

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

A. GENERAL INTERNAL DEVELOPMENT

Belgium achieving sixth consecutive balanced budget:

The Federal Government of Belgium has managed to close the books on 2005 with a sixth consecutive balanced budget. Belgium is one of the few countries in the eurozone to end the year in the black. Only Finland and Spain have outperformed Belgium. Not only is the 2005 budget balanced but there is even a slight surplus of 120 million euros. This is quite an achievement according to the Minister responsible, Freya Van den Bossche, considering the economic growth did not reach expectations. The 120 Million euro excess is negligible in relative terms and therefore the budget is referred to as balanced. While the Belgian National Bank had predicted a growth of 2.5% for 2005, the economic performance proved to be more than 1% lower; only achieving a growth of 1.4%. Minister Van den Bossche explained that many budgetary controls had been implemented throughout the year to keep things on track. She attributes the good results, even in the face of the disappointing economic growth, to this constant re-evaluation. The Minister also admits that certain "one off" measures, such as the inclusion of pension funds and the selling of government buildings, also had a part to play. The government insists that such measures are part and parcel of balancing the budget. Ms Van den Bossche does stress however that such measures should not be relied upon when preparing a budget. The year 2005 ended with a degree of debt equal to 94.3% on the gross domestic product. Considering that it was 137% GDP of GDP some 13 years ago, Belgium is doing better than the rest of the eurozone where national debt is on the increase. The rest of the European Union is struggling with budgetary deficits averaging 2.9%. Most noticeable are Italy with a 4.3% deficit and Portugal who ended 2005 with a shortfall of at least 6%.

Minister threatens to implement employment quotas:

Employment Minister Peter Vanvelthoven has warned employers that hiring quotas may be introduced if current legislation fails to solve the unemployment problem among minorities. The Flemish Chamber of Commerce and Industry (VOKA) has reacted strongly against the announcement, rejecting the idea that responsibility for employment among minorities is solely the responsibility of employers. They say that quotas can actually worsen the problem. The employers' organisations are discussing new measures to stimulate hiring of minorities, people over 50 and the handicapped. The already established "Jobkanaal" project helped find jobs for 1,400 minorities in 2004 and the organisation hopes to increase that figure to 5,000 for 2006. Vanvelthoven said he will examine the results of the discussions before implementing any quotas.

Trade unions and employers hold talks on wage index:

The trade unions and employers' organisations are holding talks on private sector wages. Wages in Belgium are index linked and higher than expected inflation (caused by the rise in price of crude oil) has combined with measures to curb wage increase in the Netherlands and Germany to undermine the competitive position of Belgian industry. The unions and employers' organisations are holding talks to see what can be done to ease the problem. Finding a way to cut wages won't prove easy, as the two parties already have a binding agreement on wage increases, which is valid for the next two years. Furthermore, the unions are loath to discuss any changes to the present system of linking private sector wages to the rate of inflation. The government may intervene if the two parties fail to reach an agreement. Joep Konings of the Catholic University of Leuven has calculated that the cost of employing someone in Belgium is 40% higher than the European average. Belgium has a small, open economy that is geared to the same export markets as its neighbours." he added. This means that competitiveness is especially important to the economic wellbeing of the country. The fact that private sector wages are linked to inflation has served to deal a double blow to employers, whose costs have already gone up considerably, due to the rise in oil prices. Furthermore, wages in neighbouring countries are not index linked. Companies have little choice than to increase the price they charge their customers, which in turn puts pressure on inflation. Despite the high cost of employing people in Belgium, the Belgians' take home salary is certainly not among the best in Europe. On average, Belgians take home less than 50% of their gross wages, meaning that Belgians are left with fewer euros in their pockets on pay day, than other European neighbours.

Savings accounts healthier than ever:

Belgians had a total of 157.8 billion euros in their savings accounts at the end of 2005. Despite record low rates of interest, the savings account has never been more popular. The figures show a rise of some 5%, when compared to 31st December 2004. This is despite historically low rates of interest, which are currently lower than the rate of inflation and consequently money put into savings accounts is losing its value in real terms. Uncertainty about new taxes on investment funds is said to have sent people flocking back to the traditional savings accounts. All Belgian banks, with the exception of ING, saw a growth in savings accounts during 2005.

B. ECONOMY AND COMMERC

Major Diamond dealers step down from Antwerp High Diamond Council:

After the departure of Peter Meeus as Director-General of the Antwerp High Diamond Council, the Council appears to be losing representativeness again. On 12 January, only a few days after the resignation of Meeus, Dilip Mehta, the Indian boss of Antwerp's biggest diamond firm Rosy Blue, resigned as director. In an announcement Mehta said that major players are clearly no longer welcome. He is referring to the resistance of the

small diamond dealers to the predominance of the big firms, the sight holders. Claim Pluczenik, the representative of the international Pluczenik group, was also not re-elected. Following the changes the influence of the major diamond firms in the Board of Directors has been significantly reduced.

The two major players are now no more and as a result Antwerp risks dropping into the “third division” as a diamond city. There have been rumblings for months in the High Diamond Council. The Board of Directors includes representatives of dealers, industry, diamond exchanges, banks, diamond producers and the government. The representatives of the smaller traders refused to allow major firms such as Rosy Blue and the British De Beers to try and determine the High Council’s policy. That resulted in legal action. The Association of Cut Diamond Dealers (Vereniging van Handelaren in Geslepen Diamant, BVGD) mainly targeted Dilip Mehta. His appointment as representative of the dealers was not carried out correctly, they claimed. Mehta had enough and stepped down. The Indian accuses his fellow dealers of closing their eyes to the economic reality. The HRD risks becoming an organisation that continues to dream of yesterday.

Belgacom acquires 91% of Telindus shares:

Belgacom’s bid for network constructor Telindus has been successful. The telecoms operator managed to acquire 90.85% of the shares. That is way above the threshold of 75% which Belgacom had imposed on itself. The Telindus shareholders offered 32.53 million shares at 16.6 euros. The take-over has therefore already cost Belgacom 540 million euros. And yet Belgacom has not reached the threshold of 90% which forces the bidding to be re-opened. After all, in this situation the law assumes the total number of securities. As well as the shares this also includes the warrants. These are held by Telindus staff and most have not been sold. This means Belgacom has only acquired 84.3% of the total number of securities. Nevertheless the company announced a new and unconditional bid for the remaining Telindus securities. Belgacom wants to acquire 95% and then force the remaining shareholders to get out, claims De Tijd on January 12. This is because the telecoms operator wants to take Telindus off the stock market.

More than 7,000 Companies declare bankruptcies in 2005:

A study from the Economic Study Office Graydon reveals that 7,906 companies were declared bankrupt in Belgium in 2005, which is almost as much as for 2004 – the worst year with a number of 7,986 bankruptcies. The study underlines that the number of bankruptcies has reduced in Flanders (3,851 bankruptcies, -5.5%), stabilised in Wallonia (2,323) and considerably increased in Brussels (1,732 bankruptcies, +9.7%). An analysis by ratio also privileges Flanders (1 company bankrupt for 114 companies), while Wallonia (1 company bankrupt for 88 companies) and Brussels (1 company bankrupt for 48 companies). 2005 was not a good year for employment either: 16,915 jobs were lost because of bankruptcy, while 11,490 jobs were lost in company reshuffle and relocation. According to the study, the year to come should not be better. It is considered that 17,680 jobs would be lost in Belgium because of reshuffles or relocations that have already been

announced. The sectors that would be mainly touched are textiles, car making, post and courier services and telecoms.

SNBA and Virgin likely to merge in 2006:

The Belgian Airways, SN Brussels Airlines (SNBA) and Virgin signed a cooperation agreement in 2005; all experts consider now that 2006 will be the year of the merger of the two companies, and these experts have several reasons to say this: 1/ SNBA loses money on its European network; 2/ its occupancy rate is low: 65 percent only; 3/ it will soon lose the benefit of dividends that have been paid each year since the bankruptcy of the former Belgian Airways, Sabena; 4/ its competitors are becoming stronger on the African market, where it held a good position in the past. SNBA must thus change its costs structure and reduce its prices. The only viable solution (for SNBA) would be to merge the two companies. Maintaining two different images and two structures ... is expensive. Even together, SNBA and Virgin have the smallest market share of their inner market in Europe; the new structure would thus still suffer from competition in Europe.

