

Belgium

An overview of the economy and of the business environment



On January 1, 2024, Belgium took on the presidency of the Council of the EU for the thirteenth time. The presidency of the Council of the EU is assumed cyclically by each member state for a six-month period.

During this period, the Member State holding the Presidency is tasked with chairing meetings at all levels within the Council's work and ensuring the continuity of EU affairs, acting as a loyal and neutral mentor. This timeframe is especially noteworthy for the institution, as it involves a crucial event in June. During this period, citizens from the 27 Member States, totaling almost 200 million voters according to the 2019 elections, will engage in the process of selecting the 720 new Members of the European Parliament.



Belgium's economic growth is expected to remain relatively steady throughout the forecast period, at 1.4% in both 2023 and 2024, and a slightly higher 1.5% in 2025. Taking into account the dynamics of energy prices and the moderating impact of government interventions, inflation is forecasted to reach 2.4% in 2023 and rise to 4.2% in 2024, before subsiding to 1.9% in 2025. Projections indicate that the government deficit will stabilize at 4.9% of GDP in 2023 and 2024, followed by a marginal increase to 5.0% of GDP in 2025, influenced by growing pressures on permanent current spending.

Belgium boasts a free-enterprise economy, with the service sector playing a predominant role in generating the majority of the gross domestic product (GDP). The country's economic fortunes are intricately linked to that of Europe. Belgium has actively participated in various supranational organizations, including the Belgium-Luxembourg Economic Union (BLEU), the Benelux Economic Union, and the EU.

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A significant milestone in Belgium's international economic integration was its charter membership in the European Coal and Steel Community in 1952. Furthering its commitment to European economic collaboration, Belgium became a charter member of the European Monetary Union on January 1, 1999. This paved the way for the adoption of the euro as the sole currency in 2002, replacing the Belgian franc.



Throughout its history, Belgium's national prosperity relied heavily on its role as a fabricator and processor of imported raw materials, followed by the export of finished goods. In the early 19th century, the country emerged as a significant steel producer, particularly in the southern Walloon coal-mining region, centered around the Sambre-Meuse valley.

A robust monetary reform played a crucial role in Belgium's post-World War II recovery and expansion. This period witnessed rapid growth in the Flemish light manufacturing and chemical industries, primarily in the north. Notably, Belgium distinguished itself as one of the first European nations to reestablish a favorable balance of trade in the postwar era. However, by the late 20th century, challenges emerged. Coal reserves in Wallonia were depleted, the aging steel industry became inefficient, labor costs surged significantly, and foreign investment, a substantial portion of which was controlled by multinational companies, experienced a decline.

In response to severe industrial output challenges resembling near-depression levels, the Belgian government took measures to revitalize key sectors like steel and textiles. Subsidies, tax incentives, reduced interest rates, and capital bonuses were employed to attract foreign investment, achieving moderate success.

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However, these efforts resulted in a substantial budget deficit relative to the gross national product, leading to heavy borrowing for foreign trade and the maintenance of the social welfare system. In the early 1980s, attempts were made to address the deficit, resulting in a decreased debt-to-GDP ratio through tighter monetary and fiscal policies.



In the early 1990s, the government reduced subsidies to the social security system. By the early 21st century, Belgium diversified social security funding sources, achieving a balanced budget. While Flanders attracted a disproportionate share of investment, subsidies aimed to encourage investment in Wallonia. Unemployment remained lower in Flanders, experiencing growth in service industries, compared to Wallonia, where deindustrialization consequences persisted. Regarding the specific industry and economic sectors, agriculture in Belgium involves a relatively small percentage of the active population, and its significance in both employment and GDP contribution has steadily declined. Approximately one-fourth of the country's land is dedicated to agriculture, with over one-fifth consisting of meadows and pastures.



Key crops include sugar beets, chicory, flax, cereal grains, and potatoes. Fruits, vegetables, and ornamental plants are also cultivated, particularly in Flanders. However, livestock farming, particularly for dairy and meat products, constitutes over two-thirds of the total farm value.

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Forage crops, barley, oats, potatoes, and wheat are cultivated across the country, with a focus on the southeast. The region exhibits diverse farm sizes, ranging from 75 to 250 acres (30 to 100 hectares) in Condroz and 25 to 75 acres (10 to 30 hectares) in the Ardennes.

In north-central Belgium), open countryside features pastureland and diversified cultivation of crops like wheat, sugar beets, and oats. Orchards are prevalent in northern Hesbaye.

Maritime Flanders and the lower Schelde, located in the far north, host farms ranging from 25 to 75 acres (10 to 30 hectares), cultivating crops such as wheat and sugar beets. Interior Flanders is primarily devoted to grazing, with intensive cultivation confined to smaller farms and gardens, typically under 10 acres (4 hectares). Chief crops in this region include oats, rye, and potatoes, along with wheat, sugar beets, chicory, hops, flax, and ornamental plants like azaleas, roses, and begonias in southwestern Flanders.



Belgium's forest-products industry is supported by planted forests in the Ardennes and the Kempenland. Post-World War II, the forest industry experienced growth through mechanization, reducing the country's dependence on imported timber.

Belgium's fishing sector is of modest scale, with nearly all caught fish consumed domestically.



Regarding natural resources, in Belgium's historical context, coal held paramount importance as a mineral resource. The Sambre-Meuse valley housed two major coal-mining regions, spanning south-central Belgium. Mined since the 13th century, these coal reserves played a pivotal role in Belgium's industrialization in the 19th century. However, by the 1960s, the easily accessible coal deposits were depleted, leading to the closure of most mines in the region. Mining ceased altogether in 1992, including in the Kempenland (Limburg province), the country's other significant coal-mining area. Presently, Belgium relies on coal imports for its steel industry and domestic heating.

