

# Foreign Investors' Agenda

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## AmCham Belgium's Recommendations for Increased Investment in Belgium

December 2008

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The views expressed in the Foreign Investors' Agenda (FIA), and in the AmCham Belgium press conference, represent ONLY the view of AmCham Belgium and its representatives expressing their personal points of view as officers of AmCham Belgium. They do NOT represent the views of either McKinsey & Company or 3M Belgium and should not be construed as such.

## **AMCHAM BELGIUM'S 2008 – 2009 PRIORITY RECOMMENDATIONS**

- 1. Lower employment costs – reduce social security costs to 20% and eliminate automatic wage indexation**
- 2. Increase availability of qualified labor resources**
- 3. Reduce corporate tax rate to 25% and retain Notional Interest Deduction**
- 4. Reduce administrative burdens on doing business in Belgium**

Our other recommendations:

### ***Support Labor and Productivity***

- Reduce social security costs and minimize tax wedge.
- Eliminate automatic indexation of wages.
- Change 'unemployment' status to 'job-seeking' status.
- Improve labor flexibility.
- Encourage mobility across regions.
- Improve retention of older labor force.
- Discourage pre-pension schemes and prolong retirement age.
- Adapt education to business needs.
- Make internships an attractive and integral part of a degree program.
- Encourage and promote entrepreneurship.
- Increase research and development (R&D) expenditures.

### ***Cut Red Tape***

- Improve government regulations and administrative obligations.
- Facilitate acquisition of work permits and immigration of skilled workers.
- Reduce level of employment in the civil service through natural wastage.
- Pursue increased service efficiency and quality in public service to save money.
- Apply civil service savings towards reforms to the tax and social security system.

### ***Encourage Better Business***

- Support SMEs.
- Develop more consistent and coordinated branding strategy towards foreign investors, involving all levels of government.
- Coordinate account management systems between regional governments and new and existing investors.

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## FOREIGN INVESTORS' AGENDA 2008 – 2009

### EXECUTIVE SUMMARY

The American Chamber of Commerce in Belgium (AmCham Belgium) remains dedicated to its work of promoting 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.

2009 comes on the heels of a turbulent year – both here in Belgium and in the United States. The political crisis that followed the June 2007 Belgian federal elections was not favorable for business and investment as investors look for stability. Add to this the current global financial situation, and the election of new leadership in Washington, and 2008 is ensured to being remembered as a year of change.

Competition for investment is always intense, and this crisis is putting significant additional pressure on Belgium's position as a leading investment destination. Consumption and investment levels are suffering, and improving those therefore needs to be the number one priority of all levels of government. Stimulating consumption will require increasing the spending power of the working people, while at the same time reducing the cost for business.

In the current economic climate, with tight credit markets and financial market instability, ensuring debt-equity alternatives and flexibility is a must. The Belgian government has introduced one such instrument that should continue to facilitate this: the Notional Interest Deduction (NID)– a system that effectively reduces the tax burden for companies by promoting equity capital rather than the use of debt. Continued support for the NID is critical during these economic times partially characterized by deleveraging of high debt levels, and a credit led recession. Assuring the NID is retained will help to create stability and allow businesses to plan and invest for the future.

In light of the difficult times ahead, and in order to ensure Belgium can preserve and even increase its competitiveness, we want to stress the importance of AmCham Belgium's 2009 Priority Recommendations:

- Lowering employment costs by reducing social security costs and eliminating automatic wage indexation
- Increasing the availability of qualified labor resources
- Reducing the corporate tax rate to 25 percent while retaining the benefits of the Notional Interest Deduction
- Reducing administrative burdens on doing business in Belgium

A strong, effective relationship between the government and AmCham Belgium is more essential than ever. We look forward to working with the federal and regional governments, and our members and partners, to surmount this uncertain economic period. Stimulating the economy through improved consumption levels and sustaining (foreign) investment will be the number one challenge.

Scott Beardsley  
Acting President, on behalf of the American Chamber of Commerce in Belgium.



## FOREIGN INVESTORS' AGENDA 2008 - 2009

### INTRODUCTION

The latest OECD economic outlook<sup>1</sup> for the Eurozone area predicts that by 2010:

- There will be 42 million unemployed, an increase of 23.5 percent;
- GDP will fall by 0.6 percent; and
- Inflation will decrease to 1.4 percent

This confirms the Eurozone is facing a recession that is set to be deeper and more prolonged than any in recent history. While it is not predicted that Belgium will fare as poorly as some countries in the area, it seems increasingly probable 2009 will be an extremely difficult year for business.

2009 commences against the backdrop of a global recession, falling asset values, decreasing real estate prices, a lack of liquidity in the market place and a reluctance on the part of financial institutions to lend to each other, let alone to business or to consumers, we believe it is more important than ever that the Belgian government(s) prioritizes its focus on the economy, and takes positive action with a view to improving the business environment, reducing the cost of business, and increasing consumption. Schmidt-Hebbel of the OECD said, "Against the background of a deep economic downturn, fiscal policy stimulus has an important role to play." Many of the recommendations that follow should be integrated into the Belgian government(s)' "fiscal policy stimulus".

Our recommendation to eliminate wage indexation reduces the cost for business and, at the same time, gives them room to reward exceptional employees. It also eliminates the inflationary impact of this indexation mechanism and creates headroom for employment against a backdrop of rising unemployment. 2009 is the ideal time to make this change as inflation is set to decrease rapidly and to not do so could put Belgium's competitiveness in jeopardy. At the same time, our recommendations aimed at increasing the availability of qualified labor resources and retaining experienced workers in the workplace will ensure businesses are well-placed to take full advantage of the economic upturn when it comes. This objective indeed needs a longer-term focus.

Throughout this report, we stress the importance of stability and consistency in the legislative environment. This has no monetary cost for the government but, in times of economic turbulence, the benefit to business and to Belgium's attractiveness for foreign investors will be substantial.

