

Foreign Investors' Agenda

AmCham Belgium's Recommendations for Increased Investment in Belgium

November 2007

AMCHAM BELGIUM'S 2007-2008

PRIORITY RECOMMENDATIONS

1. Increase availability of qualified labor.
2. Lower employment costs – reduce social security costs to 20%.
3. Reduce corporate tax rate to 25%.
4. Increase labor market flexibility in the regimes governing hours worked and work organization.

Our other recommendations:

- Widen gap between unemployment benefit and pay.
- Simplify administrative procedures across the board.
- Ensure stability and transparency of all government measures.
- Actively develop and promote a clear branding strategy for Belgium as a business and investment location and clearly communicate investment programs.
- Bring education more in line with market needs by linking educators, government and business.
- Make terminations less costly and create career flexibility.

Amcham Belgium's specific recommendation for SMEs and entrepreneurs:

- The creation of a one-stop-shop for information and support on investments and starting-up.

All recommendations are indicated by a  in the text.

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FOREIGN INVESTORS' AGENDA 2007-2008

EXECUTIVE SUMMARY

The American Chamber of Commerce in Belgium (AmCham Belgium), the voice of US investors, continues to work to promote increased US investment in Belgium. We have updated our ***Foreign Investors' Agenda (FIA)***, which is AmCham Belgium's overall competitiveness program aimed at positioning Belgium as the most economically dynamic country in Western Europe.

AmCham Belgium looks forward to continuing the constructive working relationships it has developed with the federal and regional governments. A relationship which has seen:

- Notional Interest Deduction (NID) introduced and, as a consequence, Belgium becoming the fourth most popular destination for investment worldwide.
- The successful re-negotiation of the U.S.-Belgium Income (Double) Tax Treaty.
- Legislation introduced exempting specified groups of workers (foreign researchers and foreign managers working for their multinational company's HQ) from the need to apply for work permits.
- Innovation premium introduced.
- Legislation introduced to ensure that bonuses of less than €2,200 are no longer taxed away but are given, in their totality, to the person who earned them.
- The tax on royalty income reduced by 80% as a result of a government decision to levy corporate tax on only 20% of royalty income.
- The introduction of the Pan European Pension Fund legislation.

We applaud the government's initiative on these measures, which AmCham Belgium has actively supported. Looking to the future, we would encourage the government to focus on the introduction of measures to link education, training and business together in such a way that the skills shortages of today becomes a thing of the past. Amongst our key recommendations are measures aimed at ensuring that:

- All school leavers learn about the importance of business for a vibrant economy.
- Students select their degree courses with a clearer idea of the career opportunities opened up to them by that degree.
- More people over the age of 55 remain active members of the workforce.
- Free movement of labor is promoted, internally within Belgium, within Europe and even internationally, where there are skill shortages.

We look forward to working with a new federal government as it implements a new legislative program. We will continue to promote measures aimed at reducing the cost of labor and lowering taxation within a more flexible labor market. Measures designed to make Belgium increasingly attractive to investors, business and entrepreneurs and leading to job opportunities for all.

Denise R. Rutherford
President, American Chamber of Commerce in Belgium
Managing Director, 3M Belgium

FOREIGN INVESTORS' AGENDA 2007-2008

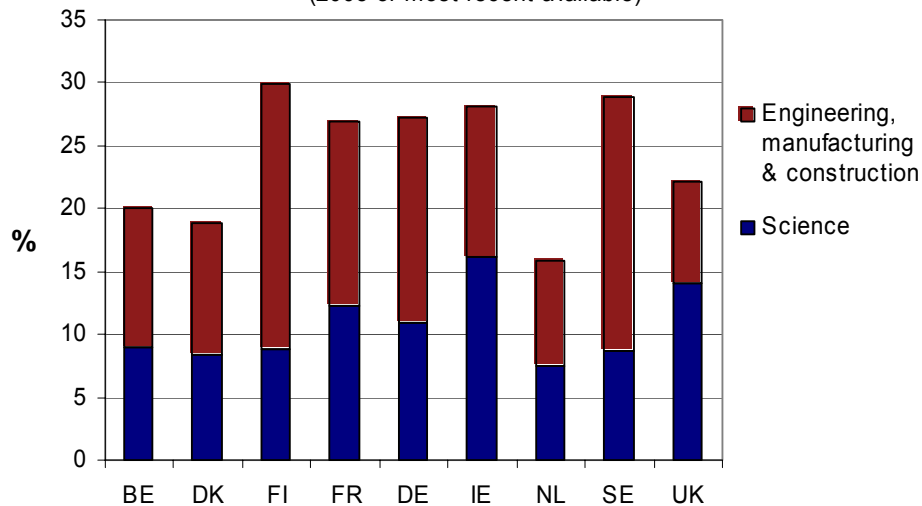
A. INCREASE AVAILABILITY OF QUALIFIED LABOR

1. Link education to labor market needs

In a recent Economic Survey on Belgium conducted by the Organisation for Economic Co-operation and Development (OECD¹), researchers draw attention to a “significant mismatch between labor supply and labor demand”. The companies interviewed by AmCham Belgium² earlier in the year reiterated this point. They all stressed:

- The lack of graduates with scientific and engineering degrees as well as the lack of awareness amongst students of the career possibilities open to those with such degrees.
- The lack of degrees including significant periods (six months minimum) working in industry (internships) as a pre-requisite to graduation.

Graph 1 - Percentage of total tertiary graduates according to field
(2005 or most recent available)



Source: UNESCO 2005

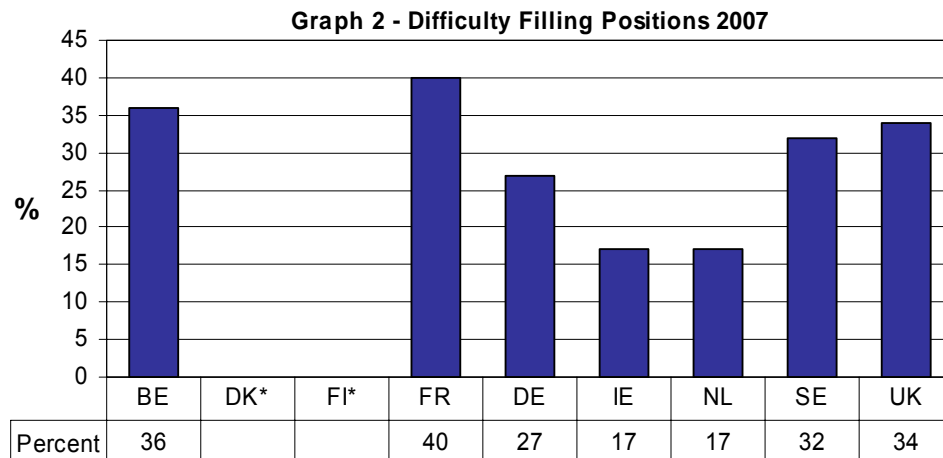
➔ Increase availability of qualified labor

Case Study: Ireland

The Irish Development Agency (IDA) acts as a platform between education, business and the government. The IDA builds crucial links between companies, tertiary education and research centers to ensure long-term research and workforce means are in place for investors to succeed.


