

PRINCIPLES

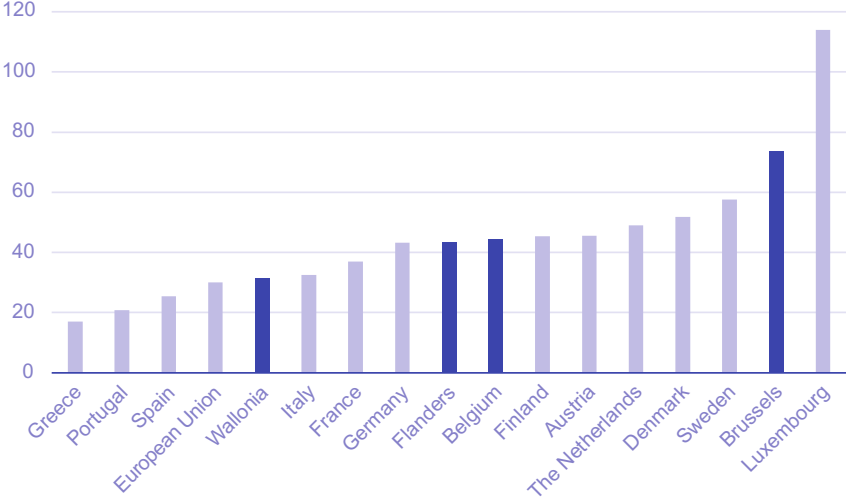
'NOTHING IS SO DIFFICULT TO PLAN, THE SUCCESS OF NOTHING IS SO UNCERTAIN AND NOTHING IS SO DANGEROUS TO ADVOCATE AS THE CREATION OF A NEW SYSTEM. THOSE WHO PROMOTE WILL FACE THOSE WHO BENEFIT FROM PRESERVING THE EXISTING INSTITUTIONS, AND WILL ENJOY ONLY LUKEWARM SUPPORT FROM THOSE WHO SHOULD WELCOME THE REFORM'

The above freely translated quote by Macchiavelli from 1513 is applicable to the attitude of French-speaking Belgium towards reforms of the Belgian state that presently benefits them both financially and politically, and of the Flemings who, not very supported by a lot of their political representatives and their upper crust, meekly accept that their democratic and economic interests are being compromised

As a result of the legitimate but confrontational differences between the major sub-regions in terms of culture, political preferences, wealth and the size of their respective state apparatus, the unitary state is not able to satisfy the desires and needs of each sub-region. Therefore, the unitary state was transformed into a federation with a plethora of ineffective compromises and limited transfers of powers to the regions. These reforms neither brought the major sub-regions closer together nor mitigated the aforementioned differences between them, quite the contrary. A number of charts and tables illustrate the divergent developments of Flanders and Wallonia and the distinct position of the Brussels Capital Region.

Figure 1

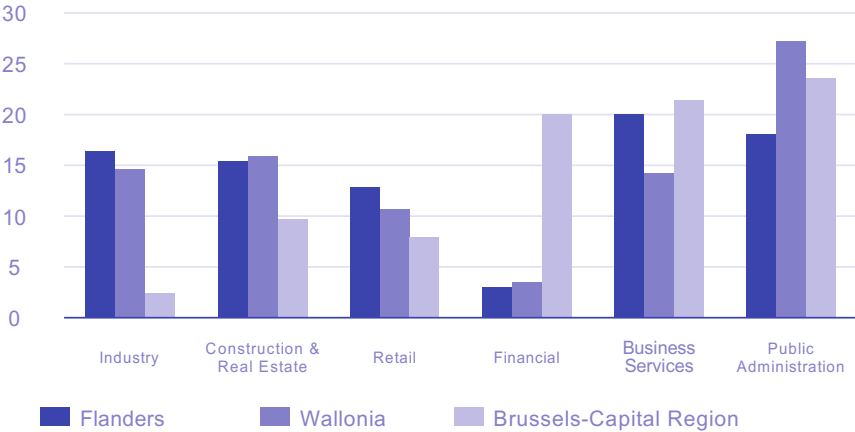
Nominal GDP/GRP per capita in 2021 ('000 euros) GDP= Gross Domestic Product (value of goods and services produced during 1 year in a country or a region)



GDP and GRP (gross regional product) per capita are a measure of the prosperity of a country or region. So there are notable differences in this respect between the sub-regions. The figure for Brussels is strongly positively influenced by commuting to the capital.