#### **I. Labor Market**

##### **a. Decrease Costs and Organizational Requirements on Employers**

The 2008 US Direct Investment Business Confidence Questionnaire cites high employment costs as the primary reason why Belgium missed out on foreign investment.<sup>2</sup> Particular attention is drawn to both the 'deterrent' effect that the level

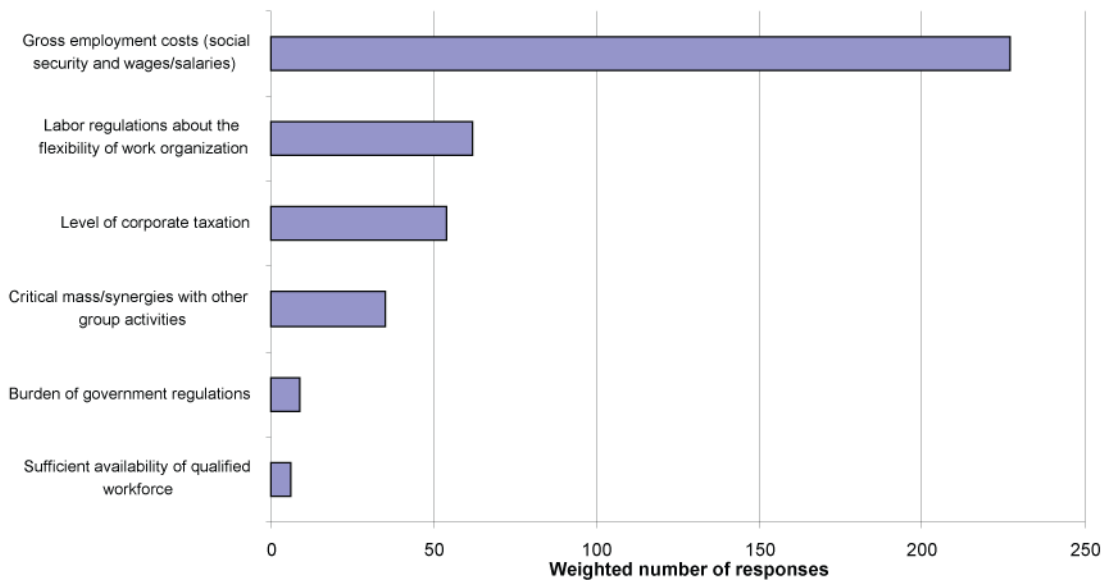
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<sup>1</sup> OECD Press release November 25, 2008.

<sup>2</sup> AmCham Belgium. US Direct Investment in Belgium 2008 Report. May 2008, 71-72 pp.

of social security costs in general has on potential investors and to the high level of employer's contribution to these costs.

**Graph 1: Belgium – The Way Forward**



Source: AmCham Belgium USDI 2008 Report

If the total cost of labor (gross salary plus employers' social security costs) is taken as the base, employees receive just 55 percent of the total cost of their labor.<sup>3</sup> Compared to employers in other EU countries, Belgium employers pay a higher share of total social security costs (30.34%).<sup>4</sup> Among the EU27, only employers in Sweden pay more (30.56%). Such a large contribution to social security costs by employers not only deters foreign investors from investing in Belgium, but also negatively impacts SMEs – to whom these costs act as a deterrent to business expansion and hiring.

The results of the 2007 *Total Tax Contribution* study by PWC shows social security costs make up almost 40 percent of all “borne”<sup>5</sup> business tax in Belgium.<sup>6</sup> A reduction in social security costs for employers – which may be affected in part by shifting responsibilities to employees – will increase available resources for providing higher wages and salaries.

3 Anneleen Bettens, VBO-FEB. “Sociale Bijdragen, Tarieven voor het eerste kwartaal 2008” [Bijlage bij INFORVBO](#) No.12, 3 April 2008.

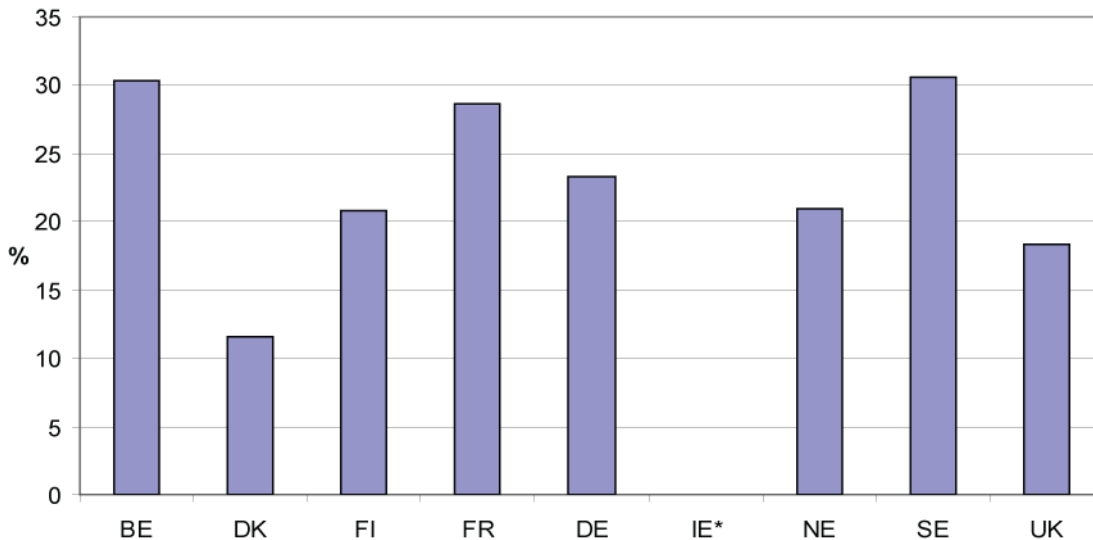
Percentage depends on the size of the company and whether they are wage workers or receive monthly salaries. Percentage is based on total labor costs including the gross cost of wages, cost of employers contribution and cost of employees contribution.

4 Eurostat. 20 June 2008.

<sup>5</sup> Taxes borne are the company's immediate cost and will have an impact upon its results; for example corporate tax, road tax on vehicles or registration duties.

<sup>6</sup> PricewaterhouseCoopers and the Federation of Belgian Enterprises. [Total Tax Contribution 2007](#).

