



# Business Memo from Belgium

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## Tibotec AIDS Medication Expected to Enter the Market

The Belgian company **Tibotec**, bought by Johnson & Johnson in 2002, has four potential medications under development, three for Aids and the other for TB. One of them, the Aids medication TMC-114, is expected to enter the market within a year. In almost half the patients in clinical trials, TMC114 was able to reduce the level of the HIV virus in the blood to an almost undetectable level. In the other half, there was a noticeable reduction and visible improvement.

The unique aspect, however, lies in the ability of TMC-114 to work in patients in whom no other HIV-fighting drug still works.

An interim analysis was presented at the 12th Conference on Retroviruses and Opportunistic Infections, in Boston, in late February. Tibotec has two other anti-HIV compounds in early clinical development and several discovery programs for compounds highly active against resistant HIV strains.

Johnson & Johnson is to build a 30 million euro production plant in Geel for its Flemish subsidiary ([www.tibotec.be](http://www.tibotec.be))

## GSK Biologicals Malaria Vaccine Tests Successful

In a study in the medical journal *The Lancet*, researchers report that a new malaria vaccine being developed by GlaxoSmithKline (GSK) Biologicals protected a significant percentage of children against uncomplicated malaria, infection, and even severe forms of the disease for at least six months. The largest malaria vaccine efficacy trial ever conducted in Africa also re-confirmed the vaccine's safety in one-to-four year old children.

The trial involved more than 2,000 children in Mozambique. According to the study, vaccine efficacy against clinical malaria attacks was 30 percent. Efficacy against primary infection with *Plasmodium (P.) falciparum* was 45 percent, and efficacy against severe disease was 58 percent. *P. falciparum* is the parasite that causes the greatest number of cases of malaria in Africa.

GlaxoSmithKline Biologicals (GSK Biologicals), the world's leading vaccine manufacturer, is located in Rixensart (Belgium). It is the centre of all GlaxoSmithKline's activities in the field of vaccine research, development and production. GSK Biologicals employs over 1000 scientists.

Due to the need for further studies, a licensed malaria vaccine is not expected to be available before 2010. "We're dealing with a very complex parasite that goes through different life stages in the human host. But we were highly committed and kept at it for over 15 years," said Joe Cohen, Ph.D., director, Emerging Diseases, HIV & Therapeutic Vaccines R&D at GSK Biologicals, who is co-inventor of the vaccine.

It is estimated that malaria kills between one and three million people in the world's poorest countries every year, and more children in sub-Saharan Africa than any other infectious disease. ([www.gsk-bio.com](http://www.gsk-bio.com))

## Leading stem cell researcher returns to Belgium

**Dr Catherine Verfaillie**, a pioneer in stem-cell research, is to return to Belgium as head of a new institute for stem-cell research at the University of Leuven.

Dr Verfaillie is currently Professor of Medicine in the Division of Hematology, Oncology and Transplantation and Director of the Stem Cell Institute at the University of Minnesota. She and her team, one of the most renowned in the field, were responsible for identifying a unique class of adult stem cells, designated Multipotent Adult Progenitor Cells (MAPCs<sup>TM</sup>), that exhibit the ability to develop into all major classes of tissue and cell types.

The new institute in Leuven is scheduled to be operational by the end of the year.

## Life Sciences

### Drug Safety

**Janssen Pharmaceutica**, a subsidiary of Johnson and Johnson, has opened a **new Drug Safety Evaluation Center (DSEC)**. The research center will be responsible for pre-clinical safety tests on all medications in development, and has 145 staff members. An additional 25 personnel are expected to join them this year. The DSEC could become the main center of its kind for Johnson & Johnson companies. Janssen Pharmaceutica is a worldwide pharmaceutical company with headquarters in Beerse, Flanders. It has been a Johnson & Johnson subsidiary since the 1960s. ([www.janssenpharmaceutica.be](http://www.janssenpharmaceutica.be))

### Distribution

**Schering-Plough**, the international pharmaceuticals company, is to invest 18 million euro (\$US23 million) in a **new European distribution center** at Boortmeerbeek in Flanders. The center will bring about the closure of the logistics operations at the company's subsidiary Sentipharm in Heist-op-den-Berg, where Schering-Plough's largest production facility outside the US is based. The plant exports 95% of its production which includes almost the entire range of Schering-Plough products, most notably Claritin and Neo-Claritin, the world's largest-selling antihistamine. An investment of \$25 million at the plant in recent years has added a new metered dose inhalers facility and a new packaging line. ([www.schering-plough.com](http://www.schering-plough.com))

