

Belgian Politics in 2004

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In the first few months of 2004 Verhofstadt's coalition government of socialists and liberals hoped to focus on a socio-economic recovery, public security, sustainable development and the quality of life. At the three 'topical cabinet meetings' that were scheduled to this purpose, these issues were eclipsed, however, by the divisions among the coalition partners, but also within the liberal VLD over enfranchising immigrants. The European and regional elections of June 13th resulted in a federal government reshuffle. In autumn, the political agenda was dominated by the expansion plans of messenger service DHL in Zaventem airport, the 2005 budget, and the enduring issue of the Brussels-Halle-Vilvoorde constituency.

I. The Special Gembloux Cabinet Meeting

In a column, the Budget Minister Johan Vande Lanotte and Frank Vandembroucke, Minister for Employment and Pensions, set the tone, calling for "decisive choices for the future" in four domains: to create budgetary surpluses, to contain health care expenditure and to attune it to the ageing of the population, to reform the labour market, and to safeguard inflation-proof pensions. As a first step in the government's long term economic policy, the Gembloux cabinet meeting on January 16th and 17th focused on the expansion of DHL, the monitoring of the unemployed, the self-employed, and a number of other measures that had mostly been part of the coalition agreement. The meeting was nicknamed "Objective 200.000", referring to the government's goal of creating 200.000 additional jobs.

A. The Expansion of DHL

For some time the messenger service DHL, a subsidiary of Deutsche Post, had favoured Zaventem airport to replace a number of regional subhubs by a single European hub. Doing so would require an increase in the annual number of night flights up to 34.000 – a hotly contested issue since 2001.¹ This number was restricted to 25.000 per year. The investment would create 1.300 additional jobs by 2012 and up to 8.700 after that. In addition, indirect employment would amount to 1.400 new jobs by 2012 and possibly up to 13.600 after that. Chièvres military airport was offered as a possible alternative. After outright rejecting Bierset and Ostend, DHL warned that it might also consider foreign airports, in particular Leipzig, in case Zaventem refused to allow additional night flights.

While Flemish Prime Minister Bart Somers intimated that “in Flanders, there was no support for a substantial increase in the number of night flights”, the federal government started negotiations with DHL – in consultation with the Flemish and Walloon prime ministers nevertheless. An agreement seemed likely when the issue was reframed in terms of noise reduction. While the number of flights might increase, noise pollution could be contained by the use of newer planes, the geographical dispersion of flights, and the relocation of nocturnal charter flights to regional airports. In Gembloux, the government assured DHL Zaventem would be the venue for its expansion. But a full agreement was put off until September. A possible increase of the number of night flights resulted in open discord within the Flemish government. Yet, polls indicated that after the June elections the most vigorous opponents of such an increase, the Green party, might no longer be a part of the coalition. More support for a DHL expansion in Zaventem came in the form of a motion adopted by the Flemish Parliament on January 21st. Earlier Somers had committed the Flemish government to negotiate the preservation of DHL’s presence in Zaventem. He did not want to preclude an increase of the number of night flights. As a result, the issue was dropped from the political agenda, only to return to the forefront in September.

B. Monitoring the unemployed’s availability

In the 2003 coalition agreement, the socialists had obtained that unemployment benefits would not be restricted in time. In addition, the agreement called for the abolition of the two-weekly roll call and the suspension of benefits for cohabiting unemployed – in particular for women – due to abnormally long unemployment. In return, controls on the unemployed’s willingness to work would be intensified. In preparation for the Gembloux cabinet meeting, Minister Vandembroucke proposed to summon persons who have been unemployed for more than 18 months.

1. S. DEPAUW, M. DEWEERDT, *Belgian Politics in 2003*, *Res Publica*, 2004, 2-3, pp. 264-265, 280-281.

The precise moment would be made dependent upon the unemployment rate in the region. After two negative assessments, benefits could be reduced and a period of four months offered to make amends. After that, benefits could be withheld altogether.

At the cabinet meeting the proposal was adopted, but only after elder unemployed were excluded from the measures. The issue had provoked tense discussions between ministers Vandenbroucke (SP.A) and Onkelinx (PS). The trade unions deemed the proposal unacceptable and claimed the government was "hunting down the unemployed". Following consultation of the unions and the regional governments, Vandenbroucke agreed to adjust his plans.

The emphasis shifted from the monitoring of the unemployed to counselling them. As a result, local unemployment rates were no longer taken into account. In addition, the counselling would target the younger unemployed first. Only at a later stage would the elder unemployed be subjected to the same measures: persons in their thirties from July 2005, persons in their forties from 2006. Concerning persons over fifty, the decision was postponed until 2007. On March 12th, the federal and regional governments concluded a cooperation agreement to facilitate the exchange of data concerning unemployment and to improve 'counsel' of the unemployed.

By the end of 2004, 8.997 younger unemployed persons had been summoned. Nearly 500 saw their benefits suspended for at least four weeks. The obligatory roll call wasn't abolished until December 2005.

C. The Social Statute for the Self-Employed

In anticipation of the conclusions of the Round Table Conference that had started on November 6th 2003, the cabinet agreed on a number of measures to improve the social statute of the self-employed. From July 1st 2005, disablement insurance for the self-employed would be brought into line with insurance for employees. From July 1st 2006, supplementary pensions would be based upon 1% contributions made by the self-employed during their career. In addition, small health risks would be covered by the self-employed's compulsory health insurance plan. Minimal pension would be gradually increased by € 120 per month over a four year period.

While the organisations for the self-employed welcomed the cabinet's plans, they expressed their concern over the costs that could amount to € 424 million by 2007. The Round Table Conference also failed to clarify what part the self-employed would have to contribute. Only after difficult negotiations, an agreement was found on April 20th. It became law on July 9th 2004. The measures agreed to in Gembloux were introduced gradually. The increase of minimal pensions was entirely government funded, by means of an increase of corporate contributions by the largest firms (i.e. with a balance sheet value of over € 520.000), of sums taken from income guarantees for the elderly, and of surpluses in social insurance for the self-employed. A first increase of minimal pensions was scheduled for

September 1st. Further increases would take place on December 1st 2005, 2006 and 2007. Other issues were delegated to three working groups on supplementary pensions, on minor health risks, and on corporate contributions. The agreement also completed the activities of the Round Table Conference.

D. Other Measures

In a bid to lure major corporations, the procedure to obtain a permit to establish a business was shortened and an appeal was made possible. In addition, Prime Minister Verhofstadt offered to reconsider 393 applications that had been rejected between 2000 and 2002. But employers' organisation Unizo opposed the Ikea Bill, named after the Swedish furniture giant, and in particular the decision to make municipalities hand out permits. The National Socio-Economic Committee would only treat applications for outlets exceeding 1.000 m² in surface. Appeals are dealt with by an Inter-Ministerial Committee for Distribution in which the federal and regional governments are represented. In addition, advance tax payments for shift and night work were reduced by 1%.

By 2007 a 'work premium' would integrate existing reductions in employees' contributions and tax credits for low-income households into a reduction of social contributions for employees earning less than € 1.956 per month.

Energy-intensive businesses were promised degressive maximum charges on transmission networks in case they agreed to a covenant on energy-efficiency. The € 27 million reduction would be paid for by increasing levies on coal power plants and on the transit of electricity from abroad. By the end of 2004 the measure still awaited implementation.

The 2002 tax reductions reserved for scientific research were expanded to include 70 new institutions, as well as private sector researchers who cooperate with universities and other eligible institutions.

A government white paper '*Respecting social solidarity*' offered new measures to combat social fraud. These aimed to simplify legal rules, to improve their communication, to reform social criminal law, and to reinforce inspection.

II. Suffrage for Immigrants

After suffrage for immigrants had been adopted by the Senate on December 11th 2003, the bill's scheduling in the Chamber propelled the issue back to the top of the political agenda in the spring of 2004. At the time of the coalition negotiations, the Flemish liberals VLD had agreed to let Parliament settle the issue, even if they opposed the principle. But more and more voices within the party asked for a more firm position.

In January, the Antwerp youth section of the party successfully petitioned a party conference on the matter. Three resolutions were submitted: one to reaffirm the party's opposition to the bill, another to reject further participation in government if the bill were to be adopted, and a third to denounce the VLD negotiators for including suffrage for immigrants in the coalition agreement. The conference would be held on February 7th. Pressure was further increased by the creation of a Committee against Suffrage for Immigrants, including Vlaams Blok heavyweights Vanhecke and Dewinter, as well as CD&V member of the Flemish Parliament Johan Weyts and former VLD MEP Ward Beysen. The Committee claimed to have received the support of up to 30 VLD local councillors.

