

Belgium 2017



Total: 77.94

Political Freedom

Free and Fair Elections : 10

Free and fair elections in Belgium are granted by the constitution and largely upheld in practice at all levels - local, regional, national and European. Large turnout in all elections is mainly due to compulsory voting, since refusing to vote subjects one to a small fine. Belgian electoral process allows political parties to operate and compete only among linguistic compatriots, except in the bilingual Brussels region. Current government, comprised of New Flemish Alliance, Movement for Reform, Christian Democratic and Flemish party, and Open Flemish Liberals and Democrats, managed to remain united during observation period, despite security tensions and several incidents that occurred. Parties were preparing for local elections which were going to take place in October 2017. Belgium is a constitutional monarchy with a bicameral federal parliament consisting of the 150-member Chamber of Representatives and the 60-member Senate.

Absence of Unconstitutional Veto Players : 10

Belgium doesn't have unconstitutional veto players. The authorities have effective power to run the country without interference. There is almost no corruption in the country, due to efficient mechanisms set in place. Despite all those, the biggest threat to the country's safety and security is coming from terrorism. After the terrorist attack in March 2016, several more of the radical attacks happened, including a few stabbings of police officers and the Brussels Central Station bombing - without casualties – as of June 2017.

Freedom of Press : 8.8

Press is free and protected in Belgium. Media outlets are separated on two linguistic regions, Flanders and Wallonia, and each of them has its own public broadcaster. In both of them, media landscape is pluralistic and diverse. Problem regarding ownership of the media and especially press, which is highly concentrated, remained active. Defamation is punishable by the law in Belgium. Country is ranked on a high 9th position in Reporters without Borders 2017 World Press Freedom Index.

Rule of Law

Independence of the Judiciary : 7.83

Independence of judiciary from the executive is a principle developed in Belgium since its state independence in 1830. It was later enshrined by the Constitution. It is highly respected. Since federalization, Constitutional Court has become vital in peaceful resolution of conflicts of interest between the constituent regions or communities and in preventing discrimination. Another judicial body, Council of State, is the highest administrative court in the country, playing an important role in the peaceful settlement of inter-regional or inter-communal disputes. It also deals with legislation affecting human rights, freedom of commerce or other interaction between state bodies and private actors. Interviews with citizens fail to detect anybody who had paid a bribe to a judge, even though 25% think that there exists corruption in the courts. There certainly are sporadic outside influences by public opinion and/or political interference. According to GAN portal, efficiency or even efficacy of courts is but problematic. Judiciary is experiencing shortage of judges, hence backlog and even expiry of some important cases (such as those regarding transnational corruption).

Corruption : 7.7

For several years now Belgium has been stagnating in its battle to eliminate corruption. The situation is very good, yet the final steps to make it excellent (such as in comparable Netherlands or Luxembourg) are missing. In the Transparency International's Corruption Perceptions Index 2016, Belgium was ranked 15 (of 176). 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. The main fields left to tackle with are bribery abroad (by Belgian companies or via Belgium), infrastructure (especially huge EU funded projects) and public procurement (especially at the regional or local level). Since 2015, Belgian federal parliament has undertaken a broad reform of the civil and criminal legislation, in the framework of which also first changes after many years were made regarding bribery. In 2016, the definition of "passive bribery" was severed, as were also mandatory sentences for international corruption.

Protection of Human Rights : 8.44

Level of protection of human rights in Belgium is very high. In many fields the situation is excellent, while in others there is still a lot of room for improvement. Academic freedom and freedoms of expression, association or gathering are respected according to the highest EU standards. Country is multi-ethnic and its multi-layer federal structure is designed so as to provide equal opportunities to members of all native ethnicities. However, even they face obstacles outside their ethno-linguistic habitats. State and societal support to multilingualism is still insufficient. Treatment of immigrants of all walks could improve. One category of visitors or temporary migrants was recently included into protection – the servants of the super-rich foreign tourists. They were often treated below the minimum standards while in Belgium, and sometimes even smuggled into and out of the country. In June 2017, eight United Arab Emirates princesses were sentenced by

Belgian court to suspended jail sentences and huge fines for mistreatment of their servants while on tourist visits to Belgium. This landmark case could be a strong anti-dot on a broader scale, because it was a warning to all employers who used trafficked workers, thus sometimes facilitating modern kinds of slavery. In Belgium, high respect is paid to women`s and girls` rights, whereby domestic violence is ever more successfully pushed back, as well as to the equal rights of LGB persons, whose discrimination is almost eradicated. In May 2017, with lifting sterilization as a legal prerequisite for change of gender, also trans-gender persons reached some of the desired equality and dignity.

