



Business Memo from Belgium

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BELGIUM MORE ATTRACTIVE FOR PAN-EUROPEAN PENSION FUNDS

Belgium continues to develop its future as a financial center for niche sectors. The latest example is the trans-European pension funds. Belgium has become the first EU country to adopt the European Directive on trans-European pension funds into internal Belgian law.

Prime Minister Verhofstadt, Finance Minister Reynders and Minister of Pensions Tobbac promoted the legal changes on March 6th at the conference "Pan-European Pension Funds. Now a Reality" in Geneva. The new regime makes it very attractive for multinationals in Europe to register their pension fund in Belgium, whereas their benefits could be enjoyed throughout the EU.

Since January 1, 2007, dividends arising from such pension funds are exempt from tax in Belgium, which means that capital gains on their investments increase. Pension funds usually invest in three commodities: shares, bonds and/or property. Currently many multinationals establish the funds in every country of activity, but concentrating the funds in one country allows for more efficient management and greater expertise. Mobility of employees among the branches of the multinational in Europe will also be facilitated, because rights to extra pension can be maintained.

The tax advantages of the new regime are significant. A pension fund with shares in a U.S. company that receives a gross dividend worth \$100 would until recently distribute an actual net dividend of less than \$64, because the dividend would be subject to 15% in U.S. tax and then 25% in Belgian tax. Today, that gross dividend of \$100 is also worth \$100 net, thanks to the new Belgian tax allowance, and the double taxation convention with the United States, which was concluded at the end of 2006.

BELGIUM CLIMBS IN INDEX OF ECONOMIC FREEDOM

The American *Heritage Foundation* has ranked Belgium 17th (out of 161) when it comes to economic freedom worldwide.

Belgium has been making steady progress for several years now in the Foundation's 'Index of Economic Freedom.' The 2006 Index ranked Belgium in 22nd place. In Europe, Belgium is ranked 10th with a score of 74.5, ahead of countries like Germany, France, Sweden, Spain and Norway, and above the European average of 67.5. The Index of Economic Freedom is one of the major sources on local economic conditions for foreign investors worldwide.

Belgium did particularly well in the categories 'business freedom' (ease to start a business), 'investment freedom' (market access for foreign investors), 'monetary freedom' (inflation control), and property rights. The report was drawn up even before the implementation of Belgium's notional interest deduction.

MINISTER DEMOTTE HIGHLIGHTS BELGIAN HEALTH CARE IN U.S.

Belgian Minister of Social Affairs Rudy Demotte visited Washington, Baltimore and Boston from February 4-8. At the Brookings Institution in Washington, the Minister outlined the measures that Belgium uses to contain costs and reduce budget deficits in the health sector, while preserving quality care. A very timely topic as the debate about health care reform in the U.S. really gets underway.

Devoting only about half as much of its GDP to health as the United States does, Belgium has indeed created a flexible, public-private partnership to pay for and deliver health care that preserves many of the attributes widely desired: universal coverage; comprehensive coverage of physician services, hospital care, and prescription drugs; free choice of primary physicians and specialists.

During his visit, the Minister had government-to-government contacts with the US Department of Health and Human Services and the Food and Drug Administration. Regular exchange of information will be formalized between the FDA and the new Belgian Medicine Agency, and between the two governments, on the risks of bird flu. He also met with Senator John Kerry, and visited the National Institutes of Health, Johns Hopkins University in Baltimore, and the pharmaceutical companies Johnson & Johnson and Amgen.

The Minister also discussed the new universal health care plan in Massachusetts with Governor Patrick Duval and local state senators. The Minister invited the Governor and interested state representatives to visit Belgium and learn about the Belgian healthcare system.

TELEGRAAF MEDIA GROUP (TMG) MOVED BY NOTIONAL INTEREST DEDUCTION

Telegraaf Media Group (TMG), the owner of popular Dutch newspaper De Telegraaf, has transferred over EUR 100 million in the last 10 months to its Belgian subsidiary in order to benefit from Belgium's tax-attractive notional interest deduction (NID).

Belgium's NID enables the concern to bring its equity capital of EUR 530 million into a tax-attractive environment. The NID is just what TMG had been looking for. It has been piling up equity capital while, on the other hand, its degree of debt is extremely low. Only 31 per cent of TMG's balance sheet total of EUR 771 million is made up of debts. The company turned over EUR 736 million in 2005 and made a EUR 65.4 million profit in that same year.

