

Belgian Politics in 2005

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The first months of 2005 were dominated by the search for a solution to the issue of the Brussels-Halle-Vilvoorde constituency – that was palatable for both the Flemish and francophone political parties. After the government threw in the towel, the focus shifted more to socio-economic issues. Concern over low activity rates among the over-50's led to the presentation of the Generation Pact, but the trade unions refused to endorse it.

Throughout the year discord persisted: between the federal and regional governments over the Zaventem flight dispersal plans, between the coalition partners over the issue of energy cheques, and within VLD – most notably over the continual refusal to cooperate with Vlaams Belang.

I. Verhofstadt's Government

On October 17th Deputy Prime Minister and Minister for the Budget and Public Enterprise Johan Vande Lanotte (SP.A) resigned from the federal government in order to replace Steve Stevaert at the head of the Socialist Party. He was replaced by Freya Van den Bossche as Deputy Prime Minister and Minister for the Budget – she kept her portfolio of Consumer Affairs. Her portfolio of Employment passed on to Peter Vanvelthoven, who was succeeded in his turn by Bruno Tuybens as State Secretary for Public Enterprise. Previously, Tuybens had been head of the Sustainable and Socially Responsible Investment Department at KBC Asset Management and a member of the board at Amnesty International.

Attempts to help Minister for the Economy and Energy Marc Verwilghen to a high-profile international position were to no avail. In May, not Verwilghen but Antonio Guterres (Portugal) was appointed UN High Commissioner for Refugees. In September, Verwilghen failed to win the vote for Council of Europe Commissioner for Human Rights. In the second ballot, he came third – well

behind Thomas Hammarberg (Sweden). Verwilghen bitterly regretted the lack of support from other Belgian representatives and pointed out that once again Belgium had fumbled an opportunity to land an international position.

II. The (Non-)Division of the Brussels-Halle-Vilvoorde District

The division of the Brussels-Halle-Vilvoorde district continued to loom threateningly over the federal government throughout the spring and summer.¹ The policy agreement of the Flemish government, signed by five parties on July 20th 2004, demanded to reduce the bilingual constituency in size. Bills were to be tabled "without delay" to form the unilingual constituency of Flemish Brabant (out of the current district of Leuven and Halle-Vilvoorde) and the bilingual constituency of Brussels (out of the Brussels-Capital district). Francophone parties opposed this division: while Socialists and Christian Democrats demanded a return to the situation prior to the provincial constituencies of 2003, the Liberals proposed a bilingual constituency comprising the entire provinces of Flemish and Walloon Brabant. Their warning to invoke the 'alarm bell procedure'² firmly put the issue on the federal government's agenda.

On November 9th 2004 an Inter-Ministerial Conference for Institutional Reforms (ICIH), consisting of 17 ministers of the federal, regional and community governments, had been installed to find a solution. On its first meeting on January 17th, the ICIH in its turn established a working-group to study the Arbitration Court's rulings on Brussels-Halle-Vilvoorde. CD&V and N-VA agreed to co-operate on the condition that the legislative discussion of the bills demanding the division of the constituency would be resumed. At first, the francophone parties consented, but two days later revoked their consent. In his New Year's address Prime Minister Verhofstadt re-emphasised that no solution was to be found unless both language groups agreed. The federal government would not be rushed by those "whose commitment to find a solution is doubtful and those who only seek to cause mayhem and instability". The government parties agreed to start the legislative discussion on February 23rd, after a synoptic table could be composed comparing various proposals. In response, CD&V and N-VA accused the government of renegeing on the policy agreement of the Flemish government.

The working-group on Brussels-Halle-Vilvoorde was chaired by Deputy Prime Ministers Johan Vande Lanotte (SP.A) and Didier Reynders (MR). They would meet with the various parties in separate consultations – that were nicknamed

1. S. DEPAUW, M. DEWEERDT. Belgian Politics in 2004, *Res Publica*, 2005, 2-3, pp. 251-252.
2. The procedure, signed by at least $\frac{3}{4}$ of the MPs of one language group, suspends the legislative process for 30 days, during which the federal government is asked to present a solution. By the constitution, both language groups have an equal number of ministers in the federal government.

“confessionals”. During this period, the government parties repeatedly stalled for time in Parliament. On March 9th and 16th, for instance, a number of constitutional experts were invited to comment on the Court of Arbitration’s rulings. In protest, three members of CD&V and two of N-VA decided to continually abstain from voting in the Flemish Parliament. Later that number increased to 13. Demonstrations by both francophone inhabitants of the Flemish municipalities surrounding Brussels and the Flemish Popular Movement only added fuel to the fire.

In the following weeks, the government stepped up the efforts to find some compromise, but it also became increasingly clear it was prepared to look for alternative solutions. On April 11th Prime Minister Verhofstadt surprised quite a number of people by declaring in an interview that “Brussels-Halle-Vilvoorde wasn’t worth the demise of the government”. Rumours persisted about a secret agreement between CD&V – N-VA and SP.A – Spirit to blame VLD for the failure to divide the Brussels-Halle-Vilvoorde constituency and to scale back tax reductions in the Flemish government in retaliation. In addition, both N-VA and Spirit threatened to withdraw their support from the Flemish government in case the constituency wasn’t divided.

Formal negotiations commenced on April 26th among twelve members of the government parties on a secret location. Two options were considered: one to insert the creation of a ‘virtual’ constituency of Flemish Brabant in the Constitution – as this had been deemed unconstitutional by the Court of Arbitration –, and another to create a constituency in Brussels-Halle-Vilvoorde-Louvain with two electoral colleges (similar to the ones used for the European elections in Brussels). Francophone voters in Flemish Brabant would have the opportunity to vote in the Brussels electoral college.

Verhofstadt’s ultimate proposal on May 8th also failed to bring about a consensus. It proposed the creation of four electoral colleges: in Brussels-Capital, Halle-Vilvoorde and Louvain parties would present the same list of candidates. Parties standing in Nivelles would be allowed to pool their votes (apparentement) with francophone parties in the other electoral colleges. In this manner, in Louvain and Halle-Vilvoorde, voters would be given the choice of Flemish parties only. But francophone voters in 17 municipalities would be allowed to vote in Brussels-Capital – although the end date of this transitory measure wasn’t specified.

In six municipalities where the francophone inhabitants enjoyed special rights, the French Community would be entitled to establish francophone institutions, especially homes for the elderly, and be charged with school inspections. In contrast with the Peeters circular letter, the application for these special rights to be addressed in French would be annual or just once. In Brussels, civil servants or ER doctors wouldn’t be required to be bilingual – although every cell or department should be able to be of service in both languages. In addition, Brussels would receive extra funds for its capital and international function, worth € 16 million in 2006, up to € 64 million from 2009 on.

Negotiations came to a halt a few hours after Spirit rejected the proposal – mostly on account of the French Community’s new role in the Flemish municipalities

surrounding Brussels. In the final hours, the topic shifted more to restoring confidence in the government – even if the Brussels-Halle-Vilvoorde constituency remained unaltered. In a short statement in the Chamber, Prime Minister Verhofstadt expressed his regret that a solution that was supported on both sides of the linguistic border had proven elusive, but emphasised that this had never brought the government to a standstill – not even in the periods of frantic negotiations. On May 13th the Chamber confirmed its confidence in the government. If this cleared the sky in the federal government, difficult times still lay ahead for the Flemish coalition partners. For a number of days, parties continued to blame one another for the failure to divide Brussels-Halle-Vilvoorde. The issue, however, was effectively frozen until after the 2007 elections.

