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## **At the forefront of a competition for natural resources - can the Dutch succeed with diplomacy?**

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# **At the forefront of a competition for natural resources -can the Dutch succeed with diplomacy?**

Thesis for the Advanced MSc. International Relations and Diplomacy  
Leiden University

Research question:

*How do theoretical concepts of international political economy and middle power theory explain the Dutch and European strategy of resource diplomacy?*

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## Abstract

The ownership of natural resources has been a main driver of state behaviour in international relations in the last decades. The increasingly volatile international raw materials markets, affected by the energy transition and technological developments, are affecting the way in which states conduct their foreign policy. Whereas so far countries with production capacity of fossil fuels had an advantageous position in world politics, now those with critical minerals and renewable energy technologies are at the forefront. Consumer states, like those in the European Union (EU), are becoming dependent on new actors. This thesis sheds light on the way in which middle power liberal states of the EU go about securing supplies of raw materials through geoeconomic diplomacy, in a world of great power competition. It uses the Netherlands as an in-depth case study, given that the country hosts the European Union's main port and has an important re-export role in the field of raw materials. Importantly, the country fulfils the indicators characteristic to a middle power. As such, the Netherlands relies on multilateral and diplomatic means in order to further its foreign policy aims in the field of natural resources. This translates into a reliance on the EU's diplomatic channels and institutional frameworks. However, neither the Netherlands nor the EU have control over market actors active in the field of natural resources. This research project tests whether theoretical concepts of international political economy and middle power theory can explain how the Netherlands' and the EU's behave in attempts at securing supplies of raw materials.

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## Introduction

The energy transition is becoming an increasingly central theme to international relations and is influencing state behaviour. Increased competition and volatility of resource markets, caused by climate action and technological advancements, enhance the demand for certain raw materials and has furthered their levels of scarcity (Boersma & de Bourbon Parme, 2014; Gulley, Nassar, & Xun, 2018). The rising demand for these resources led to an urge for states to secure their domestic supplies by establishing long-term trade-agreements, seeking control over parts of the supply chain, or by establishing multilateral fora to increase power of negotiation. As the European Union and its member states have very little access to natural resources, policies and diplomatic initiatives such as the European Raw Materials Alliance (ERMA) are initiated to safeguard national interests that are paired with these materials (European Commission, 2020).

One of the most interesting member states in this context has been the Netherlands. With Rotterdam being the largest port of the European Union, the Netherlands acts as a major trade hub in natural resources (CBS, 2021; Eurostat, 2021). Additionally, the country has long been a producer of natural gas, but the government decision to slow down and eventually stop their domestic production means that they are becoming more and more dependent on the import of resources (Rijksoverheid, n.d.). It has found itself at the forefront of a larger political-economic struggle, as the European Union as a whole is setting up institutional infrastructure to secure critical materials. This unique situation leads to the research question of this project, which is the following:

*How do theoretical concepts of international political economy and middle power theory explain the Dutch and European strategy of resource diplomacy?*

Due to the sharp increase in public attention for this problem in recent years, this study attempts to fill the gap in the current literature on resource diplomacy, which mainly focuses on major actors in the global order such as the United States, Russia, China and the EU. This study adds the perspective of a medium sized free-market economy, which has to rely on diplomatic tools and multilateral cooperation to pursue its goals and which cannot resort to power politics. Countries have been dependent on each other's natural resources for a long time, but the energy transition is affecting existing relations given the move toward renewable energy sources. In this evolving system, new players are gaining more political-economic influence due to their

natural resources and technologies, whereas others like the Netherlands and other European states are placed at a disadvantage.

A theoretical perspective is key to understanding the way in which middle powers can employ different types of diplomacy in order to further their national interest in the field of natural resources. Middle power theory and international political economy shed light on the methods of foreign policy that the Netherlands and other small European member states can apply to secure domestic supplies of natural resources. This thesis argues that the Netherlands is a middle power who can most effectively contribute to natural resources procurement through its most important partnership – the EU. Given that neither the Netherlands nor the EU has direct control over market actors, their ability to applying hard power methods in the field of natural resources is limited. Therefore, the Netherlands and the EU are heavily relying on diplomatic means – specifically geoeconomics diplomacy – in their quest to secure natural resources. In this diplomatic endeavour, non-state, market actors are essential given that they are the ones directly engaged in economic relations to secure natural resources.

## Conceptual framework

In this conceptual framework I attempt to outline and draw connections between several concepts that are at the foundation of this research that focuses on the possibilities for smaller EU member states to address challenges originating from natural resource availability in international relations. First, I will lay the groundwork for the theoretical framework in which this research operates by engaging with the nexus of politics and economics, and conceptualise the notion of power in the international system. Engaging with literature of mainly neo-realist and neo-liberalist schools of thought, a framework of international political economy is laid out that engages with the dynamic between states and markets. Following this, middle power theory is explored. Here I engage with the assessment of what constitutes a middle power, explore challenges that come with this categorisation and lay out common methods of foreign policy available to these nations. Thereafter, an overview is made of the working of natural resources in international relations, establishing why a framework of international political economy and geoeconomics is needed in researching this specific area. Lastly, I engage with the fit of middle power theory within a framework of international political economy.



## State market nexus in international relations theory

The debate on the role of economics in international relations has been adapted in different ways by its two major streams of thought, liberalism and realism. Influential thinkers within both streams have acknowledged the importance of economics to international politics. Kenneth Waltz, who is at the foundation of neo-realist thought, describes the single purpose of the self-interested state to be its survival. It attempts to secure this through gaining relative power vis à vis other states, originating from military and economic means and resulting in a natural balancing of states within the anarchic world system (Waltz, 1979). States are the actors within the sphere of international relations, and this theoretical view explains not their specific policies but rather the systemic structure in which international politics takes place and where these state actors seek structural power. Power as a concept in international relations can be explained in two ways: The first is the ability to influence the behaviour of other actors in the international sphere in such a way that it aligns with your own interests (Lasswell & Kaplan, 1950, p. 75). The second is the ability to prevent other actors from affecting your own behaviour, possibly in a way that is no longer aligned with one's perceived self-interests (Singer, 1972, p. 54). The first could be described as power in the form of influence, the second as power in the form of autonomy (Goetschel, 1998, p. 15).

A neo-liberal institutionalist approach to this systemic structure is somewhat similar under their complex interdependence theory (Keohane & Nye, 1977). While also built on the notions of self-interest and survival, influential scholars such as Keohane and Nye disagree with the perspective that gains have to be relative to other states, and see states' self-interest leading to cooperation as a vehicle for absolute gains (Keohane & Nye, 1973, 1977). This path of cooperation would see important roles for governing agencies within the anarchic international system, with international institutions offering an aspect of security and mutual-confidence building to cooperation between states seeking absolute gains.

## International Political Economy

These theories provide a solid foundation for both economic competitiveness as well as cooperation, as a large part of state interests originate from its economic capabilities. The relationship of the market and the state becomes intertwined when origins of state security come forth out of military and economic power. Influential scholar of international political economy (IPE), Susan Strange, seeks to explain these two conceptual sources of power by determining the different concepts through which a state can improve its international standing

among other states (Strange, 1988, p. 28). Structural power based on military power originates from a state's access to military resources, and is thus intertwined with gains in the economic sphere – the mobilisation of capital, the means of production and purchasing power are essential elements in securing this access (Strange, 1988, p. 28). But the interrelation of the two fields works both ways, as structural power originating from the economic sphere requires political authority to provide security and a legal framework to operate within (Strange, 1988). Control over economic variabilities becomes an essential part of the structural power of the state, something that is increasingly relevant when it comes to natural resources as these in itself can provide states with relative power over other states. A realist approach explains how increasing demand as well as concentration of ownership of natural resources drives the competition between major powers as we see happening today (Klare, 2009). This is because ownership can be used to influence other powers that are import dependent (Casier, 2011, pp. 494–495).

The importance of the market in the pursuit of structural power sourced from the economic domain can thus not be discounted, and is emphasised by Strange to be a challenge for governments – especially for those of smaller states – due to the growing influence of transnational firms in an age of increased global interconnectedness (Strange, 1996, pp. 12–16). The transnational firm has tools at its disposal and influence within the global market system, making cooperation with them necessary for a state willing to increase its economic power (Strange, 1992, p. 67). The nexus between politics and economics, especially when a state uses economic instruments as a tool for gaining structural power can be called *geo-economics* (Blackwill & Harris, 2016).

