Assessment and recommendations

Structural reforms and reducing public debt are central to addressing the challenges facing the Belgian economy

The main public policy priority in Belgium continues to be to implement structural reforms (tax reform and reform in labour and product markets) to increase potential growth. This has to be done in the context of reducing the large public debt. Debt reduction is necessary to respect the Maastricht Treaty, which calls for gross public debt to be reduced to less than 60 per cent of GDP, but more importantly to prepare for the future budget costs of population ageing. It is also necessary for substantially lowering the tax burden, which is one of the highest in the OECD. Taxation of labour incomes is particularly high, with adverse employment consequences for the low skilled. The employment record of older workers is also poor, with Belgium having one of the lowest employment ratios for workers aged 55-64 in the OECD. The government's strategy for dealing with these challenges is to maintain fiscal policy settings that drive down public debt, to cut taxes, especially on low skilled labour, as budget margins become available and to reduce incentives for premature withdrawal from the labour force. It is to the government's credit that it has continued to make progress on all of these fronts despite a weakening international economy and a complex institutional framework. Belgium's economic challenges will be easier to meet insofar as tax and benefit reforms strengthen market incentives, and reforms in product and labour markets increase economic dynamism.

A hesitant recovery is underway

The Belgian economy is traditionally synchronised with the European cycle and has started to recover somewhat from a downturn that reached a trough at the end of 2001. Exports and private consumption expenditures began to turn around in early 2002 and firms have reduced the scale of de-stocking. Weak business investment, however, has weighed on the initial stages of the recovery as firms adjust to relatively low capacity utilisation. Economic growth is projected by the OECD to remain weak until early 2003 but to pick up subsequently as the international economy recovers, reaching 2¾ per cent by 2004. While this reduces the output gap in 2004, it remains negative. Employment growth is likely to remain weak until mid-2003, unwinding the labour hoarding during the downturn and holding the unemployment rate at around 7 per cent in 2003, but should subsequently recover strongly. Underlying inflation is projected to fall to 1¾ per cent in 2004, reflecting lower increases in unit labour costs. The main risks to this outlook concern the timing and strength of the international recovery and the possibility that households may save a large proportion of their tax cuts. The latter risk will be reduced if confidence in the sustainability of fiscal policies is strengthened by achieving budget balance according to plans.

The budget balance has remained near balance, despite the downturn, but spending restraint should be better targeted

Despite the economic downturn, the general government budget ended in surplus in 2001 and remained close to balance in 2002. This economic downturn has had a relatively small effect on the budget balance as employment growth has held up better than in the past, sustaining healthy growth in tax receipts. Non-recurring factors had a significant impact on the balance, as well. The government also contributed to the strong budget performance by holding growth in current expenditures below potential GDP growth, in part by lowering spending plans as the short-run economic outlook deteriorated. The government has announced further expenditure restraint measures in 2003 aimed at holding the budget in balance despite economic growth remaining below potential. Achieving budget balance or better has been a strong anchor for credibility in the Belgium budget context and therefore such an approach is appropriate even if it entails overriding the working of the automatic stabilisers. Thus, if growth picks up later or less vigorously than anticipated, further measures will be required to balance the budget. This will be all the more so if the counterpart to a small decline in employment during the downturn turns out to be a weak rise in employment during the upswing, which would reduce growth in tax receipts. In general the government should adopt a more discriminatory approach to expenditure restraint than what is recent practice, even if this raises more difficult implementation issues than across the board caps and cuts. Such an approach is preferable on efficiency grounds, an increasingly important consideration in view of the expenditure restraint that will be required to achieve the government's medium-term objective of running budget surpluses while also cutting personal income taxes.