Indications that VLD would renege on the coalition agreement, made the coalition partners increasingly nervous. A CD&V attempt to invoke a conflict of interests failed to meet the $\frac{3}{4}$ majority required in the Flemish Parliament – in spite of VLD support. That would have suspended the procedure for 60 days.

1.800 VLD party members participated in the conference on suffrage for immigrants. Both sides appeared equal in number. In the end, Willy De Clercq's emotional appeal to reject a 'motion of censure' aimed at the party leadership that would plunge the party into a deep crisis, stemmed the tide. Amidst loud applause 83% rejected the critical motion.

Yet, party president De Gucht belied the expectation that the VLD would quickly put the matter behind itself. De Gucht promised to table an amendment excluding immigrants from suffrage, whose naturalisation application had been rejected, in particular persons involved in drugs or human trafficking, and members of fundamentalist organisations. After consultations, the coalition partners rejected the initiative and warned against its tabling. By circular letter, local authorities would be given the opportunity to investigate whether registered voters were not denied suffrage as a result of a criminal conviction. Opposition parties claimed the circular letter would be an empty gesture. In spite of this, De Gucht did table the amendment, which was rejected by the Chamber Committee of the Interior late on February 11th. In retaliation, Verhofstadt took over the "political direction of the party", thereby effectively sidestepping VLD party president De Gucht. Only three days later, De Gucht agreed to be replaced by Dirk Sterckx until the June 13th regional elections.

On February 20th, the Chamber adopted suffrage for immigrants. The franco-phone parties – except for Front National – voted in favour, while the Flemish parties – except for SP.A-Spirit and three CD&V members – opposed the bill. As a result, immigrants from non-EU countries can register as a voter for local elections, if they have been residing in Belgium for five years. Enclosed with the application is a declaration to abide by the constitution, the laws of the Belgian people, and the Convention for the Protection of Human Rights and Fundamental Freedoms.

III. The Special Raversijde Cabinet Meeting

To display the government's vigour, in spite of the crisis over the enfranchisement of immigrants, two exceptional cabinet meetings were scheduled: one on March 20th-21st in Raversijde (Ostend) on the quality of life and sustainable development, another on March 30th-31st in Brussels on justice and public security. The day before the first meeting 20.000 union members demonstrated in Ostend, demanding "more jobs and social security".

By 2007, pensions for the eldest, as well as disability and occupational disease benefits would be increased by 2%. At the same time, maximum wage levels for entitlement to these benefits would be similarly raised by 2%. From 2006 increases in benefits would be addressed bi-annually and in step with wage negotiations. In the same time frame, subsistence benefits would be increased by 4%. Additional expenses were estimated at € 287.5 million per year.

To ease parental leave restrictions, € 14.1 million was earmarked for 2005 and 2006. After that the sum would be increased to € 26.5 million. Management and the unions failed to come to an agreement, however, on the premium, the duration or raising the child's age limit. Postnatal maternity leave was prolonged by a week at the expense of prenatal leave. Longer leaves were made possible in case of multiple births or if the child is hospitalised for more than seven days. Adoption leave was extended to four weeks or six in case the child is younger than three years old.

In implementation of the Kyoto Protocol, carbon dioxide emissions ought to be reduced by at least 5.8 million tons. Existing agreements with the regional governments fell considerably short. The largest reduction was expected from the construction of a wind park off the North Sea coast. Further measures envisaged the conversion of coal power plants in Mol and Monceau-sur-Sambre to biomass and the substitution of the fleet of government cars by more environment-friendly models. In addition, private employees could benefit from free shuttle services by train, based on bilateral agreements of private corporations and Belgian Rail (NMBS-SNCB). Employers would cover 80% of the season tickets. The federal government agreed to make up for the difference up to 2007. Further reductions in emissions were expected from increased tax deductions of 15% (or € 3.280 max) upon the purchase of a car emitting less than 105 grams per kilometre or 3% (or € 615 max) when emissions ranged from 105 grams to 115 grams per kilometre. Similar deductions would be granted to energy-conserving investments in houses up to 40% (or € 600 max in case of renovations and € 500 in case of new houses). On November 19th Belesco plc (Belgian Energy Service Company) was founded to fund energy-saving investments in public buildings. Savings on energy costs would have to recover the investment expenses.

Separate tax deductions on mortgage loans would be substituted by a tax-free lump sum of € 1.870 that is increased during the first ten years and in the case of families of three children or more. Only loans contracted after January 1st 2005 qualify. In addition, tax deductions on child care were extended from children up

to three years to children up to twelve years. The measure would first take effect on taxes payable for 2006.

The reserves of the Ageing Fund were increased to € 13 billion, thus exceeding the prospected amount. Additional funds worth € 3 billion were transferred from the take-over by regional housing departments of debts incurred by the federal amortisation fund for housing project loans (Alesh) and the intended sale of BIAC shares, the proprietor of Zaventem airport.

By March 30th it became clear that the cabinet had also agreed to raise excise duties on diesel to € 35 per 1.000 litres. Minister for the Economy Fientje Moerman was forced to admit as much on question time.

IV. The Special Cabinet Meeting on Justice and Public Security

On March 30th-31st the cabinet met in Brussels to adopt the white paper on Integrated Security, as well as the 2004-2007 National Security Plan. Priority was given to combat illegal immigration, human trafficking, terrorism, drugs, waste fraud, financial and economic felonies, arms deals, and neighbourhood crime. Police and judicial forces combating terrorism would be reinforced by 60 new members and additional legislation allowing special investigation procedures, including wire tapping, was promised.

By 2007 an extra 3.232 police officers would be made available, i.e. 700 more than called for by the coalition agreement. A federal intervention corps of 700 would be established to assist local forces. In addition, the security corps that escorts transfers of prisoners was reinforced by 100. The duties of deputy officers in the field of traffic control would be extended and local officers would be less encumbered with administrative tasks. Last, an agreement with the unions was hoped to reduce absenteeism and to pave the way for more flexible night and weekend shifts.

Minister of the Interior Patrick Dewael was charged with the reduction of judicial backlog, in particular in immigration cases that represent 80% of common complaints. In July a white paper called for a separate department within the Council of State to deal with immigration cases. The department would require a special, shortened procedure and appeals for a stay of execution would no longer be possible. By December 2004 legislation was still being prepared. In addition, the Phenix project to computerise judicial services was revitalised.

To suppress overpopulation in prisons, a revision of penal regulations concerning the execution of sentences was deemed necessary. Only sentences of three years or more would require actual incarceration. Police sentences of seven days or less were abolished; sentences up to six months would be substituted by fines or community service, depending on the convict's income. Convicts serving sentences up to three years would be monitored by means of electronic devices. A new

psychiatric ward accommodating up to 400 convicts would be established in Antwerp and the existing ward in Paifve (Liège) would be enlarged.

On December 10th six courts of sentence execution were established, as agreed to in the 1998 Octopus agreement. They would deal with electronic monitoring and release on parole. The bill that would require repeated offenders, convicted for murder or manslaughter, to serve a minimum of three quarters of their sentence rather than two thirds before they qualify for parole, wasn't completed by the end of 2004.

Another white paper addressed child protection legislation. A special facility would be established for felonies. Juvenile courts would be enabled to transfer delinquents to correctional courts more easily. However, the Flemish government called for further consultation, opposing a number of measures including the transfer of juvenile delinquents to correctional courts, or training for delinquents' parents. It demanded more reparation-focused measures and more clarity concerning the costs involved for the communities.

V. The June 13th European and Regional Election and the Cabinet Reshuffle

A. Electoral Law

In 2003 federal electoral law governing elections to the federal Parliament was amended to incorporate provincial districts and a 5% threshold. Ever since, VLD and SP.A had endeavoured to extend these rules to the regional elections. PS and MR were rather less convinced. The government agreed to reduce the minimum age to vote to 18 years and to introduce a 5% threshold. The issue of provincial districts was left to the Flemish Parliament. On January 14th, the Flemish Parliament duly adopted the provincial districts.

In the federal Parliament, the government needed the support of CDH, since CD&V had come out against the electoral law. CDH demanded that, in return, the German Electoral College and separate district for the European elections would be reinstated. The government had proposed to compel every francophone party list to field at least one German-speaking candidate, as well as make sure that one such candidate would be elected. The Council of State had rejected the proposal, however, and furthermore under these circumstances CDH, the strongest party in the German community, would no longer be certain of the seat. In response to the enlargement of the European Union, a redistribution of seats in the European Parliament over the different electoral colleges was necessary. The number of seats would be allocated on the basis of population. This meant that Flemish parties were entitled to 14 and the francophone parties to 9 of the 24 Belgian seats. One seat was reserved for the German Community. For the elections to the Walloon Parliament, the old, smaller districts would continue to be used,

although a 5% threshold was introduced for the distribution of the remaining seats. In the Brussels Capital Parliament, the electoral threshold was established within each language group. In addition, a separate list of successors was reintroduced to replace resigning members of the regional parliaments, after it had been abandoned in 2002.

