



# Business Memo from Belgium

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## Belgian Economy Continues to Outperform Eurozone

The Belgian economy will grow faster than the eurozone average for the fifth year in a row, according to the May edition of the OECD's *Economic Outlook*. The OECD estimates that GDP will grow by 2.5%, compared to 2.2% on average in the other eurozone countries. Growth will be very much export-driven, with a 5.4% increase in exports. Domestic private consumption is forecasted to grow by 1.9%, thanks to tax reforms and other initiatives. In addition, inflation will remain low at 2.2%, whereas unemployment will continue to fall from 8.4% last year to 8.0% in 2006.

Thus, the upswing of economic activity in Belgium that started in mid-2005 will remain very much on track. Business leaders in Belgium seem to agree. The business survey indicator of the National Bank of Belgium, which measures business leaders economic expectations, remains at the highest level since 2000.

Meanwhile, the newly published WTO *World Trade Statistics* show that Belgium remained the 10th exporter of goods worldwide in 2005, with a share of 3.2% of all exports. Belgium was also the 14th exporter of services, with a share of 2.2%.

[www.oecd.org](http://www.oecd.org)

## Notional Interest A Success

According to a survey of a number of Belgian business leaders carried out by the daily *De Tijd*, many companies are enthusiastic about Belgium's latest tax cut for corporations, the notional interest deduction. As reported in earlier editions of *Business Memo*, the "notional" interest deduction on the venture capital of businesses means that companies can deduct a fictitious interest on their net assets from their taxable profits. Estimates are that this innovative new measure cuts the corporate income rate on average to around 25%, but this figure could be even lower for highly capitalized corporations.

This year alone, the Belgian companies of the Arcelor steel group (Sidmar in Ghent, ALZ in Genk, Cockerill Sambre in Liège and Carinox and Industeel in Charleroi) will pay € 31 million less in taxes thanks to the introduction of the notional interest. The Dutch temp agency group Randstad is also moving its financial headquarters to Belgium as a result of the new tax law.

For many businesses the new system makes up for the abolition of the financially beneficial coordination centers. The measure also enables companies to boost their net assets. Since the beginning of this year several capital increases have already been implemented for this reason. The Federal Government expects the treasury to miss out on € 560 million as a result of the notional interest, but Prime Minister Verhofstadt anticipates a broad recovery effect through increased economic activity.

## New Steps to Improve Competitiveness

On March 3, the Belgian government approved a plan by Federal Minister for Public Health and Social Affairs Rudy Demotte to create a new *Federal Agency for Medicine*. The agency's task will be twofold: to control the quality of medicines on the market, and to speed up the registration and reimbursement schemes for new medicines in Belgium. This should enable pharmaceutical companies in Belgium to continue to compete in research and production activities with competitors abroad.

The agency should become operational in 2007.

The plan is the latest step by the Belgian government in a series of initiatives to improve Belgium's ability to compete in the biomedical sciences. Recently a *platform for dialogue with the biomedical industry* was created to discuss on a regular basis new proposals in the area of public health, as well as innovation and employment issues in the sector such as registration and reimbursement of medicines.

In addition, the requirement for certain non-EU researchers to obtain work permits has been abolished, and the current reduction of payroll taxes by 50% on researchers will be expanded to all employees with PhD's.

Commercialization of research results will also become more profitable: researchers who receive income from the commercialization of research will enjoy a lower tax rate on these profits.

## Belgian Investment in the U.S.

- **TiGenix N.V.**, a Belgian biomedical company focusing on the development of innovative local treatments for damaged and osteoarthritic joints, opened its first U.S. office in New York City. Tigenix was founded in 2000 as a spin-off of the Universities of Leuven and Ghent. The new entity, TiGenix Inc., recently announced its collaboration with the Hospital for Special Surgery in New York City, which will assist in further developing ChondroCelect, the company's lead cartilage repair product. ChondroCelect is an innovative cell-based therapy focusing on durable repair of cartilage defects of the knee. ([www.tigenix.com](http://www.tigenix.com))
- **Eliet**, a producer of high-end residential and commercial grade lawn equipment, has chosen a location near McKees Rocks, Pennsylvania, to launch Eliet USA Inc., its first entry into the US market. Eliet, with headquarters in Otegem, Belgium, designs and manufactures outdoor products for garden waste treatment, lawn maintenance and lawn creation, and waste clearance. ([www.elietmachines.com](http://www.elietmachines.com))
- **TMS**, an independent spare parts producer for trucks and mobile plant equipment from Liège, announced the purchase of the U.S. company Raglan, based in Florida. TMS exports to 30 countries worldwide and the new acquisition will allow it to have a stronger presence in the Latin American market. ([www.tms-worldwide.com](http://www.tms-worldwide.com))
- **Ion Beam Applications**, a world leader in the field of cancer diagnosis and therapy, has been selected to build a new proton therapy center at Hampton University in Virginia. The *Hampton University Proton Therapy Institute* will focus primarily on prostate cancer. It will be the largest and most advanced therapy center ever purchased by the university.

In April, IBA also signed a non-binding letter of intent with the University of Pennsylvania Health System (UPHS) to provide a proton therapy system for a new Proton Beam Therapy Center. This center will be operated by UPHS and integrated with its Raymond and Ruth Perelman Center for Advanced Medicine in downtown Philadelphia, PA.

IBA, based in Louvain-la-Neuve, has now been selected by 5 leading medical institutions in the United States to provide a proton therapy system. ([www.iba.be](http://www.iba.be))

- During a visit to Brussels in April, Governor Bob Taft of Ohio met with officials from **Omco International** and thanked the Belgian company for its decision to locate its first U.S. operation, Emco USA, Ltd., (Emco), in Ohio. The more than \$7 million project in Zanesville (Muskingum County) is expected to create 59 jobs within the first three years of operation. The Zanesville operation will be a mould making facility serving the American glass production industry.

OMCO is a division of BMT Group, one of the largest manufacturers in Europe. BMT is comprised of four major divisions specializing in gears, aerospace, glass engineering, special components and glass processing. ([www.omcomould.com](http://www.omcomould.com))

## Belgium Climbs to 4th place as Investment Location in Europe

Belgium attracted more foreign investment projects in 2005 than in previous years, according to the latest "Barometer of Belgian Attractiveness" by Ernst & Young Belgium. The annual barometer combines the real 2005 investment figures of the *EY European Investment Monitor* with a large-scale and worldwide survey of managers concerning the attractiveness of Europe and Belgium to foreign investors.

Belgium's market share of new investments grew from 3.7% to 5.9% in 2005, the study revealed. 38% of all investment projects were expansion activities, whereas new, so-called *greenfield* projects represented 58%.

According to the international managers surveyed, Belgium's central location and solid logistics infrastructure remain major trump cards. Its most important investors are located in its neighboring countries and in the U.S. Together they are responsible for 70% of all foreign investment in Belgium.

[www.ey.be](http://www.ey.be)

## IMEC talks Nano with U.S. Partners

The President and CEO of IMEC, Dr Gilbert Declerck, and some of his senior staff were in Washington in May to participate in the *Second International Nanotechnology Conference on Communications and Cooperation*.

IMEC is Europe's leading independent research center in the field of micro- and nanoelectronics, nanotechnology, enabling design methods and technologies for ICT systems. The center was founded in 1984 as a spin-off of the University of Leuven and grew with the support of the Flemish Government in Belgium into a world renowned research facility employing over 1400 scientists. Its mission is to perform precompetitive R&D, 3 to 10 years in advance of industrial needs.

At a luncheon at the Ambassador's residence, Dr Declerck also discussed closer collaboration between IMEC and US research partners. Contacts between IMEC and amongst others the National Institute of Standards and Technology, (NIST), the University of Maryland Clark School of Engineering, the Johns Hopkins University Nanobiotechnology Institute and the US National Nanotechnology Initiative have grown exponentially since the visit of Flemish Minister of Science, Fientje Moerman, last fall to the U.S.

