vote on a specific issue.¹⁴ Just as not every veto is a veto in practice, conversely an almost-blocking minority can prove to be a blocking minority.

As the rules for qualified majority voting (QMV) are to remain the same, Brexit will change the balance of voting power. Although at least 15 of the 27 member states will still have to support a decision, as far as population percentages are concerned, the importance of large member states like Germany, France, Italy, Spain and Poland will increase; as a consequence of the UK's departure, their voting power will be greater compared with that of smaller member states like the Netherlands. Annex II contains an overview of these consequences for the 27 remaining member states.

As a consequence, organising blocking minorities without the UK will be considerably more difficult for some groups of countries, as illustrated by the examples below:

- A like-minded coalition of Germany, the Netherlands, Ireland, Sweden and Denmark constitute five of the 27 EU member states representing 26.64% of the Union's population. This group is 8.36% short of a blocking minority.
- The Benelux, the Nordic member states, the Baltic states and Ireland constitute 10 of the 27 EU member states, but represent only 13.67% of the Union's population. This group is 21.33% short of blocking minority.

For other groups of countries, forming a blocking minority will become easier:

- After the UK's departure, France and Germany will automatically represent 33.2% of the EU's population and therefore together will almost constitute a blocking minority.
- France, Italy and Spain together represent 39.24% of the European population and can therefore easily form a blocking minority.

¹¹ Article 16 (3) of the Treaty on European Union (TEU).

¹² Article 294 of the TFEU.

¹³ Article 16 (4) of the TEU.

¹⁴ This happened, for example, with the proposal for a gender quota directive, for which there was a blocking minority including the UK and the Netherlands. After the departure of the UK, this blocking minority will no longer exist. The question now is whether the proposal will later be put to a vote.

It can be concluded from the above outline and examples that it will be practically impossible for the Netherlands to form a population-based blocking minority without Germany, the biggest member state. If the Netherlands fails to mobilise any of the large member states, it will need the support of 12 other smaller member states to form a blocking minority. Because Germany is not an automatic ally for the Netherlands on all issues, the Netherlands must seek to work with like-minded countries, many of which traditionally orient themselves towards the UK. In the next section and the following chapters the AIV explains which groups and policy areas it believes offer the best scope for achieving this aim.

I.2 Forming coalitions in the EU

A useful way of categorising coalitions is to distinguish between temporary/ad hoc and permanent alliances. The former last only for a short time and are not very institutionalised. They focus on specific issues and end when the issue concerned has been dealt with. In the current Brexit negotiations, for example, Ireland, the Netherlands and Denmark sometimes work together as countries whose economies will be relatively hard hit by the UK's departure. Such relatively loose-knit or temporary coalitions may be based on underlying cooperation founded on party political affinities between governments and/or close relations between heads of government.

Permanent coalitions are more stable and institutionally embedded. The member states may consult regularly and the group may have its own name. A shared background is often an important factor, e.g. geographical location, language, culture or other common, usually long-term, interests.¹⁵ Permanent coalitions, which will be examined in greater detail below, can be divided into territorial and theme-based coalitions.

I.2.1 Territorial coalitions

Territorial coalitions are based on the geographical proximity of their members. They are usually neighbours who share a political lot,¹⁶ culture, identity or history. There are several territorial coalitions active in the EU which are of interest to the Netherlands, either as a member or in view of our relations with them. A number are examined below, starting with Franco-German cooperation, the main coalition in the process of European integration.

Franco-German cooperation

The cooperation between France and Germany is unique and has driven the process of European integration since the Second World War. With the founding of the European Coal and Steel Community (ECSC) in 1951, the two countries opted for an advanced degree of economic and industrial interdependence, with the objective of making a new war unthinkable. In doing so, they laid the basis for European integration. Their cooperation suited the goals of both France, which, after the Second World War, wished once again to play a leading international role, and Germany, which wanted to do penance for its recent past by becoming once again embedded in Europe, so as not to present a threat to its neighbours (or itself). The unique geopolitical ties between the two states are founded less on a shared culture, interests or identity – which are often very different – than on the shared political will to make a break with the past and with the

¹⁵ Ruse, Ilze, *(Why) Do Neighbours Cooperate? Institutionalised Coalitions and Bargaining Power in the EU Council Negotiations*, Opladen: Budrich UniPress Ltd. (2013), p. 86.

¹⁶ Uilenreef, Arjan, 'Adieu Benelux, Välkommen Norden? Nederland en regionale allianties in de Europese Unie' (Farewell Benelux, Hello Nordics? The Netherlands and regional alliances in the European Union), *Internationale Spectator* January 2014, volume 68 no.1.

wars which, until 1945, had arisen as a consequence of their antagonism and rivalry. That has given the cooperation between them the nature of a deep, existential mission, which is often underestimated in the more pragmatic Netherlands and can occasionally lead to diplomatic *faux pas* or misunderstandings.

In concrete terms, the close Franco-German cooperation is based on frequent consultation at various levels and on a broad agenda. The relationship was first institutionalised through the Élysée Treaty, agreed between De Gaulle and Adenauer in 1963, also known as the Friendship Treaty. The treaty intensified relations in a large number of policy areas and still symbolises reconciliation between the two countries. The French and German governments undertook to inform each other in advance of important decisions on foreign policy. Since 2003, a full-scale Franco-German ministerial council has been meeting every two years.¹⁷ The French president and the German chancellor, and their ministers of foreign and financial affairs, meet each other on a very regular basis, for example to prepare for EU decisions.¹⁸

The cooperation between France and Germany could once again become a driving force in the EU. In response to an appeal from French president Emmanuel Macron,¹⁹ the German coalition agreement between the CDU/CSU and the SPD (concluded in the spring of 2018) has made a close partnership with France a priority, one aim of which is to make the eurozone more resistant to crises. The Franco-German Meseberg Declaration of 19 June 2018 underscores the joint ambitions of the two countries in a number of policy areas that will be addressed later in this report.²⁰

How the Netherlands can best position itself in respect of this extraordinarily strong coalition *à deux* after Brexit is one of the main questions addressed in this report. The Netherlands, like other smaller EU member states, has traditionally been somewhat mistrustful of agreements between Paris and Berlin (or Bonn in earlier years) affecting Europe as a whole. That is understandable, especially given the brusque manner in which both countries can sometimes act and their tendency to operate on the basis of *faits accomplis*. On the other hand, without close Franco-German cooperation, our direct environment would be much more unpredictable and European initiatives in many areas that directly contribute to prosperity and security in the Netherlands, from the single market to the external borders, would hardly get off the ground. It is therefore in Dutch interests too that Germany and France make their sometimes difficult relationship work, trust each other and continue to mould their partnership within a European framework. The Netherlands' role could take the form of improving on their agreements where necessary and reminding them that Franco-German consensus may be a *necessary* condition for European agreement but is not in itself a *sufficient* one. After Brexit, this bridging function will fall even more heavily on the Netherlands' shoulders.

The Benelux

¹⁷ See <<https://www.nrc.nl/nieuws/2013/04/12/rutte-en-merkel-verenigen-kabinetten-duitse-en-nederlandse-ministers-om-tafel-a1435631>>.

¹⁸ See <www.deutschland-frankreich.diplo.de/Blaesheim-Treffen,1224.html>.

¹⁹ See, for example, <https://www.cdu.de/system/tdf/media/dokumente/koalitionsvertrag_2018.pdf?file=1>.

²⁰ See <<https://www.bundeskanzlerin.de/Content/EN/Pressemitteilungen/BPA/2018/2018-06-19-meseberg-declaration.html>>. For more on this declaration, see <<https://www.nrc.nl/nieuws/2018/06/21/merkel-is-om-en-dat-is-best-bijzonder-a1607422>>.

The cooperation between Belgium, the Netherlands and Luxembourg is one of the oldest territorial coalitions, and one for which the TFEU explicitly makes provision.²¹ Since 2008, this cooperation has focused primarily on the single market and the economic union, sustainability, justice and home affairs.²² Political consultations at the highest level take place in advance of European Council meetings. The three prime ministers also meet annually at the Benelux Summit, which focuses on foreign and security policy and institutional issues.

In the past, the Benelux often acted as a nursery for initiatives that were later adopted at broader European level, like the single market and police cooperation. That still gives the Benelux unique authority in today's EU. The three countries are not, however, always like-minded. Belgium, for example, supports further federalisation of the Union, while the Netherlands has become more cautious on this issue. There are also differences of perspective on the market, agricultural policy and social affairs.²³

Although the exchange of information is useful in itself, coordinating standpoints gives the Benelux an opportunity to influence European decision-making at crucial moments. This is sometimes achieved by issuing joint papers or memoranda in the run-up to a European summit. This approach has been applied in recent years on, for example, institutional matters, the CFSP and cooperation on justice and home affairs.²⁴

The 'old six'

The 'old six' refers to the six founding states of the European Community: France, Germany, Italy and the three Benelux countries.²⁵ Of the six, the Netherlands has been most critical of further European integration in recent years,²⁶ though the election victory of the Five Star Movement and the Lega shows that the mood in Italy has also become far more critical. The six countries do not meet each other on a systematic basis, but do feel an exceptional and shared responsibility for the EU and its future. Two days after the Brexit referendum of 23 June 2016, for example, the foreign ministers of the old six came together, determined to ensure that other member states do not follow the British example and turn their backs on the Union.²⁷

The Nordic and Baltic countries

After their independence in the early 1990s, the three Baltic States of Estonia, Latvia and Lithuania formed an alliance with the five Nordic countries (Denmark, Sweden, Finland, Norway and Iceland). The alliance is also known as the Nordic-Baltic Eight (NB8). The eight countries are united by cultural, historical, political and economic ties and share a common interest in stability and prosperity in the Baltic region.

The six EU countries in the group (Denmark, Sweden, Finland, Estonia, Latvia and Lithuania) work together at political level. The prime ministers meet in advance of European Council meetings, and the foreign ministers before meetings of the General

²¹ Under article 350 of the TFEU, the Benelux is considered a regional union, within which the member countries can work together closely, 'to the extent that the objectives of these regional unions are not attained by application of the Treaties'.

²² As decided in the revised Benelux treaty: <http://www.wipo.int/edocs/trtdocs/en/rbeu/trt_rbeu.pdf>.

²³ Clingendael (2016), p. 20.

²⁴ IOB Evaluation (2014), p. 25.

²⁵ Fraser Cameron, *The Future of Europe: Integration and Enlargement*, Taylor and Friends Ltd. (2004), p. 2.

²⁶ See

<http://www.ecfr.eu/publications/summary/the_invisible_web_from_interaction_to_coalition_building_in_the_eu_7289>.

²⁷ See <www.parool.nl/buitenland/oprichters-eu-beraden-zich-over-brexit~a4327660/>.

Affairs and Foreign Affairs Councils. In terms of themes, the group focuses mainly on environmental, energy, security and social policy.

In June 2017, Dutch prime minister Mark Rutte and his Benelux counterparts met the leaders of the Baltic and Nordic states. Mr Rutte indicated that he wished to work closely with the group on irregular migration, foreign policy and defence – the last in light of the geopolitical pressure being exerted on the Baltic region by Russia.

The three Nordic countries in the EU (Denmark, Sweden and Finland) share a certain number of cultural and social similarities with the Netherlands. They are reliable EU allies in areas like compliance with EU rules, economic discipline, the single market, innovation and the budget; they, too, have been slightly unmoored by the UK's departure. Research by the European Council on Foreign Relations (ECFR) shows that Sweden and the Netherlands are among the countries that vote the most often with the UK in the Council.²⁸

The Visegrád Group

The Visegrád Group comprises the four Central European states of Poland, Hungary, the Czech Republic and Slovakia, and is also known as the 'V4'. The four countries feel culturally, religiously and historically close to Western Europe, but found themselves on the eastern, Soviet side of the Iron Curtain during the Cold War.²⁹

Representatives of the Visegrád Group meet at periodic intervals, with a rotating presidency. The four heads of government meet annually.³⁰ The group shares similar viewpoints on asylum and migration policy, and on climate and energy. The members are trying to improve their contacts with surrounding countries and other partners. The Netherlands disagrees with the V4 on a number of issues, including migration, but there is common ground for coalition-forming in the area of economic matters. Nevertheless, the exceptionally alarming developments with respect to democracy and the rule of law in Poland and Hungary, which the Commission and the European Parliament refer to regularly and forcefully, could constitute an obstacle to potential cooperation.³¹ The AIV also expressed its concerns about the erosion of democracy and the rule of law in both countries in a recent report.³²

I.2.2 Theme-based coalitions

Theme-based coalitions bring together like-minded member states on specific issues and policy areas. The coalitions are not permanently active as a group, but cooperate systematically on a specific dossier on the agenda. In this way, they are different to ad hoc coalitions.³³ Below is a brief overview of a number of theme-based coalitions in which

²⁸ See

<www.ecfr.eu/publications/summary/the_invisible_web_from_interaction_to_coalition_building_in_the_eu_7289>.

²⁹ For an analysis dating from the Cold War, see the essay by Milan Kundera, 'Un Occident kidnappé, ou la tragédie de l'Europe centrale' (The Tragedy of Central Europe), *Le Débat* (1983) no. 27.

³⁰ See <www.visegradgroup.eu/about/aims-and-structure>.

³¹ A very recent judgment of the Court of Justice (ECLI:EU:C:2018:586) held that 'a judicial authority called upon to execute a European arrest warrant must refrain from giving effect to it if it considers that there is a real risk that the individual concerned would suffer a breach of his fundamental right to an independent tribunal and, therefore, of the essence of his fundamental right to a fair trial on account of deficiencies liable to affect the independence of the judiciary in the issuing Member State' (in this case, Poland).

³² See AIV, advisory report no. 104, 'The Will of the People? The Erosion of Democracy under the Rule of Law in Europe', The Hague, June 2017.

³³ IOB Evaluation (2014), p. 44.

the Netherlands takes part. A number are also discussed in the chapters on various policy areas and the multiannual budget.

Net contributors

The 'net contributors' group' is a theme-based coalition which, in recent years, has consisted of Germany, Sweden, Belgium, Luxembourg, Denmark, France, Austria, the UK and the Netherlands.³⁴ The name refers to their average highest contribution to the European budget.³⁵ With the departure of the UK and possible shifts in the budget, the composition of the group will probably change. The coalition takes a united stand on issues relating to the EU budget, focusing on restricting their net contributions and distributing the contributions more equally. There are regular consultations between officials from the capitals of the net-contributor states, and between staff of their permanent representations in Brussels.³⁶ Officials of the finance ministries of the Netherlands, Denmark, Sweden, the UK and Germany meet regularly as the 'Noordwijk Group'.

The Copenhagen Group

The Copenhagen Group is a coalition on financial and competition policy. It calls for less government intervention and market regulation and more market liberalisation. The group consists of the UK, the Netherlands, Finland, Sweden, Denmark, Estonia, Lithuania, the Czech Republic and Ireland. Officials from the group's member states consult two or three times a year, often in the margins of EU meetings.³⁷

Trade policy

The Netherlands is part of a loose-knit group of member states promoting free trade. The other members are Sweden, the UK, Finland, Denmark, Germany, the Czech Republic and Estonia; Austria, Poland and Ireland sometimes join meetings. The group acts as a counterbalance to more protectionist-minded countries like the southern member states and (at least until recently) France.

Development cooperation

The Netherlands, Denmark, Finland, Sweden and the UK also work together frequently in the field of development cooperation. Germany, Austria and Ireland regularly join the group. This cooperation is institutionalised in the Council Working Party on Development Cooperation and breakfast sessions of international development ministers before their six-monthly Council meetings.

Better regulation

The Netherlands supports efforts concerning better regulation in the EU. It shares this ambition with the UK, Sweden, Denmark, Poland, the Czech Republic, Slovakia and the Baltic states. The heads of government and ministers of economic affairs of these member states have sent joint letters to the presidents of the Commission and the European Council on several occasions in order to keep this issue high on the political agenda.

³⁴ See <www.cbs.nl/nl-nl/nieuws/2016/50/nederland-deze-eeuw-grootste-nettobetaler-van-de-eu>.

³⁵ See <http://ec.europa.eu/budget/figures/interactive/index_en.cfm>.

³⁶ IOB Evaluation (2014), p. 119; Ruse (2013), pp. 115-116.

³⁷ IOB Evaluation (2014), p. 119.