The phenomenon of increased global interdependencies, the result of growing global economic networks and global value chain integration in the last decades (Cigna et al., 2022, p. 3), has the potential to result in different forms of behaviour under the assumptions of the previously discussed neo-liberal-institutionalist and neo-realist theorems. The increased prevalence of global economic networks in itself would suggest that arguments of increased cooperation and institutional and legal frameworks as put forth by neo-liberalist theory are correct. However, increased interdependence among states also adds a layer of security risks when viewed from a realist perspective, as seen from the earlier argument by Casier built on the scarcity of natural resources (Casier, 2011, pp. 494–495). Additional depth is added to these threats of security when considering that the economic sphere from which they originate is not always controlled

by state actors, but more and more by networks of private actors (Farrell & Newman, 2019, p. 44).

This last part is an aspect that is somewhat overlooked in traditional theories of neo-realism and liberalism, where high levels of economic output are correlated to high levels of structural power (Keohane & Nye, 1977; Olsen, 2020, p. 4; Waltz, 1979). If non-state actors play a major role in the economic decision making within the global market, it is difficult for the state to pursue its strategic interests through the economic sphere. Revisiting the earlier elements that were mentioned as sources for structural power in the economic domain, it becomes evident that several are depending on degrees of market control. This is especially true for control over the means of production, which is largely in hands of private actors in many of the world's democratic states. Smaller and middle sized democratic states such as the Netherlands are thus very limited when it comes to structural power. Their limited military power cannot be offset by their relatively large economic size, as their liberal economic system does not lend them the control necessary to source structural power from it. In itself this would not necessarily be an issue, but it leaves the Netherlands and similar countries in a position in which they are dependent on other states in many sectors. This makes them vulnerable to disruptions in global supply chains – whether circumstantial or purposeful – and leaves them with little tools to combat their situation. Accordingly, IPE scholar Robert Gilpin states that the function of power in the global system leads to a need for smaller countries to obey to the commands of the dominant states (Gilpin, 1987, p. 30).

### Middle power theory

There is a substantial amount of literature on middle powers that describes these difficulties when it comes to foreign policy making. Before elaborating on these difficulties according to middle power theory, it has to be established what constitutes a middle power. This can be difficult, as the notion is inherently relative to categorisations of large and small power states, which in itself can be open for discussion. In general, three different methods for the categorisation of middle power states can be found in the overarching literature (Carr, 2014; Chapnick, 1999; Goetschel, 1998, pp. 13–19; Robertson, 2017).

The first is based on realist notions of quantifiable state capacity. Several indicators are being used to order the sample of states in a hierarchical manner (Chapnick, 1999). This system plays into the relative nature of the categorisation of states as mentioned earlier, and uses the three groups of great, middle and small nations to classify the states according to their structural

power. Different authors have used different indicators to group the states. Early examples of this approach show a wide variety, gross national product (GNP) is used by both Wood as well as Holbraad - the latter also including population - whereas Neack uses both those indicators as well three others: military expenditure per capita, literacy and infant mortality rates (Holbraad, 1984, pp. 89–90; Neack, 1993, pp. 351–352; Wood, 1990, p. 70). Despite the intention for this model to function as an objective analytical and categorisation tool, the selection of the indicators adds an element of subjectivity. It also does not take into account the ability of a country to utilise their level of power, influencing international politics. Recent years have seen a large improvement in the efficacy of this measurement, as more variables and types of variables have been introduced to determine national power (Abbondanza & Wilkins, 2021, pp. 14–15).

The second method of establishing states to be middle powers emphasises this point. It is a qualitative method that assumes states to be either large or small. Middle states would be small countries that cannot be regarded as great powers, but whose influence in certain policy areas is too large to be discounted (Keohane, 1969). This model based on functionality builds on the application of state capabilities and lends special status to states that have responsibilities and influence in certain areas of their interest (Wood, 1988, p. 4). Using this method seems to make the categorisation of middle powers somewhat circumstantial, but a clear distinction can be made to those states whose interests are not necessary for great powers to take into account – and thus have to adhere to the earlier condemnation of obedience as mentioned by Gilpin (1987, p. 30). Once a state has obtained this status and has been granted a voice through institutional or multilateral means, the process and therefore status become hard to reverse (Chapnick, 1999, p. 75).

Last is the behavioural method. This method takes a more deductive approach and establishes that middle power states can be categorised as such by examining whether they exhibit behaviour that we ascribe to the category itself (Bélanger & Mace, 1997). Overarching determinants of such behaviour are active multilateralism, assuming roles of conflict management and the assertion of moral power, or “good international citizenship” (Cooper, Higgot, & Nossal, 1993, p. 19).

### Challenges for middle powers

Countries that reside in the category of middle power differ in the options available to them in terms of their foreign policy when compared to great powers and small powers. Unlike small

power states, they do not always have to follow and adhere to the policy directions of great powers, but unlike great powers they do not have the possibility of consistently influencing behaviour of others at the global level. This brings some opportunities to these states, as they are presented with the choice of participation that is not always available to greater powers. It also includes the downside that a middle power has to focus on certain areas if it wants to actively influence an issue on the global stage. An important element to the behaviour of middle states is the balancing of the two types of structural power that have been mentioned earlier: influence and autonomy. Due to their limited influence when acting by themselves, middle states often need to seek cooperation in order to pursue influence in a certain area, presenting the dilemma of integration (Goetschel, 1998, p. 26). If a middle power seeks to increase its influence, it is often met with a loss of autonomy (Goetschel, 1998, p. 26).

### Middle power methods of foreign policy

The restrictions and opportunities presented to middle power states have an influence on the way they conduct foreign policy and diplomacy. Cooper argues for the phenomenon of *niche diplomacy*, with which he describes the allocation of diplomatic resources to concentrate on a certain area in which the country excels or has a large interest (Cooper, 1997). Important is that this area is one that is appreciated in the international sphere, leading to positive inclusion for the middle power.

Generally, the middle power has to focus on soft power rather than hard power. The concept of soft power relates to the use of attraction and persuasion when pursuing domestic interests (Nye, 2019, p. 7). An important tool of soft power is public diplomacy, which refers to state attempts at positively influencing the perception of itself through public channels that are increasingly related to collaboration with relevant civil society actors (Golan, 2013; Graffy, 2009; Melissen, 2018). It is largely seen as being limited to the realm of soft power (Hayden, 2017). Public diplomacy, built on resources of soft power such as culture, power, and policies, is often used to build credibility for the actor that employs it among the target audience (Nye, 2019, p. 7).

The aforementioned focus on cooperation with non-state actors is an important part of the foreign policy tools characterising middle powers. Particularly through cooperation with national and international NGOs, middle powers can gain knowledge and expertise in certain areas of influence (Hynek, 2007). By increasing its network of non-state actors, middle powers

can gain legitimacy, bargaining power and influence in international matters aligned with its interests (Klem & Kester, 2011, p. 43).

One of the most recurring characteristics of foreign policy in middle power theory is those states' usage of multilateral diplomacy (Turnbull, 2022). Multilateral diplomacy is diplomacy conducted by no less than three states and can take place in ad-hoc settings, but is more commonly entrenched in institutions set up to facilitate multilateral channels (Muldoon, Fagot Aviel, Reitano, & Sullivan, 2018, pp. 6–7; Pouliot & Cornut, 2018, pp. 193–194). Large parts of world trade, security, environmental and economic cooperation between states and other actors in international relations are institutionalised in multilateral fora (Pouliot & Cornut, 2018, p. 193). Increased global interdependence have caused multilateralism to play a large role in the current system of international politics, increasing the international standing and influence of middle power states (Hurrell, Cooper, González González, Ubiraci Sennes, & Sitaraman, 2000). Diplomacy through international organisations are often an essential part for middle powers (Flemes, 2007, pp. 16–18).

