Brexit: View from NETHERLANDS

Sarah Beeston, head of the Van Doorne European and competition law team, comments from a Dutch perspective.

What would Brexit mean for the Netherlands?

The general opinion in the Netherlands is that Brexit would have a significant negative impact on the Netherlands, more significant than in most other Member States. Brexit could have profound financial consequences for the Dutch economy. The Netherlands and the UK are closely linked in terms of finance and investment. The UK is one of the biggest export countries for the Netherlands. Annual export to the UK accounts for approximately €32bn, which is around 8% of the total export. Additionally, the Netherlands is one of the biggest investors in the UK and vice versa. In 2013, Dutch companies invested €177bn in the UK, earning €9bn (approximately 1.5% of the GDP).

Furthermore, a wide variety of Dutch firms have strong connections to the UK:
• Unilever, one of the biggest Dutch companies, is co-headquartered in Rotterdam and London
• Royal Dutch Shell is headquartered in The Hague, but also has strong ties to London, and
• Philips is headquartered in Amsterdam, but also has a head office in London and six more offices scattered around the UK

Due to the volume of Dutch business being done in the UK, many of the (larger) Dutch law firms, including Van Doorne, also have a London office.

It is the European internal market, in which both countries take part, which mainly allows for the current high level of reciprocal economic activity between the Netherlands and the UK. Within the European internal market, both countries enjoy the luxury of free movement of goods, services, capital and persons. This contributes largely to the aforementioned intensity of the reciprocal economic activity. A potential Brexit would put the UK outside the internal market and could thus have a serious impact on the Dutch economy. Even though it would not immediately prevent all export to the UK or investment in the UK, it would definitely make it a lot more difficult and expensive, and therefore much less appealing for (potential) parties to do business in the UK and vice versa. Given the numbers mentioned, I suspect this would have a huge impact on both jurisdictions.

What effect do you think it would have on the EU as a whole?

I think Brexit would have far-reaching consequences for the EU as a whole. Firstly, it would change the political balance within Europe. The UK is known for its more ‘free-market based outlook’ and is proliberalisation. It is this liberal view that the UK brings to the EU. Given the UK’s size and its strong voice in terms of decision-making, these ideas are also adopted in EU policy. Countries such as the Netherlands, Germany and Ireland share this more liberal view, whereas most southern European Member States lean towards a more governmental and regulatory policy. If the UK was to withdraw from the EU, the political balance would be disrupted. Secondly, Brexit would also shift the balance of power in the Council of Ministers because it would change the existing veto power in the qualified majority voting system. The relationship between Germany and France would also change if the UK was to withdraw from the EU. Germany’s strength would increase, disrupting the (historically important) balance of power between Germany and France.

Furthermore, it would have a negative impact on the economy of the EU as a whole if the UK withdraws from the EU. The UK is a relatively fast-growing nation and economy. The UK is also the world’s sixth largest economy (€1.9trn). Studies show that over the course of the next 30 years, the UK is going to have a larger population than Germany and France.
The UK also contributes a significant percentage to the EU budget. After Germany, the UK is the biggest net contributor (€8.6bn in 2013). If the UK was to withdraw from the EU, this gap needs to be filled by either less spending or imposing higher contributions on other Member States.

Moreover, Brexit would harm the EU’s international standing. An example of an arena in which the EU’s standing would diminish as a consequence of Brexit is the UN Security Council. This is where the UK has a permanent seat and is therefore able to also express the EU’s view on certain issues. From a more general perspective, given that the UK is one of the largest Member States of the EU—both in terms of population (12.5% of the EU’s population) and GDP (14.8% of the EU GDP)—Brexit would reduce the size of the EU and therefore most likely also its international role and voice.

Lastly, Brexit would have a destabilising effect on the EU. Other Member States might be encouraged to leave the EU as well or might threaten to leave in order to get their way in certain issues. This could potentially destabilise and unravel the EU. With all the Greek turmoil, this development is highly undesirable.

How do you think your jurisdiction’s relationship with the UK would change?

The Netherlands and the UK are, and have always been, closely aligned in terms of policy objectives. Both countries share a common view on promoting free trade, open economies and both favour less EU/governmental interference and regulation. This is in stark contrast to the Member States in the south of the EU, where governmental interference is favoured. The southern Member States have always had a focus on political integration, whereas Member States in the north have always challenged this further integration. If the UK was to withdraw from the EU, the Netherlands will thus lose an important ally in EU politics.

How easy do you think it would be for a country to leave the EU?

Art 50 TEU states that Member States have the right to withdraw from the EU. If the UK decides to do so, it will have two years to negotiate the exact withdrawal deal. Leaving the EU is thus a legal possibility. In practice, however, actually leaving the EU will most likely turn out to be very complicated.

As a Member State of the EU, the UK is deeply interconnected with the EU and its fellow Member States. Withdrawal from the EU would cause for certain complicated issues, both for the UK itself as well as for the other Member States. The way in which these countries do business (due to the aforementioned liberties) will have to change rigorously. Classic customs, for example, will have to be re-introduced between the UK and the remaining Member States.

The EU has no experience with an exit scenario, with the exception of Algeria and Greenland. Algeria left the EU in 1962 (after it proclaimed independence from France) and Greenland (an overseas territory of Denmark) left after a referendum in 1982. If the UK decides to leave, the exact terms of withdrawal are uncertain. There are a number of possible conceivable scenarios. The UK can leave the EU and remain part of the EEA and the EFTA (like Norway). Alternatively, the UK could opt for the Swiss option and sign a variety of bilateral treaties. A third option is the Turkish option, which means entering into a customs union with the EU. Lastly, the UK could become a World Trade Organisation member without any special relationships with the EU, EFTA or the EEA.

“One thing is certain, a withdrawal from the EU will be a long, uncertain and complicated process, which includes economical and legal, but probably mostly political elements. Brexit is likely to resemble a messy divorce.”