

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 5/24/2011

GAIN Report Number: BE1003

Belgium [without Luxembourg]

Post: The Hague

Agricultural Economy and Policy Report

Report Categories:

Agricultural Situation

Approved By:

Paul Spencer

Prepared By:

Marcel Pinckaers

Report Highlights:

This report gives an overview of the agricultural economy and policy situation in the Netherlands

General Information:

Agricultural Economy and Policy Report – Belgium

1. General political situation and trends

Belgium is a parliamentary democracy under a constitutional monarch, Albert II. The bicameral Parliament is composed of a House of Representatives and a Senate. Belgium is a federal state composed of economic regions and cultural communities, each having a government and legislature. Further political subdivisions include 10 provinces and 589 municipalities. The country is divided into Dutch-speaking Flemings living in Flanders, Francophones living in Wallonia, the 70,000 inhabitants of the German-language eastern cantons, and the bi-lingual Brussels capital region.

Following the general elections of June 2010, the negotiations to form a federal government were still going on in March 2011. The political parties, who won the June elections, the Flemish Nationalist N-VA in Flanders, and the francophone Socialist PS in Wallonia and Brussels, cannot bridge the gap opposing them on institutional reforms and on socio-economic issues. Since June 2010, King Albert II appointed several mediators to help the negotiations, starting with N-VA leader Bart De Wever as informateur, followed by PS leader Elio Di Rupo becoming preformateur, preceding House of Representatives chairman Andre Flahaut (PS) and Senate Chairman Danny Pieters (N-VA) as mediators; Bart De Wever gave another try as clarificator, followed by former Flemish socialist SP.A president Johan Vande Lanotte. Vande Lanotte's resignation is accepted by the king in January 2011, and francophone Liberal Minister of Finance Didier Reynders takes over as informateur. After one month of negotiations, Flemish Christian Democrat CD&V President Wouter Beke was appointed as negotiator on March 2. Belgium currently holds the world record of the longest government formation talks ever –and the clock is still ticking.

Caretaker Prime Minister and his government are holding position and have been tasked by King Albert II to prepare the 2011 budget and ensure the well-being of the citizens residing in Belgium in expectation of a new, fully empowered government. While the non-defined duties of a caretaker government should be limited to routine administration, avoiding any decision that could impact the next government, it appears that emergency actions that had to be taken to address, for instance, the negative reaction of the financial markets, *de facto* enlarged the scope of actions a caretaker government can take, which represents a noteworthy precedent.

2. Macroeconomic situation and trends

The National Bank of Belgium (NBB) stresses that Belgian unemployment figures have weathered the economic crisis somewhat better than most other EU member states. Belgian unemployment is currently at 8.4 percent, against 10 percent in the Eurozone. Economic growth in 2010 amounted to 2 percent, against 1.7 percent in the Eurozone. It was mainly driven by a 20 percent growth in exports and higher household consumption.

Belgian companies also posted 79 billion euro in profits, i.e. a level higher than in the pre-crisis year 2007. This was mainly due to an increase in turnover of nearly 5 percent, and exports by 10 percent. Wage costs per unit produced remained about equal, despite the fact that Belgium is together with Italy the only country in the Eurozone with automatic wage-indexation. Academics ascribe this apparent anomaly to the fact that quite a

few key sectors in the Belgian economy are very capital intensive and based on continuous processing, such as the automotive or food industry. The very high capital utilization ratio thus compensates for the wage increases.

Last but not least, the NBB also points at the reduction of the GOB's budget deficit as a positive development for the economy. At 4.4 percent of GDP, the 2010 budget deficit was 1.6 percent of GDP better than the 2009 figure, and much better than the EU average of 6.3 percent. However, cumulative public debt amounted to 97.5 percent of GDP, 13 percent above the EU average. The current caretaker government has already pledged to reduce the budget deficit to 3.7 percent in 2011, with the aim of producing a balanced budget by 2015.

3. Agriculture in the economy

The population density of Belgium is 342 per square kilometer, one of the highest in Europe, after that of the Netherlands. The most densely inhabited area is the so-called Flemish Diamond, outlined by the Antwerp-Leuven-Brussels-Ghent agglomerations. The Ardennes has the lowest density. Belgium is a small country, about the size of Maryland. Almost 30 percent of its area is devoted to agriculture.

Belgium's strongly globalized economy and its transportation infrastructure are well integrated with the rest of Europe. The economy is characterized by a highly productive work force, high GDP, and high exports. Belgium's main imports are food products, machinery, rough diamonds, petroleum and petroleum products, chemicals, clothing and accessories, and textiles. Its main exports are automobiles, food products, iron and steel, finished diamonds, textiles, plastics, petroleum products, and nonferrous metals. The Belgian economy is heavily service-oriented and shows a dual nature: a dynamic Flemish economy and a lagging Walloon economy. One of the founding members of the European Union, Belgium strongly supports an open economy and the extension of the powers of EU institutions to integrate member economies.

