

Belgium 2016



Total: 77.31

Quick facts

Population:	11.209 million
Unemployment rate:	8.5 %
GDP:	425.668 billion EMU
GDP growth rate:	1.4% %
GDP per capita:	37 980 EMU

Rule of Law

Independence of the Judiciary : 6.92

Independence of judiciary from the executive is a principle developed in Belgium since its independence, first as unwritten rule and later as part of the Constitution. The principle is highly respected. As Belgium had been gradually transformed into a compound federation of three linguistic communities and three regions, the role of judiciary, especially Constitutional Court, has become vital in resolving conflicts of interest between the constituents of the federation, in preventing discrimination and in securing peaceful resolution of disputes. Besides, yet another judicial body, Council of State, as the highest administrative court in the country, plays an important role in the peaceful settlement of inter-regional or inter-communal disputes. It also deals with a number of laws or by-laws affecting human rights, freedom of commerce or other interaction between state bodies on one and private actors on the other side.

Corruption : 7.7

During the past year Belgium has not advanced as much as the neighboring Netherlands in eradicating corruption, mainly because of the lack of action against illegal bribery abroad. In Transparency International's Corruption Perception Index 2015 it ended up as 15th, same as in 2014, with its score slightly up - from 76 to 77. Social market economy, long experience in building anti-corruption mechanisms, trained administration and a highly developed citizens' awareness have narrowed the ground for, and led to relative rareness of corruption. That puts Belgium high among countries of the world and of the EU. Proven or suspected cases usually included just

indirect responsibility of politicians, e.g. regarding EU-funded or other infrastructure contracts where tenders were won by companies favored by decision makers while not all procedures were properly implemented. Local, media-based corruption monitors claim that the number of such cases has shrunk over the last five years. They increasingly concentrate on the small scale corruption, which is estimated to be still worth 4 billion euro in total annually. The GAN portal thereby finds procurement as the most vulnerable area. A recent major corruption scandal involving the Mayor of Charleroi ended in May 2016 by his acquittal on all six charges.

Protection of Human Rights : 8.37

In many fields the human rights` situation in Belgium might be described as excellent, while in others there is still room for improvement. In spite of terrorism there is still a high level of personal security and safety. However, anti-terror struggle raised concerns about the protection of human rights amid some government`s measures (such as prolonged police detention, electronic surveillance, databases of citizens travelling to certain countries, extraditing to countries that tolerated torture, etc). Some of those were dealt with by the country`s highest judicial bodies. Along with Netherlands and some other countries, Belgium started treating extremist propaganda as recruitment for terrorism. Very high respect is paid to women`s and girls` rights, with additional attempts by regional governments, as of summer 2015, to fight domestic violence and the adoption of the federal plan of combating gender-based violence, as of December 2015. The treatment of migrant workers, as well as of the refugees and asylum seekers, could improve. For instance, slow administrative procedure is leaving a number of them without any support. On the other hand citizens of migrant background are well represented in highest political bodies, e.g. in Parliament. Linguistic rights of the people living in areas where their mother-tongue is in minority should be implemented alongside active state and societal support to multilingualism. The discrimination of LGB persons is almost eradicated (including the recognition of same-sex marriages), but trans-persons still face inhumane or degrading demands as precondition for the legal recognition of their gender.

Political Freedom

Free and Fair Elections : 10

A right to choose representatives in a free and fair election is granted by Belgian constitution and fully respected in practice. Additionally, voting in all elections is mandatory, and thus refusing to do so is punishable by small fines. Belgium is a constitutional monarchy with a bicameral federal parliament consisting of the 150-member Chamber of Representatives and the 60-member Senate. Political parties are able to operate freely in the country. Complicated state structure, legal obstacles and strict linguistic lines allow parties to operate and run only in their own linguistic regions. After long negotiations, the New Flemish Alliance, the Movement for Reform, the Christian Democratic and Flemish party and the Open Flemish Liberals and Democrats managed to reach consensus on the division of governmental positions and future route of Belgium.

Absence of Unconstitutional Veto Players : 10

The power of the elected authorities to govern the country is not challenged by any

unconstitutional veto player. However, security and safety of the country and its residents are threatened by terrorist cells and their activities in the country. In March 2015, a deadly terrorist attack occurred, killing 32 people and injuring more than 300 on Brussels airport and metro station. ISIS claimed responsibility for the attack. Strict penal code along with good government mechanisms to track down corruption led to very rare situations in which officials practice corrupt activities.

Freedom of Press : 8.9

A wide variety of views is freely expressed in both, traditional and online Belgium media outlets. Trend of media ownership concentration didn't bypass this country, and with that this became one of major media problems. Still, according to Reporters Without Borders, the biggest challenge remains the Belgian constitution. "While the law prohibits censorship, the constitution limits the definition of the "press" to the print media. Radio, TV and websites are not protected.", wrote their report. It is positive that defamation, incitement to hatred and Holocaust denial remain punishable by imprisonment and financial fines.

