

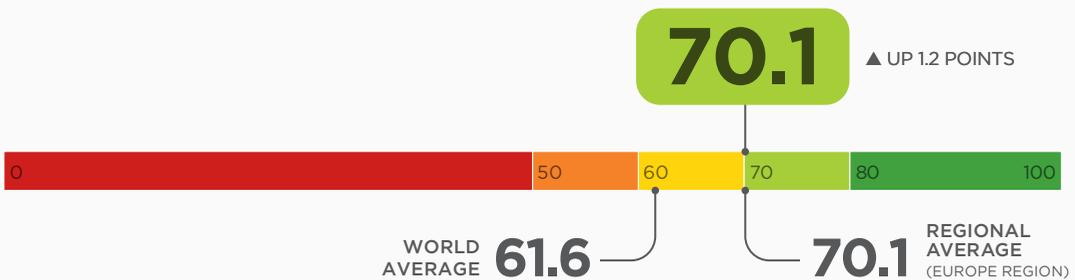
BELGIUM

Belgium's economic freedom score is 70.1, making its economy the 37th freest in the 2021 *Index*. Its overall score has increased by 1.2 points, primarily because of an improvement in **judicial effectiveness**. Belgium is ranked 22nd among 45 countries in the Europe region, and its overall score is equal to the regional average but above the world average.

Economic freedom in Belgium moved higher in 2021, and the economy is now back in the mostly free category from which it fell in 2012. The overriding reason the Belgian economy remains stuck in the moderately free category is chronically high and unsustainable government spending. Efforts to boost job creation, strengthen competitiveness, and consolidate public finances would be encouraged by fiscal restraint.

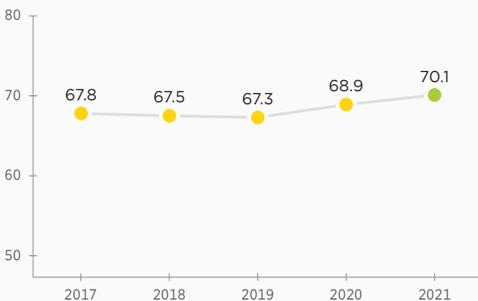
IMPACT OF COVID-19: As of December 1, 2020, 16,786 deaths had been attributed to the pandemic in Belgium, and the economy was forecast to contract by 8.3 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +4.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.5 million

GDP (PPP):
\$572.9 billion
1.4% growth in 2019
5-year compound annual growth 1.7%
\$54,545 per capita