¹ OECD Economic Survey Belgium – Volume 2007/3 – March 2007

² While preparing “A Brief on Research & Innovation” AmCham Belgium, May 2007.



Source: Manpower Talent Shortage Survey Global Results 2007

* Figures for Denmark & Finland are unavailable.

 **Bring education more in line with market needs by linking educators, government and business**

We recommend the government take the following actions to address these concerns:

- Develop interactions between businesses and secondary/tertiary educational institutes to raise awareness of the career paths available to those with scientific and technical skills. Expand the Belgian “Visiting Wizards” program to other sectors. Develop a center for 14-16 year olds where they can learn about business career possibilities.
- Integrate part-time work experience (internships of at least six months) in the school curriculum. Follow the example of Germany where technical school students follow four year apprenticeships. Such measures can be applied to universities, secondary schools and technical schools.
- Facilitate internships by removing the negative impact of the income earned by young people as a part of their full-time education on their parent’s tax deductions and child allowance(s) and ensure study related internships have no impact on the student’s social security status (after completing their studies).

2. Encourage entrepreneurship and awareness

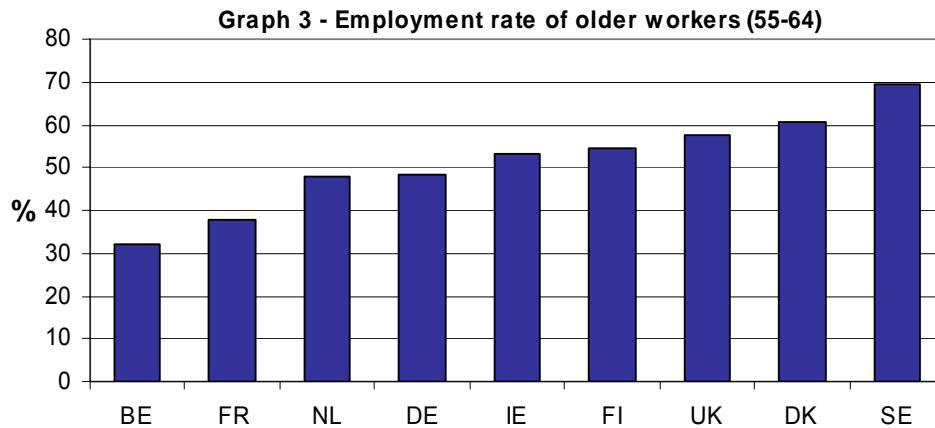
At the same time, the government should be encouraging the media and the teaching professions to draw attention to the positive impact which business has on the country’s economy. Those working for business contribute to a country’s wealth while those working for the civil service, while frequently performing essential services, do not. An entrepreneur who successfully establishes a new business creates job opportunities for others and helps the economy to grow. We suggest the government takes the following steps:

- Ensure that each and every school leaver has undertaken some entrepreneurial training and experienced direct contacts with business.
- Raise the public’s awareness of the importance of business for Belgium’s welfare and social security model.

Both measures will go a long way to improving the public’s perception of business and entrepreneurs.

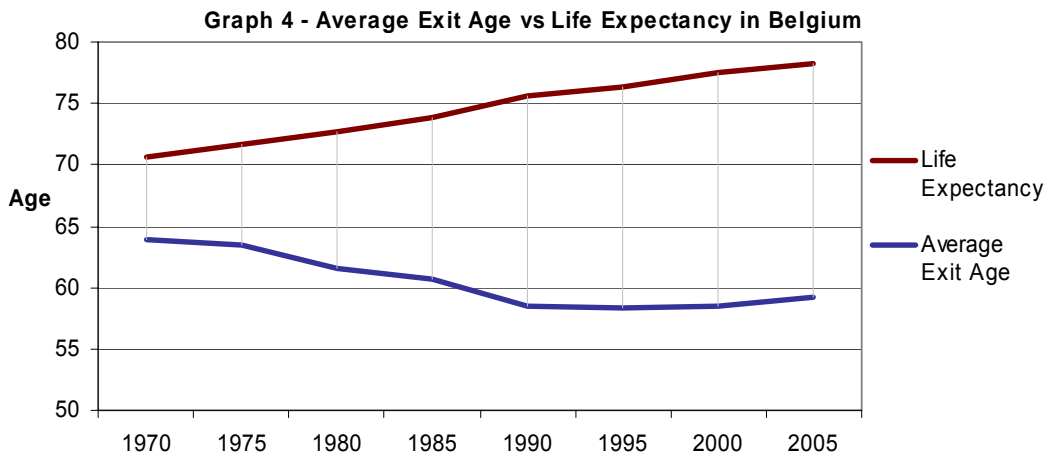
3. Retain older workers in the workforce

The mismatch between education and labor is not unique to youth. The low employment rate of older workers in Belgium can be partly attributed to the mismatch between education and labor shortage and the lack of lifelong learning. Older workers are also more costly to hire. According to the European Industrial Relations Observatory (EIRO), the salary of a white-collar worker increases by 35-48 percent throughout his/her career solely based on age, so companies often choose to dismiss older workers, who represent a larger labor cost. The result is that Belgium has the lowest employment rate of older workers in Europe.



Source: Eurostat 2006

While it is easy to argue, as many do, that it is better to focus on getting the unemployed young persons back into work, the government needs to consider whether it can afford, at a time of rapidly increasing average life expectancy, not to take measures which will encourage employers to retain their older employees. This point is illustrated in the graph below. 35 years ago, there was a 6.9 year gap between retirement and life expectancy. By 2005, this gap had increased two and a half fold, to 18.9 years.



