

**Netherlands Scientific Council
for Government Policy**

The German Factor

**A Survey of Sensitivity and Vulnerability
in the Relationship between the
Netherlands and the Federal Republic**

**Summary of the Twenty-Third
Report to the Government**

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1. INTRODUCTION

1.1 General

On account of the importance to the Netherlands of other countries in general, and that of the Federal Republic of Germany in particular, the Council saw merit in drawing up a report concerning the way in which a number of major policy areas in the two countries are inter-linked, and the consequences of that interdependence for government policy. Relevant considerations included the fact that there appeared to be a requirement in the Netherlands for more information on the nature of German-Dutch relations, and moreover that these relations could in many ways be regarded as typifying relations between the Netherlands and other countries. The report may be of interest to foreign readers since it provides information on the mutual interdependence between a medium-sized and a small European country and comparable instances of interdependence are to be found in other parts of the world.

The 227-page report was compiled by an internal working group (see Appendix 1) and published in 1982. This booklet contains the principal results of that study. Further details may be obtained from the full report, a German version of which will shortly be available, and from a number of separately published preliminary studies (see Appendix 2).

West Germany occupies a special position within the constellation of Dutch relationships with the rest of the world. It takes some 30% of Dutch merchandise exports, and accounts for over 20% of Dutch merchandise imports. National security has for many years been closely tied to that of West Germany. Many of the factors that affect the physical environment and physical planning in the Netherlands may be traced back to developments in West Germany. For the Netherlands, the geographical proximity of a relatively large country such as West Germany is a source of both advantage and disadvantage.

The Council decided to give preference to a study of this bilateral relationship over a more broadly-based approach in which the place of the Netherlands in the world would have been placed in perspective. The conclusions reached in this study, however, extend well beyond the relationship between the Netherlands and West Germany. The loss of breadth in a study of this kind is compensated for by the gains in terms of information in depth. It does not, however, mean that the study outlines the position of the Netherlands in the world as a whole. For this the study would have to be supplemented and broadened in the future.

In certain respects, relations between the Netherlands and West Germany appear to be particularly sensitive. Incidents that might at first glance appear comparatively trivial can result in prolonged controversy. This applies particularly to relations in what might be termed the 'politico-psychological' sphere. These are sometimes even more sensitive than is usually the case between neighbouring countries.

It is not easy to arrive at a well-founded judgement concerning the question as to how genuine, how widely distributed and particularly how important these sensitivities are for the interdependence between the two countries as examined in this report in relation to the economic, security, ecological and physical planning fields.

It is not the intention of this report to formulate a definitive answer to this question. Opinions varied considerably among the German experts in the Netherlands whom we consulted. Some would say that there is a reasonably definite mental climate in the Netherlands in relation to Germany and Germans and that it has an important bearing on political and economic

relationships between the Netherlands and West Germany. Others by contrast would argue that the mental climate does not exert any influence on the determination of political and economic relationships. One point on which there is a considerable degree of agreement, however, is the lack of any mental climate in West Germany with respect to the Netherlands. There is little or any knowledge of the Netherlands and the Dutch, while such stereotypes as there are (e.g. clogs, cheese and windmills) are of no relevance for policy determination.

The importance, such as it is, of the politico-psychological climate is therefore largely confined to the Dutch side, where it takes the form of setting limits to Dutch policy. It plays a role in so far as Dutch officials, businessmen, members of the armed forces, politicians and others are required to take account of it in the determination of their policies. In this respect comparative studies on Dutch and German socio-cultural habits and customs, form of conduct and the like can make a significant contribution. Few hard data are available on this subject, with such material as there is often being based on highly personal impressions, assessments and experiences.

For the purposes of this project, discussions were held with a number of Dutch people (including businessmen) familiar with dealing with Germans. From these discussions there emerged the following general image:

- a. a confirmation of old stereotypes: Germans are said to be more disciplined and to have more respect for their elders and particularly for government and government action. It was, however, generally added that day-to-day cooperation between Dutch people and Germans in companies presented few if any problems;
- b. the Dutch were said to be more oriented towards trading and the Germans to production. ('In Germany they make it their business to sell what they have produced; in the Netherlands we produce what can be sold.') Cooperation between Dutch and West German companies is good in favourable economic times but creates problems in difficult times. When this happens the government tends to fall back on the promotion of more strictly defined national interests. Prominent examples in this respect have been the breakdown of collaboration in the case of Fokker-VFW and within the Estel concern;
- c. Germans were said to take decisions more quickly while the Dutch were more inclined to weigh matters up carefully and to take fewer risks ('Grundsatzentscheidungen' (fundamental decisions) in Germany as against 'Grundsatzdiskussionen' (fundamental discussions) in the Netherlands);
- d. Germans were said to be more formal and polite in their dealings with one another than the Dutch; this can be a particular source of friction when people do not know each other well;
- e. the West German trade union movement was said to be more prepared to assume partial responsibility for company management under the system of 'Mitbestimmung' or worker co-determination, whereas the Dutch union movement was more aloof and disputatious. With respect to the latter there was some suggestion that the position of the Dutch union movement was edging towards that in West Germany.

Nearly forty years after the end of the Second World War, Germany may still be said to arouse 'mixed feelings' in the Netherlands. In this respect it should be noted that there tend to be considerable differences in attitude within the various sections of Dutch society. Young left-wingers have different views on Germany and Germans from manufacturers, farmers or horticulturists with business interests in West Germany. Dutch people in the western conurbation presumably have different attitudes from people in the border areas who come into contact with Germans more frequently.

Nor have developments on this score pointed consistently in the same direction over time. The Netherlands was one of the first countries to advocate the inclusion of West Germany in NATO and reaction in the Netherlands to the decision to return sovereignty to West Germany was in general positive. Similarly opinion polls conducted in the early 1950s did not reveal the existence of predominantly anti-German attitudes. It would instead be truer to speak of the emergence of more mixed feelings in the mid-1960s. This was a time of important changes in the pattern of social values, for example in the activities of action groups and in the field of civic participation and democratization: developments that were not immediately reflected in West Germany.

It is not easy to arrive at a well-founded judgement as to how real, widespread and particularly how important these kinds of irritations are. Some may be comparatively incidental in nature and scale, while others exert a more general influence on German-Dutch relations, spilling over into other fields as well.

1.2 Sensitivity and vulnerability

The main focus of this study is on the interpenetration of the Netherlands and West Germany and the consequences this has for the Netherlands. In addition the report examines the ability of the Dutch government to compensate for or eliminate the negative consequences of that interpenetration for the Netherlands, with particular reference to the areas referred to earlier, namely economic relations, security relations and ecological and physical planning relations.

The complex of relations between the Netherlands and West Germany may be characterized by the term interdependence, with the rider that the Netherlands, given the difference in size and political and economic power, is more dependent on West Germany than the other way around. The first step in the analysis consisted of bringing together the complex of mutual dependency relations, as referred to by the term interpenetration. The study then proceeded to examine the consequences of phenomena in West Germany for the Netherlands, or in other words the *sensitivity* of the Netherlands towards developments in West Germany. The Netherlands does not, however, have to accept this impact passively in all instances but can help shape the direction they take. In order to determine the extent to which this can be done the report also attempts to obtain insight into the degree of Dutch *vulnerability*, i.e. the extent to which policy options are available to the Netherlands in order to counter the sensitivity referred to earlier.

2. ECONOMIC RELATIONS

2.1 Characteristics of the present trading relationship between the Netherlands and West Germany

Trade between the Netherlands and West Germany is on a large scale. Now this is generally the case between contiguous countries at much the same level of economic development. If all the bilateral trading relationships in the world are ranked according to their scale, that between the Netherlands and West Germany occupies fourth place. The trading relationship between the two countries is unquestionably of major importance, especially for the Netherlands. Nearly a third of Dutch merchandise exports go to its eastern neighbour; these exports in turn make up 12% of total West German imports. Conversely 10% of West German exports go to the Netherlands, making up over 20% of Dutch imports. The pattern of interpenetration is determined both quantitatively and qualitatively by a number of basic determinants such as level of economic development, comparative differences in the structure of production, geographical proximity (or distance) and so on. In order to assess the specific relationship between two countries on its merits, these basic determinants may be used to arrive at expectancy values. A comparison between the *actual* situation and these *expectancy values* indicates the scale of trade between the Netherlands and West Germany to be highly important but by no means exceptional. (See on this point the study by Van Paridon cited in Appendix 2). Seen in these terms the bilateral relationships between Belgium and the Netherlands and between Austria and West Germany may be said to be of comparable intensity, while those between Canada and the United States, Ireland and the United Kingdom and between the Scandinavian countries are considerably more important. In assessing a trading relationship, scale is not the only factor; the nature of trade is also of relevance. In this respect the trading relationship between the Netherlands and West Germany may be said to be exceptional in three respects:

a. as regards composition: in relation to West Germany, Dutch exports are concentrated on agricultural products and fuels, while its imports are weighted towards capital and consumer goods. As it is, the structure of Dutch exports in general is somewhat one-sided when compared with other industrialized countries; in the case of exports to West Germany this is even more marked. Table 1 provides a survey for 1980.

Table 1. Relative composition of total Dutch trade in goods and that with the Federal Republic, 1980 (in %)

SITC category		Exports		Imports	
		total	to FRG	total	from FRG
1	Foods and live animals, drinks and tobacco	18.7	20.4	12.6	6.7
2, 4	Non-edible raw materials, animal and veg. oils & fats	6.1	6.9	7.1	3.5
3	Mineral fuels	22.2	31.1	24.1	5.0
5, 6, 8	Chemical products, manufactures	34.8	30.7	35.1	53.4
7	Machinery and transp. equipment	17.0	10.2	19.8	29.5
9	Other commodities	1.2	0.7	1.3	1.9
Total		100	100	100	100
1-4		47.0	58.4	43.8	15.2
5-9		51.8	40.9	54.9	82.9

Source: Central Bureau of Statistics, *Maandstatistiek van de buitenlandse handel per land*, December 1980, The Hague, Staatsuitgeverij 1981.

b. as regards regional breakdown: Dutch exports are particularly directed towards North Rhine-Westphalia. In itself this is not so surprising, since North Rhine-Westphalia is the closest Land to the Netherlands. If, however, allowance is made for (i) the factor of distance (by confining attention to goods for which transport costs are of comparatively little importance and by taking explicit account of the distance factor), (ii) the difference in the economic attraction of the various regions of West Germany (by weighting the importance of individual regions in terms of their share in West German gross domestic product), and (iii) the distribution of total West German imports over the various regions, there still turns out to be a disproportionate concentration on North Rhine-Westphalia and an underrepresentation in other areas, especially the South. The relevant figures are set out in Tables 2 and 3.

Table 2. Regional breakdown of exports of semi-manufactures (excluding fuels) and manufactures from a number of countries, corrected for distance and gross domestic product, 1979 (in %)

	North	NRW	South
France			
actual breakdown	16.3	29.0	54.7
adjusted for distance	18.1	27.2	54.7
adjusted for distance and GDP	19.2	25.5	55.3
Belgium/Luxembourg			
actual breakdown	13.4	49.6	37.0
adjusted for distance	15.5	44.5	40.0
adjusted for distance and GDP	16.4	42.1	41.5
Italy			
actual breakdown	11.4	25.2	63.4
adjusted for distance	13.5	24.9	61.6
adjusted for distance and GDP	14.3	24.0	61.7
Denmark			
actual breakdown	54.4	18.2	27.4
adjusted for distance	50.6	18.1	31.3
adjusted for distance and GDP	53.1	16.3	30.6
Netherlands			
actual breakdown	17.7	51.3	31.0
adjusted for distance	20.0	45.6	34.4
adjusted for distance and GDP	21.5	43.1	35.4

Source: own calculations.

North : Hamburg, Bremen, Berlin, Schleswig Holstein and Lower Saxony.

NRW : North Rhine-Westphalia.

South : Hesse, Rhineland Palatinate, Saarland, Baden-Wurtemberg and Bavaria.

