

State of the European Union 2013: 'Building bridges in Europe'

Part I - Introduction

A number of years ago, the German film-maker Wim Wenders tried to answer the question 'Where is Europe's soul?' His answer was 'Where there are Europeans.' In arriving at his answer, he first explained where *not* to go in search of Europe's soul. Europe's soul is not to be found in European treaties, in its capital cities, or in its Brussels-based institutions, all of which represent an 'administrative' Europe. Nor is Europe's soul to be found in a purely functional mode of European cooperation focused on financial and economic objectives. But if Europe needs its own spiritual landscape, where is its spirit to be found? Where can we feel its heartbeat? Wenders believed we should look to Europe's oldest entities, the towns and regions where people feel at home, identify with the local customs, cuisine, dialect, culture and social structures and abide by shared values.

There is no escaping the fact that it is precisely this Europe that is under pressure from the enormous forces unleashed by global change. The influence of what we once called the Third World is growing rapidly. Billions of people outside Europe are gradually attaining a level of prosperity unimaginable to their parents. They will get a greater share of the earth's resources. Those parts of the world, Europe foremost among them, which in the past could count on almost automatically disposing of the lion's share, will have to adjust to a situation of greater global equality. These adjustments will not happen by themselves. It is also far from certain that all those involved in this process, including the Europeans, will emerge unscathed.

In its report *Golden Growth*,¹ the World Bank attributes Europe's success since the Second World War to the strength of Europe's socioeconomic structures combined with its capacity to transform entire societies through the process of European integration. At the same time the report warns that sweeping reforms are needed to cope with demographic changes and to make our labour market more mobile, more efficient and more capable of withstanding outside pressures. So while there is no need to despair, neither are there grounds for complacency. The challenges are great, but so are the opportunities.

¹ Indermit S. Gill and Martin Raiser, *Golden Growth: Restoring the Lustre of the European Economic Model*, Washington: World Bank, 2012.

There is an urgent need for European political direction to ensure that the Europe Wenders talked about can thrive and that people's shared values continue to be translated into a political, economic and social order that reflects the wishes and aspirations of Europeans.

Confidence in Europe

The EU is vital to our prosperity and our economy's growth potential. The Netherlands Bureau for Economic Policy Analysis (CPB) has calculated that the single market alone is worth between €1,500 and €2,200 a year to every Dutch person. Further removing barriers could help boost economic growth and employment.

EU enlargement brought the Netherlands, as a trading and investor nation, substantial economic benefits, but also had adverse social consequences, partly because the influx of workers from the new member states far exceeded expectations. These migrants, from countries with a significantly lower standard of living than the Netherlands, often work under worse labour conditions than many Dutch people. They also are not infrequently the victims of rogue employment agencies and profiteering landlords. The Netherlands' capacity to absorb newcomers from other parts of Europe is not unlimited, as has been made clear by problems in some inner cities.

Moreover, the rate of economic growth in recent years has consistently lagged behind expectations. Today the EU is viewed more often as an instrument for advancing those aspects of globalisation that pose a threat to workers than as a common shield against the downsides of rapid global change.

The disappointment and concerns surrounding Europe's failings are compounded by the feeling of many Europeans, both inside and outside the Netherlands, that the means seems to have become an end. That European cooperation has become the plaything of eurocrats at the expense of the interests of Europe's citizens. Unfortunately this impression is exacerbated by levels of remuneration that are no longer appropriate in these straitened times and are out of step with what civil servants earn in the member states, but which the recipients take for granted. They are even prepared to strike if they are not awarded pay rises, at a time when in many member states the pay of civil servants is being cut due to the constraints imposed by the crisis.

Unless 'Brussels' is reformed, the task of restoring confidence in the instruments of European cooperation will prove impossible. European institutions will, like the member states, have to do more and do it better for less money and with fewer people. Pay levels will

have to be brought into line with those earned by civil servants in the member states. Europe's administration must become more transparent and more open. Member states must be more accountable for the regularity and effectiveness of their spending of EU funds. The Netherlands will continue to call for action on these points and continue to seek support for substantial reductions in administrative expenditure, for administrative reforms and for more effective and efficient decision-making.

But above all we need to reconnect (abstract) European ideals with the (practical) realities of the European Union. No reforms can help address paralysing euroscepticism if Europeans are not convinced that only joint European action gives us a strong position in a rapidly changing world, if they continue to see the EU as an agent of the internal and external threats to our welfare state rather than as a shield protecting us from them, and if the notion persists that southern Europe is trying to get out of the crisis at northern Europe's expense and vice versa.

The Netherlands and Europe – vision on European cooperation

The European project originated in the desire to put an end to the age-old rivalry between France and Germany. Seventy years later, this wellspring of European integration has been forgotten. Now we face new and different challenges.

The aim of European cooperation is to take the European Union and its member states forward in as peaceful, prosperous and strong a condition as possible. A recurring question in this context is this: are we heading for a United States of Europe or returning to a Concert of Europe dominated by the great powers? The answer is neither. The world is changing so rapidly and involves so many unknown variables that trying to predict how the EU will look in 30 or even 15 years' time would be little more than guesswork, vulnerable to political opportunism or, if you prefer, wishful thinking. Moreover, the past ten years have taught us that the debate on the *finalité politique* of European cooperation can have a paralysing effect and can distract us from the tasks we need to accomplish in the immediate future.

We must not try to bite off more than we can chew. Because meeting the challenge that lies immediately ahead will be difficult enough. We must restore economic growth as a matter of urgency. This demands that we take the right measures at EU level to get the debt crisis under control once and for all and to make Europe more innovative and competitive. There is a huge amount of work to be done to strengthen the EMU, make better use of the potential of the single market, encourage international trade and reform the welfare state, in order to

achieve growth, overcome the crisis and reduce unemployment. In this regard the government's guiding principle is that the common currency is essential to the Dutch economy and will therefore be our top priority for the foreseeable future.

Since the euro came into being, economic imbalances between eurozone countries have increased and euro countries have not converged sufficiently in terms of their political and administrative cultures. Less internationally oriented countries especially have been slow to feel the impact of economic globalisation and the decline of their competitive position. Moreover, Brussels has placed too much emphasis on legislation and too little on supervision and compliance.

Important steps have been taken over the last few years to remedy these shortcomings, and the Netherlands has played an active role. The observance of budgetary rules is now subject to a far stricter regime. Arrangements have been agreed to identify and if necessary address macroeconomic risks to the stability of the eurozone at an early stage. At the end of 2012, the Council concluded an agreement giving the ECB the role of supervising banks in the eurozone. Nevertheless, the vulnerabilities remain, as does the need for member states to undertake further radical and painful reforms. We need stricter, enforceable rules on national budgetary policy and the completion of the banking union, as well as improved coordination of economic policy. The European agenda for the next few years will be dominated by our efforts to bring this about.

Restoring confidence and further shaping European cooperation

Europeans are united by shared values regarding democracy, the rule of law and human rights. These values must be nurtured and upheld in the way the European Union is organised and agreements are reached. While the EU is a community of values, however, this does not mean that European legislation is needed in all areas. Many matters remain exclusively national affairs. The introduction of same-sex civil marriages in a growing number of countries is a good example of how member states can grow more closely together without the involvement of Brussels. That, too, is Europe.

From the outset, European integration has been based on a combination of supranational and international cooperation. The EU treaties state that, in some policy areas, legislation is enacted on the basis of a proposal by the European Commission, with the Council (in which member states are represented) and the European Parliament (in which European citizens are represented) acting as co-legislators and making decisions unanimously or by qualified majority. This is what we sometimes call the 'Community method'. Other issues lend

themselves to traditional, intergovernmental cooperation, whereby member states retain their full powers and only reach agreement jointly and on the basis of unanimity. This system will not be altered. Any changes concerning which policy areas are dealt with by means of the Community method or the intergovernmental method will require a treaty amendment so that national parliaments (whose approval is required for new treaties) retain full control.