Belgium tax on labour "too high":

The European Commission says that taxes on labour are still too high in Belgium. The EU has set itself the goal of becoming the most competitive economy in the world by 2010. In order to achieve this result members states are supposed to meet a number of conditions. More money should be invested in research and development. Labour regulations should be made more flexible. There should also be tight controls on national budgets and wage restraint is essential to improving the EU's competitive position. The European Commission now says that Belgium's system of automatically linking wages to inflation is having a negative impact on wage restraint. Belgium is also not being successful enough in keeping people over 50 in work. However, the European Commission is pleased with the government's package of measures to get more people in work, the Generation Pact.

C. EUROPEAN UNION

New EU president Austria wants to give "momentum" to Europe:

On January 1 Austria began its six-month presidency of the European Union, to which it wants to bring "new momentum" by trying to reopen the debate on the constitution and growth and to guide future enlargement. After a terrible year for Europe in 2005, Austrian Chancellor Wolfgang Schuessel, whose country takes over from Britain, started the year in harmony, attending the famous New Year's concert in Vienna in the company of his German counterpart Angela Merkel, like him a Christian Democrat. Aside from the traditional Strauss waltzes, the programme featured pieces by Wolfgang Amadeus Mozart, whose 250th birthday this year will be another cause for celebrations in Austria. "Austria especially wants to use its presidency to bring Europe closer to its citizens and increase confidence in the European project," Schuessel said. Emphasising "the idea of a

shared and diverse continent," he said: "together, we want to bring new momentum to Europe." Vienna takes over from London as EU president in the middle of an identity crisis, even if Tony Blair reached a last-minute deal on the 2007-2013 common budget by giving up part of the British rebate. But the Austrian presidency must find an institutional understanding with the European Commission and Parliament. In favour of a European tax, Schuessel has called for "radical changes" in the way the EU is funded, suggesting member states contribute 3.0 percent of gross domestic product to research funds and has proposed "measures promoting growth and employment." A sticky subject for the group of 25 this year is what to do with the ratification process for the European constitution, after the French and Dutch rejected it in the spring of 2005.

European metalworkers unions decry Mittal bid for Arcelor:

The European Metalworkers Federation (EMF) rallied against Mittal Steel's takeover bid for European rival Arcelor over concerns the mega-merger would cost jobs. The union said labour relations had improved in recent years despite painful restructurings and that the deal risked reversing the trend. "The European metalworkers' trade unions will not accept that substantial progress in labour relations in a truly European company like Arcelor will be sacrificed for the benefit of some speculators at the stock exchanges," said EMF chief, Peter Scherrer in a statement. Mittal Steel sprang a 18.6-billion-euro (22.7-billion-dollar) bid for Arcelor on January 31 in a deal to reinforce its already comfortable position as the world's biggest steelmaker. However, Mittal is increasingly fighting a public relations battle on top of a high-stakes corporate takeover as politicians and unions in countries where Arcelor has big operations line up to attack the deal. Scherrer insisted that the industry needed an improved strategy to be more competitive and not further consolidation. "A consistent and clearly defined strategy of the European steel producers to increase their competitiveness and at the same time ensuring sustainable employment is currently most urgently needed," he said. The European steel producers should join forces in the global market in order to stand against increasingly merciless worldwide competition. Representatives of Europe's metalworkers are scheduled to meet in Brussels to thrash out a common strategy to the hostile takeover bid. Amid growing alarm over the deal, the European Union's executive arm stressed that protectionism was an outdated industrial policy.

