Doing Business in Wallonia

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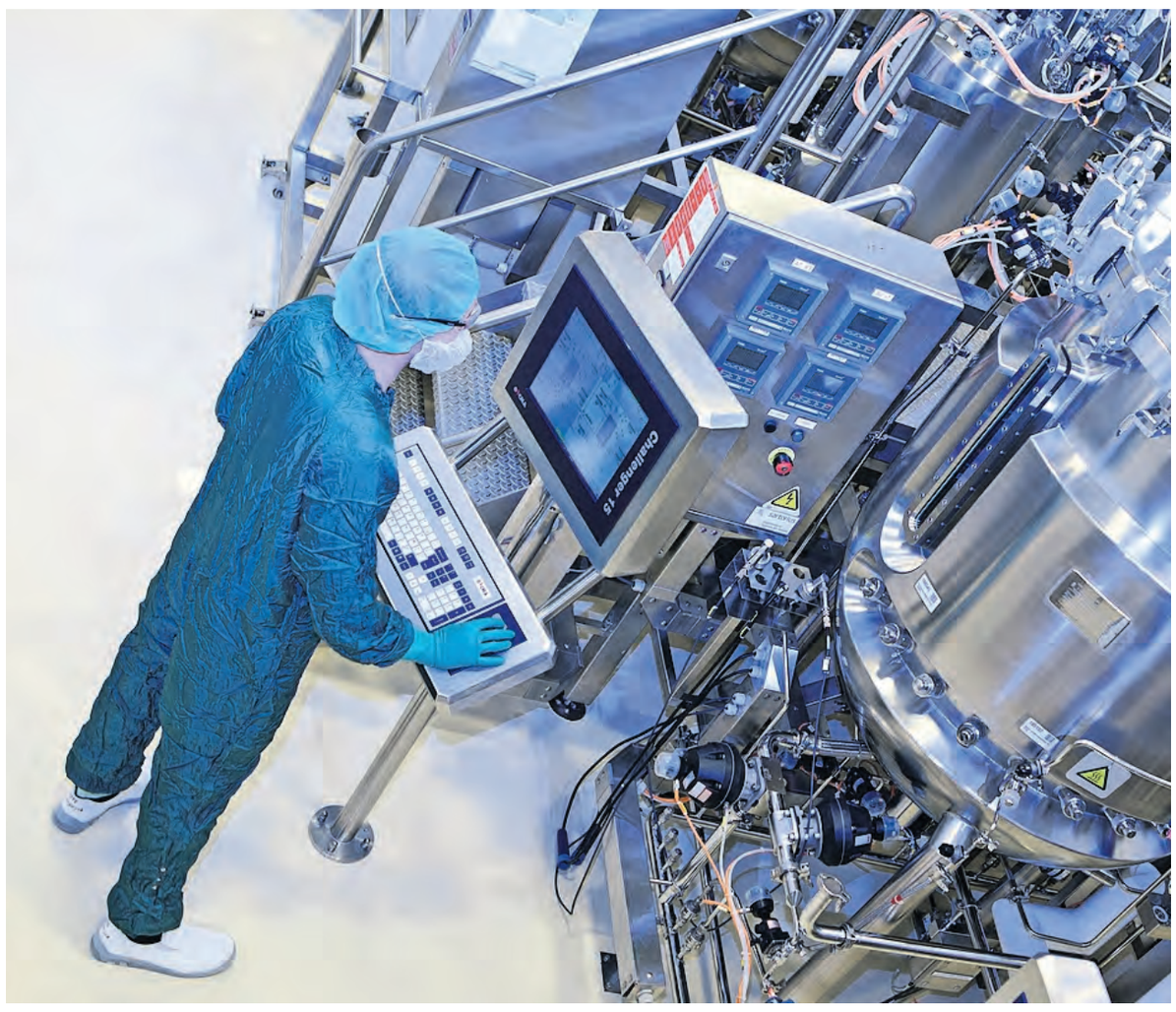
Tough choices for a region desperate to reinvent itself

Duncan Robinson finds a mixed economy, on a diet of bullets and pills that is not entirely healthy



Pharma prize: the industry is the jewel in the region's crown

Wallonia has a knack for both killing and curing people.

Guns and drugs play a surprisingly prominent role in the French-speaking region of Belgium. Pharmaceutical companies such as GSK and the maker of the M4 assault rifle, FN Herstal, call the region home.

In short, Wallonia's economy is quite diverse. But with a diet of bullets and pills, it is not altogether healthy. While growth has picked up at 1.1 per cent for 2015 — roughly in line with the eurozone as a whole — high unemployment and even higher taxes continue to dog the region, which accounts for about a quarter of Belgium's GDP.

These are not new problems. Wallonia grew rich from steel, but since the end of the second world war it has suffered as the bottom fell out of the heavy manufacturing upon which it relied.

Neighbouring Luxembourg transformed itself into a financial hub, while Flanders — the Dutch speaking region of Belgium — became one of the richest parts of Europe thanks to its rapid post-war industrialisation. By contrast, cities in southern Belgium, such as Charleroi, which relied heavily on the region's now defunct coal-mining and steelmaking industries, struggled to adjust.

There is some cause for optimism. Charleroi, for instance, is enjoying a hipster renaissance. A car wash has been converted into an arts and craft market, as a wave of gentrification grips the city. Money is being pumped in — €40m — in a bid to turn the city into a cultural hub.

But it is not all good news. More than one in four people are still unemployed and they cannot all work in a converted car wash. Whether Charleroi remains Europe's Detroit or becomes its new Berlin remains to be seen.

While Charleroi rises, an axe hangs over Liège. Wallonia's biggest city is a crucial hub for logistics giant TNT Express, which has pumped €100m into the site since 2000. But thousands could lose their jobs following the Dutch group's €4.4bn takeover by US rival FedEx. The threat stems not from corporate raiders but from another Belgian city: Brussels. Officials at the European Commission are mulling what demands to make — if any — in order to allow the deal to go ahead. One option would see TNT forced to scrap its Liège hub — taking 2,000 jobs with it.