The Achilles heel in this system is the EU's democratic deficit. The only way to address this deficit is to make the EU perform better and to increase democratic control within it. The EU and its member states must do what they do better, more transparently, more efficiently and more democratically. This will ensure not only that the outcomes of the process are more persuasive – thanks to improved performance – but also that the process itself can be easily followed and more readily influenced by Europeans. This point is examined in greater detail in part II, 'Democratic legitimacy'.

Since the entry into force of the Treaty of Rome in 1957, a large number of European rules have come into being which now determine a substantial portion of the legislation that directly affects the lives of the Dutch and other Europeans. But in terms of its purpose, its effectiveness and its cost, is this legislation always adequate, and is it always made at the right level? It is clear that matters such as the tax system, social security, the pension system, health care and education will continue to be decided at national level. Also, in the Netherlands government's view, an issue like setting mandatory quotas for women on boards of big companies is not one that should be dealt with at European level. The government will draw up a list by the summer of this year of subjects which it feels should no longer be dealt with on the EU-level and can best be addressed within the domain of member states. Since Commission President José Manuel Barroso has indicated his willingness to look again at the interpretation of the subsidiarity principle, we will discuss this list with him and our fellow member states so that we can arrive at a more modern, efficient, possibly cheaper and certainly more sustainable division of tasks between European institutions and member states. The Netherlands is not seeking to negotiate opt-outs for itself on certain issues, but rather to agree a new, improved exercise of the division of tasks together with the institutions and other member states.

The principle that the EU is a union of European nation states and citizens remains the core of European cooperation. The European institutions and all the treaties and legislation reflect this duality. What is more, the nature of European cooperation, based as it is on taking steps when and where necessary, is extremely hard to reconcile with the understandable desire to state clearly what the end point is supposed to be. In the political and public debate on

European integration, there is a strongly felt need for direction, an indication of where we are heading, of the ultimate destination. In any event, depicting two extremes, a United States of Europe or the renaissance of the exalted nation state, does not offer a solution.

It is interesting in this context to revisit the speech given in Bruges in 1988 by the then British Prime Minister Margaret Thatcher. Not only did she set out a vision of the UK's role in Europe which would now be viewed – not just in the UK but also on the continent – as very pro-European, she also expressed concerns that can still be heard today. She expressed the fear that more far-reaching European integration would erode national identities and that the British would cease to be British, just as the French, Germans and Dutch would lose their individuality. Now, 25 years on, we see that in some areas the relative importance of national boundaries has declined markedly and that the supposedly impregnable Berlin Wall has come down, but that the identity of Europe's citizens is as strong as ever. In fact, we have seen an enormous growth in national, regional and local self-awareness. Within member states – even in the UK – regionalisation and federalisation have enjoyed a resurgence. Regional identity and culture are blossoming as never before, amid a growing focus on vernaculars, local products and other attributes associated with a particular town or locality.

Do we owe this to European cooperation? It is hard to say, but perhaps in part. Because European cooperation can allay our fear of our neighbours and thereby obviate the need to emphasise our national borders and to insist on national unity, politically and culturally, within them. Also, the EU stimulates the economic resilience and development of border regions by actively encouraging cooperation between them.

The reality is that European cooperation will continue along the same lines as the past 70 years, i.e. moving step by step, seeking a balance between national and supranational approaches and carefully assessing what subjects to deal with and which approach is best suited to each. The government has set out its priorities. First we should do what needs to be done to get Europe's economy moving again. That in itself is a major task.

The Netherlands' role in Europe

Dutch policy since European integration began can be described as a search for opportunities for our country as well as an endeavour to find ways of extending our cooperation with like-minded countries. Looking back, we can see that our efforts in these areas have yielded us an exceptionally high return, thanks to the Netherlands' prodigious development as a leading agricultural nation and its ability to successfully exploit the free

movement of goods, persons, services and capital, the single market to which this gave rise, and more recently the euro.

For many years, we took all this for granted. Too much so. There was a very broad political and public consensus that European integration was by definition good for the Netherlands. This meant that it was hardly discussed, if at all. After all, why debate an issue that everyone agrees on? Consequently, knowledge of the origin and nature of European cooperation was confined to experts and those directly involved, who mainly talked about it with each other, in their own jargon, with their own symbols and in their own forums. Their conversation went largely unnoticed in society at large.

This started to change in the 1990s. The fall of the Berlin Wall brought an end to the cosy Europe of 6, 9, 10 and 12 member states to which we had become accustomed. The accession of countries from southern – and later eastern – Europe meant that an increasingly prosperous Netherlands rapidly switched from being a net beneficiary from the EU budget to a net contributor. The Netherlands had to find a new position in a larger European Union.

Developments in Europe will play a major role in determining our own economic, social and political future. The Netherlands must take part in shaping them. This is why the government is committed to playing an active role in Europe and to positioning the Netherlands at the heart of EU decision-making. We can exert greater influence by working in a consistent and constructive manner, with a keen eye for the Europe that the Netherlands advocates and thus for our own interest. This demands consistency, where possible a willingness to compromise, and the careful forging of durable coalitions which can help the Netherlands achieve its aims at the negotiating table. The Netherlands therefore has to seek out its European partners and engage in some old-fashioned diplomacy, albeit using modern methods. To operate effectively in Europe we also need to know what other member states and the institutions want and think with regard to Europe. And the debates on Europe going on elsewhere can often yield useful insights and put the debate in the Netherlands in a broader context.

Part II – Democratic legitimacy²

For the EU to function well, strong and stable support is essential. In this section, the Netherlands government outlines its ideas on strengthening the Union's democratic legitimacy – especially in the light of the measures taken in recent years to address the crisis – by identifying specific steps that could be taken. In doing so, it has made grateful use of the valuable input provided by the Advisory Division of the Council of State in its information on how to consolidate democratic scrutiny of the reform of economic governance in Europe.³ The ideas presented in this section will form the basis for the government's discussions with parliament and other organisations. They may, of course, be developed further during this process. The governance of the EU, and the EMU in particular, has been in constant flux since the crisis broke out and the dust has not yet settled. This calls for ongoing debate.

The government agrees with the Council of State that the financial and economic crisis has strengthened the links between the national and European decision making process and created a new dynamic in which measures have been taken at the interface of the two legal orders – especially as regards political and governmental decision-making on budgetary and economic policy in the eurozone (i.e. eurozone governance). The roles of national parliaments and the European Parliament, and the cooperation between them, need to be examined in that light.

A key government objective – which ties in with the parliamentary motion by MP Merkies⁴ – is that the Dutch parliament needs to be involved in European decision-making more directly and at an earlier stage, given that European measures affect the exercise of national powers in the area of budgetary and economic policy. This is the course charted in recent years, and it should be vigorously continued. A good debate on European cooperation in the national political arenas – which in the Netherlands means the two houses of the States General – will lead to discussion in the media, in schools and in society at large. This can help to politicise the European debate and expand knowledge of European cooperation. At EU level, too, the elections of the European Parliament in 2014 and the subsequent formation of a new European Commission will provide opportunities for deepening the debate.

² This part answers the parliamentary motion by MP Servaes et al. of 12 December 2012 (Parliamentary Papers, House of Representatives, 2012-2013, 21 501-20, no. 724) and the parliamentary motion by MP Merkies of 11 October 2012 (Parliamentary Papers, House of Representatives, 2012-2013, 21 501-20, no. 676). It also examines the information provided by the Council of State to the Senate on how to consolidate democratic scrutiny of the reform of economic governance in Europe, aimed at tackling the economic and financial crisis (Parliamentary Papers, Senate, 2012-2013, 33 454, AB).