On May 26th the Court of Arbitration ruled against a demand by two smaller parties, Front Nouveau de Belgique and Belgische Unie/Union Belge, to suspend the electoral threshold for the elections to the Brussels Capital Parliament. Such a threshold was not deemed in violation of the constitutional principle of equality.

B. The Division of the Brussels-Halle-Vilvoorde District

In the build-up to the 2003 federal elections 28 of the 35 mayors in the district had demanded the division of the Brussels-Halle-Vilvoorde constituency, as well as the judicial district of Brussels. The division aimed to observe the unilingual character of territories that was enshrined in the Constitution by separating the Flemish municipalities from the bilingual Brussels' area. As a result francophone voters living on Flemish soil wouldn't be able to vote for francophone political parties. The mayors had found support in the Court of Arbitration ruling that by 2007 a provincial electoral district should be established in Flemish-Brabant, as in the other provinces. They threatened not to make the practical arrangements necessary for the European elections, if Brussels-Halle-Vilvoorde wasn't divided by April 1st, the final date for the compilation of the voter registers. Flemish Minister of the Interior Van Grembergen refused to contemplate sanctions. In fact, he asked municipalities across Flanders to support the mayors' demand.

When this ultimatum expired, 28 mayors compiled provisional voter registers, "on the condition" that the district would be divided. Thereupon an FDF alderman instituted legal proceedings. Attempts at reconciliation centred on a firm commitment by the presidents of the Flemish political parties to divide the district "without delay", though not before the June 13th elections. This solution was first suggested by federal Minister of the Interior Dewael and appeared acceptable to the mayors involved. On May 6th VLD and SP.A committed themselves to the division of Brussels-Halle-Vilvoorde in the course of the Forum, a series of consultations with the French Community to be held after the elections. CD&V president Leterme retorted that he was willing to vote the division any day.

In the meantime the Flemish Parliament had adopted a resolution supporting the mayors' action, with only a single no-vote. The federal Chamber Committee of the Interior, however, refused to schedule a bill that would divide the district, time after time.

On May 13th the party presidents of VLD, SP.A and Spirit consulted with a delegation of the Brussels-Halle-Vilvoorde mayors. In a Joint Statement, the Flemish Prime Minister Somers and three mayors agreed to award the division of Brussels-Halle-Vilvoorde priority on the federal political agenda. If an agreement could not be found – "at no price to Flanders" – the Flemish parties would use

their numerical superiority in the federal Parliament to pass a bill to that effect. As two mayors rejected the joint statement, the first crack appeared in the mayors' united front. On May 25th five CD&V mayors refused to send out polling cards, allowing the provincial governor to do so instead. Only after summer recess the issue would reappear on the political agenda.

C. The June 13th Elections

In the course of the campaign, the continuation of the liberal-socialist governments became the main issue. In the polls, CD&V continually overtook VLD as the largest party in Flanders, in particular after the party announced to go to the country in cartel with regionalist N-VA. In response, VLD formed a cartel with libertarian Vivant. SP.A, in cartel with Spirit, was hard pressed to repeat its 2003 success and was repeatedly overtaken by far-right Vlaams Blok in the polls.

As early as 2003, Verhofstadt had expressed his preference to form a liberal-socialist coalition in Flanders as well. In Wallonia too, PS and MR were expected to continue governing in coalition, if possible without Ecolo. In a remarkable interview, MR president Michel warned against a return of CD&V in office. CD&V president Leterme denied any intention to force entry into federal office, but later declared that participation in the federal government would be "the logical result of victory in the regional elections". SP.A president Stevaert, for his part, threatened to withdraw his party from the federal government, if the party would be excluded from office on the Flemish level. Asymmetric coalitions on the federal and regional levels, he repeated, were untenable. Prime Minister Verhofstadt entered only late in the campaign, while he was long considered to succeed Romani Prodi as president of the European Commission. He emphasised the paralysis of divided government and denounced CD&V's willingness to risk the country's record of consociationalism for a "big bang in community issues".

As a side-note in the campaign, there was concern that in many cases, in particular with regard to the European Parliament, the candidate people voted for would not be the one representing them in the end. Stevaert's promise to wipe clean the slate of federal ministers the day after the elections further fuelled the concern that reshuffles would bring many a substitute-candidate to Parliament.²

On Election Day, CD&V and N-VA procured a small win of 0.3% compared to the parties' combined results in 2003. Obtaining 26.1% of the vote, CD&V-N-VA became the largest cartel. Vlaams Blok, on the other hand, claimed to have become the largest single party, increasing its vote share by 6.3% up to 24.2%. The incumbent parties VLD-Vivant and SP.A-Spirit did rather less well. The liberals obtained a disappointing 19.8% (down 5.6%) and the social-democrats 19.7% (down

2. Whenever a member of parliament resigns, he is replaced by a substitute-candidate of his party elected in the same district. To this purpose, substitute-candidates feature on a separate list. Because, in general, they obtain less preferential votes, the rank-order on the ballot is most often decisive.

3.9%). Unlike a year earlier, Groen! cleared the electoral threshold confidently, polling 7.6%.

For the first time Flemish voters in Brussels appointed six members of the Flemish Parliament. Up to 2004, that position was reserved for the six members of the Brussels Capital Parliament, who were the first to be elected among the Flemish community. Vlaams Blok obtained three of these seats, SP.A-Spirit, VLD-Vivant, and CD&V-N-VA one each. In the Brussels Capital Parliament, the Flemish parties' bid to deny Vlaams Blok more seats by forming an alliance, failed to deliver. On the other hand, Vlaams Blok lost some ground and was unable to stalemate the institution.

In Wallonia, the PS slightly reinforced its lead by 0.5%, up to 36.9%. Even in Brussels, the social-democrats unseated the MR to become the largest party in the capital. Over all, the MR lost 4.1% to poll 24.3% of the vote. The smaller parties increased their share: CDH obtained 17.6%, Ecolo 8.5%, and FN 8.1%.

A similar pattern emerged from the European elections. The additional Flemish seat was won by Vlaams Blok, increasing its share of the vote by 8.1% to become the second largest party well behind CD&V-N-VA. VLD-Vivant and SP.A-Spirit lost some ground, but no seats. In Wallonia, PS won one seat, increasing its share of the vote by an astounding 10.3%. Ecolo, on the other hand, lost 12.9% and two of the three seats, it had so remarkably won in 1999. MR, CDH, and FN slightly improved their 1999 result.

D. The Regional Governments' Formation and the Federal Reshuffle

The day after the elections, consultations started to form government coalitions in all regions. In Flanders, Vlaams Blok claimed the initiative as the largest single party. Yet, no party was willing to breach the isolation of the far-right party. After Groen! declined government participation, the only viable option was a five party coalition: CD&V-N-VA, VLD, and SP.A-Spirit. In the French Community and Walloon Region, PS president Di Rupo consulted MR, CDH, and Ecolo. Soon after, negotiations commenced with CDH. Thus, Di Rupo claimed to respect the voters' decision, as PS and CDH were the victors of the June 13th elections. In Brussels, Picqué (PS) entered negotiations with both CDH and Ecolo. The MR's expulsion from the regional governments boded ill for the stability of the federal government. Nevertheless, some comfort was found when Prime Minister Verhofstadt withdrew his candidacy for the European Commission Presidency on June 19th. In particular, the United Kingdom and Italy precluded a consensus to emerge on Verhofstadt's bid. Final agreements were found on July 9th and 11th. A week later, Jean-Claude Van Cauwenberghe (PS) was inaugurated as Prime Minister of the Walloon Region, Marie Arena (PS) as Prime Minister of the French Community, and Charles Picqué (PS) as Prime Minister of the Brussels Capital Region. The latter led a PS, CDH, Ecolo, VLD, SP.A-Spirit, and CD&V coalition.

In the German Community, socialists (SP), liberals (PFF), and the Party of German-speaking Belgians (PDB) reached a coalition agreement on July 2nd. Karl-Heinz Lambert (SP) took the oath as Prime Minister on July 6th.