Agricultural policy

The Netherlands, Denmark, Germany, Estonia and Sweden are largely like-minded on the Common Agricultural Policy (CAP) and form a loose coalition aimed at modernising and simplifying the policy.³⁸ Policy officers from these countries meet every four months.³⁹

Northern Lights group

Besides the permanent coalitions in which the Netherlands takes part, it also participates in regular consultations on the EU's policy agenda. The Netherlands, the UK, Sweden, Denmark, Finland, Germany and Estonia together form the Northern Lights group. The 'sherpas' (key officials) of the heads of government of these countries meet in the run-up to the European Council to exchange information.

Summary

As shown above, the Netherlands is a member of various kinds of coalitions with different countries – ad hoc, permanent, territorial and theme-based. Both the Netherlands and the UK are members of many of the theme-based coalitions. Chapter II will look in greater detail at a number of policy areas in which the UK's departure can be expected to have clear consequences.

1.2.3 The Netherlands' bilateral relations with Germany and France

As a final element of the playing field, it is worth briefly considering the Netherlands' bilateral relations with Germany and France. These are not coalitions in the strict sense, if only because both of these large EU member states maintain close relations with *all* their many neighbouring countries. Relations with both countries are, however, very relevant to how the Netherlands will reposition itself in the EU after Brexit.

The Netherlands–Germany

Cooperation between the Netherlands and Germany is very close and covers a wide range of policy themes, including education, trade, the economy, defence and the exchange of diplomats. After the Second World War, the two countries developed similar viewpoints in many areas. Because the Netherlands was not carrying historical 'baggage' in the way that Germany was, it was able to take the lead or be more explicit on certain issues, like the euro, the European Central Bank and the Stability and Growth Pact, and adopt standpoints that Germany itself could not, because of sensitivities in other countries.

After a period of friction in the early 1990s – caused by the Netherlands' lukewarm response to German reunification and a number of incidents (e.g. the right-wing attack in Solingen in 1993) – both governments decided to launch a campaign to rectify this negative image. The Germany Institute was set up in Amsterdam, a journalist exchange programme was launched and, in 2005, the Dutch-German Conference – now the Dutch-German Forum – was started. Another important development was the establishment of

³⁸ See

www.denederlandsegrondwet.nl/9353000/1/j9vvihlf299q0sr/vinn8zj588xd?ctx=vihfckxm9ut9&start_tab0=20

>.

³⁹ IOB Evaluation (2014), p. 120; Ruse (2013), p. 118.

a German-Dutch army corps in 1995. These initiatives have led to a substantial improvement in the Netherlands' relationship with Germany.

Calls for close cooperation with Germany and the Franco-German axis are by no means new. In 1994, the Advisory Council on Peace and Security (AVV) – a predecessor of the AIV – argued in its report 'Germany as a Partner' in favour of a stronger orientation towards Germany.⁴⁰ A year later, the Netherlands Scientific Council for Government Policy (WRR) was more specific about seeking closer ties with the Franco-German axis; according to the WRR, where strengthening the EU's capacity for action was concerned, there was no satisfactory alternative to working towards an EU under German-French leadership.⁴¹ The government at the time decided, however, that it was better to strengthen bilateral relations with France and Germany individually.⁴²

In response to the credit and euro crises, and to acquire greater influence on European decision-making, the first Rutte government decided to work more closely with Berlin. Since 2010, reciprocal state visits, government-level consultations and summit meetings have underscored the current close relations and cooperation between Germany and the Netherlands. The possibilities are limited to some extent by the Netherlands' cautious European policy and by German chancellor Angela Merkel's European ambitions,⁴³ as expressed in the current German coalition agreement between the CDU/CSU and SPD.

The Netherlands-France

The Netherlands' cooperation with France has traditionally been less intensive than that with Germany. In 2003, the French-Dutch Cooperation Council – now known as the *Initiative franco-néerlandaise* – was set up with the aim of strengthening bilateral relations through closer contacts between citizens and cooperation between businesses. Joint activities are organised in France and the Netherlands in turn. Every year, the French and Dutch foreign ministers take part in conferences on European issues. This cooperation received a boost from reciprocal state visits by the heads of state and government, including the visit by President Macron to the Netherlands on 21 March 2018.⁴⁴ France and the Netherlands agree on more issues than is often assumed, for example on migration, external border controls and Schengen, and on climate change and innovation. This also applies in part to the multiannual budget and foreign policy, e.g. enlargement. Differences of opinion are perhaps the greatest on the future of the EMU (see chapter II).

⁴⁰ See Advisory Council on Peace and Security, 'Germany as a Partner', The Hague 1994.

⁴¹ Netherlands Scientific Council for Government Policy, 'Stability and Security in Europe: The Changing Foreign Policy Arena', The Hague, 1995.

⁴² Nijhuis, Ton, 'Van betekenisvolle ander naar een van ons: kantelend Duitslandbeeld in Nederland' (From significant other to one of us: Shifting views on Germany in the Netherlands), in *De Vleugels van de Adelaar*, Hanco Jürgens and Ton Nijhuis (editors), Amsterdam 2017, p. 167.

⁴³ Nijhuis, p. 178.

⁴⁴ For more on this visit, see <https://www.nrc.nl/nieuws/2018/03/21/welk-duracellmannelje-haalt-europa-uit-politieke-verlamming-a1596638?utm_source=SIM&utm_medium=email&utm_campaign=Vandaag&utm_content=&utm_term=20180323>.

II Possible coalitions in policy areas

The UK has decided to leave the EU at a time of heightened international and social tensions. A time in which the EU's member states realise that, more than ever, they need to work together to deal with international threats. The US is withdrawing more and more into itself. EU member states can only exert influence in this arena if they pull together. They also have to rely on each other because their far-reaching steps towards European integration have resulted in a *de facto* European 'community of fate'. It is a community characterised by shared vulnerabilities that call for joint action, for example to guard our external borders, or to respond together to the trade war that President Trump is currently unleashing. A European community of fate also encapsulates a way of life, based on the principles of democracy and the rule of law, good governance, a social market economy and a secular society.

Partly because of Brexit, the EU member states have become aware that, to reduce social tensions, a new balance is required between achieving economic freedoms and the protective role of the Union. In recent years, many people in the EU have often felt that far-reaching European court rulings or ineffective European legislation are actually undermining the power of member states to protect their citizens. The task for the Union is to help protect the desired way of life in the member states and enable it to flourish. This new balance between economic freedom and protection has consequences for the structure of the single market and for almost all policy areas of the EU.

This has led to intense debate within the EU on two questions simultaneously: 'how to move forward after Brexit' and 'how to move forward with Europe'. In the AIV's opinion, these two questions are closely related. Answering the question of what coalitions the Netherlands should enter into after Brexit calls for reflection on the Netherlands' place in a changing Europe. To that end, this chapter examines the following questions:

1. What dynamics do we expect in the EU in the years ahead? What influence could external factors (e.g. changed transatlantic relations or increasing threats around the EU's borders) and internal factors (e.g. new Franco-German initiatives) have on developments?
2. What are the Netherlands' ambitions and interests? What is at stake for the Netherlands?
3. What are the consequences of the UK's departure for the playing field? What are the consequences for the Netherlands?
4. Which coalitions are most logical for the Netherlands in the future?

Policy areas will be discussed in more or less 'historical' sequence, starting with the original single market and adjoining policy areas and – via the euro – moving on to later priorities of foreign policy and defence, domestic security, and asylum and migration.

II.1 Single market and economic modernisation

A well-functioning single market is key to the European project. The aim of the single market is greater prosperity for the people of Europe by allowing goods, services, capital and persons to move freely throughout the whole Union. That offers producers fewer barriers and equal opportunities on the market, and brings consumers more choice, better quality and lower prices. A bigger market means greater opportunities for specialisation, economies of scale and more efficient production.

The prosperity gains from the single market have been substantial but vary from country to country, and not everyone is benefiting equally. Figures from 2016 show that nearly a

quarter of the EU's population is at risk of poverty and/or social exclusion.⁴⁵ Eight out of ten Europeans think that a free market economy should go hand in hand with high levels of social protection and see unemployment and social inequality as one of the EU's most urgent challenges.⁴⁶

Against this background, the Juncker Commission has resolved not only to further deepen the single market but also to make it fairer. In its Work Programme, the Commission states that 'social fairness and labour rights' should be 'hallmarks' of the single market.⁴⁷ The Dutch government also wants a deeper and fairer single market to form the core of the EU's future strategy. By 'deepening', the government means strengthening the digital single market and digital innovation. It wishes to achieve a fairer single market through, for example, better enforcement of existing rules. In the government's view, many illegal practices occur in cross-border activities and this also calls for a common strategy.⁴⁸ In the AIV's opinion, a fairer single market also means striking a good balance between economic interests and social considerations, such as decent terms of employment for everyone. The single market and European social policy should together boost the member states' capacity to safeguard the social market economy in times of globalisation, rather than undermine it.

The primary responsibility for completing the single market lies with the Competitiveness Council, but the European Council also plays an important role. It annually monitors efforts to advance and strengthen all aspects of the single market. It has also committed itself to completing the various single market strategies, including the digital single market, by the end of 2018. This will require reaching agreement with the Competitiveness Council on its strategies in good time.

The Netherlands is one of a core group of member states that generally support deepening of the single market. Its allies in this objective are Ireland, Sweden, Finland, Denmark, the Czech Republic, Estonia and, traditionally, the UK. The departure of the UK will mean a loss of voting power for this coalition. On 'better regulation', an important area for the single market, there is a large coalition of 23 of the 28 member states. The UK was a major player in this coalition, too, but its departure will have a more limited impact.

The bloc that often obstructs steps to complete the single market includes Germany, France and Belgium. That is largely due to vested interests in these countries and the fact that, as large member states, Germany and France already have relatively substantial domestic markets. After Brexit, the proponents of deepening the single market will have to attract more allies if they are to exert sufficient influence in the Council. Candidates include Latvia, Lithuania, Poland, Slovakia, Luxembourg, Slovenia and Croatia, countries that are relatively like-minded on this point. Various eastern and southern EU member states, including Spain, see deepening of the single market as an opportunity to increase economic convergence.

⁴⁵ See <<http://ec.europa.eu/eurostat/documents/2995521/7695750/3-17102016-BP-EN.pdf/30c2ca2d-f7eb-4849-b1e1-b329f48338dc>>.

⁴⁶ See <https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-social-dimension-europe_nl.pdf>., p. 20.

⁴⁷ See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Commission Work Programme 2018, Strasbourg, 24.10.2017, COM(2017) 650 final, p. 5.

⁴⁸ See letter to Parliament on the State of the European Union 2018, Parliamentary Papers 34841, no. 1, pp. 7-8.

In practice, the exact composition of coalitions tends to vary by single market dossier, depending on the constellation of interests. In the telecoms sector, for example, an area where the Netherlands generally supports more freedom for the market, it presses for the protection of providers' interests, which may be considerable in the Netherlands, but are relatively small in European terms.

The digital single market also illustrates how a specific constellation of interests can lead to coalition-forming. The proposed legislation and initiatives that the Juncker Commission intends to launch in this priority policy area include better access for consumers and businesses to digital goods and services, an environment in which digital networks and services can thrive and maximisation of the digital economy's growth potential. In recent years, the four large member states – Germany, France, Italy and Spain – have displayed little enthusiasm for uniting the digital economies, for fear that it will be at the expense of their traditional manufacturing industries. The Dutch government, on the other hand, sees digitalisation as an opportunity to increase economic growth and believes that legislation should not unnecessarily obstruct the digital transformation. Through cooperation and integration, Europe can take the lead in modernising the economy. For the Nordic and Baltic member states, Ireland and the Czech Republic, which share the Netherlands' standpoint, the departure of the UK also represents a setback.

To achieve further deepening of the single market, the AIV would urge the Netherlands to follow a course that not only aims at enhancing the functioning of the market in each dossier, but also establishes a link between different dossiers by opting strategically for modernising the European economy. New coalition partners are presenting themselves in support of such a course. The election of Emmanuel Macron as French president has brought a new dynamism to the digital arena. In his election campaign, Macron promised to embrace digitalisation because he saw potential for a 'revolution of start-ups'. That ambition also resonates in the new coalition agreement in Germany. Now the situation is changing, the Netherlands can influence the European course by tapping into the Franco-German dialogue. Besides Macron's France, the other Benelux partners and Poland are of similar mind, and so the Netherlands sees opportunities to form a 'modernisation coalition' to promote the digital single market.

A Dutch modernisation-oriented course can also count on new coalition partners in the area of industrial policy. European industry is facing increasing competition on the world market, where a large number of non-European countries are protecting their industries. To compete globally, Europe must be able to counteract this. Rather than going along with increasing protectionism, the Netherlands is in favour of investing in a future-oriented European industry. Digitalisation and promoting sustainability – for example by decarbonising production processes – have priority. This aim has the support of the Benelux partners and Germany, while France, Poland and Spain are also in favour of modernisation in this area.

In summary, in relation to the single market, the UK's departure will weaken the traditional market liberalisation coalition. In the AIV's opinion, however, where the Netherlands' vision of modernisation of the European economy goes further than pure market liberalisation, focusing on innovation, digitalisation and sustainability, promising new coalitions could be formed with the Benelux, France, Germany, Poland and Spain.

II.2 Common commercial policy

The EU's economic potential is strongly related to the external dimension of the single market, i.e. the common commercial policy. This policy contains autonomous measures

that the Union takes unilaterally (tariff changes, export policy, trade protection measures) and standard measures taken in agreement with non-EU countries or international organisations. Trade agreements with non-EU countries have increased substantially in recent years, strengthening the Union's position in both economic and foreign policy terms.

Under article 3 of the Treaty on the Functioning of the European Union (TFEU), the common commercial policy is an exclusive competence of the Union. In successive treaty amendments, this competence has been extended and reaffirmed owing to a broad interpretation by the Court of Justice of the European Union. From the very beginning, the Commission has played a decisive role in policymaking and implementation in this area, as laid down in article 207 of the TFEU. Promoting international free trade is the guiding principle for the Commission. The Netherlands and the UK have always actively supported this approach. The UK's departure therefore means the loss of an ally in this policy area for the Netherlands. The consequences in practice will vary widely.

As far as conventional trade policy is concerned, the Commission has traditionally tried to find consensus after the Council has approved negotiating mandates for both multilateral and bilateral agreements. The Council can in principle approve 'EU only' agreements (i.e. agreements that do not have to be ratified by the individual member states) by a qualified majority. However, as these agreements can have far-reaching consequences, the Commission aims to get all member states on board. The intensity of the debates on the Transatlantic Trade and Investment Partnership (TTIP) agreement with the US (which failed because of public pressure on both sides) and the Comprehensive Trade and Investment Agreement (CETA) with Canada (which was agreed but has not yet been fully ratified) showed just how socially sensitive these issues are. The EU is currently involved in negotiations with Japan, Singapore and Mercosur, among others, while talks with Australia and New Zealand are on the horizon. The departure of the UK will not have a disruptive impact on any of these negotiations. The southern EU member states also generally support free trade. And in sensitive sectors like meat production, solutions are generally found.

The UK's departure will have a greater impact on trade protection measures. The EU can impose additional import duties if the competitive position of European producers is harmed by products marketed in Europe at predatory prices or by products that enjoy a competitive advantage thanks to subsidies in the exporting country. The EU's defensive instruments are bound by the rules and conditions of the World Trade Organization (WTO).

As a small, open economy, the Netherlands has traditionally exercised restraint in imposing defensive trade measures. Because of its large processing industry, the Netherlands benefits from low import duties. Small and medium-sized enterprises (SMEs) importing goods and services consider predictability – and therefore compliance with WTO agreements – very important. Standpoints on anti-dumping measures vary widely within the EU. Some member states call for the strictest possible anti-dumping rights, in order to protect their industries. Others, like the Netherlands, Sweden, Finland, Denmark, Germany, the Czech Republic, Estonia and the UK support a liberal trade policy. To ensure that the UK's departure does not lead to a more protectionist course, the Netherlands could consider Spain, Austria and Ireland as possible additional coalition

partners.⁴⁹ On 20 June 2018, the Commission responded to the US's protectionist approach in recent months and its import tariffs on European steel and aluminium by introducing tariffs on a number of specific products.⁵⁰ The meeting on 25 July between President Trump and Commission President Juncker and their joint statement seems to have averted a trade war, at least for time being.⁵¹

The current thinking about a more protective role for Europe also means that foreign investment is being considered in a different light. International politico-economic and geopolitical power relations are changing so dramatically with the growing power of China that its substantial investments in Europe are being reassessed. Countries from the traditional free-trade camp within the EU, like the Nordic countries, fear that the Union is going too far down the protectionist road. From their perspective, the departure of the UK – one of the largest recipients of Chinese investment – is a loss. The European Commission stresses that it does not wish to be protectionist, but nor does it wish to be naïve about China's enthusiasm for investing in Europe and the potential future consequences of that investment. The '16 + 1' initiative on cooperation between China and Central and Eastern European (CEEC) countries now involves regular interministerial meetings.⁵² It has not escaped the notice of the other EU member states that China's billions of euros of investment in Hungarian and Greek infrastructure has affected these countries' standpoints in Brussels. Their calls for a mild European response to international condemnation of China's actions in the South China Sea have been widely interpreted in the context of Hungary and Greece's location on the route of China's new 'Silk Road'.

