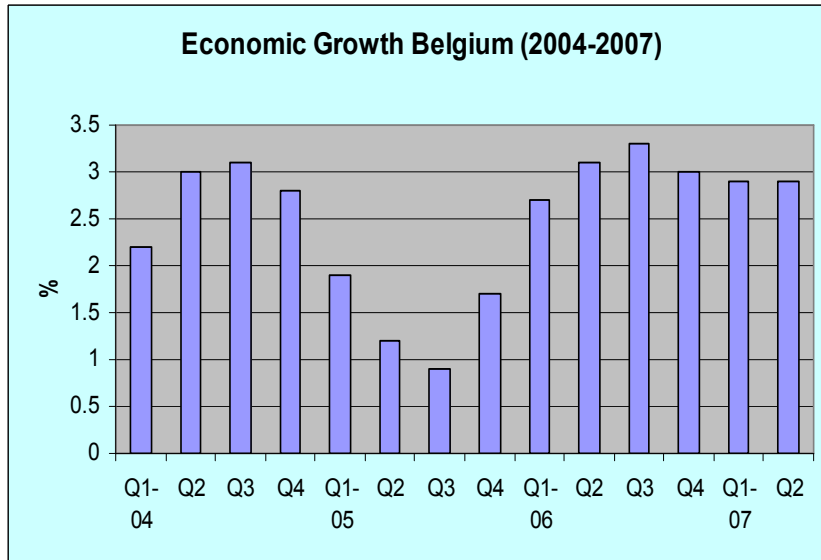


Economic Growth Remains Solid

Data from Belgium's National Bank show that Belgian annual GDP growth has moderated slightly since the peak of 3.3% in the third quarter of 2006, but it remained at a solid 2.9% in the first two quarters of 2007. The expansion in the first half of 2007 was boosted by both foreign and domestic demand, the latter being supported by improved labor market conditions and strong investment.

The continued high level of both business and consumer confidence points to sustained growth in the second half of 2007 as well. The National Bank of Belgium expects 2.5% growth for 2007 as a whole.

The economic upswing which started in the second half of 2005 therefore continues. An increase of 5.7% in exports is forecasted. Meanwhile, inflation and unemployment continue to fall, and the government budget remains balanced. Inflation was at 1.3% in July, while the unemployment rate dropped to 7.5%. The government budget showed a surplus of 0.2% in 2006.



www.nbb.be

Belgium Maintains 5th Place For Foreign Investment

Ernst & Young's annual 'Barometer of Belgian attractiveness' has put Belgium at number 5 in Europe when it comes to attracting foreign investment. It has a market share of 5.2%. Only the very large European countries precede Belgium.

Belgium takes the number 5 spot behind 4 large European countries: the United Kingdom, France, Germany and Spain. 185 projects were done in Belgium, or 5.2% of the 3,532 foreign investment projects under way in Europe in 2006. 45 projects originated in the U.S. (24.3%), 25 in France (13.5%), 8.6% from the UK. 5,500 jobs were created. Chemical projects were the most numerous (21), followed by business services (19).

Belgium was able to rely on its traditional advantages such as a good telecom and logistics infrastructure, its central location, linguistic capabilities, and workforce productivity. More than 10% of all logistical foreign investments in Europe are carried out in Belgium. Belgium's perceived R&D capability is also seen as an asset for the future.

In the Ernst & Young study, the actual 2006 investment figures from the Ernst & Young European Investment Monitor are combined with a worldwide survey of more than 800 managers in February/March 2007 on the attractiveness to foreign investors of Europe and Belgium. More than 200 interviews dealt specifically with Belgium.

www.ey.be

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New Tax Deduction For Patent Income

A new 'patent royalties deduction' was introduced into Belgian tax law, which allows Belgian companies, or Belgian branches of foreign companies, to deduct 80% of patent royalties from their taxable income. The new tax measure is aimed at encouraging companies to play an effective role in patent research and development, as well as patent ownership. It comes into force in tax year 2008, i.e. as of the financial year ending on December 31, 2007.