Figure 2

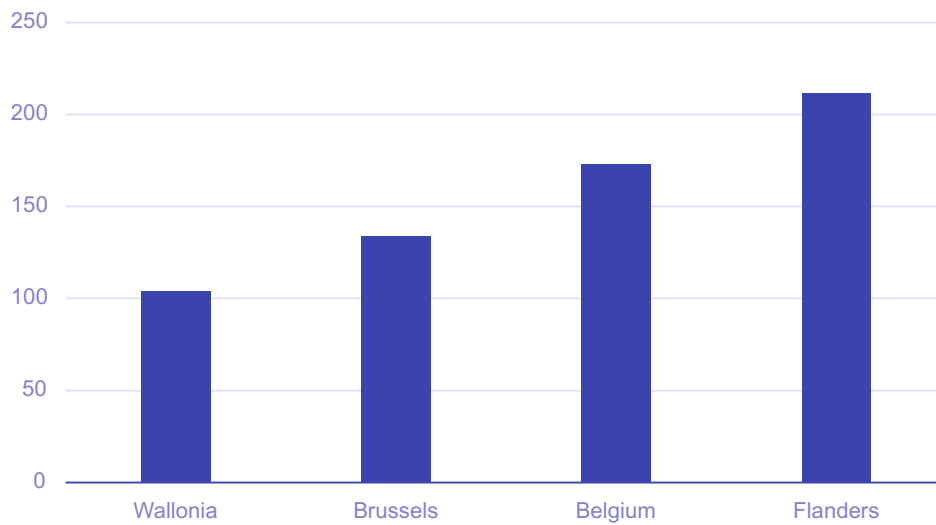
Differences in the composition of the regions' economies



Notable are the size of the financial and public sectors in Brussels and the size of government in Wallonia.

Figure 3

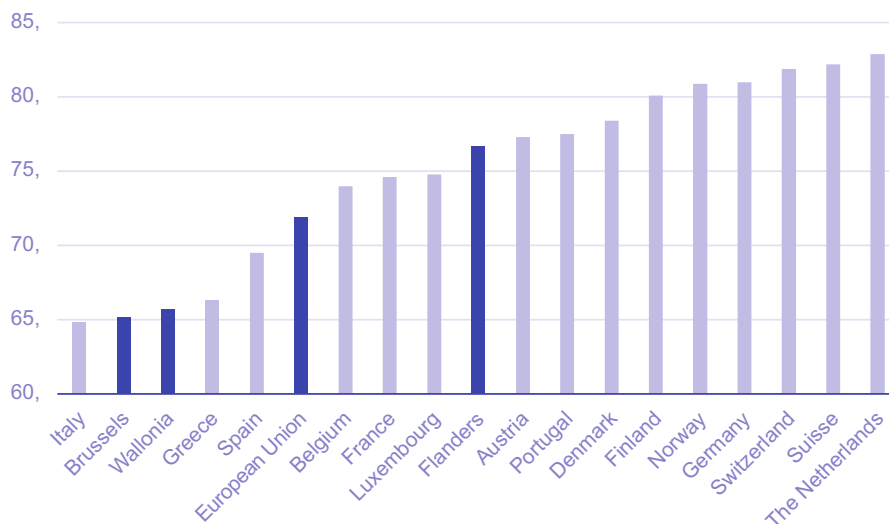
Openness to international trade



Graph shows the ratio of imports + exports to the size of the economy in Belgium and in the Regions. Flanders accounts for $\pm 80\%$ of Belgium's exports.