Table 3. Regional breakdown of West German imports compared with regional breakdown of exports to West Germany by a number of countries, 1979 (in %)

	North	NRW	South
<i>Import breakdown</i>			
West Germany	18.9	30.0	50.2
<i>Export breakdown</i>			
France	19.2	25.5	55.3
Belgium/Luxembourg	16.4	42.1	41.5
Italy	14.3	24.0	61.7
Denmark	53.1	16.3	30.6
Netherlands	21.5	43.1	35.4

Source: Netherlands Embassy to the FRG. *Onderzoek naar de regionale spreiding van de Nederlandse uitvoer naar de Bondsrepubliek Duitsland* (Survey of the Regional Distribution of Dutch Exports to the Federal Republic of Germany), WRR working paper, The Hague, 1982.

c. as regards impact on the balance of payments: compared with total exports to EEC countries, merchandise trade with West Germany renders a more than proportionate positive contribution to the balance of visible trade. Thus the visible trade surplus with West Germany accounts for 57% of the Netherlands' surplus with the EEC as a whole, the principal export items being agricultural commodities and fuels.

2.2 Developments in the trading relationship between the Netherlands and West Germany

The surplus in the balance of trade between the Netherlands and West Germany is of comparatively recent origin. The principal cause of the surplus has been the increased value of fuel exports brought about by the rise in the real price of energy and the increase in the volume of natural gas exports. The recent reversal in energy price trends demonstrates only too clearly that in assessing a country's situation, excessive importance should not be attached to what may in fact be accidental factors, and that developmental aspects must also be borne in mind. In this respect the 1970s exhibit a number of striking features for the Netherlands that can only be described as unfavourable:

- there has in general been a decline in Dutch competitiveness;
- the composition of the Dutch package of merchandise exports has become more lop-sided;
- the regional distribution of Dutch merchandise exports has become more limited.

The deterioration in Dutch competitiveness found expression in the erosion of the Dutch share of the German market during the 1970s. This trend held good for each of the German regions examined in the report. In this respect it should, however, be noted that a reversal occurred in 1981, when the market share rose from 11.5% in 1980 to 12% in 1981. The major items responsible for this reversal were agricultural products, foodstuffs, drinks and tobacco.

The loss in the share of the market over the past decade applies particularly to manufactures. The already weak position of finished products suffered a further deterioration. On the other hand, the Netherlands managed to maintain the position of agricultural commodities and fuels (including natural gas), which form its stronghold in the West German market.

In regional terms the past decade has seen a further increase in the over-representation of the Netherlands in North Rhine-Westphalia, while the South has become even more underrepresented. In view of the fact that growth rates in North Rhine-Westphalia are below average while those in the South are above average, these trends in the regional pattern of Dutch trade can only be regarded as deleterious.

The relevant trends are set out in Table 4.

Table 4 Trends in gross domestic product in the various regions of West Germany, 1970, 1973 and 1979 (1970=100)

	1970	1973	1979
West Germany	100	135.3	204.9
North	100	133.9	201.8
North Rhine-Westphalia	100	132.5	197.4
South	100	137.7	211.0

Source: Netherlands Embassy to the Federal Republic of Germany, op. cit.

2.3 The services sector

The Netherlands has traditionally had an invisible trade surplus with West Germany; this surplus even exceeds its overall invisible surplus. Over a third of all Dutch exports of services is directed to West Germany.

The invisible surplus with West Germany is wholly accounted for by services connected with import, transit-trade and export. Half the goods loaded in the Netherlands (either by way of exports or transit-trade) are destined for West Germany. With a two-thirds share, transit-trade is of particular importance, especially sea-land transit traffic, which accounts for some 70% of all transit trade.

Transport is of course closely bound up with the exchange of goods between the two countries. Three categories of goods stand out in goods transportation to West Germany, namely agricultural products (including foodstuffs, drink and tobacco), ores, and crude oil, including petroleum products. In 1978 agricultural products accounted for 14% of total goods transportation, crude oil and petroleum products 40.5% and ores 30%. Finished products were of no consequence in this context.

2.4 Some determinants of Dutch competitiveness in the West German market

Reference has already been made to the fact that the market losses apply particularly to manufactures. This has led to a further deterioration in the already weak position of finished products. In the case of agricultural products and fuels, on the other hand, the Netherlands has by and large managed to maintain its position. It is difficult to provide an entirely satisfactory explanation for this difference in performance. With respect to manufactures, however, there are a number of clear indications that the loss in competitiveness may be ascribed to a combination of factors, namely price, product quality and marketing.

In the case of price formation, major factors have included the rise in unit wage costs and the appreciation of the Dutch guilder in relation to major competitor countries in the West German market. These adverse trends (as far as the Netherlands was concerned) came to a stop at the end of the 1970s. Since 1979 there has been an appreciable improvement in unit wage cost trends in relation to competitor countries, even after allowing for changes in the exchange rate. The improvement in the Dutch market position in 1981 will no doubt have been related to the reversal of this trend.

Product quality and marketing are not just a matter of objective reality but also of image. It is little exaggeration to say that the success of Dutch dairy and agricultural products has been so great that the Netherlands tends to be equated as a supplier in the West German market with these products. This acts as a handicap for the development of an image as a supplier of industrial products. Surveys of opinion and attitudes among West German businessmen bear this point out.

2.5 The monetary relationship between the Netherlands and West Germany

In 1979 the European Monetary System came into operation. This was in fact a successor to the former 'snake' arrangements, of which the Netherlands and West Germany ended up carrying the burden. Since the introduction of the EMS there have been a number of negotiated adjustments of the central rates. In this respect the stance adopted by the Netherlands, as manifested in its interest rate and exchange rate policies, has closely paralleled that of West Germany. In view of the fact that the Deutsch mark has been subject to a series of revaluations within the EMS the guilder has followed the same trend.

Interest rate policy and exchange rate policy are of course closely interrelated; in the Dutch situation the discount rate should above all be viewed as an instrument forming part of exchange rate policy. Exchange rate policy is affected by three major considerations. In the first place there is a desire for stable exchange rates with the Netherlands' principal trading

partners because exchange rate stability is considered conducive to the development of trading relationships. This consideration forms the background to the Dutch preference for operating within some system of fixed exchange rates, such as the EMS. Within the EMS, and especially in relation to the Deutsch mark, there are two further considerations:

a. the aim of dampening the rise in import prices as far as possible with a view to controlling domestic inflation, which in turn affects export competitiveness. This factor implies the avoidance of depreciation against the Deutsch mark. While it is true that depreciation can have a beneficial impact on export competitiveness in the short term, this must in the long term be offset against the negative consequences resulting from the flow-on effects of a higher, imported rate of inflation on export price levels;

b. the desire to maintain international confidence in the guilder. A depreciation in relation to the Deutsch mark could be damaging to such confidence, thus resulting in downward pressure on the guilder and upward pressure on domestic interest rates.

These considerations mean that the Netherlands has only limited freedom of policy manoeuvre in relation to West Germany – the principal reason being that West Germany is such an important trading partner for the Netherlands. In this respect the rate of the guilder against the Deutsch mark is of critical importance in relation to both export competitiveness and the control of domestic inflation. There has been a strong tendency on the Dutch side to follow the Deutsch mark. As noted earlier, interest rate policy is in fact an instrument of exchange rate policy. Here again West Germany has acted as the frame of reference.

2.6 Future possibilities

An evaluation of the Dutch position in the West German market depends heavily on the way in which the future may evolve. Three important recent developments of a comparatively unexpected nature bear witness to the dangers of categorical judgements. Thus the unexpected turnabout in the energy market is a cause for caution; the same applies to the recent restoration of Dutch competitiveness in the West German market. Thirdly, nobody would have predicted a few years ago that Dutch agricultural exports would have been able to hold their own as well as they have. But even if allowance is made for unexpected developments there is still room for caution. The Dutch trading relationship with West Germany is marked by a number of structural features that can only be regarded as weaknesses in the light of likely future developments. These shortcomings are related to the one-sided features referred to earlier, especially the one-sided range and regional concentration of exports. Both the range and the regional concentration of Dutch exports to West Germany may be expected to be disadvantageous for the Netherlands in the future, which would in turn have its effect on trade in invisibles.

Growth prospects for the categories of goods of most importance for the Dutch balance of payments do not appear favourable. On the basis of the likely level of Dutch exports to the rest of the world and to West Germany in particular there is reason to assume that the share of net exports to West Germany in the overall contribution made by agriculture to the balance of payments will fall from some 40% in 1975 to around 33% in 1990. It may even be anticipated that the net contribution to the balance of payments of agricultural exports to the Federal Republic in 1985 and 1990 will in absolute terms even be below the 1978 level. One of the reasons for this is that the category of animal products is expected to perform consistently poorly during this period. Similarly refined petroleum products, which form an important part of fuel exports, may be expected to come under pressure, especially in relation to West Germany. The background to this trend is formed by the declining level of demand in West Germany, the structural over-capacity of refining in both the Netherlands and West

Germany, the trend in demand for specific types of oil products in both countries, and the growth in refining capacity and associated exports in the Middle East. Real proceeds from natural gas exports to West Germany will in all probability taper off rapidly after 1990, and especially beyond 1995. This development will place the balance of payments under great strain, unless these losses can be offset in good time by the improved performance of other categories of goods. It has moreover been calculated that, given the difference in the marginal import ratio, two and a half guilders worth of other products will have to be exported for each guilder of gas exports lost.

Similarly the regional distribution of Dutch exports constitutes a negative factor when viewed in a dynamic sense. North Rhine-Westphalia suffers from major structural problems and has less favourable prospects than other regions in West Germany. Regionally, Dutch exports to West Germany may be said to be concentrated on areas with less favourable prospects and to be under-represented in regions where the outlook is more promising. The result will be to place the Dutch share of the German market as a whole under pressure.

Trade in invisibles may also be expected to be affected by the trading developments outlined above. Future levels of exports and re-exports of bulk goods will to a significant extent depend on structural developments in West Germany, such as the re-structuring of the steel industry, changes in the system of energy generation and changes in agricultural production. General cargo traffic could grow in the future as the result of a further restructuring of West German industry in favour of high-technology semi-manufactures and finished products. The emergence of new industrial centres could, however, mean that Dutch ports were exposed to increasing competition from other European ports. Pressure on the transit function of Dutch ports could be countered by infrastructural improvements and modern trans-shipment facilities which maintained the present competitive edge.

Given these likely developments in relation to West Germany, it may justifiably be asked whether the Netherlands *can* or *should* continue to follow the West German rate of exchange as it has in the past and to tie the guilder to a constant nominal rate against the Deutsch mark, which has been subject to appreciation within the EMS. While it is true that, given West German economic policies, the decision to follow the Deutsch mark will bring with it low inflation rates, it will also lead to the danger of a loss in international competitiveness.

2.7 Investment relations

In absolute terms the Netherlands is the fifth largest investor in the world; if the scale of this investment is related to the gross national product of the Netherlands or to Dutch gross fixed capital formation, the Netherlands turns out to be easily the biggest investor in a relative sense. During the period 1973–1980 the outflow of direct investment exceeded investment inflows by an average 1% of gross national product. During the period 1963–1973, by contrast, the corresponding percentage was lower, averaging 0.11%. This would indicate that the investment climate in the Netherlands has come to be regarded as less favourable and that the volume of investment directed towards other countries can at least in part be interpreted as a turning away from the Netherlands, i.e. as a displacement of economic activity. Another striking feature in this connection has been the fact that the decline in the domestic investment quota has been coupled with a sharp rise in recent times in the flow of direct Dutch investment abroad. A major part of these investment flows is directed to West Germany, in respect of which the Netherlands has become a net investor over the past decade.

By means of the yield on capital, direct investment makes a positive contribution to the balance of payments. More importantly, direct investment

lays a foundation for continuing trade in goods and services. A distinction must, however, be drawn in relation to foreign investment which increases the level of economic activity and investment which merely amounts to the relocation of particular activities. The former will (after a certain length of time) have a positive effect on the flow of goods and services, whereas the latter will have the opposite effect. Direct investment can act as a substitute for exports, in which case employment and value added in the Netherlands would be lost. Furthermore there is the possibility of an indirect effect in the form of the domestic market finding itself exposed to competition from investment of Dutch origin.