³ Parliamentary Papers, Senate, 2012-2013, 33 454, AB.

⁴ Parliamentary Papers, House of Representatives, 2012-2013, 21 501-20, no. 676.

One of the government's basic principles in this regard is to prioritise steps that can be taken in the short term, without the need for treaty amendments. Maximum use must be made of existing mechanisms, to avoid making existing structures more complex. Another guiding principle is the integrity of the Union of 27 member states.

Short term: use of existing treaties

The government's primary aim is to fully utilise the scope offered by the existing treaties to strengthen parliamentary involvement in EMU governance. This is because amending the treaties is a lengthy process and the outcome is uncertain, whereas the government sees several good opportunities for taking meaningful steps in the short term.

Better use of existing instruments

The Lisbon Treaty significantly increased the scope for national parliaments to directly influence EU decision-making. In particular, the yellow and orange card procedure enables national parliaments to lodge objections to proposed EU legislation. The Dutch parliament and other parliaments have made regular use of this option, but so far this has only resulted in one yellow card, because only in one case was the required number of votes reached (against the Monti II Regulation on the right to strike). In the Act approving the Lisbon Treaty, the Dutch parliament made it possible to enter a reservation to EU initiatives to which it attaches particular importance, requiring the government to keep it fully informed. Since then, this option has been frequently used.

The government would applaud the stepping up of cooperation of the Dutch parliament with other national parliaments and the European Parliament in order to make more frequent and effective use of the existing options. Cooperation in the framework of the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) could give this process extra impetus if this platform were to be used more actively.

Another option is to strengthen the role of national parliaments throughout the Union in mandating and monitoring national government action in the Council. This requires close cooperation between parliament and the government. In the Netherlands, significant steps have been taken in this regard in recent years. Sharing information on best practices at European level could strengthen the role of national parliaments in all member states.

In addition, the government provides the Dutch parliament with detailed information – in the form of fiches – on its position in negotiations on each new proposal published by the

European Commission. Parliament could consider whether the content of these fiches could be given a more prominent place in the parliamentary debate.

Finally, more frequent use could be made of the right to invite European Commissioners to national parliaments to explain EU policy, e.g. in relation to the country-specific recommendations made as part of the European Semester. The Dutch parliament has made frequent use of this right in recent years. This can strengthen EU accountability structures. Conversely, government leaders and/or ministers could visit the European Parliament more often to discuss national implementation of EU recommendations.

Short-term steps

In addition to the use of the above instruments, which are already operational, the government believes that further steps can be taken under the existing treaties.

Since the Treaty on Stability, Coordination and Governance ('Stability Treaty') entered into force on 1 January 2013, national parliaments and the European Parliament have been able to jointly implement the provisions of article 13 of the Treaty, based on Protocol 1 to the EU Treaties, by organising a joint conference to expand cooperation between the budget committees of the national parliaments of the parties to the Stability Treaty and the Budget Committee of the European Parliament. The Council of State does not see this as a long-term solution because of the deliberative character of such a conference. The government believes that the conference could lead to useful information sharing and enable the parliamentary bodies to jointly fulfil their collective responsibility in areas covered by the Stability Treaty. Such a forum can also provide valuable experience of inter-parliamentary cooperation, which in turn could help to further develop the parliamentary dimension of EMU governance in the future. The government therefore looks forward to the speedy establishment of such a conference.

A second line of approach is to deepen national parliaments' involvement in the financial and economic governance of the EU and the eurozone:

- In the Netherlands the government and parliament have made specific procedural agreements on parliamentary involvement in decision-making on the use of ESM funds, including funds guaranteed by the Netherlands with parliament's approval.
- In addition, the Dutch parliament is already closely involved in the European Semester, e.g. through the annual discussion of national reform programmes and the parliamentary

debates prior to each meeting of the European Council or the Council of the EU. The European Semester has acquired greater weight in the last two years, which makes deeper involvement by national parliaments desirable. Recommendations in the context of the European Semester are still non-binding, though EU agreements on budget discipline and macroeconomic imbalances must of course be taken into account, since they can ultimately be enforced with fines. The purpose of the debate in the spring is to provide input for the preparation of the national democratic process, in which the Dutch parliament naturally retains its constitutional powers regarding the adoption of the budget. In that sense, the European Semester and the national budgetary procedures are well aligned. Greater involvement of national parliaments could take the form in the Netherlands of, for example, discussing the Stability Programme in parliament before sending it to the Commission. The government does not share the Council of State's view that there is a shift from autumn to spring in national budgetary procedures.

- Another issue under discussion in Europe is the possibility of concluding contracts on economic reforms between member states and the EU institutions, based on mutual agreement. The European Council will discuss this further in June. The Dutch position regarding these contracts was set out in the report of the European Council of 13/14 December 2012.⁵ If, at any time, the Netherlands were to draw up a contract, it would of course be submitted to parliament in advance.

Finally, as recommended by the Council of State, the government wants to consider strengthening the European Parliament's supervisory tasks. This is desirable because, among other things, it would bolster the position of the Commissioner for Economic and Monetary Affairs and the Euro, whose responsibilities were broadened at the Netherlands' initiative. In the government's view, one option is to strengthen the European Parliament's right of inquiry, on certain conditions (see the fiche on the new Regulation on the European Parliament's right of inquiry⁶). The government also supports the European Parliament's initiative to create a subcommittee especially for MPs from eurozone countries, which will operate under the Parliament's ECON Committee and deal with specific eurozone issues, without undermining the formal tasks of the ECON Committee and the European Parliament as a whole. Many people frown on the fact that the entire European Parliament is involved in measures specifically affecting eurozone member states, even though this is in accordance with the EU Treaties.

⁵ Parliamentary Papers, House of Representatives, 2012-1213, 21 501-20, no. 727.

⁶ Parliamentary Papers, House of Representatives, 2012-1213, 22112, no. 1381.

Long term: treaty amendments

As explained above, for the time being the government wants to focus on strengthening parliamentary involvement within the framework of existing treaties. Nevertheless, it is conceivable that in the long term more far-reaching agreements will be made on strengthening the EMU, which may also raise questions about democratic legitimacy and accountability. In accordance with the request made in the parliamentary motion by MP Servaes,⁷ the government will also review possible measures outside the treaties here. It should be borne in mind that the direction these developments will take in the long term is far from clear, so we need to keep our options open.

The government would point out that, in its letter to parliament of 29 November 2012 on the future of EMU,⁸ it made a number of proposals that require treaty amendments. This is particularly true of its proposed escalation ladder with more far-reaching rights to intervene in the national budgets of member states that infringe EU budget agreements to a significant extent and/or for a prolonged period. If European agreements were to be made more binding in this way, stronger parliamentary safeguards would be required.

The Council of State notes in this context that European and national decision-making are becoming more intertwined. It discusses several options for a new parliamentary body for the eurozone, a 'eurozone chamber', alongside existing EU institutions. The Council points out that this would require a treaty amendment. It adds that such a step should only be considered if divergence between the eurozone and the EU becomes unavoidable. It outlines four variants: 1. a directly elected eurozone chamber; 2. a eurozone chamber composed of MEPs from the eurozone countries; 3. a eurozone chamber composed of national MPs elected in the eurozone countries; and 4. a combination of the last two variants. The Council concludes that this fourth variant would be in line with the above-mentioned interconnection between European and national decision-making. At the same time, it concludes that all the options have advantages and disadvantages and require further consideration.

The government believes it is premature to express a preference for the establishment of a eurozone chamber at this stage. As mentioned above, it is committed to preserving the integrity of the Union of 27 member states. It shares the Council of State's concern and believes that the formal institutionalisation of the divergence between eurozone and non-

⁷ Parliamentary Papers, House of Representatives, 2012-1213, 21 501-20, no. 724.