The new tax deduction is more attractive than similar measures adopted in other countries. It will apply not only to patents owned and developed, entirely or partially, by the company or one of its 'branches of activity' (in Belgium or abroad). It will also apply to patents acquired from a third party. In such a case, the company or the Belgian branch of a foreign company would have to improve entirely or partially the patent in one of its own research centers, in Belgium or abroad, in order to benefit from this incentive. For patents used by the Belgian company or establishment for the manufacture of patented products, the tax deduction will amount to 80% of the license fee that the Belgian company would have received if it had licensed the patents used in the manufacturing process to an unrelated party.

The patent royalties' exemption operates as follows: companies will deduct from their taxable income 80% of the patent income. The 20% left from the patent income (after deduction) remains taxable, in effect decreasing the maximum effective tax rate from 33.99% to 6.8% of the patent income. The deduction has no cap but if the patent royalties' deduction exceeds the company's taxable income, it cannot be carried forward to the following tax year.

Companies can combine this new measure with the other already existing tax incentives, including the exemption of 95% of the dividends received by a Belgian company, and the Belgian notional interest deduction (NID). It concerns only patent incomes, thereby excluding other IP rights or assets such as know-how, copyright, or trademarks.

Because the tax patent income deduction applies irrespective of whether the patent has been developed or acquired, Belgium should be kept in mind as a good location for companies with a significant role in patent research and development, and patent ownership.



Umicore Acquires Automotive Catalyst Business of Delphi

Delphi Corp confirmed on August 16th that it has obtained the approval of a bankruptcy court in the U.S. to sell its automotive catalyst activities to Umicore for \$75 million. The acquisition is expected to be finalized by the end of September. All regulatory approvals have already been obtained.

Umicore will take over Delphi's production facilities in Tulsa, Oklahoma, and in Florange (France), and Port Elisabeth (South Africa). It will also acquire clientele, intellectual property rights, and assets in China, Australia, and Mexico.

Umicore is a Belgian materials technology group with expertise in materials science, chemistry and metallurgy. The company already controlled 25% of the world's automotive catalyst market. The Umicore Group has industrial operations on all continents. It generated a turnover of €8.8 billion (€1.9 billion excluding metal) in 2006 and currently employs some 17,000 people.

www.umicore.com

Internet Host Combell Signs Deal With Microsoft

Ghent-based internet hosting firm Combell recently closed a deal with Microsoft making software available for rent over the Internet. This way of purchasing software will become increasingly popular in the future, replacing programs that need to be installed on the hard drive with disks.

Combell offers the most commonly used software on its servers. Customers can choose to pay a monthly amount or to pay each time a package is used. Microsoft will actively encourage other software builders to rent space from Combell. The company aims to raise its current number of 450 servers at its Brussels datacenter to 1,000 by the beginning of 2009.

The Ghent-based IT firm was established only 8 years ago by Jonas Dhaenens, now a mere 24 years old. The company registers domain names, hosts servers, and offers Web space for both private and business use. Combell currently has 60,000 domain names, 100,000 email addresses and 15,000 websites in its portfolio. It is one of the leading internet hosting companies in the Benelux. Customers include US companies like Ebay, Pioneer, and Bose.

www.combell.com

AWEX Investment Website Voted Best By World Investment Conference

The website of the Wallonia Trade and Investment Agency (AWEX), Investment branch, has won the best website award at the *European Attractiveness Awards 2007*, presented during the World Investment Conference in La Baule, France.

First among 30 entries, www.investinwallonia.com won in the areas of content relevance, ease of navigation and regular updates. The jury was composed of business professionals from the European Commission, E&Y, Euronews, Eurada, Europe+ and other economic specialists.

Following an in-depth analysis, the website was redeveloped in 2006 and now attracts more than 8,500 visitors per month. With a high level of interactivity in French, English, and Japanese, the website actively solicits feedback.