There is evidence to suggest that substitution of this kind is taking place between the Netherlands and West Germany, i.e. that industrial activities are being displaced to West Germany, thereby adversely affecting the Netherlands' future trading position. In comparative terms Dutch direct investment in West Germany is at its strongest in precisely those sectors in which Dutch commodity exports to West Germany are the least well represented – i.e. the capital and consumer goods industries. Examples include electrical engineering, motor vehicles and machinery, where the production arising out of direct investment exceeds the level of corresponding exports from the Netherlands. This may be contrasted with other industries, where the reverse situation obtains. Details on various industries are contained in Table 5. It should be noted that the evidence suggesting that Dutch direct investment can sometimes have a substitution effect was derived not from Dutch data (which appear non-existent) but from West German data on the output of foreign enterprises in West Germany. It has, in other words, been assumed that one unit of direct investment by Dutch companies in West Germany results in the same level of outputs as an average investment by foreign enterprises in West Germany. Table 6 provides comparative data on West German direct investment in the world and in the Netherlands respectively.

Table 5. Relationship between foreign direct investment and production and the export of goods from the Netherlands to all countries and the FRG in 1978 (in %)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	manu- factur- ing	chemi- cals	oil	brick, clay asbestos plastics ceramics glass	iron steel	mech. eng.	vehicles	elect. eng.	instru- ments	food, drink, tobacco
1. ratio of foreign direct invest- ment in FRG/export of goods to FRG	28.3	47.6	66.8	40.6	28.5	40.2	33.5	51.7	27.6	19.8
2. ratio of turnover of foreign manufacturing companies in FRG/foreign export of goods to FRG	132.0	158.1	417.6	148.9	176.1	172.0	177.8	183.1	355.0	118.5
3. ratio of Dutch direct invest- ment in FRG/Dutch export of goods to FRG	28.9	19.9	27.4	10.1	48.8	72.8	46.7	58.5	10.7	5.7
4. ratio of turnover of Dutch manufacturing companies in FRG/Dutch export of goods to FRG	136.0	62.7	172.6	37.4	1269.0	305.7	274.4	204.6	41.6	33.9

Source: H. Krägenau, *Deutsch-Niederländische Direktinvestitionsbeziehungen, eine Bestandsaufnahme* (Survey of Dutch-German Direct Investment Relationships) (in German)), WRR working paper, The Hague, 1982, Table III-3.

Table 6. Relationship between foreign direct investment/production and the export of goods from the FRG to the world and the Netherlands respectively, 1977/1978 (in %) ¹

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	manufac- turing	chemicals	iron steel	machinery	elec. eng.	iron sheetsteel and metal	textiles	bric, clay
1. ratio of FRG direct investment in the world/FRG export of goods to the world	10.2	29.1	7.6	5.2	13.6	x ²	x	x
2. ratio of turnover of FRG manufacturing companies in the world/FRG export of goods to the world	43.4	108.5	37.7	20.3	61.7	27.1	19.0	51.7
3. ratio of FRG direct investment in the Netherlands/FRG export of goods to the Netherlands	3.8	14.5	3.2	1.9	2.5	x	x	x
4. ratio of turnover of FRG manufacturing companies in the Netherlands/FRG export of goods to the Netherlands	16.1	53.3	15.8	7.6	10.0	33.4	11.6	21.6

Source: Krägenau 1982, *op cit.*, Table III-2.

¹ Average for these years.

² x = unknown.

In view of these findings there is a clear need for further research to provide detailed information on the Netherlands. Such research might also help place the limited geographical distribution of Dutch merchandise exports (where there is an 80% concentration on the EEC) in a fresh light.

2.8 Policy implications

West Germany occupies an important place in Dutch trade with the rest of the world. West Germany's share of Dutch exports is so substantial that the bilateral trading relationship forms a major factor in the overall external equilibrium of the Netherlands. Now it could be argued that West Germany and the Netherlands supplement one another and form complementary economies. This would apply to direct imports and exports, with transit trade forming a mirror image: a high proportion of bulk products and few finished products. The picture is confirmed and reinforced by the pattern of direct investment; the available data suggest that in comparative terms, the heaviest direct Dutch investment in West Germany is in precisely those sectors in which Dutch exports of goods are at their weakest (i.e. consumer and capital goods). In so far as direct investment by the Netherlands entails a displacement of productive activities, it serves to confine the (further) development of the Dutch export sector to West Germany (in both product terms and regionally) and hence also of the transportation services related to imports and exports.

In itself there is no reason for concern at this state of economic complementarity between the two countries. The situation alters, however, if the complementarity is of such a nature as to produce adverse growth and development prospects for either partner – as it is in the case of the economic relationship between the Netherlands and West Germany. After all due qualifications have been made, the situation exhibits a number of structural shortcomings that act as a brake on Dutch growth and development prospects. This therefore creates the necessity for government policies which, given the trends outlined above, would need to be directed towards strengthening Dutch industrial exports. There is all the more reason for such policies in view of the fact that the position of the Netherlands in the

West German market may be regarded as a blown-up version of the international competitive position of the Netherlands in general. The relationship with West Germany highlights a number of one-sided features and negative tendencies that apply to the Dutch export position in general. This complex of problems was examined by the Council in its report 'Industry in the Netherlands: its Place and Future'. The above outline of economic relations with West Germany thus points up the necessity of government policies extending beyond the bilateral context alone. These policies would need to be concerned with:

- improvement of Dutch competitiveness. This is something which cannot be viewed in isolation from the current investment climate in the Netherlands;
- improvement of the composition of Dutch exports, in both product-terms and regionally, with a view to the requirements of the international market. The current investment climate would appear to impede rather than facilitate the investment required within the Netherlands to bring about a structural improvement.

Both considerations point to the need for a vigorous policy of re-industrialization.

In view of the urgent nature of these policies, monetary policy assumes particular significance. Efforts will have to be made to ensure that during the next five years the anticipated continuing appreciation of the Dutch guilder does not assume such proportions that its positive aspects – i.e. lower domestic cost pressures and inflation rates – are outweighed by negative ones, namely such an expensive guilder that Dutch exports are squeezed.

Policies of this kind would also mean that greater stress would have to be placed on trade promotion and on the image the Netherlands has as a supplier of industrial products in the West German market, and that existing opportunities in West Germany are exploited to best advantage.

3. SECURITY RELATIONS

3.1 Context

The principal meaning of 'security' is the physical protection of national territorial integrity. In a wider sense this concept also covers the protection of the political, economic, social and cultural features and achievements of a particular country or population or, in brief, safeguarding the right of a nation to institute and govern society as it sees fit. 'Security' has therefore been interpreted in two senses for the purposes of this report: in the first place as the prevention of destruction or occupation, and secondly as resistance towards political pressures stemming from the possession of weapons.

Within NATO, and to a lesser extent within the Western European Union (WEU) and the system of European Political Cooperation (EPC), Western policy has been coordinated to such an extent that participating countries are heavily dependent on their allies for their security. In the case of the German-Dutch security relationship the Netherlands is highly dependent on West Germany. Any change in the West German security situation has immediate repercussions in the Netherlands.

In the past it would not have been necessary for a general review of German-Dutch relations to have included a separate analysis of the bilateral security relationship as a component of the system of allied defence against the Warsaw Pact. The Netherlands was above all a reliable ally, while any fundamental changes in West German security policy appeared improbable. Such changes can, however, no longer be ruled out. Within the Alliance there has been a shift in the balance of power; there has been a growth in West German economic power; and a number of members, including the Netherlands and West Germany, have seen the emergence of significant domestic opposition towards major aspects of existing security policies. With regard to its security relations with West Germany it is important for the Netherlands to keep fully abreast of relevant trends within German society and the way in which West Germany's international position is evolving, and of the margins within which West German security policies could move. The Netherlands might also ask itself how changed or unchanged West German policies would affect its own military security. Comparable problems exist on the German side, although the consequences of shifts in Dutch policy for West Germany are of course less far-reaching than the other way round.

3.2 West German security options

Even before the Federal Republic of Germany was established in 1949, there were a number of forces militating in favour of the country's incorporation into the North Atlantic community. At that time, the choice between an Atlantic and a more European orientation may still have appeared open, but the incipient Cold War between East and West, Soviet intervention in Eastern Europe, the Berlin blockade and the Korean war meant that United States protection against the Soviet Union was perceived by both the government and the majority of the West German population as the only realistic possibility. The Atlantic Alliance, as expressed in the form of NATO, was and remains the foundation of West German security policy. NATO derives its strength from U.S. military power and the deterrence value of nuclear weapons. Atlantic security is based on the assumption that strong conventional and nuclear defences, backed up by the threat of a massive retaliatory capability, will deter the Soviet Union from aggression

against NATO territory. Given the fact that this task can for the present only be fulfilled by U.S. military organization and might, the existence of NATO is held under this line of argument to be indispensable for West German security. These considerations form the parameters for West German security policy.

Over time the Atlantic political alliance has become somewhat looser, thereby creating the possibility of a return to certain pre-war trends. One example has been West German interest in the establishment of effective contacts with Eastern Europe. For domestic and inner-German reasons, and also on the grounds of its 'Ostpolitik', Bonn sets great store against any deterioration in German-Soviet relations, even in circumstances of a general deterioration in East-West relations. The question is how far the Federal German Government can go in maintaining its relations with the Soviet Union before endangering its own security, while the latter remains as dependent as it is on U.S. protection.

At first sight there might appear to be little room for substantive policy shifts within the community of Western European countries. The precursors of the European Community the European Coal and Steel Community, Euratom and the EEC came into being in exceptional circumstances when there was a particularly well-developed consensus about the dangers and undesirability of nationalism. In this respect the major challenge consisted of finding a definitive solution to the German question, which had proved so dangerous.

In the beginning, Western European and Atlantic integration was stimulated by two forces, namely the threat of Soviet aggression and the prospect of German reunification. In the event of a weakening of the North Atlantic Alliance these forces could once again have an integrative effect on Western European unity. Given the fact that the Atlantic community has up till now been able to coordinate its security interests without any degree of economic integration comparable to that of the EEC, it is conceivable that, in a corresponding manner, the community of Western European countries would (despite the stagnation in economic integration) be able to coordinate their policies in the foreign policy and military fields.

On the assumption that the United States, the Soviet Union, the European Community and the GDR will continue to set limits to West Germany's freedom of manoeuvre in the security field, a number of **West German security alternatives** may be developed in rough form. A security alternative will be taken as meaning present security policy as well as some other policy consistent with the parameters outlined above.

The two West German security alternatives that fit in most closely with present West German security requirements – viz. the continuation of the Atlantic Alliance and the independence of Western Europe – would have to satisfy three separate conditions before qualifying as security options of genuine policy relevance:

1. security must continue to be guaranteed;
2. the selected alternative must not be at variance with the wishes of the West German population; and
3. the financial resources required for funding such a policy must be available.

These points may be examined in turn.

1. The effectiveness of the alternative in question must entail the prevention of any form of armed conflict with the Warsaw Pact in Western Europe. Although any war will cause physical injury to the population, a government may consider the damage to be sufficiently limited to make war acceptable. In the case of conflicts in which the two super powers are involved, however, war would contain the risk of total destruction. For this reason the absolute prevention of war is the only alternative compatible with policies designed to prevent destruction, both for the super powers themselves and for Western Europe, where both the United States and the Soviet Union have large military, political and economic interests.