An additional aspect to the foreign policy of middle powers is their focus on the international rule of law (Flemes, 2007; Rickli, 2008). This can be deducted from the earlier mentioned notion under the behaviouralist approach towards middle powers, that such states behave as good international actors and moral powers (Cooper et al., 1993, p. 19). Strengthening the international rule of law and thus increasing the resilience of a shared international framework is beneficial for middle powers, as it safeguards their autonomy and security. It also allows them to influence the framework in their favour through coalitions of like-minded states.

## Natural Resources

Natural resources play an important role in international relations. Some states are in need of natural resources that cannot be produced domestically, while the domestic production and trade of resources make up a large part of resource-rich countries' economies (Kalantzakos, 2017; Kuo & Tang, 2015; OECD, 2019). Countries that are not rich in resources have to engage in diplomacy in order to safeguard the national interests that are paired with natural resources (Kuo & Tang, 2015; Rothstein, 1985). These interests are broad, and range from securing the domestic energy and electricity supply, to the support of national economies where certain industries need raw materials to operate (Dawson, Rosin, & Wald, 2017). The EU understands raw materials diplomacy through the development of strategic partnerships, frameworks of

cooperation and policy dialogues with non-EU countries who can support the EU's access to raw materials (*Raw Materials Diplomacy*, n.d.).

Recent years have seen an increase in attention for natural resources in international relations, due to more volatility in the raw materials market, which is paired with increased global competition (Boersma & de Bourbon Parme, 2014; Gulley et al., 2018; Koch, 2015). A primary reason for this has been the growing importance of certain materials due to technological advancements (Gulley et al., 2018). Additionally, these materials are used in technologies that are essential in the battle against climate change, such as solar panels, wind turbines and electric cars, and are thus increasingly of strategic importance (Boersma & de Bourbon Parme, 2014). The issues related to market volatility came to the forefront of public attention in 2010, when China decided to cut exports on rare earth elements to Japan in response to a dispute between the two countries (Bloomberg, 2010; Kuo & Tang, 2015). The use of natural resources as a geopolitical tool highlighted the issues that accompanied resource dependency. Both the European Union (EU) and the United States (US) are highly dependent on Chinese supplies of those same rare earth elements prompting both actors to construct strategies related to critical raw materials (European Commission, 2011; Kalantzakos, 2017; U.S. Department of Energy, 2010).

### Natural resources and geoeconomics

The issues for the European Union related to natural resources and its dependencies on them, as described in the prior section, provide an excellent example of the difficulties presented to liberal market economies within the global system as described by IPE. Natural resources exemplify this issue as they are scarce resources that states are dependent on, but which are traded in the private domain. For states to exert influence on this dynamic, they need to have a certain amount of control over their domestic market and its actors. This, combined with the sentiment that resource dependency can be used by states to exert influence over others limiting the structural power in the form of autonomy for dependent states, makes natural resources in the domain of international relations a perfect example of geoeconomics.

International political economy presents a field that is in contrast with the earlier mentioned theories of neo-realism or neo-liberalist. In those theories the state remains the primary actor, even when cooperation with other states through institutional actors are accounted for in streams of neo-liberalist institutionalism. These are written from the perspective of complete state-ownership and control over markets and resources, not accounting for the autonomy of

market-based actors. This research therefore operates within a framework of international political economy, which is able to combine the geopolitical interests of states with the influence of institutional and market-based actors. Similar to the theoretical framework set out by Stoddard for international energy relations – which he based on the works of Robert Cox and Susan Strange – this research operates under the assumption that the study of politics and economics cannot be separated from one another (Stoddard, 2013). This means that actors with interests in natural resources always operate in a unitary political-economic sphere. The structure of a state's market therefore has a large amount of influence on the way that states can behave in the geoeconomic field of natural resources. Market-capitalist states have much less tools available to them when compared to state-capitalist ones (Blackwill & Harris, 2016, pp. 9–10).

### Market structure of EU member states

The state-market setup of market-capitalist states can be divided into two categories, liberal and coordinated market economies (Hall & Soskice, 2001). Liberal market economies include examples of the United States and Ireland, while the Netherlands falls under the umbrella of coordinated market economy (Hall & Soskice, 2001). The important distinction in this division is the role of the state in market activities, which takes a more limited role in the liberal market economies and a more involved role of 'enabler' in coordinated market economies (Olsen, 2020, p. 51). Several years later, a third category was envisioned, that of state enhanced economies (Schmidt, 2003). The Netherlands maintained its position in the coordinated market economy, but was described as a somewhat more liberal system than in the previous categorisation (Schmidt, 2009, pp. 526–528).

But regardless of their categorisation, whether it includes a larger role for the state or not, member states of the EU and the EU itself cannot be categorised as a state capitalist economy (Kurlantzick, 2015). This means that none of the EU member states has enough control over their market sector and the actors functioning within it to utilise them in their favour in the geoeconomic realm. Because of their lack of control, they are unable to directly instruct actors in the field of natural resources to act in their interest by securing supplies or by diversifying. Additionally, member states cannot directly prevent actors within their markets from acting against their interests, for example through cooperation with states that are geoeconomic rivals.

This contrasts with the abilities presented to state-capitalist countries, as they have the ability to use state owned enterprises (SOE) in the field of natural resources to conduct forms of



economic diplomacy, or gain ownership of actors within the supply chain by investing through state-owned banks and wealth funds (Blackwill & Harris, 2016, pp. 9–10; Olsen, 2020, p. 53). As stated by Leonard, states are prepared to weaponize the global system itself by using the disruptions in links and connections (Leonard, 2016, p. 15).

## Geoeconomic diplomacy

Yet there are other methods through which the market-capitalist European member states can exert geoeconomic influence despite a lack of control over their market actors. Through using multilateral diplomacy in the form of the European Union, the cooperating member states can use its regulatory power to affect the geoeconomic sphere (Bradford, 2016). This form of geoeconomic diplomacy builds on liberalist theory of institutional cooperation and allows the member states to leverage their collective economic power by setting standards and creating international legislation in their favour (Bradford, 2020; Olsen, 2020, p. 37).

Geoeconomic diplomacy is a distinct form of diplomacy, and should not be seen as a duplication of economic diplomacy. It relates to economic issues, such as trade, finance and investment, but also more generally to the framework in which states conduct economic relations (Woolcook, 2018, p. 219). This type of diplomacy could therefore traverse into the realm of hard power (Melissen, 2018, p. 200). The concept of hard power relates to the use of (threats of) coercion, or inducements to influence other actors to behave in a way that aligns with domestic interests (Nye, 2019, p. 7). Economic diplomacy plays a role in both of these methods of hard power, especially due to increased interlinkage of states in the global economic markets (Woolcook, 2018, p. 220). However, realist conceptualisations of economic diplomacy are concerned with solely the economic field and does therefore not have a political agenda (Lee & Hocking, 2018, pp. 4–5). Threats of coercion involve actions that have political and economic ramifications such as the instalment of sanctions (Okano-Heijmans, 2011, p. 16). This last conceptualisation thus fits within the framework of IPE, in which the political and economic domain are considered to be one, this notion does not hold up. Within this framework of IPE, Okano-Heijmans argues that economic diplomacy ought to be viewed in a dualistic manner, either as leveraging political means to pursue national economic welfare or by leveraging economic means to pursue political stability (Okano-Heijmans, 2011, p. 17). By extension, as most cases of economic diplomacy are not cleanly cut in pursuing gains in solely one of the two domains, economic diplomacy should be viewed as operating within the nexus between both fields (Okano-Heijmans, 2011, p. 20). While this notion is indeed fitting within the realms of international political economy, it does not cover the meaning of geoeconomic

diplomacy. That, in contrast, is only concerned with the use of economic means by a state in order to pursue geostrategic interests (Olsen, 2020, p. 61). It thus limits the scope of the tools at hand, but also broadens the intended outcome beyond political stabilisation (Olsen, 2020, p. 61). Geoeconomic diplomacy is very much in line with the concept of hard power with sanctions being a prime example of its practice. However, it also has uses tools more in line with soft power, as shown by the usage of geoeconomic diplomacy centred around international standard setting based on leveraging economic power.