Eurozone economic sentiment hits highest point for years:

Confidence in the economies of the 12 nations using Europe's single currency improved again this month to hit the highest level in years, the European Commission said on January 31. The commission, the EU's executive arm, said that its economic sentiment indicator (ESI) rose from 100.6 points in December to 101.8 points in January -- the highest the barometer has been since mid-2001. Economists had forecast a level of 100.5. "This strengthens the expectation that the upward trend will continue in the coming months," the commission said in a statement. In a breakdown of the figures, the industrial confidence component of the indicator edged up to -4 from -5, while consumer confidence was unchanged at -11 points. Sentiment in the services sector rose to 15 from 13, and retail confidence was unchanged at -4. The EU executive said that confidence

was either up or unchanged in all sectors. However the commission's separate eurozone business climate indicator (BCI) fell to 0.34 in January from 0.37 in December. The commission said that the decrease was because of a decline in the assessments of industry managers about production trends observed in recent months. By contrast, the assessment of export order books remained stable, while that of total order books improved slightly, as did production expectations for the coming months, the commission said.

EU sees "positive signals" for WTO talk:

The European Union sees "positive signals" for resumption in the Doha round of WTO trade liberalization talks, the head of the European Council of trade ministers has said in a statement. "The trade ministers of the European Union ... see positive signals for further negotiations within the framework of the Doha Round," Austrian Labour and Economics Minister Martin Bartenstein said after an informal meeting of the ministers in Brussels on January 31. He said that at a gathering of trade ministers over the week end at the World Economic Forum in Davos, Switzerland, "it emerged that there is now willingness on the part of the United States and the G20 countries (led by Brazil, India, South Africa and China)... to move forward the non-agriculture areas in the negotiations, particularly with regard to market access for non-agricultural products and services," the statement said. Bartenstein predicted that the Doha Round, launched in the Qatari capital in November 2001 with the aim of reducing global trade barriers, "could be finalised at the end of 2006." Negotiations have been hampered by persistent disagreements among WTO members on the elimination of government subsidies to agriculture and steps to lower import tariffs. In Davos about 20 ministers from some of the World Trade Organization's most influential members agreed on a timeline in a resumed series of Doha round talks. Wealthy states are asking the G20 group of developing countries to further open their domestic markets, while the latter want are pressing rich nations to scrap farm subsidies.

EU extends ban on live wild bird imports:

The European Union approved the extension of a ban on imports of live wild birds into the 25-nation bloc until the end of May on January 24, amid concern over bird flu, officials said. The current ban was set to expire at the end of this month. But the EU standing veterinary committee, comprising experts from all EU states, backed the extension "as a result of the current situation in Turkey and other countries where the disease is still present." "The extension of the ban also means that it will now cover the spring migration period, when migrating birds will return to their nesting grounds," the experts also noted. The decision came after Turkish authorities said that the avian influenza outbreak which struck there earlier this month appeared to be fading.

EU urges clampdown on dangerous Chinese consumer goods:

The European Commission signed an accord with Beijing on January 16 to boost coordination in fighting dangerous and defective Chinese consumer goods shipped to the European Union, saying a clampdown is needed. "Nearly half of the dangerous consumer products found in the EU are imported from China," consumer protection commissioner

Markos Kyprianou said in a statement. "This has to change, and we are joining forces with the Chinese government and industry to better protect European and Chinese consumers," he added. The agreement aims to encourage a better exchange of information between EU and Chinese authorities on increasing the safety of Chinese-made goods as well as improving food safety and sanitary issues. Kyprianou was in China to attend a pledging conference on bird flu in Beijing.

EU and China launch information society project:

The EU-China Information Society Project launched its first initiative - on e-government - on January 12. The four-year project, is intended to help the Chinese government improve its regulatory and legal environment, especially in copyright, telecommunications law, information security and access to government. The EU has committed 15 million euro, and the Chinese government seven million yuan to the project. According to Luc Verscoore of the Emerging Markets Group, one of the partners in the EU-China Information Society Project, this is the first project to be announced by the group. 'The steering committee will soon be established, and it will make recommendations for the direction of the remainder of the four-year project.' The project has specific aims in fostering better deployment of e-government in China. This includes implementing essential laws in China to improve the legal and regulatory framework there and specific demonstration projects to achieve optimal sharing and bridging of the digital divide. The current initiative will provide e-government training in ten Chinese provinces including Shanghai, Beijing and Guangdong. 'This project, focusing in particular on e-government but reaching out to other areas of the information society, constitute important support for the information society dialogue between China and the EU,' said Viviane Reding, the EU's Information Society and Media Commissioner.

Chinese textile organization warns of more US, EU trade penalties:

A powerful Chinese textile organization has warned there may be more US and European anti-dumping measures this year as prices on exports from the Asian giant have fallen steeply, state media said on January 20. The China Chamber of Commerce for Import and Export of Textiles cited plunging prices on a number of key products as a reason why western trading partners may soon consider new measures, the Xinhua news agency said. In the first 11 months of last year, average unit prices for exported knit goods plunged 43.7 percent from a year earlier, while cotton-made knit goods were down 43.4 percent and chemical-fiber knit goods dropped 36.3 percent. Xinhua quoted unnamed industry sources as saying the slipping unit price was due to heated competition among Chinese companies for limited textile quotas to the United States and the European Union. "In order to get the quotas, many have to lower their export prices, which may further lead to anti-dumping actions by the two markets," the chamber said, according to Xinhua. To avoid the potential anti-dumping measures, the organization advised Chinese textile enterprises to export more "value-added" products.

D. TRADE ENQUIRIES:

During the month, the Commercial Section received 81 trade enquiries. Appropriate action was taken on each of them.

E. TENDERS:

During the month, the Commercial Section received 10 tender notices. These were widely publicized among the Chambers of Commerce and relevant Trade Associations in Belgium and Luxembourg. And also put on the Embassy website.

F. TRADE FAIRS:

During the month, information relating to 7 trade fairs taking place in India was received. This was widely publicized among the Chambers of Commerce and relevant Trade Associations in Belgium and Luxembourg. And also put on the Embassy website.

G. BILATERAL TRADE:

India-Belgium Trade:

Figures in Thousand Euro

Product	Jan-Oct 04	Jan-Oct 05	%change	%share
India's exports	1843007	2122697	15.2	33.1
India's Imports	3582914	4283532	19.6	66.9
Total Trade	5425921	6406229	18.1%	

Major items of Indian exports to Belgium:

Figures in Thousand Euro

Product	Jan-Oct 04	Jan-Oct 05	%change	%share
Natural/cultured pearls, Precious stones and metals	1050311	1165590	11.0	54.9
Textiles and articles	248512	279790	12.6	13.2
Base metals	166777	219495	31.6	10.3
Iron and steel	132659	182256	37.4	8.6
Chemical products	55426	84704	52.8	4.0
Articles of apparel and clothing accessories, not knitted or crocheted	64003	82937	29.6	3.9
Articles of apparel and clothing accessories, knitted or crocheted	71480	81677	14.3	3.8
Mineral products	65370	58498	-10.5	2.8
Organic chemicals	36437	55224	51.6	2.6
Machinery and Electrical Equipments	47678	52397	9.9	2.5

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

Product	Jan-Oct 04	Jan-Oct 05	% change	% share
Natural/cultured pearls, Precious stones and metals	3082912	3659790	18.7	85.4
Base metals	109495	204789	87.0	4.8
Iron and steel	64819	152690	135.6	3.6
Machinery and mechanical appliances; electrical equipments; parts thereof;	113939	149616	31.3	3.5
Chemical products	143874	140368	-2.4	3.3
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof:	92980	134113	44.2	3.1
Organic chemicals	43925	63938	45.6	1.5
Plastic and rubber	48038	54385	13.2	1.3
Plastics and articles thereof	43856	47869	9.2	1.1
Pharmaceutical products	65064	29611	-54.5	0.7

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

Product	Jan-Oct 04	Jan-Oct 05	% change	% share
India's exports	9861.51	13001.43	31.8	55
India's Imports	8367.44	10658.44	27.4	45
Total Trade	18228.95	23659.87	29.8%	