With reference to **the continuation of existing policies** it may be argued that these at least offer an effective if not universally accepted strategy. By contrast, the notion of **Western European military independence** could not be advanced on the basis of any existing strategy that enjoyed widespread support in government circles. If the stage of a militarily independent Western Europe were ever to be reached, the countries of Western Europe would have to be prepared to modify their current strategies, since such a course of action would mean a drastic reduction in the nuclear component as well as the withdrawal of American forces stationed in Western Europe. Assuming that it would no longer be possible to maintain the present military capability, three highly divergent solutions to strategic problems would be conceivable.

a. In the first place consideration could be given to a nuclear strategy bearing a certain resemblance to the doctrine of massive retaliation of the 1950s. Under a strategy of 'prompt deterrence', the composition and deployment of forces would have to be such as to threaten the use of nuclear weapons against Soviet lifelines at an early stage in an armed conflict. For the purposes of such a strategy it would suffice to have a limited number of long and medium-range nuclear weapons. It would not be necessary to bring conventional armaments up to the same level as the Warsaw Pact; a considerably lower potential would suffice as long as there were the ability to inflict prompt destruction in the event of armed conflict. The introduction of the doctrine of 'prompt deterrence' would make it possible to accept a gap in relation to the Soviet Union at all (weapon) levels.

b. The second alternative is that known as territorial defence. This strategy is based on the concept that the defence of Western Europe could be organized in a decentralized manner at local level. In these circumstances the emphasis would not be on large mechanized units as it is under NATO's present operational planning but on small, highly mobile groups capable of operating against armoured vehicles. With the aid of modern precision guided munitions (PGMs), soldiers operating in their familiar home environment would be able to provide an effective – and hence deterrent – defence against conventional attack by the Soviet Union. The likelihood of nuclear weapons being used by the Soviet Union in these circumstances is not rated high because small, independently operating groups of this kind would not form a suitable target for such weapons.

c. Apart from territorial defence, conventional defence could also be approached in terms of obstructing a Warsaw Pact attack. Unlike territorial defence this concept is not based on flexible defence in depth but on the defence at all costs of the border with the aid of technologically advanced large weapon systems and small calibre anti-tank weapons.

Large-scale, accurately guidable conventional firepower based on weapons stationed up to 200 km from the border would, it is calculated, be able to obstruct a Soviet invasion. The organization of defence would in principle remain more or less decentralized, while the type of armaments would remain comparable with that at present. Problems that remain to be worked out include maritime support, air defence, the command structure and the intelligence service in the absence of U.S. support. It should not, however, be assumed that these problems are insoluble. If the European component of the present Western alliance were gradually to assume a greater measure of independence, a number of stumbling blocks, such as the lack of a separate Western European command structure, would also gradually be overcome, while other factors, such as the inadequacy of the Western European defence industry or the lack of reconnaissance satellites, need not constitute difficulty in a defence set-up of this kind since it would be perfectly conceivable for a more independent Western Europe to remain closely allied to the United States.

With respect to the first condition – i.e. the demonstrable existence of a matching, effective strategy – it must be concluded that the alternative of complete Western European independence may not be obtainable in its

extreme form. If only because military cooperation with the United States will remain indispensable for technical reasons, the notion of complete Western European independence in relation to the United States would not be feasible. It should also be borne in mind that NATO forms a substantial element in the policies of Western European states; it is unlikely that this organization would be disbanded overnight. The so-called two-pillar system put forward in the 1950s, under which there would be a certain division of responsibilities between the United States and Western Europe with respect to responsibility for deterring aggression and to defence against an attack on their own territories, still merits consideration.

2. With reference to **the continuation of the status quo** it may be noted that the large majority of the German population favours the present North Atlantic Alliance. The majority of the population also approves of minority elements of the population being allowed to demonstrate in order to express their dissatisfaction with certain aspects of security policy. Present policy, as well as adjustments within the Alliance, would therefore appear compatible with the wishes of the population.

There are no reliable public opinion data with respect to the alternative of **an independent Western European defence**. The vast majority of the population believes that West Germany will remain part of some alliance or other, although this is not to say that such a position is necessarily deemed desirable.

Seen in this light, changes in present policies in the direction of greater Western European security independence would not necessarily encounter resistance among the German population, although any such changes would have to be incorporated within an alliance structure.

Any drastic changes to the nature of security policy would have to command the support of the vast majority of the population. By means of the gradual infiltration of new ideas within the political parties, the power base of the political elite could change and adjustments to present policies be enforced. Factors acting as a brake on radical change would, however, include the decentralized nature of decision-making associated with the federal structure of the West German state, the orientation towards continuity within West German political life and the commitment to the status quo of the leaders of the main political parties represented in the Bundestag. On the other hand, the inflexibility of the decision-making system can generate cumulative tensions, breakthroughs by opposition movements and fairly rapid political change. The shift in Ostpolitik at the end of the 1960s was an outstanding example of a long-resisted change which then took place comparatively rapidly.

3. It may be anticipated that, for the foreseeable future, increases in expenditure in a particular budgetary area will only be possible if cuts are made in other fields or if there is an increase in taxes or the national debt. Any increase in expenditure will therefore have to be preceded by two political decisions: the first to increase the expenditure in question, and the second concerning the reallocation of financial resources. This comparatively new problem of the requisite reallocation does not just affect any effort in favour of policy change, but also the continuity of current defence policy, and forms an as yet still subordinate, but politically increasingly important argument in favour of changing these policies.

The objective of attaining parity in the military balance between East and West and the absence of substantive limitations on the arms build-up have resulted in the fact that the United States is preparing for a major increase in its nuclear and conventional defence capability in the coming years. Similarly the United States is asking its allies substantially to increase the hitherto agreed 3% annual real increase in defence expenditure – a rate of increase which, it may be noted, none of the Western European allies has been able to reach consistently.

It is not possible to predict the posture that West Germany will adopt in the long term in the discussions concerning defence expenditure. So far the U.S. desire for an increase in defence expenditure has been rejected on

the grounds of West German economic interests and on account of social considerations. **The continuation of present security policies** could eventually confront West Germany with the question as to whether the required sacrifice in living standards would not be too high a price to pay. Similarly the financial factor is playing an increasingly important part when it comes to the consideration of **policy alternatives** in the West German security debate. However, a change in policy on a scale requiring, for example, the replacement of United States by West German troops, would mean that the maintenance of conventional defence levels alone would open up the entire reallocation problem.

It would be incorrect to regard the two options outlined above – i.e. the Atlantic versus a more European-oriented policy – as the only two forms of practical security policy for West Germany to choose from. It would also be incorrect to depict West German security policy in such a light as to suggest that a decision could be taken in Bonn at a given moment to switch from one type of policy to another. The two options should instead be perceived as the two directions in which West German security policy could conceivably evolve: the maintenance of the strongly Atlantic nature of the policy or an increase in Western European independence in relation to the United States.

If West German security policy is to remain strongly Atlantic in nature, it is to be anticipated that the present double link between the Alliance with the United States and a clear role for nuclear weapons will persist. If West Germany wishes to retain nuclear protection at the present level, alliance with the United States will be indispensable; conversely, if Bonn wishes to maintain its treaty links at their present level, nuclear weapons will form an almost inevitable part of West German defence. It is therefore highly unlikely that any efforts towards non-nuclear security alternatives would be compatible with a dominant United States role in West German security policy.

The second West German security option consists of the enhanced independence of Western Europe at military level. The Western European military cooperation that would be required would in turn require the improved coordination of foreign policy – since agreement would have to be reached on the risks deemed acceptable – but would not necessarily entail far-reaching economic integration of the countries in question.

3.3 Margins for Dutch security policy

The objective of security policy of the successive post-War governments in the Netherlands has remained virtually unchanged. Central to security policy has been the defence of Dutch society and territory against the political and military power of the Soviet Union and its allies. The starting point for this policy has been that defence derives its strength from cooperation within the North Atlantic Alliance. This Alliance still forms the foundation of Dutch security policy.

Dutch security policy has been consistently directed towards preventing an attack by the Soviet Union on Western Europe by means of United States strategic weapons. The Soviet Union, which was seen as harbouring aggressive designs against Western Europe, had to be deterred from launching an attack on Western Europe or from obtaining political influence by threatening to destroy the population and towns of Western Europe. Conventional defence alone was regarded as offering insufficient security.

Like in West Germany, a peace movement with varied sources of support has sprung up in the Netherlands. The members of the peace movement oppose the role of nuclear weapons within NATO strategy and challenge that strategy as such. They take the line that the policy of nuclear deterrence as pursued to date contains an unacceptable risk to security. They also point to the fact that NATO strategy can be interpreted in such a way as to suggest that planning provides for the possibility of fighting a limited nuclear war, for example in Western Europe. They see indications that

thought is being given along these lines in American government circles to deterring a Warsaw Pact attack. For this reason the risk of nuclear conflict in Western Europe is regarded as a real one, while the nuclear nature of the conflict would mean that the objective of damage containment would be unattainable. According to this line of thought the policy pursued for the past thirty-five years has not produced sufficient results and security risks have actually increased. In order to strike out in a different direction these circles are not prepared to accept the immutability of the premises on which NATO is based and of the bi-polar nature of East-West relations. In these terms a more independent Dutch course should be regarded as an initiative to overcome the adversarial log-jam between the two power blocs. Unilateral Dutch measures, such as the elimination of all nuclear weapons from Dutch soil, would act as a catalyst for setting similar developments in train among NATO allies or within the Warsaw Pact. The debate currently under way could of course result in another view coming to the fore, but as long as this is not the case this report shall take the currently dominant view as its starting point for purposes of analysis, while recognizing that it could in the future be subject to modification.

With respect to the security alternatives open to West Germany, that of a West German 'Alleingang' or independent course of action was ruled out for reasons that do not, or do not have to, apply in the case of the Netherlands. In the first place the Netherlands does not border a member state of the Warsaw Pact, and so is not directly confronted with the military might of the Soviet Union and its allies. Secondly the geographical location of the Netherlands means that it would appear automatically to benefit from NATO protection, including in time of war. Thirdly the Netherlands is not of course confronted with any reunification problem. For West Germany, 'Alleingang' cannot readily be separated from 'Wiedervereinigung' or reunification – a link that does not apply in the case of the Netherlands.

The alternative of a more independent national stance, which is ruled out in the case of West Germany, is therefore something which the Netherlands would be able to consider. An independent Dutch stance would not necessarily entail adopting a position of neutrality. This might be one of the leading forms an independent posture might take, but two other major forms would also be conceivable: withdrawal from the integrated command structure along French lines or departure from internally agreed NATO decisions, such as the agreement to station Cruise missiles if the arms control talks in Geneva make insufficient progress. These three forms of a more independent stance will be examined in the light of current security policy and the associated assumptions and premises.

As noted previously, the deterrence of war depends, in the context of current security policy, on NATO's military potential and flexibility and the political cohesion of the Alliance members. With respect to the military consequences of an independent Dutch posture, neutrality or withdrawal from the integrated command structure would undermine the effectiveness of deterrence against a Warsaw Pact attack and hence increase the risk of war and damage to NATO territory, including the Netherlands.

Failure to implement majority decisions – the third form of a more independent posture – could also have implications for NATO's military strength. If the Netherlands were not to honour its agreed commitment to increase military spending by a real 3% per annum, this would have an adverse effect on the level of armaments, preparedness and efficiency that was considered necessary. On the military side of deterrence, it is primarily a matter of Soviet perceptions of Western military power. The question would then arise as to whether in Russian eyes the loss or reduction of the comparatively small Dutch contribution would tilt the military balance in favour of Moscow.

The political effect of a more independent Dutch posture is more important, although its qualitative nature makes it even harder to assess than the military impact. The possibility is that an independent stance could lead other Western European countries and subsequently the United States to

strengthen the national character of their own security policies. Such a renationalization of defence policy could in turn lead to renewed isolationism on the part of the U.S. or to a strengthening of the already existing view in West Germany that 'Alleingang', with the distant prospect of reunification, is to be preferred to a NATO with its disintegrative effects. Taken together with the military effects it may be concluded that Dutch policies of this kind would not have a favourable effect on deterrence.

With reference to the limitation of damage in the event of war it may be assumed that a war on European soil would not stop short of the Dutch border. Even in the case of strict Dutch neutrality, the country's ports and lines of communication and its territory for fighting a flexible defensive war are so vital to NATO that the Netherlands could not expect to be spared from military conflict. Similarly there would be few reasons on the part of the Warsaw Pact to respect the neutrality of Dutch territory in the event of war. Both if it adopted a neutral stance and if it pursued a more or less independent line within NATO, the Netherlands would lose influence over the actual conduct of war. If the Netherlands were to withdraw from the integrated command structure or to pursue its own interpretation of, for example, the role of medium range nuclear weapons, this would leave it with little if any say over the way in which the conflict would be managed in Europe, and hence in the Netherlands.

As regards resistance to political pressure by the Soviet Union it is not possible to say whether any weakening of NATO would have a direct impact on the political vulnerability of the allies. Nor is it possible to say whether that pressure would be felt more quickly in the Netherlands, particularly in the event of Dutch neutrality, than at present. What is likely is that allies, or ex-allies, would regard Dutch activities as posing such a threat to their territorial security that they would be less willing to continue to cooperate closely with the Netherlands in other areas where Dutch security risks are spread by means of joint consultation, e.g. the prevention or elimination of disruptions to energy supplies.

On the basis of this view, which is based on the necessity of a strongly Atlantic-oriented allied defence against a Soviet Union perceived as hostile, a cooperative Dutch posture within NATO is required for Atlantic and hence Dutch security.

In view of the prevailing views towards security policy noted earlier and given the closely interlinked nature of Dutch security policy with that of West Germany, the margins for a separate, different security policy on the part of the Netherlands are extremely narrow. Excessive deviation from the NATO line so far pursued would bring with it the risk of political isolation, which nobody would want. On the other hand, wholesale acceptance on the part of the Dutch government of commitments agreed in the NATO context would run the risk of obtaining insufficient domestic support. This leaves the option of policies directed towards greater independence for Western Europe within NATO. While remaining within the allied framework the Netherlands could, for example, seek to reduce the importance currently attached to nuclear weapons and to strengthen the conventional component of defence; similarly it could open up the issue of the nuclear deterrent strategy within the Alliance or develop and advance alternative strategies. All this could be done with a view to increasing the say that Western Europe has over the way in which military conflict with the Soviet Union should be deterred and the way in which a war, if it came to that, should be conducted.

In view of the security options open to West Germany, and of the position that West Germany has adopted in relation to them, the Dutch government could, against the background of German-Dutch relations, opt for an increase in Western European independence within NATO. In this case the Dutch government would need to pay close attention that its proposals were consistent with the problems with which its Western European partners were confronted in the security field. The evolving debate in the West German SPD concerning the basic premises and acceptability of

NATO's nuclear deterrent strategy – which might well extend far beyond the well-known argument about the case for installing Pershing 2 and Cruise missiles – could for example afford an opportunity for putting forward a strategic alternative in which there was greater emphasis on conventional defence. An increase in the conventional strength of Western Europe would, in terms of prevailing strategy, cost more than current defence. The Netherlands and its Western European allies might, however, be prepared to make the required sacrifice.

By making itself less dependent on U.S. nuclear weapons Western Europe could gain in independence. The same could be achieved by means of direct diplomatic initiatives. Bonn, at least, does not in principle reject the notion of stronger Western European cooperation in the field of defence and foreign policy (see for example the Genscher-Colombo plan). It would be possible for the Netherlands to decide in favour of supporting these and other plans with the aim of greater Western European independence. Given the dissatisfaction among certain elements of the German population towards the marked dependence on U.S. policy, it is conceivable that Bonn would be receptive to a Dutch posture of this kind. Here again a path has to be found between conflicting security perceptions. A strengthening of the European element in the North Atlantic Alliance moreover merits consideration since it would be consistent with the trend towards joint Western European leadership by West Germany and France: a development which, in the light of its history, has no attraction to the Netherlands. Taking West German policy into account, any increase in Western European military independence would have to take place within the framework of NATO. A development of this kind – of which there are widespread signs – would if possible occur in harmony with the United States.

Although a change in emphasis in a European direction might help prevent isolation on the part of the Netherlands, it would not necessarily mean that some form of 'Europeanization' within NATO would increase the Netherlands' policy freedom. In an Alliance dominated by the United States, the Netherlands forms one of the many small allies. This gives it the ability to create an independent but limited freedom of policy manoeuvre. Thus the Netherlands has pursued policies that were designed to form a contribution towards the opposition in Western Europe to the introduction of the neutron bomb, towards the acceptance of the negotiation element of the 'dual track' decision of 1979 and towards the furtherance of the 'zero option' position promoted by the United States at the Geneva talks. In a defensive alliance with a greater orientation towards Western Europe the emphasis would switch towards cooperation between West Germany, France and the United Kingdom, possibly supplemented by Italy or Spain. The major Western European allies could then conceivably arrive at decisions which the Netherlands, as one of the smallest partners, would have little ability to interpret as it saw fit. This could mean that the Netherlands, to a greater extent than at present, might be forced into conformity.

An isolated shift in policy in a Western European direction would appear inadvisable for the Netherlands. If West Germany were to decide in favour of such a policy shift, the Netherlands would then have to weigh up the disadvantages outlined above against the advantages before deciding on any policy revision of its own.

In view of the political influence of the peace movement in the Netherlands it is conceivable that there would continue to be a growth in popular concern about the presumed dangers of NATO security policies. If this were to happen it would result in a further weakening of the position of the Netherlands in international negotiations.

A comparable process is underway in West Germany. This could place both countries in the position that decisions agreed by their governments within NATO encountered insuperable domestic opposition. Such a trend

would adversely affect the controllability of current policy or of a possible evolution in a more Western European direction. Similarly, as may be seen from Dutch hesitation with respect to the modernization of medium-range nuclear weapons (INF), these factors can lead to more points of friction between the two countries than would ordinarily be expected between partners in an alliance. At the same time, controllability does not constitute the sole criterion for assessing security policy. Controllability can at times come into conflict with requirements for a fundamental policy revision such as those evident in society at the present time.

4. ECOLOGICAL AND PHYSICAL PLANNING RELATIONS

The ecological relations between the Netherlands and West Germany are to a large extent determined by ungovernable factors such as the location and direction of flow of the Rhine and Ems, the prevailing winds and other meteorological parameters, 'natural' locations for ports, port industrial estates and industrial estates alongside major international rivers etc. In respect of many of these factors, the Netherlands will always be in the position of plaintiff or, to remain within the terms of this report, suffers from a marked degree of sensitivity and vulnerability.

Three aspects of ecological relations between the two countries are examined below: transfrontier air pollution, water pollution and the risk of radiation exposure.

4.1 Air pollution

The Netherlands is encircled by highly industrialized countries, the major industrial centres of which are moreover fairly close to the Netherlands. At first glance these centres (Antwerp/Brussels and the Ruhr/Cologne), being to the south and south-east/east of the Netherlands respectively, might appear reasonably well located, since the prevailing winds are from the west and southwest. Furthermore the atmosphere is unstable when there are westerly winds and conditions are favourable for the thinning out and dispersion of air pollution. On the other hand, easterly and southerly windstreams, which carry smoke from West Germany and Belgium to the Netherlands, are often associated with stable meteorological conditions and atmospheric layers, high pressure areas over central Europe, and a high incidence of inversions (i.e. when temperature does not drop consistently with altitude but starts to rise again at a certain point, known as the inversion height). These meteorological conditions produce highly unfavourable conditions for the thinning out and dispersion of air pollution. In other words, air pollution carried by easterly or southerly winds has a much greater impact on surface concentrations (i.e. air quality at the level of human habitation) than air pollution transported by westerly winds. One finds accordingly that approximately 70% of the sulphur dioxide (SO₂) concentration levels in the Netherlands are on average attributable to foreign sources. The excessive concentration levels in the Netherlands in recent years are to a significant extent traceable to the inter-regional transportation of air pollution from foreign sources. Another aspect of transfrontier air pollution is 'acid rain', which is of course at its worst when the wind is from the west. Here again the domestic share is low in relation to pollution of foreign origin (20% as against 80%), the main offender being Great Britain. For areas close to source regions, dry deposition is an important mechanism. Approximately a quarter of the dry deposition in the Netherlands originates in the Netherlands itself and three-quarters elsewhere, spread evenly over Belgium, West Germany and the rest of the world. The deposition level indicates that the Netherlands is a net importer of sulphur compounds from Belgium and Great Britain while the balance with West Germany is virtually in equilibrium.

It is fair to say that transfrontier pollution leaves only narrow margins for national policies with respect to air quality. By way of illustration, the existence of a national SO₂ emission ceiling is unable to prevent excessive levels, especially in border areas, while acid levels in precipitation in relation to Europe are at their worst ever. It has also become clear that this problem is not caused solely by West Germany; Belgium and other countries are each responsible for much the same proportion. For this

reason the resolution of this problem should not be approached primarily in bilateral terms, although a start can be made along these lines. What is required is notification and consultation procedures concerning the construction and location of facilities responsible for producing substantial quantities of air pollution, such as power stations. A guideline of this kind is being drafted by the European Communities. A procedure along these lines has been more or less formalized in the Netherlands-German Physical Planning Committee. Consideration could also be given to notification arrangements during periods of heavy air pollution which is expected to cross the border on a large scale, similar to those already in operation in the Benelux context. The above should not be taken to suggest that national policies are to no avail; while they may not be expected to produce major results, failure to implement them would deprive the Netherlands of an effective voice in international bodies. A minimum requirement for government policy should be to ensure that the Netherlands is not a net exporter of SO₂ and other forms of air pollution. In international terms the Dutch financial, technical and policy efforts and hence its negotiating position are not particularly strong. In West Germany these are considerably better, as the Dutch government itself concedes. Thus flue gas scrubbers have been compulsory in coal-fired power stations in West Germany since 1971. These differences cannot of course be viewed in isolation from the differences in air quality between industrial centres in the Netherlands and West Germany, which are in turn largely determined by the nature and scale of industrialization and the types of fuels used. In the Netherlands a major factor in helping reduce air pollution has been the large-scale use of natural gas and the virtual lack of coal. Conditions in the worst affected areas in West Germany are still comparable to those that prevailed in the Rhine Estuary area in 1968. The picture could however change if the target of a coal input of 35 million tonnes of coal units (MTCU), or 32% of total domestic energy consumption, were to be achieved in the Netherlands. In that case the Netherlands would also have to take the necessary steps in order to meet current environmental objectives. The option of turning to coal as part of an energy diversification policy is not available to West Germany, whose energy programme already envisages a coal input of 115 MTCU in 1990, or some 30% of primary energy consumption. The coal equivalent of the current nuclear capacity is around 14 MTCU. The planned level of coal input for electricity generation in 1990 is 43 MTCU. The existing, planned and under-construction nuclear capacity of 21,600 MW represents a coal equivalent of 39 MTCU and, correspondingly, an increase in SO₂ emissions of 1 m. tonnes p.a. and of NO_x emissions of 0.273 m. tonnes p.a., or an increase of 35% and 10% respectively. One might indeed speak of 'casting out devils with Beelzebub'.

This leaves international consultation. Initiatives have been taken by numerous bodies, the most important undoubtedly being the Post-Seveso and the SO₂ guidelines. The boundary values for SO₂ under the latter guideline are however considerably above the present quality of air (median values). Also of importance are the guidelines currently being drawn up for environmental impact statements and for power stations. Results and progress leave something to be desired – whereas it is precisely at this level that solutions will have to be found. Despite the direct reduction in pollution it has brought about, the present economic situation appears only to be detracting from the urgency of international environmental policies. The important role played in the past by the Netherlands in this field deserves to be continued in strengthened form. In this respect credible national policies form a key element if successful initiatives are to be undertaken. Given the relative gap in effort, at least in relation to West Germany, the Netherlands could appreciably strengthen its negotiating position by these means.

4.2 Water pollution

The Rhine feeds some two-thirds of the surface waters in the Netherlands and therefore has a decisive influence on the quality of surface waters in large areas of the Netherlands and on the quality of salt coastal waters. The total catchment basin of the Rhine covers an area of 183,500 km² with a population of 50 million. At 100,000 km², West Germany accounts for the largest area of the catchment basin. This area moreover contains the major industrial centres.

