

# Belgium 2018



**Total: 75.22**

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## Political Freedom

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### **Free and Fair Elections : 10**

Elections in Belgium are organized and performed in a free and fair manner. Belgium is a constitutional monarchy with a bicameral parliament – Chamber of representatives and Senate. Complicated and asymmetric state structure - which by Constitution has three linguistic communities and three geographic regions, which are not overlapping – has made a sharp division among political parties that operate in Belgium, along linguistic lines. Therefore, political scene is highly pluralistic. Greece and Belgium are the only countries measured by the Freedom Barometer where voting is compulsory, and citizens who don't vote at Belgian elections are in theory subject to financial fines, however this measure is not implemented in practice. For this reason, turnout of voters is very high. Changes in the composition of the ruling coalition in two regional governments and in Francophone community happened after a corruption scandals involving Walloon Socialist Party, with the Mayor of Brussels having had withdrawn from his position.

### **Absence of Unconstitutional Veto Players : 9.17**

Democratically elected government in Belgium has virtually unchallenged power to rule the country. There are no unconstitutional veto players who would be able to undermine the decision making processes, although informal groups such as trade unions hold some influence. However, Belgian score in the „Absence of Unconstitutional Veto Players“ section has deteriorated from the previous year due to corruption scandals implicating many politicians and their ties to business sector. Apparently, several politicians were holding multiple positions in public-private companies. For several years now, environment of fear from terrorism has been widespread among the citizens, due to several radical attacks happened recently, targeting Belgium and mostly Brussels, including a failed bombing in June 2017.

### **Freedom of Press : 8.8**

Printed, broadcast and online media outlets in Belgium are in general free and independent in their work. Citizens are able to obtain wide spectrum of opinions coming from pluralistic media environment in the country. Likewise the complex administrative system, state media are also fragmented. Media outlets are separated on Flanders and Walloon linguistic regions, with their own public broadcasters. In cases of sensitive issues journalists more often than before practice self-censorship. Problem of ownership concentration remained unresolved until the end of the observing period, with several companies dominating the media market. Investigative journalism

plays an important role in providing political accountability. A huge political scandal involving multiple positions in various public bodies and private companies broke upon the reports published by a media outlet.

\* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

## Rule of Law

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### **Independence of the Judiciary : 6.5**

Independence of judiciary is a sacrosanct constitutional principle in Belgium since its independence in 1830. Judiciary plays key role in managing disputes between numerous different layers of power in the compound Belgian federation. In a politically sensitive case of Carles Puigdemont, a fugitive warranted by Spain for his separatist activities in Catalonia, in March 2018 a Belgian court refused to allow extradition. The efficiency of courts in Belgium suffers due to lack of judges and backlog of cases. To it, during the past two years there were setbacks in the law enforcement sector. Allegations about extortion of money from refugees led to investigations or even arrests of policemen in Antwerp and Brussels. Freedom House noted in late 2017 that “although conditions in prisons and detention centers meet most international standards, many facilities continue to suffer from overcrowding.” Council of Europe’s anti-torture committee warned in July 2017 that overcrowding was becoming “intolerable” and posed a risk of inhuman treatment of the detainees during the prison staff strikes.

### **Corruption : 7.5**

Belgium has since 2011 been stagnating in eradication of corruption, lagging somewhat behind its Benelux neighbors, or Germany, or UK, and sharing places 16-18, with Austria and USA, on the Transparency International’s CPI list of 180 countries. Yet it is ahead of neighboring France. Social market economy, long experience in building anti-corruption mechanisms, trained professional administration and a highly developed citizens’ awareness have narrowed the ground for - and led to relative rareness of - corruption. However, in international trade, regarding tax evasion and money laundering, public procurement, large infrastructure projects and local or regional government financing, there is a lot of space for improvement. Upon a few corruption scandals at the regional level in late 2016 and June 2017, Mayor of Brussels resigned while the regional government majority in Walloon was reshuffled. Panama Papers have revealed that a Brussels subsidiary of a foreign bank was circumventing international regulation against money laundering. The beneficial results of the administrative reforms in 2015-2016, with their stricter definition of bribery, are yet to be seen on the ground.

### **Protection of Human Rights : 8.31**

Human rights in Belgium are highly protected in many fields. Freedoms of academic research,

education, expression, association or gathering are respected according to the highest EU standards. High respect is paid also to women`s and girls` rights. Domestic violence is ever more successfully pushed back. Following May 2017 reforms, the anyway remarkable rights, equality and dignity of LGBT persons were further strengthened. Belgium is multi-ethnic, including three-lingual. Its multi-layer federal structure reflects that, so as to provide for equal opportunities of members of various communities. However, people still face obstacles outside their own ethno-linguistic habitats. Multilingualism has only recently met a bit more encouraging societal climate. Treatment of immigrants of all walks could improve. Their integration into the labor market is slow and meager. A lot has to be done to curb sex and other human trafficking (for which Belgium is mainly a destination country). Amnesty International reckons that the situation in prisons and detention facilities is bad, from overcrowding and understaffing to inadequate treatment of some detainees, such as those with mental or other health problems.