**Graph 2: Social Security Paid by Employer  
(2006 or most recent available)**



Source: Eurostat 2008

\* Figures unavailable

**i. Reduce Social Security Costs and Minimize Tax Wedge**

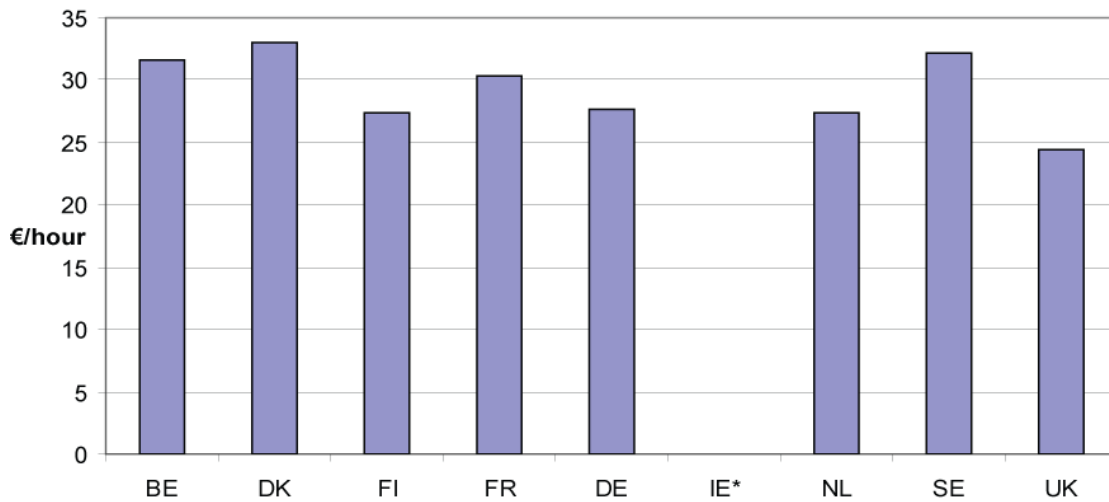
In 2006, Belgium's average hourly labor cost (€31.58) was the third highest among EU members, who average €20.35.<sup>7</sup> Recent figures from the Organization for Economic Cooperation and Development (OECD) indicate Belgian labor costs continued to rise in 2008.<sup>8</sup> This study further indicates Belgium's tax system hinders any competitive edge in investment it has.

Belgium has a high tax wedge – the difference between net pay and costs of employment is approximately 50 percent at low salary levels, and exceeds 50 percent for middle and upper income categories. Considering the high level of social security benefits available to the unemployed, these taxation figures are neither encouraging nor motivating, especially for lower-income brackets. Along with investors' feedback from the 2008 Business Confidence Survey, these figures emphasize that the high level of labor costs is a serious concern to investors and places Belgium in an unattractive position when compared to its EU competitors.

<sup>7</sup> Eurostat. "Europe in Figures." The Diversity of the EU Through Statistics, 2 June 2008.

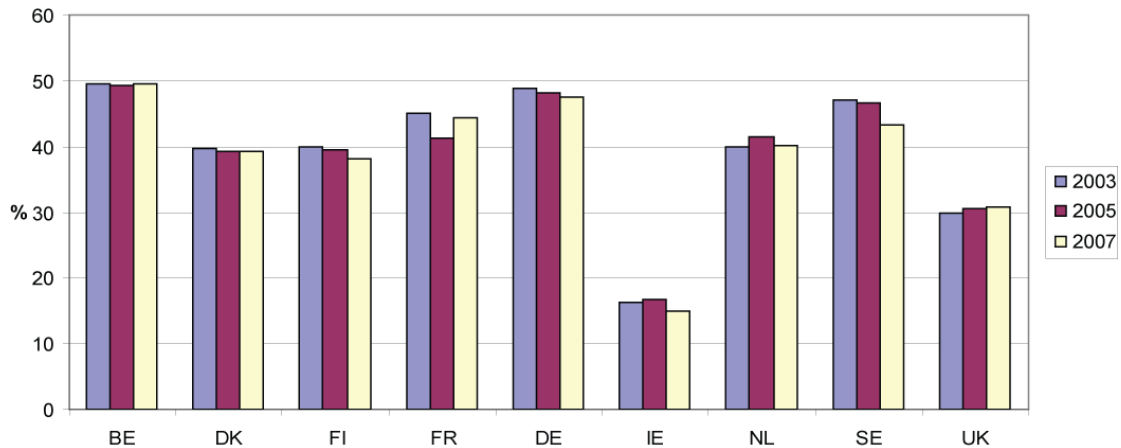
<sup>8</sup> OECD System of quarterly unit labour cost indexes - Updated: May 2008.

**Graph 3: Hourly Labor Cost  
(2006 or Most Recent)**



Source: Eurostat 2008  
\* Figures unavailable

**Graph 4: Tax Wedge on Low Paid Workers**



Source: Eurostat 2008

**Concerns**

- The tax wedge is too large in Belgium and is discouraging employees, especially lower paid workers.
- High level of social security taxes prevents businesses from hiring more staff and paying competitive wages.
- Potential investors deterred from pursuing investments in Belgium due to the high level of social security charges.

**Recommendation: Social Security Charges Should Not Exceed 20 Percent**

AmCham Belgium applauds Belgium's social security system in general, but recommends lowering the costs, in part by shifting some charges from the employer to the employee. There should also be a focus on reducing need and improving administrative efficiency.

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**ii. Eliminate Automatic Indexation of Wages**

The government should reconsider its policy of automatic indexation of wages, a policy that fuels inflation and makes it difficult for employers to reward performance – especially during periods of high inflation. We recommend the elimination of automatic indexation of wages.

In 2007 and 2008, wages increased by 7.6 percent in Belgium, whereas they increased by only five percent in Germany, France and the Netherlands. According to the latest recommendations submitted by the Conseil Central de l'Economie (CCE), wages should not increase by more than 5.1 percent in 2009 and 2010. This amount might well be lower than the increase due to automatic indexation and therefore there is certainly no margin for any complementary increase without increasing the gap with Belgium's neighbors.<sup>10</sup> Prudence should be in order when increasing wages during a recession and rising unemployment, features which may characterize 2009 and 2010.

**iii. Change 'Unemployment' Status to 'Job-seeking' Status**

AmCham Belgium supports the implementation and expansion of programs and incentives that encourage a move towards job-seeking rather than unemployment status.

**iv. Improve Labor Flexibility**

Labor regulations, inflexible work organization and the heavy administrative requirements linked to the labor market hinder business in Belgium. Having greater work flexibility is essential in a quickly evolving global economy. According to the 2007-2008 Global Competitiveness Report, Belgium ranks 20<sup>th</sup> in labor market efficiency.<sup>11</sup> Clearly, there is room for improvement.

