

Political storm brewing in Belgium

A political crisis has developed in Belgium over its position on the UN migration pact. Will this crisis cause the government to fall? The answer is complex, especially as the next general election is scheduled for next May. We think the election campaign has already begun



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Will the Prime Minister go to Marrakech?

A UN pact on migration is in negotiations at the UN, and each country must present its position next Monday on 10 December in Marrakech, Morocco.

In September, Prime Minister Charles Michel pledged Belgium would support and sign the pact, and this didn't seem to be a problem for the different parties of the majority back then. But in the last few days, the Flemish nationalist party, who are also his coalition partners have become strongly opposed to signing the pact and believe the Prime Minister can't go to the conference as he doesn't have the support of his government.

After this afternoon's vote, we can't rule out that ministers from the NV-A party won't resign, but that is not our base case

But the Prime Minister has confirmed he will attend the meeting to defend the position of the Belgian Parliament, which will vote over a motion in favour of the pact this afternoon alongside an interpretative document clarifying the supremacy of the national legislation over the Pact itself - as other countries have also done.

Without the NV-A, the government won't have a majority to adopt the motion at parliament, but other parties, currently in the opposition, are ready to support the motion which means PM Michel could have a majority but not the one he currently has in government, hence the political crisis.

First deadline: 10 December in Marrakech

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Even if we don't get a unanimous vote, given the Marrakech meeting is informal, by attending the Prime Minister doesn't commit the Belgian government to the Pact. He can simply go there to defend the parliament's position, which at this stage seems the best compromise. The most likely scenario is that no minister resigns by Monday.

Second deadline: 19 December in New York

But the pact needs to be approved at the UN session in New York, and the Prime Minister cannot commit without the unanimous agreement of his government. If the N-VA categorically refuses to approve the pact, a few different scenarios arise:

- (i) An internal solution is found, and the pact can be approved while keeping the government in place. Although difficult, given the intransigence of the N-VA, we can't completely rule out this solution. The business community in Flanders has already warned of the negative impact if the government falls. Various reforms launched by the current government have yet to be implemented (changing the profile of unemployment benefits, pension reform, etc.). This could make the N-VA modify its position.
- (ii) If no solution is found, it is likely that the ministers of the NV-A resign. The government could stay in power, but then it will not have a majority in parliament. This situation is rather rare in Belgium but exists in other European countries. It would then be necessary for the government to find one or more alternative majorities to vote on bills. It won't be easy, and the minority government would be paralysed until the general election in May.
- (iii) It is also likely that the entire government resigns and remains in place as a caretaker government until the elections, which limits its ability to do very much.
- (iv) If, in addition to the resignation of the government, the parliament acts its dissolution or if the government falls on motion of mistrust, another majority at the parliament has to be proposed within three days. If not, elections are inevitable and will take place in the 40 next days. The scenario of a new majority seems unlikely and with the next general election taking place in May, it would not have the time to launch new projects.

Similarly, early elections are possible, but there is a low probability. The election campaign would be very short, and it would create a time gap between the federal and regional and European elections (which will be held in May). Also, the last session of parliament is devoted to deciding which articles of the Constitution can be revised by the legislature. However, in the case of

premature dissolution of parliament, no article of the constitution would be revised, which will probably not suit some political parties and in particular the N-VA.

Bottom line

At this point, we think the government will manage to stick around until 19 December. But after that, either the N-VA will find a solution, driven in particular by the need to complete the reform package launched so far and by the willingness to launch another State reform over the next legislature. If no solution is found, a minority government would set up, with little room for manoeuvre but early elections are still unlikely at this stage.

For now, we don't expect any major impact on economic growth, given that the next elections are scheduled for May 2019, it was unlikely that the government would embark on new initiatives.

Note: Given the constant evolution of the political positions of parties, this analysis is subject to updates.

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