Although the coalition negotiations weren't completed in the Flemish Community, a federal cabinet reshuffle ensued. Louis Michel (MR) became member of the European Commission and was replaced by Karel De Gucht (VLD) as Minister for Foreign Affairs. Christian Dupont (PS) succeeded Marie Arena as Minister for the Civil Service, Social Integration, Urban Policy and Equal Opportunities. In anticipation of a Flemish government, Vandenbroucke, Anciaux, Moerman, and Van Brempt resigned. Freya Van den Bossche (SP.A) took over as Minister for Employment. Bruno Tobback (SP.A) received her portfolio of the Environment, combining it with Pensions. Renaat Landuyt (SP.A) became Minister of Transport. Els Van Weert (Spirit) took over Sustainable Development from Van den Bossche and Social Economy from Anciaux. Marc Verwilghen (VLD) succeeded Moerman as Minister for the Economy, Energy, Foreign Trade and Science Policy. Armand De Decker (MR) replaced Verwilghen as Minister for Development Cooperation, and was in turn replaced by Anne-Marie Lizin (PS) as Speaker of the Senate.

Didier Donfut (PS) was appointed State Secretary for European Affairs. And Gisèle Mandaila Malamba (FDF) replaced Simonis as State Secretary for the Family and Disabled Issues, after Simonis was assigned Speaker of the French Community Parliament.

On July 20th, CD&V, N-VA, VLD, and SP.A-Spirit agreed on a coalition agreement. Yves Leterme was inaugurated two days after as Prime Minister of the Flemish government.

VI. DHL

In response to the June 13th elections and his failed bid for the European Commission Presidency, Prime Minister Verhofstadt moved up a "radical" State of the Union. That might pierce the federal government's image of paralysis and reaffirm his personal position, in particular vis-à-vis the regional governments. As it turned out, divisions within the coalition regarding the Brussels-Halle-Vilvoorde district and DHL precluded an early State of the Union. In addition, the Planning Bureau failed to complete its economic prognosis for the federal budget before October 1st. Verhofstadt wouldn't be able to set forth his cabinet's policies in the Chamber before October 12th, the initial date.

Soon after June 13th, it dawned that the elections had failed to simplify the issue of messenger service DHL's expansion in Zaventem airport. Even though Groen! had left the Flemish government, the asymmetry of government coalitions soon proved an even more formidable obstacle. While the Flemish parties were willing to consider even additional night flights to allow DHL to expand, the Brussels

Capital Region firmly rejected such a possibility. Unions and employers' organisations warned that DHL's departure could jeopardise the entire region's credibility as a logistic centre.

On September 18th the federal, Flemish, and Brussels governments discussed four scenarios. One scenario would see a main hub in Zaventem airport, increasing the number of night flights up to 30.000 and employment by 1.400 jobs. A second scenario would reduce Zaventem to a subhub for the Benelux, decreasing the number of night flights to 13.000 at the cost of 1.500 to 1.800 jobs. The remaining scenarios focused on Zaventem as a main hub. They proposed to disperse the flights either over Brussels (15%), the eastern (51%) and northern rim (34%), or predominantly over the northern rim. DHL demanded a decision by September 21st.

A last-minute compromise, proposed by the federal government, allowed for 28.000 commercial night flights. The replacement by DHL of all A300 aircrafts between 2008 and 2010 and all MD-11 long distance aircrafts by 2015 would still make a reduction of noise pollution per year from 84.000 to 73.000 Quota Count possible. From 2010 a larger number of flights would take a route over the capital, though over Molenbeek rather than over the city centre.

Over 20 hours of negotiations and mediations could not prevent that the meeting ended in crisis. In the Chamber Commerce Committee, a militant Prime Minister Verhofstadt reaffirmed the federal government's 'realist growth scenario' and regretted that the regional governments had not yet come round to this compromise. Verhofstadt's performance dispelled somewhat the impression of a lost cause. Yet, the federal and regional governments continued to incriminate one another.

On September 21st, as Verhofstadt was driven home after a nocturnal cabinet meeting, his car overturned. The Prime Minister suffered several bruised ribs. The accident ironically allowed tempers to cool down. A counteroffer by the Flemish government demanded an earlier replacement of the noisiest aircrafts and the dispersal of flights over Brussels before 2010. Within the Brussels Capital government, CDH and Ecolo continued to oppose any increase in the number of night flights. SP.A president Stevaert at one point threatened to reconsider Flanders' financial solidarity vis-à-vis the capital, in case the "upstarts" would continue their opposition.

On September 27th negotiations resumed. A new proposal further reduced the number of night flights to 25.000. Because nocturnal charter flights would be relocated and humanitarian, governmental, and flights using 'silent' aircrafts would no longer be counted, the total number of DHL flights would be unaffected. DHL would renew its aircrafts as early as possible and houses close to the airport would be better insulated. Soon after, it became clear that DHL reneged on its earlier commitment to reduce the number of flights using the MD-11 aircrafts to four. A 'tis-'tisn't argument ensued, whereupon Minister Vande Lanotte disclosed e-mails and documents demonstrating DHL's earlier commitment. BIAC's flight schedule for DHL appeared to confirm four MD-11 flights per day. Yet, DHL claimed the schedule mentioned four planes, making several runs each night. A

final request to limit the number of MD-11 flights to four per night and to replace the noisiest aircrafts by 2014 was turned down. Rumour had it that DHL was asked to hold on to its answer until after the confidence vote in the Chamber. In the preceding debate, Verhofstadt admitted that DHL had been a test for our nation's institutions and that as a result of asymmetrical coalitions that test had not been satisfactory. He further reproached the CD&V opposition's irresponsibility, "putting hundreds of jobs at risk". DHL's final answer, however – when it was made public on October 18th – pointed out that all intercontinental night flights would be performed by means of MD-11s and that replacement of these aircrafts was inviable before 2018. And on October 20th, DHL decided that a main hub in Zaventem was no longer an option. Political reactions expressed disappointment, but also found DHL's renegeing on the MD-11 commitment reprehensible. On November 9th, Deutsche Post announced DHL would relocate to Leipzig. Zaventem would be reduced to a regional subhub, at the cost of 1.700 jobs.

VII. The Budgetary and Fiscal Policy

A. Budgetary Results for 2003 and the 2004 Budget

In 2003 the government realised a surplus of € 834.4 million, i.e. 0.4% of GDP. Only the social security sector presented a € 1.316 billion deficit, for the first time since 1996. This was offset by the surpluses realised by the federal government worth € 1.041 billion, the communal and regional governments worth € 407.4 million, and the local governments worth € 702.1 million. Public debt decreased to 100.7% of GDP, amounting to € 256.9 billion.

This surplus was merely the result of acquiring the Belgacom pension fund. In exchange, the company's permanent employees would receive a state pension after Belgacom floated on the stock market. Initially the government had hoped to distribute the revenues over two years, but Eurostat prevented this.

A larger growth rate than expected allowed Minister Vande Lanotte to boast that mere cosmetics were sufficient to keep the 2004 budget on track. On the other hand, the surplus in social security for 2004 proved € 110 million rather than € 320 million. Moreover, in her annual report the Research Committee on Ageing increased its estimate of the cost that the rise in the ageing population would entail. By 2030 social insurance expenses would amount to 26.7% of GDP. In its predictions for 2004 the Federal Planning Bureau announced a 0.3% deficit, while Minister Vande Lanotte claimed that a small surplus was still within grasp. Despite disappointing revenues as a result of the once-only relieving tax declaration (VII.C), Vande Lanotte maintained that no additional measures were necessary. Nevertheless, the advance payable by the pharmaceutical industry for exceeding the 2004 drugs budget was increased by € 51 million to 4.5%. On October 28th the sale of Belgacom shares earned € 539 million. The profit was earmarked for

the Ageing Fund. Similarly, BIAC shares worth € 352.4 million were sold off to Macquarie Airports, a subsidiary of the Australian holding Macquarie. (XII)

B. The 2005 Budget and the Federal Policy Declaration

The 2005 budget estimated the revenues at € 44.92 billion, expenditure at € 46.63 billion. The federal deficit was offset by a surplus realised by the regional and local governments. Public debt decreased to 93.3% of GDP. To obtain a balanced budget, cutbacks worth € 650 million were carried out in all ministerial departments, except for the Justice and Home departments, and a number of measures were postponed: e.g. the increased tax deductibility of restaurant expenses or the advance tax payment exemption for scientific research. In addition, additional revenues were sought: by selling off government property worth € 450 million, by increasing eco-taxation on non-returnable beverage wrappings worth € 139 million, as well as excises on tobacco worth € 155 million. In addition, a domestic fuel oil fund was established to compensate lower income families for price increases. To collect overdue taxes an appeal was made to institutional investors. In 2005 a pilot project worth € 300 million took off. Another contentious measure was to substitute an amount withheld on the holiday allowances of regional civil servants by a personal social insurance contribution. In the end, the proposal had to be dealt with separately as the Flemish Parliament invoked a conflict of interest. Flanders stood to lose € 64 million annually as a result of the measure.

