

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

A. GENERAL INTERNAL DEVELOPMENT

Belgium decides to keep borders closed to eastern workers:

Belgium has decided not to open its borders to workers from the European Union's newcomer states from May 1, two years after the 10 former communist states joined the bloc. The government decided that it would only do so once certain conditions had been met by the states, which joined the EU in its big-bang enlargement on May 1st 2004. The conditions include measures to boost control over workers who are coming in, such as obliging the new states to register people here before they apply for jobs. Exceptions will apply to sectors with labour shortages. Under the terms of the enlargement, existing EU member states were allowed to maintain transitional curbs on workers from central Europe, initially for a period of two years but potentially for up to seven years. Three countries -- Britain, Ireland and Sweden -- let workers from these new member states come in immediately upon enlargement, and the commission says it has found no evidence of any negative impact. But others kept their borders closed amid fears that a wave of poor eastern Europeans would flood into Western Europe taking over jobs and profiting from rights to claim social security benefits.

The Governor of Belgium's National Bank calls for budgetary restraint:

The Governor has called on the government to exercise strict budgetary restraint. He made his comments, while presenting the bank's annual report. The Governor says that the Belgian economy needs an ambitious project, if current levels of prosperity are to be maintained in the future. Mr. Quaden added that the aging population forms the greatest challenge for the government. He says that there must be budget surpluses now, in order to pay for an increase in the number of older people in the future. "A balanced budget is not enough." The Governor also calls for savings to be made in the public sector. He stated that better public services were provided for less money in other countries. He believes that Belgium should try and improve its competitive position. "But nobody in Belgium wants wage restraint. So companies will have to invest in research and development and training staff." The National Bank forecasts 2% growth for Belgium in 2006.

B. ECONOMY AND COMMERC

Belgian Government meets with Mittal Steel and representatives of Arcelor:

Prime Minister Guy Verhofstadt met separately with representatives from Arcelor and Mittal Steel this month to discuss Mittal's recent takeover bid. The global steel giant placed an unsolicited 18.6 billion euro bid for Arcelor at the end of January. The offer was met with opposition from France, Luxembourg and Spain but so far Belgium has yet to take a definitive stance. The PM was joined by Flemish Minister-President Yves Leterme and Walloon Minister-President Elio Di Rupo. Arcelor chief executive Guy Dollé outlined his company's strategy to prevent a takeover. Later on, Mittal Steel CEO Lakshmi Mittal presented his own plans for Arcelor. Afterwards, Verhofstadt reiterated his previous position by stating that Belgium will examine the economic implications of a takeover before making a decision. Of the Belgian authorities, the Walloon Region still holds 2.4% of the shares in Arcelor.

European Commission commends Belgium:

The EC has commended Belgium for the efforts it has made to achieve sound government finances. In 1998 the EU adopted the Growth and Stability intended to guarantee budgetary orthodoxy and sustainable economic growth. Such growth was seen as the pre-requisite for greater employment. Last year the Growth and Stability Pact was updated. Now the EU has to draw up a five year plan setting out future economic goals for the member states. The EC commended the efforts made by Belgium, Luxembourg and Austria. All three countries have a balanced budget. Belgium even has a small surplus to help take care of unanticipated problems. The fall in the national debt is also impressive. The Belgian national debt has fallen from 140% of GDP in 1993 to 90% today and the trend is set to continue. The EC has identified a number of areas in which Belgium must do more. The number of older people in work should be increased. There is still a too great difference in unemployment levels in various regions and the budget is kept in balance as a result of one-off measures.

Belgium remains the top logistical location in Europe:

The latest bi-annual joint report on European Distribution by Cushman & Wakefield / Healey & Baker puts Belgium at the top of the table of logistically sound locations. In the bi-annual report by the two commercial property specialists, Belgium comes out ahead of France, the Netherlands, the Czech Republic and Poland. Belgium's main plus points include the low rents, its geographically advantageous position in the heart of Europe as well as various outstanding transportation connections. According to Ferdinand Hlobil from C&W/H&B, European Union membership has proved to be an important impulse for the Czech Republic, Hungary and Poland where transportation infrastructure plays a vital role. These countries profit particularly from

the constant movement of production facilities from Western Europe as well as the expansion of local logistic markets. The expansion is not only made possible by the low cost infrastructure in the region but also through the growth of the commercial sector and improvements in transport possibilities. In the meantime, Belgium remains commercially the best place to set up business for the distribution and logistic sectors. How long this remains the case will greatly depend upon development both internally and in former East-Block states.

C. European Union

India, EU holds two days of trade talks in New Delhi:

India and the European Union held two days of trade talks in New Delhi in a bid to boost bilateral economic ties shackled by differences on international trade issues. The talks, led by Indian Commerce Secretary S.N. Menon and the EU director general for trade, David O'Sullivan, mark the second time the two sides are meeting as members of a High-Level Trade Group formed during an EU-India summit in Delhi in September 2005. The group met in Brussels in November, hoping to make progress on the key issues hampering trade between developed countries and developing economies -- agricultural tariffs and market access. Officials on both sides have said these are the very issues that need to be addressed to spur bilateral trade between the European countries and India, whose economy is growing at around 8.0 percent.

Although the EU is India's largest trading partner, with bilateral trade at around 33 billion euros (41.2 billion dollars), EU trade with South Korea stands at 48 billion euros while with China it amounts to 175 billion euros, according to the EU officials. India has been pressing for greater access to EU markets, while the EU has called on New Delhi not to block agricultural products such as wine and cheese. Indian commerce ministry officials have frequently raised the issue of "non-tariff barriers," including huge subsidies to farmers and SPS measures that have kept agricultural products, such as farmed shrimp, out of Europe. At the World Trade Organisation meeting in Hong Kong, where the two sides were on opposite ends of the negotiating table, members agreed on an end-date of 2013 to remove farm export subsidies. But the EU was under fire from key developing countries for holding out on cutting import duties on farm goods, and ministers in Hong Kong likewise failed to agree on freeing up trade in industrial goods and services, a key demand of the rich world. A source at the EU's India office said this week's talks, which began in the Indian capital on February 13, would try to "take forward the agenda" discussed at past bilateral and multilateral meetings.

Eurozone growth to rise to 1.9% in 2006:

Growth of the eurozone economy will speed up to 1.9 percent this year after growth last year of 1.3 percent as domestic demand expands, the European Commission said,

standing by a previous forecast. The European Union's executive arm was particularly upbeat about the prospects for Germany, the biggest European economy, raising its 2006 estimate to 1.5 percent from 1.2 percent in forecasts from November. Despite a weak fourth quarter to 2005, Economic Affairs Commissioner Joaquin Almunia was confident that the recovery in the 12 nations using the euro was growing stronger. "The noticeable pick-up in private investment, stimulated by sanguine demand expectations, strong corporate profits and continued favourable financing conditions, confirms the positive growth momentum that started last summer despite somewhat disappointing growth figures in the fourth quarter," he said. The commission raised its expectations for French growth this year to 1.9 percent from an estimate in November of 1.8 percent but lowered its forecast for Italy to 1.3 percent from 1.5 percent and for Spain to 3.1 percent from 3.2 percent. As the forecasts were only 'interim' estimates before a more complete analysis is drawn up, the commission did not give its expectations for other individual eurozone countries. For the EU, it forecast that the 25-nation bloc would grow 2.2 percent this year, which was slightly more optimistic than its November prediction of 2.1 percent. It also marked a pick-up from the growth of 1.5 percent recorded last year. The commission estimated that the British economy would expand by 2.4 percent this year, which was also slightly more upbeat than November when it forecast growth of 2.3 percent. Inflation was seen at 2.2 percent this year in both the eurozone and the EU on the assumption that oil prices would rise "moderately" by the end of the year and the euro's exchange rate holds steady.

Eurozone unemployment edges up to 8.4% in December:

A 14-month decline in eurozone unemployment came to a halt December when the jobless rate edged up to 8.4 percent from 8.3 percent the previous month, data released by the EU's Eurostat data agency showed. The figure, which was adjusted for seasonal variations, fell short of analysts' expectations for the rate to remain steady in December at 8.3 percent. It compared with a rate of 8.8 percent in the same month the previous year. The eurozone's stubbornly high unemployment had been gradually edging lower from its last peak of 8.9 percent in September 2004. In the 25-nation European Union, unemployment was unchanged in December from November at 8.5 percent. The rate was 9.0 percent in December 2004. Economists said that the uptick in unemployment was evidence of companies caution in hiring new workers. "Eurozone companies remain keen to keep their labour forces as tight as possible to contain costs, and are only really prepared to take on extra workers if forced to by sustained increases in orders and output," said economist Howard Archer with consultancy Global Insight. "This reinforces our belief that eurozone labour markets will only see limited and erratic improvement over the coming months, which is likely to curtail the upside for consumer spending," he added. Lehman Brothers economist Sandra Petcov was also concerned that the December unemployment data "might prove to be the beginning of a new trend. "After all, firms' labour demand growth has been relatively muted so far, despite strength in output demand and high profitability."

