

Dutch election result brings risk of more eurosceptic policies

The Dutch elections have brought about considerable changes to the House of Representatives, with the nationalist PVV emerging as the clear winner. A possible coalition of the PVV, VVD, NSC and BBB could form a more eurosceptic government with domestically expansionary fiscal policies



Party leader Geert Wilders of the PVV emerged from parliamentary elections as the clear winner

Preliminary results from the Dutch parliamentary election are in. Although the results are not yet official, it is already clear that the populist conservative PVV of Geert Wilders has won with a large lead. Today, the speaker of the House of Representatives (Tweede Kamer) will consult the leaders of the political groups on the appointment of a 'scout' (verkenner) who is to investigate the feasibility of different coalitions. On 6 December, the new House of Representatives will convene for the first time. Shortly after that, a debate will take place on both the outcome of the elections and on a report to be provided by the 'scout'.

For now, it seems likely that a coalition of the PVV, the liberal-conservative VVD, Pieter Omtzigt's NSC and the farmers' and citizens' BBB is the option that will be looked at first. Given some

reluctance to cooperate with the PVV, such a coalition is far from certain, however. As this constellation is now often mentioned by political commentators, we will now look at the general possible direction of a select number of (economically and internationally relevant) policies based on the manifestos of these four parties.

Domestic policies: high uncertainty about outcomes

Of the four parties, only the VVD participated in an exercise by the CPB (Netherlands Bureau for Economic Policy Analysis) which looked at the goals in manifestos and analysed their fiscal and economic effects. So there is quite some uncertainty about what policies and effects can be expected for the economy if PVV, VVD, NSC and BBB were to govern together.

Domestic fiscal policy more expansionary over time due to higher spending desires

What is clear, however, is that these parties have a lot of goals, which could potentially lead to a lot of additional public spending, such as on health care. Simultaneously, parties want to boost household income, especially for those in poverty, which would require lower taxes and higher social security spending. This raises the fiscal deficit.

All of these four parties want to be strict on fiscal deficits within the eurozone and VVD, NSC and BBB have all stated they want to adhere to European fiscal rules, implying a budget deficit below 3% of GDP. Yet, based on detailed calculations, only the VVD seems to be heading towards an actual budget deficit of just below 3% of GDP in 2028, if its manifesto were to be implemented. This means that the other parties would have to make some concessions, as the current government leaves behind a deficit of 3.6% in 2028. At this point in time, however, it is hard to pinpoint exactly which policy intentions the four parties would scale down in order to achieve this.

Overall, we expect fiscal policy to be [considerably expansionary over time](#), with the deficit increasing considerably compared to its current level. The impact on the economy would be stimulative, which would likely lead to more labour demand. Given the current strains in the labour market, we expect this to result in more demand for foreign workers.

Restriction on migration

The parties, however, agree on restricting immigration. In many cases, this applies to restricting the number of refugees and migrant workers, but there are also proposals for restricting the immigration of foreign students and family members. The PVV wants to restrict labour migration from within the EU.

Disagreement on climate change policies, but not necessarily a complete overhaul

VVD, NSC and BBB subscribe to international climate goals (the Paris Agreement and/or EU goals) and propose policies to mitigate climate change, yet they do not seem to be aiming for even higher goals than European legislation requires domestically. The PVV wants to cut spending on climate mitigation policies entirely and only leaves the door open for climate adaptation policies. NSC wants to adopt more cost-efficient policies, with lower subsidies and more pricing and norms. This, and the fact that it was not among the main priorities in PVV's election campaign, probably

means that this four-party coalition is not likely to abolish all existing climate policies. European regulation will also still apply, so we expect that this possible coalition could be committed to achieving international climate goals, although with a view to reducing the cost.

More defence spending, but possibly less favourable for Ukraine

VVD, NSC and BBB are in favour of increasing defence spending to the NATO objective of 2% of GDP and continuing to support Ukraine. The PVV takes a more nationalist approach toward defence, by wanting to stop supporting Ukraine with money and weapons and by arguing in favour of using the army for border patrols in order to reduce the immigration of refugees. PVV, VVD and NSC are against an EU army. Yet, VVD, NSC and BBB are in support of European military cooperation.

Less official development aid

It is quite likely that this possible coalition wants to reduce spending on official development aid. The PVV wants to stop official development aid entirely, while the VVD is considering lowering spending. BBB wants to spend the same as the EU will have spent in 2023 (as a percent of GDP). NSC is not explicit about its desired degree of spending on ODA, but it stresses the need for impactful spending, a focus on a limited number of countries, sustainable growth and a connection with migration policy.

More euroscepticism

The government's stance is likely to become more sceptical towards the EU and European integration with a PVV, VVD, NSC and BBB coalition. That is one of the main takeaways from our analysis. The PVV seems to be most sceptical. It wants a binding referendum on an exit from the EU, and before then, to reduce financial transfers and return sovereignty to the Netherlands. The BBB would prefer to go back to a previous version of the EU that was more focused on a common European market (European Economic Community), is sceptical about fiscal transfers and has a preference for a northern version of the euro. However, NSC is in favour of cooperating on a European level on issues like the euro, migration, climate and Ukraine, but wants to prevent a transfer union and mutual debt, and also wants to use Dutch opt-outs from European legislation more often. The VVD is still in favour of legislation towards more harmonisation of the European single market, but is sceptical about more spending at the European level and argues for a return to more fiscal discipline of eurozone member states. So, quite some scepticism about Europe, but given the overall positive public opinion on Europe within the Netherlands and the stance of NSC and VVD, we rule out a significant move on the euro or Next.

More opposition against changes to the Stability and Growth Pact brings uncertainty for Dutch stance in reform discussions

NSC, BBB and VVD all seem to be in favour of a return to the 3% and 60% deficit norms of the Stability and Growth Pact. It is therefore very doubtful whether such a four-party coalition, with the most likely exception of VVD, would support the changes to the Stability and Growth pact that are [currently on the table](#). The current caretaking government left more room for such reforms that would allow more country-specific flexibility.

Smaller EU budget and EU enlargement less likely

VVD, NSC and BBB propose a reduced or frozen EU budget, while it seems likely that PVV would also vote along these lines. The PVV is against the enlargement of the EU, while VVD, NSC and BBB do not seem to oppose the addition of new member states as long as they strictly comply with the Copenhagen conditions (with the exception of the NSC, which is ruling out Turkey).

Conclusion: Policy uncertainty 'higher for longer'

The formation of the coalition is likely to take a very long time, and national policy ambitions pushing up against the limits of the government budget will be a key hurdle. If the negotiations fail, there may be an effort to form a more centrist coalition of the progressive green left/social democrats Groenlinks-PvdA with VVD, NSC and centrist liberal democrats D66, which will also be difficult to reach agreement. If no coalition is formed, new elections are the only remaining option.

Meanwhile, it is unclear which stance the caretaking Dutch government will take as it enters the Ecofin discussions on the Stability and Growth Pact on 8 December and the European Council on 14 and 15 December on matters like enlargement, Ukraine and the financial framework. We expect to find out in the next two weeks.

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