

BUSINESS COUNCIL POSITION PAPER

Following the financial crisis of September of last year, global demand has collapsed all over the world. As the world production is facing historic declines since 1930, foreign trade is falling as well. Thousands of jobs in every sector of the economy are at stake.

All major trading partners of the world are experiencing the economic crisis resulting from the financial meltdown. Countries, whose economy is driven by exports, are more vulnerable than others. Belgium, undoubtedly, is one of them.

Foreign trade, under these circumstances, is no luxury. It is a necessity, a question of survival. More competitors in a more competitive world force us to coordinate with all segments of government involved, and to combine efforts. Not only at the federal level, also at the European one. A sense of urgency is badly needed.

We should not waste this crisis. We must act and face it head on. We must seize the opportunity to strengthen our procedures, our presence and our effectiveness in foreign markets.

Government should learn lessons from what went wrong. All means should be used to a maximum result. Efficiency and clear cut pragmatism should be essential guide lines in questions such as how to expand our business abroad, how to attract foreign investments, which product – and market choices to make, how to build an image abroad or how to develop our human capital.

1. How are we selling abroad?

- Regional agencies have matured and are overall becoming quite pragmatic and result-driven in their approach of markets, companies and the Belgian institutional aspects. Same evolution is taking place at the federal level. But a comprehensive strategy with all the actors involved is still lacking (e.g. what are the important markets? which sectors do we want to develop and what does this mean for foreign trade? etc...). It's what Finland did in the nineties. Regions recently have made substantial progress in that regard. An

overall strategy with the guiding principles of our economic presence abroad would serve as a platform for the cooperation between the agencies, federal government and business community. It means, for instance, that reinforcing our overall presence in certain markets or downsizing our activities in others will be part of that strategy.

- The government should support the existing Belgian leading sectors, such as the diamond and dredging-industry, whenever needed. But certainly in a long term perspective, the government should also support those sectors that have potential to become leading ones. This is especially true in those countries where the nature of doing business very often results in a business to government approach rather than a business to business approach. Those sectors and foreign markets need to be identified.
- In view of the aforementioned needed identification of sectors and markets, a detailed inventory is needed of our presence abroad. Not only on trade representatives, embassies, chambers of commerce etc..., but also on the companies having a significant activity in those countries. This can be done quite rapidly. Benchmarking with other European countries of similar size on organization, means and initiatives in the foreign trade sector, will be helpful to assess our efforts.
- Trade missions are a part of that overall strategy. The efforts to coordinate timing and targeting of specific countries are generating results and need to be certainly continued and be reinforced. There is a big need for a proactive and systematic preparation and follow-up on the part of companies and government alike. Only a sustained effort in some regions and countries can generate durable results.
- The Belgian government should take more attention to foreign delegations coming to NATO and EU and set up an adequate structure enabling companies to be informed in time about these visits.

2. How to be attractive for investments?

- Many factors come into play when a company decides to invest abroad, be it tax regulations, labor regulations, trained work force, logistical capacity,

efficient government and so on. A permanent working group is being created by the federal government and the regions to come up with a balanced strategy to attract investment. Additional measures are urgently needed to make our country competitive to do so in a very difficult international environment. Without summing up the programmes that should be launched, it is fair to say that a few key elements have to be always observed. Clear regulations and a never abiding effort to limit paper work are of course very important. Paramount is a resolve on the part of all the governments involved not to change the rules constantly. Companies need a secure environment to do business. Crucial are the predictability and stability of the legal, tax and regulatory environment.

- To attract investments, we should give priority to the type of company we want: service companies? logistics? high tech?. While every investment has its own merits and should be accepted, the government should at the same time approach potential investments in a much more targeted way and this because of long term interests. A lot more can be done to promote the assets of the country.
- Road shows like the one on notional interest are quite helpful, but need a follow-up. A sustained effort by demonstrating that we continue making the country more attractive is more likely to yield durable results. It is in this regard also important that company treatments are non-discriminatory of nature: foreign and Belgian companies should be eligible to obtain similar benefits under similar circumstances.

3. The right product for the right market?

Companies make product and market choices. But the government has a role to play by elaborating the framework for doing business, leaving business strategy, selection of products and services to the business community. Such a strategy must bring an overall orientation to our economy and thus to our export. Again, the regions will be of crucial importance in this respect.

Focus should be put on companies that have competitive advantages and that have the potential to become leaders in their niche. Those niches where we do have a comparative advantage will have to be developed further for they are the

first in line to find new export markets. More success stories are needed. Companies will have to deliver them. But government must have a strategy, especially regarding R&D funding, tax policy, to encourage the development of a certain type of economy.