Economic Freedom

Security of Property Rights : 6.66

Property rights in Belgium are overall well protected by law. Judiciary is independent from out-of-court influences and its proceedings are respected. However, Belgian courts are under increasing backlogs, resulting in delay and slow proceedings. Due to the fact that court system is regionalized, duration of local dispute resolving can significantly vary. The delays are usually attributed to the lack of judicial staff. Courts management is not a strong point - with lack of automation in legal processes and strict adjournments rules. In some particular cases, free change of real property ownership is somewhat restricted, calling for third party authorization (such as the right of preemption of local authorities in the case of agricultural land, social or residential housing).

Registering a property, a first step in ensuring any property rights, is a very expensive procedure, both due to high local registration fees and notary fees. Introduction of e-notariat system for electronic property registration made transferring property easier. Private property expropriation by the government is rare, only for public infrastructure projects, and always followed by adequate market remuneration. The police forces are reliable and crime does not impose significant costs to businesses.

Size of Government: Expenditures, Taxes, and Enterprises : 2.76

Total government consumption is among the highest in Europe, due to generous welfare and redistribution programs, reaching almost 54% of GDP in 2015. Continuous public deficits have substantially increased the levels of public debt, to 106% of GDP. The ongoing fiscal consolidation gave some results in curbing public expenditures growth, and fiscal deficits are now in compliance with the Maastricht criteria. Public sector in Belgium is both extensive and expensive, and almost a

quarter of the overall population is employed in the public sector. State owned enterprises (SOE) are mainly concentrated in the fields considered as natural monopolies or utilities, such as railway and postal systems, as well as telecommunications, which are even now market leaders in their respective

industries. However, SOE management quality is dubious, compared to best international practice (for example, the railway system is divided into two regional enterprises, which incurs higher cost). The company tax rate is among the highest in Europe, standing at 33,99%. Income tax has very progressive rates: 25% being the minimum, and even 50% being the maximum. VAT is set at two lower rates of 6% and 12%, while the ordinary rate is 21%. Very high tax wedge which stood at 55.6% on average wage (the highest among OECD countries) due to high social security contributions and personal income tax was identified as one of the problems in line with fostering job creation. Therefore, in October social security numbers paid by the employers was reduced from 33% to 25%. The European Commission has recently concluded that tax incentives provided by the Belgian government to 36 mostly big European companies since 2005 were illegal, breaching EU state aid regulations.

Regulation of Credit, Labour, and Business : 7.2

Business regulation in Belgium is overall business friendly however bureaucracy costs could be high. Setting up a new business enterprise is easy, but includes costs due to high notary fees and relatively high minimum capital. Tax administration is professional, with electronic services, decreasing time and cost in regulatory compliance. However, there are various expenses in dealing with construction permit and getting electricity, mostly due to high utility fees. Municipalities often lack enough capacities to access some of those processes in a good quality manner. Some fiscal regulations, such as transaction tax on purchase of private property instead of recurring annual property tax, have a negative impact on the already low labour mobility. Mandatory licensing in areas such as network industries and regulated professions decrease competition, accruing rents to insiders. Labour code law is not restrictive in the regulation of working hours or hiring section. However, firing regulations impose significant costs, mostly due to very long redundancy notice periods, which increase with the longevity of the tenure, reaching up to 7,5 months. This measure provides more job security, especially to seasoned workers, but also makes their future employment less likely due to associated risk. Tripartite negotiation via centralized collective bargaining is prevalent in certain industries and could impose constraints to businesses due to increased wage bills. The minimum wage in Belgium is very high compared to the average wage, which is yet another reason for low activity rates among the young and low skilled immigrants.

Freedom to Trade Internationally : 8.8

As a small and open economy, Belgium has always been open to international trade. Historically, Belgium has been one of the founding nation members of the EU. It heavily relies on the EU common market, especially on the market of the neighboring industrial countries. Belgium implements the common EU trade policy, therefore, tariffs for imported goods are low. Non-tariff and other regulatory trade barriers, such as accreditation and standardizations of import items are not prevalent. Belgium has very efficient customs and border and documentary compliance are very expeditious. In fact, it has posted an efficiency frontier in this regard. On the other hand, international freight is one of areas in which competition is not fierce, due to regulation restrictions, burdening international trade, increasing transportation costs. This is mostly also evident in areas where SOEs operate, such as railways. Public transport infrastructure is of high quality, which

coupled with geographical location diminishes cost arising from international trade. Obtaining a working permit for workers that are not EU nationals is a burdensome administrative procedure. There are still some controls on movement of short term capital.