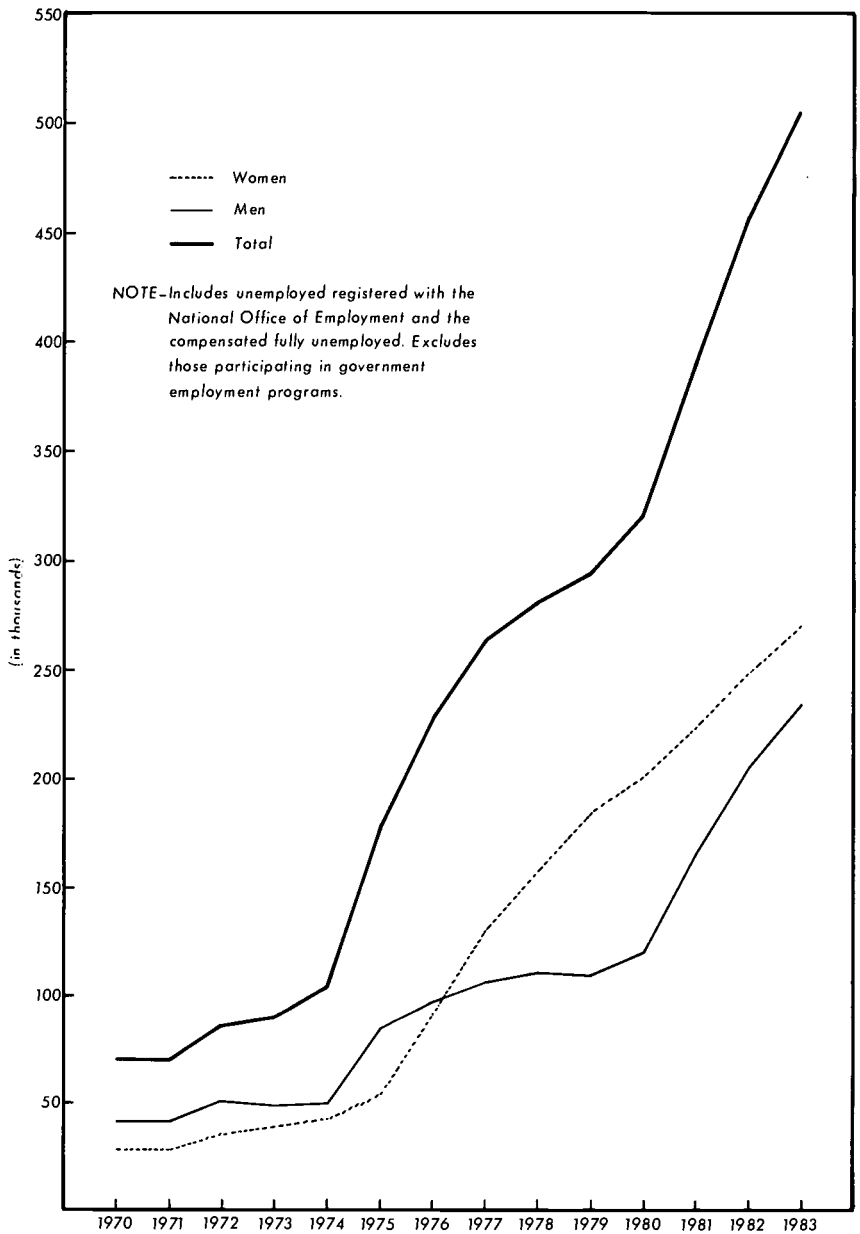


Belgium: A Country Study



Source: Based on Information from Belgium Ministère des Affaires Économiques, Direction Générale des Études et de la Documentation, *L'économie belge en 1982*, 1, Brussels, 1983, 31-32; and Belgium, Ministère des Affaires Économiques, Direction Générale des Études et de la Documentation, *Aperçu économique trimestriel*, Brussels, No. 2, June 1984.

Figure 9. Evolution of Unemployment, 1970-83

Unemployment

Within the last decade unemployment has become one of the most serious problems facing the Belgian economy. The unemployment rate—measured as the ratio between the total number of unemployed, whether or not they received unemployment compensation, and the working population—was 13.9 percent at the end of 1983. Belgium then had the third highest rate of unemployment in the EC after Ireland and the Netherlands. Unemployment first gathered momentum during the recession of 1974–75 but rose very rapidly in the early 1980s (see fig. 9).

The seriousness of the unemployment situation has been compounded by the difficulties that Belgian industry has had in adjusting to changes of demand and in meeting the exigencies of international competition. In the 1973–81 period some 298,000 jobs were lost in the manufacturing and processing industries, fully one-third of total employment in these sectors. The combination of lost export markets, increased import penetration, and a rigid system of wage indexation caused most of the decrease. Wage rates surged in the 1970s; real earnings rose 8.5 percent a year in manufacturing from 1971 to 1975 and 2 percent annually from 1975 to 1980. Consequently, Belgian labor costs rose to one of the highest levels in the world. To maintain competitiveness, Belgian firms were forced to increase productivity by reducing labor and eliminating their least profitable activities.

To compound problems, since 1981 job losses in industry have not been offset by the creation of jobs in the services sector. Moreover, employment has been growing more slowly than the economically active population because of the coming of age of the postwar baby boom generation and the entrance of more women into the labor force. Government measures to encourage employment have met with limited success, and unemployment has continued to rise since 1981, albeit at a slower rate than before. The average number of compensated unemployed rose 10.8 percent in 1983 to 505,000 persons. In the 1980–81 period unemployment had increased at twice this rate. The fact that fewer jobs were lost in industry was largely responsible for the better performance. Substantial termination payments and legal provisions governing the layoff of workers have, however, proved to be major obstacles in expanding employment in a large number of enterprises, wary of labor problems in periods of downturn.

A profile of the unemployed in 1983 indicates that women have experienced nearly double the rate of male unemployment. Among the economically active population, 9.1 percent of men were compensated unemployed compared with 16.9 percent of

women. Over 13 percent were foreigners, a slightly greater proportion than their share of the economically active population. Nearly one-third of the compensated unemployed were under age 25, one-half were under 30, and almost two-thirds were under 35. Unemployment among the youngest groups has begun to recede slightly as a result of longer mandatory schooling and a slowing of population growth, but the prospect of a one- to three-year wait for the first job could have social repercussions. The length of unemployment increased substantially in 1983; nearly two-thirds of the compensated unemployed had been out of work more than one year, but about 10 percent of these people had handicaps that reduced their aptitude for work. Wallonia registered a higher regional unemployment rate than Flanders or Brussels, but behind aggregate figures there were large disparities within each region. Neighboring arrondissements in some cases exhibited entirely different employment trends. In general, the most rural zones and those relatively new to industrialization were the least affected (see table 7, Appendix A).

The government has been expanding the scope of its employment support measures since the mid-1950s. Apart from wage restraint, policy has concentrated on early retirement, job creation, measures to combat youth unemployment, and encouragement of part-time employment. The institution of early retirement contributed to an appreciable decrease in the number of employed males between 1979 and 1981. In 1982 alone, more than 100,000 persons, or 2.8 percent of the labor force, took advantage of this option. To ensure that early retirement was not being used to reduce payrolls, the granting of early pensions was dependent on proof that the retiring worker would be replaced. Direct employment support measures included job activities created by the government itself or nonprofit associations. Initial programs were aimed principally at youth unemployment, but a new system introduced in 1982, the third or parallel circuit, was confined to those unemployed for more than two years. At the end of April 1984, some 102,000 were employed by various government-financed or -encouraged schemes. Another significant program involved encouraging the unemployed to accept part-time employment while preserving their unemployed status and a portion of compensation. Previously, the system discouraged part-time work; only 6 percent of the labor force was made up of part-timers, as against an EC average of 11 percent. By April 1984 there were 62,500 workers, predominantly women, in part-time jobs.

One of the troubling aspects of unemployment has been its cost to the national government. Average annual compensation

per unemployed worker in January 1984 was estimated at BF222,543 (US\$3,983). Unemployment benefits and employment support programs reached almost 8 percent of current public expenditure and 4.5 percent of GNP in 1982. As a consequence, unemployment insurance coverage has tended to diminish. Although the principle behind it has not been explicitly challenged, linkage of unemployment benefits and previous income has been questioned. The eligibility time for young unemployed school-leavers has been extended and the benefits to non-heads of households reduced. Unemployment benefits were also taxed when income exceeded a certain level.

Labor Relations

Belgium is one of the most highly unionized countries in the world. Estimates of the number of union members range from 60 to 70 percent of the working population, even though the closed-shop system is illegal. The degree of unionization varies, however, from more than 80 percent for blue-collar workers to 37 percent for white-collar workers. The largest trade unions are not organized by professions or crafts, but by industrial branches. The high degree of unionization is partly owing to the links of the most important trade unions with the political parties (see Interest Groups, ch.4). The political pressure exerted by trade unions has profoundly influenced labor legislation, which is very extensive, covering practically all work conditions as well as social security regulations and other social benefits. It is still rare for employees to be represented on company boards, but the idea had been espoused by various governments in the postwar period.

Various forms of worker representation exist mainly at the plant level. They include the union delegation (the equivalent of the shop steward's committee); the works council; and the committee for safety, health, and improvement of the workplace. The works council, organized on a parity basis between employer and employee representatives, is required in every plant employing at least 100 persons. Its competence is largely of an advisory nature, although it has some decisionmaking powers regarding work rules. The composition and competence of the other two bodies is of a similar nature.

Employers are principally represented at the national interindustry level through the Federation of Belgian Enterprises (VBO/FEB). It is composed of sectoral associations, representing about 35,000 enterprises in most economic branches excluding agriculture, retail trade, handicrafts, and state-controlled enterprises. About three-quarters of companies having more than 10

employees are members of the VBO/FEB, in order to influence collective agreements, which are often made binding for all companies in a particular industry. Managers of large foreign subsidiaries in Belgium occupy important positions in the metal, petroleum, and chemicals associations, sectors in which multinational enterprises dominate.

Bodies for collective bargaining are set up at both the national industry level and the national interindustry level. At the industry level, trade unions and employer associations are represented on a parity basis in joint committees, which were first established in 1919. In 1983 there were 98 joint committees, covering most of the workers in private industry. Bargaining is normally conducted separately for blue-collar and white-collar workers, and coordination between the two is rare. At the national level, the so-called social partners are represented in the National Labor Council, which was granted bargaining powers in 1968 and acts as an advisory body to the government. The National Labor Council concludes such a large number of binding agreements that it has been called a social parliament. Bargaining at the national level may also take place in *de facto* working groups or in *ad hoc* "round-table" conferences. Both the major trade unions and the principal employer associations have adapted their structures to the new political and economic realities of federalization. Regional organizations have been set up and are becoming more important, but in the fall of 1984 they did not yet engage in collective bargaining.

The Belgian industrial relations system shows a clear preference for autonomous rulemaking on pay scales and work hours through the collective bargaining mechanism. The government, although an important actor, has generally played a supplementary role since it relinquished its position as wage regulator in 1956. Collective bargaining takes place at four levels: national interindustry, national industry, regional industry, and enterprise. High-level bargaining sets only minimum standards for wages and labor conditions, which can then be improved upon at lower levels.

The economic crisis triggered by the first oil shock has greatly influenced labor relations and collective bargaining. Between 1960 and 1975 interindustry agreements were concluded at regular intervals, usually of two years, but since 1975 no agreements have been concluded on the major issues. Employers, in particular, have been unprepared to make concessions which could worsen their competitive position. In addition, the specter of unemployment has made it difficult to develop a common position

among trade unionists from the stronger and weaker sectors of the economy. As a result of the impasse, the national government has intervened actively in collective bargaining, mainly by trying to induce the social partners to conclude agreements in line with its austerity policy. When these efforts failed, the government took drastic, independent measures in early 1982, imposing a far-reaching incomes policy, which included a selective wage freeze and partial suspension of wage indexation. The autonomy of the social partners was thereby considerably diminished.

Wage restraint as pursued by the government has also been based on "work sharing," or the trade-off of lower wages for additional hiring and shorter work hours. In this respect, even though the government restricted the freedom of wage determination, it still obliged management and labor to negotiate on employment schemes at the sectoral and enterprise levels. The Martens V government specifically proposed a 5-3-3 program for application in 1983 to 1984: a 5-percent reduction in working hours and a 3-percent increase in employment, compensated by a 3-percent reduction in real labor costs. In the absence of agreement, firms had to pay the proceeds of wage restraint into a central employment fund, but strict adherence to the 5-3-3 program was not enforced. To ensure that the scheme did not affect industrial competitiveness, the government agreed to offer extra fiscal incentives to companies that signed agreements, including reductions in employer social security contributions.

Given the seriousness of unemployment in Belgium, the 40-hour basic workweek has become an anachronism in the hope of creating new jobs. Although many workers in Belgium were already on a 36- to 39-hour week, the socialist unions were pressing for a 35-hour week without reduced pay by the end of 1986. Faced with demands for shorter hours, employers were insisting on the right to deploy workers more flexibly between tasks and adjust the size of their labor force more quickly and easily. A royal order of December 30, 1982, permitted collective agreements to depart from binding labor standards under certain conditions and provided for experimental, flexible shift patterns. The Philips plant at Roulers, West-Vlaanderen, for example, had some workers doing two weekend shifts of 12 hours in return for 36 hours' pay in 1984. This reportedly created 15 jobs, whose cost was offset by the fuller use of equipment.

In the past only moderate use has been made of the right to strike. Since 1982, however, rising unemployment, austerity, and the failure to conclude collective agreements have led to increased labor unrest. The longest and most effective strike in Bel-

gium since 1961 erupted in September 1983 after a spontaneous walkout of railroad workers spread through the public service sector into the private sector, causing various service interruptions for almost three weeks. In general, strike activity has been more prevalent in Wallonia. Statistics for 1982 showed a decrease in the number of strikes at the enterprise level but a rise in strikes at the sectoral level. Strikes in 1982 tended to be spontaneous, and they focused more than in previous years on employment guarantees and job security and less on wages and benefits. In 1982 about 10 large-scale plant occupations occurred to protest closures or layoffs. In the future, creation of employment will continue to be a key labor concern as firms seek to control labor costs; introduction of new technologies will likely become another important issue.

Income Policy

Through the 1970s, wages, pensions, and social security payments were largely shielded from the impact of inflation through an automatic indexation system. Wages and salaries increased far more rapidly than the rise in consumer prices. This development led to a sharp expansion in private consumer spending and a marked rise in demand for items associated with a higher standard of living, particularly consumer durables. Demand for electric appliances, radios, television sets, and record players, for example, increased by 10 percent per year on average. There were also significant increases in expenditures on electricity, health care, financial services, automobiles, and various pharmaceutical and personal products. By contrast, expenditure on so-called essential living requirements accounted for only 33.9 percent of GNP in the 1976–80 period, compared to 42.8 percent in the 1961–65 period.

Wage increases were so significant that national income distribution was shifted in favor of households, seriously affecting corporate profitability and investment. The Martens V recovery program therefore sought to contain the rise in wages and break their link with the price index in order to improve corporate competitiveness. Initially, the proportional indexation system (see Glossary), was replaced by a flat-rate system (see Glossary), but the proportional system was restored in 1984. The government planned, however, to skip a 2-percent cost of living increase each year between 1984 and 1986 and to average the consumer price index over four months rather than one month. The proceeds of the wage restraint were to be used to pay social security contributions and create employment. If wages increased faster in Bel-

gium than in its main competitor countries, the government retained the right to institute further wage cuts. However, after the institution of the recovery program in early 1982, the wage push was more strongly curbed in Belgium than in most other industrialized countries, redressing the long period when wages generally rose faster in Belgium.

Although wages have been sharply curtailed, investment income has risen in recent years, recording a real rise of nearly 3.5 percent in 1983. This rise occurred because of the Belgian's tendency to save, an upward movement of interest rates, an improvement in dividends, and a growth in incomes from long-term investments. Overall, the share of individuals in GNP has decreased only slightly since 1980, although those among the lower and middle classes without significant investment income have experienced greater reductions in buying power than the average. It was expected that increased unemployment, lack of consumer confidence, and continued wage restraint would hold down domestic demand in the future, changing expenditure patterns somewhat, compared with the 1970–80 period.

Foreign Economic Relations

Because of an absence of essential natural resources, Belgium must import large quantities of oil and raw materials. To pay for these supplies, the country exports semifinished and manufactured goods inasmuch as the small domestic market offers limited outlets. During the 1960s and 1970s, foreign trade expanded much more rapidly than production, so that trade has come to represent more than 60 percent of GNP. This high degree of trade dependency has made economic prosperity vulnerable to fluctuations in world economic and trade activity. Belgium has therefore been a staunch advocate of free trade and a firm supporter of greater economic integration in Europe.

Trade Organization and Policy

In 1922 Belgium and Luxembourg entered into an economic union to abolish the customs border between the two countries. All trade conventions with other states have since been entered into by the Belgium-Luxembourg Economic Union (BLEU), and trade and balance of payments statistics have been calculated on a combined basis. In 1944 the BLEU signed a convention for a separate customs union with the Netherlands, called Benelux. The benefits of this customs union were later overshadowed by

the EEC, but the Belgian government in 1984 launched a campaign to rejuvenate Benelux, in conjunction with its fortieth anniversary.

Underlying the initiative to add a stronger political dimension to Benelux was the desire to counterbalance the development of greater Franco-German cooperation and reassert Benelux as a kind of laboratory in the forefront of EEC developments. In July 1984 the Benelux countries introduced a single administrative document for their own cross border trade, while the EEC continued to debate the terms of a similar document. It remained to be seen whether the French-speaking population in Belgium would go along with the push for a Benelux revival. In the past they have stalled moves toward greater cooperation because of fears they would be disadvantaged by closer ties between Dutch-speaking Flanders and the Netherlands.

Belgium was a founding member of the EEC. The Spaak Report, written by a former foreign minister, Paul Henri Spaak, formed the basic document from which the Treaty of Rome, establishing the community, was written (see Appendix B). Since the completion of the EEC customs union on July 1, 1968, customs duties on trade between Belgium and its EEC partners have been eliminated, and non-agricultural imports from countries outside the EEC have been subject to the EEC Common External Tariff (CET). Duty rates are moderate; most raw materials enter duty free or at low rates, and rates on most manufactured goods fall within a range of 5 to 17 percent.

The 1979 series of Multilateral Trade Negotiations, the Tokyo Round, held under the auspices of the General Agreement on Tariffs and Trade, was expected to reduce the average tariff level on industrial goods imports by approximately 35 percent by 1987. Under EEC agreements and within the framework of the United Nations Conference on Trade and Development, Belgium extends preferential tariff treatment to a large number of developing countries. Exports are generally free, except for occasional temporary restrictions instituted by the EEC for internal supply purposes or voluntary export restraint, particularly in the case of steel pipe and tube exports to the United States.

Government involvement in the trade field is basically limited to administering trade regulations, negotiating trade agreements, and providing trade information and other services through the Belgian Foreign Trade Office. The activities of the trade office are financed by the Foreign Trade Fund, which may provide grants, loans, or guarantees to trade associations and individual firms to support market research, promotional campaigns,

or the improvement of commercial techniques. To supplement this work, the National Del Credere Office insures political and commercial export risks, and Compromex, a public consultative committee, advises on applications for interest rate subsidies granted through the Foreign Trade Fund. The principal financing facility for medium- and long-term credit is a semipublic association called Creditexport, whose members include a number of commercial banks, private savings banks, and public financial institutions. The NBB oversees export credit extension and to some degree controls it by the right to certify export loans from these institutions, entitling them to lower rediscount rates.

In the 1980s the government moved to improve its support for the export industry in order to encourage small- and medium-sized firms to export. Government promotion activities also became more selective but still sought to diversify export markets. To promote exports to less developed countries, the government created a special export credit fund in 1982 with BF3.225 billion from budgetary credits. So far the principal beneficiaries of export credit under this facility have been Bangladesh, China, India, Indonesia, Turkey, Zaïre, and the Philippines. The government has also encouraged joint ventures with foreign industrial groups to service markets in other countries.

Contrary to its free-trade orientation, the country has sought generous offset agreements (see Glossary) in military supply contracts. This form of trade agreement has gained popularity in both less developed countries and industrialized countries concerned over unemployment and trade deficits. In Belgium, offsets are especially complicated to arrange because of the need to spread the benefits among Wallonia, Flanders, and Brussels. One of the most generous agreements involved the purchase of four-wheel-drive vehicles from Bombardier of Montreal in exchange for concessions worth three times the face value of the contract. The offset benefits were divided on the basis of 52.6 percent for Flanders, 40.4 percent for Wallonia, and 7 percent for Brussels. Negotiations on future offsets will likely be heated. Flemish interests have claimed 100 percent of the offsets on the purchases of a new fleet of helicopters, justifying their stance on the fact that the arms industry has traditionally been based in Wallonia.

Trade Patterns

Since 1973 Belgium has not adequately met the demands of international competition, a factor that has contributed to the persistent deficit on the trade account. Belgium lost foreign markets between 1973 and 1981, while witnessing greater import penetra-

tion than most European countries. These poor results can be partly attributed to an unfavorable structure of exports heavily represented by products in low demand, such as iron, steel, and textiles (see table 8, Appendix A). Furthermore, newly industrialized countries have offered stiff competition in these same areas. The NBB estimated that such structural effects were a cause of 40 percent of differences in performance between the BLEU and the OECD as a whole during the 1970-77 period. Poor trade performance was accentuated by the impact of the wage indexation system and a strong currency policy on export prices. In view of these cost trends, Belgium increasingly stressed technology and quality in export promotion.

Up to 1977 the trade deficit was offset by an increase in the surplus on services because of rising expenditure by the international organizations based in Brussels and income from overseas investments. Interest charges linked with foreign borrowing by the public sector contributed to the reversal of this trend in 1977 and the BLEU current account deficit worsened steadily until to 1981, when it was equivalent to 4 percent of GNP for the BLEU (see table 9, Appendix A). Because the Luxembourg current account remained in surplus from receipts for financial services, the Belgian current account deficit was larger than that reported for the BLEU as a whole.

The deterioration of the current account balance was halted in 1982 when Belgium began to pursue a recovery program based on export growth and domestic austerity. Devaluation of the Belgian franc in February 1982 and wage restraint had positive effects on trade; from mid-1982 to mid-1983 the trade deficit totaled BF150 billion compared with a record BF280 billion during the previous 12-month period. Improvement in the trade balance was uneven, however. The energy balance improved noticeably based on decreased consumption and moderated prices, while steep export growth was registered in the automobile, wood and furniture, rubber, plastics, food and beverage, and carpet industries. Many of these industries had successfully specialized. Steel and metalworking, including electronics, did not experience as great a rate of export growth, although they accounted for the largest share of exports. Perhaps this reflects the investment effort in mechanical engineering, which was more limited than in other major European countries.

The increase in exports in response to recovery abroad and the reorientation of economic policy in Belgium since the beginning of 1982 benefited Flanders somewhat more than the other regions. The Flemish economy was slightly more open; about

55.5 percent of total sales from Flemish industry were abroad, whereas figures for Wallonia and Brussels amounted to 51 and 44.5 percent, respectively. Flanders thus accounted for almost 70 percent of Belgian industrial deliveries abroad; Wallonia had a about 25 percent, and Brussels some 5 percent.

Over four-fifths of trade has been effected with industrialized countries, primarily EC member states. In 1982 some 63 percent of Belgian imports came from other EC countries, while just over 70 percent of exports went to the community (see table 10, Appendix A). These were higher proportions than for any other member except Ireland. Although Belgium used to have very close links to the Netherlands, since 1970 the Federal Republic of Germany (West Germany) has been both the principal supplier and the main export market for Belgium. In relation to the size of the market, trade with the United States has never been very extensive. In 1982 the United States was the sixth largest importer of Belgian goods, having a 4.4 percent share of exports. Because recovery has been achieved faster in the United States than in Europe, the lack of strong trade ties between Belgium and the United States may have initially held back export growth. The most striking trade developments in the first 10 months of 1983 were the substantial increases in exports to the Soviet Union, Eastern Europe in general, the United States, and Japan.

Trade with Oceania and Latin America has been negligible, but in deficit, and falling commodity prices and poor economic conditions have held back prospects in Africa. Traders have therefore focused on developing long-standing ties with French-speaking countries in northern Africa, former colonies, and South Africa. Zaïre, in particular, was an important export market and source of nonferrous ores but was seeking to process ores domestically and phase out overseas refining by 1990. Owing to limited outlets in Africa, there have been forays into select Asian markets in response to government promotional efforts. Exports to China, for example, rose from BF2 billion in 1981 to BF11 billion in 1983.

Service Industries

As in most developed economies, the services sector—including transportation, communications, banking and finance, public administration, and commerce—employs the highest percentage of the labor force and accounts for the largest share of GNP (see table 11, Appendix A). Over the 1974–82 period, the

services sector was the only sector that created new employment. Some 70 percent of the increase, however, was attributed to government employment in general administration, education, health, and social services. Proportionally, the greatest increases were experienced at the communal and provincial government levels.

