

Belgium 2015



Total: 77.39

Political Freedom

Free and Fair Elections : 10

Most recent Belgium's parliamentary elections, in May 2014, were considered as free and fair. The political landscape is pluralistic and political parties can freely express their views. However, no political party is active across the whole country. This is mainly due to complicated state structure, legal obstacles and strict linguistic lines. Voting is compulsory in Belgium, for all citizens. Belgium is a constitutional monarchy with the bicameral parliament, which consists of the 150-member Chamber of Representatives and the 60-member Senate. The incumbent government was created after four months of negotiations because of disagreements between parties. In October, the coalition was formed between Christian Democratic and Flemish party, Movement for Reform, New Flemish Alliance and Open Flemish Liberals and Democrats, leaving out of the government the Socialist Party for first time after more than 20 years.

Absence of Unconstitutional Veto Players : 10

Government in Belgium has effective power to govern without interference by the unconstitutional veto players. Procedures for punishing corruption are well developed and efficient, thus the level of corrupt activities in the country is very low. Four people were killed in the anti-Semitic attack at the Brussels Jewish Museum in 2014, committed by a radical Islamist. Besides that, a few more anti-Semitic acts occurred during the recent years.

Freedom of Press : 8.9

Press in Belgium is free. Broadcast, printed and online media outlets exploit that through expressing wide variety of views. However, hate speech, defamation and holocaust denial are prohibited by the law. All media outlets are functioning alongside linguistic lines and each of the linguistic Communities (Dutch/Flemish, French and German) has its own institutions for supervising those outlets, regulate the content and issue the licenses. According to the Freedom House, cases of pressure upon - or verbal and physical harassment of - journalists are rare.

Rule of Law

Independence of the Judiciary : 6.92

Independence of judiciary from the executive power is a principle that has been developed in Belgium ever since its independence in 1830s, first as an unwritten rule and later as part of the Constitution. The principle is highly respected. As Belgium has been gradually transformed into a compound federation of three linguistic communities and three regions (only partially overlapping), 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 a number 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. In June and December 2014, it brought two important decisions on the linguistic issues in municipalities in the multiethnic Brussels region. Deciding on the famous Peeters Directive, carried by the Flemish government, which obliged native French speakers in majority Dutch-speaking municipalities to use Dutch in official communication and severely restricted their right to obtain translations, the court produced a compromise solution, whereby local councilors would apply for translation facilities only once during their four years' term instead of each and every time they needed a translation. Thus the court has resolved the dispute that politicians either could not or for demagoguery or strategic reasons did not want to resolve for years.

Corruption : 7.6

Social market economy, long experience in building anti-corruption mechanisms and a highly developed citizens' awareness have all narrowed the ground for and led to relative rareness of corruption. Proven cases usually include just indirect responsibility of politicians. There were occasionally suspicious infrastructure contracts, when tenders were won by companies favoured by decision makers. Especially corruption-vulnerable are the EU-funded projects. In March 2015, a case was opened against a former PM of Walloon Jean-Claude Van Cauwenberghe, for alleged mismanagement of city funds in the municipality of Charleroi during his Mayor-ship. According to Transparency International's Corruption Perception Index 2014, Belgium shared the rank 15 (of 175) with Japan (with the score of 76 points, one point up as compared with 2013).

Protection of Human Rights : 8.36

Belgium is improving its anyway remarkable record on human rights. The new government, that took office in October 2014, promised to establish a new National Human Rights Institution, for monitoring human rights. In many fields the situation might be described as excellent, especially regarding almost total improbability of extrajudicial killings, kidnappings, conscription of minors, denying the legal rights or right to privacy or similar misdeeds by authorities. Like in the rest of Europe, death penalty is abolished. Very high respect is paid also to women's and girls' rights and the equality of sexual minorities. Freedom of assembly, of expression and of opinion is highly regarded. Advancements have been made regarding the treatment in prisons or custody, even though not much is done regarding overcrowding. Security forces are under strict civilian and democratic control and bound (and trained) to respect human rights. Eradication of child or other

involuntary or slave labour is under way, even though the struggle against sex slavery will take time. The treatment of migrant workers, as well as of refugees or asylum seekers could improve. Freedom of thought is occasionally endangered, from various sides, be it by too strictly formulated rules of political correctness or through societal pressure from various ethnic, ideological or other interest groups. Minority rights should be advanced to match other high human rights' standards. Linguistic rights of the people living in areas where their mother-tongue is in minority should be implemented alongside a more active state and societal support to multilingualism.

