



Doing Business in Belgium: 2009 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Belgium

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Market Overview

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Belgium is divided ethnically into the Dutch-speaking Flemings and French-speaking Walloons, the 70,000 residents of the eastern German cantons, and the residents of the bilingual capital of Brussels. With a total of 10.7 million people, the population density is the second highest in Europe, after the Netherlands, and is heavily reliant on international trade for its prosperity. The country boasts tremendous infrastructure and is regarded as an ideal hub for European transit and distribution. The cosmopolitan nature of Belgium and its mix of Germanic and Latin cultures make it an ideal European test market for American products and services. The Belgian market is small enough that a huge European-wide commitment to a new product is not necessary, yet diverse and competitive enough that it offers a representative sample of potential buyers and competitors. According to the Organization for Economic Cooperation and Development (OECD), Belgium's GDP in 2007 grew by 2.8% over the previous year (to \$370 billion), whereas the Euro area grew by 2.6%. In 2007, imports of goods and services grew by 6.1% and Belgium became the 12th largest trading partner of the United States, accounting for \$25.3 billion of U.S. exports (up 19% from 2006). The capital, Brussels, is home to the headquarters of the European Union (EU) and of North Atlantic Treaty Organization (NATO), as well as hundreds of international institutions, associations and multinational corporations.

Market Challenges

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Although growth has slightly outpaced the Euro area average since 2002, there are signs that some production factors are under strain. The economy reached an annual rate of only 1.7% year-on-year growth in 2008, mainly as a result of financial market turmoil and high commodity prices. Per the OECD's *Economic Survey of Belgium 2007*, capacity utilization is approaching historic highs and an increasing number of firms are reporting problems in finding and hiring qualified workers. Further strengthening of the country's productive potential and a greater degree of wage flexibility will be essential to bolster long-term growth prospects. The persistence of high unemployment, despite greater job creation, suggests that labor market reform will continue to be high on its policy agenda. The Belgian government has been aware of the need for reforms and its actions have produced results: for example, consistently balanced budgets have led to a sharp reduction in public debt relative to GDP; and the increase in job creation has been accompanied by higher labor market participation rates, especially among older workers. The government has also focused its national reform program on key priorities intended

to achieve long-term sustainable growth prospects, such as reducing taxation wages in order to increase the purchasing power, creating more efficient measures for labor market, consolidating the budget, securing the future of the welfare system and protecting the environment. It is expected that the government will continue to pursue economic reforms.

Market Opportunities

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The leading Belgian sectors for U.S. export and investment are: aerospace, automotive, chemicals, energy, environmental technologies, information and communications technology, pharmaceuticals, safety and security, logistics, travel and tourism, textiles, and prepared/packaged food. As the host of NATO and EU headquarters, and hundreds of other international organizations, Belgium also offers opportunities for specific projects.

Belgium's central location in the wealthy region of Europe makes of the country an ideal gateway for exports to Europe. Within a radius of 300 miles, 140 million EU consumers can be reached (almost 50% of the U.S. population), representing 60% of Europe's purchasing power.

Belgium is also seen as a test market. Indeed, Belgium contains a few distinctly separate socio-demographic groups governed by the same legal system. Additionally, the Belgian economy largely reflects the overall European economy and consumer.

Moreover, Belgian productivity levels are the result of high investment in the quality of its labor force. Because of its location and history, the educational system in Belgium is highly oriented towards the instruction of foreign languages. The Notional Interest Deduction (NID) of 2005 introduced an annual deduction on taxable income and is very attractive for foreign businesses as it reduces the taxable base.

Market Entry Strategy

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U.S. exporters can penetrate the Belgian market through importers/distributors, wholesalers or specialized retailers, depending on their products and their company size. Interested U.S. exporters will have to focus on innovation, quality and competitive pricing, despite the transportation costs they will encounter.

In support of U.S. commercial interests in Belgium, the U.S. Embassy in Brussels uses the combined resources of the various U.S. Government agencies to promote exports of U.S. goods and services. It also supplies information on trade and investment opportunities and serves as and advocate for U.S. firms. For specific requests, firms can contact the applicable Commercial Specialist at the U.S. Embassy in Brussels for counseling and market entry strategies tailored to their products and services (see: www.buyusa.gov/belgium).

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2874.htm>

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Using an Agent or Distributor

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Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with EU and Member State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the directive establishes the rights and obligations of the principal and its agents; the agent's remuneration, and the conclusion and termination of an agency contract, including the notice to be given, or compensation to be paid to the agent. U.S. companies should be aware that the directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law, to be applied in the event of a dispute, will likely be ruled invalid by European courts.

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of such "vertical agreements." Most U.S. exporters are small and medium sized companies and are exempt from the regulations because their agreements would likely qualify as "agreements of minor importance," meaning they are considered incapable of affecting competition at the EU level, but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than EUR 50 million are considered small and medium sized undertakings. The EU has also indicated that agreements that affect less than 10 % of a particular market are generally exempt as well.

The EU looks to combat payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily