

EMBASSY OF INDIA
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ECONOMIC AND COMMERCIAL REPORT
BELGIUM AND LUXEMBOURG
March 2005

A. GENERAL INTERNAL DEVELOPMENT

Belgium in EU top three for quality of life:

Belgium is the third country in the EU for quality of life, according to the new United Nations figures. The latest UN's Human Development Report 2004 ranks Belgium sixth in the world in terms of health and life expectancy, education and earnings. This places the Belgians in third place after Sweden and the Netherlands within the European Union. The United States occupies the eighth place in the ranking. The Belgians have an average life expectancy of 78.7 years and an average per capital GNP of \$27 570. Belgium also scores particularly high in the field of education: its combined primary, secondary and tertiary education enrollment ratio is the 4th in the world. The Human Development Index (HDI) focuses on three measurable dimensions of human development: living a long and healthy life, being educated and having a decent standard of living. Thus it combines measures of life expectancy, school enrolment, literacy and income to allow a broader view of a country's development than does income alone.

Internet connections in Belgium continue to grow:

According to the latest ISPA (Internet Service Providers association) statistics covering the period for the third quarter 2004, the total number of active Internet connections in Belgium (1.992.000) has grown 2.5%. The number of broadband connections (cable and DSL) has grown another 5.1% in the third quarter, while the number of dial-up connections continues to slow down resulting in an overall growth of 2,5%. In the residential market, the total number of connections increased to 1.622 million (+2.1%), due to a continued growth of the broadband connections (+5.1%). These broadband connections now take up 73% of all residential connections. In the business market, there was a good overall growth of 3.9% (to 370.000) connections. Again, the growth came only from the broadband connections (+5.1%), while the number of leased lines stayed the same and the number of other types of connections continued to decrease. Broadband connections in the business market now account for almost 90% of the total number of connections. The Internet Service Providers are trying to boost the growth of the Internet in Belgium by introducing new low(er) cost initiatives such as light broadband (ADSL and Cable), cheap dial-up or combined offers for Internet& voice.

B. ECONOMY & COMMERCE

Belgian Economic Mission to India:

Crown Prince Philippe led a Belgian Economic Mission to India from 13-19 March 2005 at the invitation of the Hon'ble Vice President of India. This was the third such mission led by the Crown Prince. The earlier two missions took place in 1995 and 1998. The visit was primarily aimed at facilitating business-to-business contacts between Belgian and Indian companies. This

was the largest mission ever undertaken with over 250 participants including high level officials from Federal and Regional Governments of Belgium, representatives of 126 Belgian companies covering important sectors of Belgian economy and a large contingent of journalists. Besides the Crown Prince and Princess Mathilde, the other important dignitaries in the delegation included the Minister of Economy, Energy, Foreign Trade and Scientific Policies of the Federal Government, Vice-Minister-President of the Flemish Government and Flemish Minister for Economy, Enterprise, Science, and Innovation & Foreign Trade.

The Crown Prince called on the Hon'ble President and the Hon'ble Vice President of India. In the meetings, the Indo-Belgian bilateral trade relations were reviewed and views were exchanged on tapping the vast economic potential; the need for intensifying science and technological cooperation between the two countries and undertaking joint projects in areas of core competencies. He also met the Hon'ble Prime Minister of India and talked about diversification of bilateral trade which is currently dominated by the diamond sector. The issue regarding direct flights by an Indian carrier from Mumbai to Brussels was also discussed.

Smt. Sonia Gandhi, External Affairs Minister, Commerce & Industry Minister and the Finance Minister also called on the Crown Prince.

On the business side, the programme included inauguration of India-Belgium Business Week, jointly organized by CII and Flanders Investment & Trade in New Delhi. The Crown Prince cited India as a key partner for Belgium and acknowledged the significant contribution made by the Indian community in Belgium in general and Antwerp in particular. He also underlined the need to diversify our trade basket and seek fresh areas for cooperation. Belgium is world's 13th largest investor in India and 6th largest investor among the EU member states with an approved total investment of US\$ 400 million. The Crown Prince also invited Indian entrepreneurs to invest in the field of information technology in Belgium as the gateway to Europe. He also acknowledged the need to remove restrictions on visa and work permits for professionals and businessmen moving from India to Europe to facilitate greater bilateral activity.