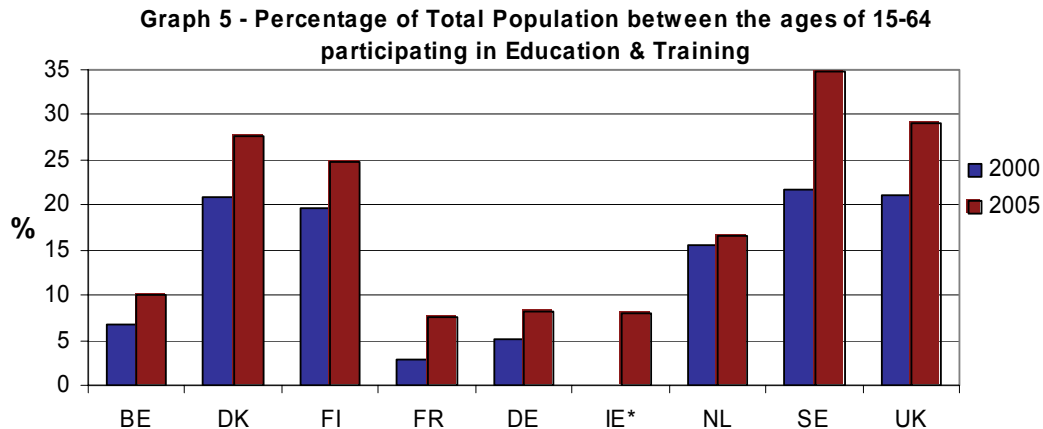
Source: OECD 2007

In our Brief on Research & Innovation³, we recommended stimulating lifelong learning as one of the ways to create more career flexibility and increase the supply of suitably qualified personnel. This could be achieved by:

³ A Brief on Research & Innovation Interviews and Recommendations from AmCham Belgium, AmCham Belgium, May 2007

- Providing tax incentives for funds invested in training, whether by employers or employees.
- Requiring a certain number of training days both for employers and employees.

The following graph illustrates just how important it is for the new government to address this issue as a priority.



Source: Eurostat 2006
 * 2000 statistics unavailable

4. Encourage mobility within Belgium

The government could also consider promoting greater mobility within the workforce. Belgians could be encouraged to moving to jobs away from their home town by:

- Tax-free premiums or a tax credit offered to persons who move to a new job in a different area or region of the country. The same tax benefit could be offered to qualified immigrants.

5. Facilitate immigration

Facilitate immigration for individuals with needed skills by:

- Implementing one-stop procedures, ideally having one permit covering all requirements with the conditions for that permit being harmonized between communes and regions.
- Removing the restrictions on immigration for nationals of the most recent European Union Member States.

Success! Work Permits!

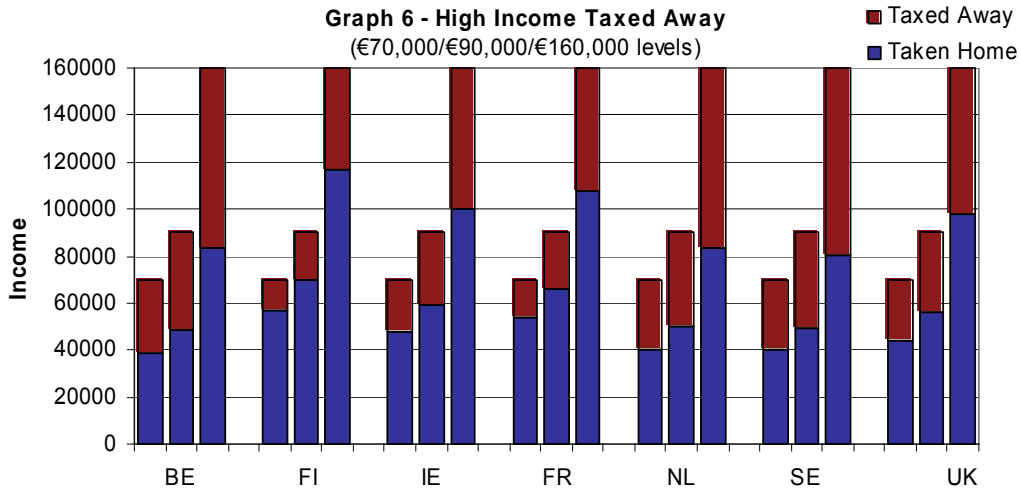
AmCham Belgium's successful lobbying results in good news for researchers and foreign managers!

As of October, 2007, the following categories of worker no longer need to obtain a work permit before coming to work in Belgium:

- *Foreign researchers coming to work in approved research centers in Belgium.*
- *Foreign managers coming to work at the headquarters of their multinational company and who earn no less than €56.187 gross per annum.*

6. Reduce income tax

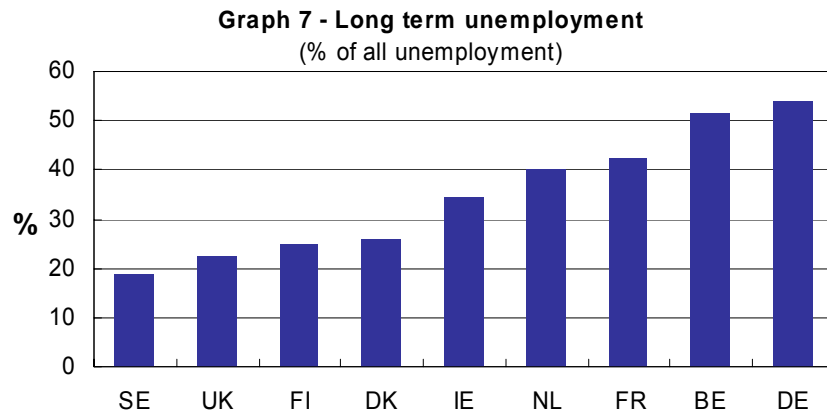
The global business community finds it challenging to fill highly skilled positions as there is a shortage of suitably qualified people. Belgium is at a disadvantage when it comes to attracting such people to Belgium because of its high rates of income tax as illustrated by the graph below. This graph takes gross salaries as a starting point and therefore does not even take into account the very high social security contributions for employers in Belgium.