The actions of Germany and France in this respect also reveal a strategic view of foreign investment. Although both countries are major recipients of Chinese investment, President Macron urges European action. In the AIV's opinion, the Netherlands would also be well advised to develop an integrated strategy on China. The second Rutte government's proposed legislation to protect strategic interests in the telecom sector suggests that the Dutch government is aware of this dimension.⁵³ The Netherlands is also working to maintain close contact with Eastern European member states like Romania, Poland and the Baltic states to prevent the 16 + 1 initiative from driving a wedge between the EU member states. These countries are aware that their economic relationship with the EU cannot be compared to investment from China. China's interest is, however, politically opportune for Viktor Orbán's Hungary.

II.3 The social dimension

Although the first European treaties in the 1950s did contain social provisions, the social dimension was much less central to the European project than creating the single market. A division of labour emerged, with European legislation focusing on opening markets and social protection being catered for at national level. In the first few decades, this worked very successfully: partly thanks to European integration, the economic catch-up of socioeconomically less developed member states and the expansion of national welfare states went hand in hand; inequality decreased both within and between member states.

⁴⁹ See 'Samenwerking and coalitiepatronen in the Europese Unie', (Cooperation and coalition patterns in the EU) Clingendael publication, June 2016, p. 29.

⁵⁰ See <http://europa.eu/rapid/press-release_IP-18-4220_en.htm>.

⁵¹ See <http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm>.

⁵² See also <<https://www.nrc.nl/nieuws/2018/07/05/china-krijgt-meer-grip-op-europa-a1609076>>.

⁵³ See <<https://www.internetconsultatie.nl/telecommunicatie/details>>.

In the past decade or so, however, inequality within European welfare states and – since the 2008 crisis – also between member states, especially in the eurozone, has increased. The ‘convergence machine’ has ground to a halt.⁵⁴ Calls for a ‘more social’ Europe are becoming louder, especially in member states that have had to cut back on their social provisions to stay in the eurozone. This places the division of labour between European integration and national welfare states in a new light.

Responsibility for social policy and employment currently lies with national governments. They have authority over such matters as the minimum wage, education and social security. Most member states want to retain that right. Social policy is an area in which the EU can only support the member states, or play a coordinating or supplementary role.⁵⁵ The Treaty calls on member states to aim for a high level of employment and appropriate social protection, combat social exclusion, ensure a high level of education and training, and protect public health by, for example, building on the past experiences of others through benchmarking and exchanging best practices.⁵⁶ Resistance to binding European measures in these areas is based on the view of various member states that any EU ambitions in the field of social policy would be accompanied by radical institutional changes, possibly including restraints on sovereignty and a greater chance of various forms of European financial transfers.

Since it took office in 2015, the Juncker Commission has tried to give the social dimension greater priority by focusing on a ‘fair and truly pan-European labour market’. What the Commission meant by ‘fair’ in this context was to give the same priority to promoting the freedom of movement of workers within the Union as combating abuses and social dumping. To that end, labour mobility should be based on clear rules under the principle that everyone should receive the same pay for the same job at the same place. In his first State of the Union address in 2015, Juncker announced that the Commission wanted to help achieve this with a ‘European pillar of social rights’.

At their summit in Bratislava in September 2016, called to reflect on the future of the Union without the UK, the 27 remaining EU member states acknowledged that a change of course will be required to restore damaged confidence in European integration and prevent others from leaving the Union after Brexit. That change is being sought in the achievement of a new balance between a Europe of economic freedoms and a Europe that protects its citizens. In their final declaration at the summit, the EU heads of state and government referred to the urgent need to tackle the economic and social insecurity of the people of Europe.⁵⁷ At the Social Summit in Gothenburg, Sweden, in November 2017 the European Council followed this up by setting up the European Pillar of Social Rights, which focuses on the right to work, fair wages and social protection.⁵⁸

At the Gothenburg summit, there was clearly a new sense of engagement in terms of the social dimension. This was related in part to the aim of achieving a ‘Europe that protects’, but also to the imminent departure of the UK. In the area of social policy, the UK has put the brakes on many proposed measures or, if that failed, elected for opt-

⁵⁴ See Frank Vandenbroucke, ‘Sociaal beleid in een muntunie: puzzels, paradoxen en perspectieven’ (Social policy in a monetary union: puzzles, paradoxes and perspectives), in: *Belgisch tijdschrift voor sociale zekerheid*, 1^e trimester 2016, pp. 5-6.

⁵⁵ This distinguishes it from policy areas where the Union has ‘exclusive’ competence (such as trade or competition) or ‘shared’ competence with the member states (such as the single market).

⁵⁶ Benchmarking and exchanging best practices are based on the open method of coordination (OMC), introduced in the Lisbon Strategy (2000).

⁵⁷ See <<https://www.consilium.europa.eu/media/21250/160916-bratislava-declaration-and-roadmapen16.pdf>>.

⁵⁸ For a report on this summit, see Parliamentary Papers 21501-31, no. 462.

outs. It resisted Brussels intervening in national social legislation and rejected European social provisions because they would mean higher costs for the UK.

With the departure of the UK, resistance to European social standards will probably decline. The Netherlands has long been a proponent of creating a level playing field between member states, with Dutch social standards being seen more or less as the yardstick. The differences between member states in the scale of their welfare states and the associated social standards (working hours and conditions, rules for dismissal, minimum wage) should be less marked. Other EU member states with relatively strong welfare states, like the Nordic countries, Germany, Austria, Belgium and Luxembourg, also take this position. It is important to note that raising European social standards to this level not only serves a social purpose, but also strengthens the competitive position of businesses from these strong welfare states. The second Rutte government's offensive on revising the Posting of Workers' Directive and the coalitions formed to promote it were based on these positions. The Netherlands had a different approach to that of the UK – which abstained from voting – and chose to join a coalition around the Franco-German axis.

On closer inspection, the Western European initiative to revise the Posting of Workers' Directive was primarily intended to reduce competition between Western and Eastern European member states on the basis of differences in terms of employment and pay levels. How and to what extent member states are willing to work towards a more European social policy in other areas than a level playing field for employees and businesses remains to be seen in the years ahead. There is still considerable resistance among the member states to transferring more competences in this area to the EU. Gothenburg did not lead to resolute decisions on the division of labour between the member states and the European Commission when it comes to making the social pillar a reality.

In its letter to the House of Representatives on the 2018 State of the European Union, the third Rutte government stated that it wishes to continue to play an active role in the discussion on a social Europe: 'Reinforcing Europe's social dimension is a crucial part of assuring the EU's future and deepening public support for it. This is in keeping with the government's goal of working towards an EU that protects its people better, achieves more and acts in accordance with its own principles and rules. The Union also needs to devote much more attention to offering hope to Europeans who are experiencing the downside of open borders and globalisation, as agreed at the informal summit in Bratislava.'⁵⁹ The Netherlands is especially active in combating cross-border fraud. For that reason, the government is positive about the Commission's proposal to set up a European Labour Authority and introduce a European social-security number. The UK opposed these proposals.

Where the UK takes a position at one extreme, France chooses the other. The country has been calling for greater attention to be paid at European level to employment for many years. It is advocating for an EU stabilisation fund to be set up from which unemployment benefits can be paid. This proposal recently received the support of the new German finance minister Olaf Scholz (SPD).⁶⁰ The idea behind it is that some countries are more affected by asymmetric shocks than others and, through the fund, the costs could be distributed more evenly throughout the EU. It could also include

⁵⁹ Letter to Parliament on the State of the European Union 2018, Parliamentary Papers 34841, no. 1, p. 8.

⁶⁰ See <<http://www.spiegel.de/plus/olaf-scholz-deutschland-hat-eine-besondere-verantwortung-a-00000000-0002-0001-0000-000157769163>>.

initiatives to help unemployed people return to the labour market. These initiatives could tie in with existing regional structural funds.

For the Dutch government, France's plans for a stabilisation fund are a bridge too far. The Netherlands is reluctant to transfer national competences in the field of social policy to the EU, for fear that it could lead to European legislation under which member states have to contribute according to their means. The Netherlands is, as yet, not prepared to participate in such a transfer system.

All in all, the positions of the Netherlands and the UK on social policy have diverged to such an extent in recent years that the UK's departure will not be a loss for the Netherlands in this area. On the continuum on which the UK and France occupy the extremes, the Netherlands is somewhere in the middle. In the area of social policy, coalitions have long been mainly ad hoc, and often motivated by similarities in countries' social security systems. The European Council on Foreign Relations' EU Coalition Explorer shows that, on social policy, the Netherlands has a marked preference for forming coalitions with the Northern European and Baltic member states, rather than the countries of Southern Europe (Italy and Portugal, in addition to France) which take the most protective positions. Somewhat longer-lasting coalitions have been formed in respect of the vote on the revision of the Posting of Workers' Directive. The Netherlands is working closely with Sweden, for example, and maintains close contact with Germany and France. The Benelux also sees itself as a preparatory forum for discussing social affairs.

Although the Eastern European member states regularly take a different position to the Netherlands, the Netherlands is consciously investing in its relations with these countries. That has led to a better understanding of their positions, and sometimes to their being revised. Romania, for example, was initially against revision of the Posting of Workers' Directive but eventually voted in favour.

II.4 Climate policy

In recent years, the European Commission has worked to give the EU a world-leading role in implementing the Paris Climate Agreement. The aim is to restrict global temperature rise to 2°C, and if possible to 1.5°C, by reducing greenhouse gas emissions. The EU member states are currently aiming to achieve a 40% reduction in CO₂ emissions by 2030 compared with 1990 levels.

The current coalition agreement, 'Confidence in the Future', includes ambitious climate goals.⁶¹ The government wishes to take a leading position on climate policy in the EU. That will entail a considerable effort: in the most recent Climate Change Performance Index (2018), the Netherlands is ranked 34th.⁶² In its letter on the State of the European Union 2018, the government states that it considers the Paris Agreement a breakthrough and will do everything possible to achieve the agreement's objectives.⁶³ In addition, the government is working to increase the EU's climate goal to a 55% reduction in CO₂ emissions by 2030.

Brexit means the loss of a like-minded partner in terms of the Netherlands' climate ambitions. The government is seeking new leadership in a coalition with France, as can

⁶¹ See < <https://www.kabinetformatie2017.nl/documenten/verslagen/2017/10/10/coalition-agreement-confidence-in-the-future> >, section 3.1, p.41 *et seq.*

⁶² See < <https://www.climate-change-performance-index.org/country/netherlands> >.

⁶³ See Parliamentary Papers 34 841, no. 1.

be seen from Prime Minister Mark Rutte's speech to the European Parliament in Strasbourg, in which he referred to France explicitly as a partner 'to lead the way on this new climate ambition'.⁶⁴ Sweden has also announced its wish to raise the EU's climate ambitions. It is important to get Germany on board with this initiative. Partly because of its dependence on Russian gas and the Nord Stream II pipeline from Russia, Germany is taking a less explicit line on this issue.

Other potential coalition partners are the 17 countries in the Green Growth Group.⁶⁵ Some members of this group are calling for concrete measures to be taken to achieve the current goals first, before setting more ambitious targets. At the moment, it is mainly France, Sweden, Germany, Finland, Portugal and Luxembourg that seem to share the Netherlands' ambition to increase the EU's climate target.⁶⁶

In practice, raising the EU climate target requires consensus in the European Council, which will probably not take a decision on the matter until 2019, or even 2020. It will also require the agreement of the European Parliament. Resistance to a more ambitious European goal is mainly to be expected from Eastern European member states like Poland and Romania, which are still largely dependent for their energy supplies on heavily polluting coal extraction.

The Netherlands will also have to seek more support for its climate ambitions outside the Council, especially in the European Parliament and the Commission. Broad support can be expected within these institutions, for example from MEPs from the Green Growth Group countries.

If a higher EU climate target proves unfeasible, the government will aim to make more ambitious agreements with a lead group of like-minded North-West European countries. Parallel to its efforts to raise the EU's climate ambitions, the Netherlands is working with like-minded countries in the immediate region to make faster progress on coordinating policy.

The AIV supports the government's ambitious climate objectives, but notes that it will not be easy to achieve them. In the AIV's opinion, the best chance of success lies in close cooperation not only with Northern European countries like Sweden and Finland, but also with France, the Benelux and Germany. Furthermore, it is advisable for the Netherlands to focus on members of the European Parliament, especially those from France and Germany, and on the civil service apparatus of the Commission, as these institutions also have considerable influence when it comes to potentially raising European climate ambitions.

II.5 Research and innovation

The EU has a common policy on research and innovation which aims to create a dynamic and competitive knowledge economy in Europe. The introduction of the Europe 2020 strategy in June 2010 laid the basis for the eighth Framework Programme for Research

⁶⁴ See <<https://www.rijksoverheid.nl/documenten/toespraken/2018/06/13/toespraak-minister-president-rutte-over-de-toekomst-van-de-europese-unie---europees-parlement-straatsburg>>.

⁶⁵ This group consists of the EU member states of Austria, Belgium, Denmark, Estonia, France, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Slovenia, Sweden and the UK, plus Norway from outside the EU. For a recent statement by the group on the MFF, see: <http://www.bmu.de/fileadmin/Daten_BMU/Download_PDF/Europa_International/green_growth_group_financing_climate_action_bf.pdf>.

⁶⁶ See <<https://www.rijksoverheid.nl/actueel/nieuws/2018/04/25/west-europese-landen-roepen-op-tot-ambitieuze-klimaatagenda>>.

and Technological Development (Horizon 2020), with a budget of EUR 80 billion. Horizon 2020's focus is on fundamental research, linking up with social issues, and innovation. The ninth Framework Programme is currently under development, and its budget will be specified in the new MFF (see chapter III).

In recent years, grants for cross-border scientific cooperation have been supplemented by instruments for public and public-private cooperation. In addition, the European Research Council (ERC) and the European Institute of Innovation and Technology (EIT) have been set up and instruments for SMEs introduced. Support is also being provided to promote the mobility of students and researchers.

The EU's research policy is becoming increasingly important in light of changing global power relations. The UK is a prominent player in this field, as the British research sector is one of the best in the world in terms of quality and productivity. British universities are the drivers of the sector, are highly significant for the Europe's scientific standing, and have above-average ties with prominent research institutes in the US and in Asian countries like China and Japan. Furthermore, the UK has been extremely successful in European research programmes. Dutch universities and research institutes also have a very good reputation worldwide and have often achieved success in European programmes.

The perspectives of the Netherlands and the UK in the discussion on the direction and design of European research policy run largely in parallel. Both lay the emphasis on excellence, tying in with social issues, the need for effective instruments and the importance of innovation. The UK's departure will thus weaken voices calling for a business-like approach to European research programmes.

Scientific research is strongly intertwined internationally. Researchers go where they can find added value for their research and do not allow national borders or distance to stand in their way. The EU will continue to collaborate with British universities after Brexit, though the UK will no longer be able to benefit from European programmes.

For the Netherlands, the UK's departure presents interesting opportunities. In the AIV's view, Dutch policy must focus more on the academic communities in Germany and France. Germany's *Exzellenzinitiative* and President Macron's ambitions offer opportunities for cooperation. A Dutch post-Brexit approach should therefore focus primarily on Germany and France, given both countries' leading academic status. In addition, the UK wishes scientific cooperation in Europe to continue after Brexit. Given the Netherlands' strong reputation as a research country, it can play a leading role in this respect. It could, for example, explore the scope for offering British universities a European bridgehead in the Netherlands. That will enable Dutch universities to maintain and if possible strengthen their contacts with British universities and, through them, their access to renowned institutions elsewhere in the world.