Economic Freedom

Security of Property Rights : 6.68

Property rights in Belgium are overall well protected. Judiciary is independent from out-of-court influences and the government and its proceedings are respected. However, Belgian courts suffer increasing backlogs, resulting in delays and slow proceedings (on average trial and judgment takes 400 days); since the court system is decentralized, duration of local dispute can vary significantly between different regions of the country. There are no adjournments restrictions, so they can be long and used often. There are no automation processes - not even in case of payments of fees, which affects the level of court management quality. There are specialized commercial courts, but this has not improvement the situation significantly. This also leads to high costs in the shape of attorney fees. In some particular cases, freedom of change of real estate ownership is somewhat restricted, calling for a third party authorization (such as the right of preemption of local authorities in the case of agricultural land, social or residential housing). Process of property registration, which is the first step in ensuring any property rights, is a very expensive procedure due to high notary fees and especially the high transaction tax levied on the purchasing price, which varies between regions. 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 : 2.69

Total government consumption in Belgium is among the highest in Europe, due to generous welfare and redistribution programs, reaching almost 54% of GDP in 2016. Continuous public deficits have led to an elevated level of public debt of 106% of GDP in 2016. The ongoing fiscal consolidation delivered some results in curbing the growth of public spending, but fiscal slippages were evident in 2016 due to fall in projected revenues and rise in expenditures. Although recorded fiscal deficit in 2016 of 2.7% is below the Maastricht criteria, it is still too high, especially having in mind fiscal pressure stemming from demographic changes and the already high debt. Public sector in Belgium is both extensive and expensive, since 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 such as utilities, railway and postal system and telecommunications. However, SOE management quality is dubious, as compared to the best international practices of OECD. The European Commission in 2017 declared that sea port tax

exemptions for Belgium ports are illegal state aid, similar to its ruling in 2016 regarding the telecommunication SOE, Proximus. High expenses need high tax rates: corporate tax rate is the third highest among OECD countries, standing at 33.99%, although a reform is planned to decrease the rate to 20% or 25%. Income tax is very progressive: 25% for the low earners, and even 50% for the highest earners. General VAT rate is 21%, while two preferential rates are 12% and 6%. Very high tax wedge, which stood at 54% on average wage (the highest among OECD countries), due to high social security contributions and personal income tax, has created obstacles to further job growth.

Regulation of Credit, Labour, and Business : 7.1

Business regulation in Belgium is overall business friendly, but bureaucracy costs could be high, stemming from complicated government levels whose competences could overlap. Setting up a new business enterprise is easy, but it is costly, due to high notary fees and high paid in minimum capital. However, obtaining a construction permit is a slow procedure due to inner municipality urbanization departments, whose capacities can strongly differ across the country. Tax administration is professional, with widespread use of electronic services, thus decreasing time and cost of regulatory compliance. Low labour mobility, coming from linguistic and administrative fractionalization of the country (with very different unemployment levels in Wallonia and Flanders), is also mitigated by high transaction tax on purchase of private property instead of 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. Working hours` regulation is not restrictive due to high number of working days and there are no limits of permanent contracts duration. Severance pay obligations differ by sector, stemming from collective agreements, while the firing regulations are restrictive due to very long redundancy notice periods, which increase in line with 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 costs in case. Tripartite negotiation via centralized collective bargaining is prevalent in certain industries and could pose constraints to businesses, due to increased wage bills. 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 : 8.7

As a small and open economy, Belgium has always been open to international trade. Belgium is one of the founding nation members of the EU, and it applies the EU common trade policy. Therefore, overall applied tariffs for imported goods are low, but tariffs on agricultural products are higher. Non-tariff or other regulatory trade barriers, such as accreditation and standardizations of import items are not prevalent but can have negative impact on trade. It heavily relies on the EU common market, especially on the market of the neighboring industrial countries (Germany, France, the Netherlands), since Belgium is 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). The World Bank, in fact, cites Belgium as the most efficient country providing an efficiency frontier for benchmarking other countries. On the other hand, international freight is one of areas in which competition is not fierce, due to regulation restrictions, which burdens international trade, increasing transportation costs. This is also connected to areas in which SOEs operate, such as railways. But public transport infrastructure is of high quality, which diminishes costs 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. Movement of labour in services is restricted, due to licensing procedures, limiting supply and increasing prices.