Maintaining budget surpluses until 2030 is vital for ensuring fiscal sustainability in the face of demographic pressures

The medium-term objective for the budget balance fits in with the government's long-term strategy to pre-fund the budget costs of population ageing by maintaining budget surpluses up to 2030. This would result in a very large reduction in public debt, from 105 per cent of GDP at present to 23 per cent of GDP by 2030, with the debt-to-GDP ratio remaining stable thereafter. The resulting reduction in debt interest payments would create budget room for the future ageing-related increase in outlays. While long-term projections show that current budget policies are sustainable through the middle of this century, this outcome depends on future governments following the full pre-funding policy. There are a number of arrangements – stability programmes, commitments in the Silver Note [a report indicating the necessary (budgetary) steps to face the burden of population ageing as part of the annual budget] following advice of the High Finance Council (Conseil supérieur des finances) and the Silver Fund (which accumulates reserves to cover future public pension spending increases related to population ageing) – that commit government to such a policy. Nevertheless, measures could be considered to make it more difficult for future governments to deviate from the current policy, such as legislation along the lines of that in Australia and New Zealand, which obliges governments to pursue sustainable fiscal policies (taking into account the budget costs of population ageing). A major element in the approach to ensuring fiscal sustainability in the face of population ageing is to reduce the public pension benefit ratio by relying on the dynamics of the rules in place. The pension system is designed so that falling benefit ratios affect above average income earners. Furthermore, the overall replacement ratio at the household level is likely to remain stable owing to rising female labour-force-participation. In addition, the government has introduced measures designed to encourage occupational pensions and increase effective retirement ages. The government also expects a decline in the number of unemployment beneficiaries, reflecting demographic factors and higher female participation rates, to contribute to fiscal sustainability.

Environmental sustainability issues are considered important and a large variety of measures has been introduced; cost-effectiveness, however, needs to be improved

Putting the budget on a sustainable long-run path, while adequately providing income to those in retirement, is only one part of overall sustainable development. Environmental and other social concerns also carry a high weight in Belgium, as reflected in the sustainable development plans that have been established at all levels of government. In this context a daunting number of about 600 initiatives has been launched. While environmental outcomes have improved markedly in several respects over the past decade, some policies have had higher costs than can be justified. To increase the cost-effectiveness of air pollution abatement and in order to reach Kyoto targets, more consideration should be given to emission trading by the regions, between all sectors of the economy and, in line with the results of the ongoing discussion at the EU-level, to an EU-wide trading scheme for industry as of 2005. In the area of waste management and recycling, efficiency gains should be pursued in order to lower the excessive costs of current polices. In particular, policy instruments should shift away from the pursuit of seemingly arbitrary recycling targets towards the internalising of economic and environmental costs for each method of waste disposal. As for water, considerable investments are being made in the area of wastewater treatment, although the planned completion date for Brussels' second wastewater treatment plant has been put off from 2005 to late 2006. Further delays should be avoided.

Labour taxation has been reduced, especially for the low paid, but more needs to be done to make work pay

Reductions in Belgium's high tax burden have been conditional on the availability of budgetary room and this will continue to be the case over coming decades. The priority for the government has been to reduce taxation of labour income, which is particularly high by international comparison. Substantial cuts in employers' social security contributions focused on low-income earners have been made since 1999. There have also been reductions in employees' social security contributions and, in the context of a personal income tax reform, an earned income tax credit has been introduced. Again, all of these measures have been focused on low-income earners. This focus has maximised the favourable labour-market effects of the tax cuts by increasing the likelihood that they produce lasting reductions in labour costs and/or reductions in benefit replacement rates. Indeed, it is estimated that the most severe unemployment traps will be eliminated once the personal income tax reform is fully implemented, for incomes from 2004 onwards. Further reductions in labour income taxation targeted on low-income earners should be made along the lines already implemented as budget room becomes available. Narrowing the range of goods and services that are not subject to VAT would help to make more budget room available for such tax cuts as well as reducing distortions in consumption choices. If this were to be done, it would be vital that these receipts be used to reduce labour taxation, otherwise there could be a loss of cost competitiveness and employment. The main objective of the government remains, however, to reduce labour taxation without raising other taxes, thus effectively lowering the overall tax burden.