Figure 4

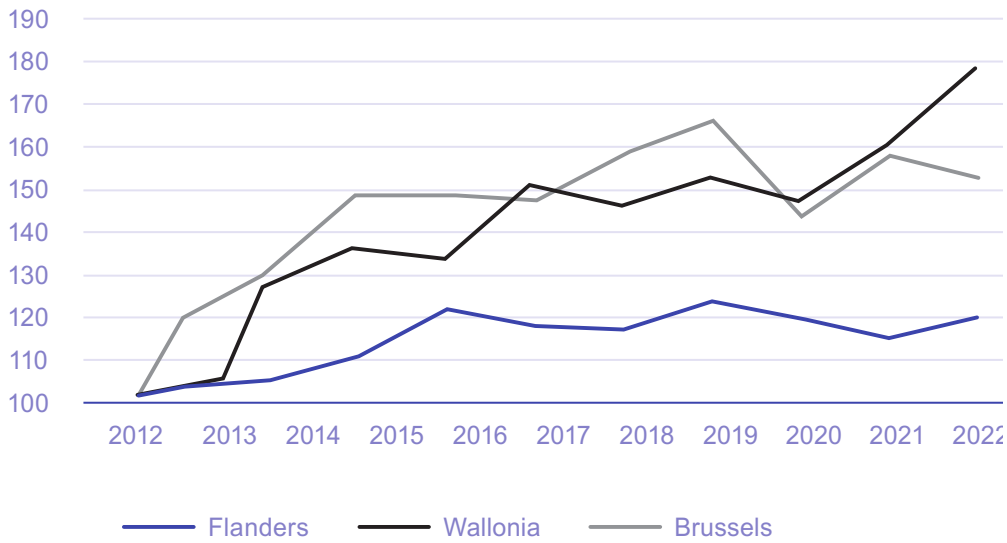
Employment rate



Indicates what percentage of the working-age population (between 20 -64 years) is employed. Wallonia and Brussels should do better in this respect. Flanders is not (yet) among the best regions in this respect.

Figure 5

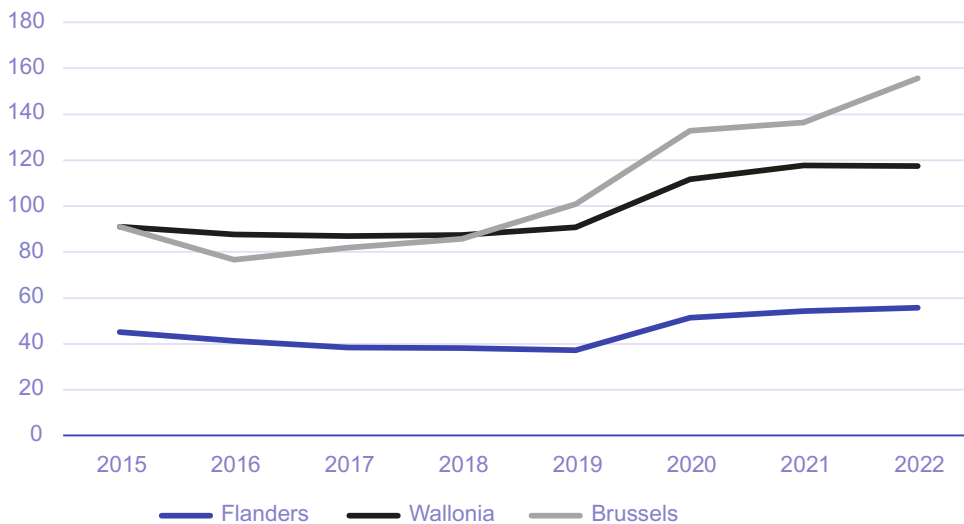
Disability



Incapacity for work has increased over the past 10 years in every Region, most in Wallonia in recent years.

Figure 6

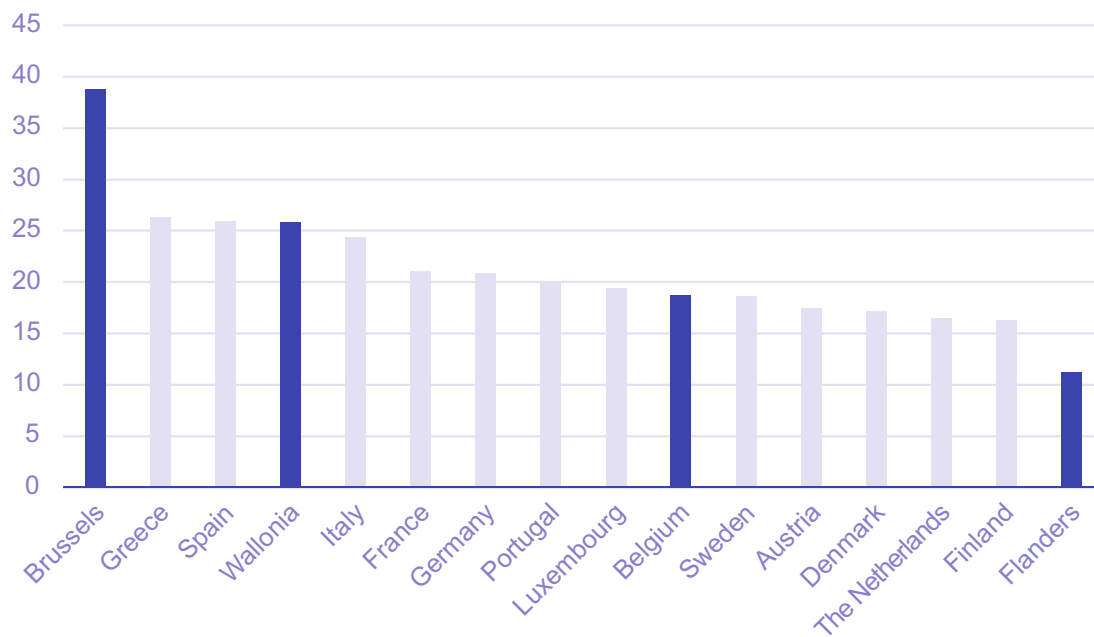
Evolution of the regions' debts (as a % of their income)



