

Dutch decisions: mapping the business implications of the Netherlands' elections

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The Dutch elections are fertile ground for new coalition-building – there will be no outright majority. Prime Minister Mark Rutte's centre-right People's Party for Freedom and Democracy



(VVD) continues to hold the lead, having demonstrated a degree of permanence in government. However, Rutte resigned in July after he failed to keep the current government coalition together over immigration reform. He is now leaving politics. The progressive D66 (Democraten 66) and the Christian Democrats (CDA) have emerged as key players, serving as a political benchmark in a shift toward mainstream policies. After the election, there will be a need for delicate coalition negotiations that address topics like immigration, climate policy, European Union integration and economic recovery following the pandemic. The GroenLinks and the Labour Party (PvdA) coalition have also gathered substantial support and will undoubtedly wield considerable influence.

The international business community is also watching events in the Netherlands with great interest. With the VVD likely to remain in charge, pro-business and friendly trade policies would be expected to continue, despite some coalition compromises. There is the potential of an alliance with parties like D66 that could see more restrictive environmental regulations in keeping with the EU's green agenda. If left and centrist parties perform well, this could signal the introduction of labour and tax reforms that will have a major impact on multinational businesses operating in the Netherlands. How a new government coalition treats the EU integration will be crucial, as this will affect the solidity of trade agreements and investment appetite.

Key economic policies of the incoming government

Following the elections, the Netherlands is likely to continue its fiscal approach, balancing the need for financial recovery with economic responsibility. International business can expect to continue to operate in a stable environment and look forward to key benefits and incentives. Policies are very likely to remain pro-EU, with the vision of the Netherlands remaining a gateway for global trade. Tax will be subject to some reforms.

Impact on international companies and Amsterdam as a financial hub

Post elections, Amsterdam's financial sector (already championed as the EU's alternative to London) will cement its status as a business hub. Policies to improve transparency and implement robust anti-money laundering measures are on the horizon, with a resulting increase in compliance costs. Yet, this will build international trust in the country's markets. Innovation-friendly policies are also set to boost fintech and sustainable finance, securing Amsterdam's reputation as a forward thinker in financial services.

For the international community, the Dutch election results should reveal a fluid yet solid trading landscape. However, as the new government is expected to continue emphasising responsibility and transparency in alignment with EU policy, multinational corporations might need to support corporate taxation reforms as the country strives to reach international standards in tackling global tax avoidance. Changes could also be encountered in labour policy as coalition parties push for additional reforms. Multinationals will need to be flexible and expect some changes as the Dutch government adapts its regulatory environment.

In addition, that continuation of alignment with EU policies, especially those related to climate and immigration, will face a strong undercurrent of discontent from within the country that could present real problems going forward. The EU's climate agenda clashes with the entire Dutch farming industry – an area in which the Dutch are considered the world's most efficient and one of the world's largest food exporters (€120 billion exported in 2022).

The EU's demand for massive cuts (50%) in nitrogen and ammonia emissions by 2030 – or face huge fines – is seen by many as a way of forcing them to shutter their businesses as the government had been planning to buyout thousands of the 'peak polluters'.

The backlash has been far greater than the government was expecting, and in 2022, more than 40,000 protesters slowed traffic, blocked streets and set fire to hay bales as they converged on the Hague. And they have sizeable support from the general public. The farmers' protest group started a political party called the Farmer Citizen Movement (BBB) and in the last regional elections, it became the largest party in all twelve provincial assemblies. This sizeable shift in the provinces gave the BBB control of the senate with 19% of the vote and the party is expected to win eleven MPs in the national elections on 22 November. They have vowed to oppose many of the EU's green policies and will push for opt-outs. They will also push for opt-outs relating to the EU's immigration proposals, and so tensions with the EU will rise after the elections.

Concluding analysis

When the dust settles, it is likely that the VVD will retain its role and hold on the nation's coffers. This will provide the comfort multinationals require as they seek *terra firma* in Europe. The increasingly popular D66 and its alliances with progressive parties could move the country towards a greener economy and this will bring regulation and taxation consequences, unless the Farmer Citizen Movement (BBB) gets its way. All these factors could muddy the playing field for international business. The key to success for businesses following the elections will be in their ability to adapt to change as the Netherlands moves toward greater economic responsibility and stewardship.

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