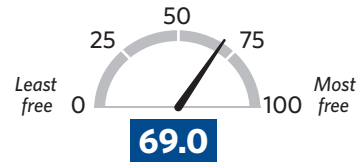


# BELGIUM

## Economic Freedom Score



World Rank: **38**

Regional Rank: **18**

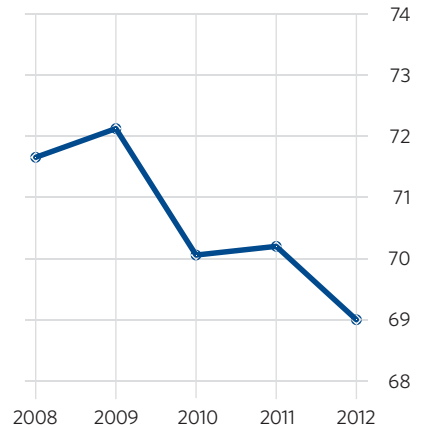
**B**elgium's economic freedom score is 69, making its economy the 38th freest in the 2012 *Index*. Its overall score has declined 1.2 points from last year, primarily reflecting a significant deterioration in government finance. Belgium is ranked 18th freest among the 43 countries in the Europe region, and its overall score is above the regional and global averages.

The global financial crisis has caused a sharp economic slowdown in Belgium. In response to turmoil in the banking sector and the subsequent contraction in overall economic activity, the government has stepped in to support the financial system and implement a moderate-size fiscal stimulus package. The economic recovery that began in mid-2009 has been modest and uneven, and the soundness of public finance has deteriorated.

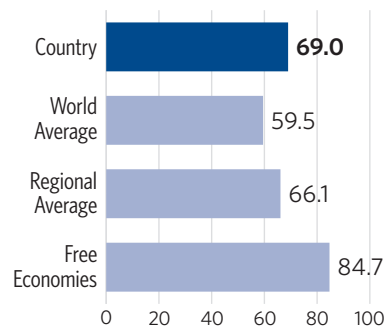
More positively, with strong foundations of economic freedom in place, Belgium's economy has long benefited from open-market policies that support global trade and investment. However, lingering structural weaknesses hinder international competitiveness. The tax system is burdensome, and the extensive welfare state requires heavy state spending. Despite modest improvements, labor market rigidities remain a considerable barrier to productivity and job growth.

**BACKGROUND:** Belgium is a federal state consisting of three culturally different regions: Flanders, Wallonia, and the capital city of Brussels, which houses the headquarters of NATO and the European Union. Christian Democrat Herman Van Rompuy became prime minister on January 5, 2009. When he was selected to become the first president of the European Council on December 1, 2009, former premier Yves Leterme again became prime minister. In April 2010, an electoral dispute between the francophone and Flemish parties led to the collapse of the coalition government, and negotiations to form a new government were ongoing as of October 2011. Leterme continued to act as caretaker prime minister and committed Belgian forces to the NATO mission in Libya. Services account for 75 percent of economic activity. Leading exports are electrical equipment, vehicles, diamonds, and chemicals.

## Freedom Trend



## Country Comparisons



## Quick Facts

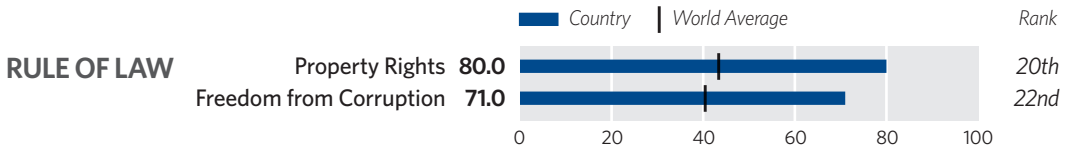
**Population:** 10.9 million  
**GDP (PPP):** \$394.3 billion  
 2.0% growth in 2010  
 5-year compound annual growth 1.1%  
 \$36,100 per capita  
**Unemployment:** 8.3%  
**Inflation (CPI):** 2.3%  
**FDI Inflow:** \$61.7 billion  
**Public Debt:** 96.7% of GDP

### How Do We Measure Economic Freedom?

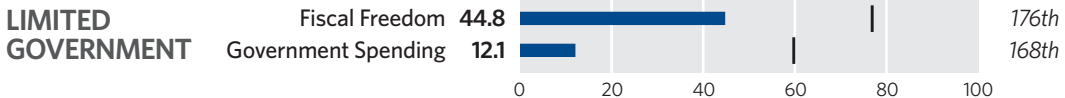
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

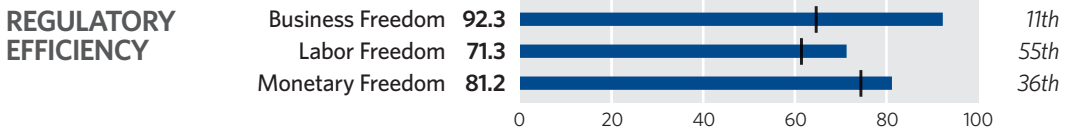
**THE TEN ECONOMIC FREEDOMS**



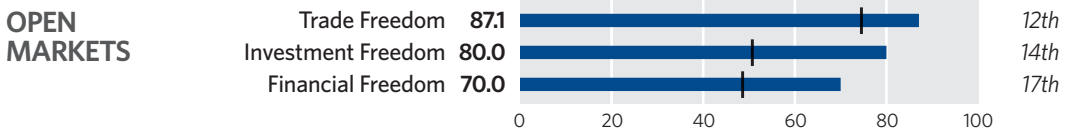
Laws are well codified, and the judicial system is generally respected, but the courts can be slow in practice. Similarly, intellectual property rights and contract enforcement are generally secure, though enforcement actions can be protracted. Corruption is minimal, and the government prohibits and punishes all forms of bribery.



The top income tax rate is 50 percent, and the top corporate tax rate is effectively 34 percent. Other taxes include a value-added tax (VAT) and an estate tax, with the overall tax burden amounting to 43.2 percent of total domestic income. Government spending has increased to 54.1 percent of total domestic output, leading to higher budget deficits averaging 4 percent and growing public debt that has reached 96.7 percent of GDP.



The overall regulatory environment is efficient and transparent. With the cost of establishing a company reduced, starting a business takes only three days and four procedures. Although employment regulations have gradually become less burdensome, the non-salary cost of hiring a worker remains high. Inflation has been modest. Price-control policies affect a range of products and services.



Belgium has low tariffs similar to other members of the European Union, but non-tariff barriers increase the cost of trade. The investment regime is largely open, and the financial sector remains vibrant and generally free from government involvement. Some institutions received bailouts during the recent economic slowdown, and the Financial Crisis Law passed in June 2010 grants the government stronger powers to step in during crises.

**Score Changes**

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	+3.0	-0.3	-0.5
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-12.9	+0.3	0
		Monetary Freedom	Financial Freedom
		-1.3	0