U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

While there remain European and national level drags on Belgium’s economy, after two years of virtually no growth, the Belgian economy is expected to grow 1.4 percent in 2014. Economic growth will be driven by slight increases in consumption, investment and exports. Assets to Belgium’s investment climate include stabilized financial markets with improved access to credit, attractive export forecasts benefitting from Belgium’s position as a gateway to Europe, and improving domestic business and consumer confidence. The liabilities to investment include the rigid labor market, a complicated tax regime with a high nominal corporate rate, and the evolving roles of the regional and federal governments as they relate to economic activity.

Assets

Belgium boasts an open market well connected to the major economies of the world. As a gateway to Europe, host to the European institutions and a central location closely tied to the major European economies (Germany in particular), Belgium is an attractive market for U.S. investors. The Belgian government was active in the rescue of its major banks and the financial markets have largely stabilized, following a reduction in bank balance sheets and exposure to risky derivative markets. Foreign and domestic investors are expected to take advantage of improved credit opportunities and increased consumer and business confidence. Finally, Belgium is a highly developed, long-time economic partner of the United States that benefits from an extremely well-educated workforce, world-renowned research centers, and the infrastructure to support the broad range of economic activities.

Liabilities

Belgium’s international competitiveness has been hindered by a rigid labor market that makes Belgian employees relatively expensive compared to neighboring countries. Belgium’s nominal corporate tax rate at 33.99 percent is one of the highest in Europe and is only mitigated by a myriad of subsidies and tax deductions. The on-going Sixth State Reform has slowly been shifting certain responsibilities from the federal to the regional governments. It is not yet clear how these evolving responsibilities may affect some of the incentives and deductions in place.

On the Balance

Belgium has a dynamic economy and continues to attract significant levels of investment in aerospace and defense; chemicals, petrochemicals, plastic and composites; environmental technologies; food processing and packaging; health technologies; information and communication; and textiles, apparel and sporting goods, among other sectors. Over the past few years, Belgium has lost some of its traditional manufacturing base, which had benefitted from U.S. investment. American companies in particular have made recent investments in petrochemicals, health technologies, and information and communication.

1. Openness To, and Restrictions Upon, Foreign Investment

Belgium has traditionally maintained an open economy, highly dependent on international trade for its well-being. Since WWII, foreign investment has played a vital role in the Belgian economy, providing technology and employment. Though the federal government regulates important elements of foreign direct investment such as salaries and labor conditions, it is primarily the responsibility of the regions to attract FDI. Flanders Investment and Trade (FIT), Wallonia Foreign Trade and Investment Agency (AWEX) and Brussels Invest and Export, attract FDI to Flanders, Wallonia and the Brussels Capital Region, respectively. Foreign corporations account for about one-third of the top 3,000 corporations in Belgium. According to Graydon, a Belgian company specializing in commercial and marketing information, there are currently more than one million companies registered in Belgium, of which 74,000 new companies were registered in 2013.

Industrial Strategy

The regional investment promotion agencies have focused their industrial strategy on key sectors including aerospace and defense; agribusiness, automotive and ground transportation; architecture and engineering; chemicals, petrochemicals, plastics and composites; environmental technologies; food processing and packaging; health technologies; information and communication; and services.

TABLE 1: The following chart summarizes several internationally well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	15 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	35 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	36 of 189	http//doingbusiness.org/rankings
Global Innovation Index	2013	21 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNP per capita	2013	43,834 USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Payments and transfers within Belgium and with foreign countries require no prior authorization. Transactions may be executed in euros as well as in other currencies.

On May 1, 1998, Belgium was one of the 11 European Union (EU) member states that agreed to form a currency union (European monetary union), with the Euro as its single currency. On January 1, 1999, exchange rates were irrevocably fixed among Eurozone currencies, with 1 Euro equal to 40.3399 Belgian Francs (BF). Euro coins and bank notes were introduced in early 2002. Old BF notes can only be exchanged for Euros at National Bank of Belgium offices. Old BF coins were no longer convertible as of January 1, 2005.

Belgium has no debt-to-equity requirements. Dividends may be remitted freely except in cases in which distribution would reduce net assets to less than paid-up capital. No further withholding tax or other tax is due on repatriation of the original investment or on the profits of a branch, either during its operations or upon the closing thereof

3. Expropriation and Compensation

There are no outstanding expropriation or nationalization cases in Belgium with U.S. investors. There is no pattern of discrimination against foreign investment in Belgium.