EU farm ministers adopt ground-breaking sugar reform:

The European agriculture ministers formally adopted a radical reform of the EU sugar sector, which will come into force on July 1. "I am absolutely delighted that the council (of member states) has taken the courageous decision to back these long-overdue reforms," agriculture commissioner Mariann Fischer Boel said in a statement. "The measures may appear tough, but there is no alternative. Thanks to these reforms, the EU sugar sector can look to the future with confidence," she said. EU member states agreed in November to the package, which will slash prices guaranteed to EU farmers by 36 percent and make 6.3 billion euros (7.4 billion dollars) in aid available to growers and refiners over the four years during which the reform is phased in. The EU had little choice other than to make broad reforms to its sector regime after the World Trade Organisation (WTO) ruled it illegal last year following a complaint from Australia, Brazil and Thailand.

Mittal-Arcelor spat may impact future WTO talks:

India warned that European attempts to thwart Mittal Steel's hostile takeover bid for rival Arcelor went against EU trade commitments and could impact upon future global trade talks. The Netherland-based Mittal group headed by Indian billionaire Lakshmi Mittal has made an 18.6 billion euro (22.3-billion-dollar) bid for Luxembourg-based Arcelor, which would create a steel company with an output three times bigger than its three nearest rivals combined. The bid raised an outcry among politicians in France and Luxembourg.

Indian Trade Minister Kamal Nath said cross border investments such as the Mittal-Arcelor deal were part of multilateral negotiations that India and the European Union were having under the World Trade Organization (WTO). Mr. Nath accused European governments opposing the bid of discrimination and said they were going against the principal of national treatment, which means giving other countries the same treatment as ones own nationals. He said, such treatment in services, in cross border investments and in goods was one of the "central" ingredients of multilateralism. "I have written a letter to (EU Trade Commissioner) Peter Mandelson. I have said that... anything that vitiates this (national treatment) will affect the climate of our discussions," he said. Nath reiterated that takeovers and acquisitions should be decided by shareholders and commercial considerations and "not by the colour of the passport or by the colour of a person." Mittal Steel making a bid for Arcelor is "an issue for shareholders and industry" and not for governments to react to, Nath said.

Bird flu poses no risk to general public in Europe:

The lethal H5N1 strain of bird flu that is now spreading across Europe currently poses no threat to the general public, according to the European Centre for Disease

Prevention and Control (ECDC). There is no risk for the general public in the EU, the head of the Stockholm-based European Union agency, Zsuzsanna Jakab, told a conference on disease prevention. She said "the situation in Europe does not change our risk assessment." Jakab's comments came after the discovery in France at the weekend of the first case of H5N1 in domestic fowl, and as the disease spread to Bosnia which confirmed its first case of the lethal strain of the disease. "I'm pretty sure that we have to get used to a situation where more and more EU countries will be affected by the virus because this is only the first wave of migrating birds" arriving in Europe, Jakab told AFP. Jakab insisted that poultry farms in Europe were "well-protected" and said the EU's agricultural and veterinary agencies were coordinating their efforts to prevent the spread of the disease. She stressed that it was "absolutely safe" to eat chicken, which is already monitored closely for possible salmonella outbreaks. But the existence of H5N1 in poor countries outside the EU posed a greater risk, Jakab said. "I am more worried about the outbreaks outside Europe and especially in India, in Africa--- where the measures are not coordinated." She said it was important to give compensation to those farmers who have to kill affected chickens. "In Asia they hide the chickens for many reasons, including the lack of compensation."

