

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

**A. GENERAL INTERNAL DEVELOPMENT**

**One unemployed person out of three is a non-European:**

Belgium has the highest rate of unemployed people among foreigners in Europe. 31.4 % of foreigners in Belgium are unemployed; it is four times more than the number of unemployed Belgians, and it is two times more than the average for Europe (17%). Unemployed people have two major handicaps: they have no training and do not know Dutch. A study ordered by the VDAB – the Flemish unemployment agency – in 2004, revealed that 42% of the young people who leave school without getting the secondary education diploma are foreigners; this is 2.5 times more than the average for Belgian citizen (15%). The gap between Belgian and non-Belgian youth is increasing: while the number of young Belgians unemployed has decreased in the last two years (-5.1%), the number of unemployed foreigners has increased (+4.3%). The study underlines another tendency: foreigners tend to lose job faster than Belgians. Michel Vanderkam from the Center for the Equality of Chances underlines that statistics on Belgian citizen are not reliable because they do not make the difference between a Belgian of Belgian origin and a Belgian of Moroccan or Turkish origin; Mr Vanderkam considers that unemployment among Belgians especially concern the latter.

**A think-thank for saving Belgium:**

“Belgium is on the wane, there is an urgent need for reforms if Belgium wants to reconcile growth and social protection”. This is the message of the experts Marc De Vos from the University of Ghent and Jean Hindriks from the Catholic University of Louvain-la-Neuve – who recently created ‘Itinera’, a think-thank that will study the evolution of Belgium in the coming years. After recovering quite well from Second World War and living a period of prosperity, Belgium is now on the decline with a risk of catastrophe within five to ten years at the latest according to the analysis of the two experts. Belgium has to face a series of challenges: globalization, ageing of the population, the issue of energy, environmental issues, migration etc. Problems are getting more important: the financing of pensions and social security is put in question, poverty and unemployment pass from one generation to another... and we do not know how to face the new challenges. The two experts call for reforms, with

the purpose of combining economic development, social protection and environment. “Politicians are conscious of the issue, but they have a short-term agenda. We are free from constraints, and we shall work in an objective way, for identifying problems and suggest the necessary reforms” said the two experts. The experts will first study the Scandinavian model before expanding their research in several other directions, with the challenge of designing the ‘great project that Belgium needs’.

## **B. ECONOMY AND COMMERCE**

### **Record Indian deal with Belgian firm:**

Indian wind turbine manufacturer Suzlon Energy Ltd. has acquired Belgium's EVE Holding NV for an estimated 465 million euros. The deal gives Suzlon indirect ownership of Hansen Transmissions International NV, the world's second-largest maker of industrial and wind turbine generator gear boxes, along with subsidiaries in Britain, Australia, Brazil, United States and South Africa. The company plans to acquire the complete holdings in EVE, a 50-50 venture of Allianz Capital Partners and UK private equity firm Apax Partners, through its Dutch subsidiary AE-Rotor Holding BV. Suzlon shares were up nearly two percent at 1,315 rupees at closing in a firm Mumbai market. The Belgian deal is India's largest-ever foreign deal after last month's 480-million-euro takeover of German generic drug maker Betapharm by Dr. Reddy's Laboratories Ltd.

### **Belgian authorities are studying the Mittal plan:**

Mittal group gave to Belgian authorities their industrial plan for the Belgian plants of Arcelor, after a meeting with Prime Minister Guy Verhofstadt (VLD – Flemish liberal), Walloon Minister-President Elio Di Rupo (PS – French language socialist) and Flemish Minister-President Yves Leterme (CD&V – Flemish Christian Democrat). The businessman of Indian origin gave to Belgians a one hundred pages document titled “Building the future of Steel”. According to the spokesman of the steel group, the plan covers fields like employment, research & development and investments. “We received a large document which will be studied by experts. Mittal confirms its intention to comply with the agreements that had been made by Arcelor, but our concern is to defend our plants, workers and all those families who live from these sites”, Walloon Minister of Economy and Employment Jean-Claude Marcourt (PS – French language socialist), who also attended the meeting, said. According to Prime Minister Guy Verhofstadt, the three governments (Federal, Walloon and Flemish) will take a final decision next month. Arcelor employs about 15,700 people in Belgium (two-thirds in Walloon Region and one third in Flanders). “Mittal has laudable intentions, but we want to have more formal assurances”, Mr Elio Di Rupo said. Lakshmi Mittal expressed his satisfaction at the issue of the meeting, which was “constructive”, he said. “A second meeting will be organized with the advisers of the

Prime Minister for discussing all the questions they may have. There will then be a third meeting with the Prime Minister”, Mittal’s Belgian spokesman said.