Source: Emporiki 2007

7. Increase the gap between benefits and pay

Increasing the gap between unemployment benefits and wages is key to increasing employment and decreasing the number of unemployed. Those who have been accustomed to living on benefits need to see a distinct benefit from being in paid employment. The government has recognized this and, while in 2000 the gap between unemployment benefits and the minimum wage was only €96, by April 2007 the gap had grown to €131⁴. In spite of these moves, long term unemployment remains a problem in Belgium.



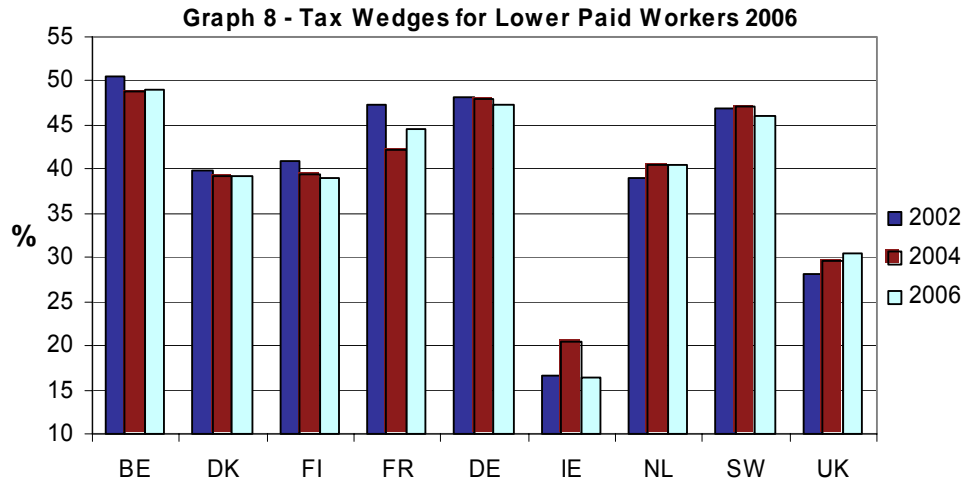
Source: OECD Factbook 2007

⁴ Livret statistique FEB 2007



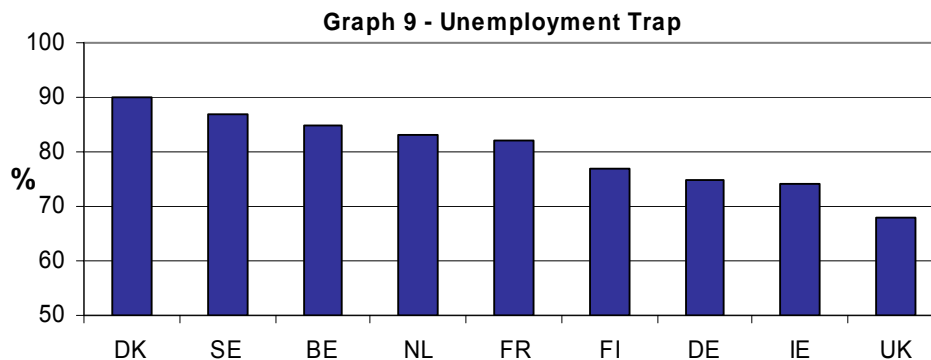
Widen gap between unemployment benefits and wages

One way for the government to drastically increase the gap between the amount taken home by those working and those on benefits is by decreasing the tax take on low pay. Yet in 2006 the tax wedge increased! Belgium taxes the low paid more highly than any of our comparative countries. AmCham Belgium encourages the newly elected government to reverse this trend as a matter of urgency.



Source: OECD Taxing Wages 2005/2006 (2006 ed)

When an unemployed person returns to the workplace their salary may well be higher than their unemployment benefits. But while a lot of their salary is taxed away, there is no tax on unemployment benefits. This is commonly referred to as the “unemployment trap” and the graph below illustrates just how deep the trap is in Belgium.

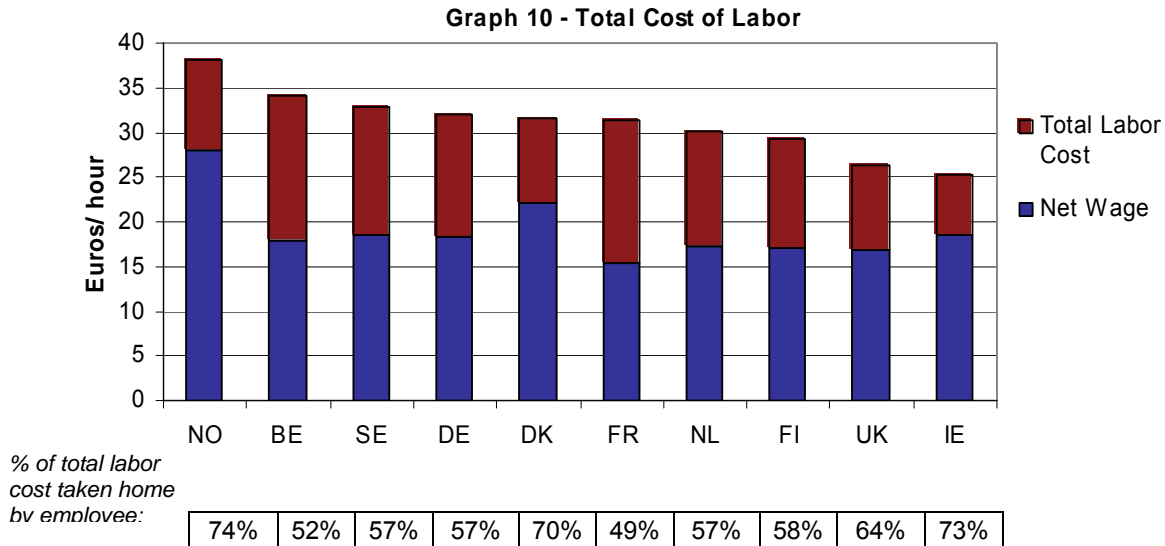


Source: Eurostat 2005
(Percentage of gross earnings which is “taxed away” when an unemployed person returns to employment)

B. REDUCE EMPLOYMENT COSTS AND REWARD MERIT

1. Reduce employers' social security costs to 20% maximum.

Human capital remains the most important production factor and employment costs influence company investment decisions in a major way. While the government has taken some welcome tentative steps to reducing the costs of employment, there is still a long way to go. As shown by the graph below, Belgium has the highest labor cost in the EU, and the second highest in all of Europe. However unlike several other high cost countries, Belgian employees do not benefit from an increased net wage, taking home only 52% of the amount it costs to employ them.