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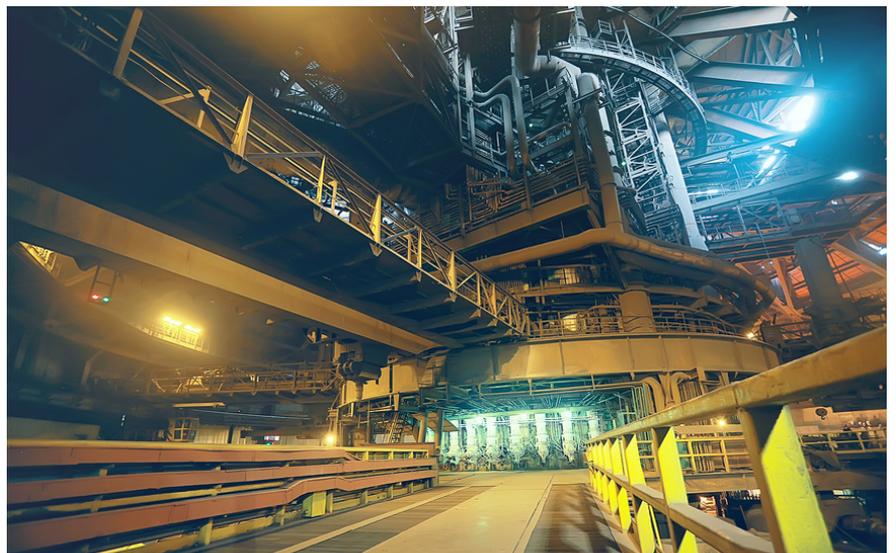


During the 19th century, the exploitation of iron ore and zinc deposits in the Sambre-Meuse valley was widespread but has since been exhausted. Nevertheless, the refining of imported metallic ores remains a key aspect of Belgium's economy. Chalk and limestone mining in areas like Tournai, Mons, and Liège, supporting a substantial cement industry, is of contemporary importance. The Kempenland contributes sands for the glass-manufacturing industry, while clays from the Borinage are utilized for pottery products and bricks. Specialty marbles, primarily stones, are also quarried.

Belgium's water resources are concentrated in the southern part of the country, with streams originating in the Ardennes and flowing northward. Although three-fourths of the country's groundwater originates in the south, the largest population concentration in the north creates a regional disjunction between water supply and demand. This challenge is addressed through intricate water-transfer systems involving canals, storage basins, and pipelines. Despite being reasonably plentiful, existing water supplies face substantial demands from industrial and domestic consumers, alongside persistent water pollution issues. In the south, a modest hydroelectric power industry has developed along fast-moving streams. However, nuclear reactors, generating over half of Belgium's electricity, significantly rely on water for cooling in nuclear power stations. The expansion of domestic and commercial needs in the late 20th and early 21st centuries has heightened attention on water quality and supply issues.

The manufacturing sector constitutes approximately one-sixth of the GDP in Belgium, with prominent economic activity concentrated in the provinces of East Flanders, Limburg, and Hainaut. A significant manufacturing corridor has emerged between Antwerp and Brussels, surpassing the older industrial concentration in the Sambre-Meuse valley.

Key industries dominating the manufacturing landscape include metallurgy, steel, textiles, chemicals, glass, paper, and food processing. Belgium holds a prominent position globally as a processor of cobalt, radium, copper, zinc, and lead. Crude petroleum undergoes processing in refineries primarily located in the Antwerp area. Notably, Antwerp is renowned for diamond cutting and dealing.



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In the late 20th century, Belgium's economy experienced substantial growth in the engineering sector, primarily driven by foreign investment. The nation hosts assembly plants for foreign automakers and companies engaged in the production of heavy electrical goods. Additionally, Belgium boasts several significant manufacturers specializing in machine tools and advanced plastics.

Since the 1960s, the financial sector's economic significance has seen a notable increase. Belgium hosts numerous domestic and international banks, with a notable concentration in Brussels. The National Bank, serving as Belgium's central bank, plays a crucial role in ensuring national financial security, issuing currency, and providing financial services to the federal government, the financial sector, and the public. Key aspects of monetary policy are now formulated by the European Central Bank.



In the early 19th century, Brussels established a significant stock exchange, which later merged with the Amsterdam and Paris stock exchanges in 2000 to create Euronext—the first fully integrated cross-border equities market. Belgium has consistently attracted substantial foreign investment, particularly in the energy, finance, and business-support sectors, underscoring its economic importance in the 21st century.

Regarding international trade, Belgium's primary imports encompass raw materials, such as petroleum, as well as motor vehicles, chemicals, textiles, and food products. Key exports from Belgium include motor vehicles, chemicals, pharmaceutical products, machinery, plastics, diamonds, food and livestock, textile products, and iron and steel. The country's principal trading partners are the member countries of the European Union, with a particular emphasis on Germany, France, the Netherlands, and the United Kingdom.



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As for the service sector, driven by the increasing demands of global business and government, along with the surge in tourism, particularly in western Flanders and the Ardennes, the sector witnessed substantial growth in the latter half of the 20th century. Flanders, in particular, experienced an economic upturn due to the expansion of service industries. Presently, the vast majority of the Belgian workforce is engaged in both private and public services.

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Sources: economy-finance.ec.europa.eu; Britannica.com.