In the private sector, the rise of employment in services probably contributed to the increasing importance of enterprises employing fewer than 50 people. In 1978 they accounted for 42.4 percent of nongovernment employment, compared with 38.4 percent in 1974 and 34.8 percent in 1970. The trend in wholesale and retail trade has been toward concentration, i.e., fewer but larger firms, but independent retail outlets—mostly small shops—continued to predominate, accounting for 72 percent of total distribution turnover in 1980.

The importance of the services sector is most apparent in Brussels, where around three-quarters of the work force is engaged in tertiary activities. Following the establishment of the Commission of the European Communities and the NATO headquarters there, the number of embassy staff, journalists, interest groups, and corporate executives increased significantly, leading to the expansion of financial, hotel, restaurant, office, and commercial services.

Financial Services

Traditionally, control over the economy has been centralized in a small number of powerful holding companies through the pyramiding of stockholdings and interlocking directorates. Bank holding companies, particularly the *Société Générale de Belgique*, have had extensive holdings in major industries. The greatest concentration ratios prevailed in banking, electric power, metallurgy, and the chemical industries, and geographically in the Walloon region. According to political scientist John Fitzmaurice, the holding company pattern has probably created an economy with less competitive behavior than most Western industrialized economies, which has contributed to poor adaptability to changing market conditions. Industrial geographer Raymond Riley has concluded that the domination of *Société Générale de Belgique* by financiers rather than industrialists imparted a conservative bias against change. In any case, the structure of capital has been largely maintained over the years, and venture capital has played only a secondary role.

Belgian banking is highly concentrated and increasingly competitive as despecialization erodes barriers between different

kinds of financial institutions. The sector also has a strong international orientation; ranked according to its bank's foreign assets, Brussels was the ninth largest financial center in the world, ahead of Tokyo and Milan. Two major clearing systems are located in Brussels, and an important reinsurance market has developed.

Until the 1960s the banking system was composed of three kinds of specialized institutions. Deposit banks handled short-term business credit and international payments traffic; private savings banks catered to personal banking needs; and semiofficial credit institutions granted medium- and long-term credit to sectors insufficiently covered by the private sector banks. As prosperity and incomes rose in the 1960s, credit institutions began to diversify their services to accommodate the greater and more sophisticated needs of their customers.

The Banking Reform Law of 1935 was amended in 1967 to recognize commercial banks as investment companies, thereby removing the prohibition on the holding of company bonds. Banks were permitted to hold shares for a limited period when underwriting public issues. Eventually the Mammouth Law of 1975 widened the scope of private savings banks' activities and placed them, along with deposit banks, under the supervision of the Banking Commission. The commission is an autonomous body charged with supervising the implementation of banking legislation. It also regulates the percentage of deposits that a bank must invest in government securities and issues a yearly consolidated report on the financial position of the banks it oversees.

In spite of decentralization, private savings banks have remained loyal to their heritage as family bankers. As of 1982 there were 30 private savings banks in Belgium. These banks attracted deposits primarily from private savings, while four-fifths of their credit business was in mortgages and home loans. For some time, they have also been involved in the financing of schools, hospitals, and social and cultural associations, thereby complementing their role as family bankers. Their competition with commercial banks concerns the gathering of deposits, which is one reason why commercial banks have supported extensive branch networks. Private banks have also intervened increasingly in international operations, while commercial banks have extended mortgage loans.

Mergers have reduced the number of Belgian-controlled commercial banks from 67 in 1960 to 28 at the end of March 1983. Within this group, three banks—*Société Générale de Banque*, *Banque Bruxelles Lambert*, and *Kredietbank*—accounted for almost three-quarters of the total deposits, including medium-term bonds, of the commercial banking sector and over one-half of the

loans extended to private borrowers. Another 29 institutions registered under Belgian law were controlled by foreign groups, composed predominantly of multinational banks. In addition, some 25 banks had branches in Belgium and were therefore under foreign jurisdiction. Two factors have led foreign banks to establish such a visible presence in Belgium. First, the Banking Commission does not discriminate against foreign banks in any way, nor does it insist on reciprocity of treatment for Belgian banks abroad. Second, Brussels is a center for EC institutions and international corporations.

Internationalization of banking activity has not been a one-way street. Belgian franc transactions with foreign countries and currency transactions of banks with Belgian majority ownership represented 48 percent of their balance sheet totals in 1981. The strong trade bias of the Belgian economy has led to the development of an extensive foreign network of branches and representative offices to support the Belgian presence abroad.

Regardless of competitive pressures, there has been a high degree of cooperation among the leading banks. They pioneered in the formation of European banking consortia, which coordinate international financial business. They also have participated in an association that has been instrumental in establishing advanced electronic systems. Private savings banks have also participated in many of these common projects. Less than 50 percent of money transfers involving more than BF100 still took the form of cash transactions in 1983. Automatic debit facilities were located at many gasoline stations, and by 1986 the electronic funds transfer system was due to be extended to supermarkets and retail outlets. Banks were also considering home banking facilities, but the state of the telecommunications infrastructure made progress difficult (see *New Technologies*, this ch.).

The greatest competition for commercial banks was from the semipublic credit organizations. They included six major institutions that functioned in specialized areas, such as agricultural, mortgage, business, or industrial credit. Some of them were mainly concerned with the rediscount of credits and the making of advances against them, rather than the direct distribution of credit. In terms of deposits, they were as large as the banking sector and were important sources for medium- and long-term industrial loans and government bonds. Semipublic credit organizations were not regulated as banks, although they posed powerful competition to commercial banks as they made inroads into the Eurobond markets and as commercial banks moved into markets, such as that for mortgages, where public institutions dominated.

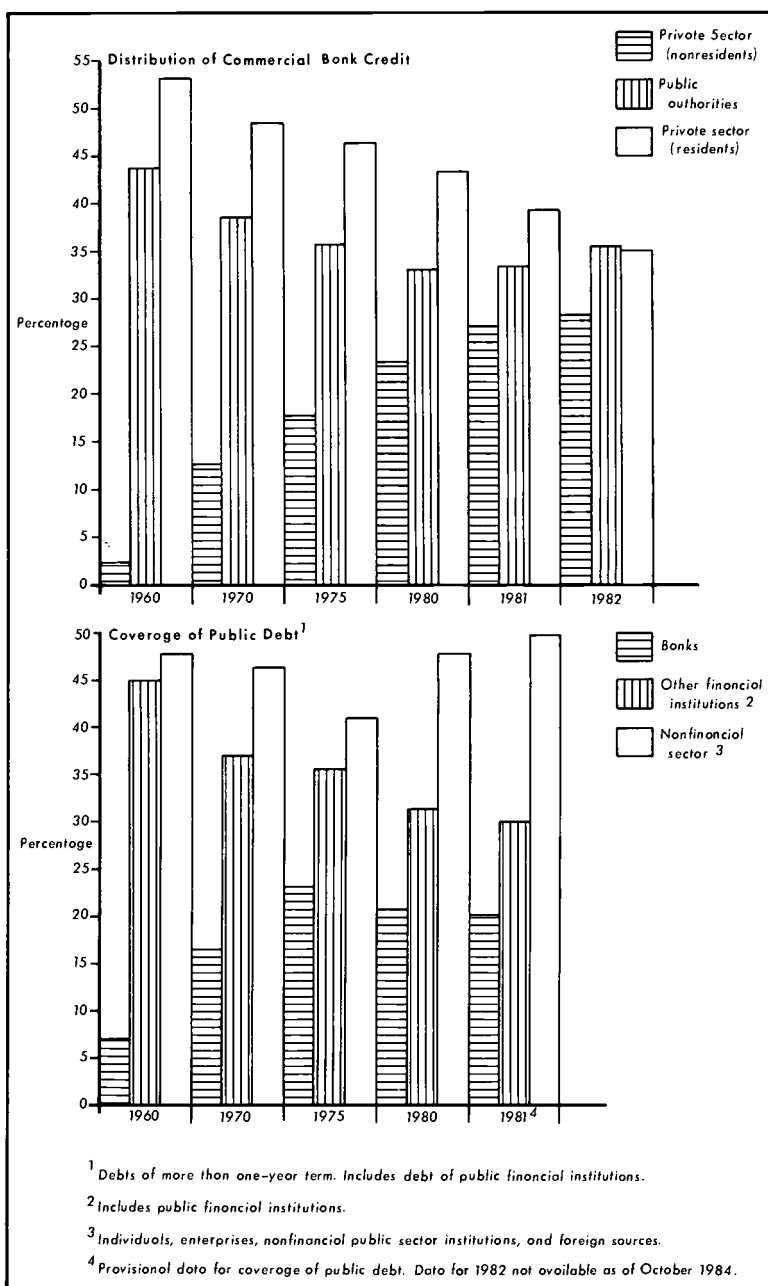
Other deposit-taking institutions included the Postal Chèque Service and a cooperative system of over 800 savings and agricultural credit organizations—so-called Raiffeisen banks, under the sponsorship of the Belgische Boerenbond (see Agricultural Organizations and Policy, this ch.). Belgians generally have a conservative attitude toward saving. In 1983, with austerity measures in full force, 17 percent of disposable income was saved. These personal savings to a large extent have underpinned the Belgian banking system and the government's widening government deficits (see fig. 10). Nonetheless, significant funds were kept in Luxembourg banks, which provided a convenient haven free of withholding taxes and exchange risk. Belgians have also increasingly shown a preference for investments other than deposits with commercial banks.

Although well-developed, the Belgian banking system has not been able to satisfy all the requirements of industry and the public sector. Thus, as part of its recovery program, the government sought to promote the stock market and corporate investment through a new law on share investments, instituted by royal decree in March 1982. Since the law was enacted, the Belgian Bourse has witnessed a tremendous surge of activity. Total turnover reached an all-time high of BF137.6 billion in 1983, no less than a 130-percent increase in two years. Nevertheless, the stock market was still small by international standards, having barely more than 200 traded issues. Only a few dozen securities had significant stock market weight; the majority represented small- and medium-sized companies whose limited share capital was owned by a few families. In this context, the new law aimed to orient domestic savings towards risk capital and improve the corporate financial structure.

To implement these goals the law contained two distinct sections. The Monory Section, named after the sponsor of a similar law adopted in France in 1978, provided within certain limits and on certain conditions for the tax deductibility of share purchases. Nearly 400,000 households were estimated to have purchased stock through the approved funds and, according to some experts, a quarter of all Belgian households would own shares in the near future.

On the corporate side, the Cooreman Section, which allowed companies raising capital during 1982 and 1983 to qualify for substantial corporate tax deductions, encouraged the formation of over BF300 billion in stockholders' equity, of which BF83.6 billion was raised through public issues on the stock market. This figure could overestimate the net capital brought into

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Source: Based on information from Association Belge des Banques, *Rapport annuel*, 1983, Brussels, 1983, 78, 81.

Figure 10. Sectoral Distribution of Commercial Bank Credit and Coverage of Public Debt, Selected Years, 1960–82

the economy, however, given the pyramidal structure of business stockholdings. Banks, holding companies, and insurance companies absorbed over 45 percent of the total funds raised; electricity producers, over 30 percent; and industrial enterprises, about 20 percent. This breakdown reflects the structure of the stock market, the biggest segment of which consists of the major financial institutions and public utilities. To benefit from the Cooreman tax advantage, companies had to agree to invest at least 60 percent of their capital increase proceeds in Belgium.

Transportation

The central geographic position of Belgium in Western Europe on the edge of the Schelde-Meuse-Rhine delta and the absence of physical barriers on the Flanders plain have led to the development of a comprehensive transportation network. Good interior and port linkages, as well as integration with international transportation networks, were vital infrastructural requirements in light of the Belgian reliance on foreign trade. An enormous program to modernize the transportation system, which is one of the densest in the world, was instituted in conjunction with EC membership. In the early 1970s the movement of freight was well distributed between the three surface networks—roads, waterways, and railroads. Since then vehicular traffic has risen dramatically. By 1981 roads were responsible for 69 percent, inland waterways for 18 percent, and railroads for 13 percent of all freight traffic.

The move toward universal car ownership and the development of advanced technological industries have been factors behind the great increase in road traffic. There were over 4 million motor vehicles registered in Belgium in 1983, and the road network consisted of some 18,000 kilometers of main communication highways, including 1,300 kilometers of express motorways, that were part of the greater European network. The roadway system centered on Brussels, and Antwerp was the major peripheral focus. To deal with the rapid growth of road traffic, ongoing development projects included the extension of three international highways through the southeastern section of the country, road improvement in the urban areas, and the moving of trams underground (see fig. 11).

Interior waterways remained an important element of the transportation infrastructure, as almost all manufacturing complexes have either a seaport location or are situated near a river or canal. Moreover, about 60 percent of trade with Switzerland and the Netherlands and 35 percent of that with West Germany has

been waterborne in recent years. The total system was some 1,570 kilometers long as of 1983. Ores, minerals, metallurgical products, and construction materials accounted for almost one-half of the goods transported.

The waterway system is highly interdependent. Focused on the port of Antwerp, most of the major waterways are part of a double circuit that links all the industrial areas with the various seaports in Belgium as well as with Rotterdam and Dunkerque. The Meuse and Schelde rivers have long been the main arteries of the system and have historically formed the principal industrial axes of the country. There are three major systems: the Albert Canal-Meuse basin, the most important waterway in terms of ton-kilometers; the Schelde basin system; and the Antwerp-Brussels-Charleroi loop. A modernization program was under way in 1984 to make all the main waterways accessible to the standard 1,350-ton European barges. In the mid-1970s less than a quarter of Belgium's total waterway length could take barges of this size.

Three major seaports are the linchpins of the system. The largest is Antwerp, which lies in the Schelde estuary, 65 kilometers from the North Sea. Antwerp has handled about three-fifths of the import and export traffic of the BLEU. The Antwerp port complex, which covered nearly 11,000 hectares in 1984, contained entire industrial plants, and over 75,000 persons were usually employed by the port or companies that serviced it. Ghent also relies on the Schelde estuary and is reached via the Ghent-Terneusen Canal. The third port is Zeebrugge, located at the eastward end of the coast. The three ports were continuously being developed to improve maritime access and prepare sites for industrial expansion.

The railroad system parallels the waterway network to a great extent, and some of the more important railroads follow river valleys. The principal differences are the centrality of Brussels in the railroad network and the importance of rail routes in the Ardennes, where navigable waterways are nonexistent. Freight traffic has flowed most heavily between Antwerp, Brussels, and the industrial areas near the Walloon coalfields. Around three-quarters of goods carried usually consisted of combustibles, iron ore, and products of the metal industries. The system has been under government control since 1834 and comprised some 4,000 kilometers of densely spaced track in 1983, of which about 2,900 kilometers accommodated passenger traffic. All the important lines have been electrified. Trans Europe Express trains service Brussels, Antwerp, and the major cities of the Sambre-Meuse valley. Negotiations were being conducted in 1984 on con-



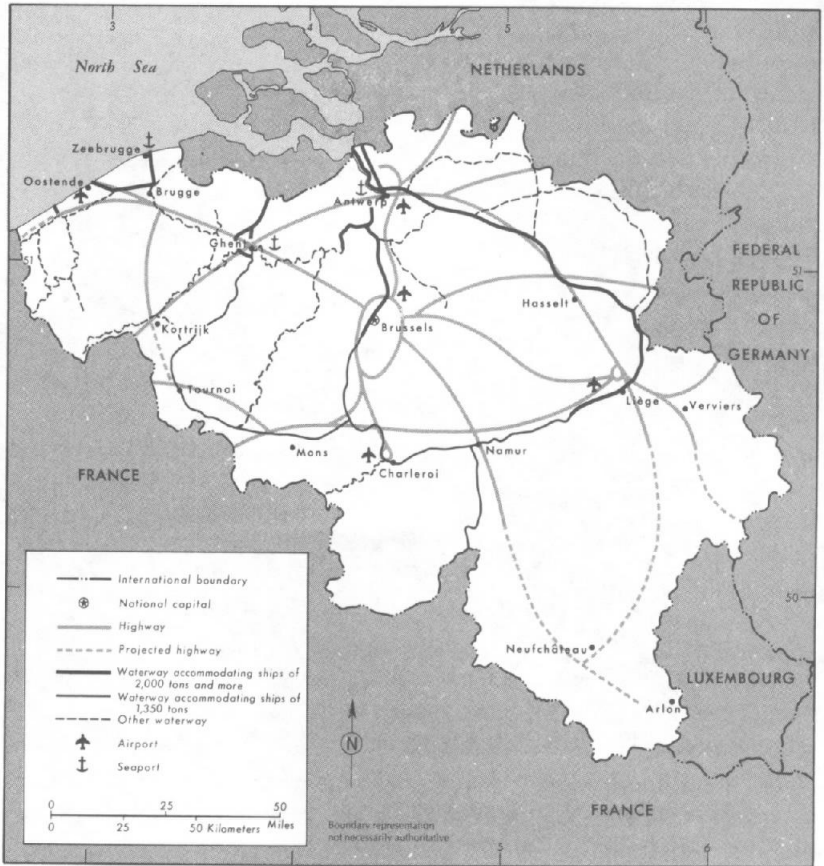
*The container port at Antwerp, one of the largest ports in Europe
Courtesy Belgium Information and Documentation Institute*

struction of a high-speed rail line based on the French *train a grande vitesse* linking France, the Low Countries, and West Germany. Traveling time from Brussels to Paris would be cut from more than two and one-half to one and one-half hours, which would have a profound effect on air traffic.

The national rail passenger network is essentially a huge commuter system operating for the benefit of the capital. Two-thirds of the approximately 185,000 people who commute daily to Brussels rely on rail transport. Commuting over long distances has been encouraged by the reduced fares offered to schoolchildren and others. Over one-half of the passenger-kilometers registered in 1982 were permitted some kind of reduction. (Coupled with Brussels' wide variety of employment and other attractions, fare reduction for workers has served to accentuate the economic pull of Brussels.)

Owing to Belgium's size, air transport has played a negligible

Belgium: A Country Study



Source: Based on information from Belgium, Ministry of Economic Affairs, *Belgium Investment Guide*, Brussels, 1982, 9; and Belgium, Ministry of Economic Affairs, *New Economic Opportunities in Belgium*, Brussels, September 1984.

Figure 11. Highways and Waterways, 1984.

role in internal transport. The national airline, SABENA, was founded in 1923 as a private company to provide regular service between Brussels and the Belgian Congo (present-day Zaïre). Since Zaïre's independence, SABENA, which is now 90-percent government-owned, has tended to run heavily in the red despite strong expansion in passenger and freight transport. In 1983 it regularly flew to 50 countries. Brussels National Airport accounted for about 90 percent of passenger traffic.

Industry

There have been major shifts in the structure of Belgian industry and its weight in the economy during the past 20 years. As a whole, industry's contribution to GDP has been gradually declining, and industrial employment has witnessed a very rapid decrease. In 1982 the secondary sector accounted for 35 percent of GDP compared with 43.4 percent in 1960, although in absolute terms industrial production had increased, largely because of substantial productivity gains.

The oil crisis of 1973 was a turning point for exacerbating the structural weaknesses latent in a number of sectors. Since the mid-1960s the contrasts between fast-growing industries (such as utilities, chemicals, and transport equipment) and the stagnating, traditional industries have become more acute. Those sectors most severely impacted, like mineral extraction and textiles, tended to be labor intensive and unable to compete because of lower cost labor in many newly industrialized countries. Since 1974, however, the proportion of semifinished goods in output has declined in favor of consumer and capital goods.

Total production of manufacturing industries increased about 2.5 percent in 1983 after stagnating in 1982. This was a positive development, given the fact that in the EC as a whole, total production continued to decrease. A dangerous trend for future competitiveness, however, was that corporate investment remained stagnant from 1982 to 1983, after declining 6 percent in 1981. Moreover, only 2.9 percent of GNP had been annually allocated to investment in the manufacturing sector in the 1976-80 period, most of it to reduce rather than to expand capacity. The small percentage devoted to investments reflected numerous factors: the disinvestment in the crisis sectors, the decline of foreign investment, the lack of confidence shown by businesspeople, the drop in corporate profitability, and the high cost of borrowed capital. The decline in foreign investment in the 1970s had a significant impact since multinational corporations had come to control an estimated one-third of all manufacturing jobs and almost one-half of all industrial assets in Belgium. A number of major industrial concerns were either under mixed ownership or owned outright by foreign interests. Foreign investments, primarily from the United States and EC member countries, played an important role in the growth and diversification of industries, such as petroleum refining, chemicals, and metal manufactures.

Those sectors having a better production trend than the av-

erage and a high export orientation were more widely represented in Flanders (see fig. 12). For example, between 1981 and 1983 production in chemicals, food and beverage processing, and metalworking increased by 16, by 11, and by 8 percent, respectively, compared with an average 6.4 percent increase for the whole of industry, excluding construction. Their total share in the gross value added of the processing industry in Flanders amounted to 61 percent, almost 9 percent more than in Wallonia. Moreover, the relatively greater importance of the declining iron and steel industry in the Walloon economy has worked to the disadvantage of the southern region. Basic metallurgy represented over 17 percent of the value added of the processing industry in Wallonia, compared with 4 percent in Flanders. The better industrial performance of Flanders is apparent in long-term trend analysis. Industrial production in Wallonia and Brussels has hovered near its 1970 level but in Flanders has increased by well over one-half. The differences in regional industrial activity have helped Flanders recover much faster from the sharp decline in industrial production experienced in 1980. In Brussels and Wallonia the downward trend continued until early 1983. By the end of that year, production in the two regions was still 13 percent below the previous cyclical peak reached during the first quarter of 1980.

National Sectors

The steel, textile and clothing, shipbuilding and repair, coal-mining, and glass-packaging industries were all formally recognized as national sectors in a governmental accord of May 1980 and the Special Law on Institutional Reforms dated August 8, 1980. They were designated as such, based on the importance of their activities in the economic life of the country as well as the inability of the private sector to develop comprehensive restructuring programs and mobilize the necessary funding for their support. To this end the government created the Secretariat for Sectoral Concertation within the Ministry of Economic Affairs in 1976. This committee is chaired by a representative of the minister of economic affairs and it comprises delegates from other ministries and a representative of the Planning Bureau. Its duties were to formulate restructuring plans, propose procedures for their implementation and monitoring, and organize coordination among the involved parties.

The state has taken various degrees of participation in enterprises in the national sectors through holding companies set up as subsidiaries of the NIM/SNI. These subsidiaries were constituted

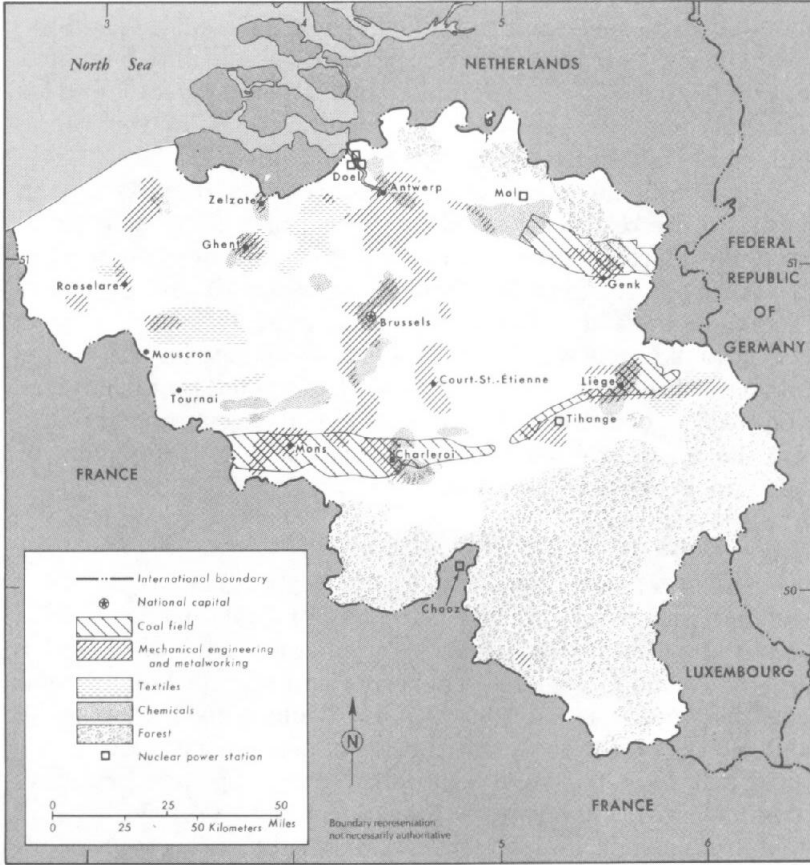


Figure 12. Major Industrial Zones, 1984.

not so much to interfere in internal management as to ensure oversight and control of investment programs. Such participation is restricted to limited liability companies so that state intervention can be monitored in the company reports required of such corporations. The terms of each intervention must be decided by joint agreement between representatives of the government, the management of the industry or corporations concerned, and trade unions and are subject to authorization by parliament.

