

# BUSINESS MEMO

Newsletter of the Embassy of Belgium  
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NR. 3/2008

## Anheuser Busch Inbev Is Born

Anheuser-Busch, the largest beer maker in the U.S., agreed in July to accept a \$ 52 billion takeover bid by Belgium-based Inbev. The deal creates the world's largest brewer, uniting the maker of Budweiser and Michelob with the producer of Stella Artois, Bass and Brahma. Together the two companies have sales of about \$36 billion a year. It is the biggest takeover in the U.S. economy this year, and the third largest ever.

Inbev is based in Leuven, Belgium. The company's origins date back to 1366 and today it manages a portfolio of more than 200 beer brands. The combined new company will be named Anheuser-Busch Inbev. Anheuser will be given two seats on the board, including one for August A. Busch IV, Anheuser's chief executive whose family has controlled Anheuser for more than a century. Inbev CEO Carlos Brito, of Brazil, will lead the new company. The transaction is subject to the approval of company shareholders and other customary regulatory approvals, but Inbev expects the process to be completed by the end of 2008.

The Inbev takeover of A-B caused initially quite a stir in the U.S. Because of a huge advertising budget and a strong distribution network, few brands are as omnipresent in American daily life as Budweiser and its more popular sibling, Bud Light. Anheuser is for example the largest buyer of Super Bowl ads.

Inbev has pledged to keep Budweiser as the new company's flagship brand and St. Louis as its North American headquarters. All U.S. breweries will remain open, Inbev has stated, and the takeover will enhance global market access for Budweiser. However, Inbev will sell the entertainment division of Anheuser Busch, including SeaWorld, Busch Gardens and other theme parks.

While Inbev's takeover has received a lot of attention, several American beers have already been taken over by larger overseas rivals in the last decade. The Miller Brewing Company was sold to South African Breweries in 1999, and the Adolph Coors Company was bought by Molson of Canada in 2005. In addition, Inbev and Anheuser already had some commercial ties. Inbev distributes Budweiser in Canada, and the two companies have a successful U.S. distribution partnership for Inbev's European premium import brands including Stella Artois, Beck's and Bass. In 2006, Inbev sold its Rolling Rock brand to Anheuser-Busch for \$82 million.

Together with the newly combined MillerCoors company, Anheuser-Busch InBev is certainly going to make the U.S. beer business more competitive than it is already. One of the biggest battles in the transformed U.S. beer business will be in the light beer aisle, as Miller Lite and Coors Light go up against the biggest beer brand in the world, Bud Light. It's going to be a hard-fought contest.

## More R&D Tax Breaks

Scientific personnel and researchers employed in Belgium may qualify for an exemption from payroll taxes up to 65%, according to a new law in Belgium which took effect on July 1, 2008.

So far, the 65% rate only applied to researchers at universities, colleges and scientific institutions. For these researchers, the law envisions that the reduction can be increased to 75% later on by the government.

The objective of the new measure is to increase employment and investment in R&D, by reducing the cost of labor compared with neighboring countries. It will reduce the cost of a researcher in Belgium by an average of 10 to 12%. It complements the generous tax breaks for companies on patent income, introduced in Belgium last year.

The partial exemption on payroll taxes will be especially relevant in the biopharmaceutical sectors. It is estimated that the exemption will apply to about 45,000 researchers in the private sector. The biopharma concern UCB stated some 500 researchers would be affected, resulting in savings of up to € 20,000 a year.

[www.invest.belgium.be](http://www.invest.belgium.be)

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## Belgian Architect Devises Largest Maritime Project in World History

Belgian architect Alexander D'Hooghe has won a competition for the design of the largest land reclamation project in history. Over the next few decades, 155 square miles of new land are to emerge from South Korea's Saemangeum Bay. Situated on the Korean peninsula's West coast, the bay's new port will open the area to trade with the region's nascent superpower, China.