Source: Institut der deutschen Wirtschaft Köln 2007

The European Commission has been looking into the benefits of a “flexicurity” system, described in detail⁵ last year, throughout the European Union, not just to create more flexibility and security, but at the same time as a way to reduce employment cost. In April 2007, it proposed the establishment of common flexicurity principles⁶ by all member states. The European Commission, like AmCham Belgium, realizes that flexicurity isn’t “one size fits all”, and has designed different flexicurity pathways to encourage member countries to create a national strategy which balances flexibility and security for workers and companies, in line with the Lisbon Growth and Jobs Strategy.

Case Study: Italy

Italy is one of many European countries making moves towards creating its own unique flexicurity system and reducing the employment costs by:

- *Deducting social security charges for permanent employees for the purpose of regional tax.*
- *Lowering the employment cost for permanent contracts by five per cent.*
- *Making costs related to apprenticeships, employment of persons with disabilities, staff with employment training contracts and staff engaged in R&D, tax deductible.*

⁵ Foreign Investors' Agenda, October 2006, pp5-6

⁶ European Commission, Towards Common Principles of Flexicurity: More and better jobs through flexibility and security 2007

In Belgium lowering social security costs for employers is our number one recommendation (see box below).

➔ Reduce social security charges to 20% maximum

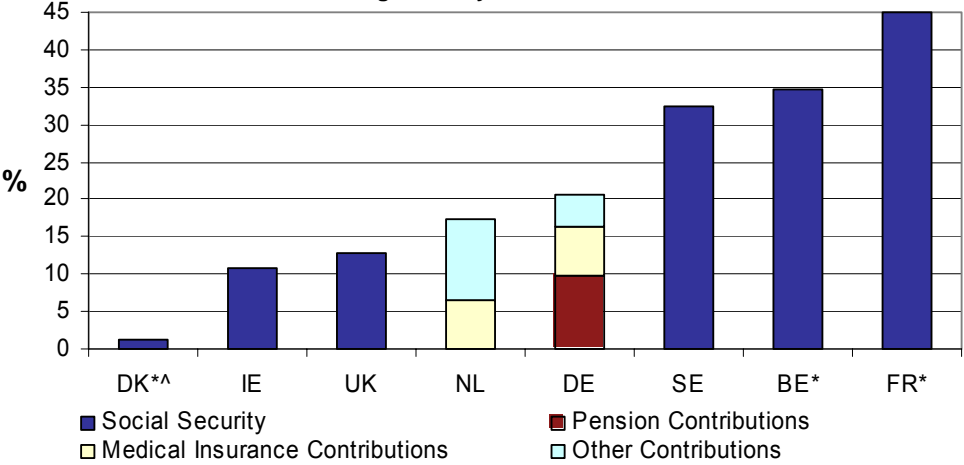
Reducing employers' social security costs will change potential investors' perception of the country as "high cost".

FIA Input Survey
In the recent member survey by AmCham Belgium on FIA issues, reducing employers' social security charges to a maximum of 20% was the #1 priority overall, for large companies, and for SME's.

Brussels Ranking
In the 2007 European Cities Monitor¹, Brussels dropped from 5th to 6th best European city to locate a business. With excellent ratings in most areas, this drop can largely be attributed to one negative quality: cost of staff. In 2006 the business world's perception of the cost of staff in Belgium went from bad to worse, dropping 7 positions from 15th in 2005, to 22nd in 2006. Small reductions in social security payments are not enough to reverse this perception.

A reduction to 20% could be achieved though reducing the government's administrative costs and shifting more of the burden of social security contributions to employees. Shifting the cost to employees would offer the advantage of making the cost of their employment clear to employees. Employers' social security payments are currently "invisible" to employees. These moves would leave the Belgian social security model, based on the concept of solidarity and the guarantee of security for everybody, intact. These principles can be enhanced while greatly reducing the cost to employers' through the concept of flexicurity.

Graph 11 - Total Mandatory Employer Contributions as Percentage of Pay ("Professional" Level)



Source: Mercer Total Employment Costs Report 2007
^{*} Includes Pension, Medical Insurance &/or Other Contributions included in Social Security
[^] For an average "Professional" level income of €46,126
 NB: Recent Finnish figures unavailable

2. Make bonuses less costly for employers and more rewarding for employees

AmCham Belgium's recent FIA Input Survey (August 2007) revealed that a strong majority of both Large Companies and SME's believe that the government should encourage companies to reward outstanding performance and allow bonuses to be taxed as diverse income. We congratulate the government on its recent moves allowing a more favorable tax regime for bonuses (see box).

One of the most influential bodies responsible for monitoring the Belgian economy and for advising on economic policy - the Central Economic Council (CRB) - has expressed concern over the lack of such competitiveness of the Belgian economy. One way to improve competitiveness is by allowing employers to reward hard work and creativity.

Success! Bonuses!

Legislation introduced in September 2007 means that as from January 1, 2008, one-off bonuses of up to €2,200 that reward employees for achieving measurable company-focused goals will no longer be subject to normal deductions. Only employers' social security will be levied. As a result, a €1,000 bonus will actually be worth €1,000 to the employee, and the employers costs will be limited too as they will be able to set the total cost of €1,330 against tax.

AmCham Belgium appreciates that this new law comes a long way to achieving the recommendations in our 2006/2007 FIA to treat merit pay as "diverse" income (taxed at 33%) for tax purposes. We encourage the government to extend the bonus scheme for larger sums. This would have a positive impact on employers' costs and enable them to motivate high performing staff. Currently, companies wishing to reward employees with a bonus, also have to "reward" the social security system via increased contributions. Graph 12 illustrates just how little of their bonuses employees are allowed to keep and just how costly they are for the employer even in comparison with some of our direct neighbors (Germany and the Netherlands).

Other recommendations:

- Lower personal tax rates
- Give control over pay back to employers. Abolish the automatic indexation of salaries, which will also help to ensure that pays and that good work pays off better. Such a move will also result in a more motivated workforce.