Between 1979 and 1982 the financial obligations accepted by the state in the five sectors amounted to roughly BF175 billion in Flanders and BF129 billion in Wallonia. Appropriations were more widely dispersed between sectors in Flanders, where over one-third of the total amount was allocated to hard coal, about

one-quarter to steel, and the remainder to shipbuilding and the textile industry. In Wallonia 90 percent of the subsidies benefited the steel industry. The main source of financing was the Fund for National Solidarity, created in 1972 within the framework of the budget for the Ministry of Economic Affairs.

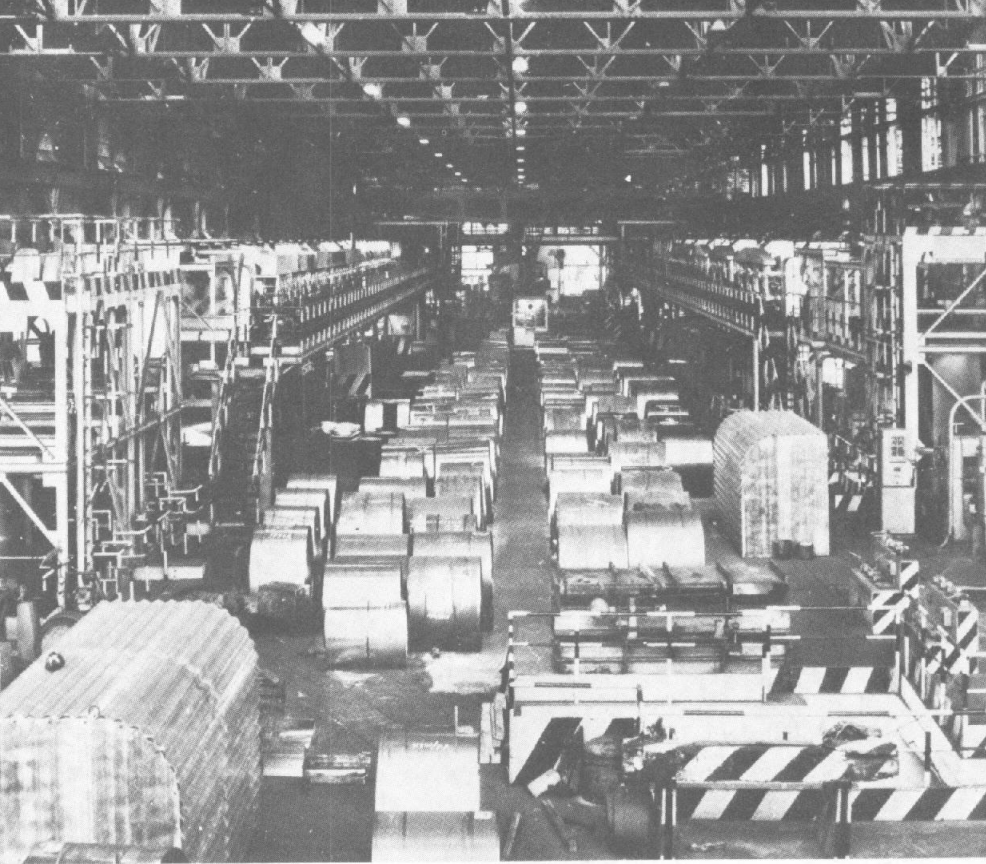
Responding to political pressure emanating from Flanders in regard to the restructuring of the Cockerill-Sambre steel company, the Martens V government has moved to tie economic restructuring to regional devolution by gradually turning the five national sectors over to regional management. In this context the steel arrangement was likely to set a precedent for the future financing of restructuring operations. It provided for the government to take over the regional debts already accumulated but to turn the revenues from inheritance taxes over to the regions for the financing of new spending.

Steel

The steel industry, of historical significance to Belgian's economic development, was nationally prominent in the 1980s because its crisis exacerbated the conflict between the Flemish and the Walloon regions. Cockerill-Sambre, the largest company, has been touted as the symbol of Walloon decline and of the controversy over the just distribution of national expenditure.

Until 1974 the steel sector had been expanding rapidly, yielding large trade surpluses. Since the mid-1970s, however, the steel producers have been laboring under the same problems affecting European steel in general, namely, import competition from new Third World producers, stagnant demand in industrial countries, outmoded plants, and low productivity. Yet the steel crisis had particularly severe repercussions in Belgium because the internal market was so narrow. On a per capita basis, Belgium was the second largest producer of steel in the world after Luxembourg. Because the home market was capable of absorbing only one-quarter of production, the companies traditionally relied on exports. The collapse of steel markets has therefore been reflected in falling production and employment figures accompanied by steeply increasing corporate losses. Between 1974 and 1982 annual crude steel production decreased nearly 40 percent, while employment decreased almost 34 percent. The downward spiral and cumulative losses to the steel industry were accentuated by the postponement of modernization, whose financial costs firms could not sustain.

To try to adapt to these changes, the steel industry has undergone substantial consolidation in recent years. State aid in the



This sheet metal rolling plant near Liège is part of a once flourishing but now declining steel industry. Courtesy Belgium Information and Documentation Institute

form of the conversion of debt to equity, the writing off of unpaid interest charges, and the financing of investments at preferential rates have accompanied this reduction in capacity. The involvement of the state in the steel sector accelerated in 1981 after the merger of the Cockerill and Hainaut-Sambre steel companies. Government ownership in the new company rose to over 80 percent, as Cockerill-Sambre became the largest steel group in Belgium and the sixth largest in the EC.

During the first half of 1984 the steel crisis appeared to have been resolved in terms of establishing a definitive program for the future and securing the necessary approval of the Luxembourg and Belgian governments as well as the Commission of the European Communities. Authorization by the EC commission was granted within the framework of community-wide plans to restructure the European steel industry and was linked to cuts in capacity designed to achieve financial viability and increased

specialization by 1986. The operations of the largest companies, Cockerill-Sambre, Arbed of Luxembourg, and Sidmar (a subsidiary of Arbed in Flanders) were to be coordinated in a unified production-sharing and investment agreement. As had been apparent from the start of negotiations, Cockerill-Sambre would bear the brunt of the rationalization measures.

The government hired Jean Gandois, a French expert, to engineer the Cockerill-Sambre salvage plan and head the group during its restructuring. Under the Gandois plan, capacity should drop from 11.7 million tons in 1980 to less than 5 million tons in 1985. On the employment side, although some 17,000 positions were lost between 1982 and 1984, Gandois projected an additional loss of 9,000 jobs in 1985 for the Liège and Charleroi basins, bringing the total reduction of Cockerill-Sambre employment since 1982 to some 60 percent. In negotiating the labor agreement, the government sought to exploit the isolation of the Liège Socialists, who were more strongly opposed to the Gandois plan than the Charleroi Socialist unions. By late May 1984 a collective bargaining agreement was reached. About two-thirds of the redundant positions would be absorbed through an early retirement program and job transfers within the complex. However, on top of the 6-percent wage restraint decreed for wage and salary earners between 1984 and 1986, the Cockerill-Sambre work force was to forgo an extra 4 percent in indexed income. In compensation, working time would be reduced from 37 hours per week to 35 hours by 1986. Once the restructuring program was agreed to, the requisite financial aid was committed by both the European Coal and Steel Community (ECSC—see Appendix B) and the Belgian government, and a private financial agreement was arranged with a consortium of commercial banks. The Gandois report estimated the total cost of restructuring at BF95 billion, more than one-half of which was committed by the EC.

In May 1984 the Cockerill-Sambre group began to show its first positive cash flow since its formation in June 1981, although there was still no chance of breaking even until at least 1985. The BF376 million operating profit for the first half of the year was attributed not only to a rise of steel prices in Europe and a recovery in demand, which was still vulnerable to fluctuation, but also to the first effects of the Gandois plan. Nonetheless, in Wallonia the closures program was still viewed as discriminatory, and the Socialists, whose power base was centered in Liège, remained opposed to it. Consequently, sporadic strike activity continued.

Textiles

In spite of a sharp fall in both production and employment since 1973, the textile and clothing sector still accounted for a good portion of industrial production in the 1980s. In 1981 this sector represented almost 10 percent of industrial employment, and in some arrondissements, for between 15 and 30 percent of local employment. Moreover, the industry has tended to run an export surplus. Nonetheless, in 1982 textile production was 18 percent lower than its peak in 1972-73. The clothing subsector performed somewhat better than textiles in general, but production was 14.5 percent lower in 1982 than in 1974. To accommodate technological advancements, labor began to be laid off in the 1960s, a trend that accelerated with the slowdown in economic growth in the mid-1970s. During the 1974-82 period the work force in textiles, clothing, and shoes dropped a dramatic 53.7 percent.

Competition from low-wage countries priced Belgian manufacturers out of the market, particularly since they tended to specialize in articles, such as stockings and pullovers, for which demand was price sensitive. Furthermore, although the quality of Belgian clothing was high, the industry has lagged behind France, Italy, and West Germany in the design and production of high-fashion garments. Domestic apparel manufacturers supplied only about one-quarter of domestic consumption, and the small scale of the industry and high wages proved to be a handicap in promoting exports. Most firms employed fewer than 50 persons and were physically unable to cope with the increasing concentration of the distribution sector. Chain stores, which had about 25 percent of the market share in Belgium and 80 percent in West Germany, preferred to deal with large suppliers.

In view of the labor-intensive character of industry, the government granted short-term relief in 1977, which included interest-free advances for social security payments. When the Walloon steel industry called for massive state aid in 1978, an equivalent five-year plan for the predominantly Flemish textile and clothing sector was promulgated. Discussions on a textile restructuring plan began in early 1980. The initial target of the plan was to safeguard at least 100,000 jobs in viable enterprises by 1985 through improved commercialization, higher sales, productivity increases, and financial reform. It was formulated on the assumption that less than one-half of the Belgian textile and clothing industry was defensible in the medium term. In this context, the objective of the plan was to stimulate enterprises in the healthier branches of the industry and reorient those having the capacity for modernization.

Implementation of the plan became politicized, and it took a long time to establish two semipublic institutions to implement it. Since projects over BF150 million had to be approved by both the central government and the regional authorities, relations between the two linguistic communities reportedly interfered with objective application of the plan. Under social and regional pressure, the government granted some credits through affiliates of the NIM/SNI, creating discontent among firms waiting for aid through the plan. The plan also faced repeated struggles securing approval from the Commission of the European Communities. Estimated costs for the five-year program came to BF34.5 billion. Although the commission agreed to the first three years of subsidies, it threatened in 1984 to call a halt to the payments because they might disrupt competition. According to the commission, the industry had responded well; production, sales value, and exports were up in 1983, although employment dipped below 100,000. In light of this upswing, the Commission of the European Communities ruled that further aid would merely enlarge capacity in a sector already facing overcapacity.

Manufacturing

The mechanical engineering and metalworking sector of manufacturing was the most important in terms of employment and output. The sector accounted for 37 percent of value added in manufacturing in 1981. Production was highly diversified and destined largely for export; the share of exports in total deliveries was 68 percent in 1981. In 1981 there were 2,378 firms employing approximately 277,000 persons operating in the sector. On a regional basis, 62 percent of sectoral employment was attributed to firms in Flanders, while companies in Wallonia and Brussels represented 28 percent and 9 percent of employment, respectively. Flanders was strongest in the newer, lighter branches of engineering, such as electronics and vehicle assembly, while Wallonia specialized in machine tools and the heavier branches. The three major heavy-engineering firms—Ateliers de Constructions Electriques de Charleroi (ACEC), Fabrique Nationale d'Armes de Guerre (FN), and Cockerill Mechanical Industries (a subsidiary of the Cockerill-Sambre steel company)—were all based in Wallonia. Walloon firms generally relied more heavily on government contracts than Flemish firms and, therefore, tended to be more seriously affected by reduced government spending.

Light metal products, electrical consumer goods, and transport equipment have been the most dynamic branches in terms of production growth. Within the transportation branch, shipbuild-

ing and the construction of railroad equipment have declined, but motor vehicle assembly and aeronautics construction have risen sharply. Although aeronautics accounted for only a small portion of the production of transport equipment, production growth increased from 200 tons in 1976 to 8,800 tons in 1981. Ninety percent of aircraft production was destined for military use, but firms were searching for new products to lessen dependence on government contracts.

Motor vehicle assembly accounted for a large share of value added in the metalworking sector. In 1983 over 1 million vehicles were assembled, representing roughly 10 percent of European production. Ninety-five percent of production was exported, primarily to West Germany, France, Britain, the Netherlands, and Italy. Conversely, many major components were imported. Five multinational companies—Ford, Volkswagen, General Motors, Volvo, and Renault—dominated the industry and were all located in Flanders. In addition, four Belgian firms produced buses and tractor-trailers. Between 1978 and 1983 around US\$840 million was invested in the modernization of Belgian vehicle assembly. In 1984 Ford-Genk had the longest roboticized assembly line in the motor car industry worldwide. Despite increasing automation, employment in the assembly sector increased by nearly 2,000 between 1978 and 1983, and the payrolls of the international groups varied from 3,260 to 12,000 persons.

The food-processing sector occupied second place among the manufacturing industries, accounting for 20 percent of manufacturing value added in 1981. Milk, fodder, meat, and beer products were the four principal commodity sectors, together making up more than one-half of the turnover in foodstuffs. Salient features of the foodstuffs sector were the wide variety of products and the preponderance of small family businesses. Over the years, however, production in some subsectors has concentrated in a few large concerns. Parallel with the tendency toward increased concentration, some smaller businesses have developed specializations in high quality and deluxe articles and have enlarged their scale to capture export markets. Given the slow population growth in Belgium, expansion possibilities existed primarily in foreign markets.

The chemical industry provided the third largest component of manufacturing value added in 1981. During the 1970s the chemicals and rubber sector was one of the rare manufacturing activities whose production maintained a strong upward bias. Since 1983 demand for chemicals has been particularly strong, contributing to a very favorable net profits position for Petrofina, Bel-

gium's largest company. In 1983 the oil and chemicals group was expected to invest BF41 billion, two-thirds of which was earmarked for oil exploration and production in the North Sea, Angola, and the United States. Plastics processing, which has exhibited an above-average growth rate, has exerted a positive influence on the chemical sector performance. The industry was highly export oriented, almost two-thirds of output going overseas. Heavy chemicals were produced mainly in the Sambre-Meuse valley and the Kempenland and included coal-distillation products; by-products of the iron, zinc, and glass industries; rubber acids and fertilizers; and processed plastics. Antwerp has also become a significant chemical center. Light chemicals, comprising such products as pharmaceuticals, photographic materials, soaps, detergent, and paint were manufactured throughout the country, usually in the vicinity of large population centers. Other well-developed manufacturing and crafts activities included the paper and printing, wood and furniture, and diamond industries.

Metals

Although the nonferrous metals industry has accounted for a limited share of industrial value added, it processed almost the whole range of nonferrous metals, including precious and rare metals, and exported a major portion of its output. It has been an important supplier to other industries. Production was based on imported materials, with the exception of small quantities of domestic scrap metal. Copper ore came mainly from Zaïre, and zinc and lead ores were imported from a variety of sources, including Zaïre, Sweden, and Peru. Thus, most modern plants have established themselves at Antwerp and in the Kempenland to save on transport costs. A few firms were still found in the Liège area, a legacy from 1805 when Daniel Dony invented zinc industrial metallurgy to exploit the deposits then located east of the city. Vielle-Montagne, which began smelting zinc in 1937, was still a world leader in the production of refined zinc and planned to raise new capital in 1984 to finance a BF1.5 billion smelter expansion.

The discovery of extensive deposits of copper, tin, cadmium, cobalt, and radium in the Belgian Congo inspired new developments in metallurgy throughout the twentieth century. Belgian companies pioneered in the processing of radioactive materials and applied experience gained in that field to the processing of special-purpose metals and alloys for use in advanced electronics, infrared optics, cable works, telecommunications, and the nuclear industry. In special cobalt-bearing products—germanium, in-



*Adjusting integrated resistance by programmed laser beam, one of the new technologies being developed in Brabant Province
Courtesy Belgium Information and Documentation Institute*

dium, and reprography selenium—the country has occupied first place worldwide. Companies have also expanded into the production of refractory metals for use in the chemical and petroleum industries. In addition, large quantities of chemicals, particularly sulfuric and phosphoric acid, were produced as by-products of metals processing.

Production has fluctuated with world demand and the availability of raw materials, but its volume tended to rise from 1975 to 1982. In 1982 approximately 873,000 tons of refined metals and 623,000 tons of semirefined metals were produced. However, among the various metals, only copper and aluminum production increased significantly. Despite the export orientation, the import value of radioactive materials and nonferrous ores and metals has generally been greater than the value of exports. Nonetheless, among European countries, Belgium was the leading producer of copper, cadmium, and tellurium; the second largest pro-

ducer of silver; and the third largest producer of zinc.

New Technologies

The fact that the regional executives hold primary responsibility for their regions' industrial policies has created competition in the search for new industry. The Flemish executive, in particular, has made a determined effort to attract foreign capital to invest in high technology joint ventures with local companies under a program called the Third Industrial Revolution. Its approach has been more strident and more heavily geared to international publicity than that of the Walloon regional executive's Athena program.

Belgian industries based on technological advancements included telecommunications, biotechnology and genetic engineering, computer software, and robotics. Belgium was not among the leaders in the communications and data-processing revolution, although there was a drive to turn the knowledge of materials gained in the metals industry to the fostering of new developments. In 1982 telecommunications production amounted to approximately US\$522 million. Sixty percent of production was exported, and the rest supplied three-fifths of the domestic market. Bell Telephone Manufacturing Company of Antwerp was the largest exporting company (of all Bell Telephone subsidiaries) and in 1983 won a major telephone switching contract in China, despite stiff competition. The internal market was expected to grow 4 to 6 percent annually in the 1980s as a result of conversion of the Belgian telephone system to fully digitalized exchanges and the spread of consumer-oriented telecommunications services, such as PABX, videotext, and videoconferencing. The digitalization program alone was expected to cost more than US\$2 million.

In the 1980s considerable emphasis has been given to biotechnology research by both the national and the regional authorities and in universities as well as private industry. The regional governments were gradually increasing the funds they allocated to research and promotion and have established committees to study and foster the development of new technologies in their respective areas. Most of the universities were conducting research in conjunction with private industry. Projects included the genetic manipulation of bacteria and yeasts as bases for biomass and energy and the genetic engineering of chemical products, vaccines, growth hormones, insulin, and interferon. The government wanted to establish biotechnology-based industries as a major growth sector, concentrating on pharmaceutical, agricultural, and food production applications.

In other industries having high research and development costs, such as the aerospace industry, Belgium could only recoup its development costs in cooperation with other European countries. In 1983 close to 40 percent of the science policy budget, or approximately US\$32 billion, was devoted to projects coordinated by the European Space Agency. Out of this budget, Belgium contributed to the European Spacelab and Ariane launcher programs, which benefited four Belgian firms from the aerospace, communications, electronics, and computer industries. Belgium also had a 2-percent stake in the European short-haul Airbus program to develop commercial airliners. In software development, the Belgian Institute of Management (BIM) was one of four small entrepreneurial firms to receive a primary contract and financing during the trial run period of ESPRIT, an EC program to foster inter-European cooperation in high-technology industries. Four Belgian firms had designed and built industrial robots by 1983, but investment by foreign firms in the vehicles sector was largely responsible for the 350 robots in operation at the end of 1982. Faster development of robotics would likely only be possible in joint ventures with foreign partners.

Energy

Belgium has a serious primary energy deficit in spite of having significant but declining coal reserves. After the oil crisis of 1973, new energy policies were introduced to encourage less dependence on oil, diversification of natural gas import contracts, and greater reliance on coal and nuclear energy. The authorities also laid down broad guidelines for a rational energy use plan to support research in energy conservation and new and renewable forms of energy. Some 30,000 persons, about 17,000 in private firms and 13,000 in public enterprises, were involved in energy research in 1980. Expenditure on such research was estimated to be BF70 billion, of which BF42 billion was attributed to the government. About three-quarters of government research funds were devoted to nuclear energy. Other projects concerned solar energy, biomass energy, geothermal energy, and the liquefaction and gasification of combustible solids.

Another major aspect of energy policy involved real-cost pricing. The public authorities have generally passed on supply-cost increases to the consumer, making the prices of electricity and coal among the highest in the OECD area. Pricing policy was supplemented by direct incentives to save energy through tax relief for expenditures on insulation and energy-saving equipment and by setting targets for reducing the energy consumption of

government agencies. As a result of these measures, energy consumption relative to GNP growth has declined considerably more than the OECD average since the first oil crisis.

Total primary energy consumption in 1983 was 40 million tons of oil equivalent (see Glossary), distributed as follows: oil, 43.3 percent; coal, 22.9 percent; natural gas, 20.0 percent; nuclear, 13.4 percent; and hydroelectric, the rest. Overall consumption declined by 5 percent in 1983, perpetuating the downward trend that began after 1973, when consumption reached a peak of 47 million tons of oil-equivalent. The decrease of consumption in 1982 occurred because of a decline in both oil and coal consumption. The reduction of oil imports has been inscribed in energy policy objectives at the EC level, whereas the decrease in coal consumption was related to the closing of mines and the increased use of cleaner-burning energy sources, such as natural gas and nuclear energy. Domestic production of primary energy, mainly coal and nuclear power, met more than 20 percent of total domestic energy requirements in 1983. The primary energy trade deficit decreased from BF340 billion to an estimated BF272 billion, primarily because of a substantial reduction in oil imports and increased domestic nuclear energy output.

Oil's share in energy consumption has been much smaller than in most other industrialized countries, but Belgium has established extensive refining capabilities. Antwerp has been one of the major refining centers of Europe; its five refineries had a total capacity of 927,600 barrels per day in 1983 and were linked both to the seaport and to the pipelines. Three-quarters of the crude oil for these refineries came from the Middle East in 1982, some 65 percent from Saudi Arabia alone. Because of the lower level of oil imports, there has been severe overcapacity in refining facilities, causing a refinery in Ghent and one in Feluy to close.

Coal production declined more than 6 percent in 1983 to 6.1 million tons, well below the average of 10 million tons per year mined in the Kempenland during the peak 1950–65 period. In comparison, the peak output of the Walloon mines was 25.1 million tons in 1927. Since 1967 the concessions in Flanders have been merged into the Kempenland Coal Mining Company, which produced most of the coal mined in 1983. The last remaining mine in Wallonia was gradually being closed, its share of national production falling to 3 percent in 1983. Reserves at the Flanders mines were estimated to be 423 million tons. Coal production was heavily subsidized by the government; the Kempenland Coal Mining Company alone received subsidies totaling BF9.8 billion in 1981 and BF6.3 billion in 1982. Some 91 percent

of the total coal production was destined for domestic use, more than two-thirds of it for use in coke ovens.

Since 1966 natural gas has increasingly taken the place of coal gas, even though Belgium was dependent on imports for almost four-fifths of its supplies. In 1983 natural gas sales reportedly experienced a 5-percent increase, their first since 1979, owing to relatively limited price increases. Gas was brought largely by pipeline from Slochteren in the Netherlands and from the Ekofisk field in the Norwegian section of the North Sea. In 1983 the government approved a contract to maintain the level of Norwegian supplies. Distrigaz, the largest Belgian gas distributor, has also attempted to spread its supply sources by pursuing negotiations with Algeria and the Soviet Union. Algeria increased its portion of gas sales to 20 percent in 1983, a substantial increase over the 4 percent of the market it held in 1982. However, the Dutch company Gasunie (Belgium's largest supplier) was able to prevent the Soviet Union from gaining a toehold in the Belgian market by granting a special three-month price concession in 1984. Soviet suppliers were expected to step up both price and supply competition when new price structures were negotiated in October 1984. Besides the huge natural gas depot worth almost BF16 billion that Distrigaz had been installing at Zeebrugge, the company invested BF725 million in various natural gas projects in 1983 and continued with a costly Belgian-West German project in underground coal gasification, partially financed by the EC. The management of Distrigaz felt that environmental problems and new, efficient applications of natural gas portended a bright future for the spread of natural gas consumption.

Net electricity consumption increased 2.4 percent in 1983 to 45.7 billion kilowatt-hours, and net exports totaled 319 million kilowatt-hours, reflecting an improved economic climate. The move to increase the nuclear energy share of electricity production continued; nuclear power generation increased 80 percent in 1983. Whereas nuclear energy was already responsible for 46 percent of the electricity supply in 1983, by 1985 the proportion was expected to be 55 to 57 percent, one of the highest ratios in the world. Belgium had five nuclear power stations in operation, one at Mol, one at Tihange, and three at Doel. A sixth plant was expected to come into operation at Doel in 1985, bringing total nuclear capacity to over 2,700 megawatts. The nuclear power station of Chooz in France also supplied electricity to the Belgian grid. Thermal power stations still accounted for 67 percent of net electricity production, while hydroelectric stations produced only 0.6 percent.

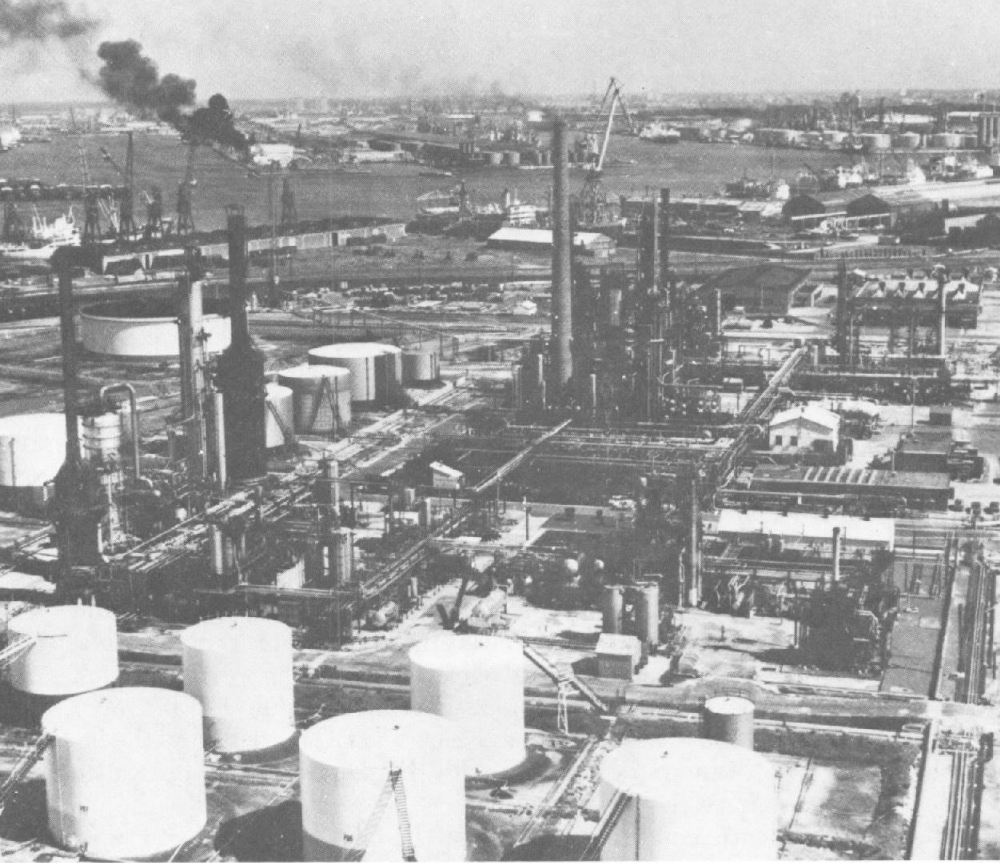
Some 92 percent of commercial electrical energy was produced by three private companies: Ebes, Intercom, and Unerg. The rest was generated by industrial establishments for their own consumption and by public enterprises. In the future the public sector planned to play a larger role in the electricity sector. To this end, all public electricity companies were merged, and an accord was signed with the three major private producers in 1981. The accord provides for the public sector share of production to increase to 15 percent by 1995 and for its share of distribution to pass from 23 to 25 percent. Almost all the power stations were interconnected. The network was also linked with the power systems in France, West Germany, the Netherlands, and Luxembourg.

To profit from the investment in nuclear technology, Belgium has exported know-how to Third World countries and has participated in the construction of reactors in France, West Germany, and the United States. The largest share of research has been devoted to power generation, rather than to reactors or the treatment and enrichment of nuclear fuels.

Agriculture, Forestry, and Fishing

Although the importance of agriculture in the economy has declined, it has continued to provide an important share of domestic food requirements and exports. The share of the active population in agriculture, however, was the second lowest in the EC in 1983; only 2.5 percent of total employment and 2.4 percent of GNP were represented by this sector. Farming has been limited by the high population density and the rapid absorption of land for nonfarm uses. It has been characterized by many small, fragmented holdings, primarily run as family operations but highly mechanized. Most farm activity has been intensive and oriented toward livestock production; dairy and meat products have typically accounted for over two-thirds of the value of farm output.

As a member of the EC, Belgian government farm policies, with the exception of those pertaining to food and health requirements, are based on the Common Agricultural Policy (CAP). The main objectives of the CAP are to increase the productivity of agriculture, stabilize agricultural markets, guarantee the security of provisions, and ensure both reasonable prices to consumers and an equitable standard of living to farmers. In spite of government efforts to achieve income parity, the average income of wage and salary earners was still over one-quarter more than that of farmers



Oil refinery in Antwerp. Although lacking petroleum resources of its own, Belgium is a major refining and transportation center for petroleum. Courtesy Belgium Information and Documentation Institute

in 1984. This discrepancy was a motivating force behind the farm exodus, which slowed in the 1980s because of the stagnation of nonfarm employment.

Over the 1960–82 period, the number of farms dropped by 40 percent, which resulted in an increase in the average farm size from 6.2 hectares to 13.3 hectares. Larger holdings have led to an improvement in farm structure and remarkable productivity gains. Belgian farmers are among the most efficient in Europe. From 80 to 90 percent of food needs are produced domestically, and the country is self-sufficient in sugar, most dairy products, eggs, beef, veal, pork, and fresh vegetables.

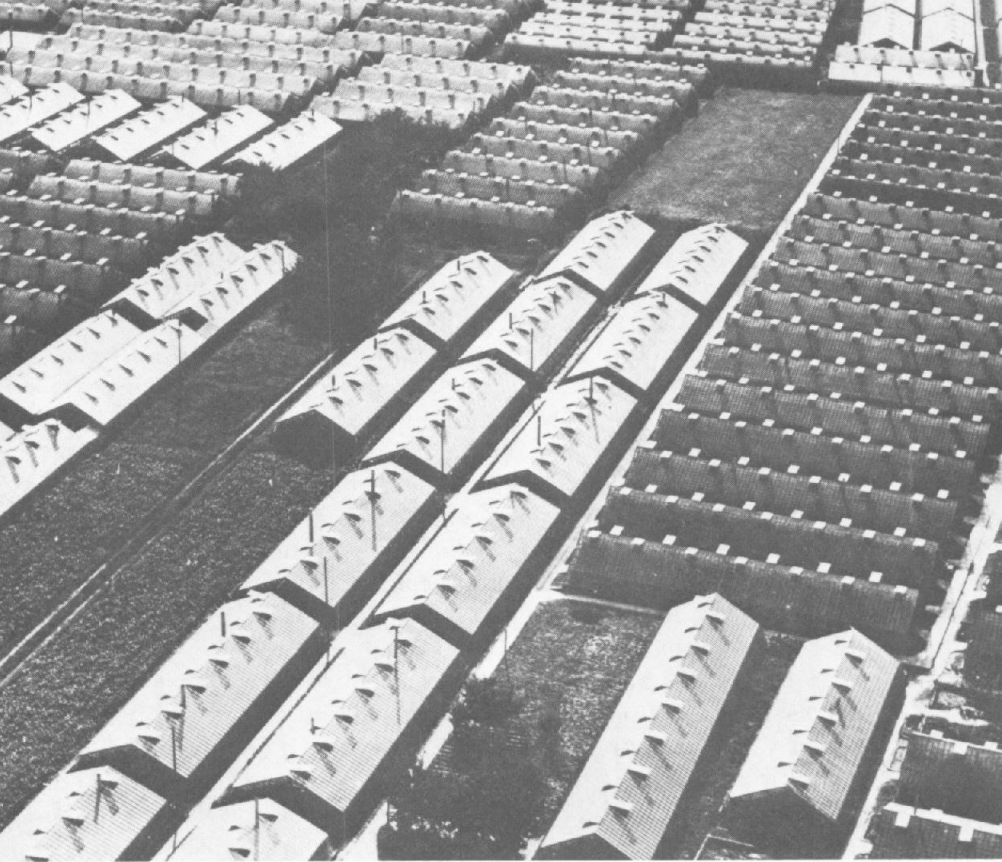
Land Use, Tenure, and Production

Agricultural land constituted some 46 percent of Belgium's surface area in 1982, compared with 54 percent in 1960. Perma-

ment pasture and grasslands occupied 58 percent of the area devoted to agriculture, while cropped acreage, including wheat, other cereal grains, sugar beets, and potatoes, accounted for 39 percent. Horticulture, which relied on the most intensive farming techniques, used only 3 percent of the agricultural land, in both open air and greenhouse cultivation. The impact of the austerity program on construction activity and infrastructure development has contributed to decreased pressure for nonfarm-land usage.

Climate, soil conditions, and industrial and commercial infrastructure have all influenced cropping patterns. With the exception of some regions in northern Belgium, the climate, favorably influenced by the North Sea and a branch of the Gulf Stream, is relatively mild and humid. Conditions are especially favorable for livestock raising and dairy farming. In 1983 there were 5.3 million hogs and 3.1 million head of cattle, some 30 percent of which were dairy cows. Hog numbers have nearly doubled between 1970 and 1983 as a result of good access to EC markets and the integration of the pork industry with the feed industry, but cattle numbers have remained stable.

Climatic conditions also favor the cultivation of root crops, green forage, and industrial crops, such as sugar beets, chicory, and flax. Certain cereal grains that require a warmer, drier climate are not as favored. However, specially adapted varieties and cultivation techniques permit the growth of wheat and cereal fodder. Despite its small size the country contains a variety of soils. The most productive are the clay soils in the polders of the northern maritime plain and the loess soils that stretch across the country north of the Sambre and Meuse rivers. These soil areas account for almost half of the cultivated land. Regions of poorer soils include the sandy area in the Flanders plain, the Kempenland in the northeast, and the Ardennes and Belgian Lorraine in the south. Poorer soils are mostly used for cattle raising, which is about equally divided between Flanders and Wallonia. Field cropping is predominant in Wallonia, whereas 90 percent of horticultural production and pig and poultry raising is in Flanders. Varying distances between the production and commercialization centers have also played a role in the regional patterns of agriculture. Particularly in Flanders, the concentration of horticultural production matches the development of the commercial and industrial infrastructure for the provision of agricultural supplies, processing, and marketing, creating a mosaic of specialized production zones. For example, vegetable growing has expanded in West-Vlaanderen; Ghent and its environs are known for orna-



Grape growing in hothouses south of Brussels is typical of the intensiveness of Belgian agriculture. Courtesy Belgium Information and Documentation Institute

mental plants and flower bulbs; and Limburg and northeast Brabant are noted for fruit growing.

In absolute value, total agricultural production is far greater in Flanders, even though the area farmed is slightly smaller than in Wallonia. The monetary intensity per unit of production area in Flanders is striking and largely explains the higher value of Flemish agriculture. Greater use of fertilizer and intermediate inputs, as well as higher labor input, has enabled Flanders in the early 1980s to produce 76 percent of the annual agricultural product value with only 45 percent of the agricultural area and 65 percent of the agricultural labor force.

Total agricultural output amounted to BF196 billion in 1982 compared with BF175 billion in 1981, while estimates for 1983 neared BF200 billion. The value of harvested crops reached BF31.6 billion in 1983, and that of vegetables, fruit, and inedible horticultural products totaled BF33.5 billion. These figures each

represented less than one-quarter of the value of livestock production, which—including eggs, poultry, milk, and dairy items—accounted for 67.4 percent of the value of total agricultural output.

In 1982 there were only 172,550 persons occupied in agriculture, of which 60 percent were employed on a full-time basis. Familial workers made up almost 96 percent of the agricultural workforce, most holdings being single-family operations employing limited outside labor. Tenancy remained the primary form of land tenure. Part-time farmers owned about one-half of the land they worked, while professional farmers on larger holdings owned only one-quarter of the land they farmed. Because of the importance of tenancy, legislation for the protection of tenants in regard to rental levels and the termination of leases has been in existence for many years.

Belgium is a net importer of agricultural products. Wheat, citrus fruits, animal feeds, and oilseeds are largely imported, along with some processed foods. Sixty-five percent of imports come from other EC countries, but in recent years the United States has captured 12 percent of the BLEU market. Animal products, particularly pork, are the main export items. Fresh and processed vegetables, processed cereals, cocoa, sugar, and confectionary items are also exported. About four-fifths of agricultural exports go to EC member countries. Agricultural marketing policy is aimed at promoting greater domestic consumption of Belgian food products and at maintaining or expanding sales within the EC. However, the government promotion agency for agriculture has had limited funding to carry out these duties. In January 1982 the government and private firms created the Belgium-Luxembourg Export North America (BLENA) association to facilitate exports to the United States and Canada. Agricultural exports to the United States nearly tripled BF700,000 in 1981 to almost BF2 million in 1983.

Agricultural Organizations and Policy

About nine-tenths of all Belgian farmers are affiliated with one or more basically regional farm associations. These associations work for the advancement of farmers' common interests and are, in turn, represented at the national level in the Belgian Green Front and at the EC level in the Committee of Professional Agricultural Associations. The three principal associations are the Farmers League (Belgische Boerenbond, commonly called the Boerenbond), the National Federation of Professional Agricultural Unions of Belgium (Fédération Nationale des Unions Pro-

fessionnelles Agricoles de Belgique—UPA), and the Belgian Agricultural Alliance (Alliance Agricole Belge—AAB). The Boerenbond is the largest and most influential association in Belgium. Although most of its work is centered in the Flanders region, it is also active in Wallonia and has numerous affiliates in the arrondissements of Mouscron, Nivelles, and Verviers. The other two major associations operate only in Wallonia; the AAB is a union of Catholic agricultural organizations, and the UPA acts as the representative organ of agricultural unions and the cooperative movement.

A major objective of these farm associations is to improve the economic and social situation of their members by bringing their influence to bear on the formulation of government policies. The views of the Boerenbond carry considerable weight in the decisionmaking process of the Ministry of Agriculture. Farm organizations also make their influence felt on policy decisions concerning the CAP; progress in raising farm incomes has been credited in large part to the success of farm organizations in ensuring the maintenance of a relatively high price level for farm products.

Other functions performed by the associations include the provision of free guidance and consultation on all technical, legal, and fiscal aspects of farm operation; the promotion of cooperative institutions among farmers in areas such as distribution, credit, and insurance; and the advancement of the general and professional education of their members. It has been maintained that in the provision of some of these services, the Boerenbond has acted more efficiently and effectively than the Ministry of Agriculture. Farmers are largely dependent on the Boerenbond, for it controls upstream and downstream activities in slaughtering, wholesale buying and selling of agricultural products, dairy processing, freezing, and exporting. In addition, the savings and agricultural credit banks affiliated with the Boerenbond have such a large deposit base that they can often grant credit on a more favorable basis than the National Institute for Agricultural Credit under the aegis of the central government.

Agricultural policy has not been greatly affected by the institutional reform laws of 1980; essentially, it remains in the hands of the national authorities. Policy centers on three national farm programs: land consolidation, farm retirement, and agricultural investment. The shared objective of these programs is to ensure farmers an income comparable to incomes in other economic sectors through better commercialization, improved grouping of parcels, and increased productivity. The land consolidation program began in 1956, but because of the complexity of the legal, fis-

cal, and administrative procedures involved, only about 73,000 hectares, or 10 percent of the eligible land, has been subject to consolidation. To encourage the elimination of marginal farms and to increase farm size, the farm retirement program was instituted in 1965. Under the program financial compensation is granted to farmers who release nonviable holdings. Holdings abandoned this way between July 1, 1970, and June 30, 1983, totaled 25,566 hectares, most of which were taken over by viable farms. Farm retirement is supplemented by government programs for training farmers, retraining those leaving agriculture, and providing financial aid to young farmers for the development of their holdings.

The intensive nature of agriculture in Belgium necessitates large investments. The costs of national farm programs are borne primarily by two public institutions, the Agricultural Investment Fund and the Agricultural Fund. The Agricultural Investment Fund was created in 1961 to provide financial assistance to farmers and cooperative associations for projects to improve farm productivity and income. The fund subsidizes interest payments on investment loans made by credit institutions and also grants loan guarantees. From its creation through 1982, it subsidized loans totaling over BF125 billion. The Agricultural Fund supports structural aid measures, including aid for disadvantaged regions, improvement of the production infrastructure and commercial markets, farm retirement and modernization, and disease control. In 1982 the fund assured the financing of BF1.7 billion worth of projects, mainly in the application of directives from the EC. The Guidance Section of the EC Common Fund for Agricultural Policy also provided direct assistance to Belgian farmers. In 1981 the EC adopted an integrated development program for southeastern Belgium, devoting resources to alternative economic activities compatible with the agricultural infrastructure of that area.

Just as significant for Belgian agriculture as the national farm programs are price and trade measures covered by the CAP. Farm prices, subsidies, tariffs, and levies affecting 90 percent of agricultural commodities produced in Belgium are determined through decisions taken by the EC Council of Agricultural Ministers. In 1984 reform efforts to limit the growth of CAP expenditures were based on the restriction of price increases to discourage surplus production. In previous years the Commission of the European Communities had decided that farm income considerations could no longer be the sole point of reference for fixing guaranteed prices under the CAP. The 1984-85 EC farm price

package portended an average 0.5-percent decrease in Belgian farm prices. The Belgian Green Front reacted strongly against the EC price proposals and, with the support of the Belgian government, demanded an average price increase. As in previous years, farm demonstrations were expected in Brussels in protest of the CAP price decisions, which did not necessarily reflect the production costs of Belgian farmers. Farmers were also affected by CAP quota and import schemes for certain commodities.

Forestry and Fishing

Forests cover about one-fifth of the Belgian surface area and are located primarily in Wallonia. The province of Luxembourg, which encompasses part of the Ardennes plateau and Lorraine scarplands, is the most heavily forested; over 44 percent of its territory is covered. In contrast, West-Vlaanderen has only 2.4 percent of its area under forest cover. Close to three-fifths of the productive forests are composed of deciduous species, such as oak, ash, beech, and poplar; the rest are coniferous, including spruce, larch, and various kinds of pine. Nearly one-half of the entire forest area is under the management and control of the Belgian forest authority. Despite the dense forestation in some areas of the Ardennes, a pulp mill was not established there until 1964. In the 1980s about one-half of the country's timber requirements for the paper and other industries were supplied by imports.

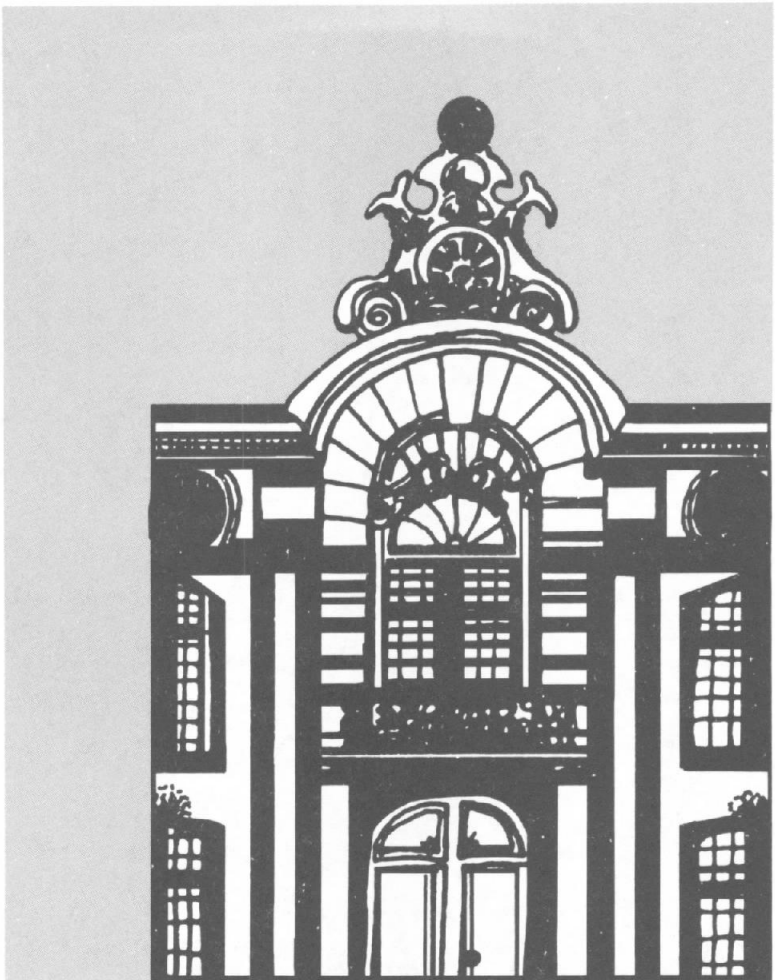
Although bordering the North Sea, Belgium does not have an important fishing industry. Almost all of the fish caught supply the home market. The 1982 catch was 42,733 tons compared with over 400,000 tons for the Netherlands. Zeebrugge remained the most important fishing port, landing 58 percent of the total catch, valued at BF2.4 billion. Oostende and Nieuwport accounted for 38 and 4 percent of the catch, respectively. At the end of 1982 the fishing fleet numbered 203 boats, totaling 21,847 gross tons. To economize on fuel oil, the principal cost factor in fishing, the government has encouraged outfitters, through premiums, to make energy-saving investments on their boats and experiment with energy-saving fishing methods. Government funds are also available to subsidize the maintenance and modernization of outfittings.

* * *

Outside of government publications, there are few recent

analyses of the Belgian economy. *Belgium*, by Raymond Riley, is a detailed industrial geography that also presents a comprehensive historical account of the economy up to 1975. The Organisation for Economic Co-operation and Development publishes an annual economic survey, *Belgium-Luxembourg*, which reviews recent developments and policies. The London-based Economist Intelligence Unit publishes a less technical *Quarterly Economic Review*. Official statistical publications from the Belgian Ministry of Economic Affairs are numerous but are in French or Dutch. The annual *L'économie Belge* provides the most extensive statistics along with analyses of various aspects of the economy. The National Bank of Belgium also publishes an annual report in English as well as French that focuses on financial developments. Two commercial banks, Société Générale de Banque and Kredietbank, publish periodical bulletins in English that often contain analyses of leading economic sectors and thought-provoking articles on government policy. For the most up-to-date information on government and private economic activities, the London daily *Financial Times* provides excellent coverage. (For further information and complete citations, see Bibliography.)

Chapter 4. Government and Politics



Rococco architecture, Antwerp (ca. 1750)

THE POLITICAL SYSTEM of Belgium is under a constitutional monarch who reigns but does not rule. The affairs of state are in the hands of the prime minister and cabinet ministers, who are drawn from among the members of parliament. These key officials owe their influence to the political parties, which actively compete for electoral support. The powers of the state are divided into the executive, legislative, and judicial categories, and the administrative structure operates at the national, community or regional, provincial, arrondissement, and commune levels. The political and administrative structures and processes are legitimized by the Constitution, which in amended form has remained the basic law of the land since its promulgation in 1831.

Belgium maintains a multiparty political system that until the 1960s was dominated by three major "traditional" parties, or political families. The designations of the big three have changed from time to time, but they can be broadly characterized as the Social Christians, the Socialists, and the Liberals. (For the formal names of the three traditional political groupings, see Political Parties, this ch.). Since the late 1960s these parties have been increasingly challenged by minor parties organized to capitalize on the growing strength of linguistic and regional loyalties. The major parties can no longer preempt political power nor can they count on interelite collaboration, which has been the norm despite differences on clerical, ideological, and social issues. Linguistic, cultural, and regional issues have increasingly emerged as determinants of electoral behavior. The minor parties have become vocal and have been able to return deputies to parliament and win a share of power at the national and local levels.

Given the multiplicity of political parties and the fact that no single party has won an election outright for decades, power sharing has taken the form of coalition government. At the end of 1984 Prime Minister Wilfried Martens led a coalition comprising the centrist Social Christians and the right-of-center Liberals; this was his fifth coalition cabinet since 1979. The principal opposition was formed by the Socialists, who frequently had participated in past coalition governments. Each of the traditional political parties was split into two separate parties along linguistic and regional lines, meaning a two-party coalition was actually four-party rule. Similar splits were common among the minor parties.

