

EMBASSY OF INDIA
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ECONOMIC AND COMMERCIAL REPORT
BELGIUM AND LUXEMBOURG
April 2006

A. GENERAL INTERNAL DEVELOPMENT

Belgium crying out for expat pharmacists:

Belgium has a worsening shortage of pharmacists and the industry is increasingly looking to expats to fill the vacancies. Besides the shortage of pharmacists for chemist stores, the pharmaceutical industry is also facing capacity problems, according to newspaper 'De Morgen'. "The large pharmaceutical firms in Belgium are witnessing growth and at the same time too few youths are starting studies into biomedical sciences," a spokesperson with GlaxoSmithKline said. "Most final year students already have a work contract." But the pharmacists union is complaining the most: the pharmaceutical firms pay more and offer better work conditions. Therefore, normal pharmacists can no longer find replacements". Due to the shortfall of workers, companies are increasingly looking to expat pharmacists to fill the growing number of vacancies.

Income gap between Flanders and Walloons widens:

De Morgen reports that economic indicators reveal an increasing income gap between Flanders and Wallonia. This can be deduced from the Institute of National Accounts' (INR) most recent figures. The average income in Flanders is 25% higher than in Wallonia, and this difference is continuing to increase. Whilst the income gap was EUR 3,038 per annum in 1995, by 2003, it had risen to EUR 4,188. The average Fleming also pays significantly more tax and social contributions than those from Wallonia. For example, in 2003, the Flemish paid EUR 734 more than the Wallonians, in contrast to 1995 when this difference was only EUR 484. Furthermore, Flanders clearly fares better in other aspects. Unemployment in Wallonia (16.5%) is twice as high as in Flanders (7.6%) and wage costs are 3% higher. Ludwig Caluwé, leader of the CD&V has calculated that if Wallonia wants to catch up with Flanders, the Walloon economy needs to grow 1.4% faster than the Flemish economy.

Record number of Belgians in Employment:

Belgian employment is at its highest ever level, reports De Morgen. Recent National Bank figures indicate that 4.27 million people were employed at the end of 2005.

Never before so many had paid work in Belgium. Their number is 600,000 up as compared to 1985. The new record is no coincidence, given that Belgian employment levels have been on the rise for nine quarters in succession. Employment has increasingly shifted to the service sector. During the last 20 years no less than 800,000 jobs have been created in this field, whereas the number of jobs in industry has decreased by 220,000. Currently industry provides only one fifth of the gross domestic product. Belgium has therefore transformed into a service economy over the last couple of decades. Since the federal government of liberals and socialists under Guy Verhofstadt came into power in 1999, some 200,000 to 220,000 jobs have been created. That is more than in the era of the Roman Catholic red government under Jean-Luc Dehaene. Only 150,000 jobs were created during seven years, De Morgen reports.

B. ECONOMY AND COMMERCE

Trade Unions are not happy with Arcelor's defence strategy against Mittal bid:

The Luxembourg group Arcelor has made a number of further interventions to make the hostile bid of Mittal Steel less attractive to its shareholders. It is increasing its dividend from 1.20 to 1.85 euros and is promising to pay out a further 5 billion euros if they do not accept Mittal's bid. As an extra means of defence Arcelor is classifying the newly acquired Canadian steel company Dofasco as a Dutch Foundation, so that it will be impossible for the new owner (Mittal) to sell Dofasco. Earlier Mittal announced that it would sell Dofasco if the take-over went through. The unions are not happy with Arcelor's defence manoeuvres. The more is paid out to shareholders, the less will be invested, they warn. The minority shareholders see the Dofasco manoeuvre as a hidden poison pill. They refuse to accept a company classifying core activities as a foundation, thereby removing control of them from shareholders.

LCATEL Belgium awaits repercussions of merger with LUCENT:

Belgium is carefully following the merger of French telecom company Alcatel and its American rival Lucent Technologies. The announcement that the new merger company with estimated turnover of 21 billion euros aims to cut costs by 1.4 billion euros and reduce its workforce by ten percent (8,800 of 88,000 jobs) has caused particular concern amongst Belgian subsidiaries. Lucent employs around 100 people in a sales and service office in Brussels and Alcatel employs 2,800 people in Belgium. These employees work at the Antwerp-based competence and research centre for broadband technology specialising in the production of ADSL modems, the smaller branches in Charleroi and Namur and Alcatel Alenia Space specialising in space technology. Employees and management are hoping that the strong strategic position of the competence centres will ensure Belgian subsidiaries hold a strong position within the group worldwide.