EU to fight Chinese, Vietnamese dumping with duty on shoes:

EU trade chief Peter Mandelson announced an anti-dumping duty on imported Chinese and Vietnamese shoes despite the risk of re-igniting tensions with Europe's growing Asian trade partners. In hard hitting comments against perceived dumping by China and Vietnam, Mandelson claimed: "Natural comparative advantage is being topped up with uncompetitive behaviour. This state supported dumping is causing serious injury to European industry," he added. "The contraction of European production mirrors closely the rise in under priced imports from China and Vietnam." To level the playing field, Mandelson called for a duty that would start in April at 4.0 percent and rise progressively to 19.4 percent for China and 16.8 percent for Vietnam and which could be renewed for five years in October if found necessary. The duty would not apply to children's shoes and high-tech sports shoes. EU member states, which have in the past been deeply divided over measures to ward off foreign competition in textiles, will have to approve the duty for it to go into effect. The commissioner accused Chinese and Vietnamese authorities of offering unfair state aid in the form of soft loans, tax breaks and low rents and overlooking doubtful accounting. "These disguised subsidies allow Chinese and Vietnamese producers to export leather shoes to Europe at below the true cost of production in their own countries," he insisted. Chinese shoemakers have promised a fight and are preparing evidence to challenge the EU's allegations of dumping, according to Chinese state press. Taking a softer tone, Vietnam has argued that the jobs of many poor Vietnamese workers could be wiped out by anti-dumping measures and has also disputed the claims. "We believe that Vietnamese enterprises do not sell their leather footwear to European market at dumping prices," said Vietnam's foreign ministry

spokesman Le Dung. "The Vietnamese government does not intervene or subsidize those enterprises' business," he told journalists in Hanoi.

Women in Europe suffer from labour market 'segregation':

A growing number of women in Europe have jobs but they suffer from "segregation" in the labour market and still earn less than men, according to the European Commission. In an annual report on gender equality in the European Union, the EU's executive wing also highlighted a poor balance between people's work and their private lives that it said was pushing women and men out of jobs. According to figures for 2004, female employment in the EU's 25 member states rose to 55.7 percent, up by 0.7 percentage points from the previous year, but fell short of that for men, which stood at 70.9 percent. On average, women earn 15 percent less than men for every hour worked. "The favourable trend in female employment has led to a narrowing of the gender gaps in employment and unemployment. Nevertheless, major imbalances persist while the high pay gap shows no significant signs of narrowing," the report said. It noted that the main growth areas for female employment continued to be sectors where many women already worked, such as in public administration, education, health and social activities. "This has reinforced segregation in the labour market. Indeed both sectoral and occupational segregation continue to rise in the EU," it said. In companies, women were found to account for only 32 percent of managers, 10 percent of board members and just three percent of chief executives. The commission urged EU governments to focus on reducing inequalities in the work place and tackling the underlying causes of the gap in salaries, including the failure to respect laws on equal pay. It also said that promoting a better balance between people's work and private lives could help reduce the differences, and urged them to commit to delivering accessible and good quality care facilities for children. "Decisive action should be taken to fight sexist stereotypes and to encourage men to take up their responsibilities in the domestic and family sphere," the report went on. "This includes the development of incentives, notably financial, that supports a better balance of responsibilities and tasks between women and men and strengthens the role of men in care and parental leave."

C. TRADE ENQUIRIES:

During the month, the Commercial Section received 70 trade enquiries. Appropriate action was taken on each of them.

D. TENDERS:

During the month, the Commercial Section received 13 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.

E. TRADE FAIRS:

During the month, information relating to one trade fair taking place in India was received. This was 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. BILATERAL TRADE:

India-Belgium Trade:

Figures in Thousand Euro

Product	Jan-Nov 04	Jan-Nov 05	%change	%share
India's exports	2043064	2285368	11.9%	32.7%
India's Imports	3500252	4705864	21.9%	67.3%
Total Trade	5543316	6991232	18.4%	

Major items of Indian exports to Belgium:

Figures in Thousand Euro

Product	Jan-Nov 04	Jan-Nov 05	%change	%share
Natural/cultured pearls, Precious stones and metals	1130392	1254143	10.9%	54.9%
Textiles and articles	272781	303956	11.4%	13.3%
Base metals	193597	226252	16.9%	9.9%
Iron and steel	155386	185157	19.2%	8.1%
Chemical products	64466	93761	45.4%	4.1%
Articles of apparel and clothing accessories, not knitted or crocheted	67894	88287	30.0%	3.9%
Articles of apparel and clothing accessories, knitted or crocheted	78976	87317	10.6%	3.8%
Mineral products	98124	61453	-37.4%	2.7%
Organic chemicals	42897	61228	42.7%	2.7%
Machinery and Electrical Equipments	52981	59493	12.3%	2.6%