As 1984 ended, the principal concern of the Martens coalition government was to regain economic momentum. The coun-

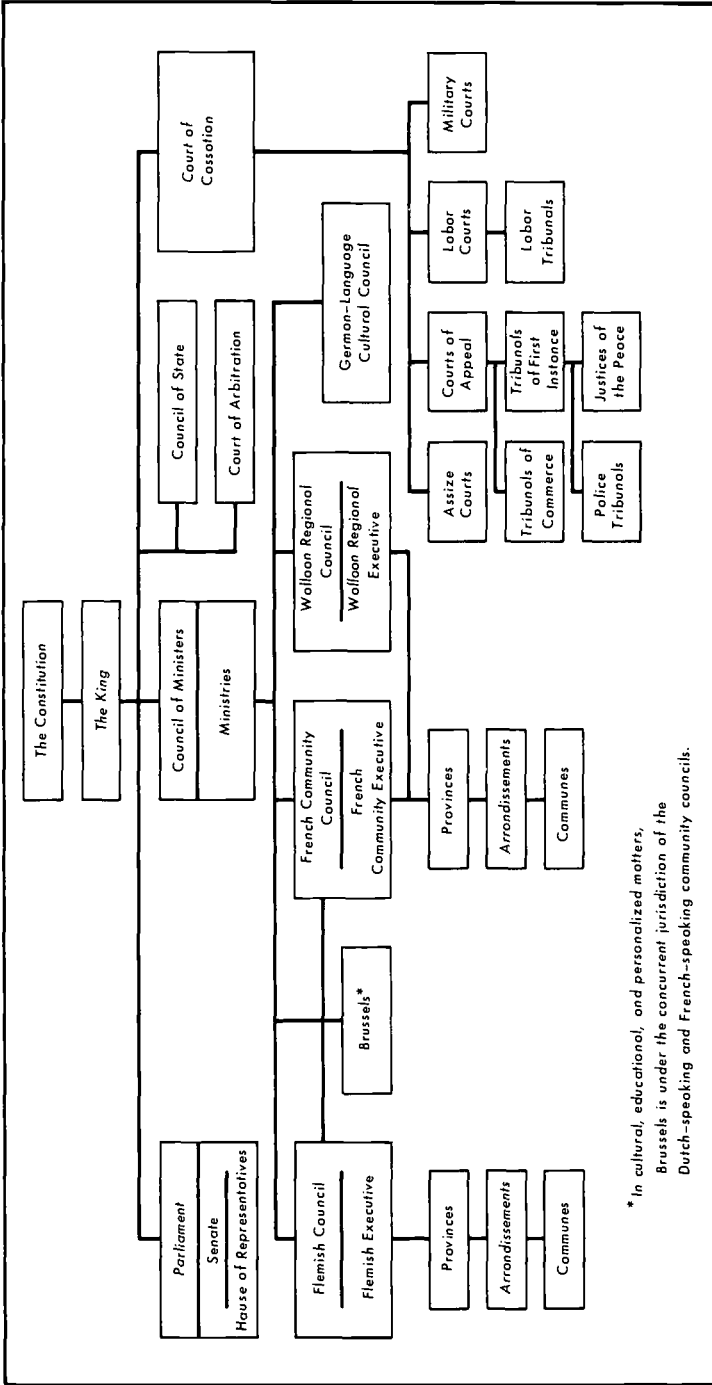
trywide recession of the past several years was a major bread-and-butter issue, more so in the industrially depressed French-speaking region of Wallonia than in the Dutch-speaking region of Flanders. The economic difficulties have tended to complicate the linguistic and regional rivalries for greater access to the central government's fiscal resources and have become interlocked with communal issues.

Ideally, a constitutional amendment passed in 1980 should have reduced such regional controversies. The 1980 "reform of the state," as the plan to implement the amendment was called, provided for the devolution of certain powers to the regional level as a major step toward resolution of the community problem. In late 1984 the reform of the state was still under way on a gradual though somewhat tentative pace in Flanders and Wallonia, but Brussels remained under control of the central government, pending clarification of its status.

In foreign affairs there was widespread domestic consensus on the continued participation in the North Atlantic Treaty Organization alliance and on the need for greater integration with the countries of the European Communities. Many parties also argued, however, that Belgium should support measures for East-West dialogue and détente linked to mutual and balanced force reductions and the establishment of a nuclear-free zone in Europe. On the issue of installing cruise missiles on Belgian soil, the Martens coalition government appeared to be affirmative despite criticism from some political circles. By far the most vocal opposition to the foreign policy of the Martens government came from the tiny Belgian Communist Party.

The Constitutional Framework

The basic law of the land, first promulgated in 1831, provides for a constitutional monarchy and a unitary form of government having regional, provincial, arrondissement, and commune levels of administration (see fig. 13). The Constitution contains a number of safeguard provisions for the protection of personal rights and liberties from any form of despotism. Freedoms relating to the press, worship, speech and assembly, association, education, and equality before the law are guaranteed. The right of petition, inviolability of the home and property, secrecy of correspondence, protection of minorities, due process of law, and the right to use a language of individual choice are all explicitly stipulated.



* In cultural, educational, and personalized matters, Brussels is under the concurrent jurisdiction of the Dutch-speaking and French-speaking community councils.

Source: Base on information from John Fitzmaurice, *The Politics of Belgium: Crisis and Compromise in a Plural Society*, New York, 1983; and Clair Ysebaert, comp., *Memento Politique*, 1983: Martens V, Antwerp, 1983, 130.

Figure 13. Governmental System of Belgium, 1984

The original document proved to be remarkably durable, perhaps because of societal consensus that partisan competition and social change could be resolved peacefully through a parliamentary approach. Until 1971 there had been two notable amendments, both concerned with franchise qualifications. In 1893 universal male suffrage with plural voting (based on tax, property, and education) was introduced; in 1921 plural voting was eliminated, and women were allowed to vote on a limited basis for the first time. It was not until 1948 that full female franchise was established for national elections (see *The Socioeconomic Cleavage: Democratization and the Socialist Party*, ch. 1).

In 1971 the Constitution was amended in an attempt to accommodate growing Fleming and Walloon pressures for cultural, administrative, and economic autonomy. That amendment provided for the creation of three cultural communities—Dutch-speaking, French-speaking, and German-speaking. Only the first two were to be vested with legislative competence. It also established three regions—Flemish, Walloon, and Brussels—each having a legislative body composed of elected deputies (see *The Communities, Regions, Provinces, and Communes*, this ch.). Provisions for the community and regional bodies were the products of a hard-fought compromise and lacked specificity. Details had to be worked out through even more difficult negotiations before the provisions could be implemented. Deliberate ambiguity remained a bone of contention as disagreement persisted between Flemings and Walloons over the form and content of decentralization. In the 1970s the question of regional devolution was the main source of political instability, frequently precipitating crises of what became known as “immobilism” at the national and regional levels.

In 1980 the Constitution was amended again to address the thorny problem of regionalization. Although the amendment was far from being a definitive solution to the long-standing community problem, it paved the way for the then coalition government to zero in on the deepening economic and financial crises (see *Major Political Developments, 1980–84*, this ch.). The 1980 amendment, or the “reform of the state,” as it became widely known, provided for the establishment of community institutions on the one side and regional bodies on the other side. The former were to be responsible for cultural and “personalized” matters, whereas the regional bodies were authorized to deal with social and economic matters. The scheme of regionalization did not affect the authority of the central government to take care of certain key functions, such as national defense, foreign affairs, and mac-



*Belgium is a constitutional monarchy headed by Baudouin, Albert-Charles-Léopold-Axel-Marie-Gustave, King of the Belgians, shown here with his wife, Queen Fabiola
Courtesy Belgium Information and Documentation Institute*

roeconomic policy. Nor did it touch on the status of Brussels, the most intractable of all problems dividing the Flemish and Walloon communities. The problem of Brussels was referred to a parliamentary commission for further study and recommendation. The Dutch-speaking and French-speaking protagonists agreed that the only realistic option in the short run was to shelve the Brussels question entirely.

The procedures for amending the Constitution are complex—doubtless one of the reasons for the durability of the original document. The amendment process begins with a declaration by parliament of the need for a revision, followed by the dissolution of both houses of parliament, the calling of a general election within 40 days, a two-thirds majority vote by the newly elected members of parliament in favor of the proposed amendment, and the assent of the king. To ensure an unfettered environment for deliberation, the Constitution may not be changed in time of war or other circumstances, such as during a regency or when the two chambers are unable to convene freely on Belgian territory.

The Constitution and the Crown

Belgium is a parliamentary democracy under a constitutional, hereditary monarchy. Succession is based on the direct line of the male heirs of the first king. In default of male heirs, the monarch nominates his successor with the consent of parliament. If the successor is a minor upon the death of the king, parliament meets in joint session to arrange for the regency and guardianship of the new king during his minority. The king comes of age at 21. In the interim between the king's death and the formal installation of his successor, the constitutional prerogatives of the king are exercised collectively by the Council of Ministers, or the cabinet.

The king is the head of state and commander in chief of the armed forces. Technically, he is the supreme executive authority, but his status is largely ceremonial inasmuch as his formal powers are actually exercised by the prime minister and his cabinet. The king's powers are limited to those explicitly mentioned in the Constitution and other laws enacted by parliament. No act of the king is valid unless the decrees promulgated in his name are countersigned by one of the cabinet ministers. Invariably, the royal initiative in executive matters originates in the cabinet; the king may not act on his own initiative or against the advice of the cabinet in political matters.

Among the king's formal powers are those of convening, dissolving, or proroguing parliament; appointing ministers, civil servants, judges, magistrates, and diplomatic envoys; declaring war and peace; issuing currency; and conferring titles and decorations. He signs and promulgates all laws but has no veto power. Ceremonial as he may be, the king nevertheless serves as an important national symbol that transcends partisan rivalries stemming from linguistic and regional differences. He often plays a significant suprapartisan role in the preliminary negotiations leading to the formation of coalition governments.

The Central Government

The Executive Branch

The cabinet is the center for executive decisionmaking and functions as the top supervisory and coordinative body for the executive establishment. Chaired by the prime minister, the cabinet—or the government, as it is more commonly known in Belgium—is the principal center of political power. Ordinarily, its ministers are drawn from either house of the bicameral parliament and retain their legislative seats and privileges while serving in the cabinet. Occasionally, other persons having exceptional political or professional qualifications may be appointed ministers. No member of the royal family may become a minister. The number of ministers varies, depending on the exigencies of coalition politics; since the 1960s the number has ranged from 20 to 30, including the prime minister and two or three vice prime ministers. The ministers are aided by junior ministers, formally known as the secretaries of state or simply state secretaries. The cabinet must be composed of an equal number of Dutch-speaking and French-speaking ministers, except for the prime minister, who generally represents the largest political party in the country. The principle of linguistic equality does not apply to the junior ministers who, although appointed from among the members of parliament, are not cabinet ministers. Upon appointment the junior ministers must relinquish their parliamentary seats.

The cabinet is the hub of the political system, its members being influential leaders of the political parties elected to parliament. The prestige of the cabinet is enhanced when the leaders of parties in the ruling coalition decide to serve as senior members—as the prime minister or vice prime minister or head of other key ministerial portfolios. When named to the cabinet, the leaders must give up their party presidencies but do not have to

abstain from party affairs. On the contrary, they continue to exert influence in one form or another. These key ministers constitute an inner circle of power in which the prime minister, as first among equals, plays a leading role in executive affairs. The degree of the prime minister's influence may vary, however, depending on the makeup of a given coalition government.

The cabinet is collectively responsible to parliament, which has the power of oversight over the executive branch. Cabinet members may participate, on their own initiative or at the request of parliament, in deliberations of either house but may vote only in the house to which they belong. Generally, the cabinet initiates more bills than the legislature; its small membership, its ability to maintain tighter discipline, and its status as pivotal center for party-government contacts and political bargaining make for its predominant role.

The cabinet meets in plenary session for deliberation on major issues requiring coalitional consensus. Decisions are usually reached by compromise and consensus building rather than by a formal vote. Depending on specific issues, the cabinet works through ad hoc committees created to prepare special studies and recommendations for the full cabinet to consider. The cabinet also may create an inner cabinet of select members representing all coalition parties for top-level coordination and consultation. The process of consultation is especially important on major issues, such as the preparation of the annual budget, administrative reform, and economic, social, and financial matters.

In the years since World War II the formation of a government has involved a major political exercise. The multiparty system, under the rule of proportional representation, has contributed to the splintering of the electorate, and no single party has been able to capture outright a majority of the national vote. Therefore, the task of forming a postelection cabinet has usually necessitated a marriage of convenience between the two or three major parties. The coalition nature of successive governments often has meant that a balance be struck through hard bargaining and compromise.

When a government falls through the loss of parliamentary confidence or internal dissension, the outgoing prime minister may advise the king to dissolve the legislature. The king need not comply, however, if in his discretion he believes a new government can be formed without elections or if he deems it necessary to delay dissolution.

In any event, the king must appoint an informant (*informateur*), an influential politician, to explore the possibilities of

forming a new government. The informant must be a seasoned political leader capable of commanding a majority or near majority in parliament. Based on the informant's findings, the king chooses a formator (*formateur*—more often than not the same person as the informant), whose role can be described as the prime minister-designate. The formator then proceeds to negotiate with party leaders of the proposed coalition about the basic principles and guidelines of the government program. The negotiations at this stage can be intense and often protracted, for they involve the distribution of cabinet portfolios among coalition partners and the development of priorities for a number of policy options. During this stage the king may bring his nonpartisan and impartial influence to bear on the formator and other key political leaders by advising them to moderate their differences to expedite the task of cabinet formation. If the formator fails to do this, the king appoints a replacement for a new round of negotiations, and the same procedure is repeated until an agreement is reached. It is then that the king formally approves the cabinet. The formator must then present the government program to parliament for a vote of confidence. An affirmative vote precedes the formal installation of the new government.

In late 1984, apart from the prime minister and three vice prime ministers (called first ministers in Flanders), there were 17 cabinet members. The ministers were in charge of agriculture; Brussels affairs; the budget; communications, posts, telephones, and telegraph; economic affairs; employment and labor; finance and foreign commerce; foreign affairs; the interior and public office; justice and institutional reform; national defense; national education (Dutch-speaking); national education (French-speaking); public works and middle classes; science policy and planning; social welfare and institutional reform; and transport. They were assisted by 10 secretaries of state—two for Brussels affairs (one each for the French-speaking and Dutch-speaking communities) and one each for cooperation for development; energy; European affairs and agriculture; foreign commerce; pensions; posts, telegraph, and telephones; public affairs; and social welfare.

The Civil Service

Since its beginning in the 1930s, the civil service has been based, in theory, on a merit system. Recruitment was to be handled through competitive examinations and promotions through an objective determination of ability and performance. The merit system was designed to shield the bureaucracy from partisan in-

trusions that characterized it before the 1930s.

Depoliticization has not been entirely successful, however. The practice of recruitment based on political connections was too deeply embedded to be eliminated. Cabinet ministers had full discretionary power over recruitment, transfer, and promotion, usually acting as the principal agents of their respective parties. Partisan excesses have moderated somewhat, but given the pervasiveness of parties and labor unions at all levels of society as conduits for access to patronage and power, political connections have continued to be a necessary condition of entry into the public services—hence the popular Belgian aphorism that a “civil service career is not open to talents.” Political parties and unions are widely viewed as “placement offices” for public sector employment. Once in the bureaucracy public officials are expected to remain loyal to their sponsors and to pursue, where possible, partisan activity within the public administration.

The implications of the continued partisanship are twofold. On the one hand, civil service appointments must conform to the principle of proportionality among the parties joined in coalition rule. This means the existence of several different politically colored administrative blocs in the bureaucracy because each party divides into two linguistic and regional groups. This segmentation has evoked different interpretations. Some regard diversity as an asset inasmuch as it is believed to reflect the many shades of political sentiments in the electorate. Diversity is also seen as a built-in check against partisan excesses, for each and every politically inspired bloc jealously guards its own interests, producing the advantage of mutual restraint. On the other hand, the political coloration engenders the likelihood of administrative distortion and discontinuity. A highly politicized bureaucracy leads to, in the words of political scientist Léo Moulin, “the creation of cells of administrative resistance capable of sabotaging the policies of ministers not on the same side.” This explains the need in many instances for the ministers to have a personally appointed noncivil service staff to ensure that their decisions and policies are carried out faithfully by the rank and file. Such a personalized approach in itself tends to reinforce rather than militate against entrenched partisanship. Nonetheless, observers agree that the bulk of public employees are competent and that politicization is perhaps less extensive in the fields requiring a high degree of professionalism, such as the foreign service, science, and technology.

As of early 1983 there were about 885,000 public sector employees, roughly 21 percent of the total labor force of the country. Some 55 percent of the total were employed in the educational

and cultural sectors; 23 percent in the provincial- and commune-level agencies; 10 percent in the various central government ministries; 7.2 percent in the armed forces; 1.8 percent in the gendarmerie; and the remainder in the judicial and other miscellaneous organs. Of the various ministries, the largest in terms of employment was the Ministry of Finance and Foreign Commerce, comprising 40 percent of the total.

The Legislature

The Constitution vests legislative authority in the king and the bicameral parliament, the latter consisting of the House of Representatives and the Senate. The king's legislative authority is actually exercised by the cabinet. The functions of parliament are dual: to enact bills and to oversee the work of the executive branch through interpellations of cabinet ministers. The legislature also has the right to impeach ministers and to bring them before the Court of Cassation, the supreme court, for trial held in the presence of both houses. The lower house has 212 deputies, who are directly elected for a four-year term and who must be at least 25 years old. The Senate has 181 members (including Prince Albert, heir to the throne), who must be at least 40 years old and who also serve a term of four years. The king's sons or the princes in the line of succession are senators by right at the age of 18, although they are not allowed to vote or speak in chamber until they are 25 years old. By convention the members of the royal family remain independent of partisan politics. The elected members of each house are divided into a Dutch-language group and a French-language group, but they are mandated to represent the Belgian people as a whole, in addition to their respective electoral constituencies.

The two chambers are technically equal in constitutional standing. Originally, the Senate was intended to exercise a countervailing influence against the radical tendencies of the lower house. Since the introduction of proportional representation at the turn of the century, however, the partisan makeup of the Senate has not differed markedly from that of the lower chamber. Of the two houses, the lower chamber is popularly regarded as being more influential and prestigious.

Relative to the cabinet, parliament as a whole no longer wields the power it once had. Many of its former legislative initiatives have shifted to the executive branch because of increasing state intervention in socioeconomic matters and the growing volume of legislation. The highly technical nature of drafting legislation has made it difficult for ordinary members of parliament to

address with authority a number of socioeconomic issues, and parliament has proved to be too unwieldy, given its multiparty composition, to act effectively.

Under the Constitution parliament may waive its supervisory functions in certain circumstances so that the executive branch can move more expeditiously to cope with urgent problems. This is done under the provisions concerning the delegation of "special powers" to the cabinet at the latter's formal request. The emergency powers so delegated are restrictive in duration and scope. From 1982 to 1984 the coalition government of Social Christians and Liberals exercised special powers in its efforts to redress the ailing economy; during that period the government was exempt from parliamentary inquisition as provided for under the Constitution.

Each house is chaired by a president and two vice presidents elected from its members. Both chambers convene in October for a regular session that lasts a total of 60 to 80 days extending through the following September. Bills may be initiated by the cabinet or by either house, and those relating to finance and national defense must first be deliberated in the lower chamber. Other bills can go from the initiator to either house, although usually they are introduced first in the lower chamber where, as in the Senate, they are referred to committees formed to parallel government ministries. Generally, the membership of these committees is proportional to the political composition of the ruling coalition.

Most important bills are initiated by the cabinet. Before a bill is submitted to parliament, it is referred to the legislative section of the Council of State for an advisory opinion (see *The Judiciary*, this ch.). Although supposedly nonbinding, such an opinion is often taken into account by the cabinet in modifying bills. Ministers or their representatives must appear before the parliamentary committees to defend their proposals. Bills reported out of the committees are sent to the full house for a general debate. In an attempt to forestall a legislative deadlock involving government operations, the principal budget bills must be voted out by December 25; other lesser appropriations bills must be voted out no later than March 30. A bill adopted by one house must be sent to the other house for debate and approval. A bill endorsed by both houses is forwarded to the king for his signature and for promulgation.

Parliament is also responsible for fiscal supervision of all the government bodies, including those on the commune level. This function is carried out through the agency of the Audit Office,



*The massive Law Courts building dominates this view of Brussels, the national capital.
Courtesy Belgium Information and Documentation Institute*

whose terms of operations are similar to the General Accounting Office of the United States. Members of the office are appointed by the House of Representatives for a term of six years, according to strict standards established to remove conflicts of interest. The members must not belong to parliament, hold any other public posts, engage in any trade or commerce, or hold any kind of role in the industrial or commercial sectors directly or indirectly through spouses. Members of the Audit Office, moreover, are not permitted to examine any matters of personal interest or of interest to their kin. Official findings and recommendations of the office are submitted annually to both houses of parliament. From all indications, the Audit Office continued in 1984 to enjoy a high degree of public confidence and prestige.

The Judiciary

The courts are independent of the executive and legislative

branches and enjoy an excellent reputation for integrity and professionalism. Structurally, they are patterned mainly on the French model, as are the codes governing criminal and civil matters. Judges are appointed for life and may not be removed except through due process. The Constitution permits the judicial review of administrative acts to determine their compliance with the law but not their constitutionality. Acts or decrees issued by the government and decisions of local institutions are subject to court judgment; the laws of parliament are not. The authoritative interpretation of laws remains the sole prerogative of parliament, and the courts and tribunals may issue rulings only on the particular cases brought before them. The judiciary is removed from addressing the question of constitutionality to prevent it from becoming embroiled in sensitive partisan issues.

For judicial purposes the country is divided into nine provinces, 26 districts, and 222 cantons. At the base of the four-tier system are 222 justices of the peace and 20 police tribunals that hear minor civil and criminal cases. In the cantons where there are no police tribunals, the justices of the peace assume criminal jurisdiction. Each of the 26 districts has one tribunal of first instance, which handles more serious criminal and civil cases as well as juvenile offenses. When hearing criminal cases, these district tribunals are sometimes called correctional courts.

Assize courts meet in each of the nine provincial capitals to handle serious criminal, political, and journalistic offenses. These are the only courts in the country that have a jury trial. In case the court does not agree with a majority of the jury, it may write a minority opinion and acquit the defendant. On the same level as the assize courts are five courts of appeals—one in bilingual Brussels, two in Flanders (Ghent and Antwerp), and two in Wallonia (Liège and Mons). These courts hear appeals on points of law from lower courts but also serve as courts of first instance for offenses involving senior government officials.

The highest court of the land is the Court of Cassation in Brussels. It hears appeals from all lower courts on all matters. It may overturn verdicts of lower courts only on points of law because it has no authority to consider the facts of a case. If it rules that a law has not been interpreted or applied properly and sets aside a verdict, the case in contention is returned to the original court for retrial. The sole original jurisdiction of the Court of Cassation deals with the removal of judges and the trial of cabinet members upon indictment by the House of Representatives.

Aside from these civil courts, there are several special courts, such as tribunals of commerce and labor tribunals, both at

the district level. Members of the tribunals of commerce are chosen by the business community for arbitration of commercial disputes. Labor tribunals deal with questions of labor law; their decisions may be appealed to the separate labor courts—located in five regional centers where there are assize courts—and ultimately to the Court of Cassation. Offenses involving military personnel are subject to the jurisdiction of the military courts.

Administrative disputes are under the purview of the Council of State, which has several functions. The council renders an advisory opinion on bills referred to it by the executive or legislative branch. It drafts the text of bills and regulations at the instruction of the prime minister. It may exercise the power to rule, upon appeal, on the legality of administrative decrees and may order indemnification for damages caused by any public institution. Other responsibilities include the settlement of commune-level electoral disputes and of conflicts of authority involving the provincial and commune authorities. The council's rulings are final. Disputes over the boundaries of jurisdiction between the Council of State and an ordinary court are settled by the Court of Cassation.

The Communities, Regions, Provinces, and Communes

At the end of 1984 the administrative structure below the national level was undergoing a trial and error process of evolution known as the reform of the state. Set in motion under a constitutional amendment in 1980, the reform was by far the most extensive since the country's independence in 1830. When fully implemented, it will have transformed the unitary character of the state into a semifederal one. The reform was designed to decentralize certain legislative and administrative powers and to transfer them to communities and regions, sidestepping for the moment the complicated question of the status of Brussels (see Major Political Developments, 1980–84, this ch.). Unaffected by the 1980 reform was the power of the central government to deal with national defense, foreign affairs, justice, national finance, macroeconomic policy, and educational matters affecting both linguistic communities.

The Communities and Regions

In the reform of the state, the term *community* refers to a linguistic and cultural unit embracing all speakers of a given language in linguistically divided Belgium (see Language, ch. 2).

Thus the Flemish community comprises all Dutch-speaking people in the four traditionally Flemish provinces of Antwerpen, Limburg, Oost-Vlaanderen, and West-Vlaanderen and Leuven and Halle-Vilvoorde arrondissements (see Glossary) in the province of Brabant. The French community embraces French speakers in the provinces of Hainaut, Liège, Luxembourg, Namur and the arrondissement of Nivelles in Brabant. Brussels is bilingual.

