Regional divisions threaten to break Belgium apart

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Belgium, a nation that has existed for 180 years and whose capital, Brussels, is home to the headquarters of the European Union (EU) and the North Atlantic Treaty Organisation (NATO), is today on the brink of disintegration.

Parliamentary elections were held last June 13. They followed upon the resignation of Christian Democratic prime minister Yves Leterme (Christian Democratic and Flemish Party—CD&V) on April 26, which, in turn was prompted by the departure of the Open Flemish Liberals and Democrats (Open VLD) from the coalition government April 22.

Since the June election, some 230 days have passed with Belgium under the rule of only an acting government. Only one country in the world has existed longer without assembling a parliamentary regime—namely, Iraq, for 289 days.

Elections in Belgium are held separately in the north (Flanders) and south (Wallonia) of the country. The strongest regional parties subsequently work together to form national governments. There are no major national parties, although most parties are represented by sister organisations in each of the language regions.

Led by its chairman Bart De Wever in the last elections, the Flemish-nationalist New-Flemish Alliance (N-VA) became the strongest party in Flanders. It won most votes and secured 27 seats in the 150-seat parliament. In the French-speaking south, the social democratic Socialist Party (PS) won 26 seats, making it the second largest parliamentary bloc.

For months, those two parties negotiated with five others about the formation of a government and the reform of state institutions. This came to nothing, and a resolution to the crisis seems nowhere in sight.

De Wever considers Belgium to be the “sick man” of Europe, as the election winner himself explained in an interview with the *Der Spiegel* magazine at the end of last year. De Wever made his position quite clear at the time. “If we join such a (coalition) government, there is a great risk we will lose the next election”. He is striving to establish a republic in Flanders, where about 60 percent of Belgium’s 11 million people live.

Even another, snap election would apparently offer no way out of the impasse. Polls indicate that the same essential constellation of parties would emerge again.

Belgium’s central government no longer wields any significant political or social power. Tendencies towards national fragmentation have been smoldering unchecked for decades, and the government has extended more and more powers to the regions. It has also abdicated many of its responsibilities to the EU, although it remains responsible for the payment of social benefits. Encouraged by the far-right Flemish Interest Party (Vlaams Belang), the Flemish nationalists under De Wever want to terminate benefits payments to the south.

Wallonia in the south of the country is much poorer than the north. Unemployment is three times higher than in Flanders. The northern region generates 65 percent of gross domestic product (GDP).

The Walloon PS, led by Elio Di Rupo, has so far always been against the splitting of the state. However, Deputy Prime Minister Laurette Onkelinx (PS) is now saying: “We must prepare for the end of Belgium”.

Stumbling towards such a breakup, Belgium is increasingly being targeted by international financial institutions anxious about the uncertain conditions that would accompany any split. Who would then be liable for repayment of the state debt and accruing interest? Kornelius Purps, bond analyst at the banking giant Unicredit, explains: “Belgium is right at the top when it comes to public deficit, but that is not the point here. Investors don’t really know what will happen with the debt if the country falls apart”.

Belgium’s 25 top managers and company directors recently issued an open letter, in which they urged Leterme’s acting government to implement a “credible budget” as soon as possible. “It is the only measure capable of restoring the vital trust of investors and avoiding the downward spiral of national decline”, their letter asserted.

Belgium currently has only a provisional budget for the year 2011. To date, the EU Commission has assumed that Belgium will have a budget deficit of 4.1 percent in the current year. Didier Reynders, the outgoing finance minister and member of the liberal Reform Movement (MR), advocates further reductions and savings to cut the deficit to 3.7 percent, because the total state debt is one of the highest in Europe. It corresponds roughly to the value of the country’s annual GDP.

“If we don’t get out of this hell”, fears billionaire investor

Albert Frere, “then financial markets will strike without mercy”. Frere is one of the two dozen executives and corporate heads who signed the open letter.