High tax preferences for long-term savings should be reduced

Personal capital income taxation is generally low, despite Belgium's high overall tax burden. International tax competition has limited the scope for taxing such income. The lowest tax rates of all are on second pillar savings, where effective rates are negative on the condition that contributions have benefited from tax deductions. This tax treatment is intended to encourage such saving while partially compensating middle and higher-income earners for the fact that there is a ceiling on social benefits but not on social security contributions. Despite such generous tax treatment, institutional savings are modest by international comparison. Belgian households prefer to hold a significant proportion of their financial assets, which are amongst the highest relative to GDP in the OECD, in more flexible forms that are lightly taxed (interest-bearing instruments) or that can escape detection by the fiscal authorities. It would be preferable to reduce tax incentives for second pillar savings while at the same time making the regulatory framework for these instruments more attractive, for example by improving the portability of second-pillar pensions, and directly address concerns about the progressiveness of the tax-benefit system. A reduction in high inheritance taxes on non-direct line successions would also make it more attractive for some Belgian households to hold financial assets in declared forms, including second and third pillar schemes. Such reforms would reduce distortions in portfolio choices (and hence the excess burden of taxation) and should also provide budgetary room to advance more quickly reforms aimed at making work pay.

The corporate income tax system has become more neutral but rates may need to be cut further for competitiveness reasons

Substantial progress was made in the 1990s in reducing distortions in economic choices caused by the corporate income tax system. This entailed a series of base-widening measures that resulted in a marked increase in the average effective tax rate. Belgium now figures in a group of countries with an intermediate gap (of 4-6 percentage points) between the nominal and average effective corporate tax rate. The corporate tax ratio (taxes divided by profits) has also increased relative to the nominal rate, with much of the remaining difference being explained by preferential tax regimes (co-ordination, distribution and service centres). These arrangements help to make Belgium an attractive destination for some types of international investment, even though average effective tax rates in the standard corporate income tax system on inward investment are higher for international investors than in most other European countries. In the event that these arrangements are eventually terminated, in the context of EU and OECD agreements to eliminate harmful tax practices, Belgium will come under increased competitive pressure to make its standard corporate income tax regime more attractive. The government has made it clear that ensuring that Belgium has an internationally-competitive corporate income tax system will be one of the main priorities of reform in coming years. The corporate income tax rate is being reduced to 34 per cent in 2003, with the lost revenue being made up by base-widening measures, and further rate cuts are being considered for the future. While this (revenue-neutral) reform does not reduce the average effective corporate income tax rate, it will make

Belgium a more attractive destination for direct investment by simplifying administrative procedures and increasing taxpayer legal security through the introduction of an advance-rulings regime. The tax reform will also reduce the incentive for multinational enterprises to transfer profits to countries with lower tax rates; the tightening up of thin capitalisation rules will also reduce profit shifting.

E-government and outcome-oriented management are key elements in modernising the administration

The government has launched a vast modernisation programme for the federal administration ("*Copernic*") to reduce the administrative burden of regulation, which is apparently cumbersome for SMEs. The aims are to find simpler regulations, better procedures to implement them and a more efficient administration to carry them out. The Government and its ministries were given a new organisational structure including outcome-oriented management and competency rewards. Another major part of the programme is the introduction of e-government, which will make contacts with the administration easier thanks to single data collection. The preoccupation of reducing administrative costs to citizens is becoming firmly rooted in the legislative process. While new regulations already take into account administrative and compliance costs, other analytical tools such as cost-effectiveness analysis and cost-benefit analysis should supplement the legislative process.

Incentives for early retirement are being reduced...