When the Belgian government uses its eminent domain powers to acquire property compulsorily for a public purpose, adequate compensation is paid to the property owners. Recourse to the courts is available if necessary. The only expropriations that occurred during the last decade were related to infrastructure projects such as port expansion, roads, and railroads. In the future, expropriations to reserve space for nuclear waste storage are still expected, but the sites will not be near areas of existing economic activity. The government of Belgium has decreed that all nuclear power plants will be closed by 2025.

In 2013, the region of Wallonia considered acquiring an industrial site that was being abandoned by a foreign investor in order to mitigate job-loss and invest in redevelopment. This was not acted upon by year’s end.

4. Dispute Settlement

Belgium's legal system is independent of the government and is a means for resolving commercial disputes or protecting property rights. As in many countries, the Belgian courts labor under a growing caseload, and backlogs cause delays. There are several levels of appeal.

Bankruptcy

Belgian bankruptcy law is governed by the Bankruptcy Act of 1997 and is under the jurisdiction of the commercial courts. The commercial court appoints a judge-auditor to preside over the bankruptcy proceeding and whose primary task is to supervise the management and liquidation of the bankrupt estate, in particular with respect to the claims of the employees. Belgian bankruptcy law recognizes several classes of preferred or secured creditors. A person who has been declared bankrupt may now start a new business unless the person is found guilty of certain criminal offences that are directly related to the bankruptcy. The Business Continuity Act of

2009 provides the possibility for companies in financial difficulty to enter into a judicial reorganization. These proceedings are to some extent similar to Chapter 11 as the aim is to facilitate business recovery.

International Arbitration

Belgium is a member of the International Center for the Settlement of Investment Disputes (ICSID) and regularly includes provision for ICSID arbitration in investment agreements. The government accepts binding international arbitration of disputes between foreign investors and the state; a recent example was the international arbitration between the Belgian and the Dutch governments regarding a railway line dispute, the so-called "Iron Rhine."

Duration of Dispute Resolution

The court system is regionalized and the duration of investment and commercial dispute proceedings can vary. There is anecdotal evidence that court disputes can take months or years to resolve. The delays are generally attributed to a shortage of judges to rule on cases resulting in long queues for hearing dates.

5. Performance Requirements and Investment Incentives

Since the law of August 1980 on regional devolution in Belgium, investment incentives and subsidies have been the responsibility of Belgian's three regions: Brussels, Flanders, and Wallonia. Nonetheless, most tax measures remain under the control of the federal government as do the parameters (social security, wage agreements) that govern general salary and benefit levels. In general, all regional and national incentives are available to foreign and domestic investors alike. Belgian investment incentive programs at all levels of government are limited by EU regulations and thus are kept in line with those of the other EU member states. The European Commission has tended to discourage certain investment incentives in the belief that they distort the single market, impair structural change, and threaten EU convergence, as well as social and economic cohesion. Belgium thus has seen its number of underdeveloped areas, into which the EU allowed certain investment subsidies, further curtailed.

Under the Belgian constitution, attracting foreign direct investment is the responsibility of the Belgian regions (Brussels-Capital, Flanders, and Wallonia) through the regional investment agencies – Flanders Investment and Trade (FIT), Wallonia Foreign Investment and Trade (AWEX), and the Brussels Invest and Export. In their investment policies, the regions emphasize innovation promotion, research and development, energy savings, environmental cleanliness, exports, and most of all, employment. The agencies have staff specializing on specific regions of the world, including the United States, and have representation offices in different countries. In addition, the Finance Ministry established a foreign investment tax unit in 2000 to provide assistance and to make the tax administration more "user friendly" to foreign investors.