In the federal policy declaration on October 12th Prime Minister Verhofstadt emphasised that for the sixth consecutive time the budget was balanced, while neighbouring countries continued to face deficit spending. Employment remained the government's main concern. To this end, seven ways were presented: the mobilisation of elder people for the labour market (see XI), the improvement of that labour market, the limitation of labour costs, the encouragement of innovation and entrepreneurship, the expansion of infrastructure and logistics, the modernisation of public services, and the creation of a sound financial climate.

On October 19th, Minister Frank Vandenbroucke heavily criticised the federal government in an open letter. He firmly blamed failing communication among the federal and regional governments for the lack of progress in fiscal and employment policy. More cooperation in a three-party spirit seemed the only way forward. While commentators labelled the open letter as a censure motion, acting CD&V-president Jo Vandeurzen declined "to help the federal government out".

Most of these measures were compiled in the December 24th Omnibus Bill. The bill also included a number of regulations decided by the special cabinet meetings of Gembloux and Raversijde. More controversial were a number of measures that were unrelated to the budget: e.g. the extension of adoption regulations to couples having signed a partnership contract, the introduction of the Elia levy (see XIV), the possibility to buy and sell carbon dioxide emission rights, and the partial abolition of the obligation to announce shareholder meetings in both a national and local newspaper.

C. The Once-Only Relieving Tax Declaration

On January 16th, the once-only relieving tax declaration, i.e. a fiscal regularisation of money received under the counter, took effect. Qualified for regularisation were funds on a foreign account and unregistered securities in Belgium or abroad held before June 1st 2003, for which no or insufficient taxes had been paid. A fine of 9% would exempt the owner of further prosecution. For funds reinvested within 30 days for at least three years the rate was reduced to 6%. A deposition of an additional 6% was required in that case. The European Commission obtained that reinvestment of funds was not restricted to EU countries, but also applied to member states of the European Economic Area, e.g. Liechtenstein, Norway or Iceland. From 2005, fraud was punishable by a fine of at least 100%, if the perpetrator had failed to use the once-only relieving tax declaration.

In May, the Walloon and Brussels Capital regions extended the regulations to inheritance taxes and registration fees, a regional competence. In the Flemish government, Groen! opposed a similar measure. After the elections, that opposition was taken up by CD&V, who had vehemently campaigned against the measure from the federal opposition.

On June 28th, CD&V succeeded in having article 3 struck off the royal decree by the Council of State. Article 3 imposed the 6% deposition and was re-introduced by means of a bill later on. On December 15th, CD&V MP Hendrik Bogaert caused further commotion by claiming that the Council of State had annulled the entire royal decree, thus effectively crippling the tax declaration. The Council of State corrected this interpretation on the following day. Yet, unremitting legal insecurity resulted in disappointing first yields. By July, revenues amounted to merely € 17.53 million. By February 2005, the final deadline, 18.543 declarations had been deposited worth € 496.2 million in revenues. € 75 million was earmarked for the regions, the remainder for the Ageing Fund. The once-only relieving tax declaration would not be prolonged.

VIII. Home Policy

A. Institutional Regulations

The Constitution – On June 10th, an oversight was corrected: in case regional elections did not coincide with federal elections, community senators would remain on the job until their replacements were appointed.

In addition, regional assemblies were granted the designation of ‘parliament’, although that was commonly used even beforehand. Henceforth they are called Flemish Parliament, Walloon Parliament, Parliament of the French Community, Brussels Regional Parliament, and Parliament of the German Community.

Register of Interests – By April 1st 2005 (B.S. June 30th 2004) ministers, members of parliament, provincial governors, members of provincial executives, mayors, aldermen, chairmen of social service councils, and members of the board of inter-municipal companies would be required to register all elected mandates and outside jobs, as well as a sealed declaration of property. Later the regulations were extended to leading civil servants.

B. The Reform of the State

After lengthy negotiations, the Walloon Region agreed on January 21st to transfer the exercise of supplementary competences to the German Community. These competences included the supervision and funding of municipalities, subsidised public works, cemeteries, and disposal of the dead. The Walloon Region, however, was unwilling to hand over agriculture, environmental planning, and social housing.

On October 19th, the Forum for Institutional Reforms was installed. It would address the reform of bicameralism, constitutive autonomy for the Brussels Region, and a new procedure to reform the Constitution. In the Forum, the federal, regional, and community governments were represented, chaired by vice prime ministers Vande Lanotte and Reynders. The Forum, however, wasn't convened in 2004.

C. Communal Problems

Brussels-Halle-Vilvoorde – The Flemish government formation talks brought the division of Brussels-Halle-Vilvoorde back to the fore, after the issue had featured prominently in the regional elections campaign. On July 15th, the intention to table a bill “without delay” that would effectively divide the constituency and the judicial district of Brussels was included in the policy agreement of the Flemish government. In particular N-VA had pressed the issue relentlessly. SP.A and VLD warned that any solution would require the francophone parties' consent.

Because the ‘alarm bell procedure’, i.e. a safeguard that both communities are offered in case of conflict, would pass the issue on to the federal government, Prime Minister Verhofstadt discretely searched for a solution. Four concessions were rumoured to be offered to the francophone parties: ironclad guarantees to maintain the facilities that the French-speaking population of a number of Flemish municipalities enjoy, the ratification of the Council of Europe's Framework Convention for the Protection of National Minorities, the toning down of the Peeters circular letter, and constitutive autonomy for the Brussels Capital Region. Another possible concession, the relaxation of bilingual requirements for civil servants in Brussels, was instantly refuted by Brussels Minister Guy Vanhengel (VLD). The francophone parties jointly rejected the Flemish proposal, but did not preclude further negotiations. The mayors from the (Flemish) Halle-Vilvoorde region, on the other hand, firmly excluded any concession to be made.

While the federal policy agreement deftly steered clear of the issue, a preliminary draft of a solution was being hammered out by the federal government. It appeared to include the possibility for the French-speaking population of six municipalities in the Brussels' rim to vote in the bilingual district of Brussels. The inhabitants of Voeren have long enjoyed a similar privilege to vote in Aubel (Liège). The bill was tabled on October 11th. The francophone parties countered by tabling one bill that would do away with the provincial districts, thus removing the need to divide Brussels-Halle-Vilvoorde, and another bill that would establish a larger bilingual provincial district of Brabant.

The issue was also referred to the newly installed Inter-Ministerial Conference for Institutional Reforms. The Conference consisted of 17 federal, regional, and community ministers. It was felt that to address the issue in the Consultation Committee, that routinely deals with conflicts of interest, risked making the outcome dependent on a whole series of other communal issues. On December 16th, the Chamber Committee postponed the reading of the bills to allow the Inter-Ministerial Conference more time.

Peeters Circular Letter – In four rulings on December 23rd the Council of State rejected the appeal to annul the Peeters and Martens circular letters. The 1997 Peeters circular letter forced the French-speaking population of six Flemish municipalities to request repeatedly and explicitly to be addressed in the French language by local authorities. The 1988 Martens circular letter ordained the same regarding the social services. The Council of State deemed that without a repeated and explicit request these municipalities would effectively become bilingual. The francophone parties were appalled at the ruling and threatened to put the enlargement of the bilingual Brussels region on the agenda.

Transfers – A study by the Flemish civil service estimated the annual financial transfers from Flanders to the Walloon and Brussels regions at € 6.6 billion in 2003. Flemish Prime Minister Leterme asked for an assessment by Dutch- and French-speaking experts before addressing the issue on the Forum for Institutional Reforms.

Linguistic Courtesy Agreement – On May 27th, the Council of State annulled a circular letter that offered the Brussels municipalities the opportunity to hire unilingual civil servants temporarily. After the formation of the Brussels regional government, a new circular letter reinstated this opportunity, if bilingual applicants did not step forward and if the provision of services in both languages was guaranteed. Against the letter, an appeal was immediately brought.

D. The Reform of the Civil Service

After the Council of State ruled that bilingual civil servants had to be hired by a bilingual jury, Minister Marie Arena annulled the recruitment of 165 (out of a

total of 265) civil servants. Her party PS had always favoured the idea of separate juries.