Further progress in reducing the tax burden – especially in the face of population ageing – could be made if it were possible to raise substantially the low employment rate (25 per cent) for the older working-age population (aged 55-64). This would also raise output and living standards. A first step in this direction was taken in the first half of the 1990s, when access to pre-pension was restricted. However, access to the older unemployed programme was eased in 1995, when the minimum age for exempting older unemployed persons from job search requirements was cut from 55 to 50. This resulted in a large increase in the number of persons in the older unemployment programme, more than reversing the progress that had been made in the first half of the decade in reducing early retirement. Job search requirements were reintroduced in the summer of 2002 for new unemployment beneficiaries aged 50-55 and the age limit for an exemption from these requirements is being progressively raised to 58. The key to this reform working is strict enforcement of job search requirements. Regional placement agencies have recently agreed to provide more detailed information on individual job seekers so as to enable the federal employment agency, which pays unemployment benefit, to pursue a stricter sanctions policy. The government also intends to levy social contributions on unemployment benefit top-ups paid by employers. Another measure taken that should help to raise employment of older workers is the easing in conditions for temporary leave. This contributes to longer working lives, but will need to be monitored to ensure that it does not have a negative effect on total hours worked. Social security contributions for older employees are also being reduced.

… but more needs to be done

However, more will need to be done if the objective of increasing the employment rate for the older working age population to 50 per cent by 2010, and hence of boosting the currently low overall employment rate, is to be met. Deep and comprehensive reforms will be required if early retirement is no longer to be seen as an acquired right by workers and as a convenient way of adjusting employment by employers. In particular, the authorities should remove all public subsidies to early retirement, notably by phasing out financing for pre-pensions, abolishing the status of "older unemployed" and scrapping seniority based unemployment benefit premiums. At the same time, better working conditions for older workers should be promoted by, notably, activating the public fund that has been established for this purpose. On the demand side, rules for collective redundancies should prohibit age from being a criterion for deciding which employees are to be made redundant: rather, persons with skills and competencies least adapted to the employer's requirements should be the first to be made redundant. Wages for older workers should be adjusted more in line with their productivity, notably by adapting the seniority-based component of wages. Finally, participation in lifelong learning should be increased. This would make older workers more productive and hence, attractive to employers.

Limiting benefit duration would help to lower the high regional unemployment rates in Wallonia and Brussels…

The other major labour-market problem is persistently high unemployment in Wallonia and Brussels. This mainly concerns the low skilled. The most important national institution that prevents high unemployment amongst this group from exerting downward pressure on wage rates, and hence increasing demand for its services, is the unemployment benefit system. It provides high replacement rates for low-income earners with dependants that are for an unlimited duration, setting a floor to the wages for which they are prepared to work. In addition, even if they were prepared to work for lower wage rates, this would not be possible, as minimum wage scales and collective wage increases by sector are set nationally. As discussed above, the government has focused reductions in labour taxation on low-income earners with the aim of increasing employment and reducing unemployment amongst this group and should make further such cuts. On the basis of past relationships, this approach should be effective, although unemployment is still likely to be high in Wallonia and Brussels even after full adjustment to current and conceivable tax cuts has occurred. Keeping in mind that this phenomenon has already existed for many years, there are obviously no easy solutions. However, there may be scope to sharpen work incentives by limiting the duration of the second stage of unemployment benefit, which is still high for many persons without dependants, notably by abolishing regional variations in benefit duration. The stricter sanctions policy for not respecting job search obligations that employment agencies intend to follow could also help to reduce the very high regional unemployment rates. In this context of tightened eligibility conditions for benefits, employment gains for the low skilled would be realised by increasing the scope for wage determination at the enterprise level to better align collective wage agreements with local labour-market conditions.

… as would improvements in their education systems

Another dimension of unemployment in Wallonia is that it is especially high among young adults. This seems partly to be because of skill deficiencies. There are too many school dropouts and educational achievement is relatively low (according to the regional PISA study). Placement services increasingly co-operate with firms to identify skill mismatches and training needs. However, comprehensive reform of the education and training system in Wallonia is needed to raise achievement levels, to equip students with the skills that employers are seeking and to prevent early school leaving. The government also seeks to help younger people with the transition from education to employment through the *Rosetta programme*, which obliges employers to offer open-ended or fixed-term contracts to young job seekers; when they hire low-skilled young people, they get a reduction in labour costs in exchange. This programme has accounted for a substantial number of job creations, but low-skilled youngsters are under represented. It should therefore be better targeted, thereby avoiding possibly large deadweight losses.