C. EUROPEAN UNION

Eurozone inflation rises to 2.4 per cent in April:

Inflation in the 12 nations sharing the euro rose to 2.4 percent in April from 2.2 percent the previous month, the EU's Eurostat data agency estimated on April 28. The figure was slightly above private economists' expectations for a rate of 2.3 percent in April. If confirmed when Eurostat publishes definitive figures, it would mean that inflation in the eurozone moved away from the European Central Bank's preferred level of close to but less than two percent. Headline eurozone inflation reached a peak of 2.6 percent last September, fuelled by what were then record oil prices but has since gradually drifted lower. However, a surge in oil prices to fresh records over the last month means that headline inflation is likely to push higher.

Eurozone unemployment eases close to four-year:

Unemployment in the 12-nation eurozone slipped in February to its lowest in nearly four years, easing to 8.2 percent from 8.3 percent in January, according to the EU's Eurostat data agency. The rate, the lowest since May 2002, beat economists' expectations for the jobless toll to hold steady and also marked a solid improvement from the 8.8 percent in February 2004 in the zone that shares Europe's single currency. In the 25-nation European Union, unemployment was stable at 8.5 percent in February compared to January, when the rate fell to the lowest level since November 2001.

European car sales rise 4.1 per cent over 12 months:

European car sales rose by 4.1 percent in March on a 12-month comparison to a total of 1,788,723 vehicles, trade data showed on April 14. The figures, from the European Automobile Manufacturers' Association, showed that sales of new cars got off to a "good start" this year. Sales in 23 European Union countries, the 25 EU members minus Cyprus and Malta, plus sales in Switzerland, Norway and Iceland, had risen by 3.2 percent in the first quarter on a 12-month basis. In March, sales in Italy had risen by 8.6 percent, in Spain by 8.3 percent and in Germany by 6.9 percent. But in France sales had fallen by 2.5 percent and in Britain by 1.6 percent.

EU trade chief fingers US in WTO setback:

The United States needs to be more "realistic" if the Doha round of World Trade Organisation (WTO) talks is to succeed, EU Trade Commissioner Peter Mandelson said on April 28. Speaking on BBC radio as the WTO missed its deadline for sealing a deal, Mandelson deflected blame away from the European Union, the world's biggest single trading entity, by pointing an accusing finger at Washington. "In return for dealing with soaring farm subsidies in the United States, the American

government is asking for very radical access to agricultural markets around the world that neither we in Europe nor most developing countries -- countries that speak for half of mankind -- can possibly accept or implement," he told BBC radio. "It is this that is holding up decisions. Until they convert their demands into some rather more reasonable or realistic requests, we are going to continue to be painted into this corner." Mandelson -- who negotiates trade deals on behalf of all 25 EU member states -- said he believed an agreement was still possible. "The talks are in trouble, which is certainly true. They are struggling -- but they are not derailed," he said

Old Europe begins opening the doors to eastern workers:

A majority of older EU states have decided to open their doors to workers from newer east European members and will be lifting or easing their restrictions, the EU's executive commission said on April 28. The EU's 15 older member states are supposed to tell Brussels of their plans for restrictions on workers from eastern European countries that joined the bloc in its May 2004 "big bang" enlargement. At that time, most "Old Europe" governments decided to keep their doors shut to potential cheap labour from the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Only Britain, Ireland and Sweden threw open their doors to workers from the new members while the others required work permits, which were sometimes handed out on the basis of quotas. But as of April 28, the European Commission said that four other countries -- Finland, Greece, Portugal and Spain -- had also decided to lift their restrictions. Meanwhile, four others -- Belgium, France, Italy and Luxembourg -- had decided to ease their restrictions on eastern European workers. Of the 15 older EU members, only Austria, Denmark and Germany had notified plans to stick to their existing restrictions. The Netherlands has backtracked from initial plans to lift restrictions and instead will keep them in place until the end of the year, when the Dutch parliament will review the country's position.