III. The Generation Pact

Low activity rates among the over 55's continue to threaten social security funding and to be a cause for concern among the political and socio-economic elites. On average, a Belgian employee retires at the age of 58, having worked for 36 years, compared to an EU average retirement age of 60.5 years and a career of 41 years. While these low activity rates are in part caused by beneficial retirement regimes,³ the negotiations on career ends had been lifted from the social negotiations in order to improve the latter's chances of success. On October 12th 2004 Prime Minister Verhofstadt had announced over 30 plans to encourage older employees to stay on longer, to encourage employers to retain older employees and to discourage early retirement – without altering the legal retirement age.

A. The "Ageing Actively" Government Paper

Progress was slow in the technical working-groups that prepared the Career End debate. The trade unions were keenly aware of the sensitive nature of the issue for rank-and-file members: they refused to consider the abandonment of early retirement schemes. Instead they emphasised youth unemployment, better working conditions for older employees, and higher pensions. Employers' organisations favoured the abandonment of early retirement, yet had to take into account that many employers saw early retirement schemes as a means to prevent social unrest in times of lay-offs or as a means to part with older, more expensive employees at the government's expense.

3. Improper schemes of early retirement have been nicknamed 'Canada Dry'. Older employees who do not qualify for early retirement are often fired. They, then, receive compensation by the employer on top of their unemployment or time credit benefits. On these compensations, no social contributions are paid. As a result, these schemes increase unemployment expenditure and decrease social security revenues.

The negotiations started on June 13th, when Prime Minister Verhofstadt and Employment Minister Freya Van den Bossche presented the Ageing Actively note to the Group of Ten, representatives of employers' organisations and trade unions. Throughout the summer informal talks continued. Contrary to earlier declarations, the issue would be attached to the discussion on social security funding and inflation-proof benefits.

The paper contained 67 measures to encourage employment at a more elevated age. Starting from 2011, employees would be eligible for early retirement only after a career of 40 years – as opposed to 25 years (at the age of 58) – with the exception of hard labour occupations, e.g. night-work, work on the shift system or in noisy surroundings. Employees retired at the age of 60, after having worked for 35 years, would face a "pension penalty" at a rate of 4% per year short of a 40 years career. Employees who work beyond their 60th birthday (or a 40 years career), on the other hand, would receive an extra € 25 per month (at a maximum of € 125) per year they continued to work.

Canada Dry schemes of early retirement will no longer be exempted from social contributions. The conditions to be considered a "company in reorganisation" are restricted and time credits are limited to one year rather than five. Employees in early retirement would continue to be at the labour market's disposal until their 58th birthday.

An extra tax reduction for the over 55's was promised, as well as more flexible working hours or adapted tasks. They would also have an easier access to education, career planning, and outplacement in case of dismissal. Employees over 50 would be able to exchange part of their end of year premium for extra days-off and the opportunity to work 4/5ths of the time (half-time beyond the age of 60).

The trade unions bitterly opposed the government paper, more specifically the pension penalty, the fact that early retired persons would remain at the disposal of the labour market, the reduction of time credits to one year, and the abandonment of age-related scales of wages. They feared that early retirement would be open only to men and (un)skilled labour, as well as a sharp increase of dismissals as a result of it.

B. The Demotte Government Paper on Social Security Funding

On July 14th a government paper by Minister Demotte on structural funding for Belgium's social security system was leaked to the press. In the government paper, Demotte proposed to decrease social contributions on lower incomes, on night-work and shift work, and on employees over 50. Welfare benefits would be made inflation-proof. Three new sources of funding were presented: a levy on the added value – nicknamed "robot tax" as capital-intensive companies would shoulder a larger share of the burden of social security –, a reorganisation of the special social contribution increasing the burden for the higher incomes and incomes from personal property and real estate, and the allocation of a fixed share of personal and corporate tax revenues to social security.

Many of the proposals in the government paper had surfaced in the press in the preceding months. Nevertheless, both VLD and employers' organisations, VBO and UNIZO, rejected the government paper outright. In their opinion, the proposals would asphyxiate any entrepreneurial initiative. Minister Demotte responded that the paper was but "work in progress".

C. The Government Orientation Paper

After lengthy discussions, the cabinet agreed on September 21st on an orientation paper that would shape the negotiations with employers and employees. A paper attributed to Verhofstadt's advisors, which argued in favour of a reduction of child benefits and the postponement of the indexation of civil servants' wages and welfare benefits, had soured the atmosphere in the coalition in the preceding days.

The government paper started off with a number of measures on youth employment to accommodate the unions. Most of them, including lower taxes on internships as well as double the number of first employments in the federal civil service, were part of the government's plan to combat youth unemployment launched on July 20th.

The second part addressed the issues, discussed in the *Ageing Actively* government paper. Compared to earlier drafts, the pension penalty, the limitation of time credits to one year, and the provision to make early retirement conditional upon a career of 40 years were dropped. The task to redefine companies in reorganisation was delegated to employers and employees. In the case of collective lay-offs, a six-month period is to be observed, during which dismissed employees have to accept suitable job offers and receive counselling. Only after six months is early retirement made possible. The cabinet also endorsed the (ACV) Christian union's proposal to end fiscal discrimination between the older and newer early retired: for married pensioners, in early retirement before 2004, tax reductions were based on the separate incomes. For those retired after that date, tax reductions are calculated on their joined incomes.

The final part considered alternative funding of the social security system, although few precise measures were announced on the issue. From 2006 on, the federal government would guarantee a balanced social security and a funding less dependent on revenues from labour. In addition, additional tax reductions were promised for lower incomes, older employees and youngsters, as well as tax reductions on shift and night-work...

While the employers' organisations stated their willingness to start the negotiations on the basis of the government paper, the trade unions did not share their enthusiasm. Especially, the socialist union (ABVV) vetoed raising the age of early retirement or reducing the opportunities for early retirement in companies in reorganisation. Separate talks with employers' and employees' organisations could not prevent the ABVV from going on strike, neither could the promise to increase

a number of welfare benefits in 2006 and 2007 and to render them inflation-proof from 2008 on. According to employers' organisations approximately 10% of all employees participated in Flanders – more in Wallonia. Surprisingly, the Christian union (ACV) published an ad in the newspapers, stating 10 reasons not to participate in the strike, which only added fuel to the unions' discord. The impact of the strike was minimised by the government in their press releases. Employers' organisations emphasised that ABVV had put itself in an off-side position – a comment that was widely endorsed in the newspapers and proved to be prophetic in the final negotiations leading up the Generation Pact.

D. The Generation Pact and the Unions' Demonstrations of October 28th

A three-day marathon negotiation resulted on October 10th in an agreement that employers' and employees' organisations agreed to present to their rank-and-file. The pact reiterated the measures included in previous papers on youth employment and the funding of the social security system.

The early retirement age was to be raised by 2008 from 58 to 60 years, after a career of 30 years. Exceptions were made for employees in hard labour occupations, for disabled construction workers or for employees having worked for 38 years. If by 2011 activity rates will have increased 1.5 times as fast as the EU-15 average, the required career would be raised to 35 years – if not to 40 years. If no improvement was noted by 2013, exceptions would no longer be made.