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9 The same conclusion was drawn by VOKA, FEB/VBO and OECD. See "Voka vraagt in een opdrogende arbeidsmarkt 70.000 ambtenaren voor de ondernemingen". [Persconferentie Voka](#). 25 June 2008; OECD. "OECD Reviews of Human Resource Management in Government: Belgium." 12 Nov. 2007; OECD. "Government Must Urgently Tackle Real Priorities." 15 May 2008.

10 Conseil Central de l'Economie. "Rapport Technique Du Secrétariat Sur Les Marges Maximales Disponibles Pour l'Evolution Du Coût Salarial." 4 Nov. 2008.

11 World Economic Forum. [Global Competitiveness Report 2007-2008](#).

Working hours are currently controlled by inflexible collective agreements between social partners – making it difficult for employers to adapt to changes in the market place. Furthermore, terminations of white-collar workers are costly as they encourage the retention of underperforming white-collar workers who may actually be more satisfied in an alternate job. The ongoing effort to reduce the termination costs of executives should be expanded to include *all* employees.

### Recommendations

- Allow Employers/Employees to make own decisions on hours worked.
- Return to 40-hour work week.
- Reduce administrative burden of working regimes for contingent workers (interim and part-time).
- Simplify administration of current remuneration systems, e.g. holiday pay.
- Lower costs of terminations at all levels.
- Enhance career flexibility.

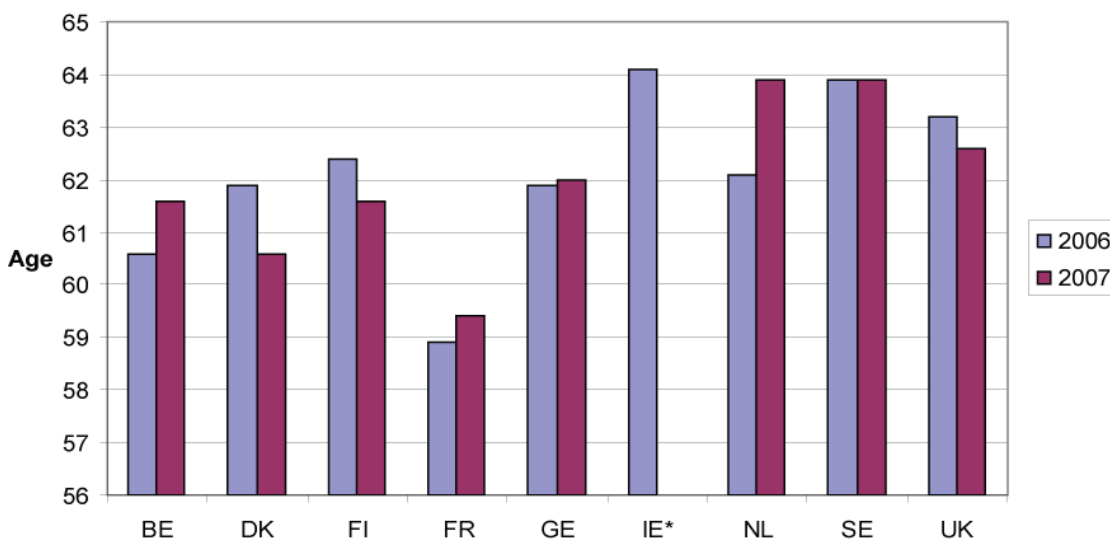
## b. Ensure Sufficient Supply of Qualified Labor Resources

### i. Encourage Mobility Across Regions

Compared to its EU neighbors, mobility within Belgium is negligible. We encourage the Federal Government to cooperate with Regional Governments in promoting mobility – especially across regions – through the use of tax incentives and reduction in housing registration taxes which hinder mobility and are amongst the highest in the world.

### ii. Improve Retention of Older Labor Force, Prolong Retirement Age and Discourage Pre-Pension Schemes

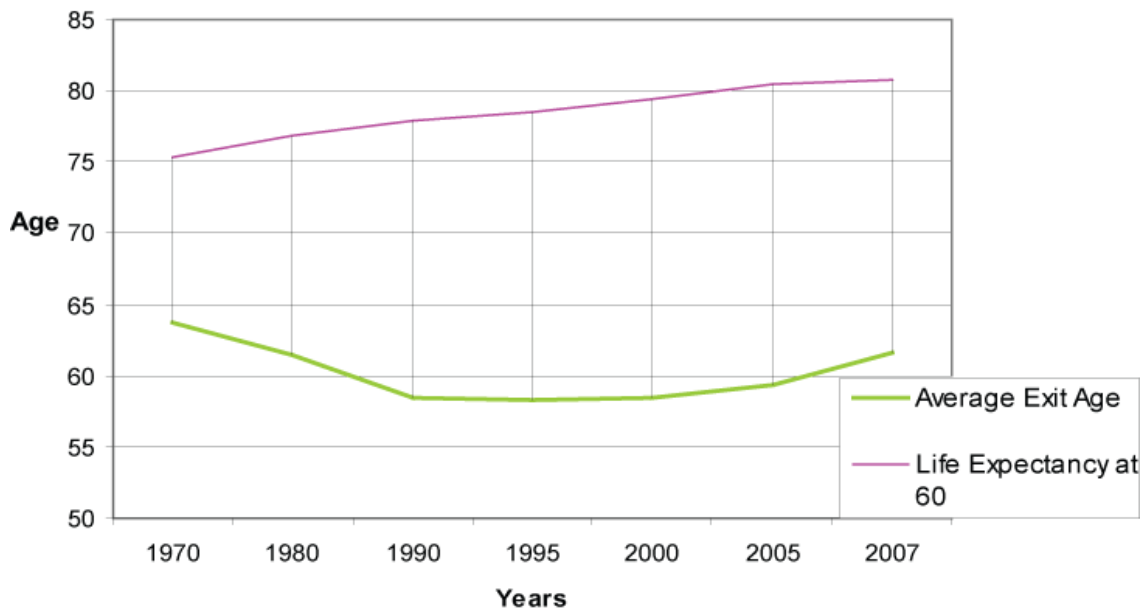
Graph 5: Average Exit Age from the Labor Force



Source: Eurostat 2008.