### **High Council for Diamonds on the road to recovery:**

The High Council for Diamonds (HRD), which has been paralysed for some time as a result of a flaming row between small and large diamond dealers, has a new executive board. The board was slimmed down from 20 to 12 board members. Half of them meet on behalf of the diamond trade. Among them there are two representatives for small (less than 30 million euros turnover), medium-sized (between 30 and 100 million euros turnover) and large traders (more than 100 million turnover). The other half of the council represents diamond fairs (3 representatives) and the industry (2 representatives). The last seat is taken up by an independent director. The socialist trade union is no longer represented. The new executive board is a first step in Federal Prime Minister Verhofstadt's plan to save the diamond sector. For a while heavyweights from the sector, Dilip Mehta and Chaim Pluczenik threatened with the creation of an alternative umbrella organisation, but that danger now seems to be averted. Eighty percent of rough diamonds pass through Antwerp, but the city is experiencing increasing competition from Dubai and Bombay. The smaller diamond traders are under increasing pressure because De Beers, the largest supplier of rough diamonds, introduced a new marketing policy a few years ago which led to a third of Antwerp's approval viewers (selected De Beers buyers) being dropped. Besides, there are tensions between the traditional Jewish community and the up-and-coming Indian diamond traders. Antwerp's diamond traders also want a more flexible application of the customs procedures and the Kimberley process, i.e. the international agreements for the banning of conflict diamonds.

### **Belgian Banks jointly made around 10 billion Euros’ profit in 2005:**

The four main banks, KBC, Dexia, Fortis and ING, made on average 27% more profit than in 2004. Fortis made 3.9 billion euros' profit, while KBC (2.2 billion euros) and Dexia (2 billion euros) passed the threshold of 2 billion in profit for the first time. ING reported profits of 878 million euros. Three years ago they recorded a joint profit of only 3.1 billion euros. The rise is not only due to the flourishing financial markets, but also to the fact that in past years they have had to invest considerably in mergers. The sharp rises in profits in the sector are mainly down to the increase in customers' saving and lending activities. It also appears that the four banks have also sharpened up their returns. In their own country they have above all heavily rationalised and outsourced or liberalised activities. Workers who end up in a liberalised department often lose their status of employee in the banking sector, with reduced pay as a result. Such actions have earned the banks strong criticism from trade unions. The banks claim to be investing their massive profits better in jobs and training, but the opposite is true, claims Tjeu Thijskens from the Christian trade union the LBC in De Morgen. The Belgian banks are mostly using their record profits to expand abroad, notes De

Tijd. And they are doing so primarily for their shareholders, not their workers, the paper claims. The consumer organisation Test-Aankoop also confirms that the profits are not benefiting the consumer.

### **The Dutch become chief trading partners of Belgium:**

The Netherlands is, for the first time, Belgium's number one trading partner. This has been shown in the latest National Statistics and reported by the financial paper, De Tijd. Petroleum and gas imports from our northern neighbours shot up last year. Before then, Germany was Belgian most important trading partner. Imports from the Netherlands went up last year by 19.9% to 44.8 billion euros. The most significant factor in the increase in trade was the sharp rise in oil prices. Imported supplies of petroleum come almost exclusively via Rotterdam harbour. Oil exports mainly consist of oil refined in Antwerp harbour. The end products are chiefly exported to the Netherlands, Luxembourg and France. Yet the export to the Netherlands grew by only 3.9% in 2005, to 26.6 billion. With a total trade value of 71.4%, the Netherlands is, however, now Belgian largest trading partner. Germany has dropped to second place with France coming in third. France beats Germany as main recipient of Belgian exports; just as in 2000 and 2002.

## **C. EUROPEAN UNION**

### **Eurozone inflation eases to 2.2 per cent in March:**

Twelve-month inflation in the 12-nation eurozone continued its downward trend to 2.2 percent in March, from 2.3 percent in February and 2.4 percent in January, according to a preliminary estimate. The estimated figure, released by the European Union's Eurostat data agency, was in line with forecasts by economists questioned by AFP's financial news wire subsidiary AFX. Eurozone inflation reached a peak of 2.6 percent last September, fuelled by record oil prices, but is moving down towards the European Central Bank's preferred level of close to but less than two percent.