In 2005, the Belgian Federal Finance Ministry proposed a new investment incentive program in the form of a notional interest rate deduction. This was adopted by Parliament, and as of January 1, 2006, the new tax law permits a corporation established in Belgium, foreign or domestic, to deduct from its taxable profits a percentage of its adjusted net assets linked to the rate of the Belgian long-term state bond. The law permits all companies operating in Belgium to deduct the "notional" interest rate that would have be paid on their locally invested capital had it been borrowed at a rate of interest equal to the current rate the Belgian government pays on its 10-year bonds. This amount is deducted from profits, thus lowering the sum on which Belgian corporate taxes (currently 33.99%) are calculated. In 2011, the notional interest was set at 3.8 percent for corporations. The applicable interest rate is adjusted annually, but will never be allowed to vary more than one percent (100 basis points) in one year nor exceed 6.5 percent. For 2013, the Belgian Federal government set the notional interest rate at 3 percent for large corporations and 3.5 percent for SMEs. For 2014, the rate is 2.74 percent for large corporations and 3.24percent for SMEs and for 2015 the rate will be 2.63 percent for large corporations and 3.13 percent for SMEs.

Research and Development
Belgium has made an effort to encourage companies to carry out R&D activities within the country. At both the federal and regional government levels, there are incentives in place to mitigate the cost of employing researchers. These are offered as tax allowances or as direct stipends. Regional governments offer incentives on the cost of creating patents as well as some exemptions on income generated from the sales of goods subjected to proprietary patents. There are also ways in which a company can deduct a percentage of what it invests in R&D and energy-saving improvements from its taxable base. More information on incentives by region is available at: www.investinbrussels.com (Brussels), www.flandersinvestmentandtrade.com (Flanders), and www.investinwallonia.be (Wallonia).

Performance Requirements
Performance requirements in Belgium usually relate to the number of jobs created. There are no known cases where export targets or local purchase requirements were imposed, with the exception of military offset programs, which were reintroduced under Prime Minister Verhofstadt in 2006. While the government reserves the right to reclaim incentives if the investor fails to meet his employment commitments, enforcement is rare. However, in 2012, with the announced closure of an automotive plant in Flanders, the issue of reclaiming government commitments has surfaced. The Flanders region is in negotiations with the company to reclaim training subsidies that had been provided to the company.

6. Right to Private Ownership and Establishment

Both domestic and foreign private entities have the right to establish business enterprises. This right is well established in Belgium's constitution and in law. The right to acquire or sell interests in business enterprises is similarly protected by law.

No restrictions in Belgium apply specifically to foreign investors. Foreign interests may enter into joint ventures and partnerships on the same basis as domestic parties, except for certain professions, such as doctors, lawyers, accountants and architects. Additional verification (to confirm equivalence of education and training) exist in these professions because they are subject to liability claims. All investors, Belgian or foreign, must obtain special permission to open department stores, provide transportation and security services, cut and polish diamonds, or sell firearms and ammunition. Food safety regulations require all organizations in Belgium involved in food production (packaging, wholesale, and retail) to obtain a permit from the Belgian Federal Food Administration.

There is competitive equality between public and private enterprises with respect to market access, credit, and other business operations, such as licenses and supplies; however, public enterprises such as the Belgian railroads are often exempt from VAT.

7. Protection of Property Rights

Property rights in Belgium are well protected by law. The courts are independent and considered effective in enforcing property rights. Belgium generally meets very high standards in the protection of intellectual property rights. Rights granted under American patent, trademark, or copyright law can only be enforced in the United States, its territories, and possessions. The European Union has taken a number of initiatives to promote intellectual property protection, but in cases of non-implementation, national laws continue to apply. Despite legal protection of intellectual property, Belgium experiences the commercial and private infringement – particularly internet music piracy and illegal copying of software – common to most EU states. All intellectual property rights (IPR) are administered and enforced by the Belgian Office of Intellectual Property in the Ministry for Economic Affairs (http://economie.fgov.be/en/entreprises/Intellectual_property/Aspects_institutionnels_et_pratiques/OPRI/). The Office of Intellectual Property, Directorate General Regulation and Market Organisation (ORPI) administers intellectual property in Belgium. The Directeur général/Director General: is Mr. Emmanuel Pieters. This office manages and provides Belgian intellectual property titles, informs the public about IPR, drafts legislation and advises Belgian authorities with regard to national and international issues. Enforcement of IPR is in the hands of the Belgian Ministry of Justice. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/. The Embassy's point of contact for public inquiries on property rights in Belgium is listed in section 19.

A list of English-speaking attorneys in Belgium can be found at this link: http://photos.state.gov/libraries/belgium/8548/cons/Lawyer%20list%202012%20update%20december_001.pdf The United States Embassy at Brussels, Belgium assumes no responsibility or liability for the professional ability or reputation of, or the quality of services provided by, the persons or firms on the list.