The Investment Branch of Awex is the economic development agency for Wallonia, the French-speaking region of Belgium. The Agency's objective is to provide information and advice to companies looking to establish, expand or reorganize their European operations.

www.investinwallonia.com

Belgian Workforce Second Most Productive

Belgium has the second most productive labor force in the world, according to a study of 16 countries by the U.S. Bureau of Labor Statistics, published in July.

In its study *Comparative Real Gross Domestic Product per Capita and Per Employed Person 1960-2006*, the Bureau concluded that Belgian workers on average create \$56.1 in added value per hour. Only Norway scores better, mainly due to its oil industry. U.S. workers were ranked fifth, with an average of \$50.6 per hour.

However, total added value per Belgian worker was \$86,000 per year, while it was \$90,700 for the U.S. worker. A reflection of the fact that Americans work more hours. Still, Belgian workers again produced the most in Europe, after Norway.

www.bls.com

DHL Opens Mega Food Center

On June 7th, DHL Exel Supply Chain inaugurated a new Mega Food Center in the Flemish town of Tisselt. The new facility will enable the company to consolidate its food logistics and distribution activities in Belgium, and will employ about 160 people.

The center extends over 32,000 square meters and complies with the toughest food safety standards. "By housing different customers at one central location, logistics costs are drastically reduced, while quality and flexibility of the service increase," quotes a DHL press release. DHL anticipates savings between 20 to 25% in logistics costs.

Eurinpro, a European leader in tailor-made logistics warehousing solutions, selected the site for and on behalf of DHL Exel Supply Chain. Yves Boonen, Country Manager for Eurinpro Belgium, commented on this prime location: "The site is close to the main road that connects Antwerp and Brussels, to the Port of Antwerp and Brussels Airport, and also to the Willebroek barge terminal."

www.dhl.be

Asco Industries Joins Boeing Program

The Belgian company Asco Industries will participate in the construction of the new Boeing 747-8, according to press reports. Asco is a specialist in aircraft components such as flaps, slats mechanisms, engine mounts and landing gear. The program will generate a yearly turnover of €25 million.

For the 747-8, the latest version of the famous jumbo jet, Asco will be designing and assembling slat tracks, vital connections between the engine hood and the wing. Four of these are needed in a 747-8. Boeing hopes to build 600 747-8 planes over the next twenty years.

Asco also has contracts with the Brazilian manufacturer Embraer and the Canadian firm Bombardier. The company is headquartered in Zaventem, where it has 7 assembly shops. It also has a production plant in Germany and Canada. Over 800 people are employed by Asco, which has plans for further expansion at its Zaventem site in Belgium.

www.asco.be



Brussels Airport Freight Center Expands

Brucargo, the airfreight center at Brussels Airport, is to be expanded by 12,000 square meters. In addition, the existing connection with the E19 motorway will be greatly improved. The aim of these investments is to attract more airfreight to Brussels. Brussels Airport is currently the 6th-ranked cargo airport in Europe and handles some 730,000 tons of cargo per year.

Brussels Airport Company (BAC) is building 120,000 square meters of new warehouses, offices and transshipment facilities at the western end of the airport. The deadline for completion is 2011. The investment carries a total price tag of €90 million.

Infrastructure and foundation works have already started. The first 20,000 square meters will be ready by mid-2008. BAC also aims to create added value by providing perimeter security, additional parking spaces for trucks and through improved infrastructure for easier airport access.

Belgium Completes High Speed Rail Network

Belgium is the first country in Europe to complete its high-speed rail network. The rail authority SNCB has completed work on a fast line linking Brussels with Amsterdam in the Netherlands, and a second route running from Brussels to Cologne in Germany.

Existing fast routes connect Brussels with Paris, Lille, and London.

Train journeys from Brussels to London will become even shorter this year when a new international terminal opens at St Pancras Station in London on November 14, replacing Waterloo International. The average journey time will be cut by 20 minutes, putting London just 1hr 51 minutes from Midi Station in Brussels.

Can't get enough of Business Memo? Earlier editions are available online, at 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.fed.be

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