Belgium launched the NID in 2006 to end the discrimination between equity and debt financing of companies, which exists in most countries. While interest paid on debts is tax deductible, equity increases are not. The fictitious or 'notional' interest deduction on company's equity capital made equity financing more attractive.

TMG is not the first Dutch company to seek a tax haven in Belgium. In 2006 the employment services provider Randstad moved its headquarters, including its entire equity capital worth EUR 536 million, to Belgium. Thanks to Belgium's NID, the Dutch company saves about EUR 7 million on taxes a year.

NYSE EURONEXT APPROVED

On February 15, NYSE Euronext started an exchange offer for all the outstanding shares of Euronext. The settlement and delivery of the offer, as well as the admission of the NYSE Euronext shares on Euronext Paris and on NYSE, is expected to take place on April 4th.

The offer is the next logical step in the merger of the New York Stock Exchange (NYSE) and the Paris-based pan-European stock exchange Euronext. Euronext, operational since 2000, is the result of the merger of the stock exchanges of Paris, Brussels, Amsterdam, and Lisbon, and the London-based options market LIFFE.

NYSE Group and Euronext announced plans to combine their businesses on June 1, 2006. Euronext and NYSE Group shareholders approved the intended merger in December 2006.

NYSE Euronext, to be headquartered in New York City, will be the first global stock exchange, with European operations and its trading platform run out of Paris.

NYSE CEO John Thain is expected to head NYSE Euronext. Thain has stated that companies interested in NYSE listings might also consider listings on Euronext in the future. In the past, many such listings went to the London or Hong Kong stock exchanges.

Due to the economies of scale, and a reduction of trading platforms and networks, the merger is also expected to lead to operational cost savings and lower transaction costs.

www.nyse.com, www.euronext.com

BELGIUM 5TH FOR COMPETITIVENESS

A study by the Japan Center for Economic Research (JCER) ranks Belgium fifth out of 50 countries in a league table of potential competitiveness.

The study was based on data collected in 2006. In common with the previous surveys, the researchers used eight determinants of competitiveness: internationalization, enterprise, education, finance, government, science and technology, infrastructure, and information technology (IT).

Belgium has been rising steadily in the Japanese ranking since 1980, when it held the 17th spot. The four countries ranked ahead of Belgium are Hong Kong, Switzerland, the United States, and Singapore. Belgium's best score is for finance, followed by enterprise, infrastructure and internationalization.

A survey undertaken by the World Economic Forum, published in January 2007, put Belgium 20th on a world competitiveness scale.

BELGIAN LABOR PRODUCTIVITY THIRD WORLDWIDE

Belgium was ranked third in the 2006 survey of labor productivity by the American research institute **The Conference Board** and the **Groningen Growth and Development Centre**. Productivity in Belgium increased by 1.9%, higher than the European average.

The survey annually compares the labor productivity of tens of countries. Productivity is defined as the gross domestic product per hour of work, expressed in purchase power.

Compared to 2005 Belgium moved up two places at the expense of France and Ireland. Only Luxembourg and Norway have better scores.

www.invest.belgium.be

PHILADELPHIA-BRUSSELS NON STOP

Commencing June 1 next, US Airways -the fifth largest airline in the United States- will offer direct transatlantic flights between Philadelphia and Brussels Airport.

This transatlantic route will be flown by a 180-seater Boeing 757 jet. Brussels Airport CEO Wilfried Van Assche explained that it is a top priority to provide the European capital with a wider choice of direct haul flights, with a sharp focus on North America and Asia.

From next summer onwards, the number of daily non-stop flights from Brussels Airport to the US will rise from the present six to nine. American, Continental, Delta, United, Northwest and Jet Airways already offer direct connections.

PHARMACEUTICAL SECTOR REMAINS STRONG

The recent decision by American pharmaceutical giant **Pfizer** to invest over EUR 70 million in Belgium proves once again that Belgium has a solid reputation for attracting foreign investments in the pharmaceutical sector.

Belgium's three regions will all benefit from the investment. The Pfizer site in the town of Puurs will receive EUR 11 million to expand its production line for a new drug against glaucoma. Pfizer will also invest EUR 2 million in a new combined heating and power plant, and EUR 3 million in a water treatment plant.