The pollution of the Rhine was already evident before the 1920s with a decline in the sturgeon and salmon catches and a deterioration in the taste of drinking water obtained from the Rhine (which began to have a carbolic taste). The first fish deaths in the Rhine in Germany resulting from industrial pollution were recorded in 1916. A protest lodged by the Netherlands with the Reichstag led to the establishment in 1922 of the Netherlands-German Committee of Experts, the object of which was to investigate industrial water pollution. The pollution problem escalated, however, during the reconstruction phase after the Second World War. The situation was discussed in detail at Basle in 1948 in the so-called Salmon Committee, resulting in the decision to set up an international committee to combat pollution. This committee came into being in 1950 after an exchange of notes initiated by the Swiss Government, being known as the International Commission for the Protection of the Rhine Against Pollution (IRC). At the proposal of the Dutch government, the Commission received formal status in 1963 under the Treaty of Berne. In practice the IRC achieved nothing during the first twenty years of its existence. In order to overcome this impasse, a Ministerial conference of the Rhine Riparian States was held at the initiative of the Dutch government in The Hague in October 1972. This laid the foundations for the Salt and Chemicals Treaties and the Thermal Pollution Treaty still in the process of being drafted. It was also decided to hold regular Ministerial conferences in order to accelerate the negotiations. Since then there have been six such conferences: 1972 The Hague, 1973 Bonn, 1976 Paris, 1976 Bern, 1981 Wassenaar and 1981 Paris. Nor did the private sector lag behind. On 23 January 1970 the 'Internationale Arbeitsgemeinschaft der Wasserwerke im Rhein-Einzugsgebiet' (AWR) was formed in Düsseldorf, consisting of a number of waterworks companies drawing water from the Rhine. In 1974 the environmental movement gave rise to the establishment of the Stichting Reinwater, a subsidiary of the international Rhine group. Its main object was to do what the government was debarred from doing, namely to institute proceedings in Dutch courts, as distinct from the International Court of Justice, to which the government does have access. Action was taken against the French 'Mines Dominales de Potasse d'Alsace', on the principle that legal actions stood the greatest chance of success against major polluters. Mention should also be made of the International Water Tribunal, that was set up in Rotterdam in April 1983 with the object of stimulating systematic research into the nature, scale, effects and originators of pollution in the Rhine, the North Sea, the Wadden Sea and Lake Yssel, and assessing such pollution in terms of generally accepted ethical principles, treaties of principle, international declarations and international law.

The results achieved to date by means of the consultative arrangements outlined above, of which the most important are the 'Agreement concerning the Protection of the Rhine against Pollution by Chlorides' (the so-called Salt Treaty), the 'Agreement concerning the Protection of the Rhine against Chemical Pollution' (the so-called Chemicals Treaty) and the 'Supplementary Agreement' (under which the European Community acceded to the IRC), all signed on 3 December 1976 in Bonn, have much in common with a Pyrrhic victory. In December 1979 the French government decided not to submit the Salt Treaty to the Assemblée Nationale, making the agreement a dead letter. The state of affairs with respect to the Chemicals Treaty is not much

better. Although the treaty has been in force since 1 February 1979, only one implementary regulation has so far come into effect. International consultations are therefore making only tortuous progress. There is now every indication that the only real hope of progress consists of the ultimate remedy of legal action through the International Court of Justice or on the part of private environmental bodies. The former possibility was raised in Parliament as early as 1972 with a view to reducing the level of French salt discharges, but was rejected by the government of the day on the grounds that it would be inadvisable to place the negotiations in the IRC context under pressure. Now that ten years later salt levels appear only to have increased, this argument has lost much of its force. These salt levels have become the most notorious and prominent issue. Apart from the major problems they pose for the treatment of drinking water, they cause West German horticulturalists an estimated N.Fl. 85–100 million in lost yields per year. Another source of concern is pollution of the Rhine by nitrates and phosphates. Many times the level of these substances discharged in the Netherlands is brought into the country from abroad by the Rhine. The attainment and continued observance of Dutch boundary values for these substances depend utterly on environmental control measures upstream from Lobith on the German border. There has been a substantial reduction in biodegradable pollution. For this type of pollution the Netherlands will have to look to home: a number of large towns continue to discharge untreated waste water into the Rhine catchment basin. The problem of heavy metals has been appreciably reduced, although standards continue to be exceeded from time to time. One complication, however, is sludge pollution, which is difficult to dispose of or treat properly. Undoubtedly the most concerning aspect is organic chemical pollution. The boundary values for such substances as polycyclic aromatic compounds, phenols, organochloric pesticides and chlorinated hydrocarbons are consistently exceeded in large areas of the Netherlands. Thus polychlorobiphenols currently form the most important contamination problem for Dutch fishing.

Easily the bulk of the pollution is of West German origin. According to the German 'Council of Experts on Environmental Matters', West Germany is responsible for 70–80% of the total pollution. According to the Council, the cleaning up of the Rhine is therefore primarily a matter for West Germany itself, rather than an international problem. France is mainly to blame for the salt levels, but here again West Germany is responsible for some 40% of the pollution. The bilateral consultations between the Netherlands and West Germany are not concerned with the Rhine. International consultations have, as has been seen, so far produced few results. The International Rhine Commission has proved to be a virtually impotent body. This has been chiefly because of the attitudes adopted by West Germany and France, which favour EC regulations since they are anxious to avoid any unilateral loss of competitiveness. The 'salt issue' is a good example of the limited effectiveness of the IRC. The European Communities have been able to achieve more than the IRC, but here again progress has been laborious. Now, six years after the adoption of the guidelines for the protection of the aquatic environment against pollution by certain dangerous substances (76/464/EEC), agreement has been reached on only one directive, namely that for mercury. Sixteen other compounds have been designated for priority treatment (the black list), while EC Directorate General XI for the environment, consumer protection and nuclear safety has drawn up a list of 120 substances. Given the pace at which matters have proceeded in the past the EC bureaucracy would appear to have its work cut out until well into the future. Proposals by the Netherlands for these procedures to be accelerated failed to get through the EC Council of Environment Ministers in July 1979. The Council of Europe has similarly had great difficulty achieving agreement concerning a riparian treaty, which has been worked at since 1970.

The results of international consultations have a major bearing on the ability of national policies to reduce the level of water pollution. At the same time, however, the Netherlands will only enjoy a strong bargaining position if it can point to the existence of adequate national policies.

Although the bulk of the pollution of the Rhine with which the Netherlands has to contend is attributable to West Germany it would not, in view of the international consultations in the IRC and the EC, be logical to handle these matters at bilateral level.

4.3 Radiation exposure risks

The problem of transfrontier risks merits attention not just because of the appreciable differences in the present and future role of nuclear energy in the two countries but also because of the particular location of nuclear facilities in West Germany.

Apart from a few research reactors the Netherlands has two commercially-operated nuclear power plants with a combined capacity of 500 MW and an enrichment plant with a capacity of 200 tonnes of uranium per year. The 'great social debate' about nuclear energy in the Netherlands and the associated decisionmaking by Parliament concern the possible expansion of nuclear capacity by 3000 MW or alternatively the closing down of existing nuclear power stations. In neighbouring countries, decisions on the 'nuclear option' have already been taken.

At present nuclear energy accounts for approximately 3.5% of primary energy consumption in West Germany. The installed capacity of around 9 GW, distributed over ten light-water reactors, accounts for some 13% of electricity generation. This level is well below the original objectives. Delays have been caused by problems in relation to public acceptance, legal proceedings, greatly increased planning and construction times caused by continuous 'back-fitting' made necessary by stricter safety standards, and uncertainty in political decision-making. The Federal German government nevertheless continues to abide by its view that the share of nuclear energy will have to be increased, both in energy terms and for reasons of industrial policy, constraining factors being the limits on the use of other forms of energy, the growing demand for electricity, the relatively low kwh price of nuclear energy and the competitiveness of the West German economy.

Of particular importance to the Netherlands are the nuclear facilities close to the border. In Lower Saxony, there is a now decommissioned nuclear power plant at Lingen together with a fuel rod factory. In addition a licence was granted in January 1982 for a 1300 MW nuclear power plant at Emsland, which could be operational in the course of 1988. The plant will have sufficient storage capacity for burnt fuel elements for five operating years. The Lower Saxony energy programme also provides for the construction of a 1300 MW nuclear power plant at either Emden, Lingen or Meppen:

No official energy programme has been drawn up in North Rhine-Westphalia. Four possible sites for nuclear power plants have, however, been set aside in the 'Landesentwicklungsbericht' or Land Development Plan. A uranium enrichment plant is under construction at Gronau, with an annual capacity of 1000 tonnes or sufficient to supply eight 1200 MW nuclear power plants with enriched uranium. Plans have been drawn up for expanding the plant's capacity to 5,000 tonnes per year. By way of comparison it may be noted that the capacity of the Urenco plant at Almelo since 1979 has been 200 tonnes per year. An application has been submitted for the construction of an interim storage facility at Ahaus for burnt fuel elements. It is designed to have a total storage capacity of some 1500 tonnes of uranium, equivalent to two billion curies at full capacity. The licensing procedures for this facility have not yet been completed. A sodium-cooled fast breeder reactor (SNR) with an electrical

capacity of 300 MW has been under construction at Kalkar since 1973 which will not be ready until 1986 at the earliest. The costs were originally estimated at DM 1,335 million, with Belgium and the Netherlands each having a 15% stake. Since then DM 2.3 billion has been spent and total construction costs are now put at DM 6 billion, with delivery expected in 1986. According to the most recent estimates (February 1981) the SNR will generate 300 MW of electricity at seven times the cost per kilowatt of net electrical output of a standard commercial LWR. The fuel cycle costs, in particular, are so high that the plant will never be able to compete with a LWR, even if the investment costs were to be fully written off. The generally held view now is that fast breeder reactors will not be able to come into commercial operation until the year 2010 at the earliest. The Federal German government takes the line, however, that the construction and commissioning of the plant are essential, although it is demanding that the electricity companies assume a greater share of the financing burden. The excess expenditure and poor prospects have led Belgium and the Netherlands to place ceilings on their contributions to the project.

These facilities amount to a virtually complete fuel cycle in the border area, the only stages lacking being a uranium mine and a hexafluoride plant. The existing and possible sites at Gronau, Ahaus, Kalkar, Lingen, Bislich-Vahnum and Emden are within ten to twenty kilometres of the Dutch border and create the risk of transfrontier contamination. In view of the fact that views on the role of nuclear energy could evolve differently in the two countries it is worth examining these risks in further detail. To this end the consequences for the Netherlands were examined in the case of normal operation, incidents and, with the exception of Ahaus, serious accidents with respect to facilities planned for or under construction at Ahaus, Lingen and Kalkar. The consequences of the release and distribution of radioactive substances in the surrounding area were described in terms of the contamination level of the land and the radiation exposure of individuals. On account of the uncertainty of the long-term health effects at a given level of radiation exposure and of the effectiveness of counter-measures such as evacuation and decontamination, no estimate was made of the possible damage to life and health in the event of accident scenarios.

The conclusions may be summarized as follows:

- a. the transfrontier consequences of routine discharges from and incidents in the nuclear facilities in the border area are so small as to be negligible;
- b. comparatively small accidents could result in the long-term contamination with radioactive substances of small areas in the Netherlands at levels in excess of the standards laid down by the Netherlands Health Council and the International Commission for Radiological Protection;
- c. major accidents, the risk of which, according to the German Nuclear Power Plant Risk Study (DRK), is extremely small, would not lead to any direct deaths in the Netherlands as the result of premature somatic effects from high radiation doses. In the event of unfavourable weather conditions, however, radioactive contamination would occur well beyond the border and could lead to mild radiation sickness, limited genetic and pre-natal damage and a higher level of induced cancer. High radiation exposure could also occur in the long term as the result of soil contamination, while there could be considerable damage to agriculture and cattle farming.

Bilateral contact between the Netherlands and West Germany concerning nuclear facilities in the border area has been formalized since November 1977. Agreements have been reached concerning consultation and the exchange of information about facilities within 30 km of the border. Apart from the compilation of emergency procedures, the memorandum agreed between the two countries seeks to ensure that the interests of the neighbouring party will be taken into account in any decisions regarding the establishment, construction and operation of nuclear facilities in the

border area. The two countries have undertaken to keep one another informed with respect to nuclear facilities at a distance of 30–100 km. from the border. A special body, the Netherlands-German Commission for Nuclear Facilities in the Border Area (NDKK), has been set up to implement these arrangements.

In the EC Council of Ministers the Netherlands has urged that a guideline be drawn up covering consultation, the exchange of information and equal legal access, including for nuclear facilities. The recently adopted Post-Seveso guideline explicitly excludes nuclear facilities. The guidelines do, however, establish the principle that member states have the obligation to inform and consult with neighbouring member states concerning dangerous activities in border areas.