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

Product	Jan-Oct 04	Jan-Oct 05	% change	% share
Man-made filaments	4363.02	4529.45	3.8	34.8
Nuclear reactors, boilers, mechanical applicants	492.33	3066.59	522.9	23.6
Articles of iron or steel	2525.7	2228.16		
Electrical machinery and equipments and parts thereof	288.35	1441.31	-11.8	17.1
Plastics and plastic products	344.76	432.26	399.8	11.1
Glass and glassware	248.93	197.09		
Tanning or dyeing extracts, tannins and their derivatives	125.9	171.35	25.4	3.3
Articles of apparel and clothing accessories, knitted or crocheted	268.05	128.73	-20.8	1.5
Articles of stone, Plaster,	16.97	119.68	36.1	1.3

cement, asbestos, mica or similar materials				
Miscellaneous chemical products	37.48	117.74	-52.0	1.0

Major items of Indian imports from Luxembourg:

Figures in Thousand Euro

Product	Jan-Oct 04	Jan-Oct 05	% change	% share
Nuclear reactors, boilers, machinery and mechanical appliances: parts thereof:	6073.49	6087.98	0.2	57.1
Articles of iron and steel	71.82	1649.19	2196.3	15.5
Iron and steel	890.66	1448.59	62.6	13.6
Plastics and plastic products	443.36	436.31	-1.6	4.1
Copper and articles thereof:	48.18	305.34	533.7	2.9
Electrical machinery and equipment and parts thereof	126.9	210.96	66.2	2.0
Other base metals	140.85	174.2	23.7	1.6
Aluminum and articles thereof	254.6	105.29	-58.6	1.0
Toys, games and sports requisites	0	61.38	61.38	0.6
Optical, photographic, cinematographic, measuring	209.96	52.99	-74.8	0.5

Trade/Investment Enquiries:

Total of enquiries for the month of January → 81

Textile	9
Leather Goods	5
General information	4
Herbal Products	3
Pharmaceutical products	3
Rice	3
Bags Importers	2
Bicycle's and its spare parts	2
Ceramic Glazed Tiles	2
Engineering Products	2
Laboratory Instruments	2
Metal Scraps	2
Scientific and Laboratory Instruments	2
Surgical and hospital equipments	2
Trade Fair information	2
Towels (cotton)	2
Agro products	1
Artifacts in woods	1
Company detail	1
Coconuts	1
Chemical Importers	1
Essential Oil	1
Electronics	1
Goldsmith machineries and tools	1
Granite and Construction	1
Handicrafts and Fashion Accessories	1
Home Furnishing Items	1
Investment Guide	1
Iron Scrap	1
Jewellery tools and machineries	1
Jute bags	1
locks & builders hardware	1
Machinery	1
Manufacturer of Rims	1
Musical Instruments and its accessories	1
Optic products	1
Onion and Garlic	1
Packaging and medical Packing	1
Paper products	1
Plastic pipe and sanitary products	1
Products India Import from Belgium	1
Pressure Cooker	1
Rubber Products	1
Sawn Teakwood	1
Silk or Jute Goods	1
Spices	1
T. Shirts and Caps	1
Toys	1
Vehicle Spare Parts	1
Wine Products	1

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

1.	Ministry of Railways Research Design and Standards Organization	2
2.	Central Leather Research Institute	2
3.	Oil and natural Gas Corporation Limited Offshore Logistics-MM,	2
4.	Government of India Ministry of Defence	2
6.	General Manager Ordnance Factory	1
7.	Indian Railways Office of the Controller of Stores	1

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

SI. No.	Name of Fair	Date of Event	Place of Event
1	India International Jewellery Show	04 – 08 May 2006	NES Complex, Mumbai
2	International Conference on Sustainable Development	2 nd – 3 rd February	New Delhi – India
3	Tex – Styles India Fair	1 st - 4 th March, 2006	Pragati Maidan, New Delhi
4	Aviation Conference 2006	30 th – 31 st January 2006	Mumbai , India
5	Conference on World Class Manufacturing	2 nd – 3 rd February 2006	Pune, India
6	Coaltrans India 2006	6 th – 7 th March 2006	New Delhi, India
7	International Apparel and Accessories Trade Fair	6 th – 8 th April 2006	Grand Hyatt Convention Center, Mumbai, India

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