Early retirement was only possible in the case of collective lay-offs for employees that are 50 (or 52) years of age. The employees in this situation would have to accept suitable job offers and receive counselling to find a new occupation. Those who do not fully cooperate, may lose their entitlement to early retirement altogether. A social contribution of 32.51% payable by the employer and of 13.07% payable by the employee was introduced on improper (Canada Dry) early retirement schemes. Older employees (over 45) who are dismissed are allowed out-placement at the expense of the employer.

In addition, a premium is offered to employees working beyond their 60th birthday (62nd for self-employed persons). Older employees were offered the opportunity to exchange their end of year premium for additional days-off (between the age of 50 and 55) and to work 4/5th of the time (over 55). Side-jobs before the age of 65 would be increasingly discouraged, whereas there would hardly be any limitations on side-jobs performed by pensioners (i.e. the over-65's). Full-time time credits would be limited to one year rather than five – except when undertaken with the aim of taking care of young children, ill family members, or to take up additional training. Taxes on group insurance funds would be reduced from 16.5% to 10% if benefits are paid only at the age of 65 rather than at the age of 60.

A consensus, however, was never attainable. The pact only increased tensions between the different trade unions, as well as between the socialist trade union and party. ACV chairman Cortebecq accused both ABVV and the government of mis-

information. While ACV had attempted to retain a conciliatory stance throughout the negotiations, the ACV leaders were overtaken by the rank-and-file and on October 18th all three major trade unions rejected the generation pact. Several local strikes and demonstrations preceded the national demonstration on October 28th. Between 80.000 and 100.000 employees took part – many of them working in the metallurgical and chemical industries.

E. The Implementation of the Generation Pact

In response, the government consulted with employers' and employees' organisations on the implementation of the generation pact. A two-page ad in all newspapers informed the population on the aims and main points of the agreement. In a joint declaration, the trade unions demanded corrections on six issues: additional measures combating youth unemployment, fewer limitations on early retirement schemes, a positive rather than a repressive approach to employees dismissed by companies in reorganisation, the continuation of tax reductions for Canada Dry-schemes, the continuation of full-time time credits for a five-year period, and inflation-proof pensions.

After a nocturnal meeting, the cabinet announced a number of modifications on November 18th. Additional measures combating youth unemployment included the restriction of the first employment regulations to persons under 25 rather than under 26. Their number in the federal civil service was increased to 3%. And the period during which tax reductions are received, was extended from one to two years. Extra tax reductions were also extended to the non-profit sector.

In the case of Canada Dry-schemes, social contributions payable by the employees were reduced by 95% if they continued to work half-time. Contributions payable by the employers were reduced by 95%, if employees in this situation were replaced. In addition, early retirement schemes would be continued until 2015 in the metallurgical, chemical and glass manufacturing industries – even if the age of eligibility would slowly be raised to 56 in 2011, 57 in 2013 and 60 in 2015. This last provision was conditional, however, upon the agreement of the unions.

The unions deemed the modifications insufficient. Tensions, however, remained between the different unions. On December 8th, there were a number of demonstrations and strikes – mostly restricted to supermarkets and the Walloon provinces. After that the protest petered out. Parliament adopted the generation pact into law on December 15th and 22nd.

IV. The Budgetary and Fiscal Policy

A. Budgetary Results for 2004 and the Implementation of the 2005 Budget

The government deficit for 2004 amounted to € 248.2 million or 0.1% of GDP, whereas a surplus of € 89.3 million was realised the year before. The federal government presented a deficit of € 667 million. The provinces and municipalities added another € 353.5 million to the deficit. This was partly offset by the surpluses realised by the community and regional governments worth € 648.2 million and the social security sector worth € 88.1 million. Public debt amounted to € 265.4 billion or 95.5% of GDP – an increase from € 257.9 billion in 2003, but a decrease relative to the growing GDP.

In Parliament, Minister for the Budget Johan Vande Lanotte stated that the government finances were “structurally balanced” in 2004, a year ahead of schedule – i.e. discounting one-off and cyclical windfalls or setbacks. The opposition parties disputed the statement. Later on Vande Lanotte conceded that the European Commission had calculated a 0.2% deficit – one that had decreased further to € 133 million or 0.05% of GDP by the time of his admittance in Parliament.

By mid April it had become clear that the social security sector headed towards a € 605 million deficit in 2005, whereas the 2005 budget predicted a € 270 million surplus. The gap was due to rising unemployment rates that both depressed revenues and increased expenditure. In addition, the government lowered its growth expectations from 2.5% to 2.2%, mimicking the Federal Planning Bureau. Windfalls were noted in tax revenues (€ 1 billion) and as a result of decreasing interest rates (€ 155 million).

Additional funds were allocated to the social security sector (€ 600 million) and to the hiring of 347 civic wardens in 73 cities. The € 150 million revenues from the sale of Belgacom shares were not used to pay off public debt, but were earmarked for an Ideas Fund in order to support regional policies geared towards innovation. On the revenues side, businesses that are late or failed to file their tax declarations are to be taxed on a fixed amount. In 2004 over 70,000 tax declarations from large and small businesses had been late and 50,000 were missing. To prevent price wars, the minimum cost of a packet of cigarettes was fixed. This was predicted to yield € 84.5 million. Further, the increase in eco-taxation on non-returnable beverage wrappings, introduced in the 2005 budget, was reversed. Consumers had not turned to returnable wrappings, but rather preferred to buy their beverages abroad. As agreed on during the Gembloux cabinet meeting,⁴ excise duties on diesel containing at least 2.45% of bio-diesel and on petrol containing at least 7% of bio-ethanol were reduced – in accordance with a 2003 EU directive. In addition, an Alimony Fund was established to enable the Ali-

4. S. DEPAUW, M. DEWEERDT, Belgian Politics in 2004, *Res Publica*, 2005, 2-3, pp. 243-246.

mony Requisitions Service to take over advance payments from local social services, in case a former partner is unable or refuses to pay alimony.

On June 1st the federal and regional governments agreed on the budgetary aims for the communities and regions for the 2005-2009 period. The Inter-Ministerial Conference for Finances and the Budget (ICFB) lowered the surplus that the regions and communities were to realise to € 410.4 million and € 327.4 million, or 0.1% of GDP. The federal government dropped its claim on a levy on the regional and community civil servants' holiday allowances and no longer opposed the Flemish government's decision to lower its 2005 budgetary aim by € 157 million. In exchange, the regions agreed to earmark the levy revenues to pay off public debt or to build up a reserve. From 2006 on, federal grants to the regions and communities would no longer be calculated on the basis of the GDP but the GNI (gross national income) – as this is less susceptible to fluctuations.

As a result of lower growth predictions and increasing inflation, an extra deficit of € 800 million to 1.2 billion was forecasted. The indexation of civil servants' wages and welfare benefits alone would cost the government € 388 million. Other setbacks included lower social security revenues (€ 216 million), higher expenses on unemployment benefits and service cheques (€ 99 million), a lower surplus realised by local authorities (€ 200 million). Windfalls included Aquafin⁵ and the Flemish government's sentence to pay € 190 million worth of overdue VAT, as well as a fine of € 19 million and interest worth € 78.5 million. The Flemish government agreed to pay an amount of € 230 million. Interest charges on the public debt proved € 63 million less than estimated and the regions agreed not to spend the € 300 million extra revenues from capital transfer and registration taxes.