Fiscal discipline is not equal in every region. Brussels in particular performs weakly in this regard.

Figure 7

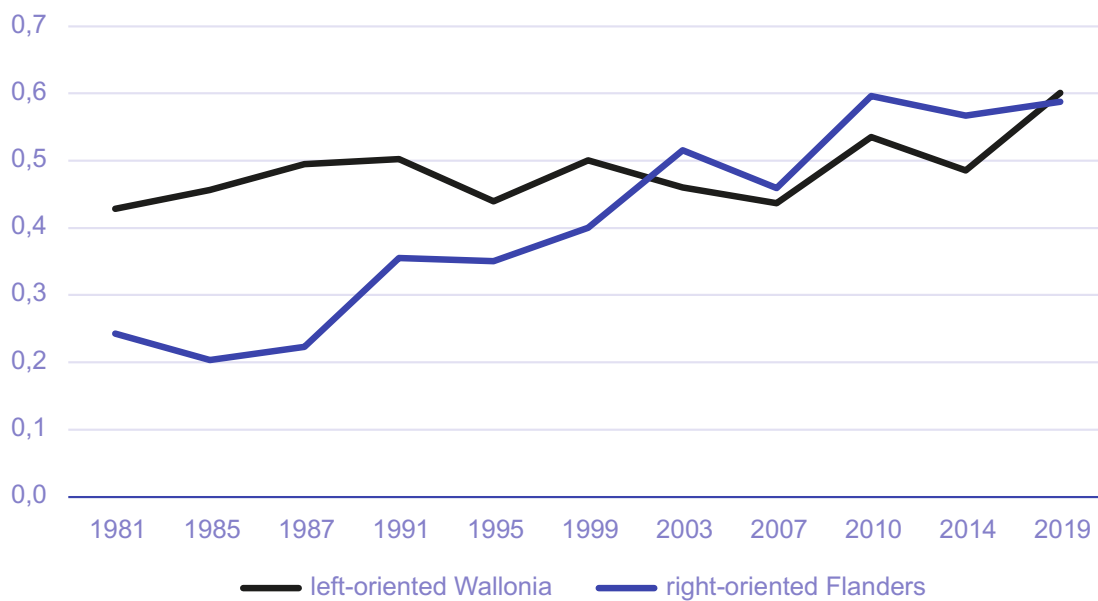
Risk of poverty



The risk of poverty is particularly high in Brussels and higher than in other European metropolises. Wallonia also does not do well in this respect.

Figure 8

Political divergence



Flanders is 'right-oriented' and Wallonia is 'left-oriented'. That difference in political preferences has been magnified in recent years by the increase in 'left' and 'right' votes in the respective regions. In order to provide the reader with some historical perspective, the following is a brief overview of the evolution in the relationship between the Belgian sub-regions since 1830.

Dutch or Flemish, the language of the Flemish population was not accepted as the official language of the new Belgian state. Only French, also the language of the Flemish upper class, was recognised as such. This meant that only French was used in higher education and justice. In 1898, the Equality Act was voted which stipulated that all laws had to be published in Dutch as well. It would take decades until higher education was Dutchified and Flanders was recognised as a unilingual region.

Meanwhile, Flanders remained a poor region while the Walloon part of the country boomed thanks to its coal and steel industry. That reverse financial transfers (from the South to the North) took place during the Interwar period is not correct. There was no Social Security System worth the name. The investments of big steel companies in Flanders were only to support their exports via the port of Antwerp.

World War II caused serious tensions between the two parts of the country as a result of collaboration. In Flanders, it also had a political dimension. Belgium remained the only country in Europe where no general amnesty was granted. This sometimes still reverberates.