> '[Tax reform] is a very important step, but it is just a step — there are more steps needed'

More unemployment is the last thing Wallonia needs. Its unemployment rate of 11 per cent is about double the level in neighbouring Flanders — although it is lower than in Brussels, a deeply divided city where one in five are jobless.

As Brussels' woes attest, it is not just Wallonia that suffers from high unemployment in Belgium. In a bid to get the Belgian economy firing again, the federal government earlier this year pushed through a €7.2bn "tax shift" — a fiscally neutral package of tax cuts and tax increases — aimed at making it cheaper to hire people. Marcel Claes, chief executive of Belgium's American Chamber of Commerce, AmCham, says

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Leadership accused of putting the sale of small arms before ethics

Defence

Exporting guns to the Middle East is one of the most contentious issues in Belgian politics, reports *Christian Oliver*

Military favourite: the M4 carbine rifle, an iconic weapon among armies the world over — Getty Images

The longstanding economic importance of gunmaker FN Herstal to Wallonia poses some uncomfortable questions about the region's dependence on small arms sales to the Middle East.

Based in the greater Liège area, FN Herstal is an undisputed giant in the arms market. The FN FAL rifle is an iconic weapon among armies the world over, occupying a status similar to the American M16 and the Russian Kalashnikov.

The company cemented its position as a world leader in 2013 by beating Colt and Remington to an all-important contract to supply the US army with M4 and M4A1 carbines, standard infantry weapons. "FN has always been the motor of the Belgian defence industry," says Nils Duquet, a researcher at the Flemish Peace Institute.

But the question of where 126-year-old FN sells guns is one of the most contentious arguments in Belgian politics. The company is 100 per cent owned by the Walloon government and there has been a long-running debate over how Wallonia is handling what would appear to be a glaring conflict of interest.

To human rights groups, Wallonia is insufficiently critical about the issuance of export licences because of the importance of the arms industry to the region's struggling economy.

"The basis of everything [that Wallonia] has done is about keeping the employment and technology in Belgium," says Mr Duquet.

Wallonia robustly defends its export standards and says it instituted reforms in 2012 to improve governance. But ethical questions about Europe's arms industry have become more complex as western forces face budget cuts. Middle Eastern countries are filling that vacuum, as export data from the Walloon government show. While Walloon companies sold €69m worth of firearms to the US in 2013, Saudi Arabia bought €77m-worth. The United Arab Emirates and Oman were also important buyers, with €15m and €8m of purchases respectively. The Middle Eastern markets are especially sensitive as older Belgian rifles have been photographed in the hands of rebels in Syria and Libya, and campaigners are calling for EU arms makers only to export to certain countries if they receive old weapons in return to stop regional proliferation.

FN Herstal refused to answer questions about its sales or the broader conflict of interest concerning its ownership by Wallonia.

Wallonia's leaders acknowledge they have to walk a difficult tightrope between domestic economic interests and human rights concerns. Wallonia has more than 30 arms companies, employing — directly and indirectly — about 7,600 people. FN is by far the biggest. It has a global workforce of 2,400, with manufacturing operations in the US, UK, Portugal, Finland and Japan.

The debate over whether Wallonia is too lenient in relation to gun exports, meanwhile, has exposed bitter Flemish-Walloon faultlines.

In broad terms, Flemish lawmakers and activist groups have suggested that Wallonia prioritises contracts over ethical concerns. But Walloons say they are simply an easy target because they make more traditional small arms. Flanders, by contrast, specialises in high-tech equipment and components for sectors such as aerospace.

The political maelstrom over Belgium's arms exports exploded in 2002, when the country was split over whether to send a large consignment of FN weapons to Nepal. This deal raised concerns as Nepalese forces were locked in a brutal struggle with Maoist rebels. The government survived a no-confidence vote but a senior minister, Magda Aelvoet, resigned.

Partly as a result of the turmoil over Nepal, export licences became the preserve of regional governments in 2003. In 2009 Wallonia's export criteria leapt back to the top of the national agenda when FN sold weapons to Libyan forces under Colonel Muammer Gaddafi, ostensibly for peacekeeping. In the aftermath of the Libyan scandal, Belgium drew up decrees in 2012 aimed at making weapons export licensing more accountable.

Wallonia says it has instituted "a more modern licensing mechanism guaranteeing the respect of ethical principles while still securing maximum legal security and predictability for Walloon companies active in the defence sector".

However, Jihan Seniora, a researcher with the Brussels-based Group for Research and Information on Peace and Security, says that the Walloon government made a great show of the decree to appear to act. "The practice did not really change," she says.

When asked, Mr Duquet agreed that Wallonia did not seem to be refusing more export licences after the decree. While admitting that 23 per cent of cases in 2013 were sensitive, Wallonia refused only three and granted 1,348. In 2012, it granted 1,361 and rejected 10.

Ms Seniora says Wallonia's grounds for the rejections remained very narrowly defined, such as whether buyers had recently been under embargo, while Flanders often took a broader ethical overview. "In Wallonia, they take an economic approach to the issue."

Flamboyant business pair give life to zoo

Visitor attractions

Pandas and entrepreneurs have become added – and controversial – draws in the region, writes *Alex Barker*

When pandas Hao Hao and Xing Hui were loaned to Belgium it was not just a gesture of friendship from China, but the climax to Wallonia's most eccentric and improbable business bet.

Their arrival last year at Pairi Daiza zoo came little more than two decades after Eric Domb found a dilapidated abbey in the Walloon outback and decided to give up being a lawyer to become a zoo-maker and wildlife impresario.

With no experience of the zoo business, poor public transport links, limited funds, no subsidies, no experience of working in the theme park arena and a mountain of Walloon bureaucracy to overcome, this was a long-shot at best.

It initially went so badly Mr Domb was giving tickets away. Now, some 20 years on — and a few snow leopards, meerkats and elephants later — it has become one of Belgium's top attractions, attracting 1.4m visitors last year and generating €41m.