The term *region* is a geographical or territorial concept applicable to Flanders and Wallonia but not Brussels. The enabling laws passed in August 1980 do not formally recognize Brussels as a third region on par with either Flanders or Wallonia. These laws grant legislative competence only to the community and regional bodies of Flanders and Wallonia.

The concept of regionalization was not new in 1980. It had been a major focus of bitter parliamentary struggles throughout the 1970s. The politics of regionalization, as staged by the two major linguistic communities, was resolved temporarily by the constitutional amendment of July 1971, which introduced the concepts of cultural communities and regions. Specifically, the Constitution laid a framework for the establishment of three language-based cultural communities—Dutch, French, and German—each community having a separate cultural council. Legislative competence was granted, however, only to the Dutch-speaking and French-speaking councils, which were to be composed of members of their respective linguistic groups in parliament. These councils were to be empowered to legislate over cultural matters, education, cooperation between the cultural communities, international cultural cooperation, the use of languages for administrative and educational purposes, and labor relations. The composition and power of the council for the German-speaking community were to be determined by separate legislation.

The 1971 revision also paved the way for the creation of three regional legislatures composed of elected representatives in Flanders, Wallonia, and Brussels. These bodies were to have the power to legislate on such matters as the law shall determine, i.e., on social and economic matters. Unlike the cultural councils that had functioned on a limited scope after the early 1970s, the regional legislatures were slow to evolve because of continuing partisan discord over the details of regionalization. A compromise plan was finally worked out in 1974 for the creation of three regional legislatures or councils, but the affirmative vote fell short of a two-thirds majority needed for an effective government action on politically touchy linguistic and regional issues. The problem of regionalization remained in limbo, causing difficulties or “im-

mobilism” for the successive coalition governments.

A comprehensive package on regionalization was devised in 1977 by a four-party coalition cabinet led by Leo Tindemans. The Community Pact (or Egmont Pact, as the package was also known) called for, among other things, the establishment of elective regional councils given additional powers to deal with so-called personalized matters—health care, social assistance, family and youth policy, education, and vocational training. The Egmont Pact failed to get off the ground, however. The Council of State ruled that certain aspects of the provisions relating to Brussels infringed on the Constitution. Moreover, the powers over the personalized matters were judged to have exceeded the scope of the 1971 amendment. This led to a declaration by parliament in 1978 of the need to revise the Constitution with special reference to the authority of the cultural councils over personalized matters. The result was a new round of debates and negotiations on the reform of the state. In July 1980 the Constitution was amended, and in August two enabling bills were enacted—the Special Law on Institutional Reforms and the Ordinary Law on Institutional Reforms.

Under the reform of the state the cultural councils were renamed “community” councils, and their administrative arms came to be called “executives.” The legislative-executive setup also was to be duplicated for Flanders and Wallonia. The functions of the councils and executives were identical, but these bodies were set up differently. The Flemings opted for one, rather than two, separate institutions for the community and the region. Hence the Flemish Council and the Flemish Executive were to exercise the powers vested in the regional council and the regional executive in Flanders. On the other hand, the French speakers chose to have two separate sets of institutions—the French Community Council and the French Community Executive and the Walloon Regional Council and the Walloon Regional Executive. The Special Law on Institutional Reforms states that the French-speaking community institutions and the Walloon regional bodies may merge as their Flemish counterparts did, by a two-thirds majority decision reached in both the community and regional councils.

In 1984 the community councils were composed of the directly elected members of both houses of parliament, including those elected in Brussels. The Brussels-based members could sit on either the Dutch-speaking or the French-speaking council but were not allowed to vote on any regional matters. Under the special law the community councils are to be composed of only sena-

tors as soon as the upper chamber is reconstituted as an all-elective assembly of 212 members. Such a change requires a constitutional amendment, but as of late 1984 there was no movement in that direction.

The community councils are empowered to deal with cultural and personalized matters as originally called for by the Egmont Pact of 1977. They share legislative initiative with the executives, whose members they elect from among their numbers and who, like the cabinet at the national level, are collectively accountable to the councils. One of the executive members must be from Brussels but, again, the member representing the capital may not be involved with any regional question.

The executives are headed by chairmen, who are elected by and from the executive members in proportion to the partisan composition of the regional councils. Election is by consensus, if not by secret ballot. The duties of the executives are to draft bills, prepare the budget, formulate and coordinate the policies of the communities and/or the regions, and carry out council decrees. Decisionmaking is by consensus. Decrees by the councils or the executives have the force of parliamentary laws and are not subject to countermand by the central government.

Regional councils are composed of the same representatives as in the community councils, and the Brussels-based members must observe the rules of noninvolvement in regional matters. These councils are granted potentially significant powers to deal with a wide range of social and economic matters. These include land development, urban renewal, industrial location, environmental protection, rural development, irrigation, flood control, housing, hydraulic engineering, exploitation of natural resources, regional planning, regional economic development, aid to industrial and agricultural enterprises, aid to tourism, energy policy, employment, applied research, and supervision of the provincial and commune authorities. For the implementation of policies relating to these matters, the councils depend on the regional executives, whose members they elect from among their numbers.

The activities of the community and regional institutions are financed under the terms of the Ordinary Law on Institutional Reforms, dated August 9, 1980. The financial resources include nonfiscal receipts, credits chargeable to the central government budget, rebates on national taxes, fiscal resources of the communities and regions, and loans. Ultimately, about 10 percent of the national budget is to be allocated to the community and regional bodies, but as of 1984 the allocation—about 7 to 8 percent

of the national budget—was regarded by many as inadequate to hasten the pace of regionalization.

Disputes over conflicts of authority involving the community and regional bodies were to be resolved by a court of arbitration, as provided for under an enabling bill enacted in June 1983. The court was not operational in 1984. Specifically, this court was to rule on conflicts between laws and decrees or between decrees affecting the communities and regions. Conflicts also may be handled by the Council of State and ultimately by the Court of Cassation. The question of damages to the public interest caused by acts of the central government or the community or regional bodies was to be referred to a conciliation committee. Its decision was to be made by consensus. Chaired by the prime minister, the committee was to be formed on the basis of linguistic parity.

The 70,000 German-speaking Belgians living close to the border with the Federal Republic of Germany (West Germany) are given community status under the Constitution. A community council is composed of 25 elected members who hold office for four years. The council is competent to deal with cultural and personalized matters but not with social and economic matters. Because it has no executive, council regulations are carried out by functionaries of national ministries. In 1984 an effort was under way to upgrade the German community's council to the same status as that of the other two communities.

In 1984 the status of bilingual Brussels as a third constitutionally recognized region remained a frozen issue. The 1980 laws on institutional reforms do not provide for the creation of a self-governing regional council. Brussels does have, however, a metropolitan council elected by proportional representation and an executive whose members are divided equally between the Dutch-speaking and French-speaking communities. The capital city does not have legislative competence, and decisionmaking by its metropolitan executive must be based on consensus rule. When consensus is not possible, matters in question must be submitted to the national government for resolution and implementation. The administrative competence of the capital is limited to those matters having little or no political implications for either the French-speaking or the Dutch-speaking communities within the city. For matters concerning bilingual institutions and the use of languages, national law is applicable. Cultural, educational, and health facilities for French speakers are regulated by the French Community Council. Likewise, Flemish facilities come under the jurisdiction of the Flemish Council.

The Provinces

Below the regions are nine provinces and 43 arrondissements. Eight of the nine provinces are divided equally between the Flemish and the Walloon regions. The bilingual province of Brabant is separate, being the home province of the capital, Brussels. In 1984 the future of the provincial administration was unclear. For years this level was regarded by many as an extra tier of local government, and in fact the Egmont Pact of 1977 called for its eventual phaseout.

Each province has a legislative council composed of 50 to 90 members who are directly elected every four years. The provincial council normally meets for a total of 15 days annually, extendable to a maximum of four weeks. Its principal duties are to elect members to its executive body, called the permanent committee; elect senators to parliament; endorse the provincial budget; and vote on appropriations for provincial infrastructure projects and assistance to commune authorities. The permanent committee's six members are elected by the council from among its own members. When the provincial council is not in session, the committee acts on its behalf, supervising the activities of provincial departments and communes, advising the governor, and issuing provincial regulations.

The governor, who presides over the permanent committee, is the chief executive officer of the province. He is formally appointed by the king for a life tenure based on nomination by the cabinet and the advice of the minister of the interior and public office. The governor serves as the principal agent and liaison of the central government in dealing with provincial and commune affairs and is responsible for the execution of the provincial council's decisions. Other responsibilities include ensuring council compliance with national policy and laws and maintaining law and order. The governor may exercise the right of preventive intervention in provincial affairs by suspending a decision of the permanent committee and may appeal to the central government for remedial measures. The governor's principal assistant is the provincial registrar, named by the central government from a list of three nominees submitted by the permanent committee.

No other province is more a microcosm of Belgium than Brabant. Halle-Vilvoorde and Leuven arrondissements in the northern half of the province are Dutch-speaking; Nivelles Arrondissement in the southern half is French-speaking. In cultural and personalized matters, the two sides and Brussels—which is situated in the Flemish half of the province but is predominantly French-speaking—are administered by the two separate commu-

nity councils. Social and economic matters are regulated, however, by the central government, that is, represented by a governor for the entire province. There also is a vice governor, who enjoys the same legal and administrative status as the governor and who serves in two capacities: as the governor's principal associate and as the commissioner or chief executive officer for the capital of Brussels. In the latter capacity the vice governor is the principal agent and liaison of the central government for the 19 communes of Brussels and is responsible for overseeing the application of laws and decrees regarding the use of languages in the administrative and educational facilities of the six Flemish communes bordering on Brussels.

The *arrondissement* is a subdivision of the province and has no self-governing status. It is headed by the *arrondissement* commissioner—a central government official—who is responsible for general administration, law and order, and commune matters (for communes having fewer than 5,000 inhabitants only).

The Communes

The lowest administrative subdivision is the commune (also called municipality or borough). It has a time-honored tradition of local autonomy dating back to the Middle Ages. In 1984 there were 589 communes; until 1976 there had been about 2,300. The number was reduced through mergers in an attempt to alleviate the chronic problems of waste and high administrative costs; the inadequacy of local revenues needed to run the communes makes them depend heavily on the national treasury for their finances. As of mid-1983 only 62 of the communes were reported to be fiscally solvent.

Each commune has a directly elected council of from nine to 55 councillors serving six-year terms. The council adopts regulations in accordance with the community, regional, and provincial guidelines for the commune budget, finance, social affairs, police, culture and education, roads, and licenses. These regulations are subject to close scrutiny by the community, regional, and provincial authorities and may be suspended up to 40 days or annulled. But the higher authorities may not suspend or remove members of the commune council or order the dissolution of the council.

The administrative arm of the commune council is an executive composed of a burgomaster (or mayor) and two to 10 aldermen. The burgomaster is appointed by the central government, usually from among the commune council members, and as such represents both the central government and the local community. He is assisted by a principal functionary called "commune sec-

retary." The commune executive is organized into several sections, and assignments are parceled out among the aldermen.

The Constitution provides for the agglomeration of communes in the larger cities in order to coordinate effectively general administration, urban development, and economic expansion. As of 1984 there were five commune agglomerations or districts—in Brussels, Antwerp, Liège, Ghent, and Charleroi—each headed by a burgomaster. The five federations of communes, set up in 1971, in the surrounding areas of Brussels, were abolished in 1977.

The Electoral System

Since independence the resolution of partisan competition by secret ballot has been an integral part of Belgian politics and has been universally accepted as the vehicle through which to register the political choices of the grass roots. General elections are held at four-year intervals unless parliament is dissolved before the lapse of the term. Since the 1960s parliament has rarely finished its full term because of government crises stemming from Fleming-Walloon rivalries. New elections must be held within 40 days after the date of dissolution for parliament and provincial councils. Elections for the commune councils take place every six years.

Voting is compulsory for all citizens over 18 years of age; failure to vote is punishable as a criminal offense. Until 1981, when the minimum voting age was lowered from 21 years, the 18- to 21-year-old age-group had voted only in the commune elections. Campaigns are spirited and highly competitive, lasting up to 40 days. In addition to posters and handbills that are distributed to homes, radio and television time is made available to candidates of all parties. Transportation to the polls is provided free of charge by all political parties. Generally, elections have been fair and free of violence or fraud.

Elections are based on proportionality rather than plurality. Under proportional representation, seats are allotted to parties commensurate with the number of votes they polled. This method, used since the turn of the century, is aimed at ensuring the faithful representation of all shades of grass-roots opinion, making it possible even for minorities to participate in the political process proportionate to their share of the national or local votes. Each party or movement presents a list of candidates, provided that 200 to 500 nominating signatures for each candidate on

the list are included. The order of candidates on the list is decided by the parties according to their internal selection procedures. Candidates near the top of the list are usually assured of election. An individual may run as an independent if endorsed by a minimum of 100 qualified voters.

Votes are cast for either a party list as a whole or a specific candidate. Both list and preference votes count toward a party's total vote. Personal popularity continues to be an important factor in electoral success. A candidate having a large number of preference votes can displace a fellow candidate who is higher on the party list. There has been a growing tendency on the part of young voters to cast ballots for candidates of their choice rather than for the party list.

The country is divided into 30 electoral districts for parliamentary elections. The 212-member lower house is directly elected for a four-year term, each seat representing an average of 46,000 persons. The senatorial contest takes place in three different ways over a period of 10 to 15 days because the upper chamber is composed of four categories of senators. The first 106 members, equal to one-half the number of the lower house membership, are directly elected by universal suffrage on the day of the general elections. The 50 members of the second category are chosen indirectly by the provincial council members, who are elected on general election day. Each of the nine provinces is entitled to no fewer than three indirectly chosen senators—one for every 200,000 persons—and one additional seat for any excess over 125,000 persons. These "provincial senators" may not belong to the provincial councils that elect them and must not have been members of the councils in the two years preceding their election. The 25 members of the third category are co-opted by the first- and second-category senators. Nominated by parties, they are elected in proportion to the strength of party representation in the lower house. In theory, co-optation is designed to ensure representation of well-seasoned and prominent politicians; in actuality, it is used more often than not to grace candidates who fail in their bid for the lower house. According to political scientist John Fitzmaurice, "a politician whose star is waning may successively be a Deputy [lower house member], a directly elected Senator, a provincial Senator, and finally a co-opted Senator before sinking into oblivion."

The fourth category is ascriptive. The Constitution states that "the sons of the King or, failing these, Belgian princes of that branch of the royal family which is in the line of succession, are senators by right at the age of eighteen years." As of 1984 Prince

Albert fit this category, and with him the total membership of the upper chamber was 181.

Major Political Developments, 1980–84

At the end of 1984 the political scene was relatively calm and stable. The main focus of most political groups was less communal than economic, although traditional linguistic and communal rivalries remained interlocked with economic and other issues. Prime Minister Martens' fifth coalition government (Martens V), which came into power in December 1981, seemed earnest in its efforts to energize the economy, the sluggish performance of which had troubled the successive governments since the late 1970s. The politics of linguistic and communal rivalries—an endemic aspect of the multiparty setting for many decades—was tempered somewhat, but few Belgians of any persuasion had the delusion that such rivalries would be mitigated soon. The relative political tranquillity was in sharp contrast to the 1977–81 period, when there had been three general elections and seven governments, including the caretaker regime from October 1978 to April 1979. In that transition period four successive formators (rough equivalents of prime minister-designates) had failed to establish a coalition government owing to partisan wranglings over the question of regionalization in general and the status of Brussels in particular (see table 12, Appendix A).

The Brussels issue was thorny, to say the least. The bulk of the population within the city's 19 communes is French-speaking, but the city is located in Flanders. The Flemings have historically regarded Brussels as "their" city. To the Flemings the idea that they might be consigned to the status of a permanent regional minority—two French-speaking regions to one Dutch-speaking—was repugnant; nationally the Flemings were and would continue to be in the majority. The central issues at stake, as viewed from both sides, were and would remain who should control the political power and administrative services of Brussels and, especially from the Flemish standpoint, how the Dutch-speaking minority in the city should be protected. Demographically, the city's central sections have been predominantly French-speaking, whereas its outer rims traditionally have been Dutch-speaking.

For many years the French speakers in Brussels, allied with those in Wallonia, have demanded a regional status for Brussels on par with Flanders and Wallonia on the grounds of democratic

principles and as a necessary deterrence to "Flemish aggression." The Flemings, on the other hand, have feared that full autonomy for the city might be antithetical to their rights in Brussels and, worse still, might result in a not unlikely Wallonia-Brussels alliance against Flanders. Such a fear has been the basis for the prevailing Flemish sentiments favoring continued central government control of city affairs and the maintenance of the "iron collar" boundaries to fence in the French speakers in the 19 communes. Many French-speaking political groups continued to demand in the early 1980s that the city boundaries be pushed beyond the existing line to include surrounding largely Flemish communes having scattered pockets of French-speaking residents. Predictably also, the Flemings and Walloons have remained far apart on the question of power sharing in the city. Flemings have continued to insist on parity or equal representation in the governing institutions of Brussels. The French speakers have rejected the notion of parity as undemocratic at best and aggrandizing at worst.

The year 1980 may be regarded as a turning point in contemporary Belgian politics. This assessment may sound premature, given the volatility of the so-called community problems and the tentativeness surrounding the 1980 reform of the state. But the 1980 reform, engineered by the six-party Martens III coalition government (May-October 1980), had the effect of muting—for the time being at least—the emotionally charged communal confrontation. In effect, a temporary truce was declared that gave a new definition to the question of regionalization. The price of the truce was a mutual decision to shelve the Brussels question temporarily. Technically, this question was under continued study by a parliamentary commission in 1984, but it was unclear whether the commission report would be in the limelight before the end of the parliamentary session in 1985.

After the community problem ceased to be the most pressing task of the government, the Martens III government was able to address the deepening economic crisis (see *Patterns of Development*, ch. 3). In October 1980, however, Prime Minister Martens resigned, unable to harmonize intracoalition disagreements over his proposals for economic recovery. The Socialists in his coalition lineup strenuously opposed proposals for cuts in public spending in general and social security benefits in particular at a time of high unemployment. In the same month, nevertheless, the Social Christians and the Socialists buried their differences long enough to form a new coalition, Martens IV. Almost immediately the new regime disagreed over the three-year "economic rescue plan,"

which called for cuts in public expenditures, tax increases, cuts in social security benefits, wage indexing changes, and a wage freeze. The Socialists counterposed with increased taxes on corporate profits and higher incomes. In February 1981 the unions affiliated with the Socialists called strikes in the steel, textile, and public transportation sectors. In March Martens once again resigned.

Martens was succeeded by his Social Christian colleague, Mark Eyskens, who formed a new coalition in April 1981. The new Social Christian-Socialist regime showed little change from the one it replaced, except for the absence of Martens. Under an emergency program the Eyskens government managed to effect some cuts in the runaway budget deficits and a token cutback in social welfare benefits, but the highly sensitive indexing was left largely untouched. In the face of continuing budget difficulties, which were aggravated by the question of state aid to the ailing Cockerill-Sambre steel company in Wallonia, the Eyskens government fell in September 1981. The Social Christians, dominant in Flanders, and the Socialists, the largest party in Wallonia and dependent heavily on workers' votes in the industrial cities of the region, split sharply on how to revive the plant, which had been losing more than the equivalent of US\$20 million per month. The Social Christian reluctance to comply with the Socialist demand for additional subsidies to the plant was based as much on economic grounds as on prevailing Flemish sentiments; Social Christians wanted no part of such open-ended, wasteful subsidies. Eyskens was asked by the king to remain in office until a new government was formed.

As evidenced by the controversy over the steel industry, communal rivalries remained a manifest, politically exploitable issue. In June 1981, for instance, the government rejected the Wallonia-based Socialists' demand that the commune of Voeren (Fourons in French)—a French-speaking enclave in the Flemish province of Limburg—be returned to the French-speaking province of Liège, to which Voeren had belonged until its separation in 1962. Violent confrontations erupted in Voeren in October 1981 between Flemish extremists and Walloon counter-demonstrators. In the same month communal unrest broke out in Comines, in the arrondissement of Hainaut, where a Flemish school was shut down by the French-speaking authorities because its enrollment fell below the statutory minimum of 16 pupils.

It was against this backdrop of economic and volatile communal tensions that general elections were held on November 7, 1981 (see table 13, Appendix A). The Social Christians suffered a

heavy loss—in Flanders and Wallonia alike—losing 21 of the 82 lower house seats they had held in 1978. The loss was unprecedented; proportional representation had generally ensured only marginal changes in electoral outcomes. By contrast, the Socialists emerged more or less with the same number of seats and actually gained three seats in Wallonia, thereby equaling the representation of Social Christians in parliament. The three additional seats could be attributed to the strong Socialist positions on indexing, social security, and Walloon steel. In Flanders, however, the Socialists slipped into third place after the Social Christians and the Liberals for the first time since the turn of the century.

Unquestionably, the victors of the 1981 elections were the Liberals, who performed uniformly well in Flanders, Wallonia, and Brussels—evidently on the attractiveness of their conservative, right-of-center economic platform, which constituted a sharp alternative to the Socialists and to a lesser degree to the centrist Social Christians. The Liberals increased their representation from 37 seats in 1978 to 52 seats. The 1981 total was the largest since before World War I. Other parties that won were the Flemish nationalist group, the People's Union (Volksunie—VU); the antitax party, the Democratic Union for the Respect for Work, known by its Dutch-French acronym RAD/UDRT; and the Ecologists Party (Agalev/Ecolo). On the losing side were the Brussels-based, French-speaking Democratic Front of Francophones (FDF) and the Walloon Rally (RW), both of which started out essentially as single-issue linguistic and communal parties (see Political Parties, this ch.). The separatist FDF and RW lost ground to the Socialists, who appealed to the electorate by accentuating bread-and-butter issues, which were skillfully couched in linguistic and regional terms.

After three unsuccessful efforts by three different formators to establish a postelection government, a new center-right coalition of Social Christians and Liberals emerged under Martens, called Martens V, which was still in place at the end of 1984 and was backed by 113 of the 212 lower house deputies. In a formal request for a vote of confidence in his government program at the time of installation, Martens indicated that it was necessary for parliament to grant special powers to the executive branch—powers that are constitutionally provided for dealing with emergency situations (see The Constitutional Framework, this ch.). Under such powers the government would be exempt for a specified period from parliamentary inquisition on urgent economic issues. Armed with the special powers, the government in February

1982 announced several austerity measures.

These measures called for a devaluation, lower corporate taxes, cuts in deficit financing, a three-month freeze of prices and wages, and a change in the previously sacrosanct indexing system. The opposition from the Socialists, who smarted from the frustrations of being excluded from the Martens V government, was predictably vehement. The response from Socialists was more chilly in depressed Wallonia than in relatively prosperous Flanders. Intermittent labor strikes, especially by the unions linked to the Socialists, caused localized disruptions but none severe enough to be politically destabilizing. The commune elections held in October 1982 seemed to indicate a countrywide pattern of support, if grudging, for the retrenchment program of the Martens V government.

As 1983 dawned, economic performance remained generally unimpressive despite indications of marginal gains, especially in the fight against inflation. The countrywide recession, induced in part by the oil crisis of 1979, tended to aggravate the community problem, generally hardening Flemish resistance to the granting of funds for Walloon industrial rehabilitation and specifically hardening resistance to the Cockerill-Sambre steel company and fanning Walloon resentment at the perceived Flemish selfishness. Symptomatic of continued communal tensions was a crisis in January 1983 over the case of a French-speaking activist, Jose Happart, burgomaster-elect of Voeren (Fourons), who had campaigned in the October 1982 commune elections for the return of Voeren to Liège. Because this commune was under the Dutch-speaking province of Limburg, authorities there sought to deprive him of his mayoralty on grounds that he refused to demonstrate his ability to speak Dutch. The installation of Happart was blocked by the Social Christian leadership in Flanders against the wishes of three other coalition parties, including the Social Christians in Wallonia. The crisis was contained temporarily after an extended two-day emergency cabinet session, which announced that the government had agreed in principle to the idea of transferring Voeren to the bilingual province of Brabant, rather than Liège, as demanded by the French speakers. The compromise measure, however, met stiff opposition from Flemish nationalists and, as a result, the measure was referred to the Council of State for adjudication. At the end of 1984 there was no resolution of the case.

Throughout 1983 the economy, particularly the steel industry, remained a knotty issue. A complicating factor was a government plan to reduce the installed capacity of steel plants, as well

as their work force. Resistance by the unions and others in Wallonia was least surprising. In June 1983 the government secured parliamentary approval for its request to extend special powers authority through March of 1984. Such powers notwithstanding, the government's need to be responsive to grass-roots pressures was demonstrated graphically in September 1983. At that time the government plan to cut wages and benefits of public employees had to be revised in the face of a two-week strike by public workers, the most massive and disruptive since 1961.