The second budget control led to a reduction of the service cheques reserves (€ 35 million), reduced credit for disability benefits (€ 50 million) and the federal civil service (€ 100 million), and an increase of the excise duties on liquor by 5% (€ 4.7 million). The employers' burden of proof that a car was used for professional purposes only and thus exempted from CO₂ taxes was made more stringent. In addition, the press revealed that new entitlements to pensions would be paid out on the last day of the month rather than on the 6th or 14th.

In a last attempt to balance the books, the government took over the pension funds of Belgian Railways (NMBS) and the Antwerp Port Authority on December 21st. A law that made this possible had been passed in Parliament on December 6th. The pension funds were worth € 295 million and € 236.2 million respectively. In return, the government assured that pension regulations and employee participation in the matter would be preserved. It also stated to favour a second sea lock on the Scheldt left bank and the reopening of the Iron Rhine connection.

5. Aquafin is charged with wastewater treatment in Flanders. The Flemish government holds a majority of the shares.

Energy Prices – Steep oil prices inspired the government to take additional steps to alleviate families' energy bills. Since 2003 decreases in oil prices are offset by increases of the excise duties. For 2005 the government reversed the system: increases in the price of diesel were offset by a decrease of the excise duties, for a total of 2.66 cent per litre. In addition, the activities of the Social Heating Oil Fund were expanded: allowances were awarded for purchases up to 1,500 litres made between September 1st until April 30th (rather than March 31st) as soon as prices exceeded 40 cents (rather than 45 cents) per litre. Families in excessive debt were also entitled to the allowance.

In the fall, the issue of energy prices led to discord in the coalition. On August 27th Verhofstadt and Reynders announced that every family would receive an energy cheque worth € 75 to alleviate the costs of heating. In response, the socialist parties denied that the plan was a government decision and emphasised that they would prefer an income-related allowance. As a result, the energy cheques were abandoned. Instead, purchases of heating oil from June 1st to September 30th would be reimbursed by a maximum of 17.35% (i.e. the total of VAT and excise duties) – as long as prices didn't drop below 50 cents per litre. Purchases made from October 1st to December 31st get the same discount from the suppliers. Suppliers could allow payment in monthly instalments on a voluntary basis until December 31st. After that the government would ensure this opportunity within a radius of 25 kilometres. A € 100 million fund was created to issue loans for energy saving renovations and the maximum tax reduction for these renovations was increased from € 720 to 1.200. After a collision with the transport unions, excise duties on "professional diesel" were to be repaid every 50 days rather than every six months. In addition, the paperwork required was reduced.

An extra € 10 million was allocated to the communities to aid schools, homes for the elderly, and other non-profit institutions in paying their energy bills. The communities agreed to double the amount out of their own means on December 7th.

Tax Arrears – In the 2005 budget the government planned to 'sell off' hardly recoverable tax arrears. Fortis Bank was selected to convert € 10 billion worth of tax arrears, with a nominal value of € 500 million, into marketable bonds.

Corporate Taxes – On June 22nd Belgium was the first EU member state to introduce a system of "notional tax reductions". As the EU had prohibited coordination centres offering multinationals financial services at reduced rates, starting from 2007 companies are allowed to reduce their taxable income by a fictional interest on the owner's equity – comparable to borrowed capital. The interest rate was fixed at the average interest on ten-year linear bonds (and a maximum of 6.5%). An obligation to keep the tax reduction in reserve for three years was later dropped. In addition, a 0.5% tax on capital investment in corporations was done away with.

Unregistered Securities – The socialist parties agreed to the "notional interest reductions" on the condition that unregistered securities would be outlawed, com-

bating fiscal fraud. Securities issued in 2006 and 2007 have to be registered before December 31st 2012 or converted into securities accounts. Unregistered securities cashed in after January 1st 2016 are fined at 10% of their value per year of arrears.

The Ageing Fund – The rise in the ageing population was estimated to cost € 10.8 billion or 3.6% of GDP. The reserves of the Ageing Fund, established in 2001, amounted to € 13 billion – exclusively from non-recurring donations. For this reason, from 2007 a fixed amount of the budget surplus would be allocated to the Ageing Fund. The amount started off at 0.3% of GDP, increasing every year by 0.2% – up to 1.3% in 2012.

B. The 2006 Budget and the Federal Policy Declaration

The 2006 budget was drawn up concurrently with the negotiations with the employers' and employees' organisations on career ends, the funding of the social security sector and inflation-proof welfare benefits.

The 2006 budget estimated the revenues at € 45,598 billion, expenditure at € 46,217 billion. The total deficit, including local authorities, amounted to 0.1% of GDP. Public debt was predicted to decrease to 90.7% by the end of 2006. Additional revenues were sought in the form of an advance levy on investment funds consisting for more than 40% of bonds. Insurance companies would be charged 1.1% on life insurance premiums. In return, the maximum amount of contributions (before indexation) to a pension fund that is tax-deductible was increased from € 500 to 625. A fiscal regularisation campaign that would exempt persons and businesses, who declared 'overlooked' earnings, from fines and prosecution, was expected to bring in € 400 million. Other earnings, including from personal effects, would be fined 5% before December 31 2006 and 10% after that. Combating fiscal fraud would yield another € 130 million – mostly from stipulations in the VAT code to preclude abuse of the law. The government hoped to gain € 600 million from selling off claims of VAT arrears. Part of this was earmarked for modernising tax inspection (Inland Revenue). A tax on idle power plants worth € 100 million ought to encourage Electrabel to sell its unused capacity to the competition. In cooperation with a private partner a closed-end property investment company (sicafi – comparable to the US Real Estate Investment Trusts) would be established charged with the management of public buildings. In 2006 the revenues were estimated at € 560 million, including a property project involving the Tokyo embassy.

In the Federal Policy Declaration on October 11th, Prime Minister Verhofstadt warned that efforts are needed to secure prosperity in the light of globalisation and the rise in the ageing population. He emphasised that, contrary to most European countries, Belgium enjoyed a balanced budget for 2006. Economic growth was predicted to exceed the Euro Area average – even if the aim of creating 200,000 additional jobs had proven elusive. In response, the opposition targeted the fiscal regularisation campaign and the advance levy on investment funds.

They were joined in their criticism by the financial institutions. Investment funds are a safe and attractive investment for approximately a million people, including many retired persons. The measure was steeped in obscurity for the better part of a month.

Only after some time it was specified that the advance levy would target only the surplus value of the bonds share of the investment fund – rather than the entire surplus value. The levy was also limited to funds with a European passport. The range of application could be extended, if the revenues would prove to be disappointing. After 2008 the entire surplus value would be taxed.

In its report presented on November 17th, the State Audit Office regretted that the balanced budget was obtained mostly by non-recurrent measures and that, contrary to 2005, no reserve was included to safeguard against a slump in economic growth. It also criticised the “anchor principle” that limited expenditure, excluding wage and interest payments, to 80% of the earmarked funds – leading to the postponement of payments and delay interests.

