

## Investec Economics

### Dutch election: 'Nexit' fears overdone?

- Dutch voters go to the polls on 15 March in elections for the House of Representatives, the Tweede Kamer. Here a proportional representation voting system (subject to a minimum vote 'electoral quota') will share the 150 House seats across parties according to the number of votes they receive. The nationwide party-list system that runs in the Dutch parliament makes it a tough ask for any one party to win the 76 seats needed for a majority and hence the model tends to be one of coalition government. The current coalition is comprised of the centre-right VVD (liberal party) of Prime Minister Mark Rutte (40 seats) and the centre-left PvdA (35 seats). Table 1 below details the current make up of Parliament.
- The upcoming March 15 election has garnered much attention outside of the Netherlands because of the seemingly growing support for the anti-EU Party for Freedom (PVV) whose leader, Geert Wilders, has said he would call a referendum on Holland leaving the EU as quickly as possible, as part of its plan to hold four binding referenda a year. Further, opinion polling has pointed to nearly half of Dutch voters backing a referendum on EU membership, adding to fears stemming from Geert Wilders' EU referendum plans, that the Dutch electorate could be the next headache for Brussels. And the Dutch electorate is certainly not wholeheartedly Europhile; a poll by the Pew Research Center in June 2016, before the Brexit vote, found 46% of those polled have a negative view of the European Union. A more recent Eurobarometer poll (November 2016) was more pro-EU however with 72% of those surveyed believing that Holland's membership of the EU was a good thing.
- The 2015 Advisory Referendum Act paved the way for more referenda. But importantly referenda are *only permitted on new legislation or treaties*. So for a 'Nexit' referendum to take place a change in the law or a new law would need to be introduced to allow a vote on the Netherlands' existing EU status. Geert Wilders is unlikely to carry enough support within Parliament to see such a change through, short of a huge late surge in support. Furthermore any referenda held would still *only be advisory*. The constitution of the Netherlands has no provisions on referenda and gives primacy to legislatures, meaning that any referendum is simply advisory. Any change in the constitution to allow for a binding referendum would require a two-thirds majority in both chambers, the Senate and the House of Representatives (the States General). Again, approval by such a majority would look to be a tall order.
- The PVV is currently leading in pre-election polling data (see Chart 2) whilst the governing VVD and PvdA look set to lose notable numbers of seats, perhaps down by around 15 and 23 seats respectively. Even so the PVV is still polling well short of an independent majority (at around 28 seats) and this is particularly so when one considers that the PVV also has a history of performing better in pre-election polling than in an election itself. Furthermore, the prospect of Geert Wilders coming together with others to form a governing coalition looks unlikely. Although the PVV and VVD are on the right of the political spectrum and have cooperated in a minority government led by Mark Rutte between 2010 and 2012, the VVD has recently ruled out governing with the PVV.
- Finally note that the splintering of support (see Chart 1 on polls) reinforces the expectation that the Netherlands will be governed by a coalition, with talk of there being a need for perhaps even a five party coalition this time. Clearly this could make for complicated and perhaps drawn out government formation talks.

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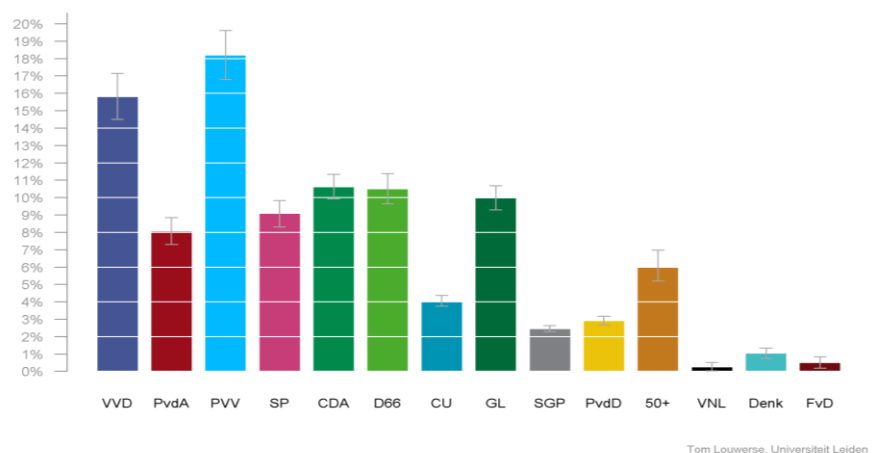
**Table 1: Current make-up of the Netherland's House of Representatives**