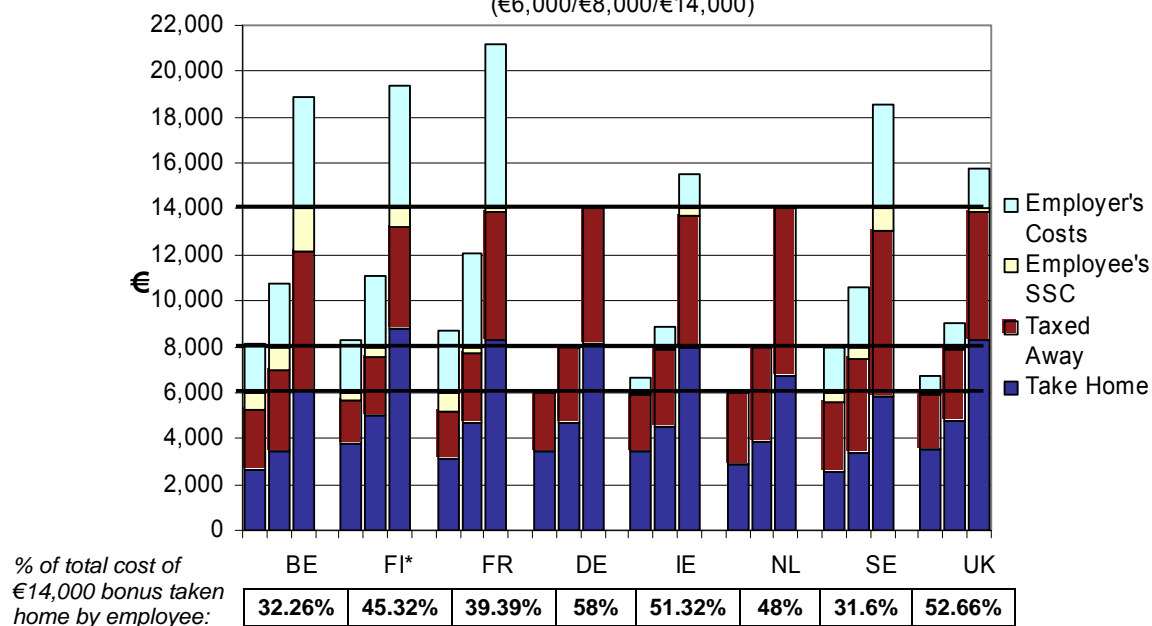
Innovation Premium

In 2006, the government introduced the innovation bonus scheme. This scheme allows companies to reward employees who come up with innovative ideas or whose work has positively affected the company. These premiums are:

- *Exempt from personal taxes and all social security contributions.*
- *On average, the value of the bonus will be trebled as a result of this exemption.*

However, the administration of this scheme is beset with red tape. We recommend: Removing all such red tape and moving to a system of spot checks of companies benefiting from the scheme.

Graph 12 - Taxing Bonuses
1 month bonus for high income earners
(€6,000/€8,000/€14,000)



Source: OECD Taxing Wages 2005/2006, Emporiki, Mercer Total Employment Costs Report 2007

* Finnish figures approximate due to lack of data

NB: Employer and/or employee contributions are capped at a lower income ceiling by some countries. Danish figures unavailable

C. REDUCE CORPORATE TAX RATE TO 25%.

AmCham Belgium has been putting the case for a lower corporate tax rate for many years, yet Belgium's corporate tax rate is still the highest in Europe. Central and Eastern European Union countries continue to introduce low flat rates of corporate tax.

Table 1 - Nominal Tax Rate Changes

	Jan 1, 2005 (%)	Jan 1, 2007 (%)	Change
Belgium	33.99%	33.99%	-
France	33.83%	33.33%	-0.5%
United Kingdom	30%	30%	-
Germany	38.34%	29%*	-9.34%
Denmark	28%	28%	-
Sweden	28%	28%	-
Finland	26%	26%	-
Netherlands	31.5%	25.5%	-6%
Czech Republic	26%	24%	-2%
Poland	18%	18%	-
Ireland	12.5%	12.5%	-
Bulgaria	15%	10%*	-5%

Source: KPMG's Corporate Tax Rate Survey 2007

* Reduction effective January 2008

Bulgaria has a new low corporate tax rate of only 10% which is attracting an increasing number of investors. Germany has responded by cutting its corporate tax rate by 10%. AmCham Belgium believes that reducing the corporate tax rate to 25% for all companies would improve the climate for foreign investment and change the perception of Belgium as a high tax country. The implementation of this measure, in combination with the Notional Interest Deduction, will have an immediate positive effect on investments and job creation. Longer term we strive for a 15% corporate tax rate.

Success! New U.S.-Belgium Income (Double) Tax Treaty!

AmCham Belgium was instrumental in the successful negotiation of a new US-Belgium (double) income tax treaty which looks set to be ratified in the U.S. Senate by the year end, so that it can come into effect as of January 1, 2008. The treaty abolishes withholding taxes on certain, defined types of cross-border dividend and interest payments. Another noteworthy improvement is the inclusion of a formal requirement that the tax authorities of the two countries arbitrate any disagreements arising under the Treaty which have not been otherwise resolved by the competent authorities within a specified time period.

Success! Notional Interest Deduction!

Notional Interest Deduction (NID) needs to be maintained intact if Belgium is to acquire a reputation for fiscal stability! AmCham Belgium encouraged the government to introduce the successful NID which is proving to be decisive in attracting significant new foreign investments. If Belgium does not want to jeopardize this positive trend it should retain the measure as it is and simply ensure that its application is properly controlled and governed.*

* UNCTAD World Investment Report 2007

Reduce Corporate Tax Rate to 25%

Other recommendations:

- Introduce tax consolidation
- Pursue tax neutral cross-border mergers
- Devise an attractive tax and company law regime for European companies (Societas Europaeae or SE)
- Index-link the tax free allowance permissible under the expatriate regime.

D. INCREASE LABOR AND CAREER FLEXIBILITY

1. Greater flexibility in work organization

Greater work flexibility is imperative for the constantly evolving global economy, but this principle is rarely practiced in Belgium. Collective pay agreements negotiated by social partners strictly control working hours, making flexible working regimes an administrative burden to implement and manage.