⁸ Parliamentary Papers, House of Representatives, 2012-1213, 21 501-20, no. 704.

eurozone countries should be avoided as far as possible. If the preservation of eurozone stability makes that impossible, the government sees the involvement of non-eurozone countries as an important condition.

The government would point out that the choice of possible future parliamentary structures will depend on the direction in which eurozone governance develops in the coming years. It is conceivable that in the long run a parliamentary body will have to be established which can fulfil the collective responsibility for at least the governance of the EMU, and in which both the European Parliament and national parliaments are represented. In the government's view, the Council of State's fourth variant for a eurozone chamber could be one of the options for bringing this about, provided it does not make decision-making more complex.

For the present, the government believes that priority should be given to the options outlined above, within the scope of the existing treaties. This does not alter the fact that the debate on possible future developments must be conducted promptly. In this light, the options set out by the Council of State are interesting and valuable.

To conclude

European Commission

At the same time, attention must be devoted to the democratic legitimacy of Community institutions. The European Parliament elections in 2014 and the subsequent formation of a new European Commission will provide important opportunities. The main parties in the European Parliament have already indicated that they will put forward their own candidates for President of the European Commission and will seek a Commission composed largely of members of the European Parliament. During the formation of the previous Commission, it emerged that the European Parliament exercises a significant influence on the choice of individual Commissioners, even though formally it elects only the President and approves the Commission as a whole. It is conceivable that, in the future, the European Parliament will *de facto* withdraw its confidence in individual Commissioners, as has occasionally happened in the past. In the government's view, these developments can help to strengthen the supervisory role of the European Parliament and the democratic legitimacy of the European Commission. The government therefore applauds these developments. Nevertheless, when the government formulates its position on the appointment of a new Commission President, one of the factors it will take into account is whether the candidates will pay sufficient attention to the interests of small and medium-sized member states.

Council

The process surrounding European Council meetings is receiving increasing attention. During the current financial and economic crisis, the European Council has developed into the institution that largely determines the direction and pace of European policymaking and decision-making. The government wants to improve the preparation of European Councils, with the General Affairs Council playing a central role, and make the process more transparent. Providing timely information can also improve the Dutch parliament's involvement in the preparations for European Council meetings. Transparency should *mutatis mutandis* also characterise the preparation of eurozone summits, with the Eurogroup playing a pivotal role. Procedural rules for this purpose are expected to be adopted at the European Council/eurozone summit in March. The Netherlands' role in the Eurogroup was recently strengthened by the appointment of the Dutch Minister of Finance as its chair.

Finally, the government would like to highlight the fact that in the recent period the crisis has prompted the development of a great deal of legislation to improve the EMU, both under existing treaties and through the intergovernmental method. This is in keeping with EU tradition, in which groups of member states often initiate the development of European cooperation, making use of treaties drawn up outside the Community framework. However, like the Council of State, the government takes the view that in the long run the intergovernmental instruments, and in any event the Stability Treaty, should be integrated into the standard EU framework. Article 16 of that Treaty indicates that this should be done through a treaty amendment. As regards the ESM, the government would point out that this involves a specific task that should not by definition be carried out in an integrated EU context. It is, however, conceivable that experience with the ESM will eventually lead to a discussion on whether it should be (further) integrated into the EU legal framework.

Part III - Looking ahead

Prosperity

The Netherlands thrives best in a prosperous Europe. This government will make every effort to put public finances in order and take measures that promote growth. The EU and its member states can only emerge from the crisis if other member states do the same and if the right choices are made at the European level.

This requires clear agreements on sound finances and economic reforms. It requires solidarity where necessary, because national interests and European interests often go hand in hand. And it requires a resolute Europe which dares to take measures that promote growth, as in the areas of the single market and external trade. The EU must remove barriers to cross-border enterprise, reduce the administrative burden for businesses, the public and government authorities, promote access to financing, maximise use of Europe's potential for innovation and research and push for open markets around the world. In a globalised world, the EU will only succeed in maintaining its level of prosperity and its social welfare model by being competitive and creating jobs. This requires changes in all of the EU's policy areas, from strengthening the single market to gearing the budget more towards innovation and sustainable growth.

In the meantime, the crisis continues to have a deep impact. High unemployment and increasing levels of poverty in a number of EU member states have created a sense that the social effects of the crisis need to be tackled urgently. While social policy is primarily a matter for national governments, sufficient attention should also be paid at EU level to the social dimension of efforts to tackle the crisis. This is also in our own interest. After all, the Netherlands benefits enormously from economic and social stability in Europe. To achieve sustainable economic growth and bolster the EU's competitive position we need to help make employment and social policy more effective and activating in many EU member states. We can do so by exchanging best practices and making country-specific recommendations in the framework of the European Semester. This policy theme will be fleshed out in the months ahead and is expected to be dealt with at the European Council meeting of 27-28 June 2013 where European Council President Van Rompuy's road map will be discussed.

Economic and monetary union

It is a shared European interest to address the problems that exist in the eurozone. Major steps have been taken over the last few years to remedy these shortcomings, and the Netherlands has played an active role. The observance of budgetary rules is now subject to a far stricter regime, which includes a stronger role for the European Commissioner for Economic and Monetary Affairs, a reinforced Stability and Growth Pact and the new Stability Treaty. Arrangements have been agreed to identify and if necessary address macroeconomic risks to the stability of the eurozone at an early stage. On 27 September 2012 the European Stability Mechanism (ESM) took effect – a permanent instrument to provide support to eurozone countries in emergency situations and under strict conditions. At the end of 2012, the Council concluded an agreement giving the ECB the role of supervising banks in the eurozone. Negotiations with the EP are now in the final stage. In parallel with this process, Ireland and Portugal are steadily implementing their programmes of cutbacks and reforms. With a view to ending the emergency funds currently being provided, both countries will in early 2013 need to gradually reengage with the financial markets. A further agreement was reached at the end of 2012 regarding the continuation of the programme for Greece.

The EU's primary task in 2013 is to show perseverance. The first signs of recovery are in sight, but the chance of fresh instability remains. Therefore discussions will continue throughout the year on strengthening the eurozone further.

Getting EU bank supervision up and running will be a central concern in the period ahead, followed by the next steps toward a banking union. This will help reduce the potentially hazardous intertwining of national authorities with their banking systems. This will take years to achieve and must be done with care. A banking union would comprise: (i) a European supervisory mechanism; (ii) direct support to banks through the ESM; and (iii) a European resolution mechanism.

The Netherlands views the agreement on an EU supervisory mechanism as an important step forward but would emphasise that European supervision can begin only once the ECB has demonstrated its operational readiness. In addition, the Capital Requirements Directive and Regulation (CRD IV/CRR) must be adopted without delay.

At the eurozone summit of 29 June 2012 it was decided that if the European supervisory mechanism proves effective, direct recapitalisation of banks with ESM funds will be possible after a decision taken by common agreement. To this end, the euro countries' finance ministers will need to agree in the first half of 2013 on how direct support from the ESM can

be provided. The Netherlands' position is that common agreement must be required for every decision on deploying the ESM. Effective European bank supervision is a general condition for use of this instrument. What is more, the Netherlands considers it vital that direct bank recapitalisation by the ESM be considered only once all private and national public solutions have been exhausted. The instrument may be applied only if a member state is clearly not capable of offering the bank in question full support without extremely negative consequences for its debt sustainability. However, the member state in question will always have to continue participating to some degree in the ESM operation.

There are not yet sufficiently effective or credible instruments in place to fully resolve financial problems facing systemically important banks without calling on government support, or to wind up such banks in an orderly fashion. The Recovery and Resolution Directive (RRD), which is currently being negotiated, is aimed at far-reaching harmonisation of national rules in this area. In addition, in the course of 2013 the Commission will issue a proposal for a European resolution mechanism. The Netherlands supports this idea, but would attach clear conditions to the introduction of this instrument. It is above all important that: (i) European bank supervision be effective; (ii) the regulatory framework be further strengthened and harmonised (single rulebook); (iii) the positions of the banks that fall under the resolution mechanism be the same; (iv) private creditors contribute fully ('bail in'); and (v) national governments receive the right stimuli.

