

Belgium: Concentration of political problems

More than 400 days after the federal government lost its majority, no new majority could be formed. Although the options are limited, the political parties are struggling to make concessions. Until when?



Caretaker government

On 9 December 2018, the federal government of Charles Michel (the current President of the European Council) lost its majority in parliament. The remaining members of the government formed a caretaker government, as it was impossible to find a new majority. The elections on 26 May 2019 did not really change this situation: the parties in the caretaker government lost seats, which further weakened it. However, the strengthening of the far left and far right parties and a very different vote in the two major linguistic groups of the country made it even more difficult to form a new majority. As a result, 240 days after the elections, the situation remains very confused. It will still take a long time to put a new federal government in place, and new elections are not ruled out. This is not without economic consequences.

What scenarios?

If we exclude extreme left- and right-wing parties, there are not many possible coalitions. Following the logic of the votes in the last elections, the federal coalition should be based on the N-

VA (Flemish Nationalists), the largest party in Flanders, and the PS (Socialists), the largest party in Wallonia. However, these two parties have very little in common and the PS has recently stated that it would be impossible to form a government with the N-VA. All hope is not lost, but it will be very difficult to reconcile the views of these two parties. If this fails, other coalitions are possible by dropping one of these two parties. But the coalition formed would then be very broad across the political spectrum and in any case there would not be a majority in either language group. This is constitutionally possible, but politically very difficult to accept as the views in the North and South of the country are so divergent.

It is precisely for this reason that some traditional parties are afraid to move in this direction. This is a bit like the situation in Spain, where the parties have found it difficult to agree to enter into an unprecedented coalition. As the constitution in Spain provides for new elections in the event of failure of the discussions for 5 months, two new elections were necessary before a government was formed. This is not the case in the Belgian constitution.

What are the alternatives?

If forming a new majority in parliament proves impossible, what are the alternatives? New elections would probably not help. According to the polls, they would further strengthen the extreme parties, which would complicate the political game even further. The traditional parties know this, so none of them really want to go down that road. They have even more to lose in a new election than they would in a broad coalition.

A minority government is another alternative. But it would inevitably be unstable and create a lot of tension between language groups. Economic policy would probably be paralysed in such a configuration.

There is therefore the possibility of a transitional government. This possibility has been raised by some parties. Such a government could, for example, be made up of non-political experts or could mirror regional governments. Paradoxically, such a solution would bring together the N-VA (in power in Flanders) and the Socialist Party (in power in Wallonia and Brussels). But such a government would have very limited powers, pending the formation of a new federal coalition.

What consequences?

So far, the political situation has not affected economic growth. It must be said that the lack of a budget in 2019 and for at least part of 2020 avoids any saving measures. However, the situation is increasingly problematic:

- According to the European Commission, the Belgian budget will have in 2020 the largest public deficit in terms of GDP of the eurozone countries after Italy. This also means that once a government is formed, it will have to take drastic measures to correct the budget trajectory, which is likely to affect economic growth more severely.
- The structural reforms of the Belgian economy are at a standstill, which will limit the potential growth of the economy in the medium term. The time lost in this respect will not be made up.
- The absence of a government, and therefore of any decision, is fuelling all kinds of demands: on climate change, on pensions, on justice, etc. This creates political tensions. In addition to the risk of groups getting out of control (as was the case in France with the 'Yellow Jackets' movement),

there is a risk of many disappointments, precisely because the next government will have to deal with its deficit problem.

In conclusion, the examples of Spain, Italy or even Germany show us that in the current period, where extreme parties are gaining power and the electorate is increasingly dispersed, forming a government is more difficult than in the past, and can therefore be a long-lasting process. In this context, the Belgian political situation is therefore not yet dramatic, especially since Belgium is used to long periods of negotiations (541 days in 2010-2011). Nevertheless, rarely has the situation appeared so tense between the political parties. This is probably due to the fact that the electorate votes in an increasingly divergent way in the North and South of the country.

At this stage, we consider that the scenario of new elections would be the most risky, as the outcome of these could prove even more complicated. But this is not our basic scenario either. A broad coalition might emerge from the current negotiations, even if this might take (a lot) more time.

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