Requiring approval from social partners in most cases is one area that limits flexibility in Belgium. By limiting this need, employers will have more freedom to react to peaks in demand and respond competitively.

To achieve this:

- Restore individual employee/employer's right to make own decisions on number and timing of hours worked.
- Increase the working week to 40 hours.
- Reduce administrative burden of flexible regimes covering contingent workers (part-time employees and interim workers). Contingent working practices, such as time-credits, should be more transparent and allow the employer more discretion so that an absolute right to benefit from them is only acquired in a limited number of clearly enumerated cases.
- Allow a more flexible use of pension plans, making them an effective HR-management tool. Introducing more flexibility in adapting contributions and allowing the use of pensions to fund extra days off, a sabbatical, earlier retirement, extra education, etc. This would also help alleviate the cost of pre-pensions borne by the government.
- Reduce the administrative complexity of current remuneration systems.
 - One way in which this can be done is by simplifying the holiday pay system by shifting to a system where holiday benefits are accrued based on the current year's work record (rather than on the past year's record).
 - Limit the number of pay components subject to holiday pay. For example, there should be no holiday pay on variable pay and benefits in kind.

 **Increase labor market flexibility in the regimes governing hours worked and work organization**

2. Greater flexibility in “Hiring and Firing”

In Belgium, terminations of white collar workers are very costly which encourages employers to retain underperforming white collar workers who may otherwise be oriented to a job more suited to them. The possibility of “missing out” on a large pay off may also encourage high performing staff to stay in position rather than take a more flexible approach to building their career. We recommend:

- Lowering the cost of terminating a white collar employee's contract, for example, by exempting termination payments from social security charges, will add to the dynamism of the labor market, encourage re-training, economic growth and create more jobs. The experience of Denmark with Flexicurity and easy “hiring and firing” is a case in point. Denmark now has virtually full employment.

 **Make terminations less costly and create career flexibility**

E. STIMULATE THE KNOWLEDGE ECONOMY

Recommendations in this section, while specifically aimed at boosting the knowledge economy would if implemented, benefit all sectors of the economy, encouraging investment and innovation and creating employment opportunities.

1. Stimulate collaboration and critical mass

Encouraging clustering and developing the necessary critical mass in centers of excellence is critical to investors. To do this the government could:

- Proactively develop a widely used portal where companies and institutes can list the areas in which they are working. This could be used to identify possible partnerships (e.g. Alibaba in China). The portal could be a further enhancement of existing initiatives, such as the Innovation Relay Centres (IRC) Network.
- Replace bureaucratic and complex subsidy programs by grants or well-defined tax credits as an incentive for those whose projects produce research identified as essential for future technological developments.
- Make funding and extra resources available to universities (and possibly SME's) to facilitate collaboration.
- Establish "knowledge zones" (tax-free or with significant tax credits) which make it cost-effective for companies to cluster.

2. Reward the risk involved in R&D

Innovation necessitates risk and can only thrive when R&D is rewarded. One way to effectively reward R&D is by taxing income generated from the granting of patents and licenses more favorably.

Success! New Royalty Tax Legislation!

AmCham Belgium applauds the government for its decision to levy corporate tax on only 20% of royalty income. The Belgian federal government approved a new royalty tax regulation that calls for an 80% reduction in the taxation of royalties beginning in tax year 2008. The new regulation focuses on the tax on royalties from new products whose related patents are assigned to Belgium. As only 20% of the royalty income will be taxable, corporate tax applied to royalty-based revenues will fall from 33.99% to 6.8%. This dramatic tax cut will make Belgium one of the most tax-friendly countries in the world for intellectual property.

Equally, the government should not impose extra charges on certain sectors or companies that have succeeded in realizing important R&D driven innovations in Belgium (e.g. the pharmaceutical sector).

3. Facilitate starting-up new businesses!

It is now easy to start up your own business (in three days!). In order to strengthen the critical impact of SME's in terms of innovation in Belgium, this positive first move could be followed by others designed to ensure better access to "funding" (e.g. capital and incentives) and extra protection from the threat of bankruptcy in the early years of development. We propose:

- Amending the company laws to allow greater flexibility with regard to the declaration of bankruptcy for innovative entrepreneurial companies.
- Allowing companies to attract more equity if needed.
- Reducing taxation on established and larger companies and allowing for accelerated depreciation on their R&D investments.
- Ensuring that persons starting their own business receive a minimum income during the initial two year period.

4. Account Management to build long term relationships

Account managers should be available for all companies. For SMEs in particular, the government could introduce:

- Systematic account management of all (existing) investors to build long-term relationships and help ensure additional investments will be made. This is achieved by identifying investors' likely future needs and mapping out what their future requirements for skilled resources and other needs are likely to be.

Case Study: The Irish Development Agency (IDA)

The IDA acts as a platform between education, business and the government and:

- *Supplies each prospective investing company with a liaison officer and introduces investors to government, local industry, research institutions and service providers.*
- *Provides information on key business sectors and offers advice on property solutions.*
- *Builds crucial links between companies, tertiary education and research centers to ensure long-term research and workforce means are in place for investors to succeed.*
- *Provides financial incentives, including grants for employment, R&D and training.*

This account management should cover all investment related aspects of business including the necessary coordination between federal and regional levels. Linked to this is the need to provide the one-stop-shop for information felt to be so important by SMEs and entrepreneurs.



The creation of a one-stop-shop for information and support on investments and starting-up

5. Administrative simplification

Overall, red tape inhibits innovation and makes business practices less productive. The regional variations between administrative procedures in Brussels, Flanders and Wallonia, increase confusion for investors. This could be achieved by measures to:

- Reducing red tape will promote entrepreneurialism. The regulations and hidden charges that potential investors have to endure serve as a disincentive.
- Reduce the bureaucracy around financial reporting and governance (eg. Reporting to the Moniteur) for small organizations.

Simplify the tax code: A simple and transparent tax code would increase Belgium's attractiveness to potential investors. Belgium's tax system can actually be very beneficial to foreign and first time investors despite the high corporate tax rate. For example, Belgium now does not impose a capital gains tax on certain transactions. However, it is the complex nature of the Belgian tax code that disheartens potential investors. AmCham Belgium recommends that the Belgian government simplifies its tax code and connected investment subsidies/grants by incorporating the hidden tax breaks and most investment subsidies into an overall lower corporate tax rate.