In the view of the Netherlands, the introduction of a European deposit guarantee scheme would be the final step in the creation of a European banking union.

Besides the gradual creation of the banking union, a second important step is for the member states to restore their economies and public finances to health. The agreements that have been made in this connection must be vigorously implemented. This mainly involves putting the Stability and Growth Pact and the Macroeconomic Imbalance Procedure into practice. The June European Council will discuss further whether – and if so, how – the euro countries' budgetary and economic policy should be coordinated more closely. The Netherlands has made concrete proposals in this regard, which include further strengthening the role of the Commissioner for Economic and Monetary Affairs, and a gradual loss of policy freedom for countries which do not stick to the agreed budgetary rules ('escalation ladder'). For the Dutch government, the basic principle remains that member states that comply with the agreed rules must be guaranteed full policy freedom.

On the basis of proposals developed by European Council President Van Rompuy and European Commission President Barroso, the June European Council will examine the scope for euro countries to conclude mutually agreed contracts with EU institutions on the reforms they plan to carry out, and for providing financial support for the contracts' implementation. Such contracts could offer a way to increase the emphasis on necessary economic reforms and may facilitate a more in-depth dialogue in this area. The Netherlands supports using EU funds to help promote economic growth (by encouraging structural reforms) in eligible countries. However, such financial support must not result in any increase in the Netherlands' total contribution to the EU. The government sees neither a need for nor any added value in an automatic stabilisation instrument at EU level. The agreements that make up the Stability and Growth Pact leave room for automatic stabilisation after a severe economic shock at national level. The Netherlands does not support joint financing of government debt within the eurozone, as proposed by the Commission in its Blueprint for Economic and Monetary Union of 28 November 2012 (see also the letter to parliament of 29 November 2012 on the future of the EMU⁹).

European Semester

The European Semester is an important instrument for guaranteeing responsible financial and economic policy. In the first half of every calendar year, the budgetary and economic situation in the member states is discussed at European level. This results in general and country-specific recommendations which are endorsed by the European Council on the basis of proposals by the Commission. The country-specific recommendations are formulated in response to plans submitted in April each year by the member states: stability and convergence programmes and national reform programmes. These recommendations are factored in the draft budget, which the Dutch government submits to parliament on the third Tuesday in September.

Multi-annual Financial Framework and quality and accountability of expenditure

In 2013 the EU will finalise its Multi-annual Financial Framework (MFF) for the 2014-2020 period, which it has been negotiating since June 2011. Further to the agreement reached at the European Council of 7-8 February 2013, the European Parliament will now be asked to approve the expenditure frameworks. The new budget will be geared more to the Union's 2020 objectives in the areas of innovation and sustainable growth. In this way, the EU budget will help bolster the Union's growth and competitiveness. On 11 February the Dutch

⁹ Parliamentary Papers, House of Representatives, 2012-2013, 21 501-20, no. 704.

parliament received an extensive report on the Netherlands' aims for the MFF and the results achieved at the European Council on 7-8 February.

As the MFF is fleshed out further it is essential for the quality of EU expenditure to be improved. This can be achieved by attaching stricter conditions to EU grants where necessary, and by simplifying the rules for implementing programmes where possible. These measures could also be linked to the agreements on more prudent economic policy made with the member state concerned.

The Netherlands also continues to argue for improved accountability regarding the use of EU funds. The regularity and effectiveness of EU spending as established by reports of the European Court of Auditors should play a greater role when the Council and European Parliament are preparing the EU budget. The Netherlands is in favour of suspending EU funds to member states who cannot properly account for the EU funds they have received. The Netherlands supports the Commission's policy of instituting proportional financial corrections when it encounters irregularities. Increased transparency has an important role here. The government is of the opinion that member states should account for their spending of EU funds by means of a national declaration or by another uniform accounting method, and believes that the errors states make in their management of EU funds should be made public. This would enable member states to be held to account for such errors more explicitly.

Tax

There is now greater cooperation within Europe on the possible introduction of a tax on the financial sector. The Netherlands will support such a move on condition that: (i) Dutch pension funds are exempt from any such levy; (ii) there is no disproportionate overlap with the current bank tax; and (iii) the revenues flow back to the member states.

Where indirect taxes are concerned, the interest of maintaining a well-functioning single market is paramount; any indirect taxes must be harmonised to ensure a level playing field within Europe.

Direct taxation is a matter for national governments. The government will follow the negotiations on the proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB) with a critical eye, mindful in part of the House of Representatives' use of the yellow card procedure on this proposal.

Single market

The single market is the foundation of European cooperation. It makes a crucial contribution to Dutch prosperity and is the engine of economic growth and employment within the EU. According to 2008 figures from the Netherlands Bureau of Economic Policy Analysis (CPB),¹⁰ the single market alone is worth between €1,500 and €2,200 a year to every Dutch person – almost a month's gross pay on average. Although the single market already offers us enormous economic benefits, there is still much untapped potential for economic growth in the EU. In practice there are still barriers in a number of areas, which hinder individuals and businesses alike. The digital single market, for example, is still highly fragmented. According to the European Commission, further improvements to the single market could eventually result in a GDP increase of 4%. Abolishing obstructive legislation in other areas could help promote new economic growth. Therefore the government attaches great importance to further enhancing the single market.

The European Commission's Single Market Act of 2011 gave fresh impetus to efforts to deepen the single market in a number of priority areas. A milestone was reached with the recent agreement between the Council and the European Parliament on the unitary patent, which will considerably reduce the cost of registering patents in Europe. As a result European innovations can be protected more cheaply and effectively, which is essential to enhancing our companies' innovative potential. The Netherlands played a leading role in the enhanced cooperation at the heart of this achievement.

The Single Market Act II, which the European Commission presented on 3 October 2012, again announces 12 'priority actions'. As indicated in its assessment of the Commission's 2013 work programme, the government is delighted that this document reflects many of the Netherlands' priorities for the single market. Those priorities remain: removing barriers in the market for services, the further development of the digital single market and the single market for energy, modernisation of copyright and integration of goods transport in Europe. The Netherlands wants to keep the level of ambition high and supports periodic monitoring of progress on single market dossiers by the European Council.

Good connections and networks are essential for the future. The Netherlands therefore also supports efforts aimed at building modern, high-quality trans-European networks for transport, energy and telecommunications/IT. These will help the single market function better and contribute to the goals set out in the Europe 2020 strategy. In the initiatives

¹⁰ Bas Straathof, Gert-Jan Linders, Arjen Lejour and Jan Möhlmann, 'The Internal Market and the Dutch Economy', Netherlands Bureau of Economic Policy Analysis (CPB), 2008.

announced for 2013, the emphasis is on liberalisation of national rail passenger transport and the accelerated introduction of a common European airspace, the Single European Sky.

The Netherlands will continue in 2013 to press for simplification of legislation and EU-wide reductions in administrative burdens. Less red tape is good for businesses – and therefore for the EU's competitive position – and it is good for people and public authorities. The Netherlands supports the main elements of the Commission's new Action Programme for Reducing Administrative Burdens in the EU, which draws a clear connection between reducing regulatory pressure and promoting economic growth in the current economic crisis. More than 60% of new legislation comes from the EU. In accordance with the coalition agreement the government will work to further reduce EU regulatory pressure, with a special focus on small and medium-sized enterprises and on the compliance costs and supervisory burdens associated with EU regulation.