\* Figures for 2007 unavailable

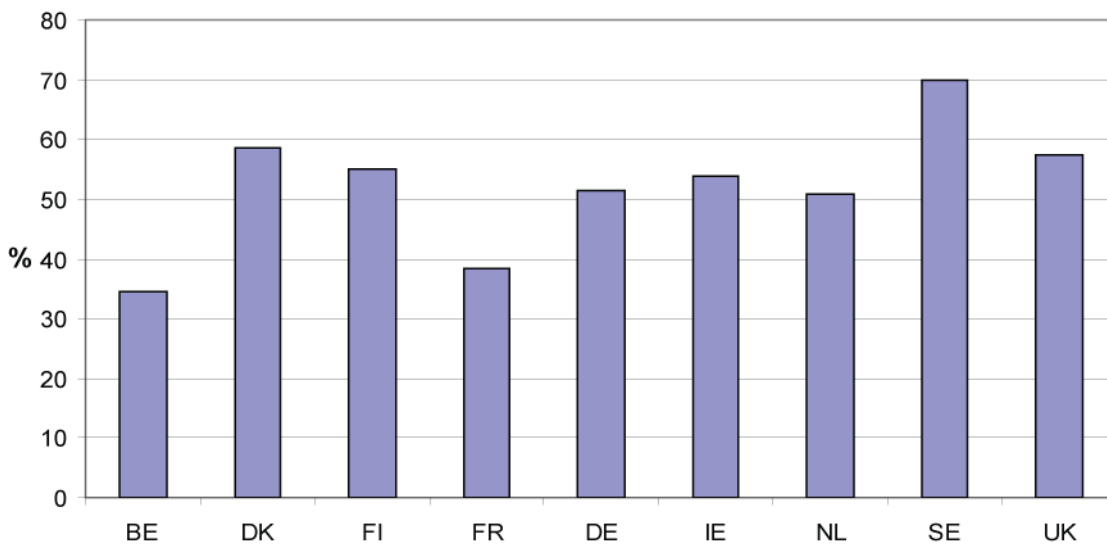
**Graph 6: Average Exit Age vs. Life Expectancy at 60 in Belgium**



Source: Eurostat 2008

Belgium has considerable opportunity to improve its labor market by better using older workers. The rate of employment of older workers in Belgium is well below the European average. Only one third of workers between the age of 55 and 64 are employed in Belgium, one of the lowest rates in Europe.

**Graph 7: 2007 Employment Rate of Older Workers (55-64)**



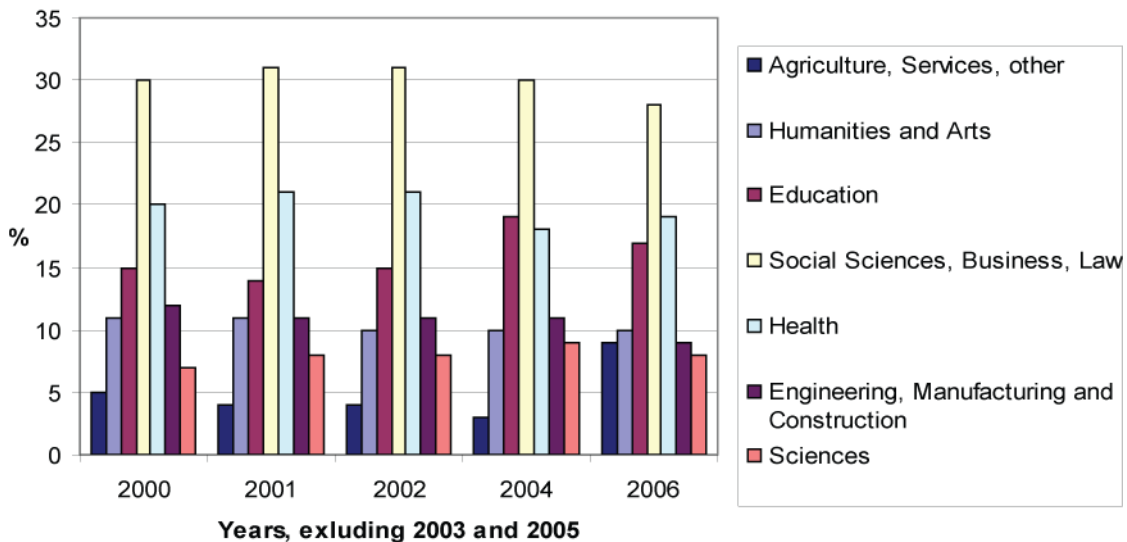
Source: Eurostat 2008

AmCham Belgium encourages the use of life long learning centers to support the 50+ age group in finding employment and thus reducing talent shortage.

### iii. Adapt Education to Business Needs

Employers in Belgium indicate an alarming shortage of talent.<sup>12</sup> Evidently, the problem in Belgium is not a lack of labor, but a lack of people with the necessary skills. Most notable is the shortage of people with IT, science, engineering and technology skills.

**Graph 8: Percentage of Tertiary Graduates**



Source: UNESCO Institute for Statistics

AmCham Belgium encourages the various Belgian administrations to assess these labor shortages. As current incentives are too limited and thus ineffective, long-term strategies for eliminating shortages must be developed. Strategies focused on attracting children and adolescents to programs leading to careers in fields where there is a talent shortage are needed. Governments can proactively cooperate with businesses and educators in large-scale projects with the goal of stimulating interest in engineering and the sciences among pupils at secondary school.

#### **A Case Study: *Linking Education to Job Vacancies***

A mutual acknowledgement between the public and private sectors on the importance of encouraging scientific talent resulted in the establishment of Communicatie Center Chemie (C3) in the Netherlands. Companies like Exxon and DuPont collaborate with polytechnic schools and professional workers' unions through C3 to generate increased interest in chemistry among youth. This program is strongly supported by both teachers and students.

<sup>12</sup> The natural rate of unemployment is generally accepted to be 4%. In the first quarter of 2008, average total unemployment of 15-64 year olds was 7.1%, 16.4% in Brussels, 4.1% in Flanders, and 9.8% in Wallonia. FOD Economie. "Enquête naar de arbeidskrachten - arbeidsmarktindicatoren volgens leeftijd en geslacht, absolute en relatieve cijfers." 1999 - 1ste kwartaal 2008.

iv. **Make Internships an Attractive and Integral Part of a Degree Program**

AmCham Belgium applauds using internships for technical secondary education and encourages their expansion, along with an implementation of mini-internships for all students aged 14-21, regardless of field of study or interest. Employers value internships as they give students a better understanding of future career prospects. Hiring interns is beneficial for companies (and interns) because they create a pool of motivated, prospective employees.