V. Home Policy

A. Institutional Regulations

Register of Interests – Since 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 are required to register all elected mandates and outside jobs, as well as a sealed declaration of property. On August 12th the State Audit Office published the mandates of over 7,000 politicians. In total, 295 persons failed to register their mandates, 425 persons a declaration of property. Prosecution did not ensue, as the Public Prosecutor and the State Audit Office both waited on the other to take the initiative.

B. The Reform of the State

On January 19th the Forum for Institutional Reforms, established in 2004, met for the first time. Unable to agree on the agenda, whether to consider reform proposals of the Senate before or concurrently with the issue of more coherent areas of federal, regional and community competence, the forum did not reconvene in 2005.

Following the failure to divide the Brussels-Halle-Vilvoorde constituency, several political leaders expressed their conviction to prepare discreetly for the next stage in the process of the reform of the state, planned after the 2007 elections. On a related note, PS president Elio Di Rupo surprisingly called for a referendum on the continued existence of Belgium.

On November 29th a Flemish think-tank 'In de Warande' presented its *Manifest for an Independent Flanders*, co-signed by over 50 business persons and scholars. The think-tank argued that the federal model was ill-adapted to the challenges of globalisation, international competition, and the rise in the ageing population due to major differences between Flanders and Wallonia. As a result, Belgium held no added value for Flanders.

Lambermont – On November 7th a working-group established by the Inter-Ministerial Conference on Foreign Policy convened to settle the transfer of development aid policy to the regions and communities, decided in 2001. A preparatory list of issues to be addressed, expected by the end of 2002, had never been completed. On this occasion too, the working-group failed to reach a consensus in light of the opposition by Federal Minister Armand De Decker. Similarly, the Flemish and French communities failed to agree on the transfer of the National Botanical Garden to the competence of the Flemish government.

Electronic Communication – The federal and community governments reached an agreement on the cooperation between the Belgian Institute for Postal Services and Telecommunication (BIPT) and the three community media regulating agencies. Such an agreement was required, after the Court of Arbitration annulled unilateral attempts by both the federal and community governments to settle the issue of electronic transmission networks. By the end of 2005 the Flemish government still continued to refuse ratification, as long as the BIPT omitted to take action against francophone radio stations that jammed Flemish broadcasts.

C. Communal Problems

Peeters Circular Letter – In a joint statement on December 23rd the presidents of the francophone parties promised to observe the Court of Arbitration's rejection of an appeal to annul the Peeters and Martens circular letters. They would, however, continue to support any effort to combat their implementation. The issue resurfaced in the course of the negotiations concerning the division of the Brussels-Halle-Vilvoorde constituency. After these negotiations came to nothing, the Flemish government readopted the circular letters, inserting parts of the Court of Arbitration's rulings.

Cliveti Resolution – The Parliamentary Assembly of the Council of Europe charged Minodora Cliveti, a Rumanian Member of Parliament, with the investigation of the use of language in the Brussels public hospitals and emergency wards. The matter was considered in the Social Affairs Committee after Latvian Member of Parliament Boriss Cilevics concluded in 2003 that the de facto francophone character of the hospitals posed a grave problem of a social rather than a judicial nature. On June 21st Cliveti's resolution was adopted, calling for measures improving the provision of services in both languages, the ratification of the framework treaty on the protection of national minorities, and bilingual schools throughout

the territory of Belgium. Extensive lobbying by Flemish representatives resulted in an amended resolution, striking the characterisation of the francophone population in Flanders as a national minority and the call for bilingual schools.

Linguistic Courtesy Agreement – On April 21st the Council of State suspended three letters by the Brussels government allowing municipalities, social services and hospitals to hire unilingual staff on a temporary basis. The letters found support in the 2004 linguistic courtesy agreement, signed by the coalition partners in the Brussels government. The court, however, ruled that even temporary hands need to be able to speak both languages. As a result, the Brussels government was compelled to annul unlawful appointments made by the Brussels municipalities and social services. In a reaction, Brussels Prime Minister Charles Picqué promised to uphold the policy agreement and refused to be accessory to “dismissals that would threaten the provision of services to the population”.

VI. Policy on Asylum and Foreign Residents

In 2005, 15,957 foreign residents applied for asylum, i.e. an increase by 600 compared to 2004. 3,059 were successful, compared to 2,275 the previous year. To reduce the considerable backlog at the Council of State – over 25,000 asylum cases awaited judgment – a separate administrative court was established to settle appeals to decisions made by the Commissioner General’s Office for Refugees and Stateless Persons. In its final report, the Vermeersch Committee, created after Nigerian Sémira Adamu died in 1998 while being deported, concluded that the use of force may be moral in the face of resistance – the use of sedatives or any kind of force after the person has been “immobilised”, however, is not. The Commission for Inter-Cultural Dialogue advocated that cultural minorities would be free to choose the holidays they’d like to observe, as well as the establishment of a Belgian Islam Institute – part educational centre, part arts centre.

In December, the government authorised the sale of three former holiday resorts (in Houthalen-Helchteren, Westende and Vresse-sur-Semois) that at some point had been destined to house asylum seekers. Legal proceedings instituted by local authorities and citizens ensured that only Westende’s *Zon en Zee* was actually used for this purpose. After a court had prohibited even this asylum seekers’ centre in 2003, the government agreed to sell the three properties.

Throughout the spring, the Remmery case made the headlines. In this period, the company’s manager, Rik Vannieuwenhuysse, received a total of seven death threats, demanding that Naïma Amzil, a foreign employee, would take off her headscarf in the workplace. Later on the letters pressed for her dismissal. In a response in the press, the Flemish government condemned racism, discrimination, and any form of blackmail or intimidation. And on April 19th the King and Queen visited the Remmery plant in West Flanders. By the end of 2005 the police

were still in the dark – although some pointed to the husband of a former employee whom Vannieuwenhuysse was rumoured to have had an affair with.

VII. Policy on Justice and the Police Forces

Reform of the Judiciary – On June 22nd, the cabinet adopted Minister Onkelinx's Themis Plan. The plan proposed to decentralise management of the judiciary to 27 judicial districts and the five jurisdictions of the courts of appeal. Each would be led by a committee of five managers and the districts' superintendents. In light of the opposition spearheaded by the High Council for Justice and the Council of Public Prosecutors, Minister Onkelinx was forced to postpone pilot projects in Ghent, Mons and Charleroi.

Judicial Backlog – In August, the workforce in the Ghent Court of Appeal was increased. Earlier, similar increases, made conditional upon the reduction of judicial backlog, were realised in the Dendermonde Court of First Instance and the Antwerp and Brussels courts of appeal.

Assize Jurisdiction – In its report, the Committee for the Reform of the Assize Court recommended to reduce the number of professional judges from three to one and the number of jurors from twelve to eight. Jury and judge would consider the questions of guilt and sentence together. Procedural issues would be settled separately beforehand. The age restrictions for jurors would be relaxed (between the ages of 25 and 60) and the opportunity to strike a juror removed, unless on objective grounds. In an earlier report, the twelve committee members had pleaded for a criminal court consisting of two professional judges and three citizens, but Minister Onkelinx had preferred to retain a reformed Court of Assize.

Juvenile Courts – On January 12th the Chamber Justice Committee debated on the reform of juvenile courts. The bill regulated mediation between perpetrator, parents and victim, and allowed sentences to have consequences up to the age of 23 (rather than 20). Additional sentences included educational public service, reparatory mediation, or the appointment of a reference monitor. A special juvenile court was proposed as part of the magistrates' courts in the case of felonies committed by a minor of 16 or older.

Important differences lingered north and south of the linguistic border. In Flanders, there was a consensus to allow juvenile courts to try felonies, whereas in the Walloon provinces the emphasis was firmly on re-education. Felonies would be tried by a criminal court, rather than a juvenile court. To object to this practice, the Flemish government terminated cooperation concerning the Everberg correctional institution. In the ensuing consultations, the community governments agreed that a criminal court would be established as part of the juvenile courts, rather than a juvenile court as part of the magistrates' courts. By the end of 2005, a number of issues remained uncertain.

Terrorism – In December, Parliament adopted a bill combating terrorism and organised crime, after the Court of Arbitration had removed a number of stipulations from a previous bill in 2004. Under the new rules, the court of indictment is charged with monitoring special acts of investigation, including surveillance operations, house searches, and the collection of evidence from bank accounts or vaults. In addition, five investigating judges can be appointed, specialised in terrorism, operating throughout Belgium.

On October 17th, the government agreed to establish a Coordinating Centre for Analysis of the Threat (OCAM), collecting and assessing information obtained by police and intelligence services. The centre was to replace the Anti-Terrorism Joint Group (AGG) that claimed to have opened over 200 investigations in three years time.

Policy on Drugs – The Council of Procurators-General refused to implement Minister Onkelinx's circular letter on the use of cannabis. In the letter, the concepts of 'problematic use' and 'public nuisance' that the Court of Arbitration had previously removed were used. In a joint letter with the minister, possession of three grams of cannabis by a major would simply be noted, yet not prosecuted. The offence could, however, be added to an existing or future criminal case.

VIII. Employment and Social Policy

A. Employment

On December 31st, there were 451,782 unemployed entitled to an allowance, i.e. 0.6% fewer than in 2004. The decrease in Flanders (4.3%) offset increases in Brussels (2.8%) and Wallonia (0.8%). The unemployment rate, however, continued to rise to 12.9%, up by 0.1%. For the first time in over 15 years, the unemployment rate exceeded the Euro Area average.

In its annual report, the Central Economic Council predicted for 2005 and 2006 a 1.5% increase in employment – slightly more than in Germany, France, and the Netherlands. Wages were calculated to increase by an extra 2.1%, compared to these countries. In a response, the National Bank of Belgium Governor Guy Quaden called for "all-in agreements" with the employers' and employees' organisations, in which higher inflation is compensated by lower increases in wages in real terms.

On July 20th a number of measures combating youth unemployment were announced. The number of first employment jobs was doubled in the federal civil service, up to 3%. Part-time students are offered € 500 for two years when they accept an internship – and an extra € 750 upon completion. Employers offering internships receive a similar amount. To encourage youngsters to start their own business, they are entitled to three- to six-month payments during the qualifying

period for school-leavers (on top of a € 375 allowance for expenses). Interest-free loans were doubled from € 2,250 to 4,500.

The National Employment Office reported that 84,567 young unemployed persons had been contacted after the new rules on monitoring the availability of unemployed persons came into effect on July 1st 2004.⁶ Most of them actively and effectively looked for employment. Only 1,100 saw their benefits suspended temporarily, 52 indefinitely. On July 2nd, the target population was extended to the under-40's. Complaints that the Walloon Department of the Employment Agency (FOREM) no longer provided suitable job offers on an individual basis (and thus could not monitor the willingness to work) led to more precise arrangements between the three regions. In addition, the regions signed an agreement to encourage interregional mobility among the work force.

In the fall, the liberal and socialist parties argued over the opening of the labour market to citizens of the new EU Member States. While the latter favoured the continuation of the provisional limitations until 2009, the liberal parties hoped to open up the labour market by 2006.

B. Social Negotiations

Unable to reach a general or inter-professional agreement in 2004, employers' and employees' organisations accepted a time-out and resumed social negotiations in January 2005. Point of departure was a non-paper by the government on tax reductions, night and shift work, minimum wages and early retirement. But negotiations only effectively commenced after the government earmarked € 252 million for an inter-professional agreement. On January 18th, a "balanced" agreement was reached.

An indicative norm for pay raises was fixed at 4.5% – the indexation of wages accounted for 3.3%. Maximum overtime was recommended to be raised from 65 to 130 hours per year. Employees would be given the choice between additional pay and holidays for the first 65 hours. The remainder would be settled by the sector. Both employer and employee would receive a tax reduction of 16.5% on the first 65 hours of overtime (at a cost of € 80 million). In addition, the government earmarked € 120 million to raise the exemption of advance tax payments on shift work from 1% to 2.5%. The lowest incomes were offered an employment bonus in the form of a reduction in social contributions, at a total cost of € 40 million. Three schemes for early retirement at the age of 56 were renewed: for disabled construction workers, for employees having worked for 33 years or longer (including 20 years of night or shift work), and part-time early retirement. The Enterprise Closure Fund was offered an extra € 7 million, reserved for businesses employing 10 to 20 persons. Another € 5 million was earmarked to establish a fund, encouraging the employment of the disabled.

6. S. DEPAUW, M. DEWEERDT, *Belgian Politics in 2004*, *Res Publica*, 2005, 2-3, pp. 244-245.

Ratification of the agreement proved difficult. Contrary to the Christian Democrat and liberal unions, the socialist union ABVV rejected the agreement with a narrow margin. The government intended to proceed regardless.

C. Social Security

The social security sector was headed towards a € 1,089 billion deficit in 2006. To prevent this, the government decided to earmark 15% of early tax payments and 32.5% of the excise duties on tobacco to the social security sector, or € 430 and 174 million respectively in 2006. Combating social fraud was estimated to yield € 80 million. The pharmaceutical industry was charged € 162 million and compelled to build up a € 79 million reserve as a guarantee that the drugs budget wouldn't be exceeded.

Health Insurance Budget – In 2005 the health insurance budget, approximately € 17.3 billion, wasn't exceeded – as a result of the € 500 million cutbacks made in April. The April Health Bill fixed the price of a number of common surgeries, rationalised GPs' prescriptions, and introduced the kiwi-model (public contracts for drugs with an expired patent and reimbursements on the basis of generic medicine prices). In a last ditch effort to balance the books, Minister Rudy Demotte raised the non-refundable parts of patent medicine expenses (when a generic medicine is available) and introduced a special levy of 1.5% on the pharmaceutical industry's turnover.

Demotte refused to raise doctors' fees, as their part of the budget threatened to be exceeded by € 9.5 million and a change in doctors' prescriptions failed to occur. On September 24th 1,200 GPs demonstrated in Brussels. In addition, they opposed the more severe penalties introduced earlier on ignoring the new prescription regulations. On December 19th, GPs and insurance funds agreed to raise fees by 2.26% for 2006 and 2007. GPs would receive € 25, rather than € 20, for keeping their patients' global medical records, as well as a special fee for working on Friday nights.

The 2006 health insurance budget was estimated at € 18,427 billion, i.e. an increase by 6.7% compared to 2005. € 141 million was earmarked for new initiatives, including the integration of the fiscal and social maximum bill and the maximum non-refundable part of medical expenses a family can be charged (dependent on its income). The maximum bill was decreased from € 2,500 to 1,800 (for a family earning over € 53,582).

Physiotherapy – On June 20th a competitive exam was introduced to select acknowledged physiotherapists. In the 2005-2009 period, per year 270 Flemish and 180 Francophone physiotherapists could be accredited. On the day of the first exam, 1,200 students demonstrated in protest.

IX. Policy on Mobility

A. Zaventem Airport and the Flight Dispersal Plans

Even as civil courts continued to annul the government's solution to the dispersal of night flights over the wider Brussels area, the issue was further complicated by the hazy division of competences in the matter: while the federal government was charged with the allocation of the runways, the regional governments determined noise pollution regulations.

At issue was first and foremost the use of runway 02/20 that ran north to south – plains using this runway passed over the eastern rim, over Kraainem, Sterrebeek, Wezembeek-Oppem, Tervuren, Sint-Pieters-Woluwe, and Oudergem. Use of the runway had been prohibited by the Brussels Court of First Instance on December 14th 2004. Relaxation of the wind safety norms allowed alternative runways 07L/25R and 07R/25L (running east to west) to be used more often.

In response, the government reduced the use of runway 02/20 to three nights a week and in the northern direction. In addition, plains would leave on Saturday mornings from runways 07L/25R and 07R/25L and from runway 02/20 after 14h (rather than alternate every other Saturday). To stop civil litigations the procedure and conditions for determining flight plans would be put into law.

That, however, didn't prevent the Council of State to suspend the new plan on May 11th, following complaints from the eastern rim inhabitants. As flight plans were adapted, more flights passed over the northern rim. As a result, the Council of State also disallowed the use of runway 25R/07L on Saturdays a month later, in response to complaints by the local population. Moreover, the Brussels Court of Appeal granted the government three months to observe the Brussels regional noise pollution regulations. After that, damages would be charged of € 25,000 per offence. Minister Landuyt admitted the plan was "in shatters".

Point of departure for the negotiations with the regions was Landuyt's Prospect 2008 Paper, presented on September 14th. The aim was to reach an agreement for the post-DHL period after 2008, before negotiating the period up to 2008. The paper proposed to reduce the number of night flights to 18,000 per year, to use runways 25R/07L and 25L/07R day and night, and to delimit a number of uninhabitable areas. Runway 02/20 would only be used when necessitated by wind conditions. The federal and regional governments only reached a partial agreement. New overtures by the federal government failed to obtain the agreement of the regions, however. In a response, Minister Landuyt acknowledged that he had to take seriously the possibility that no agreement would materialise before 2008.

B. Railways

On January 28th, Jannie Haek, principal private secretary of Deputy Prime Minister Vande Lanotte, was appointed CEO of NMBS Holding. He replaced Karel Vinck.

The European Commission accepted the reorganisation of ABX Logistics, Belgian Railways's courier service. As ABX would be sold to the British holding 3i, the Commission didn't object to the conversion of € 176 million accounts receivable into capital, or to the earlier investment of € 126 million by Belgian Railways. ABX had cost Belgian Railways approximately € 1.7 billion.

X. Foreign and Defence Policy

A. Foreign Policy

European Union – On January 23rd Spirit withdrew its support for a referendum on a European Constitution. As a result, such a referendum was rejected in the Chamber Committee. Spirit president Geert Lambert explained he refused to allow Vlaams Belang to narrow down the issue to Turkey's accession. Yet, many saw SP.A's hand in the decision – Spirit's cartel partner had opposed a referendum from the start.

In 2005, eight parliaments adopted the European Constitution. Consideration of the bill in the Flemish Parliament was tabled for 2006.

The EU 2007-2013 budget awarded Belgium approximately € 60 million less in subsidies. Flanders lost 40% of its EU support for rural development. Transitional provisions allowed the province of Hainaut to retain € 614 million in assistance.

Congo – A number of disturbances continued to dog relations with Congo. In a paper that was distributed among journalists accompanying Foreign Minister Karel De Gucht on his visit to Congo President Kabila's parentage was questioned. As a result, a meeting with Kabila was postponed several times. Moreover, De Gucht declared upon his return that "few politicians in Central Africa were up to the task". A few months later a letter was leaked to the press, in which De Gucht expressed his concern about the levels of corruption and inflation in Congo.

Rwanda – On May 31st the Court of Arbitration discontinued the prosecution of Rwanda's president Kagame. Under the new law on genocide, some connection to Belgium was required. Nevertheless, two Rwandese citizens Nzabonimana and Ndashyikirwa were sentenced to 12 and 10 years for their involvement in the 1994 genocide. Both had been apprehended in Belgium.

On September 6th Guy Theunis, a priest of the Congregation of Missionaries of Africa, was arrested in Kigali. The magazine – he was working for at the time of the genocide – was accused of incitation to race hatred. A popular tribunal (gacaca) referred Theunis to court. Intensive lobbying obtained the priest's extradition to stand trial in Belgium.

Tanzania – In March, commotion ensued after Walloon Foreign Minister Marie-Dominique Simonet (CDH) granted New Lachaussée a permit to modernise an

ammunition factory in Morgoro – near Dar Es Salaam. Following Flemish protest, the Walloon government agreed to investigate the case. On June 23rd the permit was revoked, though not after New Lachaussée was compensated (€ 5.2 million). The modernisation of the factory was deemed to threaten the fragile peace process in the Great Lakes region.

United States – In February, on a five-day visit to Europe, President George W. Bush repeated to favour a strong, unified Europe, as the US need a strong ally to succeed in their mission to bring peace and freedom to the world. Bush attended the NATO summit and the European Council.

The Netherlands – In response to the Dutch rejection of the European Constitution, De Gucht characterised the Dutch Prime Minister Jan Peter Balkenende as “a mix of Harry Potter and petty bourgeoisie, lacking charisma.” After De Gucht apologised, both agreed to end the issue. Perhaps even more harmful had been De Gucht’s pretext that his words had been changed by the journalist – a pretext he later had to withdraw when the tapes were made public. His characterisation of Balkenende was repeated a few months later by Budget Minister Freya Van den Bossche. She later regretted the remark but maintained her criticism of Balkenende’s harsh austerity policies.

B. Defence Policy

On July 20th, the government assented to the € 1.3 billion purchase of 242 armoured cars, 10 helicopters, and two second-hand frigates from the Dutch Navy. Two supply-contracts for 620 light jeeps and the modernisation of the Pandur reconnaissance vehicles – that had been agreed to earlier – were assigned to Iveco (Italy) and Thales (France) respectively. Promises of compensatory orders by the two companies decided the issue.

On July 6th four F-16 planes joined the ISAF peace corps in Afghanistan for six months, to safeguard the September 18th general elections.

XI. Other Events and Developments

Royal Family – In 2005 Belgium celebrated the 175th anniversary of its independence and 25 years of federalism. Meanwhile, Prince Filip caused a stir by signing a declaration by the employers’ organisations calling for more liberalisation and socio-economic reforms. An official response explained that the Prince had signed the document “as a witness only”. In Parliament, the Prime Minister repeated that members of the royal family ought to refrain themselves from making political statements.