In addition, Arena adjusted the Copernicus reform of the civil service. This reform had aimed to introduce achievement-oriented remuneration based on competence measurements. Arena, on the other hand, offered every civil servant a career with fixed pay scales: every civil servant who obtained a degree is given a raise of € 2.000 in category A1 or € 3.000 in categories A2 and A3, or a rise in pay scale (A4). Other measures included the extension of the recruitment shortlist's term of operation to two years, a wage reduction by 4 up to 20% for newly hired managers and staffers, and additional opportunities for upward mobility for civil servants lacking a university degree.

IX. Policy on Asylum and Foreign Residents

In 2004 15.537 foreign residents applied for asylum, i.e. a small reduction compared to 2003. On the other hand, slightly more were successful: 1.998 compared to 1.201 the previous year. Fewer people were forcefully returned to their country of origin, as police forces refused to escort them from December 12th 2003 after four of their colleagues had been convicted for assault and battery on such an occasion. On February 3rd 2004, police forces resumed this task.

In addition, measures were proposed to reduce backlog in asylum applications and to speed up procedures of appeal.

For a short period, the issue of religious symbols in schools and public places passed over from France. Minister Dewael opposed the wearing of headscarves or other religious symbols by police officers, teachers and pupils. Other parties warned against a legal solution: the decision was the school boards' to take.

On March 31st, Jozef De Witte was appointed director of the Centre for Equal Opportunities and Opposition to Racism in succession of Johan Leman.

X. Policy on Justice and the Reform of the Police Forces

Judicial backlog – A pilot project was started in a handful of offices of the public prosecution to measure the workload. These projects were meant to identify real needs in terms of personnel in the judicial districts. In the meantime, Minister Onkelinx increased the workforce in courts in Charleroi and Mons. After CD&V and N-VA threatened to invoke a conflict of interests, a similar increase was promised in Antwerp. Further increases in Antwerp, Brussels, and Dendermonde were made conditional upon a decrease of judicial backlog. (BS December 31 2004)

The new communal law offered municipalities the opportunity to effectively fine nuisance, to suspend and withdraw a licence, and to close down a company. An earlier law to this effect had remained ineffective, because the penal code had been unaltered.

On March 24th, the Court of Arbitration refused to annul the appointment of supplementary judges in Brussels. While the court ruled that the appointments did not violate the principle of equality, by virtue of suspending language laws the measure could only be temporary.

Policy on drugs – As early as December 2003 the Procurators-General had commented on the drugs directive in a letter that the concepts of ‘problematic use’ and ‘public nuisance’ were ill-defined and that the practice of registering offenders from outside the judicial district by name and offenders that live within the judicial district anonymously could be deemed discriminatory. Thereupon, Minister Onkelinx instructed a group of experts to adjust the directive. This, however, did not prevent the Court of Arbitration from annulling article 16 of the law on drugs for these very reasons. The concepts of ‘amount for private use’, ‘problematic use’ or ‘public nuisance’ were considered impracticable. The ruling rendered the law on drugs ineffective; police forces were instructed to follow the 1998 directive that attributed the prosecution of cannabis use the lowest priority.

Terrorism – On November 10th, eight days after the murder of Dutch movie director Theo Van Gogh, the Ministerial Committee for Intelligence and Security met for the first time. Every month the committee would assess the risk of a terrorist attack. A Central Intelligence Office for Security was established that would involve civil servants from customs, the mobility and foreign departments, as well as the former Anti Terrorist Joint Group which combined intelligence services and the police. The additional 40 police officers promised for 2006 would be hired on January 1st 2005.

The reform of the police forces – Negotiations with the unions on the police officer’s statute offered little progress. On January 28th, the cabinet adopted Minister Dewael’s proposal to settle working hours, salary scales and grades unilaterally, in concurrence with a Court of Arbitration ruling. On February 18th, up to 18.000 police officers demonstrated in Brussels. Thereupon, the police officer’s statute was postponed until 2005.

In March, the police officers’ union agreed to a number of measures regulating night and weekend shifts, mostly on a voluntary basis. But the Socialist and Christian unions still opposed Dewael’s package deal.

After Bryce De Ruyver, security adviser to the Prime Minister, denounced paralysis within the federal police forces, a new audit of the federal police forces was announced. In addition, the assessment of the commissioner-general and five directors-general was brought forward in time. One examining magistrate characterised the situation “worse than prior to Dutroux”. A State Audit Office report stated that 54 out of 196 police zones were incapable of providing even minimal

services due to lack of personnel. In only 22 zones an improvement was noted since the reform of the police forces.

To prevent cuts in the federal police budget, two major unions threatened to strike on New Year's Eve. After Dewael promised to allocate part of the traffic fines fund to the federal police, the strike was cancelled. That fund was intended to fund local police forces by making funds conditional upon a decrease in traffic casualties.

XI. Employment and Social Policy

A. Employment

On December 31st, there were 454.538 unemployed entitled to an allowance, i.e. 8.2% more than in 2003. The increase was largest in Flanders. Nevertheless, the unemployment rate there remained the lowest: 8.6% compared to 18.4% in Wallonia and 21.0% in Brussels. In the country the unemployment rate had risen to 12.8%, up by 0.1%. In 2003 8.000 jobs had been lost in the private sector. This loss had been offset by the creation of 10.000 jobs in the public sector.

On April 29th, Employment Minister Vandembroucke confirmed an agreement between employers and unions to double the amount of overtime allowed in construction to 130 hours per year. Employer organisations demanded the extension of the measure to other industries. It would prove one of the key issues in the negotiations later.

For a brief moment, the issue of longer working hours for equal pay spilled over from Germany. While the unions refused to even address the issue, a survey indicated that employers favoured priority to be awarded to the relaxation of overtime regulations and cutting red tape.

B. Social negotiations

Repeated demands to increase working hours and to restrict early retirement cast a cloud upon the relations between management and trade unions, who in the fall entered negotiations over the 2005-2006 social agreement. In the build-up, the Central Economic Council estimated wages had increased in 2003-2004 by 5.9%, outpacing Germany, France, and the Netherlands by 1.4%. Increases would better not exceed 1% in real income, it added. Employer organisations denied there was any room for pay raises and demanded firm restrictions on time credit and early retirement. The unions were very much put out. As a result, the negotiations kicked off in a gloomy atmosphere.

By December, the unions were threatening to strike and demonstrate to retain early retirement. Both management and the unions resumed negotiations after they consulted their grassroots. But active mediation by the government could

not prevent that disagreement on pay raises and overtime regulations lingered. Even the promise of € 150 million to reduce social contributions on overtime and shift work did little to convince management and the unions. After up to 60.000 employees demonstrated in Brussels on September 21st both parties agreed to a cool-down period and to resume negotiations in January.

Social profit – Throughout the year, employees in the social profit sector campaigned for a reduction of working hours to 36, for pay raises in particular for irregular shifts, and for the creation of 25.000 additional jobs. On three occasions up to 20.000 employees demonstrated in Brussels and on October 21st personnel in hospitals and rest homes downed tools. Further actions were scheduled for January 27th 2005. Yet, the federal government could not agree on additional funds for the social profit sector. The total cost of the unions' demands was estimated at more than € 800 million.

Social elections – From May 6th until May 19th elections to works councils were held in corporations of over 50 employees. The Christian ACV obtained 57.3% of the seats, i.e. up 0.8%. The socialist ABVV and liberal ACLVB lost some ground, polling 34.1% and 6.1% respectively. The union for executives, NCK, and independent lists each obtained just over 1% of the seats.

C. The End of Career Debate

Concurrent with negotiations over a 2005-2006 central agreement, the federal government planned talks on retirement regulations. In Belgium, a mere 26.6% of persons over 55 were employed compared to a European average of 40.1%, according to a European Commission report. On average, Belgians retired over two years earlier than other EU inhabitants.

Management proposed to make early retirement conditional upon a career of 35 years, except for those employed in harsh conditions. In this, they were supported by the High Employment Council. Yet, the unions campaigned to retain current early retirement schemes. In response, the federal government refused to raise the legal age of retirement or to cut back benefits for the early retired. Yet, it announced over 30 measures to encourage older employees to continue working and employers to retain employees until an older age, tweaking the conditions, tax rates, and duration of future early retirement schemes.

D. Social Security

Successive cuts in employers' contributions would amount to a € 4.9 billion loss in social security receipts in 2005. A quarter of all social security receipts were obtained by means of income taxes, VAT, and excise duties. Management and the unions were invited to present alternative means of funding. While the unions

favoured a general social contribution on all income, even from property, the employers' organisations gave priority to reducing expenditure.