II.6 Monetary union

The UK is not a member of the monetary union, insisting on an opt-out from introducing the euro. Consequently, at first glance, its departure from the EU will have no impact on the debate on deepening the eurozone, or on more effective management of the banking union as a central component of the Economic and Monetary Union (EMU).

There will, however, be two indirect effects. The first relates to EU-wide regulation of the financial sector. In this area of policy, the UK has always been strongly driven by the interests of the financial institutions in the City, the British financial centre in London, which does not want to be overly burdened by regulation from Brussels. The UK's departure therefore offers opportunities to strengthen this regulation to the benefit of the macroeconomic stability required to further deepen the EMU.

Secondly, as the UK is by far the largest non-euro economy in the EU, Brexit will affect the balance of euro member states and non-euro member states – between the nineteen 'ins' and the eight remaining 'outs'. Countries like Denmark and Sweden (which have a legally binding and a *de facto* EMU opt-out, respectively) or Poland and other Central and Eastern European countries will no longer be able to ride on the UK's coattails to secure their specific interests. In the medium-to-long term, it is not inconceivable that, in addition to the legal pressure (membership of the eurozone is a treaty obligation for EU member states, excepting Denmark), political pressure on these countries to join the eurozone will increase. That would shift the balance of power between 'north' and 'south' within the eurozone and, if the euro were to be introduced in Denmark and Sweden, this shift would be favourable for the Netherlands. That is, however, not expected in the short term.

In the short term, the dynamics in the monetary union depend not on Brexit but on the initiatives of President Macron. In his speech at the Sorbonne on 26 September 2017 – two days after the German federal elections – he laid out a number of ideas for the future of the eurozone, some of which tied in with proposals by the Commission,⁶⁷ and were aimed at the European public and Germany in particular.⁶⁸ The German response, however, had to wait for several months while the country was forming a new governing coalition. It came in an interview with Chancellor Merkel in the Sunday edition of the *Frankfurter Allgemeine* on 3 June 2018.⁶⁹ These opening moves by the leading actors, which first took concrete shape in the Franco-German Meseberg Declaration on 19 June 2018,⁷⁰ set the parameters for the eurozone debate in the months ahead.

The 19 countries in the eurozone do not form a homogenous group.⁷¹ The southern member states, led by France, call for more government investment and a looser, more 'political' application of European rules on budget discipline. In the north and east of Europe there is a group, led by Germany, in favour of strict national budget and reform discipline, and compliance with the agreed rules. The question now is whether the new German government will wish to adhere to this line or will be more accommodating in its approach to France and President Macron's proposals.

Among the member states that have consistently called for strict budget discipline, a partnership has developed between the finance ministers of the Netherlands, Germany and Finland. These three states are seen as hardliners on budget discipline, on reducing national debts and on the need for structural reforms. To date, there has been little sign

⁶⁷ For the Communication of 6 December 2017 from the Commission on further steps towards completing the EMU, see <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0821> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0821>>.

⁶⁸ See <<http://www.elysee.fr/declarations/article/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique/>>.

⁶⁹ See <<http://www.faz.net/aktuell/politik/inland/kanzlerin-angela-merkel-f-a-s-interview-europa-muss-handlungsfaehiq-sein-15619721.html>>.

⁷⁰ See <<https://www.bundeskanzlerin.de/Content/EN/Pressemitteilungen/BPA/2018/2018-06-19-meseberg-declaration.html>>.

⁷¹ See Clingendael 2016, p. 31.

from the new CDU/CSU-SPD government in Germany of a change in this course, despite the appointment of new Minister of Finance.

As a warning shot, on 5 March 2018 – the day after the internal SPD referendum on participation in the coalition – the finance ministers of eight northern EU member states (Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden) published a joint non-paper taking a strong position on the architecture of the EMU.⁷² This coalition led commentators to speak of a 'new Hanseatic League'. Striking elements in the non-paper included:

- a stronger EMU requires first of all action at national level and full compliance with our common rules;
- the focus should be on initiatives that have public support in the member states;
- the member states are committed to the process of completing the banking union;
- they support measures to strengthen the European Stability Mechanism (ESM) and possibly develop it into a European Monetary Fund;
- all 27 EU member states must be able to participate in discussions on the future of the EMU.

The non-paper and the later letter from Dutch Minister of Finance Wopke Hoekstra and colleagues from 11 other member states were seen as putting the brakes on overly ambitious French plans and possible support for them from the new German government.⁷³ It is striking that the group, of which the Netherlands is the largest member, consists not only of eurozone countries, but also non-members Denmark and Sweden. The 'Hanseatic coalition' would have greater credibility in the euro debate if Denmark and Sweden were to commit themselves to membership of the eurozone (or refrain from taking a position on certain issues).

The AIV would urge the Netherlands to adopt a constructive and open attitude to possible Franco-German economic and monetary initiatives, as outlined in its 2017 advisory report on deepening and strengthening the EMU. In the report, the AIV calls for the decisiveness of EMU governance to be increased and recommends gradually transforming the ESM into a European Monetary Fund (EMF) over time. Separate fiscal capacity for the eurozone could, in the AIV's opinion, help to make the EMU more shockproof, but must fulfil an number of basic principles.⁷⁴

Generally speaking, Germany is resistant to the 'southern' ambition for a European transfer union, and that has not changed under the new CDU/CSU-SPD government. In the Franco-German dialogue, Berlin appeals to its 'northern' coalition partners. In this context, the Netherlands plays a useful role as informal leader of the smaller, northern member states. This does not change the fact that, in the final instance – when the Franco-German conflict is played out at the highest level, between president and chancellor – not only economic but also political considerations could be the decisive

⁷² See

<<https://vm.fi/documents/10623/6305483/Position+EMU+Denmark+Estonia+Finland+Ireland+Latvia+Lithuania+the+Netherlands+and+Sweden.pdf/99e70c41-6348-4c06-8ff8-ed2965d16700/Position+EMU+Denmark+Estonia+Finland+Ireland+Latvia+Lithuania+the+Netherlands+and+Sweden.pdf.pdf>>. The non-paper also discussed the MFF.

⁷³ See <<https://fd.nl/economie-politiek/1259304/nederland-en-elf-andere-eu-member-states-op-de-bres-tegen-eurozonebegroting>>.

⁷⁴ AIV, advisory report number 105, 'Is the Eurozone Stormproof? On Deepening and Strengthening the EMU', The Hague, July 2017.

factor in Germany's position. This could serve to illustrate Germany's commitment to 'Europe' (as in 1989-91 when Chancellor Kohl and President Mitterrand reached agreement on the establishment of the monetary union) or to link monetary issues to foreign policy and security-related matters. Given the current geopolitical insecurity on the European continent (Trump, Putin, etc.) a similar moment could occur again. It is important for the Netherlands to be prepared for such moments and take these political considerations – which may be very much in the Netherlands' broader interests – seriously and include them actively in the public debate.

It is clear that the Federal Republic is not enthusiastic about a separate, large budget for the eurozone. While voices calling for very high sums of 2-3% of the eurozone GNP for a stabilisation facility have sometimes been heard in Paris, in her interview with the *Frankfurter Allgemeine*, Merkel spoke instead of '20-30 billion' euros allocated within the EU budget, the equivalent of about 0.25% of the eurozone budget. In May 2018, the European Commission anticipated this compromise by including in its first proposal for the MFF 2021-2027 a fund as suggested by Merkel (see chapter 3 on the MFF). The French idea of a Minister of Finance for the eurozone was not warmly received in Berlin. Germany is calling, however, for the ESM to be extended to form a European Monetary Fund (EMF), an 'IMF for the EU', with more expansive credit facilities and the competence to assess compliance with conditionality in debtor countries. Like the Netherlands, Berlin remains reluctant to complete the banking union with a common deposit guarantee scheme for savers as long as the risks have not been sufficiently reduced but, considering the vulnerability of the Italian banking system, this is a weak point in Germany's 'no'.

All in all, the steps towards deepening the monetary union that can currently count on Germany's support go less far than President Macron had wished. There is more support from Germany – and from the Netherlands – for reducing the risks (discipline) than for sharing them (solidarity). Yet, the two perspectives will be an integral part of the negotiation process, and the Netherlands would be well advised to put its own standpoints forward not only together with a group of primarily small northern countries, but also in a permanent dialogue with Berlin and Paris, and in doing so to keep a close eye on – and if necessary draw attention to – the geopolitical context in which monetary integration has taken – and will continue to take – shape.⁷⁵

⁷⁵ *De euro: Politieke achtergronden van de wording van een munt* (The Euro: Political backgrounds to the founding of a currency) (Amsterdam 2001) by late DNB director André Szász remains unsurpassed on the interaction between monetary integration and geopolitics. Szász saw monetary union as predominantly a political project, inspired by the need to embed Germany in Western Europe after the fall of the Berlin Wall and France's wish to restrict the monetary dominance of the Deutschmark.

II.7 Foreign policy and defence

Common Foreign and Security Policy

In the context of the Common Foreign and Security Policy (CFSP), the EU member states try to reach common positions and, if possible, take joint action on a very diverse range of international issues. These vary from relations with Russia and China to a series of multilateral topics like supporting the UN's Sustainable Development Goals, taking part in peace operations, and reducing tensions in the Middle East. Since the end of 2010, the EU has had a European External Action Service (EEAS) headed by the High Representative for Foreign Affairs & Security Policy. The High Representative is charged with increasing the cohesion and effectiveness of EU policy and those of the member states. In the opinion of the AIV, the EEAS is still not being used to its full potential, for example in the field of consular cooperation and services. Giving the EEAS a greater role is especially important for the relatively smaller member states, which often have a smaller network of foreign missions. As the UK has always resisted designating such a role to the EEAS, this has so far not got off the ground, but that may change after Brexit.

In June 2016, an EU Global Strategy was presented.⁷⁶ Intended to serve as a broad compass for the CFSP in the future, it introduced a number of priorities, including:

1. ensuring the security of the EU;
2. increasing the resilience of state and society in the EU's eastern and southern neighbours; and
3. applying an integrated approach to conflicts.

In a general sense, the new strategy document reflects the perspective that, in a world in which relations have hardened, the EU cannot afford to rely predominantly on instruments of soft power, like international diplomacy. In the AIV's opinion, these instruments should be strengthened, but the EU should also invest more in its arsenal of hard power, including military and economic resources.

The government's letter to Parliament on the State of the Union 2018 shows that the government considers it important to make the CFSP as effective as possible, especially in terms of combating terrorism and irregular migration. In defending common European interests, the government lays special emphasis on stability in the region around Europe.⁷⁷ It feels that this stability is being undermined from different directions. From the east by the intimidating behaviour of the Russian Federation towards neighbouring states. On its south-eastern flank, the EU is faced with the increasing concentration of power in the hands of one man in Turkey, and flaws in democracy, good governance and the rule of law in the countries of the Western Balkans. In addition, political and social relations in North Africa, the Middle East and the Gulf region are dominated by socioeconomic tensions and deep ideological, religious and ethnic divisions. Last but not least, the armed conflicts in Syria and Yemen continue unabated, armed militias and criminal organisations still have a free hand in Libya, and a solution to the Israeli-Palestinian conflict seems further away than ever.

What are the Netherlands' focus areas in the broad framework of the CFSP and which EU countries are potential partners, perhaps in ad hoc coalitions, in helping to achieve those objectives? The annual ECFR scorecards offer a good basis for an initial response to this

⁷⁶ Entitled 'Shared Vision, Common Action. A Stronger Europe: A Global Strategy for the European Union's Foreign and Security Policy'. This document replaced the European Security Strategy: A Secure Europe in a Better World', which was published in 2003 and was last revised in 2008.

⁷⁷ Letter to Parliament of the State of the European Union 2018, p. 9, see Parliamentary Papers 34 841, no. 1.

question. In each of the policy areas and themes of the CFSP, the member states are classified, according to the roles they have played, as 'leaders', 'slackers' or 'supporters'. If we restrict ourselves to the years 2015 and 2016, the Netherlands proves to have played a leading role on the following dossiers: strengthening sanctions against Russia, strengthening engagement with the countries of the Western Balkans, providing bilateral assistance to countries targeted by the EU's European Neighbourhood Policy, the negotiations with the US on the TTIP agreement, humanitarian assistance for refugees in the Middle East and North Africa and the EU's response to the human rights situation in China.⁷⁸ That means that the Netherlands has been active in these areas, has taken initiative and has sought like-minded partners. It should be noted, however, that other countries have also played a leading role in these same areas, in varying combinations. It is also a matter of debate whether the ECFR scorecards do justice to the Netherlands' efforts and ambitions in all respects. In 2015, for example, the Netherlands was designated as a 'slacker' in terms of general effort in the field of development and humanitarian assistance. That can be disputed in as much as, despite substantial cutbacks in funds for development cooperation, the Netherlands' contribution of around 0.5% of GDP was significantly higher than that of other EU countries.

The AIV assumes that the Netherlands' contributions to the CFSP in the future will largely continue to focus on normalising relations with Russia, stabilising the Western Balkans and removing the causes of conflicts on Europe's southern flank, efforts that include the goal of better protection for human rights. There is still broad support within the EU for continuing the economic sanctions against Russia. Besides the Netherlands, several other member states (Germany, France, the UK, Poland, the Baltic states, Romania and Sweden) also take the position that the sanctions cannot be lifted while Russia pursues its unacceptable intervention in Ukraine. The UK's departure from the EU will weaken this coalition, because British leadership has been of great significance in maintaining the sanctions. On the other hand, the coalition is sufficiently robust to exert pressure when necessary on countries like Italy, Bulgaria, Greece and Hungary, which tend to call for the sanctions to be lifted. It is possible that, after Brexit, the Netherlands will act as a bridge with the UK to ensure the best possible coordination between diplomatic efforts on both sides of the Channel.

Support among the member states for EU engagement in building democracy, good governance and the rule of law in the Western Balkans seems to have weakened. Nevertheless, in February 2018, the Commission submitted proposals intended to free the way for the accession to the EU in 2025 of all six countries in this region (Serbia, Montenegro, Macedonia, Bosnia-Herzegovina, Albania and Kosovo). It is highly debatable whether these proposals have any chance of success, given the lack of enthusiasm among EU citizens for further enlargement. The UK always championed further enlargement, and its departure will therefore have an impact. Like France, the Netherlands has clearly expressed its reservations about the prospective membership of these countries in the short term, though it does support closer cooperation with them. Of the EU member states, it is mainly Germany, Austria, Italy and (again) the UK that argue strongly in favour of increasing stability in the region. This position deserves resolute support, with a view to preventing Serbia in particular from re-orienting itself towards Russia. There are already indications that Russia is making efforts to gain a

⁷⁸ European Foreign Policy scorecard 2015, pp. 114-117 and European Foreign Policy Scorecard 2016, pp. 148-149.

greater foothold in Serbia.⁷⁹ Besides Russia, China and Turkey are also trying to expand their influence in the Western Balkans. The Netherlands could focus on widening support in Europe for active engagement with the Western Balkans by persuading France, Belgium and other EU member states of its necessity.

As regards removing the causes of conflict in the Middle East and North Africa (MENA) region, it almost goes without saying that this is a Herculean task. The EU could potentially make a positive difference only if all the larger member states were to make a concerted and robust effort. Until now, that has not happened. In this respect, the departure of the UK is certainly going to leave a large gap. The ECFR scorecards show that the Netherlands has not played a prominent role in the spotlighted components of MENA policy, with the exception of being a leader in taking humanitarian measures in response to the refugee crisis. In the AIV's opinion, the Netherlands could also help reduce the threat of conflict in certain countries by offering structural economic assistance. The policy document of the Minister for Foreign Trade and Development Cooperation of 18 May 2018 shows that the intention to do this exists and that some programmes are already being implemented.⁸⁰ The benefits of this assistance must reach all population groups, across ethnic and religious borders. In order to reach critical mass, Dutch assistance also has to be coordinated with that of other EU member states. To achieve this, the Netherlands can join forces with countries with a good reputation in the field, including Germany, Sweden, Denmark and Finland. But, given the clear interest that the Southern European member states have in resolving and/or suppressing conflicts on the other side of the Mediterranean Sea, a coalition of countries providing assistance should logically also include France, Spain and Italy.