## Economic Freedom

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### **Security of Property Rights : 6.44**

Property rights in Belgium are overall well protected. Judiciary is independent from out-of-court influences and the executive branch of government. Court proceedings are generally respected. There are specialized commercial courts, and several levels of appeal. However, Belgian courts suffer from backlog of cases, resulting in delays and slow proceedings (on average, trial and judgment takes 400 days). Since the court system is decentralized, duration of a local dispute could vary significantly between different regions of the country. This leads to high costs in the form of attorney fees. There are no restrictions on adjournments, neither on the number of cases when they are permitted, so they can be long and they are often used. There is no legal process automation - not even in case of payments of fees. Court judgments in commercial cases are not made publicly available. There are plans for the establishment of Brussels International Business Court, which would handle international commercial disputes in English. In some particular cases, a third party authorization is a prerequisite for real estate ownership change (such as the right of preemption of local authorities in the case of agricultural land, social or residential housing). Property registration, a first step in the process of ensuring any property rights, could be very expensive due to high notary fees but most notably due to high local transaction tax levied on the purchasing price. The procedures involved are also lengthy. Insolvency procedures are very efficient, with low cost and very high recovery rates. Private property expropriation by the government is rare - only for public infrastructure projects, and it is always followed by adequate market-price remuneration.

### **Size of Government: Expenditures, Taxes, and Enterprises : 2.81**

Total government consumption in Belgium is among the highest in Europe, due to generous welfare and redistribution programs, standing at 52% of GDP in 2017. The long history of budget deficits has led to a very high public debt, reaching 103% of GDP in 2017. But, it has recently been put on a slow downward trajectory. However, it will take years for Belgium to reach Maastricht public debt criterion of 60% of GDP. Economic growth, based on rising private consumption and

exports, reached 1.7% and is expected to pick up. Budget deficit has been halved, from 2.5% to 1.1% of GDP. There are strong fiscal pressures stemming from demographic changes, which encouraged the government to introduce the very first pension system change since 1956, by increasing the retirement age from 65 to 67 (although in steps, until 2030). Public sector in Belgium is overwhelming, since it employs almost a quarter of the overall population. State owned enterprises (SOE) are mainly concentrated in the fields considered as natural monopolies, such as utilities, railways, and postal system and telecommunications. Although they comply with the business regulation, there have been reports on unfair competition by these former monopolies. The quality of SOE management is dubious as compared to the best international practices in OECD. There are plans for minority equity privatization of the state bank Belfius, while the telecom company Proximus remains in state ownership. High expenses need high tax rates, thus the income tax is very much progressive: 25% for the low earners and even 50% for the highest earners, whereby there are also communal income taxes, of 7% on average. General VAT rate is 21%, while two preferential rates are 12% and 6%. Very high tax wedge, which stood at 54% on an average wage (the highest among OECD countries), has been reduced by decreasing the social security contributions paid by employers in order to make workforce more competitive. There was also a big change in corporate income tax in July 2017, with the rate being decreased from 33.99% to 25%. That is expected to support new investments.

## **Regulation of Credit, Labour, and Business : 7**

Business regulation in Belgium is overall business friendly. However, bureaucracy could be quite burdensome, due to inefficient government administration and the necessity for cooperation between government agencies in case of shared competencies within a very complicated government structure. Since small companies face less bureaucracy requirements, many businesses limit their number of employees at 49 in order to keep these exemptions. Setting up a new business enterprise is easy and done in just a couple of days, but it is costly, due to notary fees and high paid in minimum capital of more than 6 000 euro. A simplification of the company law is underway. Obtaining a construction permit is a slow procedure due to inner municipality urbanization departments, whose capacities could strongly differ across the country, but associated costs are low. Getting electricity, on the other hand, is not only slow but also very expensive. Tax administration is professional, with widespread use of electronic services, thus decreasing time and cost of regulatory compliance, but tax regulations are often cited as difficult. Linguistic and administrative fractionalization of the country leads to low labour mobility with very different unemployment levels in Wallonia and Flanders. Mobility is also hindered by high transaction tax on purchase of private property, instead of a recurring annual property tax. Mandatory licensing in areas such as network industries and regulated professions decrease competition, accruing rents to insiders. Labour code is characterized with both flexible and inflexible traits, but labour regulations are often considered as problematic business factors. There are no restrictions on the number or duration of fixed term contracts, and working hours` regulation is not restrictive due to high number of possible working days. Firing regulations are restrictive due to very long redundancy notice periods, which increase in line with longevity of tenure, reaching up to 7.5 months. This measure provides more job security to seasoned workers, but also makes their future employment less likely. Severance pay differs by sector, stemming from collective agreements, reached during tripartite agreement, which is well organized throughout most of the economy. The minimum wage, although slightly differentiated by age and industry, is among the highest in the EU, leading to low activity rates among the young and low skilled immigrants.

## **Freedom to Trade Internationally : 8.69**

International trade is of great importance for small open economies such as Belgium. As one of the 6 founding members of the EU, it applies the EU common trade policy with overall low tariffs. Simple average MFN applied tariff rate is 5.1%, but tariffs on many agricultural products are much higher. Non-tariff or other regulatory trade barriers, such as accreditation and standardizations of imported products are still present and can have negative impact on trade. The Belgian economy relies on the EU common market. Its main trade partners are the neighboring industrial countries (Germany, France and the Netherlands). Belgium is also a major transport hub due to its geographical location and good infrastructure. Customs and border and documentary compliance are very expeditious (with only 4 documents, the same ones both for import and export purposes). On the other hand, international freight is one of the areas in which competition is not fierce, due to the regulation that restricts market entry by increasing transportation costs. This issue is also connected to areas in which SOEs dominantly operate, such as railways. But public transport infrastructure is of high quality. Obtaining a working permit for non-EU nationals is a burdensome administrative procedure. There are still some controls on movement of short term capital. Labour mobility in service sectors is restricted due to licensing procedures, thus limiting supply and increasing prices.