In general it may be said that the sovereignty of an individual country in relation to activities of this kind is limited by the rules of international law. In this respect a number of principles apply, such as *non-discrimination* and *equal legal access*. The latter principle is already applied in practice between Belgium and the Netherlands. Where the Netherlands and West Germany are concerned, the latter takes a narrow view of the territorial principle; the granting of licences is concerned with the application of German public law, which applies only within German territory. The result of this attitude is that, unless they have rights in West Germany protected under German law, residents in other countries have no direct or formal right to participate in licensing and appeal procedures.

With respect to the principle of non-discrimination, which holds that a country may not inflict actual damage on or create substantial risks for another country, and that states may not distinguish in their policies between risks to their own territory and that of a neighbouring country, no blame attaches to West Germany under international law. The test in this instance is whether a country has exercised adequate care to prevent exposure to significant risks. The safety standards for nuclear facilities applied in West Germany pass this test.

Despite these considerations there is concern in the border area concerning developments in the nuclear field in West Germany. This concern is justified. The licences for these facilities were issued without the principle of equal legal access having been established in West Germany, while the provision of information to the public was not optimal. Dutch citizens are still formally unable to participate in discussions concerning proposed energy policies in West Germany in so far as these affect the Netherlands. To date there has also been a lack of any accident risk analysis. The NDKK has been unwilling to undertake such studies because it considered the risk of accidents to be too slight, but in view of the public concern in the Netherlands about nuclear energy this is hardly a tenable attitude. No information whatever was available in the Netherlands concerning Kalkar.

It would appear desirable for the German-Dutch memorandum to be extended in the near future with provisions giving individual Dutch citizens the right to be treated on an equal footing with residents in West Germany with respect to civic participation procedures, notices of objections and appeal proceedings. At the same time steps could be taken at EC level to draw up a guideline concerning consultation and notification obligations with respect to the establishment and operation of nuclear facilities in border areas.

Although transfrontier air and water pollution and radiation exposure risks between the Netherlands and West Germany exhibit certain specific features, they also form part of a more general problem of impact on the human environment from foreign sources. This insight has given rise to initiatives in international bodies such as the UN (the ECE), the OECD and the EC. The necessity for joint measures in which as many countries as possible take part (in view of the large costs that can be involved and the loss of competitiveness resulting from bilateral action) have led the main emphasis in this report to be placed on working through the EC.

4.4 Physical planning

Introduction

Mutual interdependence, in the sense of events in the one country that affect those in the other, also occurs between neighbouring countries such as the Netherlands and the Federal Republic in the field of town and country planning (or what is known in the Netherlands as physical planning). In this respect a distinction may be drawn between physical planning issues of a) a national and b) a regional nature.

a. Successive Dutch and West German governments have in general taken the view that national physical planning issues must often be tackled in an international context if satisfactory solutions are to be found. In summer 1966 the Second Policy Document on Town and Country Planning was issued in the Netherlands and in November 1966 West Germany produced its second Town and Country Planning Report. Both documents shared the same main objectives:

- even distribution of urban zones and areas of concentration;
- discouragement of population growth in these areas;
- stimulation of demographically and economically weak regions.

Both documents contained outline development plans to illustrate this 'even distribution' and a number of instruments were specified for the stimulation of weak regions, including the designation of development centres or central areas. The intention was to work towards the mutual coordination of plans in this field. This covered such matters as the development of the large urban areas such as the northern spur of the 'Randstad' or western conurbation in the Netherlands and the Ruhr, the demarcation of green belts between them, the type of infrastructural facilities required and so on. Efforts would also be made by the Dutch and West German governments to coordinate the instruments to be used for these purposes. The strategy adopted consisted of the 'top-down' approach, under which agreement was to be reached at national level concerning the main lines of government policy, which would then be elaborated for the border areas or parts thereof.

Specifically, this would have meant the coordination of particular rail and road links. The considerations applying to traffic facilities apply equally to provincial strategic plans and municipal expansion plans. Once again, these stand in relation to national or urbanization policy: the enlargement of the built-up area (not necessarily forming part of the border areas as such) can have consequences for the situation in West Germany and vice versa. Here again the coordination of respective national plans was considered to be of great importance. But it did not work out that way. The reasons for the failure or inadequacy of cooperation are examined below.

b. There are numerous problems of a regional nature, especially in border areas, that stand in need of solution. Many of these have received or continue to receive attention in a regional context. A number of examples are listed below.

- i. the coordination of physical plans in the Dutch-West German border area (i.e. provincial strategic plans and plans at municipal level);
- ii. transport and communications structure plans in so far as these affect border areas;
- iii. transfrontier noise nuisance from the NATO airfield at Geilenkirchen/Teveren (the future base for AWACS aircraft) in relation to the expansion of the South Limburg airfield, inter alia for freight transport;
- iv. military airfields in the draft Land Development Plan IV for North Rhine-Westphalia (the Laarbruch airfield and the military bases at Brüggen and Wildenrath), including in relation to urban development on the Dutch side of the border;
- v. the mutual management of water extraction areas;
- vi. the consequences of the expansion of brown-coal mining on the West German side, including for groundwater levels on the Dutch side;

vii. the responsible management of the Wadden region, including the Ems estuary and the Dollart.

From the information supplied to the Council by existing regional cooperation bodies it is evident that there are still numerous problems in the border area standing in need of solution, some in the field of physical planning. One occasionally obtains the impression that the government, while professing to encourage international integration in general and border traffic with neighbouring countries in particular, at the same time introduces or retains regulations that hamper that very traffic. The validity of this impression would have to be confirmed by a systematic survey. A brief overview of problems and policy priorities in certain specific areas would form a first step.

The Netherlands-German Physical Planning Committee

The Netherlands-German Physical Planning Committee (NDCRO) took up its task on 13 June 1967, initially on an informal basis. On 30 March 1976 an agreement was signed in Bonn between the two governments under which the committee was set up on a formal basis. The agreement provides for consultations to be held in the committee between the two governments 'concerning physical planning problems with a view to coordinating plans and measures of relevance to physical planning, especially in border areas'.

In the National Planning Agency's annual report the NDCRO emerges as a body primarily concerned with border questions. The coordination of physical planning policies at national level apparently only occurs when these policies have direct implications for border areas. The State Development Plans for North Rhine-Westphalia and Lower Saxony and national Dutch plans are not examined for any wider implications.

The Dollart harbour

A concrete problem with physical planning implications concerns the West German plans for the construction of a new harbour on the Dollart. Implementation of these plans would mean that larger ships would be able to reach Emden, in addition to which a new 500 ha harbour industrial site would be created. The plans envisage the relocation of the River Ems. Whether this should be done on the West German or Dutch side is a contentious issue; both countries explicitly reserved their respective legal positions on the location of the border in the Ems-Dollart Agreement of 1960. Dutch cooperation would certainly be required for any development of a Dollart harbour.

Negotiations have been conducted between the Netherlands and West Germany since April 1978 with the aim of arriving at an agreement regulating the joint management of the region. So far these negotiations have not produced any results; nor does this appear probable in the foreseeable future. The difficulties are concentrated in the following areas:

Environmental control. Major reservations exist on the Dutch side about the possible implications for the natural area of the Dollart, which forms part of the Wadden Sea. The official Dutch standpoint is that the protection of nature and the environment should have priority in the Wadden region and that economic development must take place within the constraints set out in the Wadden Sea Crucial Planning Decision. On the West German side greater emphasis is placed on developmental aspects, although there is also concern to minimize the impact on nature and the environment. The negotiations are being followed critically by environmental groups in both countries, while in the Netherlands, Parliament has come down in favour of according priority to the environmental factor.

The border question. Efforts are being made to reach agreement on the demarcation of at least a part of the Netherlands-West German border where it runs through the area in question. In the past West Germany has consistently rejected the Dutch view that the boundary line in the Ems

should be formed by the thalweg of the chief navigable channel, maintaining instead that the entire Ems up to the Dutch bank should form part of German territory. To date neither of the two parties has been prepared to take the border issue to the International Court of Justice, for fear that it might lose its case. The demarcation of the specified stretch of the border could not be allowed to prejudice the solution of the border issue as a whole.

Economic problems. These derive from the fact that seaport activities are on the increase on both the German and the Dutch side of the Ems estuary. The intention is for the agreement to establish the principle that the existing economic balance in the region should not be disturbed by unilateral licensing regulations or competition regulations, or by grants and taxation concessions favouring industry on either the Dutch or the German side of the estuary.

The Dollart harbour issue has assumed greater prominence in political debate in the Netherlands than it has in West Germany. The matter has repeatedly been the subject of resolutions and questions in the Lower House. This is much less the case in West Germany. It may be presumed that German willingness to undertake the large-scale investment required for the construction of the Dollart harbour has declined in the present economic circumstances. This presumably forms the reason why on the German side as well the negotiations have not been conducted with any great urgency. On the other hand, earlier undertakings by the Bonn government to the government of Lower Saxony, and the latter's commitments in relation to the town of Emden, make it politically impossible for the project to be abandoned altogether. A new Ems-Dollart Agreement would, moreover, not create any obligation in favour of the immediate construction of the Dollart harbour but would open up the possibility for this to be done, which could then be exploited at a later and suitable moment.

In the field of physical planning in the Netherlands and West Germany, policy coordination is either lacking or inadequate. The Netherlands-German Physical Planning Committee is an insufficiently effective instrument for the achievement of such coordination. It is questionable whether the problem would be solved by reconstituting the Committee on a different basis. Despite the high-sounding statements made when the NDCRO was set up and the fact that improved policy coordination in the field of physical planning would be of benefit to both countries, there would appear to be a lack of political will on both the Dutch and the German side to work towards the improvement of policy coordination. One can either leave it at that or re-open the question as to whether it would not be worthwhile making a fresh effort to intensify the coordination of national planning policies on a bilateral basis or perhaps in a broader European context. Doing so would, however, clearly require an expression of political willingness on the part of the governments concerned. The Council considers it worth seeking government involvement in this field.

Nor is cooperation in the field of physical planning in the Dutch-German border area optimal, although differences are evident from region to region in the Netherlands. Thus, for example, there would appear to be greater interest in these types of matters in the province of Limburg than in the other border provinces. Although there is a certain amount of exchange of information and some account is taken of the wishes of the other side of the border in drawing up provincial strategic plans and the like, there is no question of supra-national physical planning policy for the border areas. The principal obstacles in the way of such policies consist of considerations of national sovereignty, prestige and differences in traditions and working methods. Further, concrete obstacles consist of differences in the composition of the delegations and varying legislation, particularly with respect to legal access in the case of disputes over physical planning. It is always left to the governments to take these factors into account and to

take steps for the problems of physical planning in border areas to be examined in this light. In this respect there would appear a good case for deciding whether a supra-national physical planning policy should consist not just of decision-making procedures for dealing with transfrontier problems but also of active stimulatory measures designed to strengthen the physical and socio-economic structure of problem regions. In this respect it is of relevance that the industrial structure of peripheral areas within the Netherlands are in the process of transition. If the policies of the two countries were to be geared towards the joint development of specific border areas this would also have implications for the administrative infrastructure of these regional cooperation areas.

In anticipation of these political initiatives it would, at the very least, be advisable for a survey to be compiled of problems and policy priorities, both at national level and in the border areas. A survey of this kind – which would have to be kept up to date – would provide the data on the basis of which decisions could be taken in favour of closer collaboration between the two countries in the field of physical planning. Since cooperation is a matter of giving as well as taking, any steps in this direction would also have to entail willingness to accept any negative consequences arising out of such cooperation. The negotiations concerning the Dollart harbour project illustrate just how little the two sides are prepared to view physical planning issues and economic development in a supra-national light.

5. CONCLUSIONS

The report reveals the marked sensitivity of the Netherlands to developments in West Germany and to German policies in the areas investigated. While unexceptionable in itself, this result falls into its proper perspective upon detailed analysis. The report contains a detailed survey of the interdependence between the Netherlands and West Germany: an interdependence that in many ways typifies the Netherlands' general position in the world.

No less important are the report's conclusions concerning the vulnerability of the Netherlands. In the areas investigated, it is evident that the Dutch government is obliged to operate within relatively narrow margins. With the exception of monetary relations, which are solely a matter for official regulation, the government has few enough powers as it is in the field of economic relations. The policy instruments at the government's disposal are only limited in nature, an example being the constraints arising under the EEC Treaty. The scope for government action amounts largely to stimulation and coordination; it is then up to the private sector whether it makes use of these possibilities or not. The lack of policy freedom extends to relations with West Germany, although it is not entirely lacking.