"I can't tell you if it is a miracle," says Yvan Moreau, finance director of Pairi Daiza. "But our main concern is to be different — people say differentiate or die. And we believe in that."

This is no exaggeration. Mr Domb is a dreamer with a magpie's eye for foreign trinkets. "When Eric travels he comes back with a lot," says Mr Moreau, who laughs as he explains how Pairi Daiza once spent more on investment in one year than its turnover.

The million-plus stones in its Chinese garden were shipped from China. When Mr Domb took a fancy to a particular kind of Indonesian lava, he brought 250 containers worth to pave the paths of Pairi Daiza. A Balinese temple is so authentic that it has been consecrated.

This is not the usual approach of a company listed on the stock market. This is one reason Mr Domb has decided to back a deal to take Pairi Daiza private, buying out minority shareholders with a €23m investment from Marc Coucke, a well known Flemish entrepreneur.

Together the two will become perhaps the most flamboyant pairing in Belgian business. To quell fears over Pairi Daiza turning into a profit centre, the two men have stressed the deal is to protect bold investments that no shareholder would accept.

The Walloon-Fleming double act also brings some closure to some extraordinary Panda-related tensions.

Flemish politicians cried foul when China chose Pairi Daiza for the pandas' loan, saying prime minister Elio Di Rupo had done favours for his home region. Bart De Wever, the pugnacious mayor of Antwerp, made his point by arriving at a gala awards ceremony dressed in a panda costume.

> 'We've established, without subsidies, a profitable zoo in the least touristy place in Belgium'

Pairi Daiza's response was to hit back with claims that Flanders had cosseted its own two zoos — Antwerp and Planckendael — with €100m in questionable state subsidies.

At the time there were threats of a complaint to the European Commission, but Mr Moreau is now keen to avoid another flare-up. "I don't want to start a new battle with Antwerp zoo in the media," he says. "We are in contact with the Flemish region and trying to find a fair solution."

In any event, it is a reminder of how Pairi Daiza has managed to succeed despite the odds.

"We've established, without subsidies, a profitable zoo in the least touristy place in Belgium," Mr Domb has said.

"If that is possible here, anything is possible in Wallonia."

‘Kamikaze coalition’ makes progress against the odds

Politics

Federal government cuts are likely to hit francophones hard, says *Duncan Robinson*

A year ago, a quiet revolution took place in Belgian politics. After five months of talks, a new coalition emerged in October 2014 containing the usual mishmash of Flemish and francophone parties, but with one exception.

For the first time in a quarter of a century the Parti Socialiste (PS), which has historically dominated Walloon politics, would not be part of the federal coalition government.

The knock-on effect for Wallonia was clear: there would be no direct link between the new centre-right federal government in Brussels and Wallonia’s regional government in Namur, which is dominated by the leftwing PS.

In most federal systems, this would be the norm. But Belgium, with its tangled, multi-layered, multilingual politics, has tended to opt for a morass of left and right in its coalitions, nearly always leading to a clear link between its regional and federal governments. The 2014 election severed this umbilical cord for Wallonia while Flanders’ tether remained attached.

The prognosis among commentators was grim. With the cord between two of Belgium’s many governments cut, a year of strife and strikes — whipped up by a spurned socialist party — was expected in the country’s southern region from Mons to Liège.

“Some commentators predicted enormous schisms, with the Walloons trying to block the federal government in any way possible,” says Dave Sinardet, a professor of political science at the Free University of Brussels. But, he says, a relative peace broke out instead.

Both sides are in the process of adjusting, says Paul Magnette, the socialist who heads Wallonia’s regional government. How Brussels and Namur work together “remains complicated in a federal system that’s not fully mature” and there have been teething problems.

“There is some sort of temptation for the federal government to use their power to sort of punish the regions,” he says.

This leaves Wallonia vulnerable. The federal government is dominated by the New Flemish Alliance (NVA), a right-wing Flemish party that wants an increasingly independent Flanders. It also controls the regional government in the Dutch-speaking part of the country. In total, three of the four governing parties are from the Dutch speaking region. “This federal government in fact reflects the Flemish government, so it creates some imbalances,’ says Mr Magnette.

> How Brussels and Namur work together ‘remains complicated’

But sitting atop the government is Charles Michel, the prime minister and a francophone — albeit one who speaks Dutch — who leads the liberal Mouvement Réformateur.

Belgium’s prime minister was blooded in the world of Walloon politics, his path in part eased by being a recognisable face. He is the son — and startling lookalike — of former Belgian foreign minister and European Commissioner Louis Michel. Mr Michel junior emerged as the surprise leader after relatively quick — by Belgian standards — negotiations of just five months.

Joining forces with the NVA was risky for Mr Michel. Critics questioned the legitimacy of a government with only one francophone party. The supposedly poor prospects of Mr Michel’s group led to the tie-up being dubbed the “Kamikaze coalition” by the Belgian press.

But Mr Michel’s government has been able to push through a series of reforms. These included raising the retirement age to 67 and controversial tax reforms — the so-called “tax shift” — which aimed to move the tax burden currently on jobs to other parts of the economy.

There have still been some big clashes between the federal and regional level, not least over the tax reforms, which will reduce Wallonia’s income — because less funding will be sent from federal government to the regions — by at least €250m and perhaps up to €300m, says Mr Magnette. The cuts will hit the Dutch-speaking region, too, but will arguably cause more harm in Wallonia, where the public sector plays a larger role in the economy.

Although Wallonia has powers over everything from energy to agriculture, matters such as taxation are decided by the federal government.

Complaints about the coming cuts have fallen on deaf ears. “We are in a state of complete non co-operation,” says Mr Magnette.

This fiscal blow illustrates a problem faced by both of Belgium’s regional governments. They might be increasingly powerful, but the big decisions are made elsewhere, be it in Brussels or Beijing.

The problems they face are increasingly global in nature, as Carl Devos, a professor of political science at the University of Ghent, points out.