Research and innovation

The field of research and innovation is quintessentially international. Researchers are comfortable collaborating across borders. Businesses are looking for highly-skilled staff from all over the world. Knowledge and knowledge workers are a crucial part of a competitive economy that can challenge its global rivals. Europe must therefore invest in research and innovation and make conditions as favourable as possible for the development of knowledge in the EU.

The government supports the new focus of the EU research and innovation programme, Horizon 2020, which is aimed at strengthening our excellent knowledge base, tackling the major challenges facing society and enhancing industrial leadership. Dutch knowledge institutions and businesses will be strongly represented in this programme, which is a key catalyst for cooperation not only within the Union but also with partners from third countries. In Horizon 2020, the EU's top companies and institutions will be challenged to jointly help meet the goals of tomorrow's Europe, and Dutch parties can play an important role.

The government also supports efforts to establish a European Research Area (ERA) which can maximise the scope for exchanging knowledge, technology and knowledge workers without any barriers. The Netherlands will remain vigilant, however, that the ERA's development is not accompanied by overly strict monitoring. EU legislation to remove barriers should only be employed in the most exceptional cases. The pragmatic approach currently used to remove barriers should result in an ERA in which resources can be pooled, duplication avoided and mobility encouraged. It also makes it possible, for example, to

establish large research facilities which exceed the means of any one member state, and certainly a medium-sized state like the Netherlands.

Green growth

The government is working hard to foster a circular economy and is pleased that the Commission mentions sustainable and more efficient use of natural resources as a focus area in its 2013 work programme. Resource efficiency can lead not only to higher productivity and a greener economy but also to lower costs and greater competitiveness. The government awaits with interest the indicators being developed by the Commission and the European Resource Efficiency Platform, which will allow resource efficiency to be measured.

To achieve the desired transition to a sustainable economy and green growth, long-term frameworks are essential to foster both innovation and investment security. As indicated in its assessment of the Commission's 2013 work programme, the government supports the plan to present a framework in 2013 describing how progress can be achieved in the 2020-2030 period towards a low-carbon economy. In addition, the Commission has made proposals on improving the implementation of environmental legislation, e.g. in the areas of waste and air quality. Besides their impact on greening the economy, these initiatives also contribute to a level playing field within Europe.

It is above all important that greening activities impact other policy areas and receive due consideration in the EU's socioeconomic policy. This will ensure, for instance, that the budgets for agriculture and cohesion can be greened further. The government welcomes the possibilities for strengthening green innovation, which are receiving due attention in the context of the European Semester.

Common trade policy

The common trade policy is the single market's external counterpart. Since 2006 the EU has been implementing a strategy of entering into free trade agreements with major trading partners. Such agreements boost the EU's economy by increasing access to third-country markets for European companies. Trade agreements also help enhance the EU's competitiveness and reduce the cost of imported products and services for businesses and the public.

The European Commission has calculated that concluding the agreements already in the pipeline could result in a European GDP increase of 2% and could create two million new

jobs. With its open economy, the Netherlands stands to benefit. The biggest impact would come from agreements with the US and Japan. Negotiations with Japan will commence in March 2013. The Netherlands also supports opening negotiations with the US without delay on an ambitious and comprehensive free trade agreement. A study commissioned by the Dutch government shows that such an agreement could contribute between €1.4 billion and €4 billion per year to the Dutch economy. It is also important to conclude the negotiations currently being held with Canada and a number of emerging economies in Asia. In this regard, the recent agreement with Singapore is encouraging.

The Netherlands considers it crucial that the negotiations pay sufficient attention to sustainability, for example by including a substantial chapter on the issue. The Netherlands will also keep a close eye on the interests of developing countries, pressing for asymmetry when agreements are made with them. This means that such countries will be allowed to open their markets to a smaller degree and at a slower pace than the EU.

The World Trade Organization (WTO) remains the main global forum for concluding and enforcing international trade agreements. In the government's opinion, the EU must play a constructive role in WTO negotiations and must strive to conclude partial agreements in the framework of the Doha Development Agenda, ideally during the Ministerial WTO Conference scheduled for the end of 2013.

The Netherlands supports the European Commission's proposals for modernising the Customs Code. Modernisation is necessary to make the customs union more efficient and to adapt it to new developments. The legislative debate is expected to conclude in mid-2013. It should be noted that harmonisation should not come at the expense of those member states that currently lead the way in this field, employing the most innovative technologies and methods for implementing customs agreements.

Values

Area of freedom, security and justice

The European Union is based on respect for fundamental values. Citizens and entrepreneurs need to be confident that their rights will be respected throughout the EU, that their safety and security are guaranteed, and that jointly agreed rules are complied with. Further development of the area of freedom, security and justice is essential if the EU is to achieve its goals.

The government endorses the principle of the completely free movement of persons within the EU – without closing its eyes to abuses of this right and the practical consequences of the elimination of barriers.

Immigration to the Netherlands has changed radically over the past decade. Immigration (often temporary) from within the EU is steadily increasing. On 1 January 2014 the labour market will be opened up to workers from Romania and Bulgaria, probably resulting in an increase in the number of migrants from those countries. Many EU and Turkish migrant workers do not speak Dutch. It is very important for everyone who lives here for any length of time to learn Dutch, even though this cannot be made compulsory.

Many EU migrants only stay in the Netherlands for a short time. The government is trying to ensure that this influx of migrants proceeds smoothly. The previous government's EU Citizen Labour Migration Project is being continued. Its main aim is to prevent exploitation of migrant workers by tackling malafide practices of employment agencies, employers and landlords, putting an end to deceptive practices and preventing unfair competition with Dutch workers and businesses. This issue is also receiving attention at EU level. For example, negotiations are under way on the Posting of Workers Enforcement Directive, which aims to strengthen cooperation between member states, improve access to information on terms of employment and expand the scope for the cross-border collection of fines.

In accordance with the motion submitted by MPs John Kerstens and Malik Azmani,¹¹ which was adopted on 18 December 2012, the House of Representatives will be informed by 1 May 2013 about a comprehensive approach to tackling deceptive practices. The action plan to eliminate rogue employment agencies is also important in this regard. It includes efforts to step up cooperation with the authorities in Poland, Romania and Bulgaria.

The present government, like the previous one, is seeking to provide EU migrants with good information, improve registration, ensure adequate housing and encourage language classes. Anti-social behaviour will be tackled. Another policy aim is to prevent foreign migrants being attracted by the Dutch system of social provision. At EU level, the Netherlands will continue to press for financial instruments for the integration of third-country nationals (such as the European Integration Fund) to be used for EU migrants as well.

¹¹ Parliamentary Papers, House of Representatives, 2012-2013, 33 400 XV, no. 40.

Numerous member states have received large numbers of migrants from Romania and Bulgaria in recent years. Their experience may be relevant and will be assessed to see whether the Netherlands can learn from it and, if so, how. However, member states' absorption capacity is not unlimited. The unintended side-effects of EU labour migration will therefore be examined at EU level in the forthcoming evaluation of the Free Movement of Persons Directive.

Another aspect of the free movement of persons is student mobility. The government considers student mobility as a major priority in internationalising higher education and strengthening the international outlook of young people. It regards mobility as an effective way of benefiting the economy, individuals and society as a whole. It believes that a European approach focusing on facilitating student and staff mobility and promoting cross-border cooperation between institutions has significant added value. The Erasmus Programme is the best-known example of this approach.

This does not alter the fact that the organisation and content of education are national competences. The EU only has a complementary competence in this area. The government will continue working to ensure a balance between the free movement of persons and higher education mobility on the one hand, and policy scope for the national education system, including portable student finance, on the other.

Promoting safety and security depends heavily on developments in the countries around us and the agreements made on this issue at European level. The government will play a constructive role in strengthening practical cooperation and in the negotiations on new rules in areas such as cyber security, counterterrorism, fighting organised cross-border crime (including human trafficking), money laundering, confiscating the proceeds of crime, and data protection. The aim is to strike the right balance between the rights and interests of citizens and effective joint action.