Active labour market programmes should be reviewed to increase participants' chances of finding a normal job

The government devotes substantial resources to a large number of active labour market programmes. These should be more regularly reviewed to ensure that the programme mix maximises participants' chances of finding a job on the normal labour market. In this respect, public works should only be used to test willingness to work. They should not become an alternative to looking for a normal job. Programmes should offer an intensive combination of work experience and training, as does the *Programme Printemps*. The large number of measures – often motivated by an effort to overcome other regulatory barriers – makes it difficult to assess their effectiveness. Streamlining the high number of programs in line with evaluation results would most likely improve efficiency.

Competition policy should be made more effective…

Better functioning labour markets would also improve the efficiency of product markets by facilitating the entry and expansion of firms. The greatest need for improvement is in service markets, especially in areas where current or former public monopolies dominate the market. While the authorities have made the Competition Service (*Service de la concurrence*) more operational by appointing key positions and service staff, resources are still insufficient to carry out all investigations into vertical agreements and concerted practices. More resources should be freed for policing anti-competitive behaviour by transferring the responsibility for issuing simple concentration notifications from the Competition Council (*Conseil de la concurrence*) to the Competition

Service. In network industries the Government should make all regulators truly independent from Ministries and minimise the risk of capture by bundling several sector-specific regulation bodies and having them run by top executives from outside the regulated industries.

… especially in the rail sector

More competition in rail transport will be required if efficiency in this sector, which is low by European standards, is to be improved. This would entail lowering the still high barriers to entry in the sector. A necessary condition for this to occur is to abandon the juridical unity of the incumbent rail monopolist (SNCB) and to separate infrastructure management fully from transport services. The Belgian government has set up an independent regulator in order to comply with European legislation, as well as an independent tariffication and capacity office so as to make sure that access to the network is granted on equal terms to all competitors. It should make sure that the transport services arm of the SNCB has the managerial freedom to conclude strategic alliances with foreign operators in order to improve inter-operability in international rail transport. Passenger rail transport should also be opened up to competition. The public service obligation to offer services across the whole country could be met more efficiently by auctioning temporary licenses to provide these services. This would also enhance the budgetary viability of this service obligation. Bringing the price for road use at peak times into line with the higher marginal social costs would be a fiscally more efficient way of reducing distortions in choices between road- and rail transport than subsidising train tickets.

Additional regulatory action is also needed in other network industries to improve choice and lower prices for users

Opening up network industries to competition has made considerable progress, but infrastructure access remains problematic in some areas. Elaboration of the detailed terms of third-party access is well advanced in the electricity and gas markets and this stage of "institution building" should be completed as quickly as possible. The government removed the potential obstacle to liberalisation of inter-municipal trusts' (*intercommunales*) profits from electricity distribution being squeezed by competition by imposing a special charge on the grid operator in the 2003 Budget to compensate municipalities for the potential loss of receipts. The Flemish region has been more pro-active than other regions in liberalising the electricity and gas markets, granting all clients free choice of supplier by mid-2003. At the national level, access prices to the gas transport network have switched from being negotiated to being regulated. This has reduced the dominant distributor's tariffs by about one-fifth. In the telecommunications sector, prices have come down substantially for international calls but more needs to be done to make unbundling of the local loop effective. In the meantime the market for mobile telephony has grown fast and become an alternative to fixed lines for national calls. Number portability came into force early in October 2002 and is expected to put further pressure on prices and the market share of the market leader. In the field of broadband Internet penetration, Belgium has eliminated most of the shortfall relative to the EU average thanks to inter-modal competition between cable network and DSL operators. However, secure server penetration is still far below the OECD average, which hampers the development of e-commerce.