When it comes to the field of natural resources within international relations, member states of the European Union are operating in the geoeconomic sphere with very little political power due to their limited control over market actors. This means that for them the term geoeconomic diplomacy is often more fitting than the more general conceptualisation of economic diplomacy. When it comes to natural resources, geoeconomic diplomacy is central to the securitisation of their supply, as it includes methods of inducement that positively influence relations such as trade deals, free-trade arrangements or the promotion of investment (Okano-Heijmans, 2011). These methods are often utilised in strategies of resources diplomacy as states use economic aid or investments to gain closer ties with resource rich countries (Beeson, Soko, & Yong, 2011; Okano-Heijmans, 2016; Patrahau et al., 2020; Reilly, 2013; Rothstein, 1985).

### IPE and middle power theory

The situation of European member states in relation to natural resources in international relations as explained through the framework of international political economy sees a lot of commonalities with the literature on middle powers. Similarly, a lack of power in certain areas limit the tools available to a state that seeks to influence global affairs in a manner that aligns with their domestic interests. Conceptually this makes sense, as almost all of the European member states fall within the category of middle power – a couple of possible exceptions include France and Germany, and perhaps Italy (Wood, 1987). Methods of geoeconomic diplomacy touch on several of the points that middle power theory ascribes to be elements of the foreign policy behaviour commonly exhibited by such states. Especially the middle power aspect of multilateralism is reflected by the combined leverage European states can utilise through the European Union. Other aspects, such as an inclination to focus on international law is recurring here too, in the form of influence through regulatory power. The inclination for middle powers to seek out cooperation with non-state actors is essential in the framework of natural resources within international political economy, and highlights the commonalities between the two theoretical strands and fit of middle power theory within the framework IPE.

## Research Design

Following the previous section in which the conceptual framework has been laid out for the working of smaller European member states in relation to the field of natural resources within international relations, this section is concerned with the questions at heart of this research. As shown in the conceptual framework, the literature on international political economy, middle power theory, natural resources and geoeconomics has put forth several behavioural expectations for smaller states that intend to secure said resources. In this section I will set out the research design with which I intend to test the different theoretical concepts put forth by the theoretical framework.

The conceptual framework has introduced several assumptions regarding the behaviour of small states in their foreign policy. These largely fit within the framework of international political economy, according to which natural resources are best analysed within a context of international relations. This research seeks to test whether these theoretical assumptions hold true within the context of a small European member state. In order to do so, a case study will be performed on the Netherlands in which it will be analysed whether its behaviour in recent years holds true to the assumptions put forth by the conceptual framework. By performing a detailed and thick analysis of the Dutch behaviour, as made possible through the research design of a case study, I seek to find whether several of the concepts laid out in middle power theory, international political economy and geoeconomics hold true when applied to this new context of a small European state seeking to secure natural resources. This is different from classical approaches to the field of natural resources in international relations, which in itself is an underdeveloped field, that are largely built on notions of neo-realist theory or neo-liberal institutionalist theories and tend to favour great powers or state-capitalist countries as cases.

This form of single case theory-confirming research comes with its own strengths and weaknesses. It offers a good opportunity to seek empirical support for the applicability of concepts from middle power theory in a context of international political economy, and therefore offers strong internal validity (Halperin & Heath, 2017, p. 216). However, this method could limit the external validity of the research as the analysis is based on a single occurrence (Halperin & Heath, 2017, p. 216). This means that confirming whether these concepts hold true in a different context is difficult. Attempts at mitigation of this issue have been enacted by the careful selection of the case of the Netherlands.

## Case selection

In order to justify that the Netherlands is representative of a smaller member state of the European Union and that it is suitable for this research design, it first has to be established whether the different theoretical concepts apply to the case. In order to do so, I will first establish that the Netherlands falls within the parameters of a middle power state. Secondly, I will highlight how it is representative of other small European member states operating in the framework of international political economy. Last, I will refer to specific elements of the Dutch situation in relation to natural resources and explain why their case is particularly interesting.

## The Netherlands and middle power theory

The overarching literature on middle power theory suggests that there are three different approaches in the methods that are used to establish whether a state is a middle power (Carr, 2014; Chapnick, 1999; Goetschel, 1998, pp. 13–19; Robertson, 2017). The first is based on a hierarchical ordering of quantifiable data on state capacity, the second is based on qualitative data of state functionality, and the third is based on the assessment of state behaviour.

### *Assessment of state capacity of the Netherlands*

There are different indicators that have classically been used to determine whether a state falls in the middle power category. The most essential ones have classically been indicators of the size of the economy and the size of the population, with military expenditure often included as well (Neack, 1993). When applying these to the case of the Netherlands it shows that it scores rather high in the categories of gross national income (GNI) and gross domestic product (GDP), as it landed on the 17<sup>th</sup> place in 2020, according to the most recent data available from the World Bank (The World Bank, 2022a, 2022b). When considering total population size, the Netherlands ranks much lower, at the 69<sup>th</sup> place in 2020 (The World Bank, 2022e). In terms of total military expenditure, the Netherlands ranks 21<sup>st</sup> globally, but when assessing expenditure as a percentage of GDP it slots in around the middle of the pack – as expected based on the GDP ranking (The World Bank, 2022c, 2022d).

Overall these statistics seem to affirm the place of the Netherlands as a middle power state, albeit at the higher end of the spectrum according to this hierarchical model. It consistently ranks in close proximity of both Australia and Canada (always a few places lower), the two countries most commonly mentioned as middle powers in the literature. The gap in ranking with those countries is the largest in the indicator of population, where Australia ranks 55<sup>th</sup> and

Canada 39<sup>th</sup>. As all three countries rank significantly lower in terms of population when compared to the classical great powers ahead of them, this could indicate an important factor in their middle power determination based on state functionality.

#### *Assessment of functionality of the Netherlands*

Highlighting whether the Netherlands ought to be included in the middle power category based on functionality is somewhat difficult, as it would depend on circumstantial evidence of situations where it had to be included in decision making at a global level and others where it had not. Perhaps the easiest way to highlight this dynamic is by examining the international organisations of which the Netherlands is a part and those of which it is not. The most clear determination of a great power can be found in the permanent seats of the United Nations Security Council (UNSC) – the United States, France, the United Kingdom, China and Russia (Brown, 2004, p. 6). Although arguably an outdated structure as the balance of power has shifted since the UNSC's establishment, the five permanent members of the UNSC remain arguably some of the largest powers in the world, with their power being not only acknowledged but also reinforced by the council (Brown, 2004, p. 6). The Netherlands does not have a seat there, and neither does it have a seat in the more informal indicators of great power, the G7 (previously G8), or the G20 (G7, n.d.; *Participants*, n.d.). The G20 includes 80% of the global GDP and 60% of the population through countries like India, Indonesia and Japan, but also European countries like Germany, Spain and Italy (*Participants*, n.d.). Nonetheless, the Netherlands is not a member of these major institutions. It is, however, a member of other influential organisations such as the OECD, NATO and the European Union (*Dutch representation at international organisations*, n.d.).

This division of membership of influential international organisations seems to suggest that the Netherlands is a middle power based on the functionality perspective. Its interests are not directly taken into account at the highest level of global decision-making, but the country is still able to further its foreign policy through membership in lower-level and regional institutions.

#### *Assessment of behaviour of the Netherlands*

The last categorical assessment method is that of behaviour, through which a country can be classified as a middle power state. This is performed by examining whether the selected country behaved in a way that characterises middle powers. The overarching criteria for this have been

established as active multilateralism, portraying good international citizenship and assuming roles of conflict management (Cooper et al., 1993, p. 19).

The first criterium of active multilateralism can be confirmed when reviewing the membership to the different international organisation as described under the functional assessment method. Its position of founding member of both the OECD and the predecessor to the European Union, the European Economic Community, highlights the important role that multilateralism has within Dutch foreign policy (*List of OECD Member Countries - Ratification of the Convention on the OECD*, n.d.; *History of the European Union 1945-59*, n.d.).

The behaviour of good international citizenship is perhaps more difficult to determine, but could be confirmed based on the International Criminal Court being seated in the Netherlands (*The International Criminal Court (ICC)*, n.d.). Moreover, the judicial branch of the UN, the International Court of Justice, is situated in the Netherlands since 1949, following the proposal of the Dutch Government (*History*, n.d.). The development of international law is a fundamental part of the country's foreign policy (*International Legal Order*, n.d.).