### Molecular Biology

**Diagenode**, a molecular biology company from Liège, has set up its first sales office within a life science incubator at the Science Center in Philadelphia. The office is set up to increase the US market share of Diagenode's *Bioruptor* products in the market of sonication devices used by life science research laboratories. Sonication is the process of disrupting biologic materials by use of sound wave energy. Bioruptors use a unique technology to uniformly process multiple samples simultaneously in sealed tubes. ([www.diagenode.com](http://www.diagenode.com))

### Central Nervous System (CNS) Disorders

**TorreyPines Therapeutics**, the California-based biopharma discovery company, will open a European division in a new Leuven biotech incubator. TorreyPines Therapeutics was founded in 2000 and is a clinical-stage biopharmaceutical company focused on the discovery, development and commercialization of breakthrough small molecule drugs to treat diseases and disorders of the central nervous system (CNS). The company is leveraging novel drug targets and technologies to deliver new therapies for migraine, neuropathic pain and neurodegenerative disorders such as Alzheimer's disease. ([www.torreypinestherapeutics.com](http://www.torreypinestherapeutics.com))

## “Notional Interest Deduction”: Tax Deduction on Risk Capital Proposed

On April 29th the Belgian Government approved a draft bill introducing a tax deduction on companies' risk capital (better known as the 'Notional Interest Deduction'). This means that, if the bill is approved, companies can deduct from their tax basis, an amount equal to the fictitious return on their own equity. The rate of this deduction is based on the interest rate of the 10 year government bonds (“OLO”). Small and medium-sized companies will be able to choose between the existing “investment reserve” and the notional interest deduction at a rate that is 0.5% higher than the normal rate.

The draft bill provides that the rate of the deduction will be adjusted yearly and automatically. The total yearly adjustment will be limited to 1 % (minus or plus). Moreover, the rate must range between 1% and 6.5 %.

The big advantage of the new measure is that the current discrimination between the tax treatment of investments financed with borrowed funds (currently, the related interest paid is deductible for tax purposes) and financing with own funds is largely removed. As a result, self-financing of companies, including SMEs, will be encouraged. The measure will result in more creditworthy companies, will reduce the number of bankruptcies and will stimulate the formation of companies.

The Government is convinced that this positive measure will also turn out to be a valuable feature for the coordination centers in Belgium, which employ more than 3,500 and whose present fiscal regime will end in 2010 at the latest. Another important point is that the measure will apply across the board and will, accordingly, comply with European directives. This will provide legal certainty for investors.

The Government intends to introduce the bill in Parliament before July 2005 in order to have it applicable as of tax year 2007 (income 2006).

## Internet Technology

### **BirchBob: innovative search engine honors former US senators**

Names of internet search engines are often notoriously meaningless, but a successful Belgian search engine in the domain of inventions and licensable technologies is no small exception. Named after former senators Birch Bayh and Bob Dole, BirchBob wants to pay tribute to the Bayh-Dole Act of 1980, one of the most important legislations in the US in the field of intellectual property.

Founded in 2003 by two Belgian entrepreneurs, one living in the US, BirchBob has within months become one of the most creative companies in its field. Based in La Hulpe and with offices in Connecticut, the company offers a database of technologies made available on the marketplace by academia, government and industry laboratories around the world.

Over 16,000 searches on new technologies are conducted each day by investors, entrepreneurs and scientists from over 70 countries, looking for new business or scientific projects. Those offering the new technology can add the information to the BirchBob website, and BirchBob can scan for any adjusted information on a 24 hour to 48 hour basis, allowing customers to collect the most up to date information from the site.

BirchBob is putting Belgian technologies firmly on the world map. Its services -free of charge- to Belgian employer associations, local knowledge clusters and direct investment offices help small- and medium-sized companies in particular to easily market new technologies worldwide.

In February, the company announced the launch of a new content analysis system, developed in collaboration with the Belgian company I.Know, (<http://www.iknow.be>). Basic searches are free, but a value-added search service called "MyBirchBob" will soon offer additional options and customization for enhanced usability. ([www.birchbob.com](http://www.birchbob.com))

### **E-Mail Security**

On April 12th **IronPort Systems**, the leading email security provider from California, announced the opening of a new office in Belgium for the Benelux region. The Government of Flanders and KPMG are already IronPort customers in the region ([www.ironport.com](http://www.ironport.com)).

### **Wireless Internet**

Wireless communications company **Clearwire** has opened an office in Brussels. Clearwire is headquartered in Washington state and specializes in wireless internet access. For the time being coverage will be limited to areas in Brussels. Clearwire was founded by Craig McCaw, who was the pioneer for the largest wireless company in the US, Cingular Wireless. Clearwire Europe will be managed from Brussels as well. ([www.clearwire.be](http://www.clearwire.be))

### **High Profits, Low Effective Tax Rate for US Companies in Belgium**

Recently the US tax magazines *Tax Notes* pointed out that US profits in Belgium increased by 84% to 6.7 billion \$ between 1999 and 2002, making Belgium one of the most profitable countries for US companies in the world to do business with. The magazine sees a correlation with the decline of the effective tax rate for US companies in Belgium from 26% to 12% during the same period, one of the lowest rates in the world and only slightly higher than the rate in low-tax Ireland (8%).

On that basis Belgium was designated as an 'emerging tax haven' for US companies. ([www.taxanalysts.com](http://www.taxanalysts.com))

### **Belgium Most Desirable Location for Distribution Centers**

Belgium is the number one location for distribution centers, the study '*Business Space Across the World*' by real estate advisor Cushman & Wakefield Healey & Baker concludes. The two main factors are low real estate prices and the central location.

The study reveals that it is two to three times cheaper to set up a distribution center in or near Brussels, Liege or Antwerp than in Paris, and four to six times cheaper than in London. In addition, 60% of European consumers live in a radius of 200 miles around Belgium. ([www.cushmanwakefieldeurope.com](http://www.cushmanwakefieldeurope.com))

## Manufacturing

**Lighthammer**, a leading supplier of collaborative manufacturing solutions, has opened an office in Zemst (Flanders). According to the company, the office is designed to support its growth in Europe, the Middle East and Africa, where Lighthammer has developed a significant customer base including a number of prominent manufacturing and process companies across the region. Lighthammer is headquartered in Exton, Pennsylvania. ([www.lighthammer.com](http://www.lighthammer.com))

**Conco Systems** has just opened a new office in the Brussels Region. The Pennsylvania-based company manufactures tube cleaning products for the electric generating market. For the US group the new office represents an opportunity to develop and reinforce marketing activities in the European market. ([www.concosystems.com](http://www.concosystems.com))

## Energy

**Cockerill Maintenance & Ingénierie (CMI)** of Seraing, Wallonia acquired the assets of Erie Power Technologies, Inc., of Erie, Pennsylvania and established a new company, CMI EPTI, LLC as a subsidiary of CMI America. The primary business of CMI EPTI, LLC will be the design, supply and after market service of heat recovery steam generators.

Together with CMI in Belgium, the new US subsidiary will have nearly 500 references worldwide, allowing it to supply power projects in any part of the world. CMI has a history of over 100 years in the boiler and power business. CMI EPTI will maintain the staff of Erie Power Technologies and will remain at its present location in Erie. ([www.cmi.be](http://www.cmi.be))

## Advertising

For the first time an independent Belgian advertising bureau has opened offices in the US. The new office of **Duval Guillaume** in New York will offer US advertisers a link to the European market. Initially the office will employ 5 people. ([www.duvalguillaume.com](http://www.duvalguillaume.com))

Can't get enough of Business Memo? Earlier editions are available online, at [www.diplobel.us](http://www.diplobel.us).

The Embassy's website also lists other Investment Office publications, such as

- \*Fact Sheets about various aspects of the Belgian economy
- \*Setting Up in Belgium: a pocket guide for the business executive.
- \*Corporate Directory: an overview of the Belgian corporate presence in the US
- \*CD-ROM: Belgium: Gateway to Europe, with testimonials by US business executives

Hard copies of all publications are available from Bart Deelen, Business Development Manager, at [bart.deelen@diplobel.org](mailto:bart.deelen@diplobel.org)

*To receive this publication by e-mail, please contact Bart Deelen at [bart.deelen@diplobel.org](mailto:bart.deelen@diplobel.org)*

Embassy of Belgium  
3330 Garfield Street, NW  
Washington, DC 20008