**A Case Study: *Internships in the United States***

Many American universities offer career services focused on preparing students for post-graduation employment. Often, many of these career services provide support for internships during the students' university career. A study undertaken by West Chester University in Pennsylvania investigating success rates of internships demonstrated students who held internships before graduating with a bachelor's degree were more successful in the job market than graduates without internship experience.<sup>13</sup>

**Recommendations**

AmCham Belgium believes internships should be:

- Obligatory for the majority of post-secondary students and part of the formal education curriculum, as is often the case in France and Germany.
- Facilitated by ensuring income earned during an internship integral to one's education has no impact on parental tax deductions and child benefits or on the student's social security status.

v. **Encourage and Promote Entrepreneurship**

According to a December 2007 Fédération des Entreprises de Belgique/Verbond van Belgische Ondernemingen (FEB/VBO) student survey, the Belgian education system – especially during secondary schooling – fails to encourage young people to set up their own business. Students should have an awareness of entrepreneurial opportunities early on, particularly during their degree programs. Hosting workshops where entrepreneurs explain how the private sector contributes to the economy is an excellent way to maintain regular exposure to the private sector. Ideally, entrepreneurial skill training will become part of the secondary school curricula.

<sup>13</sup> Gault, Jack, Redington, John and Tammy Schlager. "Undergraduate Business Internships and Career Success: Are They Related?" *Journal of Marketing Education*, Vol. 22, No. 1, 45 -53 pp. 2000.

## vi. Increase Research and Development (R&D) Expenditure

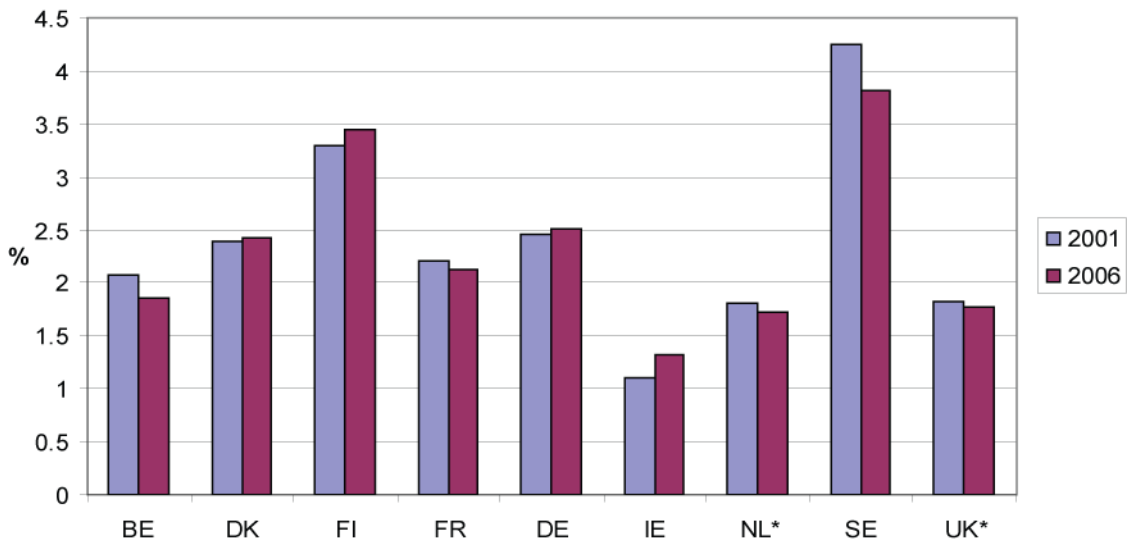
One of Belgium's most pressing problems is the lack of talent in Research and Development (R&D), technologies and sciences. In general, Belgium invests far too little in R&D activities, especially educational programs. Increasing expenditure will reduce the gap between education supply and market needs.

A 2007 study by the European Innovation Scoreboard – used to evaluate the innovation performance of EU member states – placed Belgium in the category of “Innovation Followers”. In comparison, Sweden, Finland, Denmark and Germany<sup>14</sup> were all categorized as “Innovation Leaders”. According to the latest CCE report, Belgium faces a disadvantage in R&D in comparison to Germany, France and the Netherlands (1.83% of GDP in Belgium compared to 2.26% average in neighboring countries) and is far from the three percent objective of the Lisbon Strategy.<sup>15</sup>

### **A Case Study: *Educating the Future in England***

In a recent article about improving education in Europe, OECD indicated a need to match current education methods with real-life, practical, career situations. In England, policy makers, educators and CEOs created a FuturesSight Toolkit to aid teachers in addressing the issues students will face in 2020.

**Graph 9: Gross Domestic Expenditure in R&D as % of GDP**



Source: OECD 2008

\* Figures from 2006 are not available. Second column represents 2005 figures.

14 “European Innovation Scoreboard 2007: Comparative Analysis of Innovation Performance.” PRO INNO Europe paper N° 6. 7, 15 pp.

15 Conseil Central de l'Economie. Rapport Technique du Secrétariat sur les Marges Maximales Disponibles Pour l'Evolution du Coût Salarial. 4 Nov. 2008.