Five memoranda of Understanding to strengthen trade between India and Belgium were signed at the inauguration of the Business Week. CII signed 3 MoU with Belgian companies – Agoria, VBO and Flanders Institute of Logistics. IBA Pharma of Belgium and MK Ali Manekia, a non-resident Indian signed MoU for research and development activities in the health sector. IBA Molecular Imaging signed the MoU with Indian Diagnostic Laboratories of Dewang Chand Agrawal for molecular research.

The Crown Prince visited Bangalore and Mumbai from 15-19 March. In Bangalore he participated in a joint business luncheon organized by Bangalore Chamber of Commerce & Industry and also visited HAL and ISRO. He showed special interest in India's space programme and discussed possible future collaboration in this area. During the mission, Sectoral Seminars were organized in the fields of ICT, Health & Biotechnology, Logistics and Space Technology; besides one-to-one meetings for the participating companies. The Confederation of Indian Industry coordinated the Delhi leg of the mission while the visit to Mumbai was coordinated by FICCI and the Bangalore programme was coordinated by the Karnataka Chamber of Commerce. On the whole, it was considered a very successful mission by all concerned.

Luxembourg Business Delegation:

Following the Belgian Economic Mission to India, Luxembourg also sent a business delegation to India in quick succession from 27 March to 1 April 2005. The delegation was led by Mr. Jeannot Krecke, the Luxembourg Minister for Economy and Foreign Trade which was significant as it was the first such delegation led by the Minister during the Luxembourg Presidency. The last such delegation from Luxembourg took place in February 2003. The present delegation consisted of over 35 members representing 20 Luxembourg companies besides the officials of the Luxembourg Chamber of Commerce and Ministry of Economy & Foreign Trade. The delegation underlined the importance Luxembourg is attaching to the increased

economic potential of India and the impressive growth rate achieved by the Indian economy. The delegation visited New Delhi (28-29 March), Mumbai (29-31 March) and Pune (1 April).

In New Delhi, the delegation held discussions with the Hon'ble State Minister of Commerce & Industry, Shri E.V.K.S. Elangovan and senior officials from the Prime Minister's Office and the Finance Ministry. The discussions highlighted the economic cooperation potential between the two countries. The Luxembourg side was keen on an early conclusion of the proposed agreement on avoidance of double taxation with India to facilitate the growth of Luxembourg companies in India. The important Luxembourg companies with a long standing business experience with India include Arcelor, Cargolux, Paul Wurth and Ceratizit. One of the important aspects of the delegation was the interest shown by the Luxembourg SMEs in India. Some of them were able to make good contacts especially in health, automobile, telecommunication and waste disposal sectors.

However, the main event and the thrust of the delegation was reserved for the financial sector. In Mumbai, a Seminar was organized on "Luxembourg Financial Centre: Expertise and Innovation", which was well attended by the financial sector professionals, bankers and fund operators. The delegates also took note of the gradual opening of the financial sectors to foreign institutions. Luxembourg funds invested € 1.35 billion in India during 2004, representing a growth of 16%. In Pune, the delegation visited Bharat Forge, KPIT Cummins and the SMEs showed interest in establishing contacts with various manufacturing units in automobile, engineering, electronics, pharmaceuticals and food processing sectors. As reported by the delegates and the Luxembourg Chamber of Commerce, the delegation was successful in increasing awareness about the huge Indian market and its economic potential as well as generating more business between India and Luxembourg.

