

## Belgium: Political truce

The caretaker government is expected to gain parliamentary confidence today to manage the coronavirus crisis. This will speed up measures to help the economy but does not mean that the political crisis is over



Source: Shutterstock

### Lockdown

Following the measures taken in Italy, Spain and France, the Belgian authorities have decided to reinforce containment measures in Belgium. In concrete terms, since yesterday, all non-essential shops will have to close (they could still open during the week until now) and population movement will have to be reduced to a strict minimum. A similar economic impact could therefore be expected in countries that have already taken this measure.

### A real government...

At the same time, in order to manage the crisis in the best possible way, nine political parties (socialists, liberals, greens and parties of the centre) have agreed to give their support to the current government. As a reminder, it is composed of the Flemish and French speaking liberals and the Flemish Christian Democrats. Effectively this government, which is largely in a minority in parliament, will not change, but legally, it becomes a full government (and no longer a caretaker

government), thanks to a vote of confidence in parliament. This should take place today. A fully-fledged government, supported by a majority in parliament, will be better able to spend money to tackle the current crisis.

## ...with special powers

But the decision of the nine parties goes further. In order to face the crisis, a law will be passed this Thursday to give special powers to the government. These powers give the executive a much greater margin of manoeuvre because it can amend, supplement, repeal and replace laws in matters on which the signatory parties have agreed. The government will thus be able to take decisions without going through the classic legislative procedure.

So far, the federal government has made €1 billion available for business support. The regional governments are adding aid of a similar amount. But the special powers should enable the federal government to do much more.

It should also be noted that the country's major banks have agreed to grant credit facilities to businesses on a case-by-case basis. However, this will be dependent on government guarantees, which are still to be specified. This is an essential part of the strategy to prevent more bankruptcies.

## Political crisis temporarily muted

Despite this, we must not believe that the political crisis is over in Belgium. The special powers are being given to the government for six months and Prime Minister Sophie Wilmès (liberal) will have to ask for the confidence of parliament again in six months' time. It is hoped that by then, the peak of the epidemic will be over. The political crisis should then begin again, but with one important difference: the nine parties that are part of the current agreement will have learned to work together and may have the will to continue. However, with the long-term challenges that the country is facing, internal divisions could easily flare up again.

### Author

#### Philippe Ledent

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).