After WWII, the industrialisation of Flanders began thanks to foreign investment, the development of an SME culture and the use of a large labour reserve. Wallonia remained shackled to its heavy industry partly because the steel holdings failed to diversify. That the heavy industry that was so important for Wallonia almost disappeared was a heavy blow. Where other European regions switched to the private service sector, Wallonia solved the employment problem by developing a large public administration. This was understandable at first, but this expensive public sector has been weighing down wealth creation in the south of Belgium for far too long.

The large public sector and low employment rate of only +/- 66% explains the difference between Walloon and Flemish gross regional product per capita (see Figure 1) and thus the difference in prosperity between the two sub-regions.

In 2024, there is no longer any question of blaming that backwardness on the coal and steel crisis of decades ago. Comparisons with other European regions that once suffered from the same bad situation and with its nearest neighbour GD Luxembourg and IMF studies, confirm the mismanagement.

Over the course of the 1960s, there were increasing signs that inter-regional relations were failing. Finally, in February 1970, Prime Minister Gaston Eyskens declared that "the unitary state with its structure and its mode of operation as currently still regulated by the laws has been superseded by the events".

A period of more than 40 years of painstakingly negotiated reforms followed. On balance, the result was negative: devolution of powers remained limited and incoherent, financial responsibilities vague and structures ineffective. For Flanders in particular, federal Belgium has huge shortcomings.

- A democratic deficit.

Belgium does not comply with the essential principles of a democracy: every man/woman one vote and the majority decides. The constitution can only be amended by a 'special 2/3 majority'. Although legitimate in principle, this means an obstacle for the Flemish 'ordinary majority' to steer its own course. All the more so since the Special Laws regulating the relations between the subdivisions, including the financial ones, provide that a simple majority in a 'language group' can prevent the adoption or amendment of those laws. As a result, specifically, 31 of the 62 French-speaking members of the Chamber of Representatives can prevent an amendment of a Special Law or attach financial conditions to their approval. The 88 Flemish MPs can obviously do the same but for a simple majority in parliament, such 'facility' is in principle not necessary. However, they do not have the 2/3 majority to prevent the 'veto' of their French-speaking colleagues. The same 'language affiliation' also affects the composition of the federal government where Dutch-speaking ministers can never form a majority. A Belgian democratic deficit that affects both Dutch-speakers and French-speakers are the separate elections in the constituent regions and thus the composition of the federal government out of 50% Flemish for which French-speakers have not been able to vote and vice versa.

- Large differences in welfare between the sub-regions which, especially in the context of Social Security (SZ), have brought financial transfers from Flanders to Wallonia for about 60 years. It is not only the size but the continuity of these transfers that raises questions because they apparently do not contribute to increasing Wallonia's self-sufficiency.

The transfers in the SZ are mainly caused by the employment rate in the respective sub-regions: the number of active people in Flanders versus the number of inactive people in Wallonia who are recipients of SZ benefits (see Figure 4 page 1). These are not transfers that come from 'rich Flemish people' but from 'active Flemish people' whose average wages barely exceed Walloon wages (See page 16 of 'Interregional transfers through the federal government and social security' *Economic Journal of the NBB*, September

2021).

The Walloon government has powers to boost that employment rate and formally did so for the first time in 1999 with a 'Marshall Plan'. The employment rate in Wallonia then was 60% versus 67.9% in Flanders or +/- 8 percentage points lower. Twenty-two years and five more plans later, the difference in employment rate was even larger, at 10 percentage points.

- Wallonia caused the totality of the federal public debt.

The differences in economic and social performance between the sub-regions caused imbalances, transfers and deficits to be financed. The figures available since 1970 to 2021 indicate that during that period the federal budget in and through Wallonia was in surplus for only 5 years and balanced or in deficit for the other 46 years. In Flanders, too, the federal government posted deficits for 11 years but balances and especially surpluses over the remaining 40 years that were more than enough to offset the deficits in the aforementioned 11 years. Brussels ended up with a small positive balance over the whole period. So it can be said that Wallonia caused the entire debt. For such giant sums? In fact, yes, because if the debts and the interest thereon are (re)paid with new loans, those amounts rise sharply, even if the Flemish surpluses could mitigate the interest costs. The loans Wallonia was able to take out within the Belgian context far exceeded the loans it could have taken out as an independent entity. The above comments refer to federal public debt, not to the regions' borrowings. There is no formal brake on those borrowings that, for example, takes into account Europe's requirements regarding the financial health of its members. As of the end of 2022, per capita debt in Flanders, Brussels and Wallonia stood at 4.825, 8.440 and 12.360 euros respectively. According to the European Commission, the debts of Brussels and Wallonia are not sustainable in the medium term without drastic savings and policy changes.