The risk premium for Belgian government bonds is now at a record high compared to German securities. At the start of last week, the country wanted to bring €5 billion worth of debt onto the bonds market. However, it was only able to sell securities worth €3 billion. The interest rate on 10-year Belgian bonds climbed to more than 4.25 percent for a time last Tuesday. It was less than 2.9 percent on German bonds.

Just six months ago, the interest yielded by Belgian securities was 3.24 percent. According to calculations made by the Belgian debt agency, each interest rate increase of 0.1 percentage costs the state approximately €40 million. In recent years, Belgium has reduced its financial liabilities more than any other country in Europe. Despite the economic crisis of the past two years, the country’s debt grew by only 1 percent, 10 times less than that of Italy or Spain, and 30 times less than Ireland’s.

But now the political crisis is driving the country towards financial collapse. The Standard & Poor’s rating agency has lowered its valuation of Belgian bonds from “stable” to “negative”. “Frightened investors are beginning to sell off their Belgian bonds in droves”, writes the German *Financial Times*. The risk premium for these securities was said to have quadrupled in a year. “Will Germany’s neighbour be the next candidate for bankruptcy after Greece and Ireland, Portugal or Spain?” the paper asked.

Marcel Claes, head of the US chamber of commerce in Brussels, says American investors have long since held back from investing in Belgium.

The Balkanisation of Europe

The possible division of Belgium raises a number of fundamental historical and political issues. The small country between France, Germany and the Netherlands has long been seen as the “battlefield of Europe”. Following the rule first of the Burgundians and then the Habsburg dynasty, it was annexed by revolutionary France in 1794, and 20 years later ceded to the Netherlands by the Congress of Vienna in 1815.

In the wake of the July Revolution in France, Belgium achieved independence in 1830, but always remained a buffer state between France and Germany. During the First World War, it was largely annexed by the German empire to serve as a “transit country”, and later overrun and occupied by Hitler’s troops.

Even before the end of the Second World War, Belgium, the Netherlands and Luxembourg planned to establish a customs and economic union, and this was accomplished with the treaty of the “Benelux” countries in the late 1950s. All three, together with France, Italy and Germany, were among the founding partners of the European Economic Community (EEC). It was not by chance that the Belgian capital, Brussels, was chosen as seat of the EU.

For many years, an attempt was made to even out the economic and social differences among the various European countries and regions. As long as the economy remained relatively strong, European integration seemed to be advancing inexorably. Since the increase in economic tensions in the 1980s, however, and especially since the intensification of the international economic crisis, European integration has gone into reverse.

Suddenly, it has become apparent that contradictions underlying the process of European unification have sharpened. The partial surrendering of national governments’ decision-making powers to the EU—previously welcomed as necessary for fostering integration—has been associated with a strengthening of the regions, which now insist on more autonomy. Political parties foment regional egoism and oppose compensation for structurally weak regions, stressing instead the necessity of their self-reliance.

Developments in Belgium thus constitute only the most extreme expression of the regional chauvinistic and separatist aspirations now seen in many European countries. The situation in Italy is similar. The elite in the north has long entertained the idea of dumping the poor south. This is precisely what Umberto Bossi’s Northern League has been clamouring for.

In Germany, the two richest southern states governed by the CDU/CSU (Christian Democratic Union and Christian Social Union alliance) and FDP (Free Democratic Party)—Baden-Wurttemberg and Bavaria—are currently trying to free themselves from the compensation payments to other federal states.

In Spain, Scotland and France, numerous politicians demand recognition of the interests of various ethnic, religious and linguistic groups. They would be only too happy to become leaders of mini-states with direct access to EU funds and global investors. A breakup of Belgium would lend them momentum in this respect.

Developments in Belgium confirm the assessment of the Marxists, who have always stressed that a unification of Europe on the basis of capitalism is impossible. Only the working class—the only international class—is capable of resolving the European dilemma and uniting Europe on the basis of socialism.