“What [are] the answer[s for] two regional governments, with strong competences in the ancient heart of Europe, facing all the current shifts in international economy?” asks Mr Devos.

“How capable are they [of facing] the future?”

Tough calls for a region desperate to reinvent itself

Continued from page 1

that the move addressed “the key concerns of businesses” looking to invest in Wallonia. Near the top of this list is Belgium’s total tax wedge, which is the highest in Europe, when national and local taxes are included alongside social insurance payments. But Mr Claes cautioned that there was still lots to do: “It is a very important step, but it is just a step — there are more steps needed.”

Economists are confident that the tax shift — which will cut employer contributions for social insurance from 33 per cent of someone’s salary to 25 per cent — will give Wallonia a boost in the long term, but that it will come at the expense of a short-term hit to the finances of the regional government.

Wallonia’s already stretched public finances face a hole of €250m-€300m following the reforms thanks to a decision taken by Belgium’s federal government. “That’s fiscal federalism,” says Paul Magnette, the head of Wallonia’s regional government. “They have the power to change what we call the fiscal base, the taxation of fiscal revenues.”

Tough choices lie ahead, but the Walloon government must become accustomed to doing more with less, especially now that even more powers have been devolved to a regional level. “The regions have more autonomy and so more responsibility,” points out Peter Vanden Houte, ING economist.

Despite commentators’ dire predictions of a year of unrest, the reforms went through without too much struggle. Although strikes have occurred — including the first general strike in two decades in December 2014 — they have been more muted than many expected.

The regional government is trying to do away with its reputation for being tough on businesses. Senior politicians in Wallonia’s staunchly left-of-centre government seem willing to welcome innovative companies such as Uber, the car hailing app — despite criticism of the US group from some in Belgium. Even if Wallonia struggles to attract investment in newer industries, its regional strengths will remain — for good and ill.

Although Wallonia is good at making guns, it has a blemished record when it comes to tracking them. This has political ramifications, too: FN Herstal is completely owned by the Walloon government.

Controversy over exports comes on top of Belgium’s chequered record of gun control, highlighted by a string of Belgian jihadist terror plots over the past 18 months.

By contrast, Wallonia’s pharmaceuticals industry is the jewel in the region’s crown. “It works and it’s a success story which is still not well known,” says Mr Magnette. Despite massive upheaval in the sector, the region’s politicians are confident that Wallonia’s pharma sector is there to stay. Already 18,000 are directly employed by “biotech” industries, with another 40,000 jobs in the region reliant on the sector.

“We have reached a level of what economists call an ecosystem,” says Mr Magnette. “Biotech is becoming the new steel for Wallonia.”

11%
Unemployment rate in Wallonia — about double the level in Flanders

18,000
The number of people directly employed by biotech industries

Battle of the Bulge museum to be a rallying point for tourists

Leisure An €8m project to draw visitors to the region has beaten its targets, writes *Peter Spiegel*

Old guard: Tourists at the Bastogne War Museum in the Ardennes

The small hamlet of Bastogne, which lies in the heart of the vast Ardennes forest near Belgium’s border with Luxembourg, is not a prominent feature on tourist maps.

But 70 years ago, during a winter so cold that southern Belgium has not seen its like since, the town of 15,000 became one of the handful of places — such as Antietam, Iwo Jima and Khe Sanh — to be seared into US military history.

There were certainly more important crossroads as German forces pushed north-west in a last-gasp counter-offensive to retake Antwerp harbour in December 1944, a campaign that became known as the Battle of the Bulge. But a collection of historical coincidences — the week-long encirclement of the 101st Airborne division; its commander’s unceremonious typewritten reply of “Nuts!” to the German demand for surrender; Gen George Patton’s miraculous race across France to break the siege — made it the battle’s most famous fight.

Now, as veterans of the campaign are dying out, local leaders are hoping its legacy — often depicted in film and television, including in the Oscar-winning 1970 film *Patton* and the more recent HBO mini series *Band of Brothers* — will turn Bastogne into a tourist hotspot.

“The idea is to make Bastogne the Belgian centre, the reference centre, for the second world war, as Ypres is for the first world war,” says Coralie Bonnet, a member of the city council and chief aide to Bastogne’s mayor. She has been working on the project for nearly a decade.

According to government statistics, Ypres, the Flemish town synonymous with trench warfare and the first use of chemical weapons in combat, had more than six times the visitors Bastogne attracted last year, the 100th anniversary of the start of the first world war. This is a tale repeated across Belgium, where the thriving chocolate-box Flemish towns of Bruges, Ghent and Antwerp draw the most visitors outside Brussels.

Southern Wallonia has struggled to keep up. Last year, of the 14.6m tourists in Belgium, more than 57 per cent went to Flanders. Only 18 per cent came to Wallonia, the rest visited Brussels.

But Bastogne is doing its best to change that. Last year, it opened the Bastogne War Museum, an €8m project funded largely by EU and Wallonian government grants. The museum — with its irregular angles and low-slung, whitewashed exterior that recalls the snowy cold of the battle — stands in stark contrast to the majestic Mardasson memorial to US soldiers erected just a year after the war’s end.

More important is the inside, which eschews the traditional static displays of most military museums and instead uses the semi-fictionalised tales of four of the siege’s participants, a schoolboy, a bicycle-riding teacher and resistance member, as well as a German and an American soldier, to walk visitors through Nazi occupation, liberation, and the brutal counter-offensive.

For its director, historian and area native Mathieu Billa, the museum has retained the most important artefacts, including Gen Patton’s stars and a uniform worn by Gen Omar Bradley, commander of the allies’ ground operations.

But it has also embraced the museum sector’s move towards interactivity. In one chilly room visitors sit on logs amid towering trees and mist as soldiers retell their experiences. In another, the audience’s seats are café chairs where townspeople have gathered for shelter — this is magically transformed into the cellar when a Luftwaffe bombing raid begins.

> The audience’s seats are magically transformed into a cellar when a bombing raid begins

“With the old museum, the target was more collectors and people who knew the history, but for the new generation, for families, it was hard to understand what the Battle of the Bulge was,” says Mr Billa.

