

## Belgium: Virtual negotiations, but a real government in sight...

The political situation in Belgium is evolving and should lead to the formation of a new government in early October



### A quick look at what happened until now

With the Covid-19 crisis, one would almost forget that following the federal elections of May 2019, no government agreement could be reached on a federal level. The former government, from which the N-VA nationalists withdrew in December 2018, therefore served as a caretaker government, despite very little support in Parliament (barely 38 out of 150 seats). Following the arrival of Covid-19 and the need to take swift action, all political families (with the exception of the Flemish nationalists of the NV-A and far left and far right) agreed to give confidence to the government led by Sophie Wilmès (Charles Michel, the former Prime Minister, having become president of the European Council).

This situation was unprecedented for three reasons: (i) outside the parties in government during the previous legislature, no other party giving confidence to the government was represented by one or more ministers. (ii) the parties granted special powers to the government, allowing it to make decisions more quickly, this for a limited period of time. (iii) the confidence given would be withdrawn at the end of the period of special powers, 17 September 2020. After this date, either a new government with a parliamentary majority can be put in place, or the lack of confidence in

Parliament leads to new elections.

## Difficult negotiations...

The parties have been searching in vain for a new majority during the last few months, in order to be ready on 17 September. Different forms of alliances have been negotiated, but each time without success. In recent weeks, however, it seems that there is light at the end of the tunnel. Four political families (liberals, socialists, Greens and Flemish Christian Democrats), with the potential to form a majority in parliament, seem to want to negotiate a government agreement.

## ... delayed by Covid-19

Unfortunately, the main moderator of the discussions, Egbert Lachaert, President of the Flemish Liberals, has tested positive on Covid-19. This slows down the current negotiations because of the quarantine observed by the other negotiators and the need to organize negotiations virtually. Therefore, the deadline of 17 September (this Thursday) was too close to achieve this new majority. Fortunately, a political agreement between the parties was reached to extend the negotiations (and thus the life of the Wilmès government) until 1 October. The political situation will therefore more clear in the coming days.

## What to expect?

In present times, one can never be sure of anything. That said, there is every reason to believe that Belgium will have a new government in October, supported by a stable majority in parliament. A particular weakness is that this government will not have a majority in Flanders, which will force the Flemish parties that participate in the federal government to walk on eggshells. Moreover, the government would bring together four political families, implying that the government agreement will have to allow each family to achieve a few key victories to satisfy its electorate.

As a result, as it is often the case when Belgium needs a wide range of parties to form a government, structural reforms to the economy are less likely because there will always be a party to veto them. Or, if a compromise can be reached to put in place certain reforms, the package could be less coherent. It will also be necessary to assess the extent to which a balance can be struck between the strong willingness to increase public services and health care resources and the need to put public finances back on a better footing. If the formation of a new government succeeds, its work will therefore be particularly difficult, in a context where the virus is likely to inflict additional damages to the economy.

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