Prudential supervision and corporate governance arrangements have been improved

The institutional architecture of prudential supervision was modified in 2002 to take account of the growing concentration, diversification and internationalisation in the banking sector. Co-operation between micro- and macro-prudential supervision authorities was enhanced by the creation of a common umbrella organisation and the role of the National Bank of Belgium was strengthened. Corporate governance was also reformed in 2002. The new law improves transparency in management by making it more difficult for statutory auditors to deliver additional services to their business clients. It also strengthens the position of minority shareholders in significant operations. Yet it may not prevent value being shifted away from minority shareholders by operational management decisions, a problem that may have to be addressed in future amendments to the law.

Summing up

Belgium is beginning to reap the benefits of sustained fiscal consolidation. Falling interest payments on public debt are providing room for reducing the country's heavy tax burden. The authorities have focussed tax cuts on low-income earners, for whom the beneficial labour-market effects are likely to be greatest. This should be particularly helpful for regions that suffer from high structural unemployment. Further reductions in labour income taxation targeted on low-income earners should be made as budget room becomes available. Limiting further and unifying the benefit duration in the early stages of unemployment would also help to reduce unemployment traps. In addition, it will be important to improve the performance of the education systems so that young persons are better equipped for entering the labour market. The authorities have also begun to tackle the country's major early retirement problem, notably by removing the exemption for many older unemployed persons from job search requirements. However, more will need to be done to reduce incentives for early retirement and increase demand for older workers if the objective of doubling the employment rate for the older working age population – which would also boost Belgium's currently low overall employment rate – is to be met. In particular, all public subsidies for early retirement should be removed, notably by phasing out financing for pre-pensions, abolishing the status of "older unemployed" and scrapping seniority-based unemployment benefit premiums. Another important field of reform is the corporate income tax system. It has been made more neutral and, with the introduction of an advance-ruling regime, has made Belgium a more attractive destination for inward direct investment. This attractiveness should be reinforced by reductions in the effective corporate income tax rate as budgetary room becomes available. Progress has also been made in liberalising network industries but considerable challenges lie ahead in removing barriers to competition. In this regard, more progress in opening up rail freight services to competition could be made by legally separating rail infrastructure ownership and management from the incumbent monopolist's (SNCB) other activities. Provided that future governments stay the course of fiscal consolidation and structural reform, it will be possible to reduce the tax burden further, improve output and employment performance, and maintain a sustainable fiscal policy despite the budget costs of population ageing.

List of acronyms

AAS	Agency of Administrative Simplification
ACS	Additional Crisis Surcharge
ADSL	Asymmetrical digital subscriber line
AETR	Average effective tax rate
ALE	Local employment agencies
APW	Average Production Worker
BFC	Banking and Finance Commission
BIPT	Belgian Institute for Postal services and Telecommunication (Regulator of post and telecommunications)
BPG	Belgian Post Group
BRP	Business re-engineering programmes
CFS	Council for Financial Stability
CO	Carbon monoxide
CO2	Carbon dioxide
CREG	Regulator of the electricity and gas market (*Commission de régulation de l'électricité et du gaz*)
DSL	Digital Subscriber Line
ECB	European Central Bank
EEA	European Environment Agency
EMEP	Co-operative Programme for Monitoring and Evaluation of the Long-range Transmission of Air Pollutants in Europe
FGS	Federal Government Service
FPB	Federal Planing Bureau
FTE	Full-time equivalent
GHG	Greenhouse gas
HEC	High Employment Council
ICT	Information and communications technology
INS	National Institute of Statistics
KWh	Kilowatt hour
LNG	Liquified natural gas
LPG	Liquid petroleum gas
METR	Marginal effective tax rate
MFP	Multifactor productivity
MNE	Multinational enterprise
NBB	National Bank of Belgium
NMVOC	Non-methane volatile organic compound
NO2	Nitrogen dioxide
NOx	Nitrogen oxides
OIC	Office for Insurance Control

