

Europe still vies for US investment

By PETE SWEENEY

THE American Chamber of Commerce to Belgium (AmChamBe), reports that Belgium's relative share of US direct investment in Europe has slipped from 5th place to 10th.

While 2003 has been an exceptionally good year for transatlantic investment, there has also been a "global declining trend of FDI [Foreign Direct Investment] to the EU since 2000", particularly in Belgium, say the authors, Daniel Van Den Bulke and Haiyan Zhang of the University of Antwerp Management School.

While Belgium recorded a surge in US direct investment (USDI) flows from 2001-02, "this expansion seems to have slowed down and even stopped since 2002".

Total employment from US subsidiaries in Belgium has decreased since 1999, according to the survey, with a net loss of more than 4,400 jobs.

Among the 11 sectors of the Belgian economy surveyed, seven recorded job losses, not including the negative effects of the ongoing restructuring of American carmakers in Belgium.

There are exceptions. The Belgian chemical manufacturing sub-sector continues to create jobs and post profits. US subsidiaries in other sectors of the Belgian economy, particularly services, created 4,300 jobs in the same period.

The competition between EU countries to attract such USDI is fierce.

According to *Partners in Prosperity*, a study of the transatlantic investment and trade relationship published earlier this year, "the transatlantic economy is where the markets are, where the jobs are, where the profits are". The report's authors, Joseph Quinlan and Daniel Hamilton of SAIS at Johns Hopkins University, note that in 2003 US investment in Ireland was more than 2.5 times greater than that in China.

"Contrary to common wisdom," they write, "most US and European investments flow to each other, rather than to lower-wage developing nations."

● For every dollar the US invested in India, it invested three in Denmark.

● the flow of commerce between the US and some regions of Europe, such as Baden-Württemberg, Ile-de-France, or south-east England, is greater than that between the US and most countries in the world.

● America enjoys a "million worker surplus" with Europe. European affiliates of US companies employ around 3.2m European workers, while American affiliates of European companies employed more than 4.2m American workers.

Arthur Forbes, who heads the EU office of the Irish Business and Employers' Confederation, says that American cultural affinities with Ireland may be "helpful" when explaining USDI's record-setting 20% share of Irish GDP.

"But investment isn't made out of the goodness of one's heart," he says. In the case of

Belgium, he notes that the Belgian corporate tax rate has improved from 40% to 33%, but Ireland's is at 12.5%.

Similarly, despite clashes over Iraq, 2003 was a good year for Franco-American relations, at least measured by investment, with a 10% increase in US investment in France.

French corporations invested \$4.2 billion (€3.2bn) in the US in the same year, despite publicized clashes over "freedom fries" and cultural exceptionalism.

Alan McGregor, area director for the Benelux and UK regions for the US chemicals company DuPont, says: "Belgium is becoming the most expensive country in Europe in terms of costs. DuPont has very good comparative data."

Particularly problematic, he says, is that Belgium is one of the

few European countries where pay rises are automatically indexed to inflation.

Additionally, increasingly swollen and clogged traffic arteries in Belgium increase the costs of transporting chemicals by lorry.

DuPont is not planning on additional investments in the area. "We're in a holding position," McGregor says. "Future areas of expansion are in eastern Europe. We're expanding in Russia and China." But DuPont is not anxious to reduce its presence in Belgium. "We have \$300m [€230m] invested here and we want to sustain it," McGregor says, pointing to Belgium's strengths, in particular the proliferation of "high calibre technical people, all speaking about four languages".

Caroline Ven of the

Federation of Belgian Enterprises (FEB-VBO) cautions Belgium against undue panic.

"I don't think this is the beginning of a downward evolution," she says. "But we need to be realistic. As the world becomes bigger, it's obvious that the current countries enjoying USDI will lose market share."

"We have emerging markets in eastern Europe that will exert attraction." However, she concurs with McGregor's assessment of Belgian labour costs. "We at FEB see many, many points of improvement, especially regarding wage costs. Belgium has a high proportion of educated workers but we need to have competitive rates." She calls for social security and other labour cost factors to be "lowered drastically".

John Sammis, minister-coun-

sellor for economic affairs at the US Mission to the EU, warns against relying exclusively on one economic metric, such as USDI.

"What matters," he says, "is the absolute performance of the economy."

Belgium has lost ground to Luxembourg and the Netherlands in tax schemes designed to encourage "transshipped" capital flows (such as holding companies and coordination centres), but Sammis questions "where the ultimate beneficiaries of this sort of investment actually are".

The AmChamBe survey agrees, suggesting that while so-called transshipped FDI uses the host country as a platform for capital transfers, its impact on the host economy may be "relatively limited".



VOTING COUPON



VOTING could not be easier – simply fill in the ballot form below and send it to: EV50 Poll, *European Voice*, International Press Centre, Résidence Palace, Rue de la Loi 155, Box 6, 1040 Brussels. Alternatively, you can fax it on 32/2 540 9071, or register your vote online at www.ev50.com. Closing date: Friday, 12 November.

Commissioner of the Year

- Frits Bolkestein
- Pascal Lamy
- Mario Monti
- Günter Verheugen
- António Vitorino

- Noël Forgeard
- Ingvar Kamprad
- Helmut Panke
- Linnar Viik

Journalist of the Year

- Renaud Girard
- Lilli Gruber
- Quentin Peel
- Beppe Severgnini
- Hans-Martin Tillack

MEP of the Year

- Johanna Boogerd-Quaak
- Daniel Cohn Bendit
- Klaus Hänsch/Elmar Brok
- Hans-Gert Pöttering

Achiever of the Year

- Gianna Angelopoulos-Daskalaki
- Tony Blair
- Paul van Buitenen
- Otto Rehhagel
- Nick Witney

Statesman of the Year

- Bertie Ahern
- Joschka Fischer/Jack Straw/Dominique de Villepin
- Mehmet Ali Talat

Non-EU Citizen of the Year

- Lance Armstrong
- Mohammed Dahlan
- Recep Tayyip Erdogan
- Louise Fréchette
- Mikhail Saakashvili

Diplomat of the Year

- Anne Anderson
- Paddy Ashdown
- Michel Barnier
- Christoph Heusgen/Robert Cooper

Visionary of the Year

- Pedro Almodovar
- Francis Crick
- Timothy Garton Ash
- Bronislaw Geremek
- Colin Pillinger

Campaigner of the Year

- Emmanuelle Béart
- Tony Bunyan
- Micheál Martin
- Olli Mattila
- Poul Nyrup Rasmussen

Business Leader of the Year

- Sir John Bond

Choose one name from the above nominees.

NAME

.....

EMAIL ADDRESS

.....

All information will remain strictly confidential