8. Transparency of the Regulatory System

The Belgian government has adopted a generally transparent competition policy and effective laws foster competition. Tax, labor, health, safety, and other laws and policies have been implemented to avoid distortions or impediments to the efficient mobilization and allocation of investment, comparable to those in other EU member states. Nevertheless, foreign and domestic investors in some sectors face stringent regulations designed to protect small- and medium-sized enterprises. Many companies in Belgium also try to limit their number of employees to 49, the threshold above which certain employee committees must be set up, such as for safety and trade union interests.

Recognizing the need to streamline administrative procedures in many areas, the federal government in 2004 set up a special task force to simplify official procedures. It also agreed to streamline laws regarding the telecommunications sector into one comprehensive volume after new entrants in this sector had complained about a lack of transparency. It also beefed up its Competition Policy Authority with a number of renowned academic experts and additional resources. The American Chamber of Commerce has called attention to the adverse impact of cumbersome procedures and unnecessary red tape on foreign investors; although, foreign companies do not necessarily suffer more from this than Belgian firms.

In 2012, the government and the pharmaceutical sector negotiated an agreement to lower the government's healthcare costs. In exchange for the government agreeing to an accelerated approval process for new medicines, the pharmaceutical sector agreed to price decreases and price ceilings on certain types of medicine, requesting government reimbursements based on actual quantities of medicine used (i.e. reimbursing for fractions of medication rather than entire box or pouch), paying taxes on marketing activities and decreasing the volume of prescriptions.

9. Efficient Capital Markets and Portfolio Investment

Belgium has in place policies to facilitate the free flow of financial resources. Credit is allocated at market rates and is available to foreign and domestic investors without discrimination. Belgium is fully served by the international banking community and is implementing all relevant EU financial directives.

Because the Belgian economy is directed toward international trade, more than half of its banking activities involve foreign countries. Belgium's major banks are represented in the financial and commercial centers of dozens of countries by subsidiaries, branch offices, and representative offices.

Belgium is one of the countries with the highest number of banks per capita in the world. The banking system is considered sound but was particularly hard hit by the financial crisis that began in the fall of 2008, when federal and regional governments had to step in with lending and guarantees for the three largest banks. Following a review of the 2008 financial crisis, the Belgian government decided in 2012 to shift the authority of bank supervision from the Financial Market Supervision Authority (FMSA) to the National Bank of Belgium (NBB).

Bank balance sheets have decreased in volume overall, from close to 1.6 trillion euros in 2007 to just over 1 trillion euros in 2013, according to the National Bank of Belgium, and in the risky derivative markets in particular. Meanwhile, the Belgian banking sector posted a profit of 3.5 billion euros in the first nine months of 2013, significantly higher than the previous two years (1.6 billion euros in 2012 and 400 million in 2011), but less than the 5.6 billion euros posted in 2010.

The country's banks use modern, automated systems for domestic and international transactions. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) has its headquarters in Brussels. Euroclear, a clearing entity for transactions in stocks and other securities, is also located in Brussels.

Belgium also has a well-established stock market. In fact, the first stock market ever was organized in Bruges in the 14th century. At the end of 2000, the Brussels stock market merged with the Paris and Amsterdam bourses into Euronext, a Pan-European stock-trading platform. In 2006, Euronext and NY Stock Exchange shareholders voted to merge the two exchanges. On Euronext, a company may increase its capital either by capitalizing reserves or by issuing new shares. An increase in capital requires a legal registration procedure. New shares may be offered either to the public or to existing shareholders. Public notice is not required if the offer is to existing shareholders, who may subscribe to the new shares directly. An issue of bonds to the public is subject to the same requirements as a public issue of shares: the company's capital must be entirely paid up, and existing shareholders must be given preferential subscription rights.

In Belgium, there are many cases of cross-shareholding and stable shareholder arrangements but never with the express intent to keep out foreign investors. Likewise, anti-takeover defenses are designed to protect against all potential hostile takeovers, not only foreign hostile takeovers.