In 1984 the center-right coalition had another year to go before its bid for a second term of office. Its political and economic strategy was to stay on its belt-tightening course beyond the election year of 1985, for it was reasonably sanguine that its two-year austerity program had borne some tangible results. In March 1984 the Martens V government unveiled a three-year austerity package aimed at further reductions in budget deficits and increasing corporate competitiveness. The package won the endorsement of parliament in March before the special powers authority expired. The three-year plan called for wage moderation, cuts in educational spending and social welfare benefits, more part-time work and work sharing to increase employment, and tax concessions for companies modernizing or converting plants.

Reactions from private sector groups were predictable. Fabrimetal, a major Brussels-based employers group for metal, mechanical, electrical, and plastics processing industries, criticized the austerity program for not going far enough. The unions, however, called a one-day general strike that was joined not only by workers associated with the Socialists but also by many teachers linked to the Social Christians. As usual, dislocation was more widespread in Wallonia than in Flanders and would have been more severe had the unions not been split along partisan and linguistic and regional lines. For years the effectiveness of unionism has been blunted by such a lack of solidarity.

A notable event of 1984 was the holding of elections for the European Parliament, a component of the European Communities (EC) (see Appendix B). Belgium elected 20 deputies, 11 from the Dutch-speaking community and nine from the French-speaking community. The election was contested largely on domestic issues, including the community problem. The single largest preference-vote getter in the country was Happart, the mayor of Voeren (Fourons), who was a symbol of French speaker's defiance against the Flemings. Previously, he had not been known for any strong empathy for the Socialists, but the Socialists in Wallonia co-opted him as one of their candidates. His over-

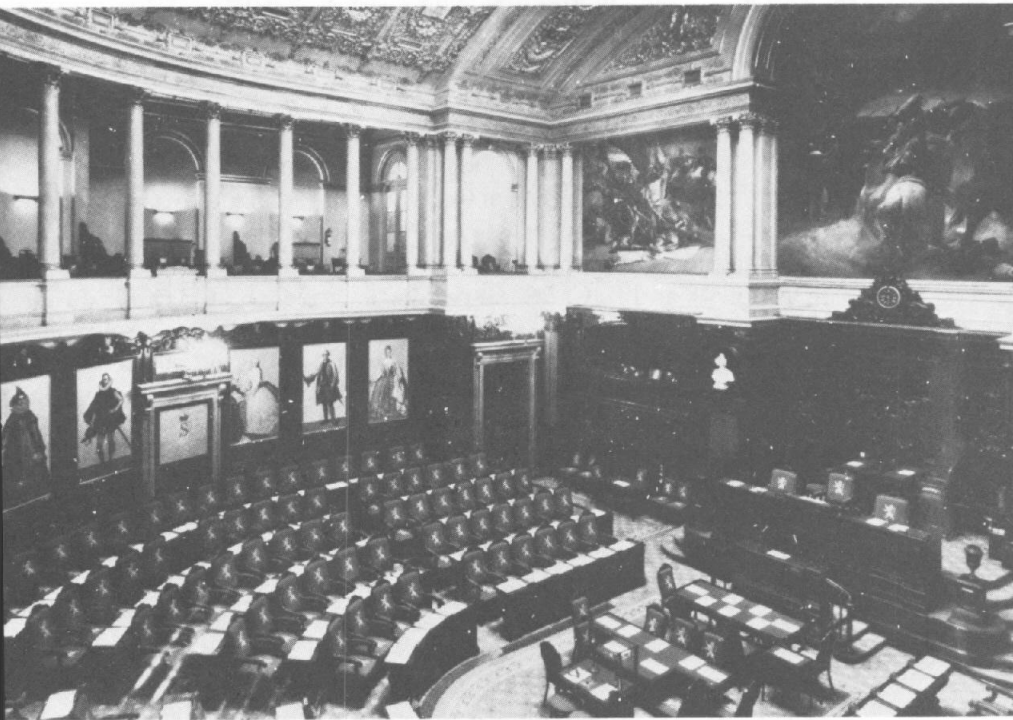
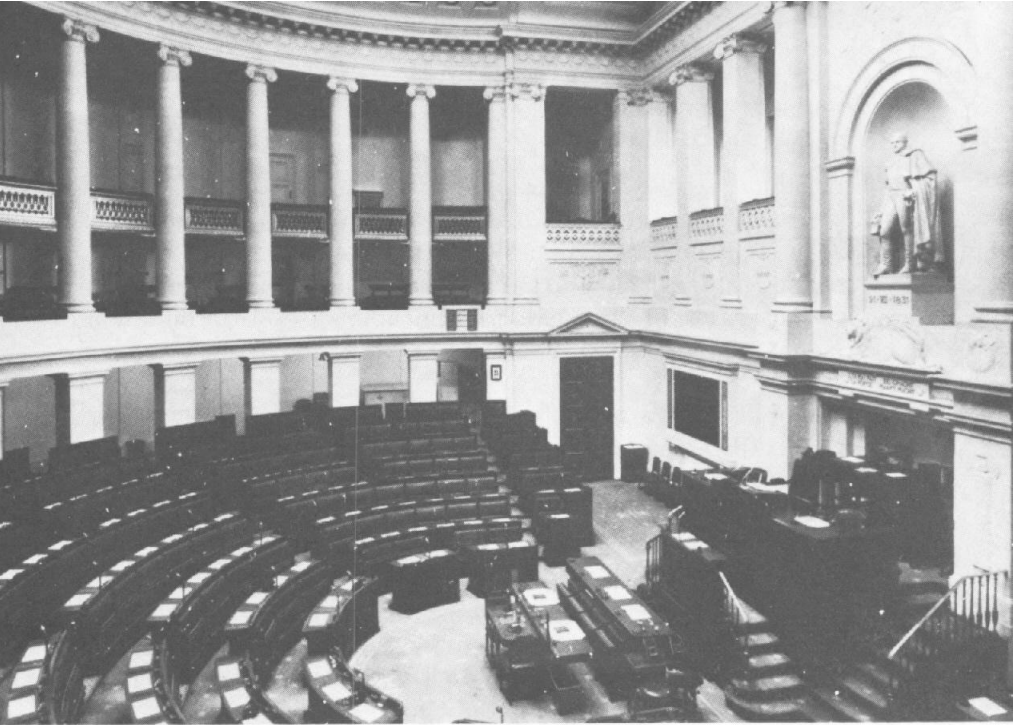
whelming popularity portended a possibility of increased exploitation of the community problem—for partisan gains—by the major political parties.

Political Parties

Political parties play a central role in Belgian political life. They provide organized channels through which candidates to public offices and policy options are presented for public scrutiny and electoral support. Equally important, they constitute an extensive network of linkage between elites and masses, this network being a collection of various organizations that serve as distributors of benefits derived from state sources. Party-connected organizations provide cultural, medical, and social services for their members. They can be seen in effect as extra-state organizations performing vital intermediary services between the state and the grassroots. A sound party system is regarded as essential to the maintenance of parliamentary democracy in Belgium, and this is why the government continues to grant subsidies to the parties proportionate to the number of deputies and senators each party has in parliament.

Although there were various minor parties and splinter groups, the three traditional political groupings—the Social Christians, Socialists, and Liberals—remained dominant in 1984. In the 1981 general elections the three groupings accounted for about 80 percent of the lower parliamentary chamber seats and about 73 percent of the national vote. In earlier years the percentages for both categories were higher by about 10 percent. This margin of decline was attributable to the rise of minor and new parties in the 1970s. Through the mid-1970s two or more of the traditional groupings controlled the seat of political power—the cabinet—more often than not in coalitions. As products of compromise and harmonization, the coalition governments generally militated against radical policy options. Frequently, the premium was on pragmatism and cooperation. Another facet of such governments has been what was known in Belgium as “immobilism”—the difficulty of finding lasting solutions to complex problems.

Two political groups—one the Catholics and the other the Liberals—existed in Belgium at the time of independence, but they were not formally known as parties. These two groups and the Socialist movement, which entered the political scene later in the nineteenth century, evolved into what became known as the



The hemicycles of the House of Representatives (top) and the Senate (bottom). The former is the most important decisionmaking body. Courtesy Belgium Information and Documentation Institute

traditional parties. Besides their ideological distinctions, the traditional parties often mirrored cultural and regional differences, particularly in matters relating to language. Long before their formal split along linguistic lines after 1968, each had two wings or factions based on linguistic identifications (see *Consolidation of the System*, ch. 1).

Social Christian Parties

In 1945 the Catholic Bloc, as it was then called, was renamed the Social Christian Party (CVP/PSC—known as Social Christians). Cutting its formal links with the Catholic church, the party wanted to recast its image as a broadly based mass organization. Dating back to the 1880s, the Social Christians played a leading role in coalition with other parties for all but a few years (1946–47 and 1954–58). In 1968 the party formally split over a major linguistic dispute, becoming two separate parties—the CVP and the PSC. In Flanders it became the Christian People's Party (CVP); in Wallonia it remained the Social Christian Party (PSC).

In the early 1980s both the CVP and the PSC remained moderate and centrist and committed to the principle of "Christian personalism"—the principle that every citizen should be accorded an ample opportunity to cultivate his personality to its fullest potential free from the fear of poverty, unemployment, sickness, and alienation. This principle was to be realized through the reconciliation of class interests without resort to the extremes of left and right and without overt reference to ecclesiastical ties.

The CVP and PSC did not compete with each other and confined their activities to their respective regions. Brussels was an open territory, and given the largely French-speaking population of the city, the PSC had a distinct advantage. On the national level, however, the CVP was the much larger of the two in terms of membership, seats in parliament, and popular votes. Both appealed to broad strata of the population on almost identical platforms, except where community and regional interests were concerned. On the whole, the CVP was more left-leaning than the PSC because of its appeal to industrial workers and their unions. In contrast, the PSC was perceived to be more conservative and "bourgeois," having fewer supporters from the ranks of industrial workers.

The two were headquartered in Brussels and had nearly identical but distinctly separate organizations. Technically, the national congress was the supreme policymaking body for each; actually, the most important national organ was the party bureau, chaired by the party president. The president and some 20 select

members of the bureau played a significant role in policymaking, in day-to-day implementation of party decisions, in coalition building, and in liaison between the CVP and PSC on the one side and with other non-Social Christian parties on the other. The bureau members were elected by the national council chosen earlier by the national congress, which met every second month to discuss current policy issues and to carry out the function of party supervision on behalf of the national congress. The congress, council, and bureau organs also exist at the provincial, *arrondissement*, and *commune* levels.

Interparty coordination at the national level was maintained through a liaison group composed of key party officials from both sides. Recommendations of the group were usually endorsed by the leaders of each party. For the purpose of coalition building, the two parties presented themselves as a single CVP/PSC bloc. As the larger of the two in the Social Christian grouping, the CVP has provided all the prime ministers since 1968, except in 1978–79, when the prime minister was from the PSC.

In Flanders the CVP remained the dominant party in 1984, even though it had suffered a major electoral reversal in 1981 (see *Major Political Developments, 1980–84*, this ch.). Its nearest rivals were the Socialists. It had a membership of 130,000 in Flanders and Brussels in the early 1980s, drawing about one-half of its electoral support from workers and farmers. The remaining support came from such middle-class categories as white-collar workers, small businessmen and traders, shopkeepers, artisans, smallholders, managers, and a small percentage of “bourgeois” elements. A majority of all practicing Catholics in Flanders were believed to be voting for the CVP, which, despite its “deconfessionalized” status, was widely viewed as the Catholic party and as being more committed to the defense of church interests than any other party.

The CVP, like its French-speaking counterpart, appealed to all social classes by taking a more or less centrist position. The diversity of socioeconomic interests to which the parties appealed had its predictable consequences: the existence of left-wing and right-wing schisms within both the CVP and the PSC. For the 1981 elections the CVP supported the 1980 reform of the state on condition that Brussels was not given a regional status on par with Flanders and Wallonia. On other issues it advocated cuts in public spending through cost-conscious methods of management, free enterprise, free education, reduced state interventionism, adequate family allowances and social services, and solidarity with the countries of the North Atlantic Treaty Organization

(NATO).

In Wallonia the PSC was a minority party, third in size of membership after the Socialists and Liberals, and yet it has been part of the ruling coalition continuously since 1958. Its electoral base was spread evenly between the working class of farmers and workers and the middle class. More than one-half of all practicing Catholics voted for the PSC. The party received about 20 percent of the regional workers' vote and was overshadowed by the Socialists.

The party had the same moderate and pragmatic approach as the CVP. On education and abortion the PSC sided with the church. On economic issues it has called for spending cuts, support for the family, and reform in the social security system for the benefit of the underprivileged. It has stressed opposition to capital flight and the borrowing of money from foreign sources. In foreign affairs it has continued to espouse a strong defense posture centered on NATO and more rapid European integration.

For years the PSC was given to more internal schism than its Flemish counterpart. Marked left-right tendencies led to confusion and occasional defections. Many of the party's bourgeois elements were identified with the aggressively probusiness right wing called the Political Center for Independents and Christian Cadres. The left wing called itself the Christian Democrats and was under considerable pressure from the Federation of Belgian Christian Trade Unions (ACV/CSC), the largest trade union in the country, and the militant Christian Workers Movement (ACW/MOC).

Liberal Parties

The Liberals were the first to organize a political movement in Belgium, in 1846. Along with the Catholics, they were one of the two dominant political groups from the 1830s to 1894, when the Socialists emerged as a third major political force, owing to the first election held in that year under qualified universal male suffrage.

From the beginning the Liberals were strong on anticlericalism, gradualism in social change, free enterprise, and individualism. The anticlerical bias was toned down in the late 1950s, and in 1961 the Liberal Party rechristened itself the Party of Liberty and Progress (PVV/PLP—known as the Liberals) in an effort to broaden its electoral base. A proponent of a strong unitary state, the PVV/PLP was the only major party in the 1968 election to present unified electoral lists throughout the country; it received nearly 21 percent of the national vote. The linguistic and

communal conflict eventually overtook the Liberals, however, causing their split in 1972 into two autonomous wings. The Dutch-speaking wing retained its old name, but the French-speaking wing, after several years of fusions and reorganizations, became the Party for Reform and Liberty (PRL) in June 1979.

In 1984 the Liberals, smallest of the three traditional political families, continued to offer an alternative as a coalition partner, as demonstrated in the marriage of convenience with the Social Christians from 1974 to 1977 and again from 1981 on. In the 1981 elections the Liberals made a substantial gain in all regions at the polls at the expense of the Social Christians, attracting support from the upper and middle classes. Their share of the working-class vote was, understandably, the lowest.

In 1981 the right-of-center platform advocated greater private enterprise, leaner bureaucracy and state enterprises, reduced public spending, rational management of the social security system based on greater selectivity, restraint on trade union pressures, and a stronger defense policy. One notable difference between the PVV and PRL was the question of regionalization. Although both parties endorsed the 1980 reform of the state, the French-speaking Liberals also wanted full regional status for Brussels.

Like the Social Christians, Liberals had separate organizations but collaborated for coalition bargaining. Their organizations existed at the national, provincial, arrondissement, and commune levels. The top party organ for each was the national congress, made up of all party members. Between congresses, a bureau (for PRL) and a political committee (for PVV) exercised the power of general supervision and policymaking, and the day-to-day party affairs were run by an executive under the national party president. The two parties shared the services of a joint political research institute, the Paul Hymans Study Center.

Socialist Parties

In 1885 the Socialists formed the Belgian Workers Party, prompted by the growing worker's movement in the last quarter of the nineteenth century. By the 1920s they had become the second largest political family after the Social Christians but larger than the Liberals. In 1945 the party changed its name to the Belgian Socialist Party (BSP/PSB—known as the Socialists), but its anticlerical, reformist, and pragmatic character was left unchanged. As they gained respectability with their moderate, parliamentary path to social change, the Socialists were able to participate in intermittent government coalitions, starting in 1916,

and even managed to form an all-Socialist government in 1946. The government lasted for only 15 days, however, because of its failure to win a parliamentary vote of confidence—the only such instance in the history of Belgium.

Disputes over regionalization and the attendant intraparty tension led to the holding of separate Socialist congresses as early as 1967, and in the 1968 election the two wings presented separate electoral lists. In 1971 the party adopted a system of dual presidency under the French-speaking and Dutch-speaking leaders. Finally, in 1978 the party split into the SP in Flanders and the PS in Wallonia. (The party as a whole, however, was still referred to as the Socialists.) Separate organizations were maintained at national, provincial, *arrondissement*, and *commune* levels. The highest party organ for each was the national congress, whose supervisory and policymaking functions were performed by a general council between its sessions. The executive arm of the congress and general council was the bureau. The Walloon Socialists were more left-of-center than the Flemish Socialists because of a strong tradition of political activism among workers in the region's older industrial cities.

Democratic socialism, based on a strong social welfare system and a modified free enterprise economy, remained the goal of the Socialists on both sides of the linguistic boundaries. The Socialist platform has called for economic planning, full employment, state interventionism with only moderate restraint on public spending, a more equitable tax system, a national health service, the regionalization of the five key industrial sectors, and the nationalization of such sectors as energy and banking. In the social field it has called for assistance to the disadvantaged, youth, and women; legalized abortion; better health care and housing; environmental and consumer protection; and opposition to cutbacks in unemployment benefits. In foreign affairs both parties stood for the NATO alliance and European integration. On the issue of nuclear weapons and neutron bombs, however, the Flemish party has supported a nuclear-free zone in western and central Europe. The deployment of Pershing and cruise missiles on Belgian territory was opposed as a tension-producing and provocative act. The Walloon party, in contrast, has argued for linkage between non-deployment and East-West *détente* (see *Belgium and NATO*, ch. 5).

The Volksunie

In 1954 the People's Union (*Volksunie*—VU) became the first nonclerical, nonideological party organized essentially along

an ethnolinguistic-cultural line. Its avowed aim was to promote Flemish nationalism in a federation allowing maximum autonomy for Flanders. The VU favored a reconstruction of Belgium into autonomous Flemish and Walloon regions and the placing of the bilingual and predominantly French-speaking Brussels under the central government. Its contention was that Brussels should be a neutral national capital and its facilities open to all sides on an equitable basis. By 1971 the VU had emerged as the fourth largest party after the three traditional party families.

The party's political base was mostly in Flanders, and there was a small following in Brussels. Its initial platform was designed to elevate the status of the Dutch-speaking community to that of the traditionally more influential French-speaking community. After the late 1960s the VU began to reorient its line to a broader audience in an attempt to attract dissatisfied supporters from the traditional parties, which it argued had failed to address the problem of unfulfilled Flemish aspirations. More than one-half of the VU voters were from the middle and upper classes, workers and farmers accounting for the rest. On balance, the VU was a centrist party, eschewing extremist lines, and of course it was unabashedly nationalist. It continued to advocate a federal state, fiscal discipline, social and cultural assistance on a more selective basis, abolition of aid to ailing firms, regionalization of five key industrial sectors, more effective regional investment policies, and the nationalization of the arms industry. A prominent election campaign slogan in 1981 was "Flemish money in Flemish hands and a Flemish state"—an allusion to the prevailing view in Flanders that Flemish revenues should not be shared with Wallonia. In foreign affairs the party argued for nuclear disarmament and opposed the deployment of NATO cruise missiles on Belgian territory.

The Walloon Rally

The mirror image of the VU in Wallonia is the French-speaking nationalist group, the Walloon Rally (RW), formed in 1968 to counter the rise of Flemish nationalism. The RW was formed as an amalgamation of several pro-Walloon groups and disaffected members of the three traditional parties. The party was pragmatic and evoked much of its support from the working and middle classes. By 1971 it had become the second largest party in Wallonia, but it suffered occasional defections and splits, as well as realignments and fusions with other political groups.

In the early 1980s the RW continued to advocate full regional status for Brussels, a condition seen as essential to any fruitful

dialogue with the Flemings. At the time the party was leaning toward the left, especially on the issue of intercommunity dialogue. In 1976 the faction favoring dialogue with Flanders had left the RW to join the Walloon Socialists and later merged with the Walloon Liberals. For the 1981 election the party stood for free enterprise, tempered by necessary state intervention to create new jobs. It demanded that the central government's "unjust" economic policy favoring Flanders be terminated to reverse economic deterioration and job losses in Wallonia. Apart from the regionalization of key industrial sectors, the RW argued that Wallonia should have full autonomous power over the formulation of spending priorities. On social matters the party called for reasonable minimum incomes for the neediest, equality between the sexes, and the state financing of sickness insurance, pensions, and family allowances. In foreign affairs it stood left of center, demanding reduced defense spending, cessation of the arms race, the dismantling of nuclear weapons, and reconversion of the arms industry.

The Democratic Front of Francophones

The interests of the French-speaking majority in metropolitan Brussels have been the chief concerns of the Democratic Front of Francophones (FDF), set up in 1964. The party's aim has been to protect French-speaking rights, to oppose the "Flemicization" of Brussels, and to strengthen its links with Wallonia. The FDF frequently entered into electoral alliance with the RW. Its electoral support came mostly from the middle and upper classes, and the platform, which was essentially centrist, included selective features associated with the three traditional parties. In the 1981 election the FDF lost its status as the largest party in Brussels, slipping into second place behind the Liberals, whose gains were as substantial there as they were elsewhere.

In the early 1980s the FDF pressed for full regional status for Brussels and for the redrawing of its city limits to include surrounding areas beyond the 19 communes. The Flemish demand for linguistic parity in the administrative and educational facilities of the city was rejected outright. The FDF demanded that Brussels be given fiscal autonomy and contended that the central government should allocate more funds to the city. The party claimed that the central government's employment policy favored Flemings in Brussels and demanded that the jobs currently held by them be taken over by French speakers. Also included in the party's platform were measures for the regionalization of the five key industrial and banking sectors, improvement of the city's in-

frastructure and social services, women's rights, environmental protection, protection of the French speakers' school system, and cooperation between the state and Catholic school systems. In foreign affairs the party was strong on European integration; in opposing unilateral disarmament, it favored mutual and balanced force reduction through negotiations.

The Communists and Other Small Parties

The Belgian Communist Party (KPB/PCB) was founded in 1921 by a splinter group of the Belgian Workers Party. Unlike other traditional parties, the KPB/PCB remained unsplit on linguistic lines in 1984 and supported the concept of democratic federalism, meaning equal regional status for Flanders, Wallonia, and Brussels. In the early 1980s the Communists sought to steer an independent course between the Communist Party of the Soviet Union and the other European communist parties.

The Communists in 1984 were voiceless in national or regional affairs. Their electoral base shrank steadily after 1946, when they polled a surprising 22 percent of the national vote; in fact, between 1944 and 1947 the Communists were able to participate in several coalition governments. Their share of the vote in the 1981 elections was only 2.3 percent. The decline was attributable to the success of other parties in attracting the support of workers and to schisms in the 1960s and 1970s between the pro-Soviet and pro-Chinese cliques of the party. The communist movement was most active in the industrial cities of Wallonia.

For partisan political purposes the Communists demanded greater state control of private enterprises, banks, and multinational corporations—instead of outright nationalization of the economic sectors. Their empathy for federalism also included support for the regionalization of all economic sectors. Their foreign policy program called for an active policy of peace and détente linked to such options as a nuclear-free zone for Europe, opposition to cruise missiles and neutron bombs, and the dissolution of all military alliances, including NATO and the Warsaw Pact.

In the early 1980s there were a number of small political groups espousing various ideological and policy alternatives. Among these were the Party of the German-Speaking Belgians (PDB), founded in 1971 to promote the welfare of the German-speaking minority in the eastern border area, where the PDB held second place after the French-speaking Social Christians; and the United Feminist Party (VFP/PFU), formed in 1972 to advance the feminist cause. These groups have had no impact on the

national scene.

Three of the better known of the minor parties were formed in 1978, in time to contest the general elections of December 17, 1978. One was the Flemish Bloc (VB), a militant, right-wing Flemish national group. The VB, a splinter from the VU, espoused total Flemish secession from Belgium and independence for Flanders, which would then form a confederation with the Netherlands. It stood for free enterprise, minimum state intervention, limited public spending, and elimination of subsidies to political parties, the press, cultural groups, and insolvent enterprises. It also called for solidarity with the NATO alliance and mutual and balanced force reduction. In the 1981 elections the party received 66,442 votes nationally, or 1.1 percent of the total vote.

The second minor party was the Democratic Union for the Respect for Work (RAD/UDRT). Often this movement was characterized as an antiparty party or even an "anarchist" party. It was essentially antiestablishmentarian, scorning established parties and networks of support groups associated with them. The RAD/UDRT lumped all established groups with influential political and economic leverage as a "political class" that should be eliminated. Rejecting "the dictatorship of the unions and employers," the party called for total economic freedom and a drastic reduction of taxation; elimination of state interventionism, new taxes, "excessive" social welfare benefits, and aid to ailing and unproductive enterprises; the privatization of semipublic enterprises and much of the social welfare system; and a balanced budget through constitutional amendment.

The third organization was the Ecologists Party (Agalev/Ecolo). It appealed to all regions and all social and ideological tendencies, offering "a real political alternative." It called for the introduction of popular referenda as a real and effective means of sounding grass-roots opinions and choices and encouraging popular participation in the political process. Among its demands were a 34-hour workweek, federalism, more taxes on the wealthy, a more effective peacekeeping capability of the United Nations, and opposition to the arms race. In 1981 it polled 4.8 percent of the national vote, or about 290,000 votes—a substantial increase from its 0.8 percent share in 1978. The party received more support from Brussels and Wallonia than from Flanders.

Interest Groups

Influence on public opinion and policymaking is exerted by a multitude of groups covering a wide range of social, cultural, professional, and economic activities. In parliament the interest groups may attempt to pressure party leaders to use their persuasion in obtaining the passage of a particular bill, or an interest-group member may be in parliament and thereby sway others. In relations with the cabinet, the groups may work through the parties that are represented there. If the groups are economically significant, they usually get an audience with the minister whose ministry corresponds with their interests. Generally, the cabinet retains more independence from the lobbyists than do the parties because its ministers, by consensus, make important decisions on national issues. Such consensus may benefit from advance consultation with representatives of nongovernmental groups, but the process of what is known as concertation (see Glossary) may at times be eliminated. A case in point was the decision of the Martens V government in 1981 to modify the terms of indexing without consulting the labor unions, which make up one of the so-called social partners in government, management, and labor. The modification was accomplished under the special powers authority granted the government by parliament.

In Belgium there are several kinds of pressure groups: religious or philosophical, cultural, economic, professional, group service, and civil organizations. The first group includes church, Masonic, and free—not state—university organizations. The most influential of these is the Roman Catholic Church, although its political role declined after 1958 when a Social Christian-Liberal compromise on a program of state aid to church-operated primary and secondary schools removed the religious question from the forefront of politics in earlier years (see *The Second School Conflict 1950–58*, ch. 1). The church's voice has not been completely stilled, however. It continues to support the candidates of the CVV/PSC, and its position on Catholic education, social policy, and abortion is usually upheld by both Dutch-speaking and French-speaking Social Christians.

Cultural groups are usually linked to the Dutch-speaker or French-speaker movements seeking to promote a language-based regional and cultural identity. Their influence has waned considerably since the rise of small regional political parties in the 1970s.

Economic groups cover a diverse array of people, such as bankers, employers, middle-class workers, farmers, civil ser-

vants, and white- and blue-collar workers, as well as community services and certain professions. In the financial circle the best known and most powerful group is the Société Général de Belgique, the giant private financial conglomerate, which is seen by many to be a source of enormous influence on the government's financial policies (see *Financial Services*, ch. 3). The official spokesman for management in relations with the government and the labor unions and on the national economy is the Federation of Belgian Enterprises (VBO/FEB), which comprises some 40 major industrial and nonindustrial associations. Among the nonindustrial concerns are banks, insurance companies, distribution firms, and multinational corporations.

Middle-class organizations are set up for the protection of artisans, small and medium-sized firms, and shopkeepers. The welfare of these self-employed people is also the primary concern of the Ministry of Public Works and Middle Classes at the national level.

For farmers, two organizations—the Farmers League (Belgische Boerenbond, commonly called the Boerenbond) in Flanders and the Belgian Agricultural Alliance (Alliance Agricole Belge—AAB) in Wallonia—are the most influential. The former is linked closely to the CVP/PSC. These organizations act on educational, financial, and political matters. Collective buying and selling, insurance, and savings banks also are among their endeavors. In recent years their scope of operation has expanded to the European level because the EC has empowered them to make certain decisions on agriculture in its member countries (see *Agriculture, Forestry, and Fishing*, ch. 3).

Liberal professions maintain their own associations covering medicine, law, pharmacy, and architecture. Political activity is also organized for alumni associations of institutions of higher learning. Civil servants are grouped along political and language lines.

Blue- and white-collar workers compose three major trade unions: the Federation of Belgian Christian Trade Unions (ACV/CSC), the General Federation of Belgian Labor (ABVV/FGTB), and the General Center of Belgian Liberal Trade Unions (ACLBV/CGSLB). Although these unions claim to be independent of any political party, they are in fact closely linked to the Social Christians, the Socialists, and the Liberals, respectively. At the end of the 1970s they claimed to account for 70 percent of the labor force, the highest rate of unionization in the EC. The intimate ties between the unions and the political parties have yielded favorable labor legislation and social security benefits.

Many union leaders have served on party committees at local and national levels.

The role of trade unions as pressure groups stems from a 1935 government crisis during which representatives of the unions were consulted for the first time. The organization of trade unions has developed without parliamentary legislation. Workers have been consulted since the 1930s on important social and economic matters relating to their own industry on a national level through various councils. Trade union executives have been able to exert some pressure on the formation of coalition governments, and unions also have been involved in monitoring the implementation of legislation. Pressure has been wielded through strikes, demonstrations, press campaigns, communiqués, memorandums, or pressuring the political parties against participating in the coalition government. For decades the major weakness of the trade unions has been the division of the labor movement into partisan lines. Since the late 1970s the ABVV/FGTB and the ACV/CSC have made a concerted effort to present a common front in the labor offensive, but their limited success has been confined mostly to Wallonia. In Flanders the CSC continued to collaborate with the centrist Social Christians.

Through the mid-1950s the ABVV/FGTB, which in 1979 comprised about 1,113,000 members, was the largest federation, but in 1959 the ACV/CSC became the front-runner for the first time. In 1979 it had 1,273,000 members; an unknown proportion of this membership belonged to the broadly based (ACW/MOC), founded in 1945. The distant third in union strength was the ACLBV/CGSLB, which had 200,000 members in 1979.

Community service groups are organized along religious or political lines and provide services to the members associated with traditional parties. Various groups form mutual aid organizations that operate clinics and health programs throughout the country. These are affiliated with the three traditional parties and play an important role in retaining unity within them or in what are commonly known as “the Catholic world,” “the Socialist world,” and “the Liberal world.” These “worlds” are also referred to as “pillars”.

The press, radio, and television are another source of influence on public opinion and, possibly, policymaking as well. Most of the important newspapers and periodicals are run by family concerns having distinct political leanings—usually right-of-center—and except for a few “national” newspapers, such as *Le Soir* and *De Standaard*, are regionalized. Radio and television, however, are public services run by the Dutch-speaking and

French-speaking community councils under the terms of the 1980 reform of the state. The public corporations for radio and television (BRT/RTBF) are supposedly independent and neutral in news and reporting but in actuality are highly politicized. Their governing boards are composed of members elected by the community councils according to proportional representation. Electronic media are considered to be generally left-of-center, especially in Wallonia.

Foreign Affairs

Belgian foreign policy in 1984 continued to be influenced by the country's geographical and historical setting. As a small nation that twice in the twentieth century was victimized by foreign aggression, the kingdom has since World War II abandoned its so-called free hands policy—a euphemism for its policy of passive neutrality—and has opted for a policy of active and multifaceted cooperation with other nations. The principle underlying Belgian foreign relations was nowhere more aptly and authoritatively expressed than in Minister of Foreign Affairs (and former prime minister) Leo Tindemans' statement of March 1982:

So now we come to the paradox of a small country: because of its powerlessness to act alone in a world which has no rules of law, it is forced to resort to alliances in which it enjoys certain prerogatives. If it avails itself of those rights, if it defines its own position and upholds it consistently, it can carry weight in the decisionmaking process. In other words, a small country acting alone—which, outside any alliances, leads to impotence—may, within such alliances, exert a certain amount of influence.

Historical and Political Factors

At the close of World War II, Belgian leaders were convinced that the kingdom could not hope to have much impact on international affairs if it again tried to stand alone economically and politically. Therefore, they sought to foster the development of a multilateral framework in which Belgium could assert itself out of proportion to its size and population. In 1944 the exiled leaders met in London with representatives of the Netherlands and Luxembourg to sign a joint customs convention. Effective from 1948, this agreement paved the way for the Belgium-Netherlands-Luxembourg Economic Union (Benelux). Efforts toward multilateral cooperation continued during the 1950s, leading to participation in the formation of the European Coal and



*The buildings of the European Communities, headquartered in Brussels
Courtesy Belgium Information and Documentation Institute*

Steel Community (ECSC) in 1952 and the establishment of the European Economic Community (EEC), which became the basis for the EC (see Appendix B).

On a parallel level the concern for national security led to participation in the regional collective arrangement called NATO in 1949. In joining the NATO alliance the Belgian leaders were of the view that, given their limited military capability, Belgium and the noncommunist states of Europe should forgo the development of their own nuclear weapons and cooperate with the United States in the formation of an effective regional collective defense system (see Belgium and NATO, ch. 5).

In the early 1960s, when the rapidly growing worldwide pressure for decolonization prompted Belgium to divest itself of political control over its African possessions, the country became more dependent than ever on international cooperation. Government spokesmen repeatedly expressed the view that the promotion of economic and cultural exchanges between nations would

result in a foreign policy environment for improved political relations and for general security.

Multilateral Relations

In asserting the principles on which its European policy is based, government spokesmen have pointed to the advantages of a united Europe and have opposed the reassertion of strong nationalistic tendencies. Reminding continental leaders that twice in a period of fewer than 25 years Europe was at war within itself, foreign policy spokesmen have advocated increased economic cooperation and the development of a political structure so carefully balanced that none of the component states would be tempted to attain supremacy. Cooperation and continued progress toward integration have been seen as enabling the states of Europe to develop a level of strength and to solve problems that no single nation could accomplish by itself.

Of the regional organizations in which Belgium is an active participant, the most significant are Benelux, the EC, and NATO—organizations whose aims coincide with the country's principal foreign policy objectives of economic cooperation and national security. All three organizations are headquartered in Brussels. Benelux evolved out of the realization by leaders of the participating countries that small states would not be able to compete economically with larger countries unless they were able to pool a portion of their economic resources, cooperate, and enter into international negotiations with a single voice. In 1958 the Benelux convention of 1944 was expanded into a formal treaty establishing an economic union that became effective in 1960. The treaty set forth several goals, including the free movement of persons; the abolition of work permits; liberalization of transport regulations; the free exchange of goods, capital, and services; the coordination of economic and social policies; and the pursuance of a common trade policy toward third countries.

From the 1960s onward the Benelux states made significant progress toward the achievement of these goals. Particular success was noted in the elimination of trade restrictions, the free movement of labor, and the coordination of economic policies permitting the three states to strike a common negotiating position in dealing with nonmembers. In 1983 the three member states continued to account for 7 percent of the world's total trade turnover, ranking it third after the United States and West Germany and ahead of Japan. Benelux also possesses the top port complex of the world in Amsterdam, Rotterdam, and Antwerp.

Although Benelux has not been able to meet all of its objec-

tives and has been overshadowed by the EC, it has enabled the three states to have an important impact on European and Atlantic affairs. Although many of the organization's problems remain unsolved, its effectiveness is evident in that Benelux has joint commercial treaties with more than 30 countries. There also is evidence that the three Benelux countries are increasingly coordinating their foreign policies.

In 1955 Belgium, the Netherlands, and Luxembourg proposed to other European states the initial steps toward a new level of economic cooperation. During the next two years Belgium was one of six governments—with France, Italy, Luxembourg, the Netherlands, and West Germany—that negotiated the Treaty of Rome, establishing the EEC. A second and related treaty concluded at the same time set up the European Atomic Energy Community (EURATOM). These treaties came into force in January 1958. In 1967 further steps were taken to strengthen regional bodies by setting up common institutions for the EC (see Appendix B). Through the mid-1980s Belgium consistently strove toward the evolution of a stronger and more integrated pattern of mutual cooperation among European states. In the early 1980s nearly 80 percent of Belgian trade was with the EC states.

When in the 1950s Belgium was faced with the problem of integrating its outmoded coal production industry into the European community network, it was assisted by the ECSC in the development of new industries and the retraining of workers in order to make possible the closing of inefficient mines without a severe economic dislocation. There was little question that Belgium viewed the community institutions as a step toward full economic and political union of present and future member states. From the outset of the negotiations for the EEC treaty, Belgium has consistently supported the expansion of the original six participants to include others. Particularly strong support from Benelux was given to the inclusion of Britain, a goal that was achieved in 1973, when Britain, Denmark, and Ireland were added to the EC. Significant among the reasons for Benelux support of the EC expansion was the desire to prevent one of the two major European economic powers—France and West Germany—from dominating the organization. The Benelux leaders probably looked to Britain as a means of balancing the two large continental powers. Such a counterbalance was believed to be important for continued stability in the EC and for enhancing the bargaining position of the Benelux states.

Despite its ardent advocacy of more supranational executive and legislative powers for the EC institutions, Belgium has tem-

pered its approach with prudence. Belgian historian Michel Dumoulin echoed the prevailing official sentiment in 1980:

Belgium has to be careful to intervene only when she has something constructive to offer because, as Pierre Harmel [a former prime minister and foreign minister] once said, 'with countries as small as ours, diplomacy is only effective when the ideas put forward are genuinely useful.' Were Belgium to overstep these limits, were she to be forever demanding something, she would destroy her reputation as a faithful artisan of integration.

Belgium gave consistently strong support to the NATO alliance, and one of its best known international statesmen, Paul Henri Spaak, served the organization as secretary general during the 1957–61 period. When France withdrew from NATO in 1967, Belgium provided new headquarters facilities for both the military and the civil wings of the organization in Brussels and near Mons.

For years Belgium also has held the view that NATO should broaden its scope to promote active cooperation on the nonmilitary front. As early as 1966, Harmel, then minister of foreign affairs, proposed a plan for increased political cooperation among NATO members, coupled with the opening of consultations between NATO and the communist Warsaw Treaty Organization on East-West détente and mutual and balanced force reductions. Since then Belgian political parties have had conflicting expressions on the question of missile deployment on Belgian territory, but the Martens V government continued to be a most dependable ally of NATO and the United States (see *Belgium and NATO*, ch. 5).

Bilateral Relations

In the early 1980s diplomatic relations were maintained with more than 140 countries, 124 of which had resident embassies or legations in Brussels. A number of the foreign ambassadors stationed in Brussels also were accredited to Luxembourg and/or the Netherlands. Generally, a large part of Belgian foreign relations was directed toward West European neighbors, the United States and Canada, and its former African colonies.

Belgian foreign relations have a substantial economic slant. West Germany, France, and the Netherlands are the three most important trading partners, both as suppliers and as customers. In 1981 Belgium and Luxembourg signed an agreement on educational, medical, and cultural cooperation and on the development of road and rail communications. The economies of Belgium

and Luxembourg are tied together through the Belgium-Luxembourg Economic Union (BLEU), and trade statistics are reported in combined form. In January 1984 the two countries agreed on a 10-year pact covering production, investment, and commercial cooperation between their steel industries (see Foreign Economic Relations, ch. 3).

Relations with the United States are very close and friendly because of a similar worldview, mutual respect, and a common dedication to European security and welfare. Belgium maintains strong political, economic, and cultural ties to the United States—multilaterally through NATO and bilaterally through a series of cultural, technical, and trade agreements. The United States continues to play a significant role in the Belgian economy; in 1982 its investments there accounted for 39 percent of all foreign investments. By comparison, the eight EC member countries had a combined total of 34 percent. During the 1959-82 period the United States share of the foreign investments was 44 percent, compared with 42 percent for EC countries, of which the top three investors were West Germany, the Netherlands, and France.

Relations with the United States, however, were not entirely free of discord in 1984. One source of misunderstanding was the sensitive issue of technology transfer to communist countries. This question arose in August-September 1984, when the United States reportedly opposed Belgian sales of highly sophisticated precision machine tools to the Soviet Union. The opposition was based on the view that the tools would be of strategic value because of their potential for speeding up the pace of Soviet missile production. In granting export licenses to a small Belgian firm, the Martens V government concluded that the sales were essentially in compliance with the regulations of the Coordinating Committee for Multilateral Exports Controls (Cocom), the Western group—of which Belgium is a member—that monitors trade with communist countries.

From the Belgian perspective, the issue had a broader policy implication. The Belgian government evidently desired more leeway—without outside pressure—in determining what was strategic. The sensitive question was again brought into sharp relief between May and October 1984—this time over the Libyan effort to secure Belgian assistance in the design and construction of nuclear plants. In urging the Belgian government to reject the proposal, some United States officials let it be known about their concern that Libya could learn to build nuclear weapons, although the transaction would not involve the transfer of militarily

useful technology. These officials were not unmindful of the fact that the lines between the technologies for peaceful civilian use of nuclear energy and militarily useful ones had become increasingly blurred. As the year drew to a close, indications were that Belgium would be willing to forgo nuclear contracts in Libya, should other EC countries do likewise in a joint action. From all indications Belgian perceptions of relations with the United States in 1984 were probably the same as they were in earlier years. In 1982 Minister of Foreign Affairs Tindemans stated that even "in the best of circumstances, there will remain a difference in sensitivity, reactions, and interests between the Europeans and the United States." He opined that this difference was compounded by what he called "our defense relationship," to wit:

The average citizen on both Continents tends to see [the NATO alliance] as a sort of protectorate; the United States as protector calls the tune and defines policies which have to be followed in essence, willy-nilly, by the Europeans. This wrong image brings difficulties on both sides: in America, a reluctance to underwrite a defense guarantee for the benefit of ungrateful proteges; and in Europe the sense of not being masters of their own fate, of being brought into disputes which are not entirely their own.

Tindemans maintained that to the Europeans (Belgians included), "military power is not and cannot be good in itself; it is only a somewhat repellent necessity." According to him, "while, for most Americans, problems have to be solved by direct action (and, if they are not, Washington is somehow deemed not to be entirely equal to its task), the Europeans tend to circumvent problems, to negotiate them away, or simply to try and outlive them." Both attitudes were said to be equally valid, depending on circumstances, and in any case they are bound to generate frictions between the two sides of the Atlantic.

Tindemans acknowledged that there were indeed "very few neutralists or unilateral disarmers in Europe" but that the terms "pacifism or neutralism" as applied to Europe were without merit. He argued that the real crux of the problem was "a general feeling of frustration and impotence due to the economic crisis," not to mention the renewed international tension in the early 1980s. In his words, "Most Europeans, in the face of such developments, are not quite sure that their interests are fully taken into account. And it is true, indeed, that in many cases our interests may differ, as well as our sensitivities and views."

Belgian relations with communist states were generally cordial in 1984. Belgium actively supported steps toward East-West

cooperation. During the early 1960s it began to pursue a policy of making contact with the communist states of Eastern Europe, and in 1966 Harmel proposed measures for an improved political climate between the two major military blocs, NATO and the Warsaw Pact. In 1968 Belgian contacts with the communist states were interrupted by the Soviet invasion of Czechoslovakia but resumed in 1970, when Belgium joined a number of communist and noncommunist countries in calling for an all-European conference on security, formally called the Conference on Security and Cooperation in Europe (CSCE). During the preparatory phase of the conference, which finally opened in 1973, Harmel was the EC unofficial spokesman.

The separation between politics and trade continued to be the pragmatic basis for relations with communist countries. Belgian trade with the Soviet Union has showed a steady expansion, but Belgium has remained alert to the fact that the Soviet Union was not only expansionist, as demonstrated in Afghanistan, but was also interventionist, as in the Polish crises. In the eyes of Belgian leaders the Soviet Union was eager to sow division in the NATO alliance and was intent on seizing every opportunity to fish in the troubled waters of the world. Moreover, the Soviet Union was seen as being unable to present itself as a model of development for emerging nations. Again, in Tindemans' assessment, "only the West can provide a realistic model for international cooperation, for an international order based on true sovereignty, on tolerance, diversity, and on a degree of real solidarity and mutual help." He is quick to acknowledge that "détente has earned a bad name due to our own weakness in reacting to Soviet rearmament and to their inroads in the Third World" but that a policy of military confrontation—"the ground on which the Soviet Union enjoys its best advantages"—was not a solution to the problem. In a speech delivered to an American audience in February 1982, Tindemans argued for a case of coexistence with the East:

This is not an excuse or being weak for behaving meekly in the face of Soviet abuses of international law and morality. It is only an invitation to adopt a sophisticated attitude, combining the defense efforts needed to strictly maintain our security, strong reactions against reprehensible Soviet actions, and a constant, public, well-advertised readiness to distinguish among Eastern bloc nations and to cooperate with them according to their policies and circumstances.

In the early 1980s Belgium renewed and refocused its policy toward Africa, which Belgium regarded as its "gateway" into the Third World. Africa was valued as a major producer of raw mater-

ials and as a promising market for consumer goods and technology. The new emphasis was on diversifying Belgian relations with the African states within the framework of a balanced policy embracing the entire continent; this represented a shift from its previous policy, which had been based essentially on its "special relationships" with its former colonies, Zaïre, Rwanda, and Burundi. As of 1981 about 49,000 Belgian nationals resided in Africa, nearly 20,000 of them in the three former Belgian colonies.

In the early 1960s, when the three colonies became independent, they absorbed nearly all of the bilateral aid from Belgium. Even in 1966 as much as 87 percent of total aid was channeled to the three—some 63 percent to Zaïre, 13 percent to Rwanda, and 12 percent to Burundi. In the 1967 budget, however, funds for the three countries decreased to 78 percent, which remained more or less unchanged during the next five years. The drop reflected a gradual effort by Belgium to lay the foundations for a program of cooperation in development with several other new African states.

In a study made public in 1973, a Belgian research center criticized the concentration of bilateral aid in the former colonies and called for a revision of the entire assistance program. The study also noted that the aid program for the former colonies supported Belgian investments and had too many strings attached. In response to these criticisms, the government acknowledged that it was necessary to alter the situation but that changes would have to take place cautiously so as not to harm the country's economic interests and to fit the needs of the recipient countries. In the late 1970s the equivalent of about US\$6 billion, a major portion of Belgian foreign investments, was in the rich copper mines of Zaïre. In 1978 Belgium joined France and the United States in sending troops into Zaïre, partly to protect its huge economic interests and partly to rescue its citizens who were threatened by invading Katangese rebels in Angola.

In the early 1980s Belgian interest in Africa remained strong. Nearly 71 percent of its total bilateral aid went to Africa, compared with 15 percent for Asia (east of the Suez Canal) and 5 percent for Latin America. Of that total, 48 percent was earmarked for the three former colonies—some 34 percent to Zaïre alone. According to a 1983 publication of the Belgian Ministry of Foreign Affairs, "Our 'African role' is also a consequence of the truly receptive audience Belgium encounters in Africa. . . . Belgium's colonial achievements are gaining wider appreciation among a large number of African countries, and have now become one of our most satisfactory 'calling cards.'" Much of the aid to African

countries was directed to technical and educational assistance programs, health care, transport, and communications. In this respect, Belgium in the early 1980s was among the top industrialized countries giving aid toward the development of the Third World. Its bilateral aid to the 31 least developed countries, 21 of which were in Africa, was 23 percent of the total bilateral aid given by all countries in 1981.

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Among the relatively few English-language works on Belgian politics and government deserving further reading are *The Politics of Belgium: Crisis and Compromise in a Plural Society* by John Fitzmaurice; Martin O. Heisler's "Institutionalizing Societal Cleavages in a Cooptive Polity: The Growing Importance of the Output Side in Belgium" in *Politics in Europe*, edited by the same author; Keith Hill's "Belgium: Political Change in a Segmented Society" in *Electoral Behavior: A Comparative Handbook*, edited by Richard Rose; the two articles on the Belgian civil service by Léo Moulin and Hugo Van Hassel in *The Mandarins of Western Europe: The Political Role of Top Civil Servants*, edited by Mattei Dogan; and R. E. M. Irving's "Christian Democracy in Belgium" in *The Christian Democratic Parties of Western Europe*, also edited by Irving.

Succinct insights into the complex dimensions of the Belgian polity are also provided by Martin O. Heisler's "Managing Ethnic Conflict in Belgium" in the *Annals of the American Academy of Political and Social Science*; and Maureen Covell's "Ethnic Conflict and Elite Bargaining: The Case of Belgium" in *West European Politics*. An authoritative interpretation of how the Belgian Constitution works is available in Robert Senelle's *The Belgian Constitution: Commentary*, in the Memo from Belgium series published in 1974 by the Ministry of Foreign Affairs, External Trade, and Cooperation in Development. The very complicated issue of the 1980 reform of the state is authoritatively explained by Senelle in *The Reform of the Belgian State*, volume 3, published in 1980; and Belgium's foreign policy is covered in *Belgian Foreign Policy Aims and Objectives*, a collection of speeches delivered by Minister of Foreign Affairs Leo Tindemans between January and June 1982. A handy reference to the various governmental and political institutions of Belgium is available in the

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form of *Memento politique*, 1983: *Martens V*, compiled by Clair Ysebaert. Readers also may benefit from the annual political yearbook called *Politiek Jaarboek/Année politique*, published by Res Publica in Brussels. (For further information and complete citations, see Bibliography.)