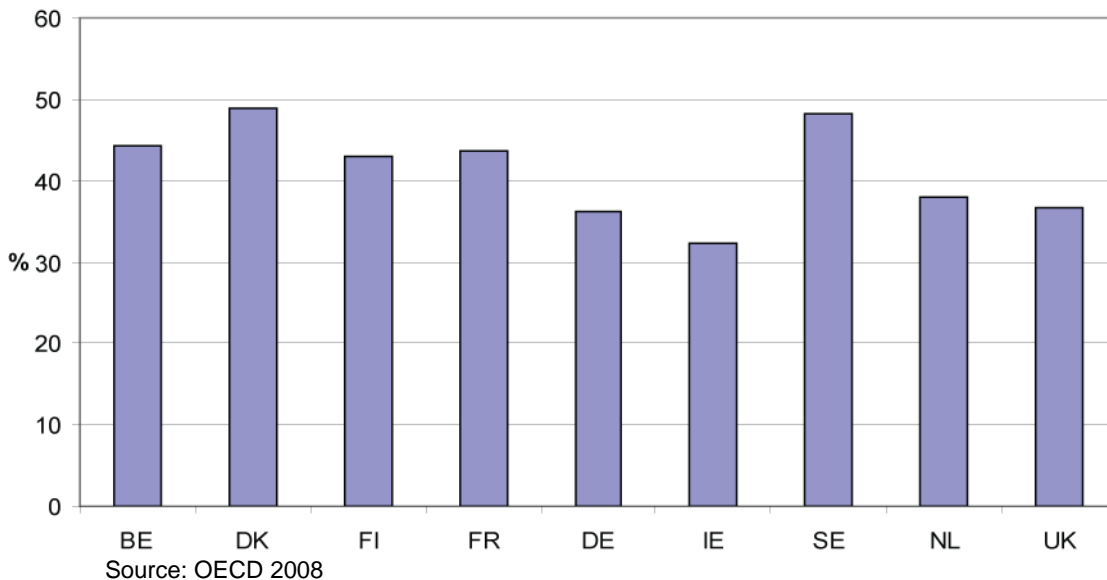
## Recommendation

More public expenditure on Research and Development will better equip Belgium for taking a leading role in innovation and attracting new talent.

## II. Reduce Corporate Tax Rate to 25 Percent and to 15 Percent in Stages

Corporate taxes in Belgium remain high and are also identified as an obstacle to investment.<sup>16</sup> A recent OECD report ranks Belgium as the third highest-taxed OECD country, behind only Denmark and Sweden. This is in spite of the fact total tax revenues as percentage of GDP (44.4%) have decreased for the third straight year while the OECD average is at its highest level since 2000.<sup>17</sup> Decreases in personal taxation are not being matched by decreases in corporate taxation.

**Graph 10: 2008 Total Tax Revenues as % of GDP**



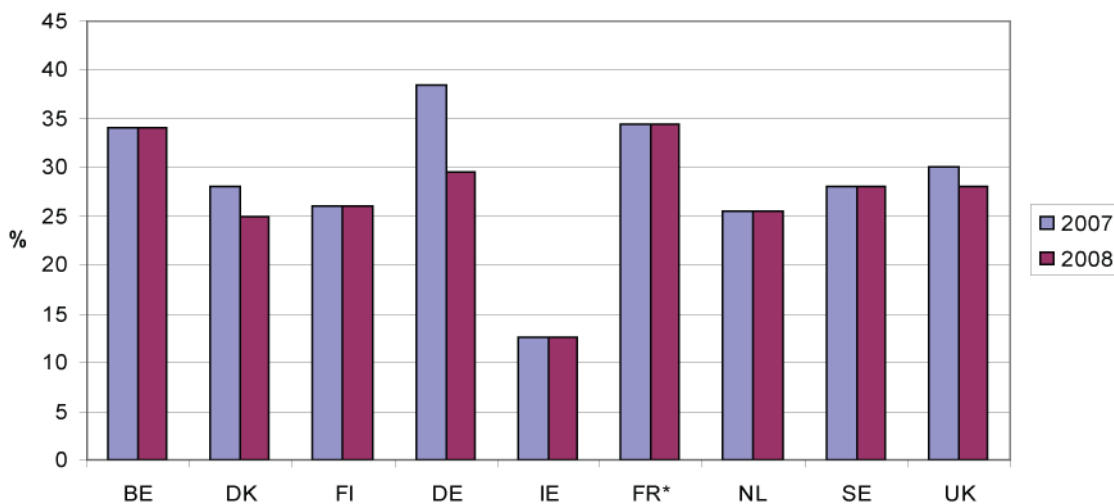
### **Recommendation: Reduce corporate tax rate to 25 percent and retain Notional Interest Deduction**

AmCham Belgium believes a reduction to a nominal 25 percent corporate tax rate while preserving the benefits of the Notional Interest Deduction will improve the climate for foreign investment and begin to change Belgium's reputation as a high-tax country. Our long-term goal remains a 15-percent corporate tax rate.

<sup>16</sup> PricewaterhouseCoopers and the Federation of Belgian Enterprises. Total Tax Contribution 2007. March 2008. 6 pp.

<sup>17</sup> OECD. Revenue Statistics 1965-2007. 2008.

**Graph 11: Nominal Corporate Tax**



Source: OECD 2008

\* The standard corporate income tax rate in France is 33.33%. It is increased by a 3.3% surcharge (Contribution Sociale sur les Bénéfices) for companies with a turnover of at least €7,630,000 on the part of their liable tax payments in excess of €736,000 - resulting in an effective tax rate of 34.43% for companies with profits above €2,289,000.<sup>18</sup>

### **Focus On: *The Notional Interest Deduction (NID)***

Creating a business-friendly environment includes the prevention of debt-equity distortion. According to a July 2008 brief by OECD, the NID is an example of a system where potential gains of corporate income tax reform exceed corresponding costs.

AmCham Belgium strongly applauds the government's continued promotion of and support for the Notional Interest Deduction (NID). The NID effectively reduces the tax burden for companies by promoting an injection of equity capital rather than the use of debt. This should be considered all the more critical in the context of the credit crunch and deleveraging characterizing the current economic crisis worldwide. Furthermore, the encouragement of equity-funding is strengthening the viability of Belgian companies, especially in difficult times. Assuring the NID is retained creates stability and allows businesses to plan for the future.

## **III. Reduce Burden of Government on Doing Business in Belgium**

### **a. Improve Government Regulations**

Over-regulating business is simply unproductive and unattractive to investors. Further, companies in Belgium often act as contractors to the financial authorities and collect taxes. This imposes a considerable burden entailing both costs and responsibility.

<sup>18</sup> OECD, *Tax Database*, 2008.

More so, the government imposes many reporting obligations on businesses. In a recent study, IDEA Consult cited 38 unique reporting obligations.<sup>19</sup> This is particularly troubling for SMEs. We also need better and more harmonized regulations on an international basis and reporting rather than more regulations. Further, AMCHAM in Belgium, the United States, and elsewhere recognizes the severity of the financial crisis and its impact on global and local financial institutions, and the need to find a new regulatory framework. AMCHAM encourages both business, and the Belgian government, to work proactively, both domestically and with international bodies, to create smart regulation for the global financial and capital markets.