On October 4th Prince Philip's third child Emmanuel Leopold Guillaume François Marie was born. On December 13th, his twin nephews Nicolas Casimir Marie and Aymeric Auguste Marie, Prince Laurent's sons, were also born.

Parliament – On March 17th Anne-Marie Lizin, Speaker of the Senate, apologised for having asked a judge to “reconsider a divorce case”. The majority parties accepted her apologies, but demanded the creation of a committee to establish a code of conduct. Home Minister Dewael reprimanded Lizin as mayor of Huy.

In the summer, former football player Marc Wilmots was urged by his party not to resign. As the last MR-substitute had been sworn in following the 2004 elections, by-elections would be necessary. Wilmots agreed to attend only the most important votes in the Senate. He announced to transfer his wages to an organisation favouring youth participation in sports.

Muslim Council and Executive – On March 20th 34 Dutch-speaking and 34 Francophone members of the General Assembly of the Muslims of Belgium were elected. 45,000 out of 70,000 registered Muslims participated. On October 2nd the Muslim council installed the Executive – after the candidates had been screened by the national security police.

Elia and Electrabel – On June 1st an EU directive was put into law that allowed electric mains administrator Elia to fix its prices for four years rather than three months. Elia had awaited the law to issue extra shares worth € 150 million. In return, Elia would contribute € 25 million to the connection of the North Sea wind turbines to the mainland.

On August 9th French utility company Suez announced its bid on Electrabel. This raised strategical questions about Belgium's supply of electricity being entirely in French hands. Suez assured that Electrabel would be a European company, that its head office would remain in Brussels, and that the Belgian presence in Suez' management would be reinforced. Many municipalities who were shareholder of Electrabel were advised to use the revenues of these shares to strengthen their presence in Elia and Fluxys – the electric and gas mains administrators. Suez agreed to give up its blocking minority participation in Elia (but not in Fluxys).

Road Safety – On March 1st Parliament amended the 2003 law on road safety, after the Court of Arbitration had annulled a number of subdivisions. Traffic offences were divided in four categories, on the basis of the danger they pose to persons' safety. The maximum fines were reduced. The date they would take effect was postponed until April 2006.

Gay Adoption – On December 1st the Chamber opened the opportunity of adoption to same sex couples. The bill was supported by the socialists, Ecolo, and most of the VLD members of parliament. At first CD&V had agreed to the bill, but later withdrew its support in the face of internal opposition.

Avian Influenza A – Following the outbreak of avian influenza A (bird flu H5N1) in Rumania and Turkey, Piet Vantemsche was charged with the coordination of activities combating the virus. Vantemsche headed the Federal Agency for Secu-

rity of the Food Chain. From October 28th to December 15th birds and poultry in high-risk areas had to remain cooped up.

XII. Events and Developments in the Political Parties

VLD – Throughout 2005 discord in the liberal party made the headlines. On January 27th, the statutory committee was asked to expulse Hugo Coveliers from the party. In 2003 he had been dismissed as party group chairman in the Senate and earlier in 2005 he had been removed from the party executive. In a response, Coveliers announced that he would stand in the 2006 local elections under a new party banner, later named VLOTT (Flemish, Liberal, Independent, Transparent and Tolerant). The statutory committee complied on February 8th.

The party's economic conference on May 20-22nd was overshadowed by the increasing tensions between party chairman Bart Somers and Jean-Marie Dedecker. As a result, the party executive empowered Somers to expulse members who continued to disregard the party position, most notably on its persistent rejection of any cooperation with Vlaams Belang. On May 24th Patricia De Waele was suspended for four months. Boudewijn Bouckaert resigned from the party executive after Somers threatened to expulse him from the party. Meanwhile Jean-Marie Dedecker continued to cause resentment among the party leaders. Nevertheless he was rumoured to succeed Verwilghen in the government, if the latter was confirmed as Commissioner for Human Rights. This effectively silenced Dedecker and Somers happily announced that "fifteen dark months" had come to an end on December 4th.

After the tragic suicide of its founder Ward Beysen, *Liberaal Appèl* sought to reunite with the liberal party. In an in-between stage, both parties would present joint lists in 15 municipalities.

SP.A – On May 25th party president Steve Stevaert announced his resignation to become provincial governor in Limburg. On October 15th his successor Johan Vande Lanotte was elected by 93.4% of the vote in a postal ballot. Caroline Gennez would remain vice-president of the party. Six members of *Animo* formed a youth cabinet to safeguard party reform. In a statement, Vande Lanotte favoured the continuation of a "government by committee", including Caroline Gennez, Patrick Janssens (mayor of Antwerp) and ministers Frank Vandenbroucke, Freya Vanden Bossche, and Pascal Smet.

On July 4th, *SP.A* and *Spirit* decided to present joint lists at the 2006 local elections.

CD&V-N-VA – On February 19th *CD&V* and *N-VA* formed a cartel for the 2006 local elections.

The February 17th law on the public funding of political parties relaxed the condition to have representatives in both chambers. As a result, N-VA retained its public subsidy, even after having lost its representation in the Senate.

Vlaams Belang – Discord was also evident in *Vlaams Belang*. At issue was the possible presence of Muslims on the party list – a possibility that was put forward by Gerolf Annemans. In a response, Filip De Man, a Member of Parliament, denied that “real Muslims could be democrats”. At the request of party president Vanhecke, the party council urged members to solve their differences behind closed doors.

On November 26th *Vlaams Belang* convened a party conference on its economic programme. It was the first time, the party held a conference on the issue.

In August the law on the public funding of political parties was refined in order to make it possible to revoke public funding when parties are found in contempt of human rights. PS, supported by CDH, Spirit and SP.A, wanted to cut *Vlaams Belang*’s funding, following an interview by Filip Dewinter in which he characterised the party as “islamophobic”. The expiration date passed, however, without an actual complaint.

PS – In the fall, irregularities at public housing departments – most notable at La Carologienne in Charleroi – cast a slur on the PS’s reputation. As a result, three public housing administrators resigned. Only after strong pressure from the party did they agree to resign as PS aldermen as well. Meanwhile Walloon Prime Minister Van Cauwenberghe had fallen in disrepute when it was leaked that employees of La Carologienne had worked at Van Cauwenberghe’s lawyer’s office. When he felt he no longer enjoyed Di Rupo’s support, Van Cauwenberghe resigned.

In violation of party rules, Di Rupo succeeded him at the head of the Walloon government. He retained his position as party president. On October 4th the party conference agreed to change the party rules to allow for this cumulation. Later on similar irregularities were made public in Tubize, Ottignies, Saint-Ghislain, Mons, Binche, Waremme, Liège and La Louvière.

On November 28th Gilles Doutrelepon was appointed *délégué à la renovation*. He was charged with the supervision of party reforms in 14 federations and 700 local branches of the party.

Ecolo – On September 23rd *Ecolo*’s General Assembly agreed to replace the federal secretaries by two co-presidents, one representing Brussels and one the Walloon provinces, as well as a secretary-general. Central party office was also granted a veto in the federal and regional candidate selection processes.

FN – In February, party president Daniel Féret expelled member of parliament, Paul Arku, from the party. In return Arku and others expelled Féret. They favoured the reform of the party into an anti-racist Force Nationale. The Speaker of the Senate decided to suspend public funding of the party until the issue was resolved.