Together with Spain and Italy, France, Germany and the UK played a leading role in imposing sanctions on Venezuela. The Netherlands has joined this lead group. It is important to keep playing this role in the future, in light of the Kingdom's interests in the Caribbean region.

Defence

The discussion on closer European cooperation on defence has intensified in recent years. The widespread feeling that Europe must now take more responsibility for its own security than in the past has naturally been strengthened by the unpredictability of President Trump and his ambiguous statements about the value of NATO, and especially the mutual assistance obligation laid down in article 5 of the 1949 North Atlantic Treaty. Even before Trump's election, however, there was good reason to step up cooperation between the armed forces of the EU countries. One important argument was to improve the efficiency of defence spending – an argument that gained weight after deep cuts in defence spending.

In the recent past, the Netherlands has entered into intensive forms of military cooperation, not only with the UK, but also with Germany and Belgium. A number of Royal Netherlands Army units, for example, work closely and are integrated with the German *Bundeswehr*. The Royal Netherlands Navy works very closely with the Belgian navy and some components are also deeply integrated. Belgium is also a major partner

⁷⁹ AIV, advisory report number 106, 'The Future of NATO and European Security', The Hague, October 2017, p. 9 and Othon Anastasakis, 'Russia, South East Europe and the "geopolitics of opportunism"', *Clingendael Spectator*, 4-2017, Item 7 of 11.

⁸⁰ Investing in Global Prospects: For the World, For the Netherlands', Parliamentary Papers 34952, no. 1.

of the Netherlands Air Force. In discussions on strengthening European defence cooperation, it makes sense for the Netherlands to join forces with these partners.

The choice of other coalition partners is determined by the Netherlands' preferences regarding the nature and scope of the intended cooperation. In this context, there are serious differences of approach between the most important member states, i.e. Germany and France.⁸¹ Given the sensitivity of its relations with Poland and other Central and Eastern European countries, for Germany it is important to involve as many member states as possible in closer military cooperation, even if it comes at the expense of the depth of the cooperation. France, however, is in favour of deeper operational cooperation on defence. President Macron's proposal to establish a European intervention force, primarily for operations that are 'out-of-area' for NATO (e.g. in Africa), point in this direction. France seems prepared to pay the price for European partners pulling out because they do not wish to participate in plans to develop at least the beginnings of a joint intervention capacity.

Where does the Netherlands stand on this issue? In the AIV's view, the government has no choice but to reassess the transatlantic relationship, partly in light of current US foreign policy, which is systematically undermining the international multilateral order. This is illustrated by America's recent unilateral decision to no longer comply with the nuclear deal with Iran.⁸² The EU's relationship with the US would still need to be reviewed even if the presidency of Donald Trump were to be seen as an aberration, a temporary deviation from the traditional pro-European policy of the US. Irrespective of who occupies the White House, the security of Europe has for some time no longer been the main concern of US security policy. US strategic priorities have changed in line with a shift in the global balance of power towards Asia, despite transatlantic economic ties remaining very close. A substantial proportion of US military capacity is currently developed or intended for deployment outside Europe. That is why, in the opinion of the AIV, the Netherlands must be open to working towards greater European self-sufficiency in defence. The AIV believes that it makes sense for the Netherlands to explore the scope for closer cooperation with France, as it is the main driving force behind this ambition.

At the same time, the AIV is aware that, after Brexit, the UK will probably distance itself further from the European Security and Defence Policy. That will, it should be noted, present opportunities for closer European defence cooperation, which the UK has always resisted. But no matter what form future European defence takes, the involvement of the UK will be indispensable, given its status as a prominent military power. To ensure continued British engagement in European security, it is advisable to revive the Eurogroup within NATO, as recommended in the AIV's advisory report on NATO and the security of Europe.⁸³ The UK has by far the most 'enablers' (e.g. air transport capacity) of all European countries.⁸⁴ It also has important command capacity for multi-country operations. The anti-piracy operation *Atalanta* conducted by the EU off the coast of Somalia since 2008, for example, is run from the British command centre in Northwood. Barring any agreement on this in the Brexit negotiations, it will come to an end in the

⁸¹ See Michael Peel, 'EU states poised to agree joint defence pact', *Financial Times*, 7 November 2017.

⁸² For more on this issue, see Parliamentary Papers 33 783 and 23 432, no. 28.

⁸³ See AIV, advisory report number 106, 'The Future of NATO and European Security', The Hague, October 2017.

⁸⁴ See Bastion Griegerich and Christian Mölling, *The United Kingdom's Contribution to European Security and Defence*, London: IISS/DGAP, February 2018.

expected transition period for EU-UK relations. As the AIV has argued previously,⁸⁵ the agreement on the future relationship between the EU and the UK must therefore devote ample attention to defence cooperation. This also implies continuing the existing bilateral military cooperation between the Netherlands and the UK. The AIV is pleased to note that the government is also in favour of an agreement that enables close military coordination and cooperation between the EU and the UK to continue in the future.⁸⁶

As far as European military cooperation is concerned, the German preference for broad cooperation seems to enjoy greater support than France's plans to take more far-reaching steps. That at least appeared to be the case during the deliberations on how to shape Permanent Structured Cooperation (PESCO) on security and defence at the end of last year. The Treaty of Lisbon established the option of this form of closer military cooperation.⁸⁷ In December 2017, the EU Council took the formal decision to activate PESCO and met for the first time under the PESCO banner on 6 March 2018. This cooperation involves the joint implementation of 17 military projects, including removing obstacles to cross-border military transport ('military Schengen') and improving medical and logistics capabilities. It is also the intention to develop new weapons systems, including an infantry fighting vehicle and a fighter aircraft, to be financed from a European defence fund. The Netherlands will be participating in seven of these projects and will act as lead nation in the project on military mobility. As far as the UK is concerned, it is worth noting that the country has a substantial interest in taking part in further EU defence integration, and in the European Defence Fund in particular. The EDF is important for the survival of British defence capabilities and PESCO allows for the participation of non-EU countries.

The Foreign Affairs Council took the decision to establish PESCO after no less than 25 member states had announced that they wanted to participate in the initiative.⁸⁸ This broad interest is in itself a hopeful sign. It is, however, difficult to imagine such a large group of European countries with such widely varying agendas being able to agree on the deeper cooperation required to move closer to the formation of a substantial European military capability – one that would enable the EU to operate autonomously (i.e. without the US) if necessary, primarily on stabilisation operations. If achieving this goal is considered a decisive factor in the ultimate success of PESCO, setting up a military lead group with a small number of EU member states is virtually unavoidable. In the AIV's opinion, the Netherlands should be part of this group. Given the situation outlined above, the most likely partners in the lead group would be Germany, Belgium, Spain and France.

A potentially important step in the AIV's preferred direction is the decision of the defence ministers of nine European countries, including the Netherlands, in Luxembourg on 25 June 2018 to set up the European Intervention Initiative (EI2).⁸⁹ This new partnership will focus on operational cooperation in responding to crises outside Europe and where NATO involvement is unlikely. The initiative aims to draw up a common doctrine comprising guidelines for joint military planning and operations. Compared with PESCO,

⁸⁵ See AIV, advisory report number 103, 'Brexit Means Brexit; Towards a New Relationship with the UK', The Hague, March 2017, p. 28 etc.

⁸⁶ See the letter to the House of Representatives from the Minister of Defence on the consequences of Brexit on defence policy, 22 March 2018, p 2, Parliamentary Papers 23 987, no. 227.

⁸⁷ Article 46 of the TEU.

⁸⁸ Besides the UK, Denmark – which insisted on an opt-out from the CSDP – and Malta decided not to participate.

⁸⁹ See

<https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2018Z13605&did=2018D38526>.

the E12 is considerably less inclusive; it is more of a coalition of the willing. The fact that the UK is also a member of the E12, which formally exists outside the framework of the EU, illustrates Britain's wish to continue its military cooperation with other European countries.

II.8 Law enforcement and national security

European cooperation on law enforcement and national security has become politically more prominent over the years. On the one hand, there is great pressure to work together in this area. People see terrorism as a major concern and challenge for the EU, and there is relatively strong public support for greater EU involvement in counterterrorism efforts.⁹⁰ Far-reaching economic integration and removal of the internal borders under the Schengen system demand cooperation on fighting crime. On the other hand, European cooperation on law enforcement is relatively difficult in practice. Criminal law and police operations are traditionally seen as core sovereign tasks for member states. In addition, there are considerable differences between countries in terms of their policy preferences, cultures, administrative practices and capacities. Consequently, in this report, we will not discuss coalition-forming in this area in great detail.

This has all led to a complex system of European rules governing cooperation on law enforcement, full of exceptions for countries who are not ready and/or willing to participate. Of these, the UK is the 'champion'. From the start, Britain has secured for itself the option of remaining partly or wholly outside certain forms of European cooperation, or to decide on an ad hoc basis whether to take part in new European measures and instruments.⁹¹ Although it cooperates fully in Europol, for a long time the UK had difficulty accepting the competence of the EU Court of Justice. By contrast, the Netherlands was one of the five founders of the Schengen system, which was later brought under the auspices of the EU.

In this area of policy, the Netherlands and the UK have made different strategic choices, although they work closely together in areas like counterterrorism, international law enforcement and exchanging information. Most information exchange takes place within the Europol European Counter Terrorism Centre. It is not yet clear whether the UK will remain part of this after Brexit.

A number of countries that have recently been faced with terrorist attacks (Belgium, France, Germany and the UK) have formed a lead group to prepare meetings of European interior ministers. The UK will no longer be able to take part in this group.

The UK is an important partner in investigating terrorists and criminals. It is therefore advisable for the Netherlands to help ensure that the UK remains involved in activities like European arrest warrants and the exchange of personal data, provided a solution can be found that is acceptable to the EU for the UK's wish to no longer be bound to the rulings of the Court of Justice.

Outside the EU, coordination mainly occurs within the Counterterrorism Group (CTG). Besides EU member states, Norway and Switzerland are members of this intergovernmental group, which is not an EU body. The UK will continue to be a member after Brexit. It will, however, have to leave the EU Intelligence and Situation Centre

⁹⁰ See <http://europa.eu/rapid/press-release_IP-17-2127_en.htm>.

⁹¹ See Protocol 19 to the TFEU.

(INTCEN), which is part of the EEAS. INTCEN gathers intelligence from EU member states and keeps the High Representative of the Union for Foreign Affairs and Security Policy informed about, for example, the foreign policy dimensions of counterterrorism.

After Brexit, the UK will disappear as a link in the chain of counterterrorism intelligence-sharing. It will consequently lose some political significance, despite the important contribution it makes in terms of intelligence. Conversely, the roles of France and Germany will increase. Investing in a long-term relationship with these two countries on law enforcement is therefore essential, and not only for this reason. Their territorial proximity and their ties with the Benelux have long been important to the Netherlands' national security. In addition, the Netherlands generally has little problem partnering with the northern member states but, in the AIV's opinion, should also invest more in its relationship with Spain, as a relevant and large southern country.

II.9 Border and asylum policy

In the first few decades, the Schengen system – which is incorporated in the EU treaties⁹² – focused mainly on creating an 'area of freedom' by abolishing the borders between the member states.⁹³ Cooperation on asylum and migration served mainly to prevent asylum seekers from using the border-free zone to seek out the country with the most favourable legislation. That was also the background to the Dublin Regulation (preceded by the Dublin Convention), which stipulates that the country in which an alien enters EU territory is responsible for dealing with the asylum application. Cooperation on immigration in order to protect the external border and collaboration with third countries on migration were relatively neglected for many years.

That has changed under the influence of instability and war in the vicinity of the EU and the arrival of large numbers of asylum seekers and migrants in Europe. There has been growing awareness in recent years that a border-free 'area of freedom' and shared external borders have far-reaching consequences in terms of our common destiny. However, because of conflicts of interest and clashing identity politics, the transition from common destiny to joint action has not proved to be a given.

Countries of arrival, like Greece and Italy, allowed many asylum seekers and migrants to travel on to other countries unregistered, especially in the peak year of 2015. They considered the Dublin Regulation unfair or impossible to comply with.⁹⁴ In response, several neighbouring countries reintroduced border controls. The closure of the border between Macedonia and Greece and, shortly afterwards, the EU-Turkey agreement ensured that, from the beginning of 2016, irregular migration via the Western Balkans route was substantially restricted. However, migration via the Central Mediterranean route proved much more difficult to bring under control.

In 2015, with its European Agenda on Migration, the European Commission introduced measures to prevent new humanitarian tragedies and bring uncontrolled migration pressure on the Union under control. In addition, the Commission specified four pillars intended to make migration permanently more manageable:

1. reducing irregular migration;

⁹² See article 77 of the TFEU *et seq.*

⁹³ For a more detailed analysis see AIV, advisory letter number 28, 'The Future of Schengen', The Hague, March 2016.

⁹⁴ The consequences for the UK were very limited because of its location.

2. saving lives and securing the external borders (border control);
3. strengthening the common asylum policy;
4. developing a new policy for legal migration.

As an extension to this initiative, the Dutch government recently presented its own Integrated Migration Agenda, in the expectation that the number of people migrating worldwide will increase.⁹⁵ The government is pursuing an integrated approach through an agenda with six interrelated pillars: preventing irregular migration, strengthening reception and protection in the region, creating a sound asylum system based on solidarity in the European Union and the Netherlands, reducing illegal immigration and stepping up return to countries of origin, promoting legal migration routes, and stimulating integration and participation. The agenda will help achieve the government's goal of a humane and effective migration policy.

Border controls

Coalition patterns in this sensitive area are delineated along three dimensions: the question of reintroduced border controls, and the internal and external dimensions. On internal border controls, the countries with external EU borders are opposed by destination countries in North-Western Europe. Countries such as France, Denmark, Austria, Germany and Sweden want to maintain internal border controls, while the border states, and Italy in particular, are fiercely against them. Countries like Slovenia are joining the latter group because of the negative economic effects of the reintroduced border controls.

Since the UK has remained outside the Schengen system, its departure from the EU will have little impact on the coalitions formed in this area. The Netherlands itself has not reintroduced internal border controls, but supports the group of member states that wish to maintain them. As long as there is no confidence in the asylum procedures of the border states, these internal border controls are unlikely to be lifted.

Internal dimension

As far as the internal dimension is concerned, the most urgent but also most disputed issue is revision of the Dublin Regulation. It is clear that the regulation is untenable because of the burden it imposes on the border states. A lack of solidarity within the Union and the presence of more than 500,000 illegal immigrants and failed asylum seekers resulted in an Italian government comprising the Lega and the Five Star Movement that wants to ensure that 'Italy is no longer Europe's refugee camp'.

The alternative is a relocation system that shows greater solidarity and commitment throughout the Union. This, however, is resisted by the Visegrád Group. In speeches, political leaders in these countries often refer to asylum seekers and refugees as economic migrants from different cultural backgrounds. In a joint statement of the Visegrád Group in Prague on 4 September 2015, the prime ministers gave their full support for the way in which Hungary had tackled the refugee crisis. Their standpoint is that the causes of migration should be addressed and that Turkey and Jordan should be given financial assistance to support reception in the region of origin. They also want to

⁹⁵ Parliamentary Papers 19 637, 30 573, no. 2375.

strengthen the Union's external borders. The Visegrád countries explicitly link the migration and refugee crisis with security problems and terrorism.

The Dublin Regulation also applies to the UK, but Brexit will have little impact on bloc formation in this area. Together with Germany, France, Sweden and the Benelux partners, the Netherlands is pressing for European solidarity and a system of compulsory relocation. Portugal is also involved in this coalition, as a relatively like-minded southern member state with experience in resettling refugees. Portugal, in turn, has close contact with Spain. To broaden and strengthen this coalition, the AIV believes that the Baltic states could also be involved, despite their having much less experience with asylum matters.

The compulsory relocation of asylum seekers is a very politically sensitive issue. How to deal with the resistance of the Visegrád countries is one of the major questions facing Europe. The results of the Council decision on earlier relocation of asylum seekers in emergency situations, on which the Czech Republic, Hungary, Slovakia and Romania were outvoted by a qualified majority, do not offer great hope. The EU clearly needs a new system to replace the Dublin Regulation. Without an effective and humane successor to 'Dublin', the pressure on the Schengen system will continue. One possibility – as proposed in the AIV's advisory letter of March 2016 on the future of Schengen – is closer cooperation within the meaning of the EU Treaty (art. 20 TEU) between those member states that are ready and willing to implement to Schengen within the framework of an effective common asylum and migration policy: strict where necessary, but also humane – including in respect of family members left behind in the country of origin.⁹⁶ Such a joint policy should be based on solidarity between the member states concerned and guarantee a fair distribution of reception in qualitative terms.