Some of IMEC's success lies in its unique partnership model that allows small and medium size companies to participate in research programs that are geared to longer term technology solutions and applications. The evolution in nanoscale science calls for IMEC to work ever more closely with its counterparts in Flanders in biotech and broadband technology, such as VIB ([www.vib.be](http://www.vib.be)) and IBBT ([www.IBBT.be](http://www.IBBT.be)), but also with several hundred partners in the U.S. and abroad.

[www.imec.be](http://www.imec.be)

21 foreign companies opted to base themselves in Liège, while 4 others have expanded their business base -which is 4 times better than in 2004. The new arrivals have created nearly 250 new jobs in a variety of sectors: manufacturing, distribution, logistics, recycling, asbestos removal and industrial cleaning, as well as the preparation and maintenance of racing cars, plus other services.

The American pharmaceutical company Cambrex Bio Science Verviers, which operates in the research, production and distribution of cellular culture and molecular biology products, and Nomacorc, which produces synthetic corks, both expanded their business. Arriving in 2005 was the American company Jyco, producers of vulcanised thermoplastics.

SPI+ has for a long time had a department dedicated to establishing and maintaining relations with foreign companies. The department works closely with a permanent consultant in the USA and conducts numerous regular trade missions to other countries. It provides information and assists businesses potentially looking to set up in the province of Liège. In total, the FDI specialists handled 103 dossiers in 2005, a quarter of which originated in the U.S.

Meanwhile, the city of Liège just installed its new service for foreign investors in the renovated 'Meat Hall', the oldest civil building in the city.

[www.liegeonline.com](http://www.liegeonline.com)

## VLAO, VINNOF Open for Business

The Government of Flanders has launched a single bureau to handle all questions from businesses - from starting up a company through efficient energy use and on to innovation and subsidy matters.

The single point of contact - the **Flanders Business Agency, or VLAO** - has its headquarters in Brussels and a series of provincial and local offices. It is the latest in a number of measures taken to streamline administrative processes for businesses and to ensure that they can apply additional time to their core activities.

The Flemish Government also approved the creation of a new fund that will provide new starters with much needed capital to get off the ground. The new '**Flemish Innovation Fund**' or **VINNOF** will have a budget of € 150 million in 2006. It will invest in new start ups because private financiers often see the start ups as too risky to warrant an injection of private capital. The aim is to get the start ups to the phase where private financiers see them as a more reliable investment.

The investment can be done in three ways: through venture capital funds recognized by VINNOF, (at a maximum of € 500.000), as complimentary to subsidies by the Institute for the promotion of Science and Technology in Flanders (IWT), or directly with VINNOF itself.

[www.vinnof.be](http://www.vinnof.be)

[www.vlao.be](http://www.vlao.be)

## Foreign Companies find their way to Liège

SPI+, the economic development agency for the province of Liège, returned a very positive balance sheet for 2005. In all,

## Brussels Best Airport in Europe

The Airport Council International (ACI) has given the award for best European airport to Brussels-National. Brussels was tied for first place with Copenhagen, followed by Zurich and Helsinki. ACI's Airports Excellence Award is based on a survey among 100,000 travelers across more than 70 airports in the world.

According to the passenger survey program jointly administered by ACI and IATA in 2005, Korea's Incheon International Airport was the best airport worldwide. Second place honors were awarded to Hong Kong International Airport and Singapore Changi Airport, with Kuala Lumpur International Airport taking the third place title - a remarkable performance for Asia Pacific airports. In the Americas, Halifax came out on top, followed by Ottawa and Denver.

In the category 'airports with 15-25 million customers', Brussels and Copenhagen were tied for third place worldwide.

## Test Brussels Free of Charge

The Brussels Enterprise Agency (BEA), seeking to attract foreign investment to the Brussels region, launched in the beginning of this year a new *Welcome Business Package* that offers companies the opportunity to test Brussels as a business location for three months at a reduced cost. "We want companies to find out for themselves the advantages of setting up a business in Brussels," said Ana Baptista, who manages the program.

The BEA's Welcome Package provides companies with a fully-equipped office space for three months, free of charge. The offices are located in the BEA premises at the renovated Tour et Taxis complex. Foreign companies will also have full access to the BEA's experts in the field of taxes, environment, labor laws, etc.

One of the biggest brake and clutch manufacturers from China immediately made use of the package in January.

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