- Belgium does not 'work'.

The sound principles of economic federalism based on 'subsidiarity', i.e. entrusting powers to the level that is closest to the citizen and can exercise them most efficiently, were not respected. The regions are only wholly or largely competent for education and mobility. All other powers remain at the federal level or are scattered over that level and the regions. The rules of sound fiscal federalism are also disregarded. Execution powers must go hand in hand with responsibility for financing these exercises.

Only 24% of the regions' funding comes from their own tax revenues. Most are endowments from the federal government which, once determined, give the beneficiary less incentive to be frugal with its spending.

The policy structures with seven governments and nine parliaments are particularly heavy Belgium is among the countries with both the highest tax

burden and the highest debt and (thus) the highest public spending. Yet it apparently lacks the means to properly perform important tasks such as justice, law and order, infrastructure and defence, among others. Not to mention the quality of public services. Voka's 'value for money' index says that 15 of the 24 wealthiest European countries deliver better quality at a lower cost.

- 'Brussels' - The Brussels Capital Region.

It goes without saying that Brussels occupies a distinct place in Belgium. From a medium-sized Flemish city, it became the capital of Belgium, Flanders and Wallonia, a Belgian Region, the virtual capital of the EU and an international political center. At the same time, Brussels is also a (small) metropolis with all its problems.

Also given its numerous functions listed above, no fewer than six legislators are competent in Brussels ranging from the federal and regional legislators to the French Community Commission, which also has legislative powers. Because of mostly different political coalitions at the various levels, an overall policy is almost impossible. The financial management, debt ratio and social problems show the marks of this. Debts amount to +/- 160% of annual revenues and are expected to rise further. The Court of Audit has already refused to even assess, let alone approve, the budget of Brussels three years in a row.

The employment rate is only 66% and inactivity is especially high among immigrants. Education is weak and inadequate to meet the needs of the labour market. Partly as a result, Brussels residents make up less than half of all wage earners active in Brussels. The majority of them commute to Brussels daily from Flanders and Wallonia. In Brussels, the risk of poverty is many times higher than in other European capitals.

Brussels' governance structures should be urgently simplified with more powers for the city itself, the merger of the six police zones and the abolition of the Common Community Commission, which manages the -in principle- bilingual cultural institutions and hospitals but would better transfer its activities to the two communities in Brussels.

- Flanders and Brussels.

Needless to say, little remains of the medium-sized Flemish city in terms of the presence of Flemings and the use of Dutch. In the 2019 elections, 15.6% of eligible voters voted for Flemish electoral lists. The years of animosity between Flanders and Brussels partly because Flanders was opposed to the promotion of Brussels to a Region has now been mitigated: Brussels Flemish were given minimum representation in the Brussels parliament and have a presence in the Brussels government. Dutch is now one of the languages in Brussels alongside French, among others, which is getting competition from English as the general language for communication.

Flanders promotes its culture and especially its Dutch-speaking education in Brussels, which is firmly established with a 20% market share. The cooperation between Flanders and Brussels, surrounded by Flemish territory, could be promoted by having at least one of the two Flemish ministers in the Brussels government also be part of the Flemish government and, as in the past, a number of Brussels MPs as members of the Flemish parliament. Thanks to such increased consultation, the Flemish Community Commission managing the Flemish Community's activities in Brussels could be abolished and its administration added to the general Flemish administration also based in Brussels.

Conclusions

The Belgian project that started in 1830 failed: unitary Belgium did not last and federal Belgium is still barely governable. Francophone Belgium could not complete its unilingual project, its economic and cultural dominance crumbled and politically it lived beyond its means.

Flanders could maintain its language and culture and develop its prosperity, but it could not convert its majority into commensurate political influence. The two Communities differed definitively and ruthlessly. By integrating Belgium's duality into its legislative and executive powers, French-speaking Belgium was able to block deep reforms and perpetuate solidarity from Flanders but at the same time it prevented its own recovery.

The question arises as to whether this can still work out because the calls for 'cooperation' lead at best to superficial interventions that are far from the lines of force that should mark reforms: the elimination of the democratic deficit, the linking of the execution of powers to the responsibility for financing and outcome, the streamlining of structures and practices aimed at effectiveness and the creation of competitive communities, the only ones that can create the necessary social capital.