Short name	Party	Position	Leader	Current Seats
<b>GOVERNMENT</b>				
VVD	People's Party for Freedom and Democracy	Centre-right	Mark Rutte	40
PvdA	Labour Party	Centre-left	Lodewijk Asscher	35
<b>OPPOSITION</b>				
SP	Socialist Party	Left-wing	Emile Roemer	15
CDA	Christian Democratic Appeal	Centre	Sybrand van Haersma Buma	13
PVV	Party for Freedom	Right-wing	Geert Wilders	12
D66	Democrats 66	Centre	Alexander Pechtold	12
CU	Christain Union	Centre	Gert-Jan Segers	5
GL	Green Left	Left-wing	Jesse Klaver	4
SGP	Reformed Political Party	Right-wing	Kees van der Staaij	3
PvdD	Party for the Animals	Left-wing	Marianne Thieme	2
50PLUS	50PLUS	Centre	Henk Krol	1
<b>Independents/Pairs</b>				8
<b>Total</b>				<b>150</b>

Source: Netherlands House of Representatives

- Note that, despite the relatively low probability that the election leads the Netherlands out of the EU, the election outcome will provide a useful read for Brussels on anti-EU sentiment in one of the larger EU economies. In 2016 the Dutch electorate voted by a sizeable margin to reject the Ukraine-EU treaty in a non-binding referendum, in a rebuke to their government and to the EU establishment. If the Dutch parliament does indeed swing towards the PVV in its make-up, this will increase speculation that the Netherlands could continue to provide a more robust challenge to EU policy ahead. Indeed, on the right, two new parties are to be headed up by those that led the referendum campaign against the EU-Ukraine Treaty.

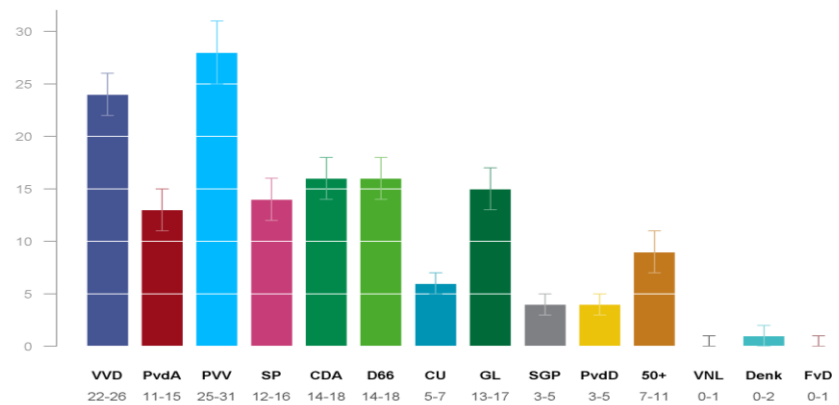
**Chart 1: Support (%) for major parties based on a recent poll of polls**



The Bearing Pointer is a poll of polls from February 1, 2017

Source: Tom Louwerse, University of Leiden

Chart 2: Seat prediction in the Tweede Kamer based on recent poll of polls



Peilingwijzer, Tom Louwerse, Universiteit Leiden. Bijgewerkt: 12-02-2017

The Bearing Pointer is a poll of polls from February 1, 2017

Source: Tom Louwerse, University of Leiden

- Note finally that one other relevant angle is that the current Minister of Finance, Jeroen Dijsselbloem, faces the electorate in these upcoming elections. He is the Chair of the Eurogroup (the ministers of finance of the Eurozone countries) which is deep in the midst of Greek bailout review talks and complex negotiations. He has indicated he wishes to stay on as Eurogroup Chief even if he is not re-elected. If he does not maintain this role, this could serve as one added complication in already messy Greek talks.

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