The effective functioning of the legal system in all EU member states and the confidence that the public and businesses have in it constitute an important pillar of the European Union. In this regard, the Netherlands attaches great value to modernising insolvency law in 2013. It is also calling for the European Union's rapid accession to the European Convention on Human Rights. Together with like-minded member states, the Netherlands will press for a common mechanism to promote the rule of law in the EU (see below). As described in the government's assessment of the European Commission's work programme, the Netherlands

will pay special attention to proposals concerning compliance with the rights of vulnerable suspects and convicts.

The multi-annual Justice and Home Affairs policy framework – the Stockholm Programme – expires in 2014. The government is actively seeking to influence the new JHA policy framework for the post-2014 period.

Asylum, migration and border control

The free movement of persons entails major challenges in terms of the pressure on the common external borders and the consequences of the absence of internal borders in the Schengen zone. These challenges can only be tackled through joint European efforts.

Within the EU, the Netherlands is working to strengthen Schengen governance, e.g. by improving supervision on the proper application of the Schengen *acquis* including the assessment of rule of law elements in Schengen evaluations. As regards the accession of Romania and Bulgaria to the Schengen zone, the basic principle is still that developments regarding the reform and independence of the judiciary and the fight against corruption and organised crime will be taken into account in subsequent steps.

The EU's external borders remain under great strain, also due to developments in the Arab region. The southern member states in particular are facing major challenges in controlling the Union's external borders and providing reception facilities for large numbers of immigrants. At the same time, member states to the north, including the Netherlands, are facing secondary migration flows: illegal migrants who enter the Union via the southern member states often try to travel onward to the northern member states to apply for asylum. Strengthening Frontex has already borne fruit and improved the border control situation in frontline countries such as Greece. The Netherlands actively contributes to Frontex-coordinated operations by providing personnel and equipment.

Harmonising asylum legislation is essential in order to maintain the high level of protection afforded asylum seekers while combating abuses. Negotiations on the Common European Asylum System (CEAS) will be concluded in 2013. The aim is to create a European system in which aliens who request international protection in the EU can count on the same treatment and outcome in all member states.

As regards ordinary migrants from outside the Union, the government will continue to emphasise that people wanting to enter the EU must be able to support themselves,

integrate quickly and make a positive contribution to society. To ensure that family migrants who want come to the EU find themselves in a good position from which to proceed, the government is calling for the Family Reunification Directive to be tightened.

The EU is pursuing an active policy towards countries of origin and transit. It is conducting migration dialogues and setting up bilateral mobility partnerships, in which agreements are made on cooperation in areas such as legal migration, tackling illegal migration, readmission, migration and development, and international protection. But the Netherlands will not hesitate to call for robust measures to be taken against countries that fail to cooperate with the readmission of their own nationals. These countries must be reminded of their international obligations. Alongside bilateral efforts, the Netherlands will continue to press for making EU cooperation with countries of origin contingent on their cooperation with the return of their own nationals.

Rule of law in the EU

The Netherlands shares fundamental values with other member states, including freedom, democracy, equality, the rule of law and respect for human rights. These values are enshrined in the EU Treaty and in the EU Charter of Fundamental Rights. But our European community of values requires constant maintenance. After all, embedding and internalising these shared values is not a linear process – it proceeds in fits and starts, with advances and occasional retreats. That is one of the reasons why candidate countries have to meet strict requirements before they can join the EU. A well-functioning democracy and the rule of law are also prerequisites for creating a competitive and socially just market economy. Citizens and businesses must be able to count on equal treatment and uniform application of European principles and legislation throughout the EU.

As regards human rights policy, the Netherlands, in cooperation with other member states, is committed to a coherent and cohesive approach to the equal treatment of lesbians, gays, bisexuals and transgenders (i.e. LGBT rights). Efforts to develop such an approach will receive a major boost when the Netherlands hosts an International Day against Homophobia conference in May 2013.

The government is pressing for an EU mechanism to promote the rule of law in member states. This instrument will apply equally to all member states and make it possible to enter into dialogue with one another on the functioning of the rule of law in EU member states, on both a regular and ad hoc basis. It should make use of existing expertise inside the EU and also outside it (e.g. in the Council of Europe). Overlap should be avoided. The government

believes that the European Commission, as guardian of the treaties, should also play a clear role in the mechanism. It is therefore pleased with the Commission's announcement that it will present proposals in 2013 for improved monitoring of the robustness of member states' justice systems.

Human rights in foreign policy

Human rights and democracy occupy a central place in the EU's foreign policy. The Union is a community of values and this is reflected in its attitude towards third countries. In June 2012 the Council gave fresh impetus to the EU human rights policy by agreeing a Strategic Framework for Human Rights and Democracy. This framework, based on universality, reaffirms the principles and priorities for promoting and protecting human rights. Dutch priorities are well represented in it. It deals mainly with freedom of expression (including internet freedom), opposing discrimination, supporting human rights defenders, promoting freedom of religion and encouraging corporate social responsibility.

The framework is linked to an action plan containing concrete initiatives, such as drawing up guidelines on making the EU's external action on LGBT rights more effective. The LGBT conference the Netherlands hosted in January 2013 was an important catalyst for the drafting of these guidelines, which should be finalised by mid-2013.

Thanks to its greater weight on the global stage, the EU can often be more effective in its human rights policy than the Netherlands would be if it acted alone. But this means that the Union needs to speak with one voice. To counter UN member states that undermine respect for the universality of human rights, an effective, tailor-made, common EU human rights policy is essential, alongside a proactive stance at national level. High Representative Cathy Ashton will remain the public face of EU human rights policy; she and her European External Action Service (EEAS) can play a guiding and coordinating role in developing and implementing the EU's human rights policy. The appointment of an EU Special Representative for Human Rights in 2012 may also give EU human rights policy extra impetus.

World

The EU as actor in a changing world

The emergence of new powers is putting a strain on Europe's ability to influence global developments. International rules for a level playing field are subject to change and are no longer accepted without question. For many emerging powers, the universality of human

rights is not necessarily a given. Issues such as non-proliferation, raw materials, climate, water and energy demand global responses yet are often a breeding ground for conflict. Beyond the EU's external borders there is instability in the Middle East, North Africa and the Caucasus. All these developments call for skilled navigation and leadership from the EU – which have not yet materialised to a satisfactory degree.

If the EU wants to remain a significant global player and a credible interlocutor for major powers like the US, China, India and Russia, we must be prepared to take concrete steps to achieve this ambition. The time when Europe could simply present itself as a normative power and paymaster is over. The Union needs to defend its own interests more firmly. This calls for active national and European diplomacy and coordinated use of all the instruments available. To be truly effective, and to be able to act in concert with respect to other major powers and in the European Neighbourhood, the Union will have to act on behalf of its member states more often than it does at present. The member states must, in turn, do what they can to facilitate and contribute to joint action. Many of the EU's external activities (involving trainers, military capabilities, Frontex, police officers, judges, election observers, etc.) depend for their success on member states' willingness to provide personnel and services when needed.

Europe should be fully aware of its own strengths in this regard. The EU is still the biggest market in the world and a zone of stability and prosperity, democracy and human rights. Six of the world's 10 most competitive economies are located in Europe. The EU's trade and current account are more or less balanced in respect of the rest of the world. The EU plays a prominent role in the world through the joint action it takes with member states on foreign policy, trade, development cooperation and military matters. But if we want to maintain and strengthen the Union's ability to shape and guide world events, we cannot rest on our laurels – ongoing efforts are required.