The project will be eight times larger than the current record holder, the famous Palm Deira, which is under construction in Dubai. Saemangeum is the largest land-reclamation project in Asia since the construction of Chek Lap Kok, Hong Kong's new airport, which opened in 1998. Because Korea is 75% mountainous, land for development is precious.

Architecture professors Nader Tehrani and Alexander D'Hooghe from Massachusetts Institute of Technology were among three international teams that won the South Korean government's design contest for the project in August. Their plans include industrial, residential and agricultural areas, new wetlands, and even a space port. The South Korean government also selected design teams from New York's Columbia University and London Metropolitan University. Ultimately, the government may elect to use any combination of the winning teams, or none at all.

The MIT team's design calls for the construction of seven islands and peninsulas, ranging in size from 4.8 to 36.9 square miles, enough space for half a million people, and with room to grow for two to three million more. Construction could begin in 2011.

The northern half of the area is reserved mainly for industrial, scientific, and residential purposes. In addition to port facilities and factories, it would include theme parks, a technical university, research and development facilities, a Formula 1 racetrack, and, most notably, a space port, where the budding local aeronautics industry may follow Virgin Galactic's lead in launching space tourists.

Agriculture and tourism are the focus of the southern half, which D'Hooghe labels New Tuscany. Much as in the real Tuscany, the new townships will be on hilltops overlooking the surrounding landscape.



## Notional Interest Deduction Works

A study by the Belgian tax administration, ordered by the Belgian government, found that over 4 out of every 10 small and medium sized firms benefited, in 2006, from Belgium's notional interest deduction scheme.

The notional interest deduction (NID) allows companies and organizations to reduce their taxable base when making investments from their own resources. It is the deductible amount that equals the fictitious interest cost on the adjusted equity capital. The tax scheme was introduced by the Belgian government in 2006 to attract foreign investment and keep the tax friendly coordination centers in Belgium.

In its first year of application, the large companies collected the lion's share of the tax benefit. Research by the tax authorities revealed that 37 pct of the total amount in interest deduction was awarded to 25 firms. About half of the over € 6 billion worth of interest deduction went to small and medium-sized companies.

The banking sector and the coordination centers benefited the most from the notional interest deduction. They collected almost half of the tax benefits awarded in 2006. The banking sector received some € 1.2 billion in tax benefits. 40 out of 143 coordination centers used the NID during its first year. They received about a third of the awarded tax benefits. According to the Federation of Belgian Enterprises, about 20 new coordination centers were established in Belgium, including NYSE-Euronext, Exxon, Fortrum, Generali, Rabobank and Randstad.

Earlier a study by the National Bank concluded that the notional interest has improved the capital base of companies in Belgium, while the technology sector federation Agoria announced that the NID created about 4200 high tech jobs.

## Brussels Ranks 39th in Worldwide Cost of Living Survey

Brussels has been ranked 39th in the latest *Cost of Living Survey* from Mercer Consulting. The survey measures the comparative cost in 143 locations. Moscow was ranked as the most expensive city globally for expatriates for the third time in a row. European cities of London, Copenhagen, Oslo, Geneva, Zurich, and Milan all appear in the top ten, as well as Tokyo, Seoul and Hong Kong.

Brussels was ranked right behind Munich and Berlin, but also behind Paris (12th) Dublin (16), Amsterdam (25), and even Madrid (28), Prague (29) and Warsaw (35).

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

## New Office for Economic Migration

Belgium will get a new office for Economic Migration in the Federal Public Service Internal Affairs, Minister for Migration Annemie Turtelboom and Minister for Foreign Affairs Karel De Gucht announced on July 2nd.

The new office has become operational on September 15th. It has to ensure that business and work visa can be processed much faster. The goal is to mobilize all government agencies involved in the migration procedure for foreigners who want to invest or engage in a for-profit activity around a central point of contact.

While Embassies and consulates will continue to issue the bulk of the work and business visa, the new office will support them and other government agencies and local towns with regulatory expertise.