This account management should cover all investment related aspects of business including the necessary coordination between federal and regional levels. This would go a long way to providing the one-stop-shop for information felt to be so important by SMEs and entrepreneurs.

Simplify Administrative procedures across the board

Reinforce impact assessments: Pursue systematic and coordinated (administrative) impact assessments of all new legislation (national and European Union) prior to approval. This should cover all aspects, including those between all government levels and be carried out in consultation with a broad stakeholder community.

Promote consistency: Business people considering investments find the regulatory environment in Belgium less attractive than in neighboring countries. Regulations levy a hidden and unproductive charge on business and often hinder innovation. The situation is further aggravated by regional variations in administrative requirements. As a country, Belgium does not offer a clear and united message to potential investors as, for example, The Netherlands does.

Measures to reduce the cost of this "hidden" charge on businesses include:

- Aligning Federal and Regional requirements.
- Allowing broader use of the internet and email as a way of complying with administrative requirements.
- Working to reduce and consolidate the amount of administrative paperwork currently required.
- Not exceeding the level of regulation necessary to meet EU requirements in the employment and business areas.

6. Ensure stability and transparency

The Belgian government should strive to offer transparency in all its policy decisions as this would increase investors' confidence and serve to increase investment.

Notional Interest Deduction

Notional Interest Deduction has proved to be so successful that Belgium has moved to the number 4 spot worldwide as the country investors most want to invest in. Belgium will not retain or improve this position if the government begins to change this recent legislation. Changing the legislation would also seriously damage Belgium's image of improving stability.*

* UNCTAD World Investment Report 2007

Success! Pan European Pension Fund legislation

Belgium is the first European country to offer multinationals a complete and comprehensive framework with a view to the creation of a pan-European pension funds. The business community will judge the impact of this legislation on its implementation and its durability – both essential for stability. Unduly complex or over-interpreted governance could jeopardize the initial success of this measure and dampen down the enthusiasm with which it was met.

Certain measures do not make the positive aspects of the Belgian system entirely clear or accessible to first time investors. The hidden benefits should be there for all to see, without the bureaucratic attachments that make the administrative process notoriously inefficient and time consuming. Ensuring that legislation is of a clear and lasting nature is essential for building constructive dialogue between the government and foreign investors. Sometimes, when legislators introduce new laws, the new laws are not interpreted and applied as the legislature intended.



Ensure stability and transparency of all government measures

7. Leaner and more efficient government to fund the necessary reforms

A more efficient government is not only the best guarantee to create a business friendly environment but also the most obvious source of funding for the necessary reforms.

Therefore, it is important to:

Reduce the “black” economy: Taking action on our key recommendations will have the automatic effect of reducing the willingness of citizens to become actively involved in the “black” economy. An active “black” economy is an indication that tax levels need adjusting. It distorts unemployment data and only benefits those engaged within it, to the detriment of the economy as a whole.

Reduce the cost of government: Recent studies, for instance those conducted by the World Economic Forum and the University of Leuven, point to a very weak performance of the Belgian administration which employs 18% of the working population as compared to only 11-13% in most other European countries. Promoting business investment, however, would generate more jobs and greatly reduce the costs of government spending on the unemployed.

8. Develop and promote a clear branding strategy for Belgium

Belgium is a wonderful place to live, work, and raise a family, and would benefit from increased global visibility. There is a gulf between the reality of life in Belgium and others’ perceptions of what life would be like here. Better communication of its considerable strengths and existing possibilities (e.g. incentives, etc.) would help win new investment and attract expert employees.

Belgium compares favorably to other European countries:

- Brussels continues to lose its high ranking as one of Europe's 30 best business cities, after slipping from 4th (in 2002-05) to 5th in 2006, and most recently to 6th in 2007.⁷
- Brussels, as the capital of Europe, is ideally located to provide easy access to the market, offers a good international transport network and its telecommunications infrastructure is one of the best in Europe.
- Only 67% of companies are familiar with Brussels as a business destination in 2007, as opposed to 85% in 1990.
- Belgium's workforce is still highly rated (4th) and, as a country, ranks very high in terms of linguistic abilities (3rd).⁸

Despite these high results, the European Cities Monitor warns that although 19% of companies already have representation in Brussels, making it the 6th highest level of business representation, this position is predicted to fall to 9th on the ladder by 2011. These positive factors cannot prevail if there is a general perception that Belgium is a "high tax/high cost" environment for business. Government should consider and communicate to investors the impact of new measures of fiscal reform early in the process of drafting them and promote an interactive and integrative framework of innovation throughout Belgium.

AmCham Belgium would like to see a more consistent and coordinated branding strategy towards investors, involving the federal level and the different regions (Brussels, Flanders and Wallonia) to ensure that more foreign investment is won for the country as a whole.



Actively develop and promote a clear branding strategy for Belgium as a business and investment location and clearly communicate investment programs

AmCham Belgium's recommendations for a 25% rate of corporate tax and a 20% social security charge are intrinsic to fostering a positive business perspective towards Belgium as a whole. Factors such as the size of the economy, the infrastructure, and the quality of the labor force do help attract investment in a country, but, as studies have shown, labor market, labor cost and taxation have a very substantial impact on investment decisions. The stability of tax legislation, therefore, is important for maintaining the continuity of current investment initiatives, such as the notional interest deduction incentive, as well as for stimulating further innovation and development.

⁷ Cushman & Wakefield Healy & Baker European Distribution Report 2007

Cushman & Wakefield European Cities Monitor 2007

⁸ *ibid.*

**AMCHAM BELGIUM
1948-2008
60th ANNIVERSARY**

US Investment in the Spotlight

- *US Direct Investment Report and Business Confidence Survey (May)*
- US Investor in the Spotlight CEO luncheons (monthly)
- 50 Largest US Companies in Belgium

US-Belgian Relationship

- NEW AmCham US-Belgium Award for greatest contribution to improving US-Belgian relations.
- Official launch of this Award during AmCham Belgium's 60th Anniversary Gala (September)

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The American Chamber of Commerce in Belgium (AmCham Belgium) is a dynamic non-profit organization dedicated to improving business and investment opportunities for the US-Belgian business community. With approximately 1,200 US companies in Belgium, AmCham Belgium plays a pivotal role in an evolving business environment.

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