10. Competition from State-Owned Enterprises

Belgium does not have any State Owned Enterprises (SOE) that exercise delegated government powers. Private enterprises are allowed to compete with public enterprises under the same terms and conditions, but since the EU started to liberalize network industries such as electricity, gas, water, telecoms and railways, there have been regular complaints in Belgium about unfair competition from the historical incumbents, i.e. the former state monopolists. Complaints have ranged from lower salaries (railways) to lower VAT rates (gas and electricity) and a regulator who was judge and party at the same time (telecom). Although these complaints have now largely subsided, one often finds these former monopolies as market leaders in their sector, mainly because they were able to charge high admission costs for access to a network which they themselves had already written off a long time ago. Corporate governance at the boards of these historical monopolies is still deficient. Board seats are occupied by representatives of the governing political parties in proportion to their representation in Parliament. However, not all board members report directly to cabinet ministers.

Sovereign Wealth Funds

Belgium has a sovereign wealth fund (SWF) in the form of the Federal Participation Company, a quasi-independent entity created in 2004 and now mainly used as a vehicle to manage the banking assets which were taken on board during the 2008 banking crisis. The SWF has a board whose members reflect the composition of the governing coalition and are regularly audited by the “Court des Comptes” or national auditor. Due to the origins of the fund, the majority of the funds are invested domestically. Its role is to allow public entities to recoup their investments and support Belgian banks. The SWF is required by law to publish an annual report and is subject to the same domestic and international accounting standards and rules. The SWF routinely fulfills all legal obligations.

11. Corporate Social Responsibility

There is a general awareness of corporate social responsibility among producers and consumers. Boards of directors are encouraged to pay attention to corporate social responsibility in the 2009 Belgian Code on corporate governance.

12. Political Violence

Belgium is a peaceful, democratic nation comprised of federal, regional, and municipal political units: the Belgian federal government, the regional governments of Flanders, Wallonia, and the Brussels capital region, and 589 communes (municipalities). Political divisions do exist between the Flemish and Walloons, but they are addressed in democratic institutions and resolved through compromise.

13. Corruption

Belgian anti-bribery legislation was revised completely in March 1999, when the competence of Belgian courts was extended to extraterritorial bribery. Bribing foreign officials is a criminal offense in Belgium. Belgium has been a signatory to the OECD Anti-Bribery Convention since 1999, and is a participating member of the OECD Working Group on Bribery. In the Working Group's Phase 3 review of Belgium, it called on Belgium to address the lack of resources available for fighting foreign bribery.

Under Article 3 of the Belgian criminal code, jurisdiction is established over offenses committed within Belgian territory by Belgian or foreign nationals. Act 99/808 added Article 10 related to the code of criminal procedure. This Article provides for jurisdiction in certain cases over persons (foreign as well as Belgian nationals) who commit bribery offenses outside the territory of Belgium. Various limitations apply, however. For example, if the bribe recipient exercises a public function in an EU member state, Belgian prosecution may not proceed without the formal consent of the other state.

Under the 1999 Belgian law, the definition of corruption was extended considerably. It is considered passive bribery if a government official or employer requests or accepts a benefit for him or herself or for somebody else in exchange for behaving in a certain way. Active bribery is defined as the proposal of a promise or benefit in exchange for undertaking a specific action. Until 1999, Belgian anti-corruption law did not cover attempts at passive bribery. The most controversial innovation of the 1999 law was the introduction of the concept of 'private corruption,' i.e. corruption among private individuals. Corruption by public officials carries heavy fines and/or imprisonment between 5 and 10 years. Private individuals face similar fines and slightly shorter prison terms (between six months and two years). The current law not only holds individuals accountable, but also the company for which they work. Contrary to earlier legislation, payment of bribes to secure or maintain public procurement or administrative authorization through bribery in foreign countries is no longer tax deductible. Recent court cases in Belgium suggest that corruption is most serious in government procurement and public works contracting. American companies have not, however, identified corruption as a barrier to investment.

The responsibility for enforcing corruption laws is shared by the Ministry of Justice through investigating magistrates of the courts, and the Ministry of the Interior through the Belgian federal police, which has jurisdiction in all criminal cases. A special unit, the Central Service for Combating Corruption, has been created for enforcement purposes but continues to lack the necessary staff.

