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How the Netherlands can choose opt-outs from the EU coronavirus recovery fund



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The Netherlands has traditionally taken a critical but [accommodating stance](#) in the European Union. This pragmatism may have to be reassessed now that European government leaders have decided to hand out grants to member states, issue common debt and is taking steps towards forms of European taxes (levies). Next is not on the agenda, but centrist political parties must be able to consider limits towards European integration. Opt-outs may have to become part of the Dutch EU policy options, writes

Professor Adriaan Schout, the economist and political scientist associated with Clingendael. The Dutch [Parliament did take his suggestion of opt-outs into account and will now set up a committee to consider opt outs.](#)

The time is coming for the Netherlands to ask itself how far it wants to go towards European integration. And when the limits of integration are in sight, what alternatives are there? The Dutch government has been

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wrestling with these questions for a long time. Prime Minister Mark Rutte initially chose not to define a vision of the European Union, arguing that vision was a matter for ophthalmologists. Subsequently he did proffer a vision, which is incorporated in the [coalition agreement](#): no increase in the EU budget, no common debt, and if countries need support from the European emergency fund (ESM), they must meet 'clear' requirements. The Netherlands is maintaining the no-bail-out stance in the Treaty.

Brussels is looking at tax-raising powers for the European Union.

This vision is also reflected in the official language used. The Dutch government talks about 'community' rather than 'Union' and the more ambitious 'integration' is avoided by speaking of 'cooperation'. The EU is crucial to the Netherlands for geopolitical stability, as a joint framework for meeting challenges such as climate change and as a market. The basic principle is that [member states must stand on their own two feet](#). This has been reaffirmed for many years in widely supported motions in Parliament opposing, for example, deeper integration or blocking increases in the EU budget.

The 'no' to the European Constitution in the 2005 referendum underlined public sensitivities. A striking contrast to other member states is that the Dutch House of Representatives recently introduced the [the Dutch flag in Parliament – but without the European flag](#).

The coronavirus crisis has brought the EU to the point where Dutch principles are being put to the test. At the latest EU summit it was nevertheless agreed to assist member states with grants and loans funded by €750 billion of common debt. These grants and loans mean that countries facing financing problems no longer have to rely on the ESM, the dreaded European emergency fund, with its strict conditions on budget cuts and reforms.

Instead of turning to the harsh ESM, member states can now look to the European

Commission for support. The Commission must also demand reforms, but there is widespread doubt about the supervision of reforms by the politicised European Commission, [particularly in the case of large countries such as France](#) and Italy. The common debt may be funded through types of European taxation. Initially there will only be a levy on plastic (formally not a tax), but the EU is looking closely at direct European income (taxes) in order to free itself from member states that keep a tight hold on their purse strings.

The Netherlands cannot resist these developments. So what happens now?

Precedents have been set and the blueprints for tackling the crisis are in place. The debts and incipient European taxes mark what is known in EU jargon as crossing the European Rubicon and the EU is having its Hamilton moment – named after the US treasury secretary who federalised the States' vast debts after the Civil War. Commission President Ursula von der Leyen therefore refers to coronavirus as 'Europe's moment'.

The political conclusion for the Netherlands is that a lot of adjustments can be made through tough negotiations, but it is difficult to resist developments. The northern European bloc that includes the Netherlands is too small for that. There is no longer a British back to hide behind and Germany has opted to side with France for the sake of tranquillity in the EU.

As in the case of Denmark, opt-outs can offer a way out

After years of pragmatism the point has been reached at which the Netherlands itself has to choose: should it go along with the plans now emerging for deeper integration or is it time to reassess the European vision? Recent governments were known in the EU as difficult and even euro-critical, but the Netherlands remained a constructive and proactive partner.

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Unlike Denmark, which is not in the euro for example, the Netherlands participates fully in every EU policy and has not demanded any opt-outs. In the weeks and months ahead, however, the European Commission will be developing its support plans, raising the question of how far the Netherlands wants to go towards deeper integration.

Temporary is temporary? Political parties appear to be avoiding areas of difficulty for now. While other member states and the European Commission dream of a new phase of European integration, the Dutch position is that European debts are one-off and moves towards European taxes will only be limited. It is doubtful whether these expectations will be borne out, if only because debt is rising fast in all member states and keeping the euro in the danger area, as [Klaas Knot \(President of the Central Bank\) recently underlined in the HJ Schoo lecture.](#)

More common debt and continued weak European oversight must be expected because tight supervision of weak member states would push the euro politically and economically to the edge of the precipice. The European loans and grants will also be used for 'greening' and digitisation. If the North-South Metro Line in Amsterdam and a new Berlin airport are already leading to mega overspends and delays, the same will be true of the large-scale investments and technological innovations required to meet even bigger challenges such as ecological transition and digitisation. These ambitions are not consistent with a support fund running only for a few years. Temporary in politics can be rather flexible.

Ultimately it is also about the power of the European Institutions

One thing is clear: the current European plans guarantee further robust negotiations on European budgets, conditions and supervision and the question of whether common debt issuance will indeed be one-off. These negotiations also concern the power of the European Commission and the European Parliament. That the European

Parliament has, understandably, said that member states should not decide on their own on priorities in European budget plans and it wants extra money for research and innovation, for example. Another question is whether a precedent has been set for bypassing the ESM as a European emergency fund.

The big question is therefore what the centrist parties CDA, PvdA and VVD will do. GroenLinks and D66 are positive about the deeper European cooperation, eurobonds and turning the European Commission into a European government under the European Parliament. And European taxes are part of that.

On the opposite side are the PVV and the FVD, which believe the EU is unstoppable and that the government is misleading the people by denying creeping integration towards centralisation. They want Nexit, or at any rate a referendum on the EU or the euro.

The CDA, the VVD and the PvdA have to decide whether they are for or against a further deepening of the EU

If this is 'Europe's moment', the centrist parties must make clear whether they support it. The CDA and the VVD are expected to be highly critical of 'Europe's moment', but as government parties they will hesitantly agree. On the opposition benches, the PvdA is for the most part positive about these developments. But will the social democrats also see this as the blueprint for the future?

The parties must also state what their strategy is. So is there anything between the Rubicon and Nexit? Yes: opt-outs. The Netherlands prefers to avoid opt-outs, fearing a loss of influence if we are not sitting at all the tables. Moreover, other countries might be tempted to opt out from Dutch priorities, such as oversight of the quality of the judicial system. Up until now it has also been unthinkable for the Netherlands to decouple from Germany on the path to European integration.

What possibilities do opt-outs offer?

An opt-out does not equate to a shift of direction, because an opt-out leaves other countries free to choose their model of European cooperation. European integration consists of a range of projects in which not all members participate, and that works fine. If the Netherlands chooses opt-outs, there will be more rather than less pressure on Germany, because Germany will be rather alone in the EU if the next-largest northern country places limits on integration.

Opt-outs are politically explosive in the Netherlands and unattractive if the EU is viewed as a single project, but what alternative do the centrist parties have? Acting as if it is business as usual is not an option. Is this 'Europe's moment'? Over to the centrist parties to have their say.

About the Clingendael Institute

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