Euro headed to collapse in 10 to 20 years:

The euro zone is headed for collapse in 10 to 20 years so long as there is no European political union to underpin it, a prominent Belgian economist told Business newspaper on April 22. Paul De Grauwe, from the Catholic University of Leuven, whose work helped make the case for monetary union in the 1990s, is now arguing that the European Union's single most ambitious project is in real danger of going off the rails. "A political union is the logical end-point of a currency union," De Grauwe told The Business in an interview, elaborating on unpublished research that he showed the euro skeptic weekly. "If political union fails to materialise, then in the long term the euro area cannot continue to exist." "The monetary union will collapse ... not next year, but on a time frame of 10 or 20 years. There is not a single monetary union which survived without political union. They have all collapsed." He added: "Sometimes I wonder: do we still need the European Union? I start to have doubts about that. It is

sufficient that countries open up their economies. You don't need to do that in the context of the European Union." De Grauwe initially favoured the euro as the way to lower prices, higher growth and more jobs across the continent. But since euro zone nations, led by France and Germany, put their currencies in lockstep in 1999 in a prelude to the euro's launch, employment has been stuck around nine percent and inflation rates are disparate around the bloc. In his research paper, De Grauwe said that national politicians bear responsibility for high unemployment, yet the tools to do something about it have been transferred to EU institutions. On the European Union's Lisbon reform agenda, which set 2010 as the deadline for Europe to become the world's most competitive economy, De Grauwe said it is "a political fiction ... best buried."

Gazprom warns EU on gas supply:

Russian state-run gas giant Gazprom has warned the European Union not to politicize gas supply issues, threatening to sell fuel elsewhere if its commercial ambitions in the European market are unfairly restricted. "It needs to be noted that attempts to limit Gazprom's activity in the European market and to politicize gas issues, which are in fact solely economic, will not produce good results," the company said in a statement posted on its website. The statement came after Gazprom chief Alexei Miller held what it described as a "frank and objective conversation" in Moscow with ambassadors of the 25 EU countries, telling them Gazprom was "able to satisfy reliably growing gas demand in Europe." Nevertheless, one cannot forget that we are actively developing new markets such as North America and China. "Gas producers in Central Asia are also paying attention to the Chinese market. This is not by accident. Competition for energy resources is increasing," the Gazprom statement said. In Brussels, the European Commission called on Gazprom to stick to its commitments and not to threaten crucial European energy supplies. "The commission expects all suppliers to meet their commercial commitments," said a commission spokesman. "In a market that is becoming more and more global, companies are looking for diversification -- of suppliers, of routes," he said, but added: "This diversification should not be used ... to achieve other goals." Miller's meeting with the EU envoys came after the Financial Times newspaper reported unease in Britain over news the government there had considered changing the law in order to block a potential takeover by Gazprom of British gas supplier Centrica. The Gazprom statement was a clear warning that Europe, which itself has cautioned Russia against using its vast energy resources as a "political weapon" was not the company's only customer and that it would not react kindly to being blocked from competing in Europe's energy market.

US, EU implore China to respect trade rules:

China is giving too much help to homegrown companies, hurting the chances of foreign firms operating in the Asian giant's market, the United States and European

Union charged on April 19. Top trade diplomats from Brussels and Washington took Beijing to task during a World Trade Organisation review of China's commerce, the first since the country joined the global body in 2001. "Almost five years after entry, the transition period in terms of rules implementation is essentially over, and China is expected to fully comply with WTO rules," said Carlo Trojan, the EU's ambassador to the 149-government organisation which sets the framework for international commerce. "However, we are concerned that after a period of adapting to WTO rules, there are worrying signs that policies of fostering national champions and discriminatory treatment of foreign firms are now emerging again," Trojan told in the meeting. Trojan's US counterpart Peter Allgeier echoed the comments, pointing to policies over the past two years which have given China's automobile and steel sectors a boost. Allgeier said: "China's use of industrial policy tools -- including government subsidization -- to promote and protect these and other industries appears to be on the rise, instead of in decline, and it is a cause of great concern to the United States." The EU, US and Canada last month filed a complaint against China at the WTO's dispute settlement body over Beijing's customs duties on imported auto parts.