### **Only three EU nations back Brussels proposals of sanction on Asia shoes:**

Only three out of 25 EU member states voted in favour of a proposal to slap import sanctions on cheap leather shoes imported from China and Vietnam, according to the Financial Times report. Belgium, Malta and Slovakia supported the proposal, while nine countries were opposed, including Sweden and other Nordic member states, plus Ireland and Slovenia. Eleven member states abstained, including Italy and other nations that are home to European shoemakers who want Brussels to act against what they regard as unfair competition from East Asia. EU trade Chief Peter Mandelson is to ask the European Commission to agree to impose anti-dumping duties on Chinese and Vietnamese leather shoes, despite divisions among EU countries. The Financial Times said the abstentions underlined "unhappiness" with Mandelson's proposed

exemptions for sports and children's shoes, which they fear could give East Asian producers "a loophole to rebrand exports". In its dispatch from Brussels, it quoted Sweden's trade minister Thomas Ostros as saying that Mandelson should withdraw his proposal in light of what he called a "very unusual voting result". "The commission should reconsider its whole policy at this stage and how they work with anti-dumping measures," he said. "We need to strengthen the quality of anti-dumping investigations in order to regain the confidence of member states". Last month Mandelson called for a "progressive duty" to be applied on imported Chinese and Vietnamese leather shoes after finding evidence of dumping. He called at the time 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. He also 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. If approved, the proposals could spark fresh trade tensions with growing Asian economic powers.

### **Europe lagging Asia in the education race:**

Europe, held back by France and Germany, is losing the race in education and higher qualifications faced with dogged competition from Asia, according to a study, by Andreas Schleicher from the Organisation for Economic Cooperation and Development (OECD), warns Europe to revolutionise its schools and universities and tackle class bias. "The time when Europe competed mostly with countries that offered low-skilled work at low wages has gone. Today, countries like China and India are starting to deliver high skills at low costs," Schleicher wrote. "This is profoundly changing the rules of the game," said the study, compiled for the Lisbon Council, a Brussels-based think tank which aims to make Europe more competitive. Schleicher claims that increased spending on education, particularly at secondary and tertiary school levels, brings economic benefits that outstrip inflation, not just for individuals but entire countries. He points to the "miracle" of South Korea, which in the 1960s had lower income rates than all South American countries yet now has the highest rate of education -- 97 percent -- among people aged 25-34 in the industrialised world. Meanwhile most of the big European economies, including Britain, France and Italy, are struggling to hold their rank while Germany has even fallen. "France and Germany, which make up 35 percent of the European Union's 11.6 trillion euro economy, are no longer among the world's leaders in developing knowledge and skills," the study said.

### **EU warns European business of hi-tech challenge from China and India:**

The EU Commissioner for Business and Industry warned European companies not to underestimate the competitive challenge they face from China and India. "If you think China is still producing cheap shoes and textiles, that is a big misunderstanding," Guenter Verheugen said in a speech in Prague to Czech businessmen. "You will face

competition from everywhere and in sectors you will not expect," he added. China is already a competitor in car production and will soon be manufacturing hi-tech models, Verheugen said in his speech at the Czech Chamber of Commerce. In the market for the commercial launch of satellites, where Europe is currently a world leader, China and India will soon be competitors here as well, he added. European companies cannot compete on cheaper labour costs, Verheugen said. "Even the Czech Republic cannot be cheaper than China," he commented, adding that the only way for Europe to take on the booming economies of Asia was in the field of innovation. But Verheugen said Europe should not try to benchmark its economic performance by making comparisons with the United States. "That is dangerous and misleading," he said. While US citizens have higher per capita income, the standard of life in Europe is higher, partly thanks to the public services funded from taxes, the commissioner said. The European Union's former goal of becoming the strongest world economy by 2010 was not realistic and was even "a little hypocritical," said Verheugen, who is responsible for trying to push through reforms to make the continent more competitive.

#### **EU's Mandelson says a WTO talk is in new and critical phase:**

EU trade chief Peter Mandelson said that WTO talks to free up global commerce are in a new, critical phase and urged the EU's trading partners to make concessions to open the way for progress. "We have, in my view, reached a new phase in the process of this negotiation," the trade commissioner told the European Parliament's international trade committee. "Since we are approaching the end phase in the (talks), we now need to deal with all negotiating areas simultaneously. There is a limited number of cards left on the table -- and they are the big ones". WTO negotiators are struggling to give fresh impetus to the Doha round of talks in the World Trade Organisation, launched in the Qatari capital in 2001 with the aim of boosting development in the world's poorest nations. The clock is ticking towards an April 30 deadline for negotiators to resolve their differences over tariffs on agricultural products and industrial goods. Mandelson said the ball was now in the court of the EU's trading partners to make further concessions in talks. "We are ready to continue to play a constructive role in the round, including on agriculture, but we need to see real cuts in industrial tariffs," he said.