Embassies and consulates will keep the authority to issue visas for less than three months, provided the required conditions are fulfilled. They will also remain entitled to issue visas for more than three months to those in possession of a work permit or a professional card. From now on they will also be allowed to issue long term (D-type) visas to certain types of researchers exempt from the requirement to obtain a work permit and for executives employed in a multinational headquarter.

Researchers exempt from the requirement to obtain a work permit include non-EU nationals in the possession of a degree which gives them access to a doctoral degree in their country of origin, and who have been selected to engage in a research project in one of the officially recognized Belgian institutions of higher learning. A list of these institutions can be consulted on the site of the Federal Public Service for Science Policy ([www.belspo.be](http://www.belspo.be)).

Executives in a multinational headquarter qualify for the exemption from the requirement to obtain a work permit provided their salary exceeds a certain amount. The gross amount was € 57.162 as of Jan 1, 2008.

## Latest Economic Indicators

GDP	+ 1.9%	(2008-II)
Inflation	+ 5.4%	(2008-08)
Unemployment	7.0%	(2008-08)
Euro-dollar	1.41	(2008-09.15)

**National Bank of Belgium, Economic Indicators**  
**09.15.2008**  
**[www.nbb.be](http://www.nbb.be)**

## Belgium Remains Most Popular European Location for Logistics

Belgium once again heads the European list of top locations for logistics facilities, according to Cushman and Wakefield's *European Distribution Report* (see p. 4). The report ranks 25 European countries along 16 cost-benefit factors including rents, land prices, building costs, labor costs, road density and congestion, freight routes, population density and proximity of key markets.

Belgium owes its top position mainly to its low property and building costs. In Western Europe, The Netherlands occupies the second spot, followed by France, Austria and Germany.

With ongoing search for greater efficiency, the Central and Eastern European markets are gradually maturing. But the lion's share of economic activity remains concentrated in Belgium and its neighbors.

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

## CRC Builds Distribution Center in Flanders

CRC Industries Europe, part of the Pennsylvania-based chemicals group CRC Industries Inc., is expanding its activities in Flanders, Belgium.

The group is building a new distribution center in the town of Zele, complementing its existing European headquarters and a production facility. The new distribution facility is being built to answer growing demand from Eastern Europe, Russia and Asia.

CRC is a worldwide leader in the production of specialty chemicals for the maintenance and repair professional, serving automotive, marine, electrical, industrial, and aviation markets.

In 1967 CRC Chemicals Europe was incorporated in Brussels, Belgium. Originally, product concentrate was imported from America. It was mixed and filled at local filler. In 1975 a manufacturing plant was built in Zele, Belgium. This facility was designed to manufacture nearly all of the same products that are manufactured in the U.S., with the range defined by local customer requirements.

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



## Major European Distribution Locations

Overall Score And Ranking			Comparative Ranking				
Rank 2008		Score 2008		Rents	Labor Costs	Congestion	Road Freight
1	Belgium	8.45	Austria	11	19	14	7
2	Netherlands	9.54	Belgium	6	21	18	12
3	Hungary	9.56	Czech Rep.	4	13	15	5
4	Czech Republic	9.57	France	8	17	17	16
5	Poland	9.76	Germany	16	23	25	13
6	France	10.25	Hungary	9	11	7	19
7	Austria	10.81	Italy	12	15	3	15
8	Germany	10.82	Netherlands	10	22	22	4
9	Slovakia	10.85	Poland	2	12	11	18
10	Italy	11.37	Slovakia	3	9	10	17

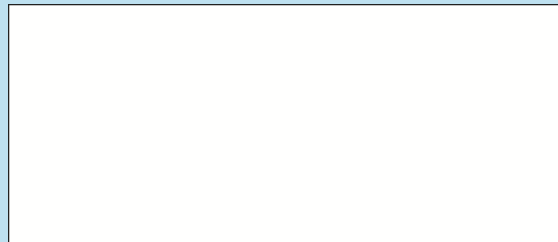
*Cushman & Wakefield, European Distribution Report 2008*

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.fed.be](mailto:bart.deelen@diplobel.fed.be)



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