EU project to build biodiesel plant in China:

European research teams are helping to build a biodiesel plant in China in a project funded under the Asia Pro Eco programme of the European Commission's EuropeAid Cooperation Office and the Hangzhou Town Council in China. The University of Milan (Italy), the Austrian Biofuels Institute and the University of Jaen (in association with the University of Cordoba - Spain) will work with China's University of Tianjin and Malaysia's University of Malaya to build the plant, and researchers from Germany and Vietnam will be associate participants. Biodiesel is an environmentally-friendly, renewable, ecological fuel made from vegetable oils or animal fats. Its main advantage is that it reduces gas emissions - a major problem in China. In 1994, the Chinese authorities released figures that showed it was the second largest greenhouse gas emitter after the US. China recently announced plans to ensure a pollution-free Olympics in 2008 by banning more than two million cars, to ensure that Beijing will have clear skies for at least two weeks. The plans also include seeding clouds in order to induce rain, and the temporary closure of building sites and factories. The project will start with research on the local resources appropriate for biodiesel production. Research will also investigate the treatment of these sources, the selection of the appropriate production technology, the development of new catalytic converters, and the construction of a biodiesel bedplate and tests. The researchers will also carry out a techno-economic and environmental process assessment, the building of a demonstration plants, and the dissemination of results. Demonstration plants will be built in the Chinese districts of Beicheng, Tianjin and Xihu, and later in Malaysia and Vietnam.

Chinese clothing exports to EU surged 47 per cent last year:

Chinese clothing exports to the European Union surged 47 percent in 2005 to 16.5 billion euros (20 billion dollars) following the dismantling of quotas on January 1, according to the French fashion institute (IFM). Textile exports from China to the EU -- thread, cloth and household textiles -- rose 25 percent from 2004 to 4.44 billion euros. Overall, the European Union imported 53 billion euros' worth of clothing in 2005, up eight percent from 2004, and 20 billion euros' worth of textiles, a gain of one percent. In clothing "there were two winners in the dismantling of quotas in 2005, China, but also India, which has seen its exports climb by 32 percent to 3.07 billion euros", said Gildas Minvielle, head of the IFM's economic research body. By contrast, clothing exports to the EU from Tunisia, Morocco, Turkey, Egypt and Romania have been hurt by an end to the quota regime. India is currently the fifth leading supplier of clothes to the European Union, behind China, Turkey, Romania and Bangladesh. Germany was far and away the leading buyer of Chinese clothing last year, spending 3.7 billion euros, up 59 percent from 2004, followed by Britain, 3.4 billion euros, France, 2.8 billion and Italy, 2.0 billion euros. In the textile sector, the main losers in sales to Europe have been Pakistan, South Korea, Indonesia and Syria, which have seen a decline in their market share. The end of the quota system has not affected European Union clothing exports, which rose five percent from 2004 to 14 billion euros, mainly to Switzerland, the United States, Russia and Japan.

EU opens 70 million dollar credit for tsunami-hit Sri Lanka:

Sri Lanka received a 70 million euro credit line from the European Investment Bank to rebuild- small and medium-sized industries affected by the 2004 killer tsunami. The loan covers all nine districts hit by the December 2004 disaster, financing projects such as infrastructure, tourism, energy and telecommunications related sectors, said Julian Wilson, head of delegation, European Commission Sri Lanka and Maldives. "Businesses outside tsunami areas, but whose turnover was affected by the disaster, also qualify under this special tsunami loan," Wilson told reporters. The tailor-made tsunami credit line for Sri Lanka can finance up to 75 percent of the cost of individual projects, with repayments spread over a five-year period. "The challenge is to re-establish the local economy, maintain employment and create new job opportunities," said Jean-Louis Biancarelli of the European Investment Bank. Sri Lanka 's Central Bank will pick up between 20-25 million euros of the credit line for its ongoing subsidies under a tsunami loan scheme while the balance will help shore up small- and medium-scale industries. Nearly 31,000 people died and a million were left homeless when the giant waves struck south, east and northern coastal areas. It left the government with a 3.2 billion dollar repair bill and international donors have pledged 2.2 billion dollars towards relief efforts. Wilson said the European Union had pledged over 200 million euros to Sri Lanka.

D. TRADE ENQUIRIES:

During the month, the Commercial Section has received 48 trade enquiries. Appropriate action was taken on each of them.

E. TENDERS:

During the month, the Commercial Section received 6 tender notices. These were widely publicized among the Chambers of Commerce and relevant Trade Associations in Belgium and Luxembourg. The information was also put on the Embassy website.

F. TRADE FAIRS:

During this month no trade fair publication was received from India.