ONEM	Federal body administering unemployment benefits (*Office national de l'emploi*)
PM	Particulate matters
PPP	Purchasing power parities
PSTN	Public Switched Telephone Network
SBIC	Small business investment companies
SME	Small-and-medium-sized enterprises
SNA	System of National Accounts
SNCB	Belgian National Railway Company (*Société nationale des chemins de fer belge*)
SO2	Sulphur dioxide
SOx	Sulphur oxides
SSC	Social security contributions
SSL	Secure socket layer
TSO	Transmission System Operator
ULCM	Unit labour costs in the manufacturing sector
VAT	Value added tax
VDAB	*Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding* (placement service of the Flemish region)
VOC	Volatile organic compound

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BASIC STATISTICS OF BELGIUM, 2001

THE LAND

Area (1 000 km^2)	30.5	Major urban areas (thousand inhabitants)	
Agricultural area (1 000 km^2)	13.4	Brussels	964.4
		Antwerp	931.6
		Liège	584.4
		Ghent	496.6

THE PEOPLE

Population (thousands)	10 263	Total labour force (thousands)	4 494
Inhabitants per km^2	337	Total domestic employment (thousands):	4 148
Net increase (31.12.2 000)	24 048	Agriculture	28
Net migration (thousands, 31.12.2 000)	14	Industry and construction	838
		Other	3 282

PRODUCTION

Gross domestic product (billion euro)	254	Gross domestic product by origin, at market	
Gross domestic product per head (US$)	22 189	prices (per cent):	
Gross fixed investment:		Agriculture	1.3
Per cent of GDP	20.7	Industry	19.5
Per head (US$)	4 601	Construction	4.7
		Other	74.5

THE GOVERNMENT

General government (per cent of GDP):		Composition of the House of Representatives	
Current expenditure	46.3	(number of seats):	
Current revenue	46.9	Liberals	41
Gross debt	108.6	Socialists	33
		Christian-socials	32
		Ecologists	20
		Others	24
		Last election: 13.6.1999	

FOREIGN TRADE

Exports of goods and services		Imports of goods and services	
(per cent of GDP)	85.6	(per cent of GDP)	82.0
Main exports (per cent of total),		Main imports (per cent of total),	
SITC, Rev. 3 :		SITC, Rev. 3 :	
Iron and steel products (67 + 68)	5.8	Iron and steel products (67 + 68)	4.2
Chemical products (5)	19.8	Chemical products (5)	18.3
Machinery and equipment (71 to 77)	14.9	Machinery and equipment (71 to 77)	18.0
Textile products (65)	3.2	Textile products (65)	1.9
Transport equipment (78 + 79)	15.2	Transport equipment (78 + 79)	12.9
		Energy (3)	8.7

THE CURRENCY

Irrevocable conversion rate :	40.3399	Currency units of euro per US$, average of daily figures:	
		Year	1.1166
		December 2002	0.9817

Note: An international comparison of certain basic statistics is given in an annex table.

This Survey is published on the responsibility of the Economic and Development Review Committee of the OECD, which is charged with the examination of the economic situation of member countries.

•

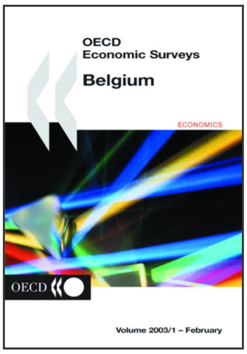
The economic situation and policies of Belgium were reviewed by the Committee on 18 November 2002. The draft report was then revised in the light of the discussions and given final approval as the agreed report by the whole Committee on 19 December 2002.

•

The Secretariat's draft report was prepared for the Committee by David Carey, Hubert Strauss, Gerrit van den Dool and Boris Cournède under the supervision of Andreas Wörgötter.

•

The previous Survey of Belgium was issued in March 2001.



From:
OECD Economic Surveys: Belgium 2003

Access the complete publication at:
https://doi.org/10.1787/eco_surveys-bel-2003-en

Please cite this chapter as:

OECD (2003), "Assessment and Recommendations", in *OECD Economic Surveys: Belgium 2003*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eco_surveys-bel-2003-2-en

OECD