Indian group takes over transformer manufacturer Pauwels Trafo:

Pauwels Trafo, the Mechelen transformer manufacturer, has been taken over by the Indian Crompton Greaves. Crompton Greaves specializes in switchgear, and with the Pauwels transformers the new company hopes to be able to offer customers more integral solutions. The Indians paid 32.1 million for Pauwels, and took on the 69 million euros of debt. Pauwels is one of the world's ten largest producers of three-phase transformers and employs close on 2,000 people worldwide. In 2004 the consolidated annual turnover was 257 million euros. In 2004 Crompton Greaves achieved a turnover of 346 million euros. The company has its headquarters in India and employs 2,700 people. Crompton Greaves is buying all the shares in Pauwels Contracting, the parent company of the Pauwels Group. The transaction will be completed by the end of April at the latest. Besides paying 32.1 million euros, Crompton Greaves is also immediately investing 7.5 million euros in liquid funds. "We actively went looking for a partner," says Van Zele. "In Europe there was not a single potential partner with whom one plus one made three. That is the case with CG, which has access to the rapidly growing Indian market. There is still massive investment in the electricity network there," he argues. The sale will also provide several strategic benefits. Thanks to the merger, Pauwels is able to offer its customers integral solutions. Van Zele: "In contrast to our main competitors Alstom, ABB and Siemens, our offer was largely restricted to transformers. Both groups also complement each other geographically. "We are strong in Western Europe and North America, while Crompton Greaves is active on the Indian sub-continent," Explains Van Zele.

Diamonds: 2005 Dawns with Dollars up and Carats down:

Polished diamond exports by the Belgian diamond sector moved up by 8.4 percent during the first two months of the New Year, to stand at \$1.39 billion, when compared to the \$1.28 billion reported for January and February 2004. But there was a sharp fall in the volume of polished

diamonds sold, with exports down 15.5 percent to 1.46 million carats, compared to 1.73 million during the corresponding period a year earlier. A reason for the considerable but not spectacular start to the New Year appeared to be the somewhat apprehensive U.S. market, which raised the value of its imports from Belgium during January and February by a marginal 3.3 percent in terms of value. According to the Conference Board the Consumer Confidence index for the United States dipped in February to 104, from 105.1 in January, but confidence level is generally better at the start of 2005 than it was early in 2004. The European markets continued to disappoint during January and February, with polished diamond exports to Italy falling 8.9 percent to \$80.5 million, exports to France down 8.1 percent to \$38.1 million and exports to Germany down 17.3 percent to \$24.4 million. Once again, it was the United Kingdom which proved to be the most buoyant European market, as it raised its intake of Belgian polished diamonds by 28.0 percent to \$77.6 million.

Higher growth rate for Belgian economy in 2005:

The Belgian economy is projected to grow at 2.5% in 2005 and 2006; making it considerably higher than the European average, which is around 1.75% and projected at 2 % for 2006. These forecasts are the result of "The European Economic Outlook" study made by The Price Waterhouse Coopers (PWC) highlighting the fact that since 2003 the Belgian economy is performing better in comparison with the rest of the Euro zone. This growth can be partly explained by the tax proposals to help and stimulate both consumption and private investment. Moreover, interest rates are low and the household consumption is expected to increase also due to the continuation of the reform of direct taxes. All these factors, stated by the General Manager of PWC Economics Network, Wim Driehuis, allow us to draw optimistic scenarios for the future of Brussels economy.

Belgian drug giant Solvay to buy France's Fournier for US\$1.7 billion:

Belgian pharmaceuticals and chemicals giant Solvay SA announced its plans to buy France's fifth-largest pharmaceutical company Fournier Pharma for 1.3 billion euros (\$1.7 billion US) in cash. Solvay signed a Memorandum of Understanding with privately owned Fournier and expects to complete the deal in the summer following a one-month due diligence process and approval from relevant competition authorities, including French and European Union regulators. "The acquisition of Fournier Pharma would be an excellent and well-timed opportunity to accelerate the growth and profitability of our pharmaceuticals business, which we further expect to gain tremendous momentum when the full potential of the combined R&D pipeline kicks in," Solvay CEO Alois Michielsen stated. The deal is another example of how medium-sized European pharmaceutical companies are teaming up to compete against larger U.S. rivals and to weather increasing research and development costs as well as more stringent regulatory filings. Solvay shares rose nearly seven per cent to 93.05 euros (\$120.76) after the announcement.

