

Dutch led Hansa blocks Eurozone solidarity - against what price?



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During 3 December's Eurogroup meeting, Dutch Finance Minister Hoekstra together with a group of smaller Member States blocked France's wish for more solidarity through a separate Eurozone budget, which was put on hold. Instead, stricter conditionality of financial help for countries in need was realised. It shows the diplomatic success of smaller states in undermining France's plans on Eurozone reform. The group was formed in March this year, by the Eurozone and non-Eurozone countries of the Netherlands, Ireland, Denmark, Sweden, Finland and the Baltic three.

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From the start, the loose club of eight adopted common positions on Eurozone reform. It later branded itself as the Hanseatic League 2.0,¹ but does it owe up to its name? This question will be answered by looking at the actions of the new league in the past year and by looking at the history of the old league that has been given new meaning.

Hanseatic League

The original Hanseatic League refers to a historical trade organisation, a loose confederation, composed of merchant guilds and market towns stretching mostly across northern Europe. It became increasingly wealthy, with its peak of trade power in the 13th and 14th centuries.

The new league has been an important initiative of the Dutch, that has sought to reposition itself in an EU without the UK,² one in which it wants to make sure its voice and that of other relatively smaller Member States are taken more into account.

Initially, the group was not taken that seriously, as it was assumed that in post-Brexit EU, the French and Germans would determine its future. The club was in a rather denigrating way considered as the club of Mr. Hoekstra and the seven dwarfs.

Things get serious

Just as the original Hanseatic League started off small in the 1100s with a few German towns, the Dutch led initiative also got more serious. Czechia and Slovakia joined ranks recently³. Moreover, the new league claims support beyond its club of 10.

It has also made itself more vocal. Following the presentation of new Franco-German plans for Eurozone reform by the German and France Finance Ministers, Mr. Hoekstra did not hold back to torpedo the plan right away. He called the Franco-German plan unconvincing and stated, "If this is not in

¹ Arak, Piotr, "Why it's time for the Hanseatic League 2.0", *EUobserver*, 8 November 2018.

² The Economist, "How the Dutch will take Britain's place in Europe", 31 March 2018.

³ Government of Sweden, "Shared views of the Finance Ministers from the Czech Republic, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands, Sweden and Slovakia on the ESM reform", 5 November 2018.

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the interest of the Netherlands or the Dutch taxpayer, then we are out".⁴

The group made the French nervous. French Finance Minister Le Maire argued the group divides the EU and weakens it versus China and the US. Things got emotional as Monsieur Le Maire snubbed personally at Mr. Hoekstra.⁵

This was also reflected in the Eurogroup meeting of 3 December. The disagreements of Le Maire and Hoekstra were so fierce mediation was needed by German Finance Minister Olaf Scholz to reach a final agreement.⁶

“Hanseatic” vision on Eurozone reform

Many of the club’s members took a tough stance on Eurozone reform in the past. Particularly the Dutch and Finns have been tough, having refused risk mutualisation in

the form of Eurobonds, let alone fiscal transfers. Instead, they focus on countries’ own fiscal responsibility.

Earlier, it was “Mr. No” Rutte who stated he would not spend any penny more to the Greeks in 2012 and who in 2015 almost pushed Greece out of the Eurozone.⁷ His former colleague Mr. Dijsselbloem in 2013 also helped coordinate imposing some of the strictest criteria in Cyprus’ bailout, which was according to some to set an example.⁸

In addition, it was the Finns in 2012 that demanded collateral for Greece’s bailout, being its Acropolis and islands.⁹ Another interesting fact is that in Slovakia, the government lost a confidence vote in 2011 over the first Greek bailout, triggering new elections.¹⁰

⁴ EUobserver, “Cold shoulder for Franco-German euro budget plan”, 20 November 2018.

⁵ Volkskrant, “Parijs valt uit naar Hoekstra om Nederlandse samenwerking met noordelijke EU-landen”, 23 November 2018.

⁶ Handelsblatt, “Wie Olaf Scholz in letzter Sekunde die Reform der Euro-Zone rettete.” 4 December 2018.

⁷ Steenland, Robert, “Rutte - from 'Mr No' to 'next Tusk'?", *EUobserver*, 25 June 2018.

⁸ Chrysoloras, Nikos, “Cyprus bailout: a punishment not a solution”, *EUobserver*, 28 March 2013.

⁹ EUobserver, “Finland: We have to prepare for euro breakup”, 17 August 2012.

¹⁰ EUobserver, “Slovak government collapses over euro-bailout fund”, 12 October 2011.