The museum’s original business plan envisaged 100,000 visitors for the first year. By March, the end of its first 12 months in operation, it had received 165,000 and convinced authorities to shell out on expansion plans.

Under a new €8.5m Wallonian government grant won in May, the city will build a hall for temporary exhibits and a research centre, complete with memorabilia being collected by a local foundation from families donating battlefield detritus and other mementos left behind by their grandparents. It will also fund a memorial walk from the town up to the hillside museum, as well as an incubator for tourism start-ups.

Tourism has also paradoxically benefited from recent cutbacks in defence spending, which allowed authorities to convert a partially-shuttered military base — the 101st Airborne’s command headquarters in 1944 — into the Bastogne Barracks museum, complete with the room, barely touched in 70 years, in which Brig Gen Anthony McAuliffe dictated his “nuts” surrender response.

Thus far, about half of the visitors to the Bastogne War Museum have been foreigners — most from neighbouring Netherlands — but almost 25 per cent have been from the US.

Uber may have a warm welcome, if it plays by the rules

Regulation

Priority is to make sure all companies stay within the law, mayor tells *Duncan Robinson* and *Jim Brunsden*

Uber has had a rough time in Belgium since arriving in February 2014.

For the next year-and-a-half, Uber drivers in Brussels were repeatedly attacked by angry taxi drivers, faced fines of up €10,000 from zealous regulators and had their cars impounded.

A protest by the city’s licensed taxis gridlocked the city centre. Meanwhile, the company’s staff were even followed home by aggrieved taxi drivers.

Then, in September, a judge ordered that UberPop — a low-cost service that let part-time drivers ferry people around cities — had to stop. Uber took UberPop off the road in October.

Belgium has, in short, been a difficult market for the San Francisco-based group. Undeterred, however, Uber is heading south.

Despite the setback in Brussels, the app-based car-hailing service has plans to launch services in Wallonia’s picturesque capital Namur and Charleroi, the once thriving but now struggling industrial town in southern Belgium.

Uber is likely to face some of the same problems that it suffered in Brussels as established taxi groups are reluctant to allow the US group to muscle in. But politicians and regulators are indicating that the service may be welcomed provided Uber plays by the rules.

“In Charleroi, the problem emerged well before Uber because of the airport,” says Paul Magnette, Charleroi’s mayor, who also heads Wallonia’s regional government.

Charleroi is home to an airport optimistically called “Brussels South Charleroi”, which underplays the hour-long travel time between the airport and the EU hub. Even though cheap flights from the likes of Ryanair pour into the airport every day, transport links between the airport and Brussels are poor.

Accordingly, long fares to Brussels are a vital and — at €60 per trip — lucrative part of the taxi trade in Charleroi, which Uber would be keen to undertake.

But Uber would not be the first to try to take on the city’s established taxis. Other groups offering unlicensed services have already attempted to do so, says Mr Magnette.

Waiting game: Brussels taxis protest against the Uber car hailing service

“We had a kind of free Uber situation years ago: a black economy of people inventing Uber before Uber, offering those services before Uber, and so on,” says the mayor. “This has been apparent for quite a number of years.”

Mr Magnette says that the priority is to bring alternative services within the scope of regulation. Rather than allow taxis to operate on the black market, regulators must ensure that all cabs are safe, efficient and that companies and owners pay their taxes. “We are working on how to regulate it, but it’s going to happen whatever we do,” says Mr Magnette.

Namur does not have an airport, but it does have something found in nearly all Belgian cities: terrible traffic. Located at the confluence of the Sambre and Meuse rivers in south-east Belgium, the regional capital boasts a handsome citadel and gorgeous valley views. It also suffers from clogged roads, with traffic often snarling up in the city. Taking cars off the road would help.

But making sure aspiring taxi drivers pay their taxes and social security contributions is essential, says Mr Magnette. “The concern for the government is to [allow new companies to operate] but within a legal framework,” explains the charismatic 44-year-old, who has headed the regional government on behalf of the Parti Socialiste (PS) since July 2014.

The relative willingness of PS politicians to consider Uber launching in the region stands in contrast to their role in Brussels, where the socialists have been among the loudest critics of Uber’s practices in the city. This openness comes as Wallonia attempts to shrug off its reputation as being a place where it is difficult to do business.

In a bid to avoid the legal pitfalls that have plagued Uber in Brussels and other cities across Europe, such as Amsterdam, Paris and Milan, there have already been meetings between Uber and Wallonia’s government.

Uber declined to comment for this article beyond confirming that it was still planning to launch operations in Namur and Charleroi, along with other Belgian cities such as Ghent in Flanders.

Wallonia’s transport minister Carlo Di Antonio met with the US group in September in Brussels to talk about its plans. While Walloon politicians are offering a cautious welcome to the car-hailing service, Uber’s reputation for launching first and worrying about local rules later has preceded it.

A spokesperson for Mr Di Antonio says Uber could be an “opportunity” for Wallonia, but only if the cab-hailing app respects “the rules that apply for mobility, transport and social legislation”.

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A nation divided by more than two languages

Regions The decline of heavy industry widened the gap with Flanders, says *Duncan Robinson*

On a map, Belgium looks like one country but is at least two, and arguably three, divided by language, wealth and politics.

French-speaking Wallonia makes up just over half the landmass of Belgium, but only a third of its 11m population. People from Flanders, meanwhile, account for half of the population, with Brussels — the capital, and a region itself — making up the balance.

Other than fundamental matters of state, such as income tax and defence, nearly everything is split on a regional level between the Dutch-speaking north, the French-speaking south and Brussels — a predominantly French-speaking island in a Dutch sea. But what are the main differences between Flanders and Wallonia?

Economy

In blunt terms, Flanders is richer. It contributes about 60 per cent of Belgium's GDP of €530bn and its cities such as Antwerp — home to Europe's third-biggest port — are the beating heart of the country's economy.