Health Insurance Budget – In 2004, the deficit in health insurance amounted to € 513.6 million, having increased over tenfold compared to the previous year. In the budget, cutbacks worth € 286 million were aimed at the pharmaceutical industry, pharmacists, and general practitioners. Additional funds were reserved for hospitals and new initiatives.

On December 23rd, the government agreed on supplementary cutbacks worth another € 238 million. The measures included an increase of the non-refundable part of certain painkillers, antibiotics, and antidepressants, linking doctors' accreditation to their prescription behaviour, cutbacks in clinical biology and radiology, freezing the indexation of fees until April 2005, and the introduction of an all-in expense of certain medical procedures. At one point in the negotiations, the Flemish hospitals demanded the defederalisation of health care. The demand was withdrawn, however, four days later.

XII. Policy on Mobility

Belgian Rail (NMBS-SNCB) – After months of negotiations Belgian Rail management and the unions agreed on February 18th on the reorganisation of the railroads. The unions accepted a greater mobility and flexibility on the part of the employees and 3.000 voluntary redundancies. In exchange, all employees would be guaranteed the same social statute.

On March 26th, Belgian Rail was divided in several parts. The transport of passengers and goods was consigned to a public limited company, that inherited the name NMBS. Infrabel would attend to the infrastructure: the construction and maintenance of the tracks and platforms, timetables and traffic control. Outstanding debts were assumed by the Fund for Railroad Infrastructure (FSI) in exchange for the administration of building and terrains worth € 7.4 billion. ABX Logistics took over the transport of goods by road, until a purchaser could be found. NMBS Holding would have a participation in NMBS of 100% and in Infrabel of 80%. Most leading positions were divided among the government parties. Marc Descheemaeker (VLD) became CEO of NMBS, Luc Lallemand (PS) of Infrabel. In the spring of 2005 CEO of NMBS Holding Karel Vinck would be replaced by Jannie Haeck (SP.A).

Zaventem Airport – Throughout 2004, the commotion over the dispersal of night flights from and into Zaventem continued. On February 27th, Minister for Mobility Bert Anciaux presented an altered flight plan, after the Council of State had annulled the previous plan on December 19th 2003. Minor alterations included a greater alternation of three runways and stricter wind precautions. On March 4th,

the Court of Cassation reversed a ruling by a Brussels court of appeal that gave the government 60 days to disperse flights over the entire region.

On June 6th, 1.000 persons living in the airport's neighbouring municipalities demonstrated in Brussels to oppose Anciaux's plan. According to a government report, only the municipality of Diegem suffered more noise pollution after the plan was introduced. A complaint lodged by Brussels' Minister for the Environment Evelyne Huytebroeck (Ecolo) was rejected by a court of first instance (i.e. approximately a county court) on November 2nd. Another complaint by 67 inhabitants of the eastern rim resulted in the suspended use of runway 02. Further alterations to the flight plan were announced for 2005.

On November 8th Macquarie Airports announced it had acquired a 70% participation in BIAC (Belgian International Airport Company), the proprietor of Zaventem airport. This reduced the government's share from 63.56% to 30%. In July, BIAC had been granted the concession to exploit Zaventem airport for 20 years.

XIII. Foreign and Defence Policy

A. Foreign Policy

European Union – Ratification of the Treaty establishing a Constitution for Europe, signed on October 29th in Rome, started off with the issue of a referendum. Except for PS, all coalition partners supported the VLD initiative at first. PS was reluctant to create a precedent that would lead to referendums on more contentious issues, e.g. the division of health care, and feared a xenophobe reaction to the possible accession of Turkey. On December 14th, the Chamber Committee adopted article 1 with the support of Vlaams Belang. SP.A changed its mind, following the Council of State's ruling that a revision of the Constitution was necessary to hold a national referendum. The remaining articles would be voted on in 2005.

Congo and Central Africa – In September, 208 Congolese officers were trained in Belgium to serve in the Congolese Army's first 'mixed' brigade that would bring together government soldiers and rebels. After a number of defections, they returned home a week early "having completed their training with success".

On February 8th to 10th, President Joseph Kabila visited Belgium. He was offered financial and judicial support to hold the June 2005 elections. Later it was announced that 67% of Congo's commercial debt, i.e. € 605 million, was exonerated. After Karel De Gucht took office as foreign minister on July 18th, Belgium's tone became more critical. While he vowed to carry on Michel's Central African policies, De Gucht looked for EU support to fund the Monuc Peace Corps and convinced Benin to provide 650 UN peacekeepers. His visit in October to Benin, Congo, Rwanda, Burundi, Uganda, Angola, and South Africa led to a number of diplomatic incidents, however. On one occasion, De Gucht stated to have met few

political leaders in Congo “that made an impression and could contribute to the country’s development.” Furthermore, he repeated his criticism in the Chamber committee upon his return. While few contradicted his opinions in Belgium, many regretted his offending stance. De Gucht did, however, offer support for South Africa’s “limited and feasible” plan to reform the Congolese army on the basis of mixed brigades. The earlier goal to incorporate 180.000 rebels in the army by June 2005 seemed unrealistic. To this end, an agreement was signed on December 13th.

Rwanda – In an interview Romeo Dallaire, the former commanding officer of the UN in Rwanda, accepted responsibility for the death of ten Belgian paratroopers in Kigali in 1994. One key figure in the killings, former Major Bernard Ntuyahaga presented himself to the Belgian authorities and was promptly arrested.

United States – The relations with the US that were recovering from the incidents concerning the Iraq war and the genocide bill, were further strained by Minister André Flahaut’s indiscretion, that “were he American, he would have voted for a Democrat.” Only Louis Michel’s visit to the US in May marked an improvement in the relations.

Iraq and Afghanistan – On July 9th, the government raised the number of troops participating in the NATO Peace Corps in Afghanistan (ISAF) temporarily from 290 to 620. In Iraq, on the other hand, the decision not to send military personnel was upheld. A C-130 transport plane, however, was offered for two months to the UN civilian personnel in Iraq.

Kosovo – Upon a renewal of the unrest in the region, the third battalion Paratroopers (Tielen) prolonged its stay. For the same reason, the third regiment Lancers that would relieve them in March, left a few days early.

B. Defence Policy

On January 9th, the cabinet adopted the 2004-2007 investment plan for the armed forces, worth € 2.4 billion. New acquisitions included 220 Multipurpose Protected Vehicles. The army had demanded twice that number. A decision to acquire 440 jeeps was later reversed and repeated in 2005.

Blueprints for the new NATO headquarters in Evere were presented on December 17th. Belgium would be reimbursed 3% of the € 400 million costs. Following Belgian opposition to the war in Iraq, the location of the NATO headquarters had been in doubt for a moment.

Meanwhile, Minister Flahaut was discredited, not only as a result of allegations of fraud renting a House of Defence in Wavre, but also as a result of his appointment of lieutenant-colonel Jean Pirson at the head of Neder-over-Heembeek military hospital. Both the medical council and the board of directors had asked for Pirson’s dismissal. To support this demand, four surgeons applied for a transfer. An audit report accused Pirson of “management errors, but not medical or ethical

ones". Several attempts to transfer him to another unit were annulled by the Council of State and Pirson resumed his tasks at the hospital on September 27th.

XIV. Other Events and Developments

Royal family – On February 6th, Prince Laurent and Princess Claire's first child, Louise Sophie Mary was born. The Church convinced the prince to shelve his earlier intention to ask a Muslim to be his daughter's godfather.

Prince Philip caused some commotion twice on a single trading mission to China. First, three Flemish parties Vlaams Belang, N-VA, and Spirit took offence at the prince's plea for more cooperation between the regions in terms of foreign trade. The regionalisation of foreign trade, they felt, could not be reversed. Second, Prince Philip lashed out at Vlaams Belang, stating that any attempt on its part to break up Belgium would meet with his firm opposition. While most francophone parties were very understanding, all Flemish parties disapproved of the prince's involvement in party politics.

Ministers of State – The honorary title of Minister of State was bestowed upon Steve Stevaert (SP.A), Herman Van Rompuy (CD&V), Jaak Gabriëls (VLD), Charles Picqué (PS), Philippe Monfils (MR), and Etienne Davignon.

Kyoto – On March 8th, the federal and regional governments agreed on the measures necessary to meet the goals of the Kyoto Protocol. Compared to 1990, carbon dioxide emissions ought to be reduced by 2008-2012 by 5.2% in Flanders and by 7.5% in Wallonia. In Brussels, emissions would be allowed to increase by 3.5%. A European Environment Agency report, published later that year, estimated that in 2002 emissions in Belgium had increased by 9.6% compared to 1990. The Federal Planning Bureau warned that the scheduled closure of nuclear power plants would further increase emissions after 2015. On June 24th, the government submitted its allocation plan to the European Commission, over three months late.

