

# Netherlands 2016



**Total: 82.88**

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## Quick facts

Population:	16.937 million
Unemployment rate:	6.9 %
GDP:	703.402 billion EMU
GDP growth rate:	2.0 %
GDP per capita:	41.530 EMU

## Political Freedom

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### Free and Fair Elections : 10

Elections in Netherlands are free and fair. Political landscape is pluralistic and diverse. Political parties can operate freely throughout the country. Government, which was formed by the coalition between People's Party for Freedom and Democracy and Labor Party, enters into the last year of the term prior to 2017 parliamentary elections. Small disruption in their coalition relations occurred when the Council of Europe confirmed that country did not meet its obligations towards asylum seekers and thus violated the European Social Charter. However, soon they managed to put the ball down and find a common solution and thereby to recover stability in their relations.

Netherlands is a constitutional monarchy. Its bicameral parliament is consisting of The First Chamber, whose members are elected by the country's 12 provincial councils, and The Second Chamber, whose members are elected by a popular vote.

### Absence of Unconstitutional Veto Players : 10

Democratically elected government has effective power to govern the country. There are no unconstitutional veto players who can influence a decision making process at any level. Cases of corruption are extremely rare in the country. Corrupt activities by citizens and companies which are doing business abroad used to be a problem, but even in this field authorities made some progress.

## **Freedom of Press : 8.9**

Independence and freedom of the media in Netherlands are largely upheld in practice. Country hits very top of the Reporters without Borders 2016 World Press Freedom Index, holding 2nd position out of 180 analyzed countries. Some degree of self-censorship is practiced by journalists, but only on some sensitive topics in society. Like in neighboring Belgium, concentration of media ownership in the hands of few media houses calls for precaution.

## **Rule of Law**

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### **Independence of the Judiciary : 8.17**

Judiciary in Netherlands is fully independent from the executive. Overall performance is even better than in neighboring countries. Judges are irremovable except for malfeasance or incapacity. The supreme judiciary body is the Hoge Raad (Supreme Court) of Netherlands. It does not determine the constitutionality of laws, yet some of its decisions have political implications. Constitutionality of laws is checked only in advance, when drafted by the government - not least by parliamentary committees but even before, by the Council of State, a body appointed (and occasionally presided) by the monarch, who thereby has an advisory role. There are initiatives in Netherlands to separate this body from the Crown. On the performance of courts in Netherlands in 2015 in general, Freedom House noted just this: "The judiciary is independent, and the rule of law prevails in civil and criminal matters. The right to a fair trial is in place and is enforced effectively. The police are under civilian control, and prison conditions meet international standards."

### **Corruption : 8.7**

Netherlands is one of the corruption-cleanest places on the globe. Both in 2013 and 2014, with 83 points (out of 100) it took the place 8 in the Transparency International's Corruption Perception Index, on the list of 177 resp. 175 countries of the world. In 2015, it jumped to the place 5, of 168 countries, with the score 87 (same as Norway). The leap is to be explained by the country's successful efforts to discourage corruption in one of its last hideouts – activities of Dutch companies abroad and subsequent attempts to secure tax deductions back home for the bribes spent. Petty corruption hardly exists. Not least that taking bribes is strictly forbidden, but receiving any gift from anyone is seriously restricted to public officials. Market economy with a lean public sector, highly sophisticated anti-corruption procedures and awareness of the broad population of the social perils of corruption, together make it extremely hard for politicians to even remotely take illicit personal advantage of their policies or decisions. As an almost corruption-clean country, a true role model, Netherlands has been helping many countries all around the world, through development cooperation or other channels, to increase transparency in the public sector, suppress corruption and thus improve governance.