All the economic activities relating to agriculture and foodstuffs account for roughly 5% of the Belgian economy. Like the Netherlands, Belgium's food and agricultural businesses are oriented to trading and processing raw materials. Knowledgeable traders, three of Europe's leading ports (Antwerp, Bruges-Zeebrugge and Ghent), a good distribution system, a competitive processing industry and efficient marketing systems make Belgium an attractive market for trading and processing agricultural products.

The number of farms, mainly family operated enterprises, continues to decline. Last year, Belgium had an estimated 44,000 farms, 4 percent fewer than the previous year, and this trend is expected to continue. The amount of people that work, both full-time and part-time, on a farm has dropped by almost 15 percent over the past 5 years.

The Belgium food industry is concentrated in Flanders and generates a turnover of almost \$50 billion. The top 3 segments are, in descending order of importance, meat products, beverages and dairy products. The Belgian food and beverages industry has a pronounced international orientation as almost 50 percent of its turnover is generated by exports.

4. Domestic agricultural policy overview

In the 1950s Belgium was one of the six founding members of the European Communities, the predecessor of

the European Union. Belgium is a member of the United Nations, as well as the Organization for Economic Cooperation and Development, the North Atlantic Treaty Organization, the International Monetary Fund and the World Trade Organization. Belgium hosts the headquarters of the European Union, as well as those of other major international organizations, including NATO.

Belgian agricultural policy is driven by the EU's Common Agricultural Policy (CAP). The regions of Flanders and Wallonia have their own Ministries of Agriculture. On the international policy level, the national Belgian Government represents these Ministries. In Flanders, most of the heavily supported crop sectors are of minor importance. Walloon agriculture, however, mainly consists of arable crop and beef production, and is heavily supported by CAP subsidies. Walloon policy makers are therefore less supportive of liberalization of the CAP than their counterparts in Flanders.

5. Agricultural trade environment

Belgium derives the majority of its GDP from merchandise trade, mainly through the seaports of Antwerp and Ghent, which serve as points of entry for many products entering the EU. The country had a trade surplus in 2010 of \$23 billion. Belgium's imports for 2010 are valued at \$394 billion with products, in descending order of importance, coming from the Netherlands, Germany and France. The U.S. is Belgium's 5th largest trading partner but the most important non-EU trading partner on imports. Belgium's exports are valued at \$417 billion. The EU market is the biggest export market for Belgian exports; Germany, France and the Netherlands account for almost half of it. The U.S. is by far the largest non-EU export market.

Belgium's agriculture is export focused. Belgium's positive balance for the trade in agricultural products in 2010 was \$3.8 billion. Agricultural imports from the U.S., after Brazil and Colombia the largest non-EU suppliers, totaled \$604 million, with tree nuts, peptones & derivatives and foliage among the most important products. Total agricultural imports in 2010 were valued at \$36.7 billion. Belgium's exports of agricultural products totaled \$39.6 billion, and neighboring EU countries continue to be the main export markets. The U.S. is, after Russia, the largest non-EU export market, dominated by exports of beer and cocoa & chocolate products.

6. SPS and regulatory systems

The Belgian Food and Drugs Law provides the Belgian regulatory framework for all food products. It is applicable to domestically produced and imported food and other products including tobacco and cosmetic products.

The Directorate-General for control of the Belgian Federal Agency for the Safety of the Food Chain (FAVV) has the responsibility for food controls. Veterinary, phytosanitary and food inspection as well as food process standards are within the domain of the FAVV. The Federal Public Service Health, Food Chain Safety and Environment is in charge of policy and legislation on food product standards. The FAVV currently falls under the competence of the Minister of Agriculture while the Federal Public Service falls under the responsibility of the Minister of Public Health.

7. Food security

The main objective of Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation Belgium (DGDC) bilateral cooperation is to help to implement the poverty reduction strategies of their partner countries. Since 2003, Belgium has concentrated its governmental cooperation on 18 countries. Ten of these countries belong to the group of least developed countries.

8. USDA stakeholders

FAS Cooperators present:

- Florida Department of Citrus
- Georgia Department of Agriculture
- U.S. Hops Industry
- U.S. Meat Export Federation
- U.S. Pear Bureau

Programs in Belgium:

The majority of the U.S. cooperators have programs for either Belgium specifically or for North West Europe or the EU as a region.