External dimension

The UK is extremely active on the external dimension of the migration agenda, in terms of development cooperation.⁹⁷ The UK is an important ally of the Netherlands in the field of modern development cooperation to address the causes of forced migration and people smuggling. In 2016, the UK was the second-largest European donor of official development assistance (ODA) after Germany, with a budget of EUR 18 billion. During the negotiations with the African, Caribbean and Pacific (ACP) states on a new agreement with the EU, the UK – together with the Netherlands, the Scandinavian countries and Germany – was a strong proponent of a development-driven agenda integrating trade and poverty reduction.⁹⁸ Within the external dimension, the Netherlands will therefore lose an important partner when the UK leaves the EU.

After Brexit, the Netherlands will have to seek closer cooperation with France to secure funds for development cooperation in the European budget and European Development

⁹⁶ AIV, advisory letter number 28, 'The Future of Schengen', The Hague, March 2016, p. 21.

⁹⁷ In 2016, for example, the British Department for International Development (DFID) allocated GBP 935 million to the European development budget, GBP 392 million to the European Development Fund for the ACP states, which falls outside the EU budget, and GBP 83 million to the EU Trust Fund in response to the migration crisis, and in particular to the Facility for Refugees in Turkey. For more details, see Bond, 'The impact of Brexit on UK and EU international development and humanitarian policy', London, 2017.

⁹⁸ The AIV supports an integrated legal agreement in which trade and development cooperation are linked. See AIV, advisory report number 84, 'New Paths to International Environmental Cooperation', The Hague, March 2013.

Fund. This is also a logical step because France has traditionally been Europe's main bridge with the ACP states.

On the eve of the UK's departure from the EU, the Franco-German coalition is moving to the fore in the development of a strategy to help achieve greater stability in the Sahel, North Africa and the Middle East. At a conference with North African countries of origin and transit, President Macron expanded the partnership with Germany to an initiative group also comprising Italy and Spain. The Netherlands has joined this coalition at civil-service level. The EU migration 'sherpas' of these five countries meet regularly and conduct joint working visits to countries of origin and transit. The EU member states' interests are better aligned with respect to the external dimension than the internal dimension. The Visegrád countries also wish to strengthen the external borders, and are in favour of cooperation with countries of origin and transit.

The refugee and migration issue has grown to become an existential question for the EU and is at the top of the Leaders' Agenda for the European Council. Only days after the new Italian government took office, a ship with hundreds of migrants on board was refused permission to dock in Italy and had to continue to Spain. At the same time, tensions in the German government soared as asylum seekers entered the country through Austria. In the run-up to the European Council of 28 and 29 June 2018, president of the European Council Donald Tusk sought a solution by laying the emphasis on 'Fortress Europe' and discouraging migration with a view, in the future, to taking migrants picked up in the Mediterranean Sea to 'safe zones' outside the EU. Those who wished to apply for asylum would have to do so from there. Tusk's proposal led to a decision by the June European Council to urgently explore the concept of 'regional disembarkation platforms', which would involve working with relevant third countries and with UNHCR and the International Organization for Migration (IOM).⁹⁹

This external concept could be linked to a call for solidarity between the member states, aimed at a fair distribution of refugees who enter the EU through this process or gain access through resettlement. In the AIV's opinion, pressure could be applied to the Visegrád countries to agree to a compromise in the long term by linking the issue to access to European funds. At the same time it is clear that, in the short term, the southern member states will have to sign up to an agreement that is not based on EU-wide solidarity on the asylum issue but which involves compensation via extra financial and material support for asylum registration and reception, and through bilateral agreements.

In conclusion, where European cooperation on migration is concerned, the AIV believes that, besides Germany and France, the southern EU countries (and especially Spain, Italy and Greece) are important coalition partners for the Netherlands. The AIV would advise the Netherlands to aim for broad coalitions with countries that look beyond their short-term interests ('North' versus 'South' versus 'East') and work to achieve stability in the MENA region and a humane and effective European migration strategy. That will be sorely needed if the pressure of migration increases as expected in coming decades.

⁹⁹ European Council meeting (28 June 2018) – Conclusions, see <http://data.consilium.europa.eu/doc/document/ST-9-2018-INIT/nl/pdf>.

III Brexit and the Multiannual Financial Framework

III.1 Introduction

On 2 May 2018, the European Commission presented its proposals for the Multiannual Financial Framework (MFF) for the 2021-2027 period. Brexit will have far-reaching consequences for these budget negotiations. The UK's departure will create a gap between funds and expenditure that may be as much as EUR 13 billion annually on the basis of the present budget.¹⁰⁰ In addition, the Netherlands is losing an important ally in opposing a higher EU budget.

There are voices calling for the Netherlands to follow in the UK's footsteps and take a hard line on the size of the new MFF. Is the Netherlands ready or willing to take on this role? From 2000 to 2015, despite specific reductions, it was the EU's biggest net contributor per capita and is now in second place, after Sweden.¹⁰¹ In order of relative contributions, the other net contributors are the UK, Denmark, Austria, Finland, France, Germany, Italy and Belgium. This group therefore constitutes a numerical minority.

In its letter to Parliament on the State of the European Union 2018, the government is succinct on the EU budget: 'In the Netherlands' view, a smaller EU should have a smaller budget, so that our country does not have to pay the bill for British withdrawal.' The Netherlands also wants to secure a reasonable payment position, with contributions fairly distributed among the member states (i.e. reductions should be continued). The government has thus decided for the time being that taking a hard line is the best option in the coming MFF negotiations.¹⁰²

The AIV expects, however, that the negotiations will result in a rise in the EU budget, because of the need for money to finance new policies. The government should carefully consider whether it wants to take over the UK's position and approach in the EU's new situation, with its changed balance of forces, and where specifically it wishes to invest its political capital. In the AIV's opinion, the Netherlands can benefit by presenting itself as a 'prudent moderniser', as a member state that points out the *European* interest in shared housekeeping that is both sound and future-oriented. In terms of both financial prudence and modernisation, forming coalitions for the budget negotiations will require a realistic estimation of relations within the EU and persuasive power.

III.2 The EU budget: revenue

There are at least three arenas of combat in the European budget debate: *revenue* (how much money is there and where is it coming from?), *expenditure* (how and on what does the EU spend its money?) and – in connection with the first two – the structure and *control* of the budget (who decides?). In this first post-Brexit budget, there are shifts and initiatives in all three of these arenas that are relevant for the Netherlands and will have repercussions for coalition-forming.

We first look at revenue. There is a maximum level of revenue in the EU budget that the Commission is permitted to collect. For the 2014-2020 period, this 'own resources ceiling' is 1.22% of gross national income (GNI). Approximately a quarter of these

¹⁰⁰ Until the Brexit 'divorce bill' has been drawn up, the exact amount can only be estimated. See AIV, advisory report number 103, 'Brexit Means Brexit; Towards a New Relationship with the UK', The Hague, March 2017.

¹⁰¹ See <<https://www.cbs.nl/en-gb/news/2016/50/netherlands-largest-net-contributor-eu-this-century>>. For an overview of the official EU figures, see <http://ec.europa.eu/budget/figures/interactive/index_en.cfm>.

¹⁰² See the letter from Minister of Foreign Affairs Stef Blok in the *Financieele Dagblad* of 2 May 2018, <<https://fd.nl/ opinie/1252424/als-oplossing-voor-brexit-kosten-uitblijft-moet-nederland-korting-houden>>.

resources come from customs duties, VAT payments and penalties ('real' own resources); the remainder comes from payments made on the basis of GNI. Payment obligations are always lower than the own resources ceiling and are currently 0.98% of GNI. The ceiling must be agreed by unanimous decision of both national governments and parliaments. That means that each country can take a hard line on approving or rejecting the budget, but eventually they all have to agree. The European Parliament has the power of assent but may not submit amendments.

During the previous round of MFF negotiations (2011-2013), the after-effects of the 2008 financial crisis could still be felt and there was a strong coalition of member states that wanted to, or had to, tighten their belts, not only at home but also in Brussels. Consequently, contributions were limited. This time around, the economic situation is better and both Brexit and new European challenges are exerting pressure on the prudent approach advocated by the Netherlands.

In its Communication of 2 May 2018, the Commission specifies a sum of EUR 1,279 billion in financial commitments for the EU budget for the 2021-2027 period. This is equal to 1.114% of the GNI of the EU 27. That is more than in the current period but, according to the Commission, less than if the current period had been divided among 27 member states.¹⁰³

The main question on the revenue side is how the 'Brexit gap' in the budget will be filled. There is also the matter of whether the other reductions and rebates will continue, and whether the Union is willing and able to tap into new sources of revenue and funding.

The UK currently provides a substantial 10.7% of the EU budget. There are three scenarios in circulation for the budget of the post-Brexit Union:

1. The 'pure' Brexit scenario: a smaller Union of 27 member states results in a smaller budget (the Netherlands' preferred scenario).
2. The budget stays the same in terms of GNI (Austria, Denmark and Sweden have committed themselves to this scenario).
3. A higher EU budget to meet the new challenges facing the Union.

If the net beneficiaries succeed in keeping planned expenditure constant in the new MFF (scenario 2), the Brexit gap will still have to be filled. The Netherlands, which pays a net contribution of 5% of the EU budget, will then probably have to pay 5% of the gap.¹⁰⁴ Given the current balance of forces and in light of the new challenges, however, scenario 3 is more likely; the Netherlands will miss the political weight of the UK during the negotiations in efforts to prevent this from happening.

Now that the British rebate – the 'mother of all reductions' – is coming to an end, the Commission wishes eventually to phase out rebates. The Dutch government, however, wants to keep the reduction on the Netherlands' contribution.¹⁰⁵ It is uncertain whether the Netherlands will be able to retain some form of reduction in the future. The Netherlands is calling, with good reason, for a fair distribution of contributions among countries with comparable levels of prosperity. The AIV supports this standpoint.

¹⁰³ See European Commission, 'EU Budget for the Future', <http://ec.europa.eu/budget/mff/index_en.cfm>. In a resolution adopted on 14 March 2018, the European Parliament also called for a payment obligation of 1.3%.

¹⁰⁴ For details see AIV, advisory report number 103, 'Brexit Means Brexit; Towards a New Relationship with the UK', The Hague, March 2017.

¹⁰⁵ See <<https://www.nrc.nl/nieuws/2018/05/03/premier-rutte-meer-geld-voor-eu-is-niet-acceptabel-a1601718>>.

In order that net contributors do not have to bear the full cost of the Brexit gap, the Commission has sought a compromise. It has proposed increasing the financial elbow-room by tapping into other sources of revenue. These fall into two categories, taxes and guarantees.

First, arguments have been made in favour of direct EU taxes,¹⁰⁶ or taxes for specific revenue and expenditure purposes, such as a tax on plastic or other environmental taxes, taxes on internet companies or a financial transaction tax. Such funds from direct EU revenue would lead to lower national contributions (as they would in principle be calculated as part of the 1.114% own resources ceiling).¹⁰⁷ In practice, EU taxes do not seem very likely for the time being, but the Commission mentions them as an option and they are on the agenda of a number of countries, including net contributor France and net beneficiary countries, as well as the European Parliament. For political and institutional reasons, the Netherlands is not a supporter of EU taxes and, until now, has had the UK on its side.

Secondly, the EU is seeking new financial instruments, such as a shift from subsidies to loans and guarantees, or using the margin between the MFF and the own resources ceiling as collateral. These ideas build on the European Fund for Strategic Investment (EFSI, also known as the Juncker Fund), although there is not widespread endorsement of the EFSI's effectiveness. The question with such financial instruments is who is to manage them – the Commission or the European Investment Bank (EIB) – and whether the EIB's triple-A status could permit more high-risk projects – something the Netherlands does not support.¹⁰⁸

III.3 The EU budget: expenditure

The debate on expenditure is focused on shifts between and within categories of expenditure. In broad terms these are agriculture, environment and climate; regional development and cohesion; the single market, innovation and digitalisation; foreign and security policy; migration and border management; and administration. A great deal of expenditure involves investment: the MFF looks very much like an investment budget. The Commission has called for expenditure that contributes to European 'public goods' or on the basis of common 'added value' (a common market, transport infrastructure, controlled external borders, etc.). The member states, including the Netherlands, closely monitor how much of the money spent comes in their direction. That makes the debate complex.¹⁰⁹ In principle, all parties have an interest in careful and responsible expenditure. Decisions on expenditure are made by qualified majority voting in the Council, while the Parliament has the right of co-decision, and so in a sense also has a place at the table.

¹⁰⁶ Future Financing of the EU: Final report and recommendations of the High-Level Group on Own Resources, December 2016. See <http://ec.europa.eu/budget/mff/hlgor/library/reports-communication/hlgor-report_20170104.pdf> and <https://ec.europa.eu/commission/sites/beta-political/files/communication-modern-budget-may2018_en.pdf>, p. 27.

¹⁰⁷ Constructions outside the MFF budget are, however, also conceivable. In addition, the revenues for a financial transaction tax would benefit national governments.

¹⁰⁸ The EIB's triple-A status will also be affected if it funds more defence projects. Investors tend to avoid businesses that make bombs.

¹⁰⁹ The Netherlands is also calling for relatively more EU funds to be spent on innovation, and with good reason, but other member states know that the Netherlands scores above average on acquiring funds for innovation.

The two most important debates on expenditure – with the exception of perennial questions like the modernisation of agricultural policy – are on *new goals* and the *rule of law*.

In its Communication of 2 May 2018, the Commission strongly emphasises the new goals. Conspicuous new goals are migration and managing the EU's external borders, climate and energy security, support for economic reforms, preparing for future accessions, and defence. Although it addresses existing policy areas and problems, it looks at the new challenges within them that the crises of the past decade have brought to light. The Commission proposes funding 20% of the budget for new goals from existing expenditure and 80% from new resources.

The Netherlands is pressing for the new goals to be *fully* financed from adjustments to and cutbacks in the two largest categories of expenditure, agriculture and cohesion policy. The government is advocating reform of the common agricultural policy (CAP), a reduced focus on income support and more focus on innovation, sustainability, food security and food safety. In addition, the CAP should facilitate cooperation between farmers to help make the sector more crisis-proof. The AIV would point out that the Netherlands' EU partners see this Dutch focus, with the exception of the arguments for reform, as being at their expense. Consequently, support for this course of action is by no means self-evident.

The rule of law is the other major theme: can the payment of regional funds in particular be made conditional on respect for the rule of law and, if so, how? This conditionality potentially affects Hungary and Poland the most, where concerns about democracy and the administration of justice are accompanied (certainly in Hungary) by concerns about corruption in the spending of EU funds. This situation can be expected to spark a debate on reforming cohesion policy, especially given the minimal contribution to the underlying goal of economic convergence. Cohesion resources contribute, for example, some 4-5% annually to the budgets of Poland and Hungary. In its Communication of 2 May 2018, the Commission proposes a new mechanism to protect the EU budget from financial risks linked to deficiencies in the country concerned as regards the rule of law. Not everyone is yet convinced of the feasibility of this mechanism. For the Netherlands, however, this form of conditionality is very important.

Besides the rule of law, the Netherlands is also focusing on the *how* of this expenditure in other respects: quality and control are fundamental. The Netherlands wants funds allocated from the EU budget to be linked to reforms and accountability, to know exactly what the financial burden of the Commission's proposals will be, and to ensure that the budgetary consequences of the proposals are integrated in existing budgets, in line with Dutch practice. The necessity of better spending will give rise to several red lines in the coming negotiations.

III.4 The EU budget: structure and control

Every budget negotiation, besides all the disputes about revenue and expenditure, is also about institutional structure and political influence. For the EU budget, the main institutional parameters – the need for national governments and parliaments to decide unanimously on own resources, co-decision on expenditure – are laid down in the EU treaties. Yet ideas are being floated for revising these fundamental rules, which will affect relations between EU institutions and member states. While preparing this report, the AIV observed that there is very little focus on the impact of financial proposals on the interinstitutional balance. It is not uncommon for innovations – especially now that the British 'brake' has been removed – to be presented as unavoidable. The Netherlands,

however, is more reserved in this regard and certainly feels that they should be debated. Besides the debate on direct EU taxes already referred to above, three other themes require serious reflection.

