

Section 5 VIEWS FROM THE CAPITALS

THE HAGUE Recession is tempering Dutch enthusiasm for Europe

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It's hardly surprising that the Netherlands is being swept by the chill winds of global recession. The country has a comparatively large financial sector and exports account for more than 70% of gross domestic product. The Dutch government had to rescue ABN Amro Bank from the rubble of Fortis, and the large financial group ING needed huge credit facilities. The Dutch used to think of their country as a cradle of European budget discipline, but today they are dismayed by the rising tide of national debt as billions of euros are injected into the economy.

Planners in The Hague predict that economic output will fall by more than 3% this year; imports and exports have already dropped by an unprecedented 14%. Many small and medium-

sized companies are facing serious difficulties, particularly those in the transport, construction and tourism sectors. Pension funds are being forced to raise premiums or reduce payments. The ABP Fund for retired civil servants and teachers – one of the largest pension funds in the world – lost more than €44bn in book value on last year's plunging stock markets.

Yet for all the gloom and doom, the outlook for the Netherlands is less bleak than elsewhere in

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Europe. As the old saying goes, "When the world goes down, one can still flee to Holland." Very low inflation and the country's solid social security system together guarantee that most people will be able to maintain their purchasing

power. Unemployment is rising but remains the lowest in the EU-27. And the relatively modest size of Dutch industry means the national economy is less vulnerable to shocks in certain key sectors. Just 22,000 Dutch people work in the car industry, for instance, well below Germany's 833,000, France's 258,000 or even Belgium's 45,000 auto workers.

Nor is the current crisis affecting the stability of the country or government. The ruling centre-left coalition has presented a balanced package of emergency measures and enjoys support from broad sections of Dutch society. Cohesion within the coalition has even been bolstered by the rising star of Geert Wilders and his populist Freedom Party. After the turbulent period when the party of assassinated right-winger Pim Fortuyn briefly entered a ruling coalition – and later when the Dutch voted No to the European constitution – the Dutch political establishment quietly agreed never again to share power with any populist party and never again to organise a referendum on Europe or any other serious subject.

Since the populists hardly ever win more than 25%-30% of the national vote, the traditional Dutch parties nearly always have a comfortable majority in the broad political centre ground. And unlike Belgium, where a cordon sanitaire is maintained around Flemish right-winger Flip de Winter, the Freedom Party is neither boycotted nor isolated. Wilders and his people have open access to the media and participate fully in public debates. The ruling party elites even cherry-pick their ideas when they suit the mainstream political agenda.

For the Dutch, Europe has never been far from the action during the economic crisis. Jean-Claude Trichet, the president of the European Central Bank, and the EU competition commissioner, Neelie Kroes, almost personally supervised the demise of Fortis Bank, while Prime Minister Jan Peter Balkenende and Finance Minister Wouter Bos have eagerly participated in the various EU and G20 emergency summits. European monetary union and the anti-protectionist stance of the Commission are much appreciated in the Netherlands. As Bos famously said, "If we had no eurozone, we would all have ended up as Iceland." The Dutch support European coordination of (restrictive) fiscal stimulus and a strong role for the EU in promoting global regulation.

But events have once again proved that in times of trouble Europeans turn first to their governments rather than to Brussels. The EU may be indispensable for developing regulations in the long run, but it lacks the necessary resources to act in the short term. The EU's main job is to coordinate the efforts of member states, leaving much of the decision-making – and the political legitimacy – to the capitals. The Dutch Labour Party, in particular, thinks the current crisis is a golden opportunity to revisit the future role of the nation state, both in Europe and in the world economy.

It's an approach that fits well with the changing Dutch mood about Europe. Although popular support for the EU in general is still strong, the national autopilot is no longer on course for "ever closer union." Instead, the Netherlands is steering towards a more flexible pattern of cooperation inside and outside Europe, with a substantial role for The Hague. The junior minister for European affairs, Frans Timmermans, recently summarized this new attitude when he said: "I believe that Europe cannot be built without strong nation states. And that we cannot have strong nation states without strong European ties." □

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SARAJEVO

It's becoming urgent for the EU to get back on track in Bosnia and Herzegovina

By **Dobrila Govedarica** of the Open Society Fund in Bosnia and Herzegovina

Economic recession is fuelling fears that Bosnia and Herzegovina may be heading for serious trouble. More than 15,000 people lost their jobs over the winter and spring months as the global downturn hit home, and the country's pensions and social welfare funds face collapse. The economy is the latest problem to be added to Bosnia's long list of woes. Fourteen years after the Dayton peace agreement, ethnic tensions are still there and political rifts are widening. Support for Europe is also on the decline. According to a recent Gallup poll, 16% of Bosnians believe their country will never join the European Union, double the figure for the rest of the western Balkans. The people of Bosnia simply don't see EU membership as a realistic option in the near future. They are also disappointed that so far Europe has neither galvanised expected reforms nor resolved ethnic conflicts. Unless genuine