G. BILATERAL TRADE:

India-Belgium Trade:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
India's exports	2238090	2447932	9.4	32.1
India's Imports	4263275	5185117	21.6	67.9
Total Trade	6501365	7633049	17.4%	

Major items of Indian exports to Belgium:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
Natural/cultured pearls, Precious stones and metals	1176137	1326350	12.8	54.2
Textiles and articles	296486	334486	12.8	13.7
Base metals	219804	243473	10.8	9.9
Iron and steel	178225	198385	11.3	8.1
Chemical products	71356	103931	45.7	4.2
Articles of apparel and clothing accessories, not knitted or crocheted	85348	8107	14.9	4.0
Articles of apparel and clothing accessories, knitted or crocheted	72720	96874	33.2	4.0
Mineral products	48297	68899	42.7	2.8
Organic chemicals				

	57406	66871	16.5	2.7
Machinery and Electrical Equipments	160398	62300	-61.2	2.5

Major items of Indian imports from Belgium:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
Natural/cultured pearls, Precious stones and metals	3649944	4422266	21.2	85.3
Base metals	134400	231998	72.6	4.5
Iron and steel	132583	192666	45.3	3.7
Machinery and mechanical appliances; electrical equipments; parts thereof;	179357	175114	-2.4	3.4
Chemical products	107624	173307	61.0	3.3
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof:	82509	165698	100.8	3.2
Organic chemicals	59988	74046	23.4	1.4
Plastic and rubber	57918	67622	16.8	1.3
Plastics and articles thereof	52545	59720	13.7	1.2
Pharmaceutical products	76461	42800	-78.6	0.8

India-Luxembourg trade:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
India's exports	12124	14299	17.9%	52.4
India's Imports	10662	12977	21.7	47.6
Total Trade	22786	27275	39.7	

Major items of Indian exports to Luxembourg:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
Man-made filaments	5408	4901	-9.4	34.3
Nuclear reactors, boilers, mechanical applicants	875	3202	265.9	22.4
Articles of iron or steel	2839	2712	-4.5	19.0
Electrical machinery and equipments and parts thereof	379	1456	284.2	10.2
Plastics and plastic products	464	493	6.3	3.4

Glass and glassware	326	215	-34.0	1.5
Tanning or dyeing extracts, tannins and their derivatives	163	203	24.5	1.4
Articles of stone, Plaster, cement, asbestos, mica or similar materials	47	184	291.5	1.3
Articles of apparel and clothing accessories, knitted or crocheted	130	152	16.9	1.1
Miscellaneous chemical products	43	121	181.4	0.8

Major items of Indian imports from Luxembourg:

Figures in Thousand Euro

Product	Jan-Dec 04	Jan-Dec 05	%change	%share
Nuclear reactors, boilers, machinery and mechanical appliances: parts thereof:	8058	7503	-6.9	173.0
Iron and steel	891	3199	259.0	24.7
Plastics and plastic products	602	537	-10.8	4.1
Copper and articles thereof	71	430	505.6	3.3
Articles of iron and steel	113	359	217.7	2.8
Aluminum and articles thereof:	255	291	14.1	2.2
Electrical machinery and equipment and parts thereof	148	214	44.6	1.6
Other base metals	142	175	23.2	1.3
Optical, photographic, cinematographic, measuring	268	69	-74.3	0.5
Toys, games and sports requisites		62		0.5

Trade/Investment Enquiries:

Total of enquiries for the month of April → 48

General information (FDI, bilateral trade, import duty, complains ---)	5
Agro products	4
Handicrafts	4
Leather products	3

Pharmaceutical	3
Carpets and rugs	2
Chemical products	2
Iron and steel	2
Medical and surgical equipments	2
Spare parts	2
Textiles	1
Home furnishing	1
Metal scrap	1
Aluminum tubes	1
Ceramic tiles	1
Dyes	1
Coir Pith and Coir Peat	1
Caustic soda producers	1
Jute products	1
Latex foam	1
Marble	1
Meat products	1
Monument	1
Packaging products	1
Paper	1
Stainless steel	1
Sugar and cement	1
Textile machines	1
Wine	1

**Dissemination of Information on Tenders
(During March)**

1.	Indian Railways Diesel Locomotive Works	4
2.	Oil and Natural Gas Corporation Limited	2

M.C. Jauhari
Adviser (Engineering and IT)

Distribution: As per standard list

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