4. Do we need an image?

We have an image. Whether we want or not. Perception is sometimes reality.

Interviews with foreign business people show that there is high appreciation for what Belgium has to offer in terms of quality of life and talent. Foreign business people are generally surprised that the Belgian population and their leaders do not seem to value these assets.

Does this influence national economy? One could argue that this does not matter much. Good companies get contracts not because of the country where they are located. But in some cases it helps to be known and trusted as a country. Business opportunities have been missed: the news about political instability gets all the attention in the international press. It is time to focus on our strengths.

This is not a call for nationalism. It is a call to deal more smartly with what we have. The image of a company is defined by the image of its products and services.

It makes no sense to create an image for Belgium if it does not build on the strengths of its parts. We have cities with great international reputations. We have regions that make great efforts to promote their trade in the world. However, the way the cities, regions and the federal authorities are promoting themselves, often leave an impression that they are competing with each other.

Let the whole embrace the success of the parts. The Business Council strongly recommends treating city brands and region brands not as competition, but as part of the brand portfolio.

- The enterprise of building a brand must be a collective one of all institutional levels involved. A consensus is needed. It is useless and even counterproductive to do so against each other.
- The government needs a brand portfolio approach to manage the relationships between city/region/country brands. We recommend installing an “Image Council”, including people responsible for major city brands, region brands and the Belgian brand, charged to work together on a graphic identity that reflects the will to cooperate.
- Positive internationally known brand ambassadors could play an instrumental role in this.

Setting milestones is important in this regard. Knowing that the upcoming Belgian Presidency of EU is a unique opportunity to rebuild our image, a planning should be proposed in order to implement an image building effort in coordination with the regional authorities.

5. How to upgrade our human capital?

As Belgium excels in its high labour productivity, we should focus much more on its key asset, that is, its Human Capital. Substantial economic growth should in the long term be achieved by upgrading and renewing our Human Capital.

Promoting education and research today will create the economic competitive advantages of tomorrow. We are in need of a comprehensive plan to promote ourselves as the intellectual hub of Europe.

A dedicated professional programme office should be installed for the next 5 years to implement an action plan amongst the responsible institutions and to guarantee active monitoring of the performance of the Belgian educational system (see statistics in annexes). Such a programme office should not be constrained by political lifecycles.

Belgium has a well educated, multilingual workforce, but other countries are catching up fast.

- While our schooling systems have a strong theoretical and statistical foundation, they often lack dynamism and are too passive.
- Belgian universities are less recognised abroad.

- There is an average level of public educational spending in Belgium, but offset by very limited private sector investments. Public and private sector do not communicate enough with each other in this regard.
- Internationalisation of Belgian students is not sufficiently pushed from universities and government side. At the same time we fail to recruit talented foreign students and professors from abroad in our Belgian institutions.

We need to re-evaluate the primary/secondary school system as this lays out the fundamentals and the future of our Human Capital. It should definitely start with the upgrade of the teacher's profession and profile. But educational institutions also need to be oriented much more towards creativity, entrepreneurship and science careers. At the academic level, mandatory entrepreneurship courses should be initiated in each faculty. We need to increase awareness of scholarships and awards and develop a framework to closely monitor allocation of means by testing research and education criteria for Belgian universities.

The private sector and educational system need to collaborate closer both on the research and teaching side. Competent governments and education policy makers at large should continue taking the lead in promoting initiatives and incentives, but should be much more actively supported by the private sector. Triggering entrepreneurial spirit should happen as soon as possible as cross-fertilization between the private and public sector can create significant value. Our education ministers and the business community need to engage into dialogue.

- Long term internships should become part of the course program with full credit for final year result.
- Business professionals should be invited as guest lecturers.
- VC funds should be much more linked to universities to create viable spin-offs.
- Facilitating “revolving doors” between higher education and industry to foster talent and intensify research collaboration.

Internationalisation of our students should be reinforced by introducing more (practical) English at university level, particularly at Master and PhD level and by promoting additional foreign languages at secondary level such as Spanish or Chinese. Higher subsidies and tax credit possibilities should yield a higher

participation of our students in international and domestic exchange programmes. At the same time we should be able to attract more foreign PhD students to perform research at Belgian universities and take this as an opportunity to retain top talent. The importance of personal experiences by foreigners should not be underestimated to improve the image of Belgium abroad. Privately/publicly sponsored opportunities, such as the Prince Albert Fund, are welcome.

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