Marked increase in imports from Eastern Europe leads to halving of trade surplus:

The recent enlargement of the European Union has thus far had mainly negative effects for the trade surplus with countries from Eastern Europe. Belgium's trade surplus fell in the period May-December 2004 to EUR 547 million, compared with EUR 1.1 billion for the same period the previous year. Exports rose by 13%, but imports from these countries increased by no less than 41%. In the media it is striking that it is chiefly negative stories about the EU's enlargement that are receiving attention. The farmers' organisations said last summer that the increasing imports from Poland were putting pressure on the price of vegetables. The Japanese electronics group CMK stopped production of printed circuits in Geel and referred to the EU's enlargement. ECA in

Assende is reducing the production of dashboards and door panels for cars, because its French partner is starting up production in Slovakia. Bekaert Textiles is moving part of its activities to the Czech Republic. The construction sector is complaining about unfair competition from cheap East European builders. While Exports have increased by 13%, imports have climbed by 41%. Imports from the Czech Republic rose by more than 60%, imports from Lithuania doubled, and imports from Cyprus and Latvia tripled. Belgium is mainly buying more machinery and cars in Eastern Europe. That is striking, for machinery and cars are not obviously labor-intensive products. There are indications that the trade surplus could continue to shrink, with the monthly figures showing the trade balance gradually worsening.

Flanders has sold all steel shareholdings:

Without having given much publicity to it, Flemish Finance and Budget Minister Dirk Van Mechelen (VLD) has disposed of the last participating interest held by the public holding company Staal Vlaanderen (Flanders Steel) in the steel group Arcelor. In all the liquidation of that holding company has yielded EUR 728 million for the Authorities of Flanders. Staal Vlaanderen had a 4.2% block of shares in Arcelor, which it had acquired in exchange for Arcelor's acquisition of its 27.8% stake in the East Flanders steel company Sidmar. Between 2002 and 2004 this block of shares was sold off in phases. In 2004 the Authorities of Flanders again subscribed to a capital increase in Arcelor and purchased shares to the tune of EUR 70 million, which it again sold at the end of 2004 with a 30% gain. Wallonia still holds a 3.5% stake in Arcelor and is not planning to follow the Flemish pull-out scenario. Walloon Economic Affairs Minister Jean-Claude Marcourt (PS) sees the shareholding as a necessity, in order to be able to protect the group's employment in Wallonia.

Belgacom makes bid for CESKY telecom:

According to De Tijd the Belgian telecom operator, Belgacom, is planning to submit a binding offer for its Czech rival, Cesky Telecom. According to reports the Spanish operator, Telefonica, French operator, France Télécom and Swiss operator, Swisscom, were also involved in the bidding process. The Czech government's 51.5% share in Cesky Telecom is for sale. Apparently Belgacom offered 2.27 billion euros during the first round. According to De Tijd Cesky Telecom would be valued at 4.45 billion euros on the basis of the market price. If Belgacom succeeds it will be one of the largest foreign take-over by a Belgian company. Swisscom is tipped to be the winner, but some feel that the outsider Belgacom is in with a chance. The financially strong Cesky would immediately make a positive contribution to Belgacom's profits. The Belgian operator, who from an accounting point of view does "not have enough debts", would benefit from the debt it would incur in order to complete the transaction. However, Czech politics may yet throw a spanner in the works. The Czech government is unstable and may fall following a coalition party congress. In that case the sale will at the very least be postponed.

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Belgian IT firm to ramp up India operations:

Leading Belgian IT consulting and services firm Capco will ramp up its Indian operations to leverage local talent and capitalise on the cost advantage in the sub-continent, Capco director stated. Philip Ghekiere told reporters: "With an investment of \$1 million and 100 engineers, our Indian facility is the largest among the four subsidiaries, including three others located in Antwerp (Belgium), Frankfurt (Germany) and New York (the US). "We will continue to invest in India to increase our outsourcing and off-shoring activities, including data management services, software development and maintenance support." Within two years of setting up its Indian subsidiary in Bangalore, Capco decided to hire 50 more lateral engineers to increase its staff strength to 150 this year. Currently, the company employs about 500 people worldwide. Focused mainly on the banking and financial services industry (BFSI), the \$100-million firm designs and implements strategies, organisational structures, process and technologies to help its clients improve services, increase efficiency and enhance control. "Our particular focus is on capital markets, private clients, asset management and banking," Capco's director stated. "Though we operate on a global basis, there is a significant cost advantage in working out of India compared to the cost of services and talent in other countries. "At the same time, the cost advantage is eroding due to higher salaries and increased attrition rate due to irrational exuberance with global firms eyeing India for the same talent and skills," Ghekiere stated. Capco is one of the few Belgian companies to set up shop in India. Belgian Crown Prince Philippe formally inaugurated the new Capco facility during visit to India (March 12-19) leading the Economic Mission.

US Conco Systems Group opens a new office in Brussels:

The US Company, Conco System has just opened a new office in the Brussels Region. Conco is a manufacturing company which produces tube cleaning products for the electric generating market. Recognised throughout the power industry for quality cleaning of condenser and heat exchange tubes, Conco has integrated system and service capabilities for enhanced operation and maintenance practices. Conco offers a complete line of tube plugs for sealing off condenser tubes, heat exchanger tubes and tube sheets. Already present in several European countries, India, Asia and South America, the Conco group has now opened a new office in Brussels. For the US group this represents an opportunity to develop and reinforce their marketing activities in the European market. George Saxon, Vice President of Sales and Marketing, observe "Brussels is the ideal location for a Pan European strategy. We wanted to optimize our business development efforts and Brussels offers the right infrastructures and a unique business environment to do so."

A boost for Capital Intensive Investments in Belgium:

The Government reached an agreement on the introduction of a system of 'notional interest deduction', which entails granting of an exemption on the corporate tax charge equal to the fictitious profitability of the shareholders' equity. The major advantage of this system is that it largely removes the current discrimination between the tax treatment of investments financed with borrowed funds and self financing. This will encourage the self-financing of companies, including SMEs. The measure will result in more creditworthy companies, reduce the number of bankruptcies and stimulate the formation of new companies. In addition, the measure is reinforced by the complete abolition of the duties on contributions. Another important point is that the measure will apply across the board and will, accordingly, comply with European

directives. This will provide legal certainty, which the investors will find attractive. The measure will enter into force as from tax year 2007.

Belgium 26th for 'networked readiness:

Belgium has been placed 26th in the world in the World Economic Forum's Networked Readiness Index. The leader in the annual 104-nation ICT survey was Singapore. Four Scandinavian countries made up the rest of the top six along with the United States, which slipped from first to fifth. Hong Kong, Japan, Switzerland and Canada filled the remaining top 10 places. The index forms part of the organization's Global Information Technology Report 2004-2005, the fourth in a series assessing the state of networked readiness of 104 economies. The rankings are composed of three component indexes which assess the environment for ICT offered by a given country or community; the readiness of the community's key stakeholders including individuals, business and governments; and the use of ICT among these stakeholders

Two Belgian IT firms win awards at CeBIT:

The Flemish company Take-Off has been awarded a Gold Seal of Excellence in Multimedia at the CeBIT technology fair in Hannover, Data news reports on-line. The award was for Take-Off's new business presentation program Data Point, which enables users to combine a variety of different online and offline elements in presentations. The program is already being used by companies and organizations that include HP, Cable and Wireless, Tenneco Automotive, the University of Phoenix, Clearswift, Bayer and Bristol-Myers Squibb, the report stated. Another Belgian company, Inventive Designers, was awarded a Platinum Seal of Excellence at the fair.