The first is flexibilisation of the budget. Besides the obvious advantages of being able to respond promptly and adequately to new situations,¹¹⁰ flexibilisation also has consequences for interinstitutional relations. The influence of the Commission (through the right of initiative) and Parliament (through the power of co-decision) will increase at the expense of national control. Yet, within the group of net contributors, there is understanding for the argument that member states themselves should also have some budgetary flexibility. Most member states are in favour of flexibilisation, but each in their own way. Poland and Hungary, for example, are prepared to accept flexible budgets, as long as no extra money goes to migration policy. The Netherlands is in favour of making it easier to shift between budget categories.

The second theme is the possible shortening of the duration of the MFF from seven to five years to synchronise it with the political cycle of the Parliament and the Commission – and therefore with the European election campaigns of the *Spitzenkandidaten*. In its Communication of 2 May 2018, the Commission proposes the option of introducing this change as of 2028. The AIV considers it important to carefully consider the implications of shortening the duration of the MFF before making a definitive decision. The advantage of synchronising the MFF with the mandates of the Parliament and Commission needs to be weighed up against the risk of permanent negotiations on – or reduced predictability of – the budget, as well as the possible negative impact on the security of long-term investments, especially in the areas of cohesion and innovation.¹¹¹

The third theme is linking the MFF to Economic and Monetary Union. This would enable the MFF to offer new financial instruments to strengthen the EMU. In its Communication of 2 May 2018, the Commission proposes setting up a Reform Support Programme with a budget of EUR 25 billion that will offer technical and financial support for reforms in eurozone countries and a European Investment Stabilisation Function which will guarantee loans of up to EUR 30 billion to euro countries confronted with large asymmetric macroeconomic shocks.

The first two proposals strengthen the position of the EU institutions in respect of the member states, while the third takes a position in the debate on the future of the eurozone initiated by French president Macron, a debate in which the Netherlands is taking a cautious position.¹¹² The AIV would urge that these innovations be assessed on not only their financial but also their political and institutional impact, and that coalitions be formed partly on that basis.

III.5 Power game: different to the last time?

The departure of the UK will not only leave a large financial gap in the budget, but also a diplomatic gap in the net contributors' coalition. When the UK leaves, we will also lose the most outspoken voice in favour of reducing national contributions, and of reform and modernisation, and opposing the introduction of European taxes, flexibilisation of the budget and reduction of the duration of the MFF. In the new balance of forces in the EU,

¹¹⁰ See <https://ec.europa.eu/commission/sites/beta-political/files/communication-new-modern-multiannual-financial-framework_en.pdf>. **Error! Hyperlink reference not valid.**

¹¹¹ For more details, see <[http://www.europarl.europa.eu/ReqData/etudes/IDAN/2017/603798/IPOL_IDA\(2017\)603798_EN.pdf](http://www.europarl.europa.eu/ReqData/etudes/IDAN/2017/603798/IPOL_IDA(2017)603798_EN.pdf)>.

¹¹² See AIV, advisory report number 105, 'Is the Eurozone Stormproof? On Deepening and Strengthening the EMU', The Hague, July 2017.

the Netherlands would generally speaking have liked to be able to rely on the continuing support of the UK, with its hard and often effective negotiating style.

Although the Netherlands was often in agreement with the UK on budgetary matters, it cannot – despite its power of veto – simply take over the UK's role. After all, it does not have the UK's political and financial influence. The Netherlands can choose to play hard, with all the political costs that would entail, given that such a position would most likely not be supported by Germany and France, nor by the southern and eastern member states. In the AIV's opinion, it is a matter of the objectives to which the Netherlands wishes to devote its political capital in order to reach an acceptable outcome.

In light of the many issues and widely varying interests, it is unfeasible to outline a detailed balance of forces in the budget negotiations. Nevertheless, three groups can be distinguished:

1. The *net contributors*. This group had a reasonably fixed composition and included, besides the UK, the Nordic member states, France, Germany, Austria and the Netherlands. The positions of Finland and the Baltic states are difficult to estimate. They are in favour of innovation, but also consider the existing cohesion funds important.

A number of countries have already taken clear standpoints: Austria, Denmark and Sweden do not want to see a higher EU budget. Since Austria will hold the Presidency of the Council in the second half of 2018, it is likely to adopt a moderate approach in the coming months.

The crucial factor is Germany: within the group of net contributors, Germany had something of a leading role, but this is likely to be less pronounced in the future. According to the March 2018 coalition agreement of the new government, given all the challenges facing Europe, Germany is open to paying a higher contribution to the EU.¹¹³

For domestic and regional political reasons, new net contributors like Italy, Spain and perhaps France will continue to focus on acquiring CAP and cohesion funds. This will make reforming the funds – which the Netherlands' is working to achieve – more difficult. These funds of course also benefit Dutch farmers, provinces and projects.

In short: for various political reasons, by no means all net contributors consider a lower budget of the greatest importance. They do not necessarily allow the interests of their citizens as taxpayers to prevail over their citizens' interests in other areas.

Within the group of net contributors, the centre of gravity is moving in an unfavourable direction for the Netherlands. It also looks as though the group will suffer from not having any (major) leaders.

2. The *net beneficiaries*. Although these countries – in Central, Eastern and Southern Europe – differ greatly, they all want to continue receiving sufficient resources for

¹¹³ CDU/CSU-SPD will accept a higher budget under certain conditions. See, for example, <https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Europa/EU_auf_einen_Blick/EU_Haushalt/2018-05-02-Gemeinsame-Erklaerung-Scholz-Maas.html%3e>.

agriculture and cohesion. Their differences largely lie in their degree of resistance to rising expenditure and/or exceeding the budget ceiling, and the importance they attach to extra funds for migration policy and border control. Italy and Greece are strongly in favour of the latter, while the Visegrád countries are equally strongly opposed to them. Because of these differences, these countries rarely act as a group.

3. The '*bridge countries*'. Until recently Italy, Spain and Ireland were net beneficiaries, but are now – or will become in the near future – net contributors. Their positions are as yet unclear. In Ireland, for example, discussions are currently under way on whether to agree to a higher EU budget, defending the CAP and higher structural funds.¹¹⁴ Italy's European course remains uncertain now that the Conte government has taken office. The Netherlands could seek closer contact with Spain, a country that is showing growing interest in a modern, reform-oriented budget.

The following factors are also significant within this balance of forces:

- The Commission has become more political – partly as a consequence of the *Spitzenkandidaten* procedure – and more responsive to what EU citizens expect in terms of benefits, opportunities and protection.
- The French position has not yet crystallised; partly because of other domestic battles and despite earlier remarks, President Macron seems not to be making CAP reform a priority.
- Central and Eastern European countries have already indicated their willingness to pay more, probably in the knowledge that they are the biggest beneficiaries. With the prospect of a new fund for EU enlargement (one of their wishes) and with the funds for the eurozone and for structural reforms, they see new opportunities for financial support and support for their priorities.

III.6 Recommendations for the Netherlands' strategy

The Netherlands is facing some major issues with respect to the MFF. There are major interests at stake, and there is a dilemma: a hard-line approach is tempting and in some areas necessary, but placing oneself outside the debate will mean no longer playing a role in decision-making in areas that are also of importance to the Netherlands. A hard line might result in leadership of a small group of countries (like the 'new Hanseatic coalition') but will cost political capital that cannot be used in other areas. In addition, besides possible damage to the country's image, it may make partners less willing to form coalitions with the Netherlands on other issues. At the same time, as described in earlier chapters of this report, it is clear that people's changing expectations of an EU that also protects and the new challenges facing the Union call for a revision of the Netherlands' position. In this current balance of forces, the Netherlands must choose its position in the three arenas referred to above (contributions, expenditure and structure & control) in a coherent way.

First, the contributions. The government should be prepared for a higher EU budget and a proportionately higher contribution. That is partly the consequence of current norms and distribution systems within which it is difficult to secure a substantial reduction on agriculture and cohesion, partly of political positions within the Union on the issue of

¹¹⁴ See <<https://www.iiea.com/eu27/taoiseach-leo-varadkars-vision-future-europe/>>.

extra expenses to tackle migration and increase security, and partly of Brexit itself. The scale of the budget could end up at or around the 1.114% of GNI proposed by the Commission. That will cause friction with the government's position that a smaller EU must mean a smaller budget. The Netherlands is virtually alone in taking this standpoint; even allies like Sweden and Austria can live with an unchanged budget after Brexit.

In the AIV's opinion, the Netherlands should consider playing a more leading role in the group of economically prudent countries. The departure of the UK and the changed position of Germany increase the need for new cement to hold this bloc together, and many are looking to the Netherlands. This would also increase the country's political influence. Even to end up at the Commission's current proposal, pressure must be exerted to prevent a further increase in the budget. The argument for greater prudence can better be presented in terms of sound financial management in Europe's interests than as reluctance on the part of the Netherlands.

On reductions, the government should adopt a reasonable position in relation to the other net contributors. Now that the system of specific reductions is probably going to be abolished with the British rebate coming to an end, the Netherlands must come up with new arguments for an equal distribution of contributions between countries with comparable levels of prosperity. To this end it may be advisable to enter into a 'reduction coalition' with other net contributors (Sweden, Denmark and Austria). The members of this coalition will, however, have to show solidarity with each other.

As far as new sources of funding are concerned, the Netherlands should look closely at the tendency to use EU funds for financial instruments, in some cases even outside the budget, in anticipation of later questions about the effectiveness of financial instruments.

Secondly, EU expenditure. In the AIV's opinion, the government should focus its efforts primarily on the modernisation and quality of expenditure. The new budget must be both financially sustainable and future-oriented. These two threads are interconnected. If the negotiations end with a higher EU budget – which is not unlikely – the quality of expenditure and how it is monitored will have to improve, partly with a view to ensuring continued support at national level.

On the issue of 'new goals', it is essential for the quality of the debate and for support at home that the government communicate more actively that European expenditure is not simply a cost item but is also an investment in the interests of the Dutch people, in terms of jobs, increased prosperity, opportunities, security and protection.

Although success is not guaranteed, the government must continue to press for a reduction in the CAP budget. It is important when doing so to avoid the impression of benefiting at other members states' expense.

The Netherlands can play a leading role in the debate on the quality and monitoring of expenditure, including the issue of linking support to the rule of law (conditionality). The Commission's proposal of 2 May 2018 is strong but, given the resistance in Central and Eastern Europe, it is not certain that it will succeed in its current form. In line with the Commission's proposal, the Netherlands could take a hard line on conditionality in the negotiations, including with a view to the possibility of ultimately accepting a higher total package. It should then be argued that expenditure should be subject to independent supervision, something for which the Netherlands itself can make suggestions and where, for example, the European Court of Auditors, the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office could play a greater role. It should

also be emphasised that, if necessary, reductions will actually be granted; that has not always happened in similar situations in the past.

Thirdly, the structure of and influence over the budget. The Netherlands must be prepared for flexibilisation of the budget to be introduced. The AIV believes that this requires further investigation. Flexibilisation is key, as long as it is designed properly and is linked to the intended modernisation of the budget, which must be future-oriented and financially sustainable.

There is also the possibility that the next MFF will change to a five-year cycle; in the AIV's opinion, the Netherlands should not underestimate the institutional consequences of that change and, when determining its position and seeking potential allies, should take account not only of the advantages outlined earlier, but also of the disadvantages in terms of budgetary procedure (permanent negotiations, uncertainty).

All in all, in the upcoming MFF negotiations, the Netherlands can profile itself as a leading voice in the 'prudent modernisers' camp, in favour of a European Union that focuses on sound and future-oriented investments. The financial and diplomatic gap left by the UK's departure will be painful for the Netherlands as a net contributor. That pain can be mitigated in part by forming coalitions with net contributors on the EU's revenue and expenditure. That will require considerable effort. But equally important for the debate and for generating support is recognising that the MFF is not only about expenditure – as seen from the perspective of Dutch citizens in their role as taxpayers – but is also a means to achieve common goals in the coming decades, goals that can be just as vital for Dutch citizens in their role as employees, consumers, researchers and students.

IV Conclusions and recommendations

On the basis of its analysis in the previous chapters, the AIV has set out the following conclusions and recommendations:

IV.1 General

1. With the UK's departure, the Netherlands is losing an ally in some areas, especially the functioning and scope of the single market, the common commercial policy and promoting good governance in the Union. In other areas, the Netherlands had less or no support from the UK, either because their views differed or because the UK had remained outside the integration process in certain areas, like the common currency. The UK also acquired an exceptional position in the field of legal protection in relation to the fundamental rights of European citizens. Ultimately, the strategic objectives of the two countries were not aligned: in the context of European history, the Netherlands has had no other option than to be involved in European integration, while the UK continually had the power to influence the balance of power on the European continent from outside. Now that the UK is leaving the EU, the Netherlands may be able – perhaps as a privileged partner of the UK – to increase its influence.
2. Brexit coincides with far-reaching changes around the EU and in the wider world that call for the Union to show its capacity to act and for a strategic re-orientation of the European narrative. Global challenges in relation to security, migration, climate change and modernisation of the economy call for a Union that does more than liberalise markets, a Union that actively supports its member states in their efforts to protect and develop the European way of life. Prime Minister Mark Rutte showed his awareness of these challenges in his speech to the European Parliament in Strasbourg on 13 June 2018. What this implies for the most important policy areas needs to be elaborated for the wider public and for the public debate. The consequences of this new engagement for the Netherlands' EU coalitions also need to be well thought through. While the UK was always an important partner for the Netherlands in the Europe of the free market, it has also always been less like-minded when it comes to a Europe that modernises and protects.
3. Brexit demands that the Netherlands step up its participation in internal EU diplomacy. If the Netherlands wishes to see its proposals approved, the qualified majority voting system of decision-making laid down in the EU Treaty means that it will have to join forces with a larger group of member states than is now the case. And if the Netherlands wishes to stop a decision being taken, it will be far less easy to form a blocking minority, especially without the participation of a large EU country. The new 'Hanseatic coalition' of the Netherlands, Ireland and the Nordic and Baltic countries – even if joined by the other Benelux partners – is not enough to make up a blocking minority. And where decisions are made by consensus – which is often the case in practice – it is essential to win European hearts and minds. This will require strong proposals, active lobbying, and a willingness to give and take. A Europe without the UK calls for the Netherlands to take up an active position in EU institutions, preserving old coalitions and forging new ones, and developing strategic insight into the general balance of forces, transcending ministerial 'pillars'.