Major items of Indian imports from Belgium:**Figures in Thousand Euro**

Product	Jan-Nov 04	Jan-Nov 05	% change	% share
Natural/cultured pearls, Precious stones and metals	3309015	4018496	21.4%	85.4%
Base metals	120272	218335	81.5%	4.6%
Iron and steel	121380	165527	36.4%	3.5%
Machinery and mechanical appliances; electrical equipments; parts thereof;	164726	159572	-3.1%	3.4%
Chemical products	72096	158595	120.0%	3.4%
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof:	98939	148220	49.8%	3.1%
Organic chemicals	52933	68629	29.7%	1.5%
Plastic and rubber	52909	61544	16.3%	1.3%
Plastics and articles thereof	48002	54213	12.9%	1.2%
Pharmaceutical products	71753	37303	-48.0%	0.8%

India-Luxembourg trade:**Figures in Thousand Euro**

Product	Jan-Nov 04	Jan-Nov 05	% change	% share
India's exports	11043	13834	25.3%	53.8%
India's Imports	10287	11892	15.6%	46.2%
Total Trade	21330	25726	20.6%	

Major items of Indian exports to Luxembourg:**Figures in Thousand Euro**

Product	Jan-Nov 04	Jan-Nov 05	% change	% share
Man-made filaments	4952	4901	-1.0%	35.4%
Nuclear reactors, boilers, mechanical applicants	547	3087	464.0%	22.3%
Articles of iron or steel	2719	2522	-7.2%	18.2%
Electrical machinery and equipments and parts thereof	298	1449	387.3%	10.5%
Plastics and plastic products	461	445	-3.4%	3.2%
Glass and glassware	297	215	-27.9%	1.6%
Tanning or dyeing extracts, tannins and their derivatives	141	190	35.4%	1.4%
Articles of apparel and clothing accessories, knitted or crocheted	126	140	11.7%	1.0%

Articles of stone, Plaster, cement, asbestos, mica or similar materials	39	131	237.2%	0.9%
Miscellaneous chemical products	39	121	208.2%	0.9%

Major items of Indian imports from Luxembourg:

Figures in Thousand Euro

Product	Jan-Nov 04	Jan-Nov 05	%change	%share
Nuclear reactors, boilers, machinery and mechanical appliances: parts thereof:	7898	6537	-17.2%	55.0%
Iron and steel	891	3199	259.2%	26.9%
Plastics and plastic products	471	436	-7.3%	3.7%
Copper and articles thereof	50	430	760.1%	3.6%
Articles of iron and steel	113	359	218.4%	3.0%
Aluminum and articles thereof:	255	291	14.3%	2.4%
Electrical machinery and equipment and parts thereof	143	213	49.8%	1.8%
Other base metals	142	174	23.1%	1.5%
Toys, games and sports requisites	1	61	6000%	0.5%
Optical, photographic, cinematographic, measuring	217	61	-71.8%	0.5%

Trade/Investment Enquiries:

Total of enquiries for the month of February → 70

Household Textile	10
Auto Parts	9
General information (FDI, bilateral trade, import duty ---)	9
Leather Goods	5
Herbal Products	3
Pharmaceutical	3
Jewellery and natural stone	3
Handicrafts	3
Scientific and Laboratory Instruments	3
Information Technology	2
Dyes	2

Spices	2
Bags	1
Bicycle	1
Metal hardware	1
Gauges	1
Hair (Indian or artificial)	1
Home Furnishing Items	1
Logistic	1
Law firm	1
Mosquito nets	1
Rice	1
Stainless steel	1
Safety shoes	1
Towels	1
Tents	1
Toiletries	1
Yarn	1

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

1.	Indian Railways Diesel Locomotive Works	11
2.	Government of India Ministry of Railways	1
3.	The general Manager Ordnance Factory	1

**Dissemination of Information on Fairs in India
(During February)**

SI. No.	Name of Fair	Date of Event	Place of Event
1.	India Knit Fair for Spring/Summer Collection 2007	10 th – 12 th May, 2006	India Knit Fair Complex, Tirupur

Siddharth
Adviser (Comm. & TD)

Distribution: As per standard list

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