This was not always the case. Wallonia was among the first regions in northern Europe to industrialise in the 19th century, with industries such as glass making and coal mining. By contrast, the largely agrarian Flanders fell behind.

But Flanders boomed in the postwar era, attracting much foreign investment. The Walloon economy, meanwhile, collapsed as the region's main heavy industries faltered. Between 1980 and 2010, the number of jobs in manufacturing halved from one in four to just one in 10.

The public sector has picked up some of the slack. Wallonia and Flanders have roughly the same number of people working in the public sector, despite Flanders' much larger population.

Flanders' more open, vibrant economy does have a downside — it is more cyclical. "That means a worldwide slowdown will be felt more rapidly in Flanders," says Peter Vanden Houte, an economist at ING, a financial services group. Wallonia's economy, meanwhile, has more long-term woes.

Unemployment

The collapse of manufacturing cost a lot of jobs in Wallonia. While other industrial cities such as Manchester in the UK and Lille in France have evolved, Liège and Charleroi have struggled.

"Wallonia did have — and still has — trouble converting its economy into more modern industries," says Mr Vanden Houte.

At 11 per cent, unemployment in Wallonia is roughly double what it is in Flanders. More worryingly, 56 per cent of jobseekers in Wallonia are long-term unemployed compared with just a third of Flanders' unemployed, according to the European Commission. The situation is even grimmer in the region's faded industrial cities. In both Liège and Charleroi, one in four are unemployed.

But these figures are at least going in the right direction. Unemployment in Wallonia has fallen by 1 percentage point since August last year, according to Wallonia's statistics agency.

Education

Students from the French-speaking community scored lower in maths, reading and science than their Dutch peers, according to the OECD.

The one small positive result of this performance is that policymakers in the French-speaking regions realise reform is necessary to improve results. Walloon authorities are seen as more open to changing teaching techniques, says one analyst who declined to be quoted as education is politically toxic.

"[Change] is even more difficult in Flanders as they score so well," he says.

Although Wallonia has well-regarded universities in Liège, Mons and Namur, the ones that are at the top of global rankings — such as Leuven and Ghent — are in Flanders.

Reform, however, is not always welcomed by the education sector. Calls by business to incorporate internships into more degrees have been fiercely resisted.

Language

While wealth plays a role, the real divide is linguistic. The majority of people in Belgium speak Dutch as their first language. Nearly 60 per cent of Dutch speakers also speak French, but barely one in five of Belgium's francophone population can speak Dutch.

This carries over into English, crucial for business in Europe. Just over half of Flanders can speak English, compared with under 20 per cent of francophones, according to a recent study. Free language lessons formed part of the Marshall Plan — nicknamed after the US postwar aid programme for Europe — a series of reforms since 2005 aimed at kick-starting Wallonia's economy.

Fractured: Wallonia has struggled to cast off its industrial past — Laurent Giraudou/Alamy

Liège feels threat of FedEx takeover

Mergers and acquisitions

Dark clouds may be on the horizon for the TNT Express cargo centre, reports *Laura Cohn*

TNT Express has helped Belgium become the cargo king of Europe. For nearly two decades, the Dutch express delivery company has poured money into its hub at the civilian airport in Liège, turning the struggling former coal and steel town into one of the biggest air cargo centres on the continent.

After putting an initial €65m into the facility in the late 1990s, TNT has added to its investment every year since, doubling the size of its hub in 2007.

Since 2000 it has invested nearly €100m in the Liège centre. The facility is now 75,000 square metres, and the eighth largest delivery centre in Europe, behind cities such as Paris and Frankfurt. But after two decades of nearly uninterrupted growth, dark clouds lurk on the horizon.

Earlier this year, US giant FedEx announced a €4.4bn takeover of TNT, raising questions as to whether it would keep Liège airport as a European hub. Officially, FedEx and TNT have said Liège would remain a "significant operation" if the European Commission approves the deal.

Asked how Liège would fit with FedEx's plans, a spokesperson said: "We anticipate that all will play an important role in our network. However, the details of how our operations will work together will only be determined as our integration planning progresses."

But industry insiders point out that FedEx has air hubs in Paris and Cologne. The other big players in the European delivery market — Deutsche Post-owned DHL and US delivery company UPS — each have one airport hub, Leipzig in Germany, and Cologne respectively, which many view as essential to running an efficient cargo operation.

The high cost of maintaining an air hub has Belgian officials concerned about what a FedEx/TNT deal might mean for Liège.

Liège, despite its lack of international stature, has an airport that is a convenient, low-traffic facility. Limited passenger traffic means little congestion. In addition, those who operate from the airport get unlimited night flights and generally favourable weather conditions. The roads are also good. Southern Belgium lies in the middle of what logistics experts call the "golden triangle" of Amsterdam, Frankfurt and Paris; the city is just four hours by road from 66 per cent of the European market.

Of the more than 400,000 tonnes of cargo that passed through Liège airport between January and August of this year, TNT accounted for more than half. What is more, of the 3,500 jobs at the airport — just over an hour's drive from Brussels — TNT accounts for almost 2,000.

Officially, FedEx and TNT have said that Liège would remain a 'significant operation'

TNT's hub, which is open seven days a week, sorts 90,000 parcels a night, or roughly 450 tonnes. It connects Liège to 65 European airports, plus others in the Asia Pacific and the US, and it operates about 50 aircraft and 140 trucks and vans a night. For the airport, losing TNT would be like losing more than an appendage, one industry insider quips.

However, Liège has attracted other suitors. UPS tried but failed in early 2013 to buy TNT. Back then, the European Commission said it blocked the proposed €5.2bn deal because it believed the combination would cut the number of package delivery companies to just two or three in certain markets.

This time things could be different. The companies suggested last month that Brussels would clear the deal, saying the Commission had assured them there would be no serious objections.

Blood cell therapy puts the region ahead in biotech race

Science

One business is making a name for itself in a promising area of medicine, writes *Andrew Ward*

A technology called Car-T therapy — which involves re-engineering a patient's disease-fighting white blood cells so that they can detect and destroy tumours — is one of the hottest areas of drug development.