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Thatcherite opposition

The hawkish club had called for a stricter revamped European Stability Mechanism (ESM), with more tools and powers to scrutinise and monitor Member States' finances, and bailouts with more conditions and strings attached,¹¹ while it opposes the kind of risk mutualisation France wants.¹²

In short: less solidarity. The newly agreed plans seem to reinforce this vision on the future of the Eurozone. Ironically, the league's ideas have a British connotation. Its opposition to Franco-German plans and attempts to safeguard a smaller budget and less financial help brings back memories of how Mrs. Thatcher sought to decrease the British EU financial contribution.

Getting the name right

As fancy as the name might be – it is unclear whether their members looked at the historical reasons of the league's decline as

¹¹ Government of Sweden, "Shared views of the Finance Ministers from the Czech Republic, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands, Sweden and Slovakia on the ESM reform", 5 November 2018.

¹² EUobserver, "Macron relaunches his bid for EU leadership", 16 April 2018.

it was the Dutch that played a key role in the Hanseatic League's decline once the economic interests of its members started diverging.¹³

It did so through waging war on the league, as did Denmark (with whom the league had a longer history of hostility), in the beginning of the 15th century, as well as through breaking its trade power, with the aid of other Livonian and Prussian Hanseatic towns, making bilateral deals while further undermining the league.

Therefore, while the chosen name might be catchy, there are serious historic flaws. It also puts the Mr. Hoekstra's victory on Eurozone reform in a different perspective.

What's in a name?

Some have argued that the new Hanseatic League 2.0 is the perfect model of decentralised cooperation.¹⁴ However, it was this kind of looser form of cooperation by the old league that put its members competing, rather than cooperating.

¹³ Baltic connections, "The Rise of New Sea Powers".

¹⁴ Arak, Piotr, "Why it's time for the Hanseatic League 2.0", *EUobserver*, 8 November 2018.

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Moreover, this is also what made it easier to dismember by more effective political entities around it such as the Kalmar Union, Burgundian Netherlands and the Kingdom of England. This ultimately limited its chances of survival.

Applying this on the modus operandi of how member states have so far failed to bring about sufficient Eurozone reform, the lack of centralised decision making, and the dominance of narrow national interests is what endangers the EU's sustainability.

Many economists have argued some form of fiscal capacity is needed to take care of asymmetric economic shocks that could result from serious financial and political crises.¹⁵ Nonetheless, a big group of Member States remain narrowly focused on their wallets.

¹⁵ In January 2018, prominent French and German economists with different views (e.g. either more financial discipline or risk sharing focused) reached consensus on what is needed to make the currency viable. This again included a fiscal capacity with strict conditions attached, see Bénassy-Quéré, Agnès et al., "*Reconciling risk sharing with market discipline: A constructive approach to euro area reform*", Centre for Economic Policy Research. Policy Insight No. 91, 2018.

Similar problems played a part in causing the old Hanseatic League's decline, as petty town (read: member states) interests undermined the league's (read: European Union) general interests. Sounds familiar?

Likewise, greater powers such as the Dutch and Danes overtook its trading power. The latter fact also sheds light on one of Monsieur Le Maire's other comments: "I'm not sure the Hanseatic League would be in a position to face the competition with China and the US."¹⁶

Pay now or pay later

In 2015, it had been the political hooliganism of Greek PM Tsipras and Syriza that initially refused the strict rules of the Troika that almost brought down the Greek economy, only to be saved at the final hour.¹⁷

Now a converted responsible statesman, he advised the Italians recently to "better do today what they'll do tomorrow", wishing

¹⁶ Financial Times, "France warns Hanseatic alliance risks weakening Europe", 23 November 2018.

¹⁷ EUobserver, "EU confirms Greek bailout breakthrough", 11 August 2015.

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them good luck in case they have other ideas.¹⁸

This advice might as well be given to the new Hansa club, as continuing to refuse solidarity in exchange for stricter rules could backfire. It was the too little too late approach and failure to come up with a swift resolution throughout the Greek drama what made the Euro crisis last much longer than needed, and arguably almost broke the common currency.¹⁹

In this sense, the Hanseatic victory is a pseudo one. Rather than creating new clubs, they should focus on making the Eurozone league they are part of sustainable and viable to face competition from today's great powers.

As much as the new Hanseatic League 2.0. secured its national treasuries, it should realise that if you do not pay today, (the financial markets will make) you will pay (more) tomorrow.

A shorter version of this commentary has been published as an oped on 12 December at the [Brussels Times](#).

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¹⁸ EUobserver, "Tsipras wishes Italy 'good luck' in budget battle with Brussels", 26 November 2018.

¹⁹ Steenland, Robert. "Challenges for new Franco-German eurozone plan", 21 November 2018.

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