

Netherlands 2017



Total: 83.81

Political Freedom

Free and Fair Elections : 10

Netherlands is among countries with the highest ranking in Freedom Barometer index in regard to freedom and fairness of its electoral process. Parties are able to compete in open and free environment, and their offer is pluralistic and diverse. On 15th of March 2017 elections for the 150 seats in the lower house of parliament, i.e. House of Representatives – also called The Second Chamber - took place. Although their total score declined, People's Party for Freedom and Democracy – VVD - won the most of parliamentary seats, 33 of them, thus obtaining another mandate to create a Government. Since at least 4 parties were needed to participate to have created a majority, the incumbent Prime Minister Mark Rutte had hard times negotiating a political agreement between the interested partners. Until 30th of June the government has not been formed.

Absence of Unconstitutional Veto Players : 10

Power to govern the country is unchallenged in Netherlands. Therefore they don't have any unconstitutional veto players who could undermine a democratically elected government. Security forces are under effective control of civilian authorities. Netherlands doesn't have a problem of corruption at home, so the country is ranked at a very high 8th place of the Corruption Perception Index 2016.

Freedom of Press : 8.9

Media outlets in Netherlands are free to operate and express wide variety of views. Citizens have access to pluralistic and diverse media market. However, recent social and political developments in the country, mainly immigration and security issues, have posed certain challenges to journalist independence, or security. Some journalists received death threats due to reporting on traditional children's character. At the beginning of 2017, government adopted legislative changes on the safety ground, allowing security services to expand their authorities, which could pose a threat to the protection of journalists' sources of information.

Rule of Law

Independence of the Judiciary : 8.84

Judiciary is fully independent from the executive branch. Its overall performance is excellent. Judges are irremovable except for malpractice or incapacity. In contrast to most other countries, constitutionality of laws is checked only in advance, when drafted by the government - not least by parliamentary committees but also by the Council of State, a body appointed (and occasionally presided and advised) by the monarch. Monarchy enjoys a majority support, yet a law has been in procedure since 2016 that would narrow its anyway small privileges (e.g. an "insult of the majesty" would no more be illegal). Freedom House wrote in 2015 on the performance of courts in Netherlands and it further on stands: "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 : 8.3

Transparency International's Corruption Perceptions Index 2016 put Netherlands to the place 8 of 176 evaluated countries, i.e. as one of the cleanest in the world. Global Corruption Barometer 2016 found bribery rate at just 2%. Yet, 17% of the people found it a problem and 53% thought government was not doing enough to eliminate it. 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. Efforts are made to eliminate the last pockets of irregularity – corrupt activities of Dutch companies abroad, as well as to prevent a revamp of once extinguished habit of favoritism in public procurement or infrastructure projects. Some isolated cases of corruption, however, are still discovered. In summer 2016, several police officers were arrested in Hague and Limburg on various charges, mainly for leaking information. In September 2016, a local politician from Roermond was found guilty of corruption. In February 2017, Dutch media reported about the investigation opened in the customs service. As a country with a very low level of corruption, Netherlands is a true role model. Through development cooperation and transfer of its own experience, it helps other countries increase transparency in public sector, suppress corruption and improve governance.

Protection of Human Rights : 9.17

Few other countries perceive human rights in such a liberal way, i.e. prioritizing the rights of the individual, as Netherlands. As a rule, limitations to personal freedom are put only to protect other members of society. Freedom to associate, in public or in private, to speak and express various views, beliefs, theories, or arts, is guaranteed and widely practiced. Police are carefully trained to act in a professional manner and to respect human rights. In June 2017, Netherlands' and Austria's judiciary collided over the definition of punishable hate speech, whereby the former refused to cooperate in the judicial process against Dutch far right populist politician Geert Wilders over his anti-Islam speech in Austria in 2015. Before, in December 2016, Wilders was convicted in Netherlands for discrimination. As for minorities, native or migrant, the opportunities for integration into Dutch society are huge. But linguistic rights are not always kept to highest standards. Police did not eliminate ethnic profiling. Immigrant detention is still a problem, especially following arson in a detention center in Rotterdam in May 2016, despite subsequently adopted new, relaxed rules. Far right groups spread Islam-o-phobia, while some extreme Islamists spread anti-Semitism or

harangue against liberal democracy as such. Netherlands is a multi-religious country and freedom of religion is in general highly valued, while politics and administration are largely secularized. A lot more has to be done against human, including sex trafficking. On the other hand, 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. Struggle to preserve human rights in the environment of new technologies is ongoing. Thus, in October 2016, the new draft law on intelligence and security services was assessed by the Amnesty International as one “potentially leading to violations of the right to privacy, the right to freedom of expression and the right to non-discrimination”. An adapted version of the proposed law was later passed, to go into force in early 2018. An advisory referendum on the law has been scheduled for 21 March 2018.