The remaining criterium of assuming roles within situations of international conflict management can also be confirmed when looking at its involvement in recent crises in Mali, Lybia and Lebanon as part of missions of the United Nations; involvement in Georgia and Ukraine as a part of the EU; and involvement in Afghanistan and Iraq as a part of NATO (Ministerie van Buitenlandse Zaken, 2021). Alternatively, an argument against the notion of good citizenship could be put forth based on the Dutch involvement in some of these missions. Nonetheless, the overarching narrative and portrayal of the Netherlands in the international sphere would suggest that the country can be viewed as a middle power based on the behavioural method as well.

### *Conclusion*

All three of the different methods used to categorise states as middle powers point towards the inclusion of the Netherlands. This notion of Dutch inclusion is shared by research on the literature of middle powers, both in the early stages of its development as well as recently published research (Oosterveld & Torossian, 2019; Wood, 1987).

### **EU member states within the framework of IPE**

In order to establish whether the case of the Netherlands is representative of other small EU member states within the framework of international political economy in relation to natural

resources, the main determinants are their policy options and capabilities. In other words, the question of whether Dutch policy options and capabilities are drastically different from other small EU states should be addressed. As alluded to in the conceptual framework, the market-capitalist EU member states can be categorised in three different categories: liberal market economies, coordinated market economies and state enhanced economies (Hall & Soskice, 2001; Schmidt, 2003). Such differences in the way the state interacts with the markets will result in differences when it comes to the geoeconomic nexus. However, these differences are minimal when compared with state-capitalist actors with regards to natural resources in the political-economic domain. As all European states are market-capitalist economies, the element of control over market actors is negligible when it comes to the choices of foreign policy and diplomacy with regards to natural resources. Certainly, differences can be found when looking at the precise implementation of these policies in various countries, but generally speaking they have a similar manoeuvre space in securing natural resources.

A more important factor that limits the generalisability among EU member states is the level of domestic resource production and therefore resource dependencies, which differs between the member states. While the low amount of control over the market based actors in this domain is shared among the states, the level of urgency for securing materials is not. Recent developments in EU policy have attempted to mitigate these inequalities by promoting solidarity and trust between member states, the Energy Union initiative presenting a good example (*Energy Union*, n.d.). Nonetheless, such differences in production capabilities have to be taken into account when generalising the case of the Netherlands to other small EU member states.

### Distinct characteristics of the Netherlands

The Netherlands presents an especially intriguing case among the EU member states within the framework of natural resources in international relations. Interestingly, the Netherlands plays a particular role in the European resource acquisition. The harbour of Rotterdam is the largest in Europe, and thus provides an essential part of infrastructure. A proportion of 16.8 % of maritime imports in the EU was handled by the Netherlands, more than any other member state (Eurostat, 2021). The importance of the Netherlands for the EU supply of natural resources becomes clear when assessing that more than 70 % of the Dutch imports in raw materials and mineral fuels come from outside of the EU, while the share of the EU is no less than 50 % in any other category (CBS, 2021, p. 143). In other words, the Netherlands is a trading hub for natural resources, with a large part of its imports being aimed at re-export in the EU (CBS,



2021, p. 7). Several natural resources are among the top categories in re-exports out of the Netherlands, crude oil and petroleum products topping that list with 84 % of imports being re-exported, notably to other EU member states (CBS, 2021, p. 150).

Besides this role at the forefront of EU natural resource imports, the case of the Netherlands has another notable characteristic. In the past decade, the Netherlands has been downscaling its own natural resource production extensively (Rijksoverheid, n.d.). This means that the country is becoming even more dependent on resource imports, and thus on effective diplomacy to mitigate this issue. The Dutch government has recognised this complication, and assigned several papers to be written about their dependency on certain materials and resources, informing the Dutch government of strategies to apply (Patrahau et al., 2020; Rietveld & Bastein, 2015).

## Operationalisation

After selecting the case of the Netherlands, this section will focus on the conceptual assertions presented by the framework of middle power theory and international political economy that will be tested and the data this analysis will be based upon.

### Theoretical assumptions

The conceptual framework on middle power theory and international political economy have put forth several assumptions about the working of the system and the behaviour of the states that reside within it.

Most importantly, the framework of IPE laid the foundation for the behaviour of market-capitalist states when these pursue their self-interest in the field of natural resources, which is heavily entrenched in the geoeconomic nexus. It dictates that due to the large amount of market actors, market-capitalist countries lack the market control necessary to directly pursue their geoeconomic interests. Additionally, it presumes that despite these limitations on political control over the market, such states can pursue their interests through diplomatic means. Primarily using methods of geoeconomic diplomacy, states can leverage their economic power to pursue political interests.

Some overlap can be found with the literature on middle power theory, which asserts several methods through which non-great powers can pursue their interests. Central to this theory, as well as an important element of geoeconomic diplomacy, is the middle power's focus on the usage of multilateralism to pursue its interests. This assumption of expected behaviour is



central to middle power theory and thus ought to be the primary observation of the case study of the Netherlands, as it is expected to conduct most of its diplomatic approaches to natural resources through the European Union.

Other methods of foreign policy behaviour include the focus on non-state actors, something that aligns well with the theoretical framework of IPE. In the framework of IPE built around natural resources, the focus is placed mainly on corporate actors rather than NGOs, which corresponds less to the forms of public diplomacy that are suggested as another policy method for middle powers. Therefore, the use of public diplomacy is not included in the analysis.

The third assertion about foreign policy behaviour is that middle powers focus on the rule of law, which has also been mentioned as an important part of geoeconomic diplomacy – although the focus in that instance is put on the usage of economic leverage, which is not necessarily the case for middle power theory. Last is the method of niche diplomacy, with middle states focusing on certain specific policy areas in which they excel when conducting diplomacy.

## Research question and hypotheses

These different concepts of middle power theory within the framework of international political economy and geoeconomic diplomacy, will be tested by analysing the Netherlands foreign policy approach towards securing natural resources. The term resource diplomacy is used to refer to diplomatic means to securing natural resources.

This leads to the following research question:

*RQ: How do theoretical concepts of international political economy and middle power theory explain the Dutch and European strategy of resource diplomacy?*

Informed by the conceptual framework of middle power theory and IPE, this research develops the following hypotheses:

*H<sub>1</sub> The Netherlands conducts most of its resource diplomacy through the European Union.*

*H<sub>2</sub> The Netherlands and the European Union conduct their resource diplomacy in the field of natural resources in the form of geoeconomic diplomacy and the rule of law*

In order to test these hypotheses, primary and secondary data is used. First, primary data includes press releases and official documents of the Government of the Netherlands and the European Union that contribute to an understanding of the main pillars on which resource

diplomacy is conducted. Finally, secondary data through journal articles, think tank reports and news articles is used to describe and analyse the Dutch and European resource diplomacy.

## Analysis

### Dutch resource diplomacy

In the first part of the analysis, I will establish the foreign policy strategy of the Netherlands with regards to natural resources by using 3 essential documents. First, I will briefly discuss a governmentally funded report that had the intention of forming and informing the future Dutch resource strategy. This report was published in of 2011, not long before the first resource strategy of the Netherlands came into existence. The note that includes the newly formed resource strategy is published in July of the same year and will function as the main document of this analysis. Third, the foreign policy outline of the new coalition's ministry of foreign affairs will be examined for its resource strategy. After these three guiding documents on the Dutch foreign policy with regards to natural resources have been discussed, the validity of the assumptions drawn from the conceptual framework will be tested together with the hypotheses.

### Before the strategy

The first document on a natural resource strategy either published by the Dutch government or funded by the Dutch government was a 2011 report written by the Hague Centre for Strategic Studies (HCSS), which includes policy advice for a possible Dutch resource strategy (HCSS, 2011). Up until this point there is no official resource strategy constructed by the Netherlands. This policy paper, funded by the Dutch Ministry of Foreign Affairs, argues in favour of the Netherlands forming its own natural resource strategy. It argues that a global resource demand that is outpacing its supply, combined with a shift towards a multipolar order, has led to increased competition over natural resources and resulting in less security of supply and increased instability (HCSS, 2011, pp. 21–34). The main interests of the Netherlands in implementing a natural resource strategy are not necessarily related to economic benefits, but rather to the long term security of supply of resources for the internal market (HCSS, 2011, p. 13).

