OPINION 01.12.2017 | Jan Cornillie

Crisis? What crisis?

Germans, take heart: Belgium survived 18 months without a government, and remains a stable and prosperous country

'You can lead a horse to water, but you can't make it drink'. With these words, I ended my stint as special advisor to the Royal Mediator Johan Vande Lanotte. For three months we had been holed up in the Senate, trying to draw a path towards state reform and reform of the financing law governing the financial competences and means of Belgium's regions. We consulted, compared notes, shuttled between political factions, modelled scenarios. It was one of nine attempts (nine!) to find an agreement during the seemingly interminable political crisis of 2010-2011 in which Belgium had no elected government. The impasse lasted a full 541 days.

Outside of our negotiating bubble, all was quiet. 'In the sixties the people were agitated, but politics was serene. Nowadays politics is agitated but the people remain serene' quipped one pundit. Indeed, Belgium appeared to tick along quite nicely during the stand-off, with only a caretaker government to manage national affairs. How did Belgium fare during this long political crisis? And can Germany – which likewise finds itself in a political cul-de-sac after post-election coalition talks collapsed – draw any lessons from this unusual episode?

One country, many governments

Germany, like Belgium, is a federal state. In Belgium, only the federal government was affected by the political log jam. Local and regional governments operated as normal. Since major policy areas such as education, welfare, economic affairs and infrastructure are managed at regional level, much of the day-to-day work of operating a country was already taken care of. Moreover, although the Belgian federal government was responsible for the biggest budget, few major spending decisions had to be made in the short run. Much of federal government spending is tied up in transfers to the police, army and justice system. Meanwhile, social security agreements are managed by trade unions and employer

organisations.

Lastly, the caretaker government also had a majority in the new parliament and hence had a majority to vote laws – it even approved a military operation in Libya. So the penalty for not having a government was an inability to manage national affairs in the short term. Some even saw the impasse as a plus – offering some rare stability in legislation and fewer strikes. However, much needed reforms, on pensions and labour markets, on renewables and on asylum and migration were put on ice.

Lost in translation

There are important differences between the Belgian and German situations, however. First of all, Belgium's 541 days without a new government were less to do with fundamental policy differences; more with the linguistic divide between Dutch speakers in the north and francophones in the south. After the frustrating experience of 2007-2010, in which newly-elected Flemish separatists clashed with pro-unity Walloons over electoral districts and a mooted devolution of powers, Flemish parties demanded an agreement on state reform and the financing law prior to actual coalition negotiations.

Of the 541 days, 486 were spent negotiating those reforms. The remaining 55 days were spent hashing out a six-party coalition agreement. By that score, Germany's failed 'Jamaica' coalition negotiations between Chancellor Angela Merkel's Christian democrats, the greens and the free-market liberals have lasted longer already.

Moreover, none of the party leaders – Belgium's traditional kingmakers – were actually government ministers at the time. So there was a clear division of labour. Ministers of the caretaker government could dedicate themselves almost entirely to the daily job of caretaking, while their party colleagues negotiated. The outgoing prime minister, Yves Leterme of the Flemish Christian democrats, would in any case not re-enter government again and could restore some of his lost prestige by deftly steering Belgium through this tricky period.

Government on a shoestring

Secondly, while Germany's potential coalition partners can look forward to spending a budget surplus of €30-60bn, Belgium didn't have recourse to such funds. In the aftermath of the banking crisis and with the euro crisis raging, only austerity and structural reforms were in the offing. One week after a new, elected government finally formed in December 2011,

the EU's 'six-pack' – a new set of rules for economic and fiscal surveillance – came into force, instantly obliging Belgium to extra budgetary discipline. The delay in austerity due to a lack of elected government had brought with it a silver lining: Belgium – in contrast to our northern neighbour the Netherlands – avoided a second recession. However, by 2012, the six pack legislation and rising interest rates meant time was up.

And this brings us to perhaps the most important difference: the functioning of the EU and the eurozone in particular. For the duration of Belgium's political crisis, the eurozone was in dire straits too. The PIGS countries (Portugal, Ireland, Greece and Spain) had to seek assistance from the EU and the IMF. On German insistence, fiscal rules were toughened and macroeconomic imbalances monitored. Groundwork for a new, intergovernmental 'fiscal stability treaty' began in earnest.

All this could be done without a fully mandated Belgian government. However, Germany's position at the centre European politics is well established. It is hard to see how any of the long-awaited eurozone reforms, as developed in the five presidents' report, the European Commission paper on the EMU and the French president Emmanuel Macron's Sorbonne speech, can be achieved without a proper German government. Contrary to official claims, the EU is really waiting for Germany to form a fully mandated government.

Interestingly, it was a peak in the euro crisis that sped up the Belgian negotiation. Interest rates on Belgian government bonds were moving towards those of the crisis countries. The gap with our neighbouring countries deemed safe by the financial markets (Germany, Netherlands, France) was widening. By finally establishing a government and taking decisive fiscal action, Belgium quickly re-joined this group of 'safe' countries. When in mid-2012 European Central Bank (ECB) president Mario Draghi promised to do 'whatever it takes' to save the euro, buying government and corporate bonds, Belgium could breathe a sigh of relief.

Now, once again, there are signs of serious financial turbulence brewing. It will be hard for the ECB to repeat that trick, however. At such a time people beyond just the borders of Germany and the EU will look for German leadership. Will Germany manage to form a government in time to do 'whatever it takes' to save the euro?



Jan Cornillie

Brussels

Jan Cornillie worked as chief of staff for various Belgian ministers between 2003 and 2014. He is currently political director of sp.a, the Flemish social democrats. He is an economist and writes frequently on European issues for the Flemish weekly, Knack.