#### **b. Reduce Administrative Obligations**

The Ministry of Entrepreneurship and Simplification, led by Vincent van Quickenborne, has seen over 200 laws scratched or simplified under the auspices of the Kafka Program. The Kafka Program claims to have saved *1.7 billion euros* in red tape costs.

#### **Success!**

AmCham Belgium applauds the Kafka Program and encourages it to continue its work on limiting the number of regulations hampering business and to introduce the practice of doing proper impact assessments prior to launching new regulations.

Successes include:

- Reducing time required to set up a business to three days.
- Ensuring it takes no more than five days to issue visas for foreign workers in specific, high-demand professions.

Despite the Kafka Program, Belgium's position in the World Bank's annual 'Doing Business' ranking dropped from 16 to 19 for overall ease. AmCham Belgium continues to support the Kafka Program and welcomes further reductions of over-regulations attributable to the complex federal system.

#### **c. Facilitate Acquisition of Work Permits and Immigration of Skilled Workers**

The attempt to facilitate the acquisition of work permits failed to achieve its objective of simplification. The legislation's intent was to exempt all non-EEA managers employed by Belgian headquarters of Belgian or foreign multinationals from the requirement to be in possession of a work permit/authorization. Unfortunately, the act failed to include senior management in this exemption.

AmCham Belgium encourages the government to amend this legislation to include senior managers

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<sup>19</sup> Rapport d'enquête de IDEA Consult: "La surcharge administrative des obligations statistiques".

**Focus On: LIMOSA**

LIMOSA is another example of legislation that damages the perception of monitoring and control of foreign employees in Belgium. It has a negative impact on the business community's perception of Belgium as a country that welcomes visiting business people. Further, it has been criticized by a number of foreign investors because of its tedious and time-consuming nature, lack of apparent benefits and the logistical difficulties involved in monitoring foreign employees.

AmCham Belgium actively encourages the government to improve this legislation.

**Focus On: Bonus Scheme for €2200 Bonus (maximum)**

AmCham Belgium congratulates the government on introducing measures that exempt the payment of bonuses up to €2,200 to employees achieving measurable goals from normal deductions. The administrative burden in trying to make such payment is however very heavy – especially on SMEs.

**Recommendation**

AmCham Belgium strongly favors a simplification of the bonus scheme, which currently takes a minimum of seven months to complete.

**A Case: The Bonus Scheme Process**

Step 1: Drafting of bonus scheme by company

Step 2: Public Consultation Period

**Time Involved: Two weeks**

Step 3: Letter sent to Social Acts Inspectorate for approval

**Time Involved: Two weeks**

Step 4: All documents sent to the Clerk of Collective Labor Relations for approval

**Time Involved: Three months (If accepted)**

Step 5: If no objections, entire package goes to the respective Commission Paritaire for approval.

**Time Involved: Two months**

Step 6: Package sent to appropriate functionary for approval

**Time Involved: One month**

Step 7: If no objections, bonus may be awarded

**Total Time Taken - Minimum of Seven Months**

The costs and benefits of immigration are a source of great debate. It is argued that immigrants:

- Take away jobs from residents

- Drive down wages
- Place a heavy burden on the country's social welfare system

In reality, the overall impact of immigration on the employment and wages of the native population is small.<sup>20</sup> The demographic realities of an ageing population in developed countries means immigration should be seen in a more positive light.

Belgium has an ageing population. While there is a low employment rate<sup>21</sup> (62% compared to the 66% average in EU27<sup>22</sup>), those who are unemployed frequently lack the skills employers need or the willingness to work. Immigration is needed to fill the vacancies that cannot be filled with local workers.

### Recommendation

AmCham Belgium recommends government facilitation of immigration for skilled individuals.

#### d. Reduce Level of Employment in the Civil Service to Create a Budget for Change

Belgium's civil service is not only the largest in Europe (with five civil servants per 100 inhabitants), but, according to a study written by Belgian economist Jean Hindriks<sup>23</sup> (UCL/KUL), is growing at an exceptional rate with an increase of 11.7% between 2001 and 2007.

### Recommendations

- Reduce employment in civil service to the EU average through natural attrition
- Pursue increased service efficiency and quality in public service to save money
- Apply civil service savings towards reforms to the tax and social security system

## IV. Further Recommendations

#### a. Develop a More Consistent and Coordinated Branding Strategy Towards Investors, Involving All Levels of Government

Despite the political turmoil of the past year, Belgium remains an ideal place to live and work. A more consistent and coordinated branding strategy towards investors involving all levels of government will ensure more foreign investment is won. Indeed, Belgium is still the world's eighth most popular destination for foreign Direct Investment (Singapore

<sup>20</sup> United Nations Development Program (UNDP) "Human Development Report" 2004.

<sup>21</sup> Number of people in employment aged 15 to 64 years divided by total population aged 15 to 64 years.

<sup>22</sup> Eurostat. Data in Focus. April 2008.

<sup>23</sup> Jean Hindriks. "Au delà de Copernic : de la confusion au consensus?" Itinera Institute. 2008.

being the first).<sup>24</sup> With such strategic advantages as geographic position, infrastructure, skilled workforce and quality of life, we look forward to Belgium improving on its current position.

**b. Support SMEs**

SMEs represent a considerable part of Belgium's economy – representing more than 1.6 million jobs. Reducing administrative and fiscal burdens will stimulate SME activity.

On October 10, 2008, the federal government agreed on a 40-point action plan aimed at assisting SMEs.<sup>25</sup> *If implemented*, this plan contains measures highly advantageous to SMEs. AmCham Belgium applauds this recent decision taken by Brussels, Flanders and Wallonia to cooperate in overcoming the financial crisis.<sup>26</sup>

**c. Coordinate Account Management Systems Between Regional Governments and New and Existing Investors**

We encourage all regional governments to introduce systematic account management for new and existing investors to facilitate the development of long-term relationships and ensure additional investments are made.

We would also like to see the introduction of a one-stop-shop for the provision of information important to SMEs and entrepreneurs.

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24 CIA. The World Factbook. 2008.

25 Infor FEB 33. 17 Oct. 2008

26 The World Bank. Doing Business 2008.

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