Several policy recommendations are presented in the paper. First, it recommends that the Netherlands continues to focus on mechanisms of free trade. It mentions the prevention of trade-barriers as a primary focus and suggests that the Netherlands uses international organisations of free trade such as the OECD and the WTO to actively prevent countries from creating trade barriers that could lead to insecurity in the supply of natural resources (HCSS, 2011, p. 14). Additionally it should actively pursue the safeguarding of international free trade through its diplomatic ties with major resource consuming and producing (HCSS, 2011, p. 14).

Second, it argues that the Netherlands should focus on supporting the natural resource policies of the European Union, as individual resource policies by EU member states can present risks to the authority of the EU compared to its competitors in the US and China (HCSS, 2011, p. 14). This focus is especially important as the European Commission has specific tools available to it regarding regulatory power in the internal market (HCSS, 2011, p. 15). Here, the paper also highlights the importance of good relations with major resource consumer Germany, as the Netherlands plays a large role in the transport of its supply (HCSS, 2011, p. 15). In this section, arguments are also made for establishing relations with non-Dutch multinationals and countries relevant for the Dutch “top sectors” such as High Tech Systems and Agriculture as these are intertwined with a supply of natural resources (HCSS, 2011, p. 15).

Third is the recommendation that the Netherlands should decrease import dependencies of natural resources through EU initiatives of recycling and cooperation with domestic private actors (HCSS, 2011, p. 16).

The fourth policy recommendation is to use international development policies to increase the sustainability and security of natural resource suppliers (HCSS, 2011, p. 16). By pursuing good governance principles in resource producing states through regulatory frameworks, standard setting, establishment of conflict management programmes and cooperation in international initiatives, the Netherlands can contribute to better circumstances that lead to increased supply of resources on the global market (HCSS, 2011, p. 16).

Fifth and last is the recommendation of maintaining good relations with major resource producer China, pursuing dialogue on the security of supply of natural resources through methods of niche diplomacy centred around Dutch expertise such as water management and agriculture (HCSS, 2011, p. 17).

## The ‘grondstoffennotitie’

Two months after the release of the report by HCSS, the Dutch government published its own natural resource strategy, in the form of the ‘grondstoffennotitie’ (note on natural resources). In the letter accompanying the strategy stated that the supply of resources is primarily the responsibility companies themselves, but that due to several factors related to increased scarcity the state should add an adequate response (Tweede Kamer Der Staten-Generaal, 2011, p. 1). This publication should therefore serve as the start of an ‘integral’ Dutch natural resource strategy (Tweede Kamer Der Staten-Generaal, 2011, p. 1).

The publication of the ‘grondstoffennotitie’ marks the first and only concise publication that presents an overview of Dutch natural resource related policies, especially related to the international sphere. As stated in the note, the primary aim of the policies is to secure the supply of natural resources for the Dutch economy (Tweede Kamer Der Staten-Generaal, 2011, pp. 3–4). From the onset of the note, two statements are made that characterise the strategy and its policy initiatives. The first is that the primary concern of the Netherlands in their natural resource strategy is the maintaining of the free-trade system (Tweede Kamer Der Staten-Generaal, 2011, p. 4). The second is that the Netherlands will pursue solutions through the framework of the European Union where possible, and domestically when necessary (Tweede Kamer Der Staten-Generaal, 2011, p. 5).

This focus on using the European Union is evident throughout the strategy note, as it mentions the desire to build upon the Raw Materials Initiative and Resource Efficiency initiative of the EU and sees an integrated EU approach towards natural resources to be the most effective. By doing so, the Netherlands seeks to mitigate negative externalities through the synergy of different sectors such as energy, transport, agriculture and industry (Tweede Kamer Der Staten-Generaal, 2011, p. 10). A list of suggestions is presented for the improvement of the natural resource strategy on the EU level, of which two are of particular interest to this research. The first is that the European Union should pursue more resource diplomacy in its trade strategy, and the second builds upon that by stating that the EU should increase bilateral cooperation with resource producing states aiding with an agenda of good governance, investments and technical skills (Tweede Kamer Der Staten-Generaal, 2011, p. 10). A point made in the report of HCSS is reiterated, namely that it is harmful for other member states to pursue a resource strategy divergent and independent from the other states as it undermines the European position (Tweede Kamer Der Staten-Generaal, 2011, p. 11).

The primary focus of the Netherlands on free trade and open markets is again stated in the strategy overview. Additionally, it emphasises the Dutch interests in improving effective multilateral frameworks as well as improving the international regulatory framework (Tweede Kamer Der Staten-Generaal, 2011, p. 10).

Three more topics are mentioned in the note on natural resources. One emphasises the importance of bilateral relations in addition to EU resource policy in a similar way to how the report by HCSS has put forth. It also refers to the Germany in this regards, mentioning the important transport role the Netherlands fulfils (Tweede Kamer Der Staten-Generaal, 2011, p. 11). An interesting point can be found in this section, as the note suggests to create relations and alliances with countries that are producers of certain (non-natural) resources that are of particular importance to the Dutch state (Tweede Kamer Der Staten-Generaal, 2011, p. 11). While mentioning that the Dutch government has little direct influence in such manners, it does state that it can ‘support’ market actors where necessary (Tweede Kamer Der Staten-Generaal, 2011, p. 11).

Another topic mentions the opportunities that are paired with the increased resource scarcity. Most notably, the opportunity for the Netherlands to take a leading role in areas such as sustainable and deep sea mining as it already has a lot of expertise on these topics which are now becoming more relevant (Tweede Kamer Der Staten-Generaal, 2011, p. 11).

Last is the topic of development cooperation. Here the Dutch resource strategy alludes to similar concepts as presented in the HCSS study in relation to development cooperation. Pursuing development cooperation with resource producing countries should be used to create a basis for trade relations (Tweede Kamer Der Staten-Generaal, 2011, p. 12). By improving the situation in resource rich countries through development cooperation in good governance, a more stable situation is created for the export of natural resources – decreasing price volatility and increasing security of supply (Tweede Kamer Der Staten-Generaal, 2011, p. 12). Accordingly, the Dutch state intends to support international initiatives that aid in the development of sustainable resource management, such as certifications for conflict resources and transparency in payments to governments and mining companies (in the form of EITI: the Extractive Industries Transparency Initiative) (Tweede Kamer Der Staten-Generaal, 2011, p. 12). At the end of this section, the note presents an interesting remark when it states that China and Japan use their development cooperation to directly secure the supply of natural resources (Tweede Kamer Der Staten-Generaal, 2011, p. 12). Noticeable, it states that the Dutch

government should not copy such behaviour but that it should learn from it (Tweede Kamer Der Staten-Generaal, 2011, pp. 12–13).

Following the argumentation for the different approaches within the newly established Dutch natural resource strategy, the note sets out several action point that are to be implemented in the short to medium term. There are two types of initiative that are relevant to this research. The first are initiatives aimed at improving international stability in the natural resource sector as well as improving transparency in its monetary flows (Tweede Kamer Der Staten-Generaal, 2011, p. 13). This is done through lending financial support to multilateral institutions such as The Natural Resource Charter, the Kimberley Process and EITI (Tweede Kamer Der Staten-Generaal, 2011, p. 13). In turn, the Netherlands seeks to lobby in favour of countries aligned with EITI guidelines as well as with practices of good governance such as the OECD guidelines on due diligence within supply chains of materials in conflict areas (Tweede Kamer Der Staten-Generaal, 2011, p. 13). The second set of initiatives is related to Dutch involvement in EU projects related to natural resources, such as the Raw Materials Initiative (Tweede Kamer Der Staten-Generaal, 2011, p. 14).

### Natural resources in the contemporary foreign policy of the Netherlands

As no new strategy on natural resources has been published by the Netherlands since the original initiative in 2011, the analysis will highlight the role of natural resources in the current foreign policy of the Netherlands, the facets of which have been established by the new coalition in March 2022. Throughout the policy letter, the topic of natural resources has come up twice. The first describes natural resources within the context of strategic autonomy of the European Union (Hoekstra, 2022, p. 6). There, it states that the European Union has to decrease its strategic dependence on third countries by acts of diversification (Hoekstra, 2022, p. 6). The second time natural resources are mentioned, it is in a similar context of strategic dependencies of the European Union. The act of diversification is elaborated upon and in line with the resource strategy of 2011. It states that decisions about diversification of the supply of natural resources should be based on responsible and sustainable extraction, the strengthening of legislation surrounding trade in natural resources and by preventing any obstacles to free trade (Hoekstra, 2022, p. 12).