### **Protection of Human Rights : 8.9**

Netherlands is famous for its liberal approach to human rights. One of the most important liberal principles - that limitations to individual freedom should be put only in as much as required to

protect other members of society - is enshrined in all aspects of public life. Freedom to associate, in public or in private, to speak and express various views, beliefs, theories, or art, is widely practiced. Police are carefully trained to act in a professional manner and respect human rights. Alas, there is a problem of ethnic profiling during stop-and-search operations. Also, there are occasional cases of arbitrary arrest. Women widely participate in politics and are well protected against violence and discrimination, although the highest possible standards of their equality are not yet met. A lot more has to be done against human, including sex trafficking. But treatment of sexual minorities is a role model. All marriages and civil unions are equal in rights and duties. LGBT community is well integrated into society. Pride rallies in Dutch towns are a popular festivity often visited by top politicians and a celebration of the results of the struggle that is almost over in Netherlands, while in some other countries it is under way or even has just begun. Some other minorities in Netherlands still await more protection. Linguistic minorities often complain. Refugees or other migrants are an object of hate speech by politicians of the far right, as an alleged anti-social element or a threat to security. A lot is being done to protect individual rights and freedom against challenges brought about by new technologies, yet Amnesty International noticed that intelligence and security services are not effectively prevented of intercepting or hacking personal communication without proper judicial orders.

## Economic Freedom

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### **Security of Property Rights : 7.58**

Private property in the Netherlands is well protected. Registering property, as a major prerequisite for its legal protection, is functioning well and quick in the Netherlands due to the service of professional public notaries and online procedures. Dutch Cadastre, Land Register and Mapping Agency are efficient and transparent public services. However, very high transfer tax of 6,1% poses a significant burden. There is a temporary tax break to 50 000 euro for monetary gifts, in order to encourage home ownership among the young people. Judicial independence is ensured, leading to impartial court dealings. However, the enforcement of contracts could be subject to long case trial periods. Case management at courts and their automation are at a low level and could be improved. On the other hand, bankruptcy procedures are very effective, with very high recovery rates. Expropriation of corporate assets or private property is very rare and only used in special cases, for which a special act of parliament is necessary.

### **Size of Government: Expenditures, Taxes, and Enterprises : 4.36**

Netherlands remains one of the most competitive advanced economies, with a regulatory framework that is overall a friendly environment for entrepreneurial activities. Starting a new business is quick and inexpensive, with no minimum required capital. Obtaining a construction permit is burdensome, due to a high number of procedures, some of which are time consuming. Compliance with tax procedures is not burdensome, due to low number of annual payments and widespread use of electronic filing. However, there are still administrative requirement that pose hindrance to business activities. However, high tax rates and restrictive labour regulation pose significant cost on businesses. Labour code could be considered as restrictive, especially regarding firing regulations, providing high employment protection for workers, which led to overly

high number of workers being self-employed through independent or one-person company (ZZP). Severance pay is low, but the role of third parties (workers council, trade unions and the employment office) in redundancy process is excessive, with long redundancy notice periods increasing with years in tenure, protecting more seasoned workers. New labour regulations introduced in 2015 brought more inflexibility, limiting the duration of fixed contracts to two years, eliminating automatic expiration of fixed term contracts and introducing consideration period for workers after mutually agreed termination of contract.

## **Regulation of Credit, Labour, and Business : 7.47**

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## **Freedom to Trade Internationally : 8.8**

Netherlands favours free trade. Its port Rotterdam is the biggest one in Europe. Due to its strategic location, geographical conditions and excellent transport and communication infrastructure, the country serves as a major European trade hub. As a small open economy, international trade has always been important for Dutch economic development. Being one of the founding countries of the European Union, the Netherlands implements the common European trade policy, with its overall low tariff rate. However there are non-tariff trade barriers, in the field of standardization and certification. Very efficient border and custom administration led to the Netherlands establishing an efficiency trade frontier, with almost no monetary and time cost in documentary and border compliance. The trade is further enhanced by very low freight costs partly due to public transport infrastructure. Main trade partners of the country are other EU members, such as Germany, Belgium and France. Another significant trade partner is the United Kingdom, so further EU - UK relations would be very important to the Netherlands. On the other hand, although EU nationals are considered to have the same rights as domestic ones, non-EU nationals face a complicated procedure of acquiring a residence permit. However, a one-year residence permit for entrepreneurs was introduced, and the costs associated with gaining a residence permit for members of families who are not Dutch citizens have been substantially decreased via court proceedings. The Netherlands is one only 5 EU countries that decided to keep restriction on free movement of workers of Croatian citizenship, requiring them work permits.