The Flemish classical parties usually act as partners of the francophone parties in order to maintain the Belgian status quo because of their Flemish-Belgian constituency, the lure of power, individual or collective political ambitions, conservatism, the reluctance to 'betray' the Belgian establishment, the mistaken belief that thorough reforms will involve the abolition of solidarity with their needy Walloon compatriots/people, etc.

The position of French-speaking political parties is much more unambiguous: they identify Belgium's survival with their need for solidarity from Flanders. They feel most secure behind the shackles of the Belgian Constitution and Special Laws.

This is obvious and understandable. Yet it raises questions. If Wallonia continues to need Flemish solidarity, should it really and inevitably be accompanied by the preservation of Belgium in its current form. Would not it show Walloon/Belgian statesmanship and boost the French Community by creating, in dialogue with Flanders and Brussels, a totally new relationship within other structures between the two Communities, where transparent solidarity would have a place? Is it not frustrating within Belgium to maintain a constant struggle to implement the socio-economic policy for which there is a majority in for instance Wallonia with Flemish interference and inhibition. And is it not a lack of trust in one's own population and its creative forces to take the step towards (more) independence?

THREE ALTERNATIVES FOR FEDERAL BELGIUM

1. THE RETURN TO THE UNITARY STATE.

Only in Wallonia there still seems to be some interest in this. Occasionally, it is suggested that certain powers should be returned to the federal level. Usually this would mean that the perceived problem would only be displaced.

After half a century of tinkering with a federal state, such a return would be as or even more revolutionary as other alternatives. Given what precedes regarding the increasing differences between the sub-regions, for Flanders, a return to a unitary Belgium could only be considered if that unitary state would meet the characteristics of a true democracy where the majority decides, barring a few exceptions. Because of the same differences and the fear of minorisation, such a Belgium will be unacceptable for French-speaking Belgium.

Two in themselves reasonable and understandable positions sealed the fate of a unitary Belgium and immediately confirmed the duality. To 'strengthen the democratic legitimacy and efficiency of the federation', a think tank called 'Rethinking Belgium' (Rebel) put forward a proposal to have a number of politicians (initially 15, later a bit more) elected over the whole of Belgium, in a 'federal constituency', in a ratio of 9 Flemish to 6 French-speakers (later changed or left in the middle). How that by definition dominant group of the heads of the various parties would suddenly bridge the fundamental differences between the subdivisions that they cannot do in the current political system already dominated by 'partieracy'(making agreements between parties outside parliament) is a big question mark. To conjure up a more democratic Belgium with an undemocratic oligarchy (power in the hands of a privileged few)? And what about those other ± 130 elected representatives of the people?

2. THE DIVISION OF BELGIUM INTO THREE INDEPENDENT STATES

An independent Flanders would be the crowning achievement of the emancipation and development of Flanders, which has developed into a community with all the characteristics of a nation (its own territory, language & culture, a historical basis in its past, political parties and institutions, specific public opinion through its own media and economic viability) and consequently a principled right to self-government as recognised by the UN, a right that is admittedly not enforceable before the International Court of Justice in The Hague.

We do not (anymore) find the same nation-building or striving for (more) autonomy in Wallonia. On the contrary a few years ago, Wallonia is even said to have suffered from 'fear of abandonment' as a result of the aspirations of part of the Flemish population for independence. That aspiration and the economic capacity to realise it too are an important part of the contrasts between the two sub-regions. Even if doubts and objections arise also in Flanders concerning the desirability of striving for independence. These come mainly from the left wing of the political spectrum, which would not agree with the probably 'right(er)' policy of an independent Flanders. Given that, according to the latest polls, the 'left-wing' Flemish parties would gather about 1/3 of the votes and that the rearrangement of the political landscape after the disappearance of the community aspect from the Flemish political debate could be advantageous for the 'left', the aforementioned fears seem rather unfounded. The current limited presence of the 'left' in the pursuit of independency that therefore seems to be only 'right' is regrettable.

In addition, sceptics like to ask whether Flanders will do it better. Better governance than federal Belgium is then meant. It will at least be more democratic because explicitly focused on the preferences and needs of Flanders. Any shortcomings - which, incidentally and obviously, are already present - can in no way outweigh the right and importance of self-determination.

The EU is not inclined to facilitate the division of a member. Each country, result of partition, would have to reapply for membership. That will more than likely not pose a problem for Flanders in terms of its financial profile. It is less certain for Wallonia, even in maintaining Flemish solidarity.