### Interim conclusion

Applying the concepts from the different theories laid out in the conceptual framework, a lot of the behavioural predictions, especially those originating from middle power theory seem to

hold true for the case of the Netherlands. The applicability of the conceptual framework are highlighted by three statements at the outset of the Dutch resource strategy. The first is the statement that generally the issues of security of supply in relation to natural resources are the responsibility of the market actors and not the state, highlighting the lack of control by market-capitalist countries as presumed by the framework of IPE. Second is the statement relating to the importance of the legal framework surrounding free trade, which connects to the assumption by middle power theory that this category of states focuses on the rule of law to enact influence in the geoeconomic realm. Third and most obvious is the statement regarding the preference to handle the subject of natural resources at the EU level rather than the state level, highlighting the usage of multilateralism to pursue its strategic interests, which is an essential claim within middle power theory.

This inclination to engage in multilateralism is a recurring theme throughout the natural resource policies of the Netherlands, as assumed by middle power theory. Not only by its preference of handling matters at the EU level, but also by engaging with multilateral fora such as EITI or the Kimberley Process. Other, smaller concepts such as niche diplomacy were also found in the Dutch resource strategy. The possibility of leveraging its knowledge in specific areas of sustainable mining, as well as its expertise in agriculture and water management was mentioned as a tool that can be used in its favour.

The importance of market based actors and the limits that this dynamic brings has also been found in the analysis of the Dutch resource strategy. Twice have there been interesting comments with regards to the behaviour of a state that has much larger control over its market actors. Once it suggests that the Dutch government would ‘support’ businesses when necessary, which is a somewhat vague and interesting description. The other occurrence was with regards to Chinese and Japanese development cooperation, where they were able to directly engage in economic diplomacy while this is not possible for the Netherlands. In this case, interestingly, a statement was made that we should not copy but learn from their behaviour and utilise our own network of development cooperation more efficiently.

In relation to the hypotheses, the literature in this section did find a profound confirmation of the first hypothesis which is the following:

*H<sub>1</sub> The Netherlands conducts most of its resource diplomacy through the European Union.*

The two official documents describing the strategy of Dutch resource diplomacy both point towards the clear preference to conduct resource based foreign policy through the European Union. The conclusions drawn from the statement at the start of the ‘grondstoffennotitie’ is completely supported by the latest foreign policy letter, as time only times that natural resources are being mentioned in the in it, it is in relation to the European Union. There is no mention of an independent natural resource strategy in this policy letter.

*H2 The Netherlands and the European Union conduct their resource diplomacy in the field of natural resources in the form of geoeconomic diplomacy and the rule of law.*

With regards to the final hypothesis, the Netherlands exhibits a mix of both geoeconomic diplomacy and the rule of law, although its focus is put more on the rule of law rather than on geoeconomic diplomacy. Examples of the Netherlands engaging in geoeconomic diplomacy can be found in its development cooperation, where political benefits in the form of political relations are pursued through methods of economic diplomacy such as investments in sustainable projects, but evidence is not overwhelming. An early assumption could be that the Netherlands relies on the European Union to conduct its geoeconomic diplomacy with more leverage than if it were acting alone. The notion that the Netherlands uses a the rule of law to conduct its resource diplomacy can more easily be confirmed, with a clear example being the focus put on the strengthening of the legal framework as stated in the foreign policy strategy of 2022.



## Resource diplomacy of the European Union

Because the Netherlands conducts most of its natural resource based foreign policy through the European Union, this part of the analysis examines the resource strategy of the European Union in order to highlight the opportunities presented to small European states by leveraging their power in the form of the EU. Three official EU documents are used in this analysis, which together provide the basis of EU initiatives in the field of natural resources. Some secondary sources in the form of journal entries have been used to provide further context. After presenting an overview of the different initiatives of resource related foreign policy by the European Union, the applicability of the conceptual framework of middle power theory, international political economy and geoeconomic theory will be examined. This will be followed by a testing of the hypotheses.

### Raw Materials Initiative and European Innovation Partnership

The European Commission has two overarching frameworks through which it seeks to secure supplies of natural resources. The first is the EU Raw Materials Initiative (RMI), created in 2008. This is the EU framework that was often referenced in the Dutch natural resource strategy. Under the umbrella of the RMI, several initiatives have been developed built on three pillars. The first is most relevant to this research, namely “access to raw materials on world markets at undistorted conditions” (European Commission, 2008, p. 6). The second pillar is concerned with the sourcing of natural resources from within the European Union, and the third is concerned with reducing the EU’s consumption of primary raw materials (European Commission, 2008, pp. 9–12). In addition to these three pillars, the Commission creates lists of natural resources named critical raw materials, which are particularly important to EU member states and other market-based stakeholders (European Commission, 2008, p. 6).

The second framework of the European Union for natural resources is the European Innovation Partnership on Raw Materials (EIPRM). Both frameworks are interlinked to one another, as the EIPRM assumes the role of EU stakeholder platform where state and non-state actors such as researchers, NGOs and companies come together to promote innovation in the field of raw materials (European Commission, 2012). Such stakeholder platforms for innovation have existed for other subject areas before the launch of the EIP on Raw Materials in 2012.

Through the first framework, the Raw Materials Initiative, the European Union attempts to provide an policy response to geoeconomic rivals that are engaging in the ensuring of supplies of natural resources such as the United States and Japan (European Commission, 2008, p. 5).

Before this initiative, an integrated response at the EU level did not exist. The purpose of the RMI is described as ensuring the European Union “has sufficient access to raw materials at fair and undistorted prices” (European Commission, 2008, p. 5). Under the aforementioned first pillar of the RMI, several methods are put forth through which the European Union seeks undistorted access to global markets. Several of the methods can be ascribed to natural resource diplomacy, with the EU actively pursuing diplomacy in order to secure access to raw materials (European Commission, 2008, p. 6). The EU had a particular interest in engaging in natural resource diplomacy with three distinct groups of state actors: African nations, seeking access to raw materials through promoting natural resource management and infrastructure; Emerging resource rich economies, with a focus on preventing free market obstructions; and other resource dependent actors, with which it seeks to cooperate in international fora in order to pursue their common interests (European Commission, 2008, p. 6).

Such cooperation in the international sphere is the second theme under the first pillar of access. By using multilateral fora like the G8, OECD and UNCTAD, as well as the World Bank, the European Union seeks to foster cooperation in the field of resources (European Commission, 2008, p. 6). Like the Netherlands, it also supports organisations such as the Kimberley Process and the EITI.

A much larger part of their raw materials diplomacy is the priority given to access to resources through trade and regulatory policies (European Commission, 2008, p. 7). It is through this framework that the EU managed to prevent China from restricting supplies of rare earths, when it combined forces with other resource dependent actors in the United States and Japan and using the WTO as a tool to assert their influence (Biedermann, 2016, p. 117). An extensive overview of different methods to enact natural resource diplomacy through trade and regulatory policy is mentioned. The main focuses of these policies are the “elimination of trade distorting measures taken by third countries in all areas relevant to access to raw materials”, under the threat of ‘vigorous action’ by the EU through for example dispute settlement (European Commission, 2008, p. 7). Such policies are reflected in the case of Chinese rare earth restrictions. Further elements of regulatory policy include multilateral and bilateral trade deals and free trade agreements, as well as methods to lower import restrictions on raw materials (European Commission, 2008, p. 7).

The final theme of the first pillar related to gaining access to natural resource markets is that of development policy. Mentioned earlier as a target group for raw material diplomacy, the

European Union pursues win-win situations with developing countries by offering them good governance practices, sustainable resource management and by aiding in enhancing the investment climate in exchange for undistorted access to raw materials (European Commission, 2008, p. 8). Through the effective implementation of such governance structures surrounding natural resources, the EU has the opportunity to take on some form of a governing role in the African extractive industry (Awuah, 2019).