14. Bilateral Investment Agreements

Belgium has no specific investment agreement with the United States; investment-related issues are covered in the 1951 Treaty of Friendship, Enterprise and Navigation. Belgium has bilateral investment treaties in force with Albania, Algeria, Argentina, Armenia, Bangladesh, Bolivia, Burkina Faso, Burundi, Chile, China, Croatia, Cyprus, Democratic Republic of the Congo, Egypt, El Salvador, Philippines, Gabon, Georgia, Hong Kong, India, Indonesia, Yemen, Cameroon, Kazakhstan, Kuwait, Korea, Lebanon, Lithuania, Macedonia, Morocco, Mexico, Moldavia, Mongolia, Ukraine, Uzbekistan, Paraguay, Romania, Rwanda, Saudi Arabia, Singapore, South Africa, Sri-Lanka, Thailand, Czech Republic, Tunisia, Uruguay, Russia, Venezuela, and Vietnam. Additionally, Belgium and Luxembourg have jointly signed (as The Belgium Luxembourg Economic Union – BLEU) as-yet-unimplemented agreements with Cuba, Liberia, Mauritania, and Thailand. Belgium and Luxembourg also have joint investment treaties with Poland and Russia, but these are not BLEU agreements. All these agreements provide for mutual protection of investments.

15. OPIC and Other Investment Insurance Programs

Belgium, as a developed country, does not qualify for OPIC programs. No other countries operate investment insurance programs in Belgium.

16. Labor

In 2012, there were noteworthy changes to the Belgian labor law though many of the main structural conditions remain in place. The retirement age was increased from 60 to 62. Unemployment benefits now decrease over time as an incentive for the unemployed to regain employment. Historically, unemployment benefits were constant and some unemployed lived off the benefits indefinitely. Finally, during the 2013-2014 budget negotiations, a “wage-freeze” was agreed upon, but indexation would remain. In effect, the cost of labor would therefore continue to rise based on the automatic wage indexation calculations.

Wage increases are negotiated by sector within the parameters set by automatic wage indexation and the 1996 Law on Competitiveness. The purpose of automatic wage indexation is to establish a bottom margin that protects employees against inflation: for every increase in CPI above 2 percent, wages must be increased by (at least) 2 percent as well. The top margin is determined by the competitiveness law, which requires the Central Economic Council (CCE) to study wage projections in neighboring countries and make a recommendation on the maximum margin that will ensure Belgian competitiveness. The CCE is made up of civil society organizations (primarily representatives from employer and employee organizations). Its mission is to promote a socio-economic compromise in Belgium by providing informed recommendations to the government. The CCE's projected increases in neighboring countries have been higher than their real increases, however. As Belgium's margin is influenced by the projections, Belgium's wages have increased more rapidly than its neighbors.

The Belgian labor force is generally well trained, highly motivated and very productive. Workers have an excellent command of foreign languages, particularly in Flanders. There is a low unemployment rate among skilled workers, such as local managers. Enlargement of the EU in May 2004 and January 2007 facilitated the entry of skilled workers into Belgium from new member states. However, registration procedures were required until mid-2009 for entrants from some new EU member states. Non-EU nationals must apply for work permits before they can be employed. Minimum wages vary according to the age and responsibility level of the employee and are adjusted for the cost of living.

Belgian workers are highly unionized and usually enjoy good salaries and benefits. Wage increases are negotiated centrally and are automatically indexed to changes in cost of living. Belgian wage and social security contributions, along with those in Germany, are among the highest in Western Europe. At the end of 2013, Belgium's harmonized unemployment figure stood at 8.5 percent, below the EU28 average of 10.8 percent (OECD). High wage levels and pockets of high unemployment coexist, reflecting both strong productivity in new technology sector investments and weak skills of Belgium's long-term unemployed, whose overall education level is significantly lower than that of the general population. As a consequence of high wage costs, employers have tended to invest more in capital than in labor. At the same time, a shortage exists of workers with training in computer hardware and software, automation and marketing, increasing wage pressures in these sectors.

Belgian's comprehensive social security package is composed of five major elements: family allowance, unemployment insurance, retirement, medical benefits and a sick leave program that guarantees salary in event of illness. Currently, average employer payments to the social security system stand at 35 percent of salary while employee contributions comprise 13 percent. In addition, many private companies offer supplemental programs for medical benefits and retirement.