4. Seeking support for Dutch insights and standpoints cannot wait until the moment that European institutions take action. Either alone or as part of a coalition with other member states, the Netherlands must demand attention for its interests – much more than it does now – at the time when proposals, positions, conclusions and suchlike have not yet taken permanent shape. That requires a proactive Dutch strategy, especially in the Commission and the European Parliament. The AIV strongly recommends that the Dutch parliament and political parties step up their contact with the European Parliament. That means that the House of Representatives has a role to play, not least in dossiers that eventually require the active approval of national parliaments (such as decisions on the MFF and accession treaties). This approach also requires a carefully designed and maintained policy on the part of the Netherlands to promote the employment of Dutch nationals in European institutions at all levels, whether in permanent employment, seconded from the Netherlands, working in Brussels or, for example, at the European External Action Service (EEAS).
5. Entering into coalitions has always been strategically important for the Netherlands' position in the European Council and the Council of the European Union. An EU without the UK will be much more of an open field for the Netherlands, without specific geographical dominance. The customary Dutch preference for North-Western Europe is already becoming untenable, and will become even less so in the next few years. That calls for a flexible approach, in which no member states should be excluded from the conversation in advance, whether they are from Southern, Central or Eastern Europe, from the Iberian peninsula to the Visegrád Group. Shifting coalitions in various policy areas also prevent the dividing lines between groups of member states from always being the same and causing divisions to harden, resulting in alienation – a risk that has potentially serious consequences for the single market, the Schengen system and the Union's external resolve and credibility. A new approach to coalition-forming will provide a finely interwoven network that will strengthen the Union as a whole.
6. A new approach to coalition-forming means that the Netherlands will have to develop its vision on European integration further and set priorities. As we all know, being right and getting your own way are two different things. Even if the Netherlands resolutely wants to stop something from happening in the EU, it could be more beneficial not to keep pressing the point, or in any case to see whether the point can be linked to something that the Netherlands wants to move forward at European level. The ambition to play a role on the Franco-German playing field calls for the formulation of positive European objectives, and not only a focus on what we definitely *do not* want. Upholding prudent budget management and a Dutch rebate might be supported by playing a constructive role in the debate on how to strengthen the eurozone and the EMU. It would not be good for the Netherlands' position in the EU, or for the debate on the EU at home if, at the end of the negotiations, we had to swallow all our stubborn 'no's and reluctantly agree to a series of 'yesses'. Blaming Brussels – as we have seen in the UK – does not help efforts in the long run to build a strong and convincing Europe. That does not change the fact that some well-considered standpoints are

sometimes worth holding on to until the end, irrespective of how much support they have from other member states.¹¹⁵

7. In light of major challenges like the modernisation and digitalisation of the economy, the required energy transition and severe instability and poverty around Europe's borders, boosting Europe's capacity to act demands bridging West-East and South-North dividing lines within Europe. By forming new coalitions in these policy areas, the Netherlands is already contributing to a crucial new network that transcends these traditional dividing lines. Without the southern member states, there is no solution to the migration problem. Without the modernisation-minded states in Eastern Europe there will be no modern, sustainable economy. And without the support of all European member states, there will be no stability in the region surrounding Europe. Alongside the image of the Netherlands invoked in the national and international media as leader of the 'Hanseatic coalition', persistently saying 'no' to France and the southern member states, there is also the image of the Netherlands as a practical builder of bridges with France and the southern and eastern member states, in coalitions pursuing a digital single market, more ambitious climate goals and a solution to the long-term, existential problem of migration and asylum.
8. The influence of the Franco-German axis is expected to increase, which will in any case require the Netherlands to maintain permanent and alert contact with Berlin and Paris. At the same time, as a founder state with a relatively large economy, the Netherlands will also be expected show leadership within, for example, the Benelux and the 'Hanseatic coalition' with the Nordic and Baltic member states. Leadership demands political influence and diplomatic capacity, as well as insight into what deals can be made and what trade-offs are required to achieve them. In the AIV's opinion, the best way for the Netherlands to do that is to focus on improving Franco-German proposals with the support of coalitions with other member states, which can vary according to the issue: with other 'prudent modernisers' arguing for a new MFF closer to the German position, and with sustainable investors in favour of ambitious climate goals, more in line with the French position.
9. Playing an active role in the EU is not possible without investing in coordination and the Dutch presence abroad. The EU coordination in The Hague, led by the Ministry of Foreign Affairs, was very efficient during the 2016 Council Presidency and should be further reinforced to reduce ministerial 'pillarisation' and allow cross-cutting strategic ties between the ministries to continue. The Netherlands cannot adopt a proactive role in EU institutions and a flexible approach in the European capitals ('multi-bi diplomacy') without a clearly defined presence. In the recent past, financial cutbacks severely affected the Netherlands' presence in the EU and the member states. The battle in Brussels is often won at the embassies. If the Netherlands wishes to see its ambitions in Europe realised, it must reverse at least some of its human resources losses and strengthen its European embassies.¹¹⁶

¹¹⁵ In 2011, for example, the Netherlands and Finland rightly blocked the Franco-German compromise on the accession of Romania and Bulgaria to the Schengen system, because the quality of the rule of law and administrative and legal capacities in these countries were not up to the required standard.

¹¹⁶ See AIV, advisory letter number 32, 'The Dutch Government's Presence Abroad', The Hague, May 2017.

IV.2 Specific recommendations in certain policy areas

1. In the area of policy on the single market, including the free movement of services and the digital and energy markets, it would make sense to continue working with the like-minded Nordic and Baltic member states, Ireland and, to a certain degree, the Visegrád countries. The aim of this cooperation is partly to exert influence on the large member states, and France and Germany in particular, and where necessary to offer a counterweight when these countries succeed in acquiring sufficient support from other protectionist-minded partners in order to reach agreement on specific single market issues.
2. In the area of social policy, the Netherlands will have to make a strategic choice between adhering to its cautious approach or going along with far-reaching European initiatives. The AIV would urge the government to keep an open mind about social initiatives. It shares the government's belief that strengthening the social dimension is a crucial component of the future of the EU and deepening public support for the Union. The coalitions that the Netherlands has forged with Sweden, the Benelux, Germany and France in the context of the revision of the Posting of Workers' Directive are a good basis to build on.
3. In terms of climate policy, a focus on close cooperation – not only with North-Western European countries like Sweden and Finland, but also with France, the Benelux and Germany – offers the greatest chance of achieving the Netherlands' objectives. In the field of research and innovation, after the departure of the UK, close cooperation with France and Germany in particular would be the most logical course.
4. As far as the EMU is concerned, the AIV believes the Netherlands should take a constructive approach to Franco-German initiatives resulting from the eurozone summit of June 2018, especially if they are in accordance with the recommendations in the AIV's August 2017 advisory report on the deepening and strengthening of the EMU. In the debate on the future, joint initiatives with the Nordic and Baltic member states and Ireland (the 'Hanseatic coalition') – whether under Dutch leadership or not – emphasise the importance of national responsibility, budget discipline and risk reduction, but will not be able to avoid the political discussion sought by other member states on joint stabilisation, solidarity and risk-sharing. In addition, in order for this coalition to be credible, Denmark and Sweden will need to move towards membership of the eurozone.
5. Within the CFSP and the ESDP, Brexit will weaken the existing coalitions in which the UK often played a leading role, for example on Russia and the sanctions imposed on it. After Brexit, it will remain crucial to coordinate with the UK as closely as possible on these issues. The AIV therefore urges the Netherlands to act as a bridge between the UK and the EU and calls on the government to explore ways in which this can be achieved. The AIV would also refer back to its recommendation in the advisory report on the future of NATO to breathe new life into the Eurogroup within the alliance.
6. In the area of defence, the Netherlands must be open to efforts to make Europe more self-sufficient. As France is the driving force behind this ambition, the AIV recommends that the Netherlands explore the scope for closer cooperation with the French. The AIV sees the fact that 25 EU member states wish to participate in

PESCO as a hopeful sign, but considers it almost inevitable that a military lead group will emerge within PESCO, consisting of a limited number of EU member states, most likely Germany, Belgium and France. The aim of this coalition should be to establish a substantial European military capability. The AIV believes that the Netherlands should be part of any such lead group. In that context, the AIV sees the recent decision by the defence ministers of nine European countries, including the Netherlands, to establish the European Intervention Initiative (EI2) as a potentially important step in the right direction.

7. Regarding European cooperation on migration, besides Germany and France a number of southern EU countries are also relevant as potential coalition partners for the Netherlands. In the AIV's opinion, the Netherlands would be well advised to focus on broad coalitions with countries that look beyond their short-term self-interest ('North' versus 'South') and work to achieve stability in the MENA region and a humane and effective European migration strategy. This includes working with Italy to combat people smuggling. Such a strategy must be embedded in a broader European development cooperation strategy. That will be sorely needed if migration pressure increases as expected in the next few decades.
8. The negotiations with the ACP countries on a new framework for trade and aid – in which the negative impacts of Brexit for the ACP countries on trade will be an important element – demand an active strategy to ensure that European financial resources for development cooperation are maintained. In this context, the Netherlands will have to seek to work with France, as the traditional bridge-builder with the ACP, and with the Scandinavian countries and Germany, with whom the Netherlands is in agreement on linking aid and trade.
9. On the MFF, the AIV considers that the Netherlands should probably assume that the negotiations, which have not yet started, will ultimately result in a higher EU budget and a higher Dutch contribution. The AIV believes that the Netherlands, together with a coalition of fellow 'prudent modernisers', should press hard for the inclusion of conditionality (linking funds to performance on the rule of law and meeting responsibilities in the field of migration), reducing the CAP budget and modernising the EU budget. The AIV is of the opinion that the government should consider taking a more prominent role within this coalition.

IV.3 Recommendations relating to coalitions with individual or groups of countries

1. Given the above recommendations, the AIV sees close cooperation with generally like-minded countries – such as the Benelux partners, the Nordic and Baltic member states, Austria and Ireland – as perhaps the most logical choice, but it will not always prove numerically sufficient to influence decision-making in the desired direction or to block unpalatable decisions. The AIV therefore feels that it is both desirable and necessary to keep the dialogue open with large and important member states, such as Spain and Italy, that may not at first glance seem like-minded.
2. Although it is not necessary to embrace every Franco-German initiative immediately, the AIV believes it also in the interests of the Netherlands' prosperity and security that Germany and France trust each other and continue to pursue their relationship within the framework of the EU. The Netherlands can

play a role in fine-tuning Franco-German initiatives and, where necessary, improving them, reminding both partners that Franco-German agreement is a necessary but not in itself a sufficient condition for European consensus. After Brexit, the Netherlands can focus on this bridging role even more, as intermediary between these two large member states, and the other member states too.

3. That of course requires close bilateral relations with Berlin and Paris. For that reason, in the AIV's opinion, the Netherlands should continue to focus on closer cooperation with Germany, a country with which we may share many interests and much common ground, but by no means in all areas of policy. The Netherlands, for example, attaches great importance to the functioning of the market and the free movement of services, while Germany's policy is strongly influenced by the interests of its own strong industry, including the automobile sector.
4. Closer cooperation with France, in which the Netherlands is actively investing, is also essential, partly with a view to influencing the direction of Franco-German initiatives. France is a crucial and often neglected ally in efforts to strengthen the pillars of the Europe that protects – defence and stability in Europe's neighbourhood, regulating migration, modernising the economy, and the social dimension. The AIV feels that more attention could be paid to this aspect in the public debate.
5. Given their attitude towards migration and – in the case of Poland and Hungary – the rule of law, cooperation with the countries of the Visegrád Group is less self-evident. Nevertheless, as the positions of these countries in some policy areas (e.g. the single market) are sometimes close to that of the Netherlands, and since they do not always operate as a bloc, cooperation with them – perhaps through the Benelux – should not be dismissed out of hand.

Annexe I

Request for advice

Professor Jaap de Hoop Scheffer
Chairman of the Advisory Council
on International Affairs
P.O. Box 20061
2500 EB The Hague

Date 4 July 2017

Re Request for advice on possible post-Brexit coalitions in the EU

Dear Professor De Hoop Scheffer,

The House of Representatives today decided, pursuant to article 30 of the Rules of Procedure of the House of Representatives of the States General, to submit a request for advice to the Advisory Council on International Affairs concerning the opportunities that the Netherlands will have to form coalitions in the European Union following the withdrawal of the United Kingdom (Brexit).

This request is based on the motion by MP Anne Mulder et al. concerning a request for advice on the formation of coalitions with other countries post-Brexit (Parliamentary Papers, 21 501-20, no. 1229. A copy of the motion, which the House adopted on 16 May 2017, is enclosed.

The annexe to this letter sets out the request in greater detail.

On behalf of the House, I kindly ask you to honour this request.

Yours sincerely,



Khadija Arib
President of the House of Representatives
of the States General

ANNEXE

Letter of 13 June 2017 from the Registrar of the Permanent Committee on European Affairs to the Presidium of the House of Representatives

On behalf of the members of the Permanent Committee on European Affairs, I ask you, in accordance with the decision of the procedural session of 1 June 2017, to propose that the House submit a request for advice to the Advisory Council on International Affairs (AIV) concerning the opportunities that the Netherlands will have to form coalitions in the European Union following the withdrawal of the United Kingdom (Brexit).

The advisory report that the House would thus request would be a follow-up to the AIV's report of 22 March 2017, entitled "Brexit means Brexit": Towards a New Relationship with the UK'. This request from the Permanent Committee on European Affairs is based on the motion by MP Anne Mulder et al. concerning a request for advice on the formation of coalitions with other countries post-Brexit (Parliamentary Papers, 21 501-20, no. 1229). The motion was adopted by the House adopted on 16 May 2017 (Proceedings of the House of Representatives, 2016/17, no. 75, item 9).

The considerations to this motion include the House's observation that with the United Kingdom's withdrawal from the European Union, the Netherlands will lose a major ally and the relationships of forces within the Union will be reshaped.

The House also notes in this motion that the AIV concluded in its recent advisory report on Brexit that, following the UK's withdrawal, the Netherlands should pursue close cooperation and coordination not only with Germany, but also with North-West European countries.

Finally, the House in this motion requests a follow-up report from the AIV, explaining with which countries such coalitions could be formed, how, and what is needed to make them possible.

House of Representatives of the States General

No. 1229 MOTION BY MP ANNE MULDER ET AL.

Introduced on 9 May 2017 The House,

having heard its deliberations,

considering that with the United Kingdom's withdrawal from the European Union, the Netherlands will lose a major ally;

considering that the UK's withdrawal will reshape the relationships of forces within the Union;

noting that the Advisory Council for International Affairs (AIV) concluded in its recent advisory report on Brexit that, following the UK's withdrawal, the Netherlands should pursue close cooperation and coordination not only with Germany, but also with North-West European countries;

requests a follow-up report from the AIV, explaining with which countries such coalitions could be formed, how, and what is needed to make them possible.

Anne Mulder
Pieter Omtzigt
Joël Voordewind

Annexe II

Consequences of Brexit for QMV decision-making

	Percentage of the population of the Union 2016	Percentage of the population of the Union post-Brexit	Difference
Germany	15.93%	18.26%	+2.33%
France	13.04%	14.94%	+1.90%
United Kingdom	12.73%	n.a.	n.a.
Italy	12.07%	13.84%	+1.77%
Spain	9.12%	10.46%	+1.34%
Poland	7.47%	8.56%	+1.09%
Romania	3.90%	4.47%	+0.57%
The Netherlands	3.37%	3.86%	+0.49%
Belgium	2.31%	2.53%	+0.22%
Greece	2.21%	2.44%	+0.23%
The Czech Republic	2.05%	2.35%	+0.30%
Portugal	2.04%	2.34%	+0.30%
Hungary	1.94%	2.22%	+0.28%
Sweden	1.92%	2.20%	+0.28%
Austria	1.69%	1.93%	+0.24%
Bulgaria	1.42%	1.62%	+0.20%
Denmark	1.11%	1.27%	+0.16%
Finland	1.08%	1.23%	+0.15%
Slovakia	1.06%	1.22%	+0.16%

Ireland	0.91%	1.04%	+0.13%
Croatia	0.83%	0.95%	+0.12%
Lithuania	0.57%	0.66%	+0.09%
Slovenia	0.41%	0.46%	+0.05%
Latvia	0.39%	0.45%	+0.06%
Estonia	0.26%	0.30%	+0.04%
Cyprus	0.17%	0.19%	+0.02%
Luxembourg	0.11%	0.13%	+0.02%
Malta	0.08%	0.10%	+0.02%

Source: Presented during the introduction by H.A. Würzner of the Ministry of Foreign Affairs to a symposium marking the 40th anniversary of the Policy and Operations Evaluation Department (IOB) on 14 December 2017 (see also footnote 10 in this report).

List of abbreviations

AIV	Advisory Council on International Affairs
AVV	Advisory Council on Peace and Security
CAP	Common Agricultural Policy
CETA	Comprehensive Economic and Trade Agreement
CFSP	Common Foreign and Security Policy
CTG	Counterterrorism Group
ECFR	European Council on Foreign Relations
ECSC	European Coal and Steel Community
EEAS	European External Action Service
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EMF	European Monetary Fund
EMU	Economic and Monetary Union
ESDP	European Security and Defence Policy
ESM	European Stability Mechanism
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
IMF	International Monetary Fund
INTCEN	Intelligence and Situation Centre
JHA	Justice and Home Affairs
MENA	Middle-East and North Africa
MFF	Multiannual Financial Framework
NATO	North Atlantic Treaty Organisation
NBS	The Nordic-Baltic Eight, consisting of Denmark, Sweden, Finland, Norway, Iceland, Estonia, Latvia and Lithuania.
ODA	Official development assistance
OLAF	European Anti-Fraud Office
PESCO	Permanent Structured Cooperation
QMV	Qualified majority voting

TEU	Treaty on European Union ('EU Treaty')
TFEU	Treaty on the Functioning of the European Union
TTIP	Transatlantic Trade and Investment Partnership
UK	United Kingdom
US	United States
V4	The Visegrád Group, consisting of Poland, Hungary, the Czech Republic and Slovakia
WRR	Netherlands Scientific Council for Government Policy
WTO	World Trade Organization