At the forefront of this innovation have been two much-hyped US biotech companies, Juno Therapeutics and Kite Pharma, as well as Novartis, the big Swiss pharmaceuticals company.

But could a much smaller company from the Wallonia region of Belgium end up stealing the show?

Celyad raised $100m in a Nasdaq initial public offering (IPO) in June, with much of the proceeds earmarked for development of the chimeric antigen receptor T-cell (Car-T) therapies that have been creating excitement among scientists and investors.

The company is part of a thriving biotechnology scene in Wallonia, supported by a range of tax breaks and subsidies from a regional government eager to foster new sources of growth in place of declining heavy industries.

The region is hardly alone in trying to become a force in biotech. Neighbouring region Flanders is active in the sector and rival clusters exist across Europe, from Scandinavia and the UK to Switzerland and France, not to mention the US powerhouses of New England and California.

Yet Celyad is helping Wallonia make a name for itself in regenerative medicine, one of the most promising areas of medical science. This involves the repair or replacement of cells, tissues or organs to overcome disease. After years of false dawns, the first cell therapies are nearing market with Celyad and another Walloon company called Bone Therapeutics among the pioneers.

As well as its Car-T cancer programme, Celyad also has a cell therapy for heart disease at a more advanced stage of development.

Results from a phase III study — the final step before seeking regulatory approval — are due by the middle of next year. The company was previously known as Cardio3 in recognition of its focus on cardiovascular disorders, but changed its name after acquiring the cancer assets from Celdara Medical of the US in January.

Thriving: Celyad raised $100m in a Nasdaq initial public offering

Christian Homsy, Celyad chief executive, says the company is as enthusiastic as ever about its heart drug, called C-Cure, but wanted a broader identity. "We do not want to be reliant on just one programme," he says. "We want to build a company to last. In order to do that we need to have a range of assets."

By adding cancer products to its existing strength in heart disease, he says, Celyad is exposed to two of the greatest areas of medical need. Car-T is part of a wider wave of so-called cancer immunotherapies, which aim to harness the immune system to fight tumours. They do this by removing the camouflage that cancer cells use to avoid detection from the body's natural defence system.

> 'We want to build a company to last. In order to do that we need to have a range of assets'

Car-T is an especially sophisticated type of immunotherapy that involves removing T-cells from the patient's body and modifying them in a way that helps them identify cancer. Once reinfused into the blood stream, these Car-T cells are designed to embark on a hunt-and-destroy mission against the disease.

Juno, Kite, Novartis and others have reported data showing some patients treated with Car-T therapy living for months or years longer than would otherwise have been expected.

Celyad's OnCyte product entered its first trials in humans earlier this year, leaving it lagging behind rivals. But Mr Homsy says its focus on acute myeloid leukaemia and multiple myeloma could give it a niche. Moreover, promising animal tests in solid tumours could point to an advantage over other Car-T therapies, whose benefits have so far only been clearly seen in blood cancers.

The Nasdaq IPO was designed to thrust Celyad into the centre of the Car-T race. The fact that the company chose to cross the Atlantic to raise the money highlights the greater depth of capital available to biotech companies in the US compared with Europe.

However, Celyad has kept its Euronext listings in Brussels and Paris and Mr Homsy insists the company remains rooted in Wallonia. "We are still a Belgian company. But we are operating in international markets so want to develop an international business."

Celyad is open to deals with industry partners to help products to market. But Mr Homsy says it wants to stay independent and become the kind of biotech success story Europe has long struggled to create. "We want to build something, we don't want to be acquired."

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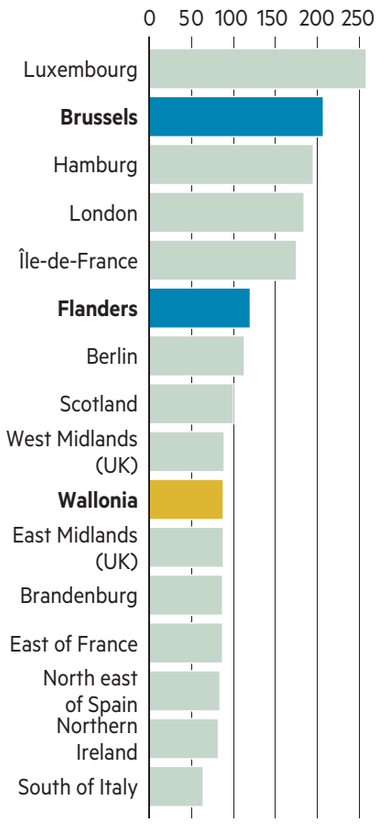
Doing Business in Wallonia

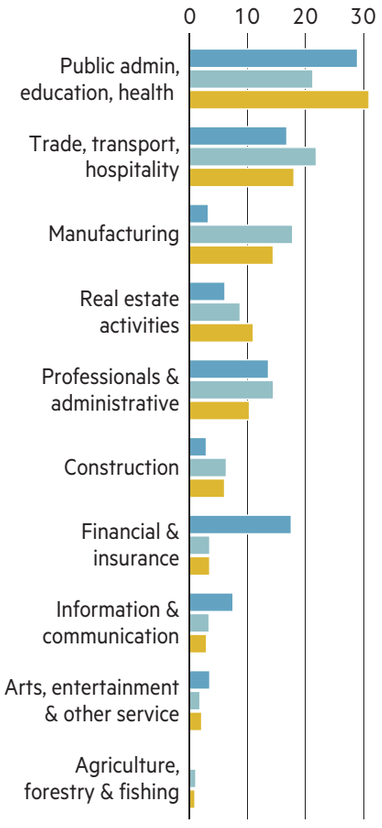
Wallonia in numbers

GDP by region
€bn, 2013

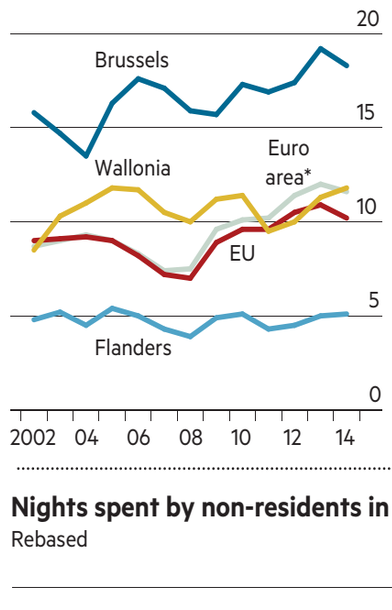
GDP per capita
Purchasing power standards per inhabitant, % of EU average (2013)