This Manifesto supports the right to self-government of Flemish democracy.

However, Flanders will have to obtain the consent of a large majority of its population, established by referendum. The timing and the uncertainty about the outcome of the referendum, together with the urgent nature of the reforms, also prompted us to explore another way, that of a complete regionalisation.

3. FAR-REACHING REGIONALISATION

The premise: if the federal level cannot govern democratically nor effectively and efficiently with one policy, transfer its powers to the regions, even all powers except management of the federal debt and international memberships including of the EU and NATO.

Moreover, for this division of powers between the federal level and the regions, there is the specific article 35 of the Constitution which states that 'the federal government has jurisdiction only over those matters that the Constitution and the laws, enacted pursuant to the Constitution itself, expressly confer upon it. The Communities and Regions are each competent for all other matters.'

So that list 'suffices' for the subregions to list the powers exercised by the federal government and all others immediately belong to their own jurisdiction.

This reform would erode the Belgian democratic deficit and bring governance much closer to the people of the respective regions. Parliamentary elections would now only take place at the regional level and the regions would send some of their elected representatives to the federal parliament. The federal government would reflect the regional governments. So done with the laborious formation of a federal government with or without a lack of a majority in one of the regions.

Brussels would be given the same powers as the other Regions for the same reasons: subsidiarity, accountability and transparency. So that, in the end, it appears that a city with so many assets can perform better in socio-economic and financial terms following the example of the other European capitals. In Brussels, the French and Flemish Communities would retain their current powers in the fields of education, culture, healthcare and preferably extend them to general healthcare.

It is important to maintain confidence in Belgian and regional creditworthiness. The funds needed to pay the interest will be provided by the regions in proportion to their share of the Belgian population, rounded 58%, 32% and 10% for Flanders, Wallonia and Brussels respectively. So 'de facto' the debt will be 'distributed'

between the regions in this way. The debt will not be repaid but refinanced. A practice all too familiar to today's Belgium. In time, the debt-to-GDP ratio will fall due to GDP growth.

The regions' outstanding loans will be guaranteed for a period to be determined by the federal government on the basis of a joint and several guarantee to the federal level on behalf of the regions that will thus indirectly guarantee each other. The new debts that the regions would incur will also benefit from such guarantee provided they fit within the budgetary norms imposed by the EU.

The regions will also organise their own Social Security. For Flanders and also for Brussels with its young population, this would not be a problem. It would be for Wallonia, however. During a 3-year transition period, the current solidarity could be maintained in its entirety and then replaced by an amount that would gradually decrease over a long period.

A good approximation of regional finances under thorough regionalism shows that the primary balance (difference between government revenue and expenditure) would be equal to - 0.43% of its BRP for Flanders, -2.25% for Brussels and -13.3% for Wallonia.

After regional and federal interest charges and solidarity from Flanders and Brussels to Wallonia, the balances of Flanders and Brussels would be around -4% and in Wallonia would reach -9.5% of BRP.

Comprehensive regionalism and 'confederalism' (albeit not quite meeting its usual definition) are both a compromise between the federal concept with most powers at the federal level and the devolution of those powers to the regions. They thus inevitably have much in common.

Currently, only one political party, the N-VA, is pushing that confederalism. Once it was quiet different. In 1947, PS MPs, inspired by the first 'National Walloon Congress' of 1945, tabled a bill 'for the self-government of Wallonia within Belgium' that demanded the 'application of the right of self-determination of peoples' in order to transform Belgium into a 'Confederation of regional states, Flanders, Wallonia and with a federal city of Brussels' by 'granting the same autonomy to Flanders'. The proposal would be the 'only means to save Belgium by bringing the two peoples closer together again'. The initiative was partly motivated by 'the presence in the Flemish electorate-which is strongest in number-of an influential conservative group' that could inhibit the rapid progress desired by the Walloon electorate.

The fear of solidarity transfers from the then prosperous Wallonia to the still poor Flanders was not at all foreign to that initiative. In the nearer past, 'confederalism' was put forward in Guy Verhofstadt's 'Citizens' Manifestos' and the 2002 party

congress, among others, and then abandoned again by OpenVLD. Even today, CD&V leaders still support confederalism. Prominent PS members also spoke out in favour of confederalism even if it was 'to avoid separatism'. It would be impossible to trace the (political) reasons why 'confederalism' was embraced one time and opposed the next.