### Critical raw materials action plan

In 2020, the European Commission adopted the critical raw materials action plan, building on the foundation of the Raw Materials Initiative. While the list of critical raw materials has been updated every three years since 2011 as part of the RMI, this new action plan goes beyond the establishment of a list and actively puts forth policies, pressured by the large sustainability ambitions of the European Green Deal (European Commission, 2020). This action plan puts forth several policies to be implemented in the short term, all of which relate to field of natural resources. The first and perhaps most impactful action was the establishment of the European Raw Materials Alliance (European Commission, 2020, p. 8). This initiative presents a forum for cooperation in raw materials among a large number of different stakeholders such as industry, investors, regions, states and the European Investment Bank and Commission (European Commission, 2020, p. 8). Another interesting initiative of the critical materials action plan is the development of strategic international partnerships with as aim “to secure a diversified and sustainable supply of critical raw materials, including through undistorted trade and investment conditions” (European Commission, 2020, p. 17). A pilot partnership has been established together with Canada, with elements of this strategy including the integration of both actor’s value chain of raw materials, and cooperation in the fields of innovation and technology as well as standard setting (European Commission, 2022).

### Interim conclusion

The analysis of EU resource diplomacy highlights several aspects that are in line with the conceptual framework laid out by international political economy and geoeconomic diplomacy. The literature and conceptualisation of middle states is less applicable in this analysis of European foreign policy, but can be understood to provide the basis for the European project in the first place. The need for smaller states to use multilateralism in order to gain structural influence can clearly be seen through the example of the European Union, especially in a domain such as that of natural resources. Since it has been established that

natural resources reside within the geoeconomic nexus, and that market-capitalist countries do not have sufficient control over their market actors to pursue their interests in the field of natural resources, the European Union provides an opportunity for those states to leverage their economic power by combining their market size. This results in a lot more systematic power, as shown through the focus on regulatory means for conducting resource diplomacy by the European Union. This also relates to the second hypotheses put forth by the conceptual framework, namely:

*H<sub>2</sub> : The Netherlands and the European Union conduct their resource diplomacy in the field of natural resources in the form of geoeconomic diplomacy and the rule of law.*

The second part of this hypothesis largely seems to be confirmed when looking at the regulatory policy instruments available to the European Union, combined with the construction of their strategy of resource diplomacy. The effectiveness of this strategy can be found in their presence in Africa as a regulatory standard setter as well as in their ability to counter measures taken by China when it attempted to artificially obstruct the market working of rare earths. The assessment of whether the European Union – and the Netherlands by extension as their resource diplomacy is nearly fully allocated to the EU domain – primarily use methods of geoeconomic diplomacy is less self-explanatory. The regulatory influence can indeed be seen as a subset of geoeconomic diplomacy through the weaponization of WTO dispute settlement and other regulatory frameworks, but still seems to have a certain element of political power. A more clear explanation of the EU using geoeconomic diplomacy can be found in their approach towards African nations, where support in the form of an enhanced investment climate and good governance practice result in political benefits in the form of uninterrupted market access for raw materials. Such access might seem like a form of economic benefit but it is important to remember that the European Union is acting from a perspective of resource dependency creating political insecurity. In this section the first hypothesis is not tested due to its confirmation in the analysis of the Dutch resource diplomacy

## Discussion

Both cases present an interesting view of the working of market-capitalist actor within the geoeconomic nexus of natural resources in international relations as described by the theory on international political economy. The literature on middle power states did a very good job at predicting the behaviour of a market-capitalist state in this context, as almost all of its predictions were met in the strategy of resource diplomacy of the Netherlands. An area where

difficulties arose was towards the market actor side in the geoeconomic spectrum. As both the European Union and the Netherlands do not have control over their market actors, it also becomes difficult to interact with foreign market actors who often have control over the resources. Several comments in the Dutch resource strategy alluded to this issue, with the Netherlands not being able to implement similar strategies of resource diplomacy as China or Japan, who were able to use their development cooperation in a much more direct manner than the Netherlands. Similarly, the comment suggesting that the Netherlands would support companies within the field of natural resources was interesting due to the conceptual framework of IPE suggesting that this is not possible for market-capitalist countries. However, such limitations in resource diplomacy were largely circumvented through diplomatic methods and did leave both actors with little choice of tools for influence on the international system. However, the tools that were available to them were also reasonably effective, as the Netherlands managed to have large influences in regulatory frameworks of natural resources through its membership of the European Union.

This brings us to the hypotheses that have been tested in this research, acting as proxies for the conceptual framework that they are deduced from

*H<sub>1</sub> The Netherlands conducts most of its resource diplomacy through the European Union.*

*H<sub>2</sub> The Netherlands and the European Union conduct their resource diplomacy in the field of natural resources in the form of geoeconomic diplomacy and the rule of law*

The first hypothesis can clearly be confirmed. The conceptual literature on middle power theory as well as on international political economy suggested that smaller European member states would use multilateralism to increase their economic and regulatory leverage, and the case study confirmed this.

The second hypothesis is built on the limitations in political power that states have within the domain of natural resources and therefore conceptualises states to behave in a manner that seeks to use purely economic tools in return for political gains. Several examples have shown how the European Union leverages its economic size through development cooperation in return for structural power originating from a decrease in dependence by gaining unobstructed access to natural resources in a certain market. As suggested after the analysis on the Dutch resource policy, the Dutch state might refrain from engaging in geoeconomic diplomacy without using the extra leverage presented by the European Union. The second part of this hypothesis can more easily be confirmed, as both the European Union and the Netherlands

make common references to the importance of the domain of international law. With regards to the European Union, it is the most elaborate upon domain of their resource strategy.

This brings us to the main research question

*RQ: How do theoretical concepts of international political economy and middle power theory explain the Dutch and European strategy of resource diplomacy?*

Theoretical concepts of international political economy and middle power theory suggest that the Netherlands will act through methods of multilateralism, preferring to conduct resource diplomacy from the framework of the European Union. Additionally, the geoeconomic dynamic in which natural resources reside make it so that market-capitalist states have to rely on means outside of the realm of direct economic diplomacy due to a lack of control by the state over the market actors that own and trade the resources. Therefore, smaller member states of the European Union rely on methods of multilateralism, geoeconomic diplomacy and emphasis the rule of law to conduct resource diplomacy.

Limitations to this research are found in the nature of a case study, limiting the generalisability and external validity while being strong in its internal validity. Suggestions for future research would be to increase the sample size and apply this conceptual framework to other small European member states.

## Conclusion

This research project has investigated the ways in which middle powers behave in their quest to secure natural resources in the field of international relations. The research investigated the case of the Netherlands in the context of the European Union to analyse the way in which different member states of the Union are able to conduct geoeconomics diplomacy in order to secure supplies of natural resources. On the one hand, the Netherlands, like many countries in the EU, is a middle power that can rely on its multilateral institutional partners in order to secure natural resources. On the other hand, the Netherlands is also a special case, as it hosts the largest port in the Union and is an important re-export market. This research relied on primary sources such as press releases and official documents, supplemented by a semi-structured interview, as well as secondary sources such as journal articles and news reports, to analyse the way in which the Netherlands and the EU conduct their natural resource diplomacy.

Given that the Netherlands is a middle power, the theoretical assumptions expect that multilateralism would be the most likely method of foreign policy through which the country

could pursue its natural resources interests. Moreover, through the EU, the legal frameworks of free trade and other rule of law considerations are central to the resource diplomacy of the Netherlands. The Dutch resource strategy is also characterized by niche diplomacy, through topics like sustainable mining, agriculture and water management.

As such, H1 has been confirmed, asserting that the Netherlands conducts its resource diplomacy through the European Union. This is acknowledged through official documents such as the ‘grondstoffennotitie’. Moreover, the Netherlands conducts its resource diplomacy through geoeconomic diplomacy and the rule of law, with the focus largely being laid on the latter. Such an understanding can be explained by the Netherlands’ reliance on the EU to conduct resource diplomacy, given that the Union has more leverage and power as it represents more interested countries at the same time.

This thesis applied theoretical concepts of middle power theory and international political economy to the way in which the Netherlands conducts its natural resources diplomacy. The topic of natural resources security is becoming increasingly important due to the energy transition and technologies that require natural resources.

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