

# Indian Business in Belgium Beyond Being Ornamental

A walk through the streets of Antwerp tells the interesting story of the Palanpuri Jains who have usurped the position that Jewish diamond traders held for over five centuries. A statue of Gandhi was unveiled only recently but many Gujaratis have made Antwerp their home for a long time now. This, mostly Jain, vegetarian community lives in harmony with their Jewish counterparts but have taken over the business from them by sheer hard work and entrepreneurial sense that is so native to them. The change is reflected even in the local restaurants that have moved from kosher to a list of Indian cuisine. Fair enough. Does this stop here? It does not. An Indian educational enterprise comes in establishing a business school, mainly to cater to this community. Does this stop here? No, it only leaps forward. This is how Indian business in Belgium that was ornamental once is growing beyond.

In the recently concluded 13th Economic Joint Commission Meeting (JCM) between India and Belgium-Luxemburg Economic Union (BLUE) on July 1-2, 2013 in Brussels both parties explored the potential for diversification of trade and cooperation in investment, infrastructure including railways and ports, market access issues, diamond sector, higher education, skill development and consular issues. Both agreed to keep the balanced trade between the two to an agreeable €15 billion by 2015.

All this was in the backdrop of a not-so-encouraging performance in the year 2012 where the trade between India and Belgium actually dropped to €12.2 billion in 2012 from €13.35 billion in 2011, registering a significant decline of nine percent. What constituted the optimism if the decline did not affect setting a target of €15 billion for 2015? Though it is encouraging to believe the bilateral agreements between India and Belgium lead to positive trade benefits for both, the depth of Euro-crisis and the recent turbulence in the currency market are no less sinister signs.

## Room for Optimism

The number of Indians in Belgium is as small as 14,000 constituting a very small percentage of the population. However, majority of them have incomes higher than the per capita income of Belgians due to their involvement in diamond business or IT sector.

Room for optimism exists as both India and Belgium are possibly banking on the MoU signed between the National Bank of Belgium and Reserve Bank of India concerning mutual cooperation, in March 2013. This was meant to facilitate sharing of supervisory information and boost investor confidence. It is also believed to contain any adverse effect on the financial stability. However, the debacle of rupee in recent times has come to question any such control and the will to exercise it in an election year in India.

The recent and the third meeting of India-Belgium Joint Committee on Science and Technology in May 2013 agreed to facilitating exchange of information and enhancing of interaction between Belgian and Indian researchers. This opens up another ray of hope in terms of S&T advancements. From launching a Belgian satellite from India in 2001 to signing of MoU between BARC and SCK-SEN in 2012, covering cooperation in management of nuclear waste, geological disposal technique, advance research reactor systems, the relation between the two has worked out well.

Belgium remains the second largest trading partner for India in the EU, and is next only to Germany. However, the major portion, 75 percent of this bilateral trade is still gems and jewellery. If the words of the world-wide marketing director of De Beers are to be believed, the Indian diamond market will double by 2020. Though that creates

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room for more hope, it will not make for a holistic growth and progress in bilateral trade relations until it goes beyond the business of diamonds.

It is interesting to note that apart from gems and jewellery, business relations exist in chemicals, textiles, base metals, mineral products and mechanical appliances. The idea to bring the Belgian expertise in infrastructure like ports and railways must be applauded. Housing the world's fifth largest port, fifth largest freight airport, world's highest density road and rail network makes Belgium an interesting partner in this direction. This can open up exciting developments for investments if the ideas do find the light of the day.

Higher education is also stated to be one of the areas to work together. But it may happen only to the extent of increasing the number of Indian students in Belgian universities rather than having an increased investment in the education sector by Indian organisations. In a Roadshow organised by Flanders Investment and Trade, there was an invitation extended to Indian educational enterprises to invest in Belgium. In view of fixation of a balanced trade target of €15 billion by 2015 between India and Belgium, investment in areas of higher education such as medical and



engineering colleges, deserves to be analysed and examined on priority, providing for a single window clearance system. This will give a boost to diversification in trade and investment. However, the educational regulations in Belgium are not very encouraging in terms of fee fixation or operation in general of an educational enterprise.