C. EUROPEAN UNION

Inflation:

Inflation in EU-25 stood at 2% in January 2005, compared to 2.4% in December 2004, according to figures released by Eurostat, EU's statistical office. In the Euro-zone the rise in prices was 1.9% in January, compared to 2.4% the previous month. This level is just under the 2% limit set by the European Central Bank (ECB) for guaranteeing price stability. In January 2004, the inflation rate was 1.9% in both zones. In January 2005, the lowest annual rates were observed in Finland (-0.2%), Sweden (0.5%), Denmark (0.8%) and the Netherlands (1.3%), and the highest rates were recorded in Latvia (6.7%), Estonia and Greece (4.2%) and Hungary (3.9%). Compared with December 2004, annual inflation rose in three member states, fell in nineteen and remained stable in three. Lowest 12-month averages up to January 2005 were in Finland (0.1%), Denmark (0.9%), Sweden (1.0%), the Netherlands and the United Kingdom (1.4%); highest were in Slovakia (6.9%), Hungary (6.5%), Latvia (6.4%) and Poland (3.8%). The main components with the highest annual rates in January 2005 were alcohol and tobacco (7.5%) and housing (3.7%), while the lowest annual rates were observed for communication (-2.4%) and food (-0.1%).

GDP Growth:

EU-25 GDP grew by 0.3% and Euro-zone GDP by 0.2% in the fourth quarter of 2004, compared to the previous quarter, according to estimates released by Eurostat, the EU's statistics office. Identical growth rates were recorded in both zones for the third quarter of 2004. GDP grew by 2.3% in the EU25 and by 2.0% in the euro-zone in 2004. Meanwhile, the European Industry Association, UNICE expects a lower growth of 2.2% in the EU for 2005, and an even weaker

performance of 1.8% for the euro-zone. But UNICE says that these forecasts could easily be affected by another upturn in oil prices or a further rise in the value of the euro against the dollar. The anticipated growth rates for the Union and the euro-zone mask important disparities between the member states. Large economies like Italy (1.4% in 2005), Germany (1.5%) and France (1.8%) register rates below or in line with the projected average for the euro-zone. The Netherlands (1.3%), Malta (1.5%), Portugal (1.6%) and Belgium (1.7%) also register disappointing performance. The rates for this group of countries contrast with the sustained growth anticipated for central European and Scandinavian countries as well as Ireland, Spain and the United Kingdom, economies expected to post GDP growth above 2% in 2005. The projected growth rates look dismal when compared with EU's main international competitors. Global growth this year is forecast at 4.3%, compared with 5% in 2004.

EU confirms approval of Sony-led deal for MGM:

The European Commission confirmed that it has approved the acquisition of MGM studios by a consortium led by Sony Corp for about 4.9 billion dollars, clearing the way to finalize the deal in mid-April. "After examining the operation, the Commission concluded that that the transaction would not significantly impede effective competition in the EEA or in any substantial part of it," the European Union (EU)'s executive arm said. The companies involved announced that they had secured the EU green light. The deal has already been approved by US regulators and the companies said they now hope to "close the transaction before mid-April." The MGM board last September approved the deal, closing an era in Hollywood history with the corporate acquisition of the 80-year-old independent studio. The acquiring group called LOC Acquisition Company includes Sony Corp. of America, Providence Equity Partners, Texas Pacific Group, Comcast Corp. and DLJ Merchant Banking Partners. All rights reserved. This material is intended solely for personal use. Any other reproduction, publication or redistribution of this material without the written agreement of the copyright owner is strictly forbidden and any breach of copyright will be considered actionable.

EU'S Balance of Trade:

The current account deficit of the European Union's 25 Member States was Euro 6.3 billion in the fourth quarter of 2004, according to provisional figures released by Eurostat, compared with a surplus of Euro 6.4 billion in the fourth quarter of 2003. Third quarter of 2004 showed a deficit of Euro 8.9 billion. The balance of trade in services was a Euro 7.0 billion surplus as compared with a Euro 6.4 billion surplus in the fourth quarter of 2003 and a surplus of Euro 10.9 billion in the third quarter of 2004.

Simpler rules of origin for developing countries:

The European Commission adopted a Communication examining how rules of origin can be made simpler and better for developing countries. Rules of origin, which define the proportion of local content required for a product to benefit from preferential customs duties, are currently based on a long list of criteria deemed too complex by the EC. It proposes to replace these criteria with a single method for determining origin based on value added. A product resulting from work or transformation of raw materials from a country would be considered as originating from another country, provided the value added in the second country exceeds a certain threshold. This threshold would be expressed as a percentage of the net production cost of the final product. The Commission is also considering adding other criteria to ensure that very low wage countries are not penalised by this criterion. The Communication will be examined by the working group of member states' experts charged with defining new rules of origin for individual products. The

Commission has also indicated that the developing countries concerned will be consulted. The EC does not expect the new rules to enter into force for at least a year.