The Elia Levy – The liberalisation of the electricity market resulted for a number of – in particular Flemish – municipalities in a considerable loss of income. A federal levy of € 4.91 per MWh until July 1st 2007 and € 2 after that could compensate the municipalities for this loss. The regional governments could, however, exempt corporations and individuals from payment and both the Walloon and Brussels governments did so.

Tobin Tax – A Tobin tax of € 0.2 per amount of 1.000 foreign currencies exchanged was adopted by an alternative majority of Socialists, Christian-Democrats and Greens. Transactions by individuals up to € 10.000 per year and by central banks would be exempted. The tax would only take effect if adopted by all EMU participants.

Anti-Discrimination Legislation – On October 6th, the Court of Arbitration annulled certain parts of the 2003 anti-discrimination legislation. The court deleted the exhaustive enumeration of possible discriminations and thereby broadened the concept. On the other hand, discrimination was made punishable only if damage is demonstrable. As a result, the intention to discriminate was taken from the bill. Also, the court ensured that anti-discrimination stipulations would not interfere with the freedom of speech. Both Vlaams Blok and the Centre for Equal Opportunities and Opposition to Racism welcomed the ruling.

The Dutroux Trial and other Legal Actions – On June 22nd, Marc Dutroux was sentenced to life for the kidnapping and rape of six girls and the murder of An Marchal, Eefje Lambrecks, and Bernard Weinstein. His wife Michelle Martin was sentenced to 30 years, Michel Lelièvre to 25 years. A fourth accused, Michel Nihoul, was convicted for drugs and human trafficking. On November 25th, the investigations into broader networks of child kidnapping and molestation were closed. With it, the curtain fell on events that had shaken the nation since 1996. On January 7th, six of the accused were sentenced to 5 to 20 years imprisonment for the murder of André Cools. The actual perpetrators served 20 years in Tunisia since 1998.

The Antwerp court of appeal annulled former Minister Leo Delcroix's conviction of forgery in the case of a public contract for the production of recycling bins. Criminal proceedings had become precluded by the lapse of time before his trial in September 2003.

Ghislengien – An underground gas pipe explosion on July 30th killed 24 people and injured over a hundred in the industrial estate of Ghislengien in Hainault. The day of the funeral of five fire fighters became a national day of mourning. The disaster inspired the government to increase damages paid to the bereaved of firemen killed or handicapped in the line of duty, as well as fiscal benefits for voluntary firemen and members of the Civil Defence Corps. In addition, a fund was established to assist about thirty uninsured victims of the disaster.

XV. Events and Developments in the Political Parties

Vlaams Blok / Vlaams Belang – On April 21st, the Ghent court of appeal sentenced three non-profit organisations tied to Vlaams Blok to a € 12.394 fine each for violation of the anti-discrimination law. In 2003 the Court of Cassation had annulled an earlier court's declaration of incompetence. Tens of quotations taken from the party's publications supported the allegation. The party itself couldn't be indicted because it lacked corporate personality.

The Vlaams Blok leadership denounced this "prolonged and well prepared assault on the only opposition party". Preparations were made to change the party name, statutes, and mission statement in order to shield party members from

legal actions. Others within the party, Filip De Man in particular, held firm to a hard-liner course. Yet, after the Court of Cassation upheld the earlier sentence, Vlaams Blok was disbanded on November 14th and a new party Vlaams Belang founded. At the party conference, numerous speakers emphasised continuity. One 1977 statement that called for the return of non-European immigrants to their country of origin was replaced by one that favoured the return of all immigrants who “refused, ignored, or fought our culture, norms, and values”. On November 21st, Frank Vanhecke was elected party president by the party council: he obtained 76.5% of the votes. Three weeks later, the party conference confirmed this choice by 94.2% of the votes.

That continuity turned into a financial gamble, when the Flemish Parliament considered withdrawing grants from the party. If Vlaams Belang was a new party, it could make no claim to these funds. Yet, if Vlaams Blok and Vlaams Belang were a single party, then grants could be withdrawn as a result of the anti-discrimination law. In a letter, party president Vanhecke emphasised that Vlaams Blok and Vlaams Belang were one and the same, but the Parliament subsequently refused to withdraw grants from the party.

CD&V and N-VA – After N-VA had firmly rejected the possibility of a CD&V – N-VA cartel in 2004, it came as a complete surprise that both parties agreed to one on February 14th. The Valentine agreement promised to campaign for further defederalisation and “a warm society which paired solidarity to liberty”. After the Brussels N-VA local executive rejected the agreement, it was replaced in March.

Two days earlier, the Chamber had extended state subsidies to parties having but a representative in Chamber or Senate. VLD and SP.A had agreed to the bill in order to take away any financial motive for the CD&V – N-VA cartel, as N-VA continuously dropped below the 5% threshold in the polls.

As Yves Leterme became Flemish Prime Minister, Jo Vandeurzen was appointed CD&V party president ad interim. On October 29th, he was confirmed party president by 53.8% after fighting off Pieter De Crem’s challenge. This challenge seemed to be part of a wider drift of the party to the right, which continued to worry the Christian trade union.

VLD and Vivant – On February 6th and 7th, VLD held a conference that was intended to determine the party’s course for the next decade. From the start that intension was eclipsed, however, by the issue of immigrants’ suffrage. While 83% of the party members ended up rejecting resigning from the government over the issue, surprisingly party president De Gucht refused to let the issue pass over. When an amendment he tabled restricting suffrage rights upset the coalition partners, a party leadership meeting convened by Verhofstadt on February 11th asked De Gucht to step aside until the June elections. As De Gucht refused, a compromise was hammered out: Verhofstadt and Flemish Prime Minister Somers would assume the party leadership. This arrangement quickly met with criticism from numerous sides. On February 16th, Dirk Sterckx was appointed ad interim party president.

Mere days after the disappointing June elections, Sterckx resigned. De Gucht returned to the fore until he was appointed Minister for Foreign Affairs on July 18th. The party presidency elections were put forward to December 4th. The campaign was viciously fought, but much to the party's relief ended with one round. Bart Somers obtained 50.5% of the votes, while Jean-Marie Dedecker surprisingly polled 38.3%. Dedecker fiercely criticised the moderate course of the party leadership and would not exclude cooperation with Vlaams Belang. After Claudine De Schepper, Member of the Flemish Parliament, had been expelled from the party on January 28th for participation in Vlaams Blok's Committee against Suffrage for Immigrants, rumours continued to abound that others might meet a similar fate, in particular Hugo Coveliers. Indeed, a temporary reconciliation could not prevent his expulsion in 2005.

Groen! – The issue of a cartel with SP.A continued to threaten to split the green party. The issue was particularly divisive in the province of Limburg. After such a cartel was rejected by the party leadership on November 13th 2003, members of parliament Jacinta De Roeck and Jo Vermeulen, as well as former MP Fauzaya Talhaoui, left the party for SP.A. Ludo Sannen resigned from the Flemish government and featured on the SP.A list as an independent.

SP.A – An open letter by Minister Frank Vandenbroucke upset the party's immaculate communication strategy. In his letter of October 19th Vandenbroucke criticised the federal government. Party president Stevaert deemed the initiative "best not repeated".

Spirit – Party president Els Van Weert was temporarily replaced by vice-president Geert Lambert, when she joined the federal government on July 18th. Lambert was confirmed as party president on October 16th by 88.8% of the participants in the party presidential elections.

MR – On January 26th, party president Antoine Duquesne and Minister Louis Michel called for a Liberty Pole of MR and CDH to balance the PS and Ecolo Pole of the Left. CDH's rejection of the proposal caused three CDH members of parliament Richard Fournaux, Luc Paque and Béatrice Frateur to join MR.

Following the formation of CDH – PS coalitions in the Brussels and Walloon regions, and the French Community, Antoine Duquesne resigned as party president. His succession threatened to become a bitter fight between Charles Michel and Serge Kubla, until a compromise was found in Didier Reynders. Reynders was elected party president on October 9th by 94.1% of the votes.

PS – In 2004, the party was still unable to rid itself from the infirmities of the past. Isabelle Simonis was forced to resign as Speaker of the French Community Parliament after she earmarked public funds to a campaign to persuade immigrants to vote PS. Later on, Minister Arena got into a scrape because of her cabinet's high expenses.

Ecolo – On July 16th, Isabelle Durant returned to the federal secretariat of her party in succession of Evelyne Huytbroeck. Huytbroeck joined the Brussels government.

FN – On October 12th, the party's state subsidies were suspended for three months after it failed to produce the required financial reports.