UNEMPLOYMENT:
5.6%

INFLATION (CPI):
1.2%

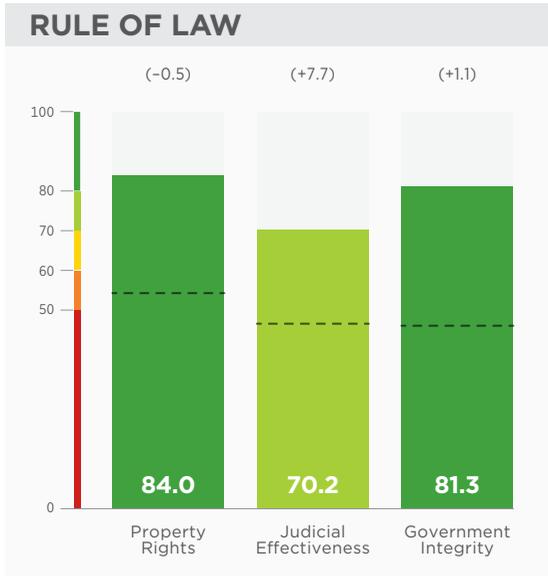
FDI INFLOW:
\$9.7 billion

PUBLIC DEBT:
99.0% of GDP

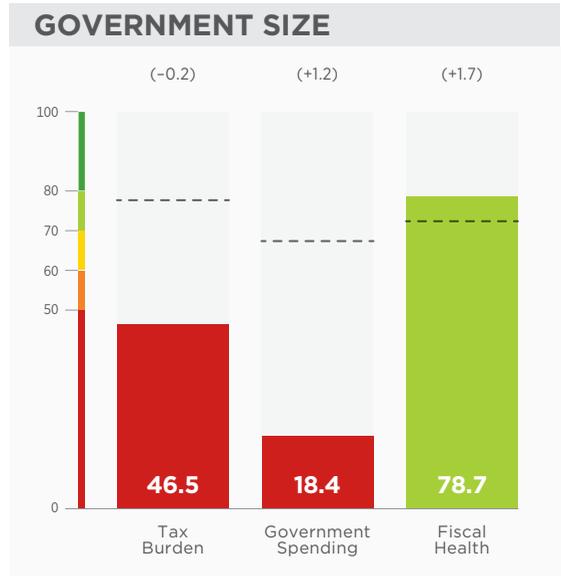
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Belgium is a federal state with three culturally distinct regions: Flanders, Wallonia, and the capital city of Brussels, which hosts the headquarters of NATO and the European Union. In the May 2019 federal elections, the center-right New Flemish Alliance won the most seats in a fractured parliament but failed to win a majority. Efforts to form a coalition have proved unsuccessful, and Sophie Wilmès, Belgium's first female prime minister, has led a caretaker government since October 2019. Neighboring countries have a strong political and economic impact on Belgium. The services sector accounts for a large portion of GDP in the export-driven economy. Belgium boasts a dense network of rails and roadways and Europe's second-busiest port, Antwerp.

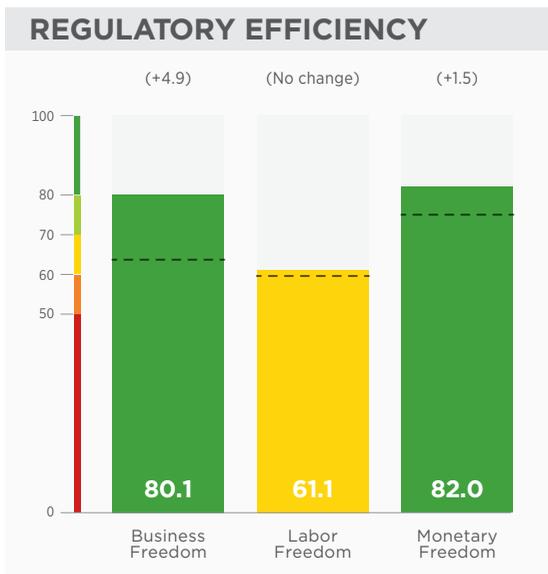
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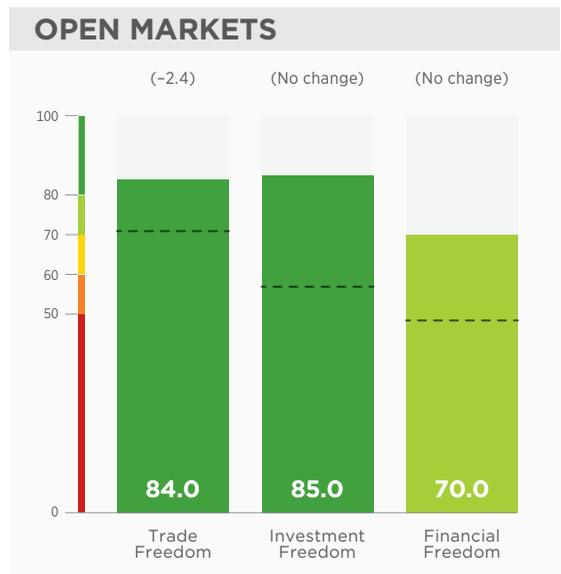
Protection of property rights is reliable, but property registration is cumbersome, and enforcement of intellectual property rights can be protracted. The judiciary is independent both by law and in practice, and court rulings are duly enforced by other state entities. Although corruption is relatively rare, journalists reported in late 2019 that a high-level government official was under investigation for corruption involving bribery and money laundering.



The top individual income tax rate is 50 percent, and the top corporate tax rate is 29 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 44.9 percent of total domestic income. Government spending has amounted to 52.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 99.0 percent of GDP.



Cuts in the rate that employers pay for social security contributions and increases in the notional interest rate deduction have enhanced business freedom. The paid-in minimum capital requirement when starting a business has been eliminated. Employee severance costs are high, however, and the economy has to fund a wide range of subsidies at the local, regional, national, and EU levels. The government has instituted numerous pandemic-related fiscal stimulus measures and subsidies.



As a member of the EU, Belgium has 45 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 3 percent, with 639 EU-mandated nontariff measures in force. Foreign and domestic investors are treated equally. The financial system remains vibrant and generally free from government involvement. No restrictive measures have been implemented in the banking sector over the past year.