Belgian labor unions, while maintaining a national superstructure, are, in effect, divided along linguistic lines. The two main confederations, the Confederation of Christian Unions and the General Labor Federation of Belgium, maintain close relationships with the Christian Democratic and Socialist political parties, respectively. They exert a strong influence in the country, politically and socially. A national bargaining process covers inter-professional agreements that the trade union confederations negotiate biennially with the government and the employers' associations. In addition to these negotiations, bargaining on wages and working conditions takes place in the various industrial sectors and at the plant level. About 51 percent of employees from the public service and private sector are labor union members. A cause for concern in labor negotiation tactics is isolated cases where union members in Wallonia have resorted to physically forcing management to stay in their offices until an agreement can be reached.

Foreign firms, which generally pay well, usually enjoy harmonious labor relations. Nonetheless, problems can occur, particularly in connection with the shutting down or restructuring of operations. Many strikes are one-day symbolic actions but occasionally industrial actions last longer. Labor actions did not appear to affect foreign (including U.S.) firms any more than Belgian firms in recent years.

Firing a Belgian employee can be very expensive. An employee may be dismissed immediately for cause, such as embezzlement or other illegal activity, but when a reduction in force occurs, the procedure is far more complicated. In 2013, Belgium passed legislation to harmonize severance procedures for white-collar and blue-collar workers, though its implementation will be phased in overtime. Belgium is a strict adherent to ILO labor conventions.

In those instances where the employer and employee cannot agree on the amount of severance pay or indemnity, the case is referred to the commercial courts for a decision. To avoid these complications, some firms consider including a "trial period" (of up to one year) in any employer-employee contract.

Belgium was one of the first countries in the EU to harmonize its legislation with the EU Works Council Directive of December 1994. Its flexible approach to the consultation and information requirements specified in the Directive compares favorably with that of other EU member states.

17. Foreign Trade Zones/Free Ports

There are no foreign trade zones or free ports as such in Belgium. However, the country utilizes the concept of customs warehouses. A customs warehouse is a warehouse approved by the customs authorities where imported goods may be stored without payment of customs duties and VAT. Only non-EU goods can be placed under a customs warehouse regime. In principle, non-EU goods of any kind may be admitted, regardless of their nature, quantity, and country of origin or destination. Individuals and companies wishing to operate a customs warehouse must be established in the EU and obtain authorization from the customs authorities. Authorization may be obtained by filing a written request and by demonstrating an economic need for the warehouse.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	

Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	$484.6 billion	2012	$483.3 billion	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	$35.3 billion	2012	$53.8 billion	Bureau of Economic Analysis
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	$127 billion	2012	$88.7 billion	Bureau of Economic Analysis
Total inbound U.S. stock of FDI as % host GDP (***calculate)***	2012	7.3%	2012	11.1%	

* Host Country Source: National Bank of Belgium. The National Bank of Belgium looks at foreign direct investment from a national income account perspective. Belgium makes no distinction as to the nationality of the parent of investing companies, rather refers to the individual investing company's geographic location.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data, Belgium 2012					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment (flow)			**Outward Direct Investment (flow)**		
Total Inward	499,076	100%	Total Outward	470,203	100%
Luxembourg	249,569	50%	Luxembourg	121,917	26%
France	146,978	29%	Netherlands	108,981	23%
Netherlands	102,520	21%	Ireland	47,217	10%
Brazil	30,535	6%	France	38,160	8%
Germany	14,241	3%	United States	33,749	7%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: International Monetary Fund, http://cdis.imf.org

Comment: while Belgium's neighbors continue to be the main investors and recipients of Belgian FDI, the role of Luxembourg in these statistics is mainly related to its role as a financial center and tax haven, not because of its overall economic activities.

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets, Belgium June 2013								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
World	657,404	100%	World	237,388	100%	World	420,016	100%
Luxembourg	153,275	23%	Luxembourg	131,805	56%	France	91,440	22%
France	126,790	19%	France	35,351	15%	Netherlands	75,544	18%
Netherlands	82,463	13%	United States	15,569	7%	Italy	31,003	7%
Germany	42,490	6%	Germany	11,913	5%	Germany	30,577	7%
United States	36,957	6%	United Kingdom	7,393	3%	Ireland	29,142	7%

Source: International Monetary Fund, http://cpis.imf.org

19. Contact Point at Post for Public Inquiries

- Marco Sotelino (until 08/2014); Martin Healy (as of 08/2014)
- Economic Officer, Political-Economic Section
- Embassy of the United States to the Kingdom of Belgium
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