EU fails to agree on GSP reform:

European Union representatives failed to agree on EU's new Generalised System of Preferences (GSP) that would cut tariffs on imports of textiles for countries affected by the December 26 Asian tsunami. Italy backed by France claimed that the EU textiles industry, already under attack from cheap Chinese imports, will be further weakened by lower duties on textiles imports from Asian nations such as India. Global textiles quotas were scrapped at the beginning of the year, allowing China unlimited access to Europe. The proposed trade reforms would deny low tariffs to countries that hold more than 12.5% of the EU textiles market, notably China, while smaller exporters, such as Sri Lanka, would pay almost no tariffs provided that they comply with environmental and labour standards. But Italy, Portugal and France wanted an even lower market share threshold of 10%, arguing that India should also lose preferential access. Meanwhile, trade union representatives have urged EU governments to include strong clauses to defend workers' rights in the new GSP Regulation.

UNICE'S views on new regime:

With EU member states busy enacting the European Union's new public procurement directives, EU Industry Association UNICE has published a 'vision statement' on how to apply them. UNICE warns contracting authorities against opting for the cheapest bids, arguing it is better to evaluate tenders in a more nuanced, quality-focused way. EU member states have been given until January 31, 2006 to implement the Directives on public procurement. UNICE says that while the directives only apply to contracts above a certain value, even the smallest contracts must comply with the core EU Treaty principles of fair competition and transparency. Looking at the global picture, it wants more members to sign up to the World Trade Organisation's Government Procurement Agreement (GPA) and for the agreement to be simplified. While the directives allow authorities to award contracts to the lowest price or most economically advantageous tender, UNICE feels the latter option will deliver the best long-term result. It wants procuring authorities to become more expert in evaluating the quality, innovation, customer service and reliability of bids. They should also improve how they plan projects so that tendering costs are cut and procedures speeded up. While the directives promote more on-line procurement, it says further efforts are needed to bring this about, adding that the e-procurement action plan being prepared by the European Commission was essential. Noting the directives allow social and environmental criteria to be used in awarding contracts, UNICE says such criteria must always be directly linked to the object of the contract and that value for money must remain the core goal.

Bilateral Trade:

India-Belgium Trade:

Figures in Thousand Euro

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
India's exports	344101	399695	16.16%	32.3%
India's imports	800142	837926	4.72%	67.7%
Total trade	1144243	1237621		

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

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
Iron and Steel	7557	58994	681%	15%
Articles of apparel & clothing acc, not knitted	15015	15537	3%	4%
Organic chemicals	5700	9567	68%	2%
Fish crustaceans, mollusks & other aquatic	10706	7922	-26%	2%
Other vegetable textile fibers; paper yarn & woven fabrics	2898	3670	27%	1%
Edible fruit & nuts; peel of citrus fruits or melons	1591	2317	46%	1%
Coffee, tea, amte and spices	1764	2306	31%	1%
Cereals	985	2086	112%	1%
Salt; sulphur; earths & stone	1933	1742	-10%	0%
Ores, slag and ash	2116	1721	-19%	0%

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

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
Iron and steel	6459	33212	414%	4%
Organic chemicals	7574	9847	30%	1%
Pharmaceutical products	11696	3612	-69%	0%
Pulp of wood or of other fibrous cellulosic materials	1063	2310	117%	0%
Inorganic chemicals; organic or inorganic compounds	1094	1906	74%	0%
Photographic or cinematographic	2084	1139	-45%	0%
Rubber and articles thereof	575	918	60%	0%
Other vegetable textile fibres; paper yarn & woven fabrics	635	457	-28%	0%
Ores, slag and ash	804	453	-44%	0%
Other base metals; cermets; articles thereof	340	383	13%	0%