The other fields investigated in the report are more directly the subject of government responsibility. This certainly applies to the security of the Netherlands, in respect of which the scope for pursuing independent policies is limited. Similarly policy freedom in the field of ecological and physical planning relations is limited, besides which certain natural factors have to be taken into account that are totally or all but beyond government control.

In a relationship between a medium-sized and a small country there is no reason to assume that the larger will consistently take the interests of the smaller into account. This has certainly not been true in the case of German-Dutch relations, and there is no reason to expect this pattern to change in the future. What then are the best ways for the Netherlands to reduce this vulnerability from which it suffers?

In principle a country can tackle its relations with other countries at three different levels:

- by unilateral measures;
- by bilateral negotiations;
- through multilateral negotiations.

The choice between these three options is governed by pragmatic considerations. To take the second level first, recent historical experience suggests that the bilateral level would not appear the most effective for the Netherlands in its dealings with West Germany. More often than not the Netherlands has tended to come off second-best in direct negotiations with West Germany. Numerous examples could be cited of the hard, unyielding attitudes encountered by the Netherlands in its dealings with West German negotiators (e.g. in the negotiations concerning the delimitation of the continental shelf in the North Sea, the quotas for Dutch transport on German roads and the question of safeguards on the nuclear material to be supplied to Brazil by Urenco).

The two other levels would, accordingly, appear generally to hold out better prospects for the Netherlands in its relations with West Germany. This might include a number of unilateral measures, for example those referred to above for improving the trading and monetary positions, and in the field of physical planning.

In certain areas, however, the scope for unilateral measures is lacking. In these cases the scope for a multilateral approach will have to be investigated.

Changes in security policy, effective measures to improve the quality of Rhine water, the reduction of risks associated with nuclear facilities in border areas and efforts to promote a supra-national approach towards border areas, will only get off the ground in a multilateral context. In this respect the most suitable bodies would appear to be the European Communities and NATO.

Taken as a whole it may be said that relations between the Netherlands and West Germany exhibit a high degree of interdependence. The Netherlands is highly sensitive to developments in West Germany and has only narrow policy margins for reducing that sensitivity. Demonstrating the nature of those possibilities forms the ultimate result of the analysis in this report.

APPENDIX 1 Composition of the International Affairs Project Group

At the time this report was completed the internal working group responsible for producing it was composed as follows:

Members of the Council

H. A. van Stiphout

Dr. A. van der Zwan

Members of the Bureau staff

Dr. P. R. Baehr, chairman of the project group

J. C. F. Bletz

J. J. Diepenhorst

Dr. W. van Drimmelen

H. Huisman

J. W. Nelson, secretary of the project group

F. M. Roschar

K. Vijlbrief

APPENDIX 2 Preliminary studies published by way of background to the report (only available in Dutch)

No.

- V29. Jürgen C. Hess and Friso Wielenga, *Duitsland in de Nederlandse pers – altijd een probleem?* Drie dagbladen over de Bondsrepubliek 1969–1980 (Germany and the Dutch Press: Always a Problem? Reporting by three Dutch Newspapers on West Germany, 1969–1980)
- V30. C. W. A. M. van Paridon, E K. Greup and A. Ketting, *De handelsbetrekkingen tussen Nederland en de Bondsrepubliek Duitsland* (The Trading Relationship between the Netherlands and West Germany)
- V31. W. A. Smit, G. W. M. Tiemessen, R. Geerts: Ahaus, Lingen en Kalkar; Duitse nucleaire installaties en de gevolgen voor Nederland (*Ahaus, Lingen and Kalkar: German Nuclear Facilities and their Implications for the Netherlands*)
- V36. M. C. Brands, H. J. G. Beunders and H. H. Selier, *Denkend aan Duitsland: een essay over moderne Duitse geschiedenis en enige hoofdstukken over de Nederlands-Duitse betrekkingen in de jaren zeventig* (Thinking About Germany: an Essay on Modern German History, with some Chapters on German-Dutch Relations in the Seventies)

The Council has published the following Preliminary and Background Studies.

First term of office

- V 1. W. A. W. van Walstijn, Kansen op onderwijs, een literatuurstudie over ongelijkheid in het Nederlands onderwijs (*Educational Opportunities: a Literature Study on Inequality in the Netherlands Educational System*) (1975)
- V 2. I. J. Schoonenboom en H. M. In 't Veld-Langeveld, De emancipatie van de vrouw (*Women's Emancipation*) (1976)
- V 3. G. R. Mustert, Van dubbeltjes en kwartjes, een literatuurstudie over ongelijkheid in de Nederlandse inkomensverdeling (*Dimes and Quarters: a Literature Study on Inequality in the Distribution of Income in the Netherlands*) (1976)
- V 4. J. A. M. van Weezel a.o., De verdeling en de waardering van arbeid (*The Distribution and Appreciation of Work*) (1976)
- V 5. A. Ch. M. Rijnen a.o., Adviseren aan de Overheid (*Advising the Government*) (1977)
- V 6. Verslag Eerste Raadsperiode 1972–1977 (*Report on the First Term of Office 1972–1977*)*

Second term of office

- V 7. J. J. C. Voorhoeve, Internationale Macht en Interne Autonomie (*International Power and Internal Autonomy*) (1978)
- V 8. W. M. de Jong, Techniek en wetenschap als basis voor industriële innovatie – Verslag van een reeks van interviews (*Technology and Science as a Base for Industrial Innovation*) (1978)
- V 9. R. Gerritse, Instituut voor Onderzoek van Overheidsuitgaven: De publieke sector: ontwikkeling en waardevorming – Een vooronderzoek (*The Public Sector: Development and Valuation*) (1979)
- V10. Vakgroep Planning en Beleid/Sociologisch Instituut Rijksuniversiteit Utrecht: Konsumptieverandering in maatschappelijk perspectief (*Shifts in Consumption in a Societal Perspective*) (1979)
- V11. R. Penninx, Naar een algemeen etnisch minderhedenbeleid? Opgenomen in rapport nr. 17 (*Towards an Overall Ethnic Minorities Policy? Attached to Report nr. 17*) (1979)
- V12. De quartaire sector – Maatschappelijke behoeften en werkgelegenheid – Verslag van een werkconferentie (*The Quarternary Sector: Societal Requirements and Employment Opportunities*) (1979)
- V13. W. Driehuis en P. J. van den Noord, Productie, werkgelegenheid en sectorstructuur in Nederland 1960–1985 (*Output, Employment and the Structure of Production in the Netherlands, 1960–1985*)
Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V14. S. K. Kuipers, J. Muysken, D. J. van den Berg en A. H. van Zon, Sectorstructuur en economische groei: een eenvoudig groei-model met zes sectoren van de Nederlandse economie in de periode na de tweede wereldoorlog (*The Structure of Production and Economic Growth: a Simple Six-Sector Growth Model of the Dutch Economy in the Post-War Period*)
Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)

- V15. F. Muller, P. J. J. Lesuis en N. M. Boxhoorn, Een multisectormodel voor de Nederlandse economie in 23 bedrijfstakken (*A. Multisector Model of the Dutch Economy Divided into 23 Branches of Industry*)
F. Muller, *Veranderingen in de sectorstructuur van de Nederlandse economie 1950–1990* (Shifts in the Structure of Production in the Dutch Economy 1950–1990). Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V16. A. B. T. M. van Schaik, Arbeidsplaatsen, bezettingsgraad en werkgelegenheid in dertien bedrijfstakken (*Jobs, Capacity, Utilization and Employment Opportunities in Thirteen Branches of Industry*)
Modelstudie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V17. A. J. Basoski, A. Budd, A. Kalff, L. B. M. Mennes, F. Racké en J. C. Ramaer, Exportbeleid en sectorstructuurbeleid (*Export Policy and Structural Policies*)
Preadviezen bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V18. J. J. van Duijn, M. J. Ellman, C. A. de Feyter, C. Inja, H. W. de Jong, M. L. Mogendorff en P. VerLoren van Themaat, Sectorstructuurbeleid: mogelijkheden en beperkingen (*Structural Policies: Prospects and Limitations*)
Preadviezen bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V19. C. P. A. Bartels, Regio's aan het werk: ontwikkelingen in de ruimtelijke spreiding van economische activiteiten in Nederland (*Putting Regions to Work: Trends in the Regional Distribution of Economic Activity in the Netherlands*)
Studie bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V20. M. Th. Brouwer, W. Driehuis, K. A. Koekoek, J. Kol, L. B. M. Mennes, P. J. van den Noord, D. Sinke, K. Vijlbrief en J. van Ours, Raming van de finale bestedingen en enkele andere grootheden in Nederland in 1985 (*Estimate of the Final Expenditure and some other Data in the Netherlands in 1985*)
Technische nota's bij het rapport Plaats en toekomst van de Nederlandse industrie (1980)
- V21. J. A. H. Bron, Arbeidsaanbod-projecties 1980–2000 (*Projections of the Labour Supply 1980–2000*) (1980)
- V22. A. Faludi, R. J. In 't Veld, I. Th. M. Snellen en P. Thoenes, Benaderingen van planning; vier preadviezen over beleidsvorming in het openbaar bestuur (*Approaches to Planning*) (1981)
- V23. Beleid en toekomst (*Government Policy and the Future*), report of a symposium on the report Beleidsgerichte toekomstverkenning deel 1 (*Policy-Oriented Survey of the Future, Part 1*) (1981)
- V24. L. J. van den Bosch, G. van Enckevort, Ria Jaarsma, D. B. P. Kallen, P. N. Karstanje, K. B. Koster, Educatie en welzijn (*Education and Welfare*) (1981)
- V25. J. C. van Ours, D. Hamersma, G. Hupkes, P. H. Admiraal, Consumptiebeleid voor de werkgelegenheid (*Consumption Policy for Employment*)
Background reports of the report Vernieuwingen in het Arbeidsbestel (*Prospects for Reforming the Labour System*) (1982)
- V26. J. C. van Ours, C. Molenaar, J. A. M. Heijke, De wisselwerking tussen schaarsteverhoudingen en beloningsstructuur (*The Interaction between Relative Scarcities and the Remuneration Structure*)
Background reports of the report Vernieuwingen in het Arbeidsbestel (*Prospects for Reforming the Labour System*) (1982)

- V27. A. A. van Duijn, W. H. C. Kerkhoff, L. U. de Sitter, Ch. J. de Wolff, F. Sturmans, Kwaliteit van de arbeid (*The Quality of Work*)
Background reports to the report Vernieuwingen in het Arbeidsbestel (*Prospects for Reforming the Labour System*) (1982)
- V28. J. G. Lambooy, P. C. M. Huigsloot, R. E. van de Lustgraaf, Greep op de stad? Een institutionele visie op stedelijke ontwikkeling en de beïnvloedbaarheid daarvan (*Getting Cities under Control? An Institutional Approach to Urban Development and its Controllability*) (1982)
- V29. J. C. Hess, F. Wielenga, Duitsland in de Nederlandse pers – altijd een probleem? Drie dagbladen over de Bondsrepubliek 1969–1980 (*Germany in the Dutch Press: Always a Problem? Reporting by three newspapers on West Germany, 1969–1980*) (1982)
- V30. C. W. A. M. van Paridon, E. K. Greup, A. Ketting: De handelsbetrekkingen tussen Nederland en de Bondsrepubliek Duitsland (*The Trading Relationship between the Netherlands and the Federal Republic of Germany*) (1982)
- V31. W. A. Smit, G. W. M. Tiemessen, R. Geerts: Ahaus, Lingen en Kalkar; Duitse nucleaire installaties en de gevolgen voor Nederland (*Ahaus, Lingen and Kalkar: German Nuclear Facilities and their Implications for the Netherlands*) (1983)
- V32. J. H. von Eije: Geldstromen en inkomensverdeling in de verzorgingsstaat (*Money Flows and the Distribution of Income in the Welfare State*) (1982)
- V33. Report on the Second Term of Office 1978–1982*

* The reports on the First and Second Terms of Office have been translated into English