#### **Oil prices and protectionism threaten recovery in the EU:**

A recovery underway in the eurozone is vulnerable to a jump in oil prices and improving confidence could be dented by protectionism, said EU Economic Affairs Commissioner Joaquin Almunia. "Growth is coming back to Europe," Almunia told the European Parliament's economic and monetary affairs committee. "The main risk now comes from the oil market situation," he said, adding that any further spike in prices "would create problems for the recovery". The European Commission expects the eurozone economy to clock growth of 1.9 percent after 1.3 percent last year as

recovery in the 12-nation block becomes increasingly entrenched. Looking ahead, Almunia said he hoped the commission's economic forecasts "will be confirmed in the real data". He added: "We are, I hope, at the beginning of a positive period for Europe." But the commissioner warned that signs of protectionism over foreign takeover bids "could create serious problems if they will hinder confidence". The French, Luxembourg, Polish and Spanish governments are facing protectionism accusations for actions perceived to thwart hostile bids for domestic firms. Almunia said that the emerging economic upturn was mainly due to "the extraordinary recovery in confidence" and warned that "these protectionist trends can put an end to this progress".

### **EU proposes to create a Fund for helping people who lose their employment:**

European Commissioner for Employment and Social Affairs Vladimir Spidla presented the Commission's proposal of a European Fund of Adjustment to Globalisation, which would help workers - victims of relocation - who lose their employment to find a new job. The objective is to "reconcile public opinion with globalization", which is quite "positive", according to President of the European Commission Jose Manuel Barroso. "We want to show that the European Commission takes care of workers", the President of the Commission added. The Heads of State and of Government of the member states approved the creation of such a Fund, in December 2005. The European Commission proposed to grant the Fund a financing of 500,000 Euros. The Adjustment Fund – "a solidarity fund, not an emergency one", Barroso underlined – will complete measures taken at national levels. It will give assistance to unemployed people for a period of maximum 18 months for the research of a new job, recycling, valorization of entrepreneurship or independent work. "The aim is not to protect sectors that are not productive or competitive anymore", Barroso underlined. The Fund does not concern non competitive companies but citizen", he added. The Fund does not concern relocations within the European Union either. According to the European Commission, 35,000 to 50,000 persons would be eligible for assistance from this Fund on 1 January 2007. The European Observatory of Restructuring states that 570,000 people lost their job after company restructuring in 2005. "We know that our answer is incomplete, Barroso concluded, but it is an answer".

### **D. TRADE ENQUIRIES:**

During the month, the Commercial Section received 64 trade enquiries. Appropriate action was taken on each of them.

### **E. TENDERS:**

During the month, the Commercial Section received 4 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 the month, information relating to two 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. The information was also put on the Embassy website.

#### **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
<b>Total Trade</b>	<b>6501365</b>	<b>7633049</b>	<b>17.4%</b>	

##### **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
<b>Total Trade</b>	<b>22786</b>	<b>27275</b>	<b>39.7</b>	

**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 March → 64**

General information (FDI, bilateral trade, import duty, complains ---)	6
Textiles	5
Handicrafts	4
Herbal Products	4
Metal scrap	3
Agriculture products	2

Auto Parts	2
Ceramic tiles	2
Food Products	2
Medical and surgical equipments	2
Natural Stone	2
Pashmina	2
Pharmaceutical	2
Wine	2
Yarn	2
Diamond tools	1
Dyes	1
Binding machine	1
Chemical industry	1
Costume jewellery	1
d'ardoises en Inde	1
Fashion footwear	1
Horse riding goods	1
Home furnishing products	1
Hand tools	1
Hammer	1
HDPE Pipes	1
Iron and steel	1
Leather chemical	1
Leather products	1
Polythene	1
printing thickeners	1
Rubber	1
Scientific equipments	1
Toys	1
Wall clock	1

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

1.	Oil and Natural Gas Corporation Limited	4
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**Dissemination of Information on Fairs in India  
(During March)**

SI. No.	Name of Fair	Date of Event	Place of Event
1.	Chemspec India 2006: International Event on Fine Chemicals and Specialties	5 <sup>th</sup> – 6 <sup>th</sup> April, 2006	Bombay Exhibition Centre, NSE Complex
2.	14 <sup>th</sup> Delhi International Leather Fair (DILF)	1 <sup>st</sup> – 3 <sup>rd</sup> July	Pragati Maidan New Delhi, India

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