Economic Freedom

Security of Property Rights : 7.7

Private property in the Netherlands is well protected. Judiciary is independent from the executive power, and there is little evidence of corruptive practices or improper influences within it. However, judicial processes could be long, which undermines effectiveness of the contract enforcement. Low level of automation is often cited as one of the reasons for the latter - cases to judges are assigned manually, and there are no solely commercial courts. These long procedures lead to high costs of attorneys at law. On the other hand, bankruptcy procedures are very effective, with expedient procedures and very high recovery rates. Most bankrupt companies are sold as going concerns. Registering property, as a major prerequisite for its legal protection, is functioning well and quickly in the Netherlands, due to the service of professional public notaries and online procedures. Dutch Cadastre, Land register and Mapping Agency offer efficient and transparent public service. However, transfer tax is as high as 6,1%, which poses a significant burden, even leading to a decrease in workforce immobility. There is a temporary tax break to 100 000 euro for monetary gifts, in order to encourage home ownership among the young people. Expropriation of corporate assets or private property is very rare, only used in special cases, for which a special act of parliament is necessary. There are a few limitations to foreign ownership in industries considered as strategic (transportation, media, etc.), but these are rare.

Size of Government: Expenditures, Taxes, and Enterprises : 4.51

Government size in Netherlands has been similar to other developed European countries, with government expenditures reaching 44% of GDP in 2016, which was a small decrease following the second wave of recession in 2013. A small budget surplus was recorded in 2016, due to the rebound in growth rates and frugal spending. Public debt is declining, standing at 62.5% of GDP in 2016, with prospects of getting under the Maastricht threshold this year. Although regulatory framework is omnipresent and there are high redistributive social transfers, there is little direct government involvement in the economy. State-owned companies are not numerous (their number standing at 34), and they remain concentrated in the utility service sector (gas, water and electricity distribution), and transport (railways, ports and airports). What is more important is that SOEs are not favoured and private enterprises are free to compete with them in the market. The state has increased its share in banking by taking over bankrupt banks such as ABN Amro bank.

High expenditures need to be met by high tax rates: social contributions and income tax lead to a tax wedge on labour of 40.8% on average wage, slightly above the OECD level; while VAT is set at 6% and 21%. Taxation is progressive, especially the personal income tax rates, reaching even 52% for the highest earners. Corporate tax is set at 20% and 25% above the 200 000 euro threshold.

Regulation of Credit, Labour, and Business : 7.69

Netherlands remains one of the most competitive advanced economies, with a regulatory framework that provides a friendly environment for entrepreneurial activities. Starting a new business is quick, through the notary services and the chamber of commerce, and there is no minimum-required capital. Obtaining a construction permit is burdensome due to a high number of procedures, some of which are time-consuming. Getting electricity is not expedient since the public utility company has slow procedures regarding contracting of private companies for construction works. Compliance with tax procedures is not burdensome, due to low number of annual payments and widespread use of electronic filing. High tax rates and restrictive labour regulations posed significant cost on businesses, which led to overly high number of workers being self-employed through independent or one-person company (ZZP). Labour code could be considered restrictive, especially regarding the firing regulations, providing high employment protection for workers. Severance pay is low, but the role of third parties (workers' councils, trade unions, or the employment office) in redundancy process is excessive, with long redundancy notice periods, increasing with years in tenure, thus protecting more seasoned workers. Duration of fixed contracts was recently limited to 24 months, instead of the previous 36.

Freedom to Trade Internationally : 8.7

The Netherlands, as a small open economy, favours free trade. It hosts the biggest port in Europe (Rotterdam) and it serves as a major European trade hub, due to its strategic location, geographical conditions and excellent transport and communication infrastructure. 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, non-tariff trade barriers in the field of standardization and certification remain an obstacle to trade. Border and custom administration are very efficient, with low number of necessary documents and easy border compliance. Trade is further enhanced by very low freight costs, partly due to the high quality of transport infrastructure. Main trade partners of the country are other EU members, such as Germany, Belgium and France. Since the UK is a significant trade partner, further EU - UK relations following Brexit will be very important for the Netherlands. Although EU nationals are considered to have the same rights as domestic ones, restrictions on Croatian nationals are still in place, requiring a work permit. Non-EU nationals face a complicated procedure of acquiring a residence permit, but there is a one-year residence permit for entrepreneurs. There is a "30% tax rule" for foreign workers residing in the Netherlands, meaning that they pay lower taxes since 30% of their income is tax-exempt, during a limited number of their stay in the country, in order to increase attractiveness of the Netherlands for highly skilled people, having in mind high domestic tax rates.