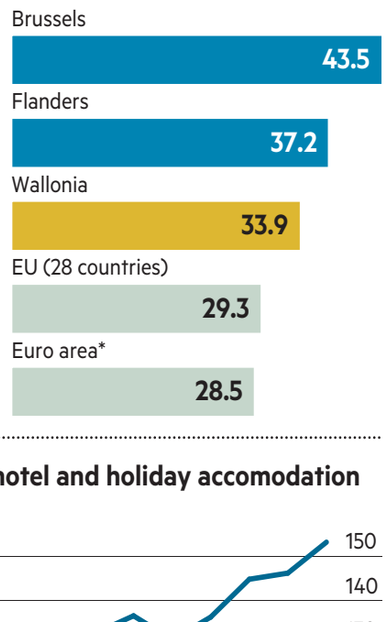
Economic sectors
Gross value added, 2013 (%)



Unemployment rates
Aged 15 years and over (%)



Proportion of population with tertiary education
25-64 years, 2014 (%)



Nights spent by non-residents in hotel and holiday accomodation
Rebased

FT graphic Source: Eurostat * 19 countries

City turns to the arts in its efforts to boost urban reinvention

Charleroi

Mayor says culture can help to drive economic success, reports *Jim Brunsden*

As I set off to explore Charleroi, one of Belgium's youngest cities and one sometimes labelled as northern Europe's answer to Detroit, a friend gave me some helpful advice: "You'll see when you get to the centre, it's just a hole, an enormous hole."

I nodded sagely. It is not an unreasonable way to describe the plight that has befallen Charleroi in recent decades, as its traditional coal mining industry disappeared, steel production suffered and unemployment has risen.

I realised a while later that something had been lost in translation when I stood next to an enormous crater destined to be the location of a shopping mall.

It is one of several large projects that collectively amount to some serious surgery on the city centre. According to the city's 2015-2025 strategic plan, the task is nothing less than to "restore a taste for living, working and having fun in the city for the people of Charleroi".

Away from the construction cranes, there are signs that the city may be beginning to change in other ways — ones that are less superficially striking but which matter in a 21st century economy. The signs are tentative, but Charleroi is starting to get a cooler reputation.

This was explained to me in an arts and crafts market being held in a bright green former car wash. Nicolas Belayew, a 33-year-old graphic designer, and his partner Corinne Clarysse, organisers of the market, are exactly the kind of newcomers — and returnees — that Charleroi is looking for.

They met while they were studying in Brussels and the couple ended up moving to the city, Nicolas's home, when they realised they could afford four times as much space to live in. This gave enough room to set up an art studio.

They are also the founders of the association linked to the market, "6001 is the new 1060", a postcode-based pun on how their quarter is set to become as trendy as St Gilles, one of Brussels' up-and-coming neighbourhoods. "Our starting point is that there are a lot of activities that we like that are lacking here. So when they don't exist, we try to create them," says Mr Belayew. "That seems to be something about Charleroi — this spirit to try things."

Paul Magnette, the city's energetic 44-year-old mayor and the minister-president of Wallonia, says he got a kick out of a recent newspaper article describing the city as "a little Berlin" — an improvement on the Detroit comparison.

He says the acres of space offered by former industrial sites is one reason why artists and musicians from Belgium and northern France have been attracted to Charleroi in recent years.

Ironically, another is the city's "bad reputation". Mr Magnette gives the example of Brooklyn and notes that with the reputation comes the idea that there are "lots of things to discover, lots of energy, and lots of potential".

While it is impossible to say how far an influx on young creative talent can play a role in Charleroi's epic long-term effort to turn its economy around, the city's authorities are taking its potential seriously. A key part of their regeneration plan is to push Charleroi's reputation as a centre of cutting-edge arts.

It already has strong roots in this area. Charleroi is home to Belgium's most important centre of contemporary dance and a municipal art collection of 6,000 pieces, including a number by René Magritte, the surrealist artist, who spent much of his early life in the city.

Pascal Verhulst, cultural attaché in Mr Magnette's team, helps oversee a €40m cultural investment programme. Part of those funds will help convert a former regional branch of the national bank of Belgium into a cinema. Nearby is Le Vecteur, a multipurpose cultural centre painted black-and-white.

Other key locations are L'Ancre theatre, which offers residencies to actors who have just finished their studies, and BPS22, a modern art museum. They are all a short walk away from each other.

One reason for the potential of the creative scene to develop further, Mr Magnette says, is the fact that the centre of town is not that big. "In Montreal they have what they call the artistic quarter . . . to an extent the centre of Charleroi is an artistic quarter itself. We will have a quite impressive concentration of art, culture . . . everything is in walking distance. You have a high concentration that should have a high impact."

> Addressing the 'divorce between social geography and economic geography'

Mr Magnette says the arts have a role to play in addressing a challenge that he describes as a "divorce between social geography and economic geography".

Charleroi had an unemployment rate of 25.9 per cent in August, compared with 16 per cent in Wallonia as a whole. The city has 21,000 jobseekers, 8 per cent of the claimants in Wallonia, the region's statistics office says. The city has about 200,000 inhabitants and under 25 per cent are over 60 years old.

While there are about the same number of jobs in the Charleroi area as there are members of the active population, two-thirds are held by people who live outside the city, he says. And improving the wider cultural scene will help to boost its attractiveness as a place to live.

Energetic: Paul Magnette, Charleroi's mayor

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