The Louvain-La-Neuve site, which specializes in vaccines for farm animals and pets, will receive the lion's share of the investment. Almost EUR 40 million will be spent on a new filling line for plastic vaccine bottles and the renovation of a complete production unit. Pfizer's only test plant for the development of veterinary vaccines is being built there as well.

In Brussels, Pfizer will set up a European data centre, making it the third data centre that Pfizer uses worldwide.

Belgium has worked its way up to become one of the most important countries for Pfizer outside the US. The group has 3,200 employees in Belgium of which 1,450 work in Puurs, making it one of the largest Pfizer non-US production sites. Furthermore, Brussels is home to Pfizer's biggest department for clinical phase I research in Europe.

Recently four pharmaceutical giants in Belgium -GlaxoSmithKline, Janssen Pharmaceutica, Pfizer and UCB- decided to join forces in a new **"Health, Science and Technology Group."** The goal of the association is to preserve Belgium's position as a world leader in the pharmaceutical industry. Currently Belgium ranks seventh worldwide for investment in pharmaceutical research, and third (per capita) for number of drugs under development or scientific publications devoted to pharmaceutical research. In terms of employment, the pharmaceutical industry is the second largest in Belgium. It employs about 28,000 people.

www.pfizer.be, www.pharma.be

ABLYNX SIGNS AGREEMENT TO DEVELOP NEW ALZHEIMER TREATMENTS

Biopharmaceutical company Ablynx, based in Ghent, and Boehringer Ingelheim, one of the world's leading pharmaceutical companies, have announced an exclusive collaboration and license agreement worth almost \$265 million to develop new therapies for Alzheimer's disease.

Boehringer Ingelheim will commence a joint research program including Ablynx scientists. Researchers will use Ablynx' Nanobodies[®], a novel class of therapeutic proteins for a range of serious and life-threatening human diseases including inflammation, thrombosis, oncology and Alzheimer's disease.

Ablynx' Nanobodies[®] could be particularly important in developing new Alzheimer's disease treatments, as researchers believe they could solve the problems faced by other drugs or conventional treatments. Due to their special characteristics, Nanobodies[®] may cross the blood-brain barrier more readily than conventional antibodies.

Dr Andreas Barner, Vice-Chairman of the Board of Managing Directors of Boehringer Ingelheim, stated: "We are very excited about the opportunity to develop new biological entities for treating Alzheimer's disease based on this powerful and unique technology."

Ablynx has ongoing research collaborations and significant, multi-target partnerships with several other major pharmaceutical companies, including Wyeth Pharmaceuticals, Novartis, Centocor (J&J), Kirin Brewery and Procter and Gamble Pharmaceuticals.

www.ablynx.com

NEUROSCREEN LAUNCHED IN LIEGE

The European research network Neuroscreen, which focuses on neurodegenerative diseases, was officially launched in Liège on January 24.

The purpose of Neuroscreen is to develop an integrated system allowing the differential diagnosis of the neurodegenerative diseases in a preclinical phase. This system will be based in particular on a method of analysis patented by the University of Liège.

Certain neurodegenerative diseases are not actually diagnosed until the patient has died. For scientists it's clearly important to be able to detect such diseases in a reliable way. Five percent of those above 65 suffer from Alzheimer's Disease, where the incubation period can take dozens of years, like the human version of the Creutzfeldt-Jacob Disease (CJD). The availability of diagnostic equipment would help those concerned with treating these diseases and this is the objective of the new network.

The Center of Research for Prion Proteins at the University of Liège will be coordinating the new network, which was created in the context of the sixth European Framework Programme for Research and Development. It will involve twelve partners (companies and laboratories) in six European countries and has a budget of EUR 2,797,521 for three years.

<http://www.ulg.ac.be/>

37,500 TIMES FASTER THAN CABLE

Researchers from the Katholieke Universiteit Leuven, the University of Washington and the Academy of Sciences in Beijing have discovered new organic material capable of transporting information over the internet up to 37,500 times faster than normal.

The researchers now hope to develop an electro-optic modulator, that would transform electronic signals into optic data, allowing for faster transmission via fiber optic cable.

The new material is 50 times more sensitive to light than existing material. Tests of the new technology thus far have been very convincing.

Can't get enough of Business Memo? Earlier editions are available online, at www.diplobel.us.

The Embassy's Web site 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.fed.be

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