European External Action Service

In this connection, further development of the European External Action Service is crucial. The EEAS is no longer in its infancy but is still experiencing growing pains. An evaluation is planned for the coming year. In anticipation, the EEAS has stated that tight budgetary constraints pose a particularly serious problem. This analysis is too simplistic. More money is not the solution in the Netherlands' view. The EEAS seems to be caught between compulsory spending, limited room for manoeuvre, deficient internal management, factional conflict and calls for it to play a more visible role.

The Netherlands believes it is important for member states to provide input for the evaluation and will continue to present its ideas, with others where possible, on improving the EEAS and enhancing its synergy with member states' individual mission networks. For example, the Netherlands – together with Belgium, Luxembourg and the Baltic states, among others – is exploring what can be done in terms of co-location, joint consular services, visa cooperation, collaborative crisis management and joint training courses, and is trying to build support for these options. Through joint EU action and working with other European and non-European countries, ways must be found of cutting the costs of the mission network. Several projects are due to be launched in 2013. For example, the Netherlands wants to participate in the EU visa office pilot project in Cape Verde. In this regard, the Netherlands will continue to monitor costs and to press for the appointment of Dutch nationals to the EEAS so that Dutch views and ideas are clearly heard. Eighty-two Dutch people now work for the EEAS (3.74% of the total). Of the 140 EU delegations, seven are headed by Dutch nationals (5% of the total).

Flash points

Through the Common Foreign and Security Policy, the EU makes a substantial contribution to our security, by preventing or helping to resolve conflicts in third countries and by stabilising flash points. In the context of the European Neighbourhood Policy, this is based on the 'more for more' principle.

An integrated approach to conflict areas is crucial if lasting results are to be achieved. EU activities are characterised by the use of a wide variety of instruments, ranging from dialogue, diplomatic pressure, active human rights policy and development cooperation to civilian missions, military operations and sanctions. The EU's approach therefore combines various tools. In Libya, for instance, the EU will make important contributions to border control, civil society and media pluralism in the coming period. To this end, it will apply several new instruments, including the Support to Partnership, Reform and Inclusive Growth (SPRING) funds. European concerns about Iran's nuclear programme are reflected in a two-track approach: the EU is seeking a political solution through dialogue and negotiation while stepping up political pressure, e.g. through sanctions.

When weighing up priorities within the Common Security and Defence Policy, the government will favour missions and operations in areas adjoining the EU. The combination of civilian and military activities in European missions and operations is unique and demonstrates the EU's added value in this area. After all, many threats cannot be tackled by military means alone. A broader range of instruments is required, including support for

reconstruction, reconciliation and developing the rule of law. The EU's efforts in Afghanistan are a good example of this integrated approach. In the coming period, the EU will seek to develop it further.

In 2013 the EU should continue its foreign and security policy's special focus on developments in the broader sphere of neighbouring regions, such as the Western Balkans, the Middle East and North Africa, the Sahel region, the Horn of Africa, the Eastern Partnership countries and Iran.

Neighbourhood

Through its Neighbourhood Policy, the EU is paying growing attention to its immediate neighbours that do not have a definite prospect of membership. These countries need to be involved in the EU as closely as possible in order to promote democracy, prosperity and stability beyond the Union's external borders. This is in the direct strategic interests of the EU itself.

The new Neighbourhood Policy is based on the 'more for more' principle, which the Netherlands has successfully championed: the more willing partner countries are to make reforms at home, to improve democracy and respect universal human rights, the more they can benefit from broader cooperation with the Union in areas such as policy, economic integration, EU aid programmes and mobility. After all, one of the main lessons the EU has learned from the Arab Spring is that without genuine reforms and democratisation, a country's apparent stability may be ephemeral. The Netherlands will continue to ensure that the 'more for more' principle is applied in implementing the Neighbourhood Policy.

Two years after the Arab Spring, the EU needs to devote ongoing attention to developments in its southern neighbours. It needs to respond fast to developments in the different countries and be able to mount an adequate response in the event of a crisis or armed conflict, such as is now happening in Syria. The challenge for the EU is to apply all the facets of its foreign policy in an effective, coherent and visible manner.

The eastern dimension of the Neighbourhood Policy is shaped by the Eastern Partnership, launched in 2009. Its aim is the political association and economic integration of the six eastern neighbours (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) with the EU. This cooperation is shaped through negotiations on new association and free trade agreements, agreements on visa facilitation and liberalisation, building institutional capacity, energy and transport cooperation, and student exchanges. With the support of the Benelux,

France and Germany, the Netherlands will remain vigilant that these countries are not given the creeping prospect of EU membership.

Climate, energy and raw materials

Climate stability and energy and resource security deserve a central place in the EU's foreign policy. Finite fossil fuel reserves and climate change necessitate a transition to an economy based on renewable energy. To facilitate this transition, access to scarce raw materials must be guaranteed. Despite the deployment of renewable energy, the supply of oil and gas from Russia, the Caspian region, North Africa and the Middle East will remain important.

The Netherlands believes that the European Commission should evaluate the present renewable energy framework in 2014, before making proposals for the post-2020 period. It should do so within the context of broader climate and energy policy. The Netherlands also advocates more coordination between member states in promoting renewable energy, so that renewables can compete with fossil fuels. As stated in the government assessment of the European Commission's 2013 work programme, the Netherlands looks forward with interest to several initiatives announced by the Commission in this area.

The Netherlands favours an ambitious international climate policy. By working with other EU countries, it can play a more effective role in the UN negotiations on a new binding climate agreement, which must be concluded in 2015. Such joint action will have to prove its worth at the annual climate summit (COP UNFCCC) to be held in Warsaw in 2013. Europe also plays a key role in reducing greenhouse gas emissions and combating the effects of climate change.

Development cooperation

In the field of development cooperation, the modernisation of European policy, which was laid down in the Agenda for Change in 2012, needs to be reflected in concrete legislation, i.e. the Regulations governing external policy instruments. The next phase of the European Development Fund also needs to be shaped. The government will continue to highlight the areas where it thinks the emphases of the EU's new development cooperation policy should lie. For example, providing budget support is only appropriate if the recipient country has a satisfactory track record on democracy, human rights and the rule of law. The EU's added value in providing budget support lies in the political dialogue that it can pursue with partner countries and the weight it carries in this regard.

The EU is preparing for the negotiations on a new international development framework for the period after the Millennium Development Goals expire in 2015. The European Commission will issue a Communication on this matter in the first half of 2013. The EU will energetically pursue joint programming with member states in the coming period. By dividing responsibilities properly among member states, duplication can be avoided. On this basis, the Netherlands will then actively set to work in its partner countries.

EU aid is an important supplement to the Netherlands' bilateral aid, especially since the Netherlands is making further cuts to development spending. We will continue to call for aid to be spent in a careful, transparent and efficient manner. The Policy and Operations Evaluation Department's assessment of the European Development Fund (2000-2010), to be published in the first quarter of 2013, can assist efforts to further improve European development cooperation.

Enlargement

The EU continues to hold a strong appeal for candidate countries and potential candidate countries, of which there are currently nine. These countries see accession to the EU as a key condition for increasing their prosperity. Enlargement is also important for the EU as a whole: in addition to expanding the internal market, the transformative power of enlargement policy contributes to stability on the European continent.

The EU can only safeguard its standards through a strict and fair enlargement policy. Candidate countries may not join the EU until they have conclusively demonstrated that the reforms they have made are lasting and irreversible. Respect for human rights and reforms involving governance and the rule of law are paramount. These policy areas are closely interwoven with the EU's core values. The necessary reforms include amending, implementing and enforcing legislation. The Netherlands will continue to assess candidate countries by examining their track record in this area. This involves more than merely ticking off the pieces of legislation they introduce.

On 21 March 2013, the Commission will issue its last monitoring report on Croatia, which will specifically focus on the 10 issues identified by the Commission in its autumn report of October 2012. Croatia is expected to join the EU as the 28th member state on 1 July 2013.