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

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
India's exports	2213	1561	-29%	70.5%
India's imports	1074	1312	22.16%	39.91%
Total trade	3287	2873		

Major items of Indian exports to Luxembourg:

Figures in Thousand Euro

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
Man-made filaments	1047	817	-22%	52.3%
Articles of iron and steel	477	209	-56%	13.4%
Plastic & Plastic products	75	120	60%	7.7%
Nuclear reactors, Boilers, Machinery & Mech appliances	147	73	-50%	4.7%
Miscellaneous chemical products	12	57	375%	3.7%
Articles of apparel & clothing accessories, not knitted or croc	21	49	133%	3.1%
Salt; sulphur; earths & stone; plastering material, lime	4	45	1025%	2.9%
Tanning or dyeing extracts; tannins	79	44	-44%	2.8%
Glass and Glassware	37	27	-27%	1.7%
Articles of Stone, Plaster, cement, asbestos, mica	3	27	800%	1.7%

Major items of Indian imports from Luxembourg:

Figures in Thousand Euro

Product	Jan-Feb 04	Jan-Feb 05	% change	% share
Nuclear reactors, boilers, machinery & mechanical	798	8065	911%	615%
Articles of Iron & Steel	11	902	8100%	69%
Copper and articles thereof	6	471	7750%	36%
Other base metals; cermets; articles thereof	31	255	723%	19%
Optical, photographic, cinematographic & measuring equipment	33	217	558%	17%
Plastic & plastic products	12	142	1083%	11%
Books, newspapers, pictures & other products	0	142	-	11%
Other made up textile articles, sets; worn clothing	0	72	-	5%
Electrical machinery & equip & parts thereof	21	50	138%	4%
Iron and Steel	54	18	-67%	1%

Trade/Investment Enquiries:**TOTAL OF ENQUIRIES FOR THE MONTH OF MARCH – 71**

Diamond cutter	1
Ferro and ferrous alloys	2
Bicycles & spare parts	1
Garments & knitted	3
textiles	4
Handicrafts	2
Fancy accessories	4
Bags & Sacs	3
Yarns	1
Fabrics	3
Jewelry	3
Artificial jewelry	3
Sheep wool	1
Shoes	1
Herbal raw materials	2
Sports goods	2
Leather	3
Gift & decorative products	3
Pharmaceuticals	2
Electrical trade	1
Material Testing Machines, Dynamic Balancing Machines	1
Metals/ Steel products	3
Cereals	2
Engineering	1
Sesame Seeds & Sesame Seed Edible Oil	1
Coir products-coir pith <or> Coco peat. { This is a substitute for peat moss & used as soil substrate	1
Furniture	2
Pigments, organic & inorganic	2
Flooring, Ceramic Tiles & Sanitary ware	2
dyes and intermediates	3
Orthopedics Implants & Instruments	1
spectacles, frames and lenses	1
Surgical disposable	1
Hinges	1
Software	2
rotogravure printing rollers	1

Dissemination of Information on Tenders
(During March)

1	OIL AND NATURAL GAS CORPORATION LIMITED Mumbai	3
2	ENGINE FACTORY AVADI Chennai	1
3	Government of India Ministry of Railways Research Designs & Standards Organization Lucknow	1
4	National Aerospace Laboratories (Council of Scientific & Indust'l Research) Bangalore	1
5	OIL & NATURAL GAS CORP. LTD. Bassein & Sattelite Asset Materials Management Department 507, Vasudhara Bhavan Bandra (E) Mumbai-	2
6	Government of India Ministry of Defence Indian Ordnance Factories Ordnance Factory Dehu Road Pune	3

Dissemination of information on Fairs in India
(During March)

Sl. No.	Name of Fair	Date of Event	Place of Event
1	ELITEX-2005 Theme: ICT Technology for Grassroots Applications	25-26 Apr 2005	Indian Habitat Centre, Lodi road, New Delhi
2	25 th India International Trade Fair, 2005	14-27 Nov 2005	Pragati Maidam, New Delhi

Siddharth
Adviser (Comm. & TD)

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