Economic Freedom

Security of Property Rights : 6.64

Property rights in Belgium are overall well respected. Judiciary is mostly independent from out-of-court influences and its proceedings are respected. However, there were indications from opinion polls of business people (for example, from the Global Competitiveness Report) that courts could sometimes be partial in their rulings. However, a weak point could be found in slow legal enforcement of contracts, which undermined the efficiency of the entire legal system. Procedures are usually lengthy and the costs of enforcement are high. There are some regulatory practices that restrict completely free transfers of real property ownership (such as the right of preemption of local authorities in the case of agricultural land, social or residential housing). Registering property, the first step in ensuring any property rights, is a very expensive procedure. Police force are reliable. Crime does not impose significant costs to businesses.

Size of Government: Expenditures, Taxes, and Enterprises : 2.69

Although the government is not a proprietor of a large number of state owned enterprises (SOE) and, consequently, it is not significantly involved in the market apart from acting in a standard regulatory manner, public sector in Belgium is both extensive and expensive, and less than a quarter of the overall population is employed in the private sector. Main SOEs are in the field considered as natural monopolies, such as railway and postal systems, as well as telecommunications, which are not well managed when compared to the international OECD practice (for example, the railway system is divided into two regional enterprises, which incurs higher cost). The real price of the state consists of the provision of welfare and redistribution, which hinders economic growth due to wrong incentives and very high taxes. High tax wedge of 55.6% on average wage (the highest among OECD countries) keeps inactivity-level of the population in the labour market high, as compared to other developed European countries. Total government consumption is among the highest in Europe, more than half of its annual GDP (54.5%). The company tax rate is 33.99% but the income tax has very progressive rates: from 25% as the minimum to even 50% as the maximum. The rise of public debt since the wake of financial crisis (from 86.9% to 105.6% of GDP) has become a major issue, especially because future social allocations for healthcare and retirement funds are going to sharply increase in the near future due to demographic changes. All those is calling for fiscal consolidation just to keep public expenditures at the same level. High deficit in 2014 has led the European Commission to

issue a new recommendation in February 2015, on a minimum necessary fiscal adjustment for Belgium in order to have met the European deficit criteria.

Regulation of Credit, Labour, and Business : 7.48

Business regulation in Belgium is overall business friendly, however bureaucracy cost can be high. The minimum wage is set relatively high at 48% of the average gross wage, which is another contributor, apart from high tax wedge and generous social assistance, for low activity levels in the labour market. Labour code law is not restrictive in the regulation of working-hours or in the hiring section, but it incurs high cost for redundancies through high severance pay which increases with the longevity of the work tenure, and long notice periods for redundancy dismissals (up to 5 months). This effectively gives seasoned workers more job security, but also makes their future employment harder due to an associated risk. Centralized collective bargaining, via tripartite negotiations, is dominant in certain industries and can be harmful to businesses due to increased wage bills. Setting up a business is easy and inexpensive, while tax administration is professional and not costly to comply with, apart from high effective tax rate. Administration requirements in the section of registering property and construction permits are very high, expensive and time consuming. High transaction tax on purchase of private property, instead of recurring annual property tax, decreases already low labour mobility by creating disincentives to relocate. Wide parts of the service economy, such as network industries and regulated professions are sheltered from competition via mandatory licensing, which increases costs for the rest of the economy due to emerging rents.

Freedom to Trade Internationally : 8.8

Small economies gain most from competition and international cooperation introduced through free trade. As one of the founding members of the European Union, Belgium has been oriented to the international and the common European market. Tariffs are low and in accordance with the EU common trade policy, while other regulatory trade barriers, such as accreditation, quotas and standardizations are few, or easy and cheap to obtain. However, distribution and transport is one of the areas in which competition is not fierce, due to regulatory restrictions. That burdens international trade, especially in the sector of small and medium sized enterprises (SME), via increased costs. Furthermore, controls on the movement of migrant workers (excluding EU nationals) are enforced through working permits, which are difficult to be obtained. Belgium's main trade partners are its fellow members of the EU. International trade poses a risk for already slow growth of the Belgian economy, through possible slowdown of the German economy due to happenings in Russian and China.