There has been a steady increase in the number of students joining Belgian universities. Only last year, around 300 Indian students joined the University of Leuven and are making their presence felt. This increase in the flow of Indian students is due to internationalisation of higher education in Belgium that has more English-taught master program than some other European countries.

If consular issues are taken up seriously, it can create a healthy growth of business. EU needs millions of immigrants to meet its needs



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whereas India continues to enjoy the demographic dividend. Western Europe will lose €380 billion due to shortage of skilled IT staff alone. It is imperative that consular issues are worked out to facilitate easy mobility of skilled human resource in the interest of all.

#### **Bilateral Investment**

Belgium is the 24th largest investor in India and the 10th largest from among the EU. But the FDI inflow from Belgium is a very low percentage of the total inflow. In fact, Indian investment in Belgium is on the rise due to acquisition of Belgian firms by Indians and IT giants from India expanding their base in Belgium and then through it, other parts of Europe. Europe accounts for 25 percent of the total software exports. Though it is encouraging to see companies like TCS, Infosys, HCL and others spreading their base in Belgium, this movement of IT industries from the US to EU is generally due to the slowdown of the American economy. Also, the situation in EU too is not very encouraging. Belgium also has additional complexities like differences in language and culture. IT needs a special mention and a special treatment if the above target has to be realised in the upcoming meetings. The EU summit adopted a Charter on the Global Information Society and drew up an E-Europe-2002 action plan to create and information technology based society earlier. One needs to build on that now.

Presently, more than 85 Indian companies have a presence in Belgium and 160 Belgian companies exist in India. The Belgian government is trying to attract more investment from India through tax-related schemes on employment and training and R&D advantages.





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With many of its initiatives, Belgium has remained among the top ten destinations for foreign direct investment in the world.

Organisations like Videocon, Bhushan Power and Steel, Adani group and Mumbai Port Trust and others have entered Belgium with hope. The Double Taxation Avoidance Agreement, the Bilateral Investment Promotion Agreement (1997) and the Agreement on Economic, Industrial, Scientific and Technological Cooperation (1990) between India and Belgium facilitate these ventures. Problems faced by non-EU banks operating in Belgium needs to be looked into keeping in view the thin capitalisation amendment in 2012 to Belgian Tax code.

#### **SMEs leading the way**

There are approximately 38 SMEs per 1000 inhabitants in Belgium which is close to the EU average of 40. Belgium outperforms the EU average in terms of having a comparatively small interest rate spread between loans up to €1 million and loans above that amount, thereby offering relatively cheap credit also to smaller companies. This provides robustness to the economy though in 2011, there was a discontentment among entrepreneurs with 20 percent of them considering options of moving out of Belgium.

It is time to think if a connect between Indian SMEs and those in Belgium is possible. This can actually enhance cooperation at a different level leading to visible and positive changes. Educational institutions can foster ties between such SMEs as SMEs too seek support from universities in terms of financial management or marketing, or research and development. At present, this may

constitute a very small part of the bilateral trade but can set a trend that is far more sustainable in its implications.

#### **Social Security Agreement**

Agreement on Social Security between Belgium and India remained a roadblock till it was finally signed in 2006 and implemented from September 1, 2009. With that, some of the mobility issues of work forces from both sides were addressed.

#### **The Salient Features of Agreement**

1. The employees of the home country deputed by their employers, on short-term assignment for a pre-determined period of up to 60 months, to the host country need not remit social security contribution in that country
2. Export of pension due under the legislations of one country to the other country, where the member might choose to live, is possible
3. Totalisation of the contribution periods earned while in service in both the countries for the purpose of deciding eligibility to benefits is possible under certain circumstances
4. The employers are saved from making double social security contributions for the same set of employees, thereby enhancing the competitiveness of their products and services

This has made a tremendous change in the way business communities in both the regions perceive each other. We can be optimistic that this gateway to Europe will become an interesting destination for Indian business houses and vice versa.

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