

## CBI MARKET SURVEY

## THE CHEMICALS MARKET IN BELGIUM

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**Report summary**

This CBI market survey discusses, amongst others, the following highlights for the market for chemicals in Belgium:

- Belgium is an important chemicals player in the EU and is characterised by a large basic chemical sector.
- Thanks to a growing industrial demand for consumer goods, the demand for chemicals increased by 2.0% annually between 2001 and 2005, to € 25 billion. The production showed strong growth (7.6% annually) between 2000 and 2004, but declined again in 2005. Turnover amounted to € 39 billion in that year. However, the prospects for the future are still unclear.
- Belgium is a strong net exporter of chemicals. Its imports amounted to € 11.1 billion in 2006 and its exports to € 13.0 billion. Both imports and exports have been increasing rapidly during recent years (average annual growth rates of 14% and 7% between 2002 and 2006 respectively).
- Although the import from developing countries is increasing, they still play a minor role on the market for chemicals in Belgium (relative share of Belgian imports of 2% in 2006). It is expected that production processes (especially for easily transportable basic chemicals) will move to developing countries, in order to reduce production costs.

This survey provides exporters of chemicals with sector-specific market information related to gaining access to The Netherlands. By focusing on a specific country, the survey provides additional information, complementary to the more general information and data provided in the CBI market survey covering the EU chemicals market.

As you will notice in this survey, much trend-related information is similar to that for the EU in general. Interview results showed that most of the major trends in individual countries are the same as the ones identified in the CBI market survey covering the EU chemicals market. This is due to the fact that the chemicals market is a very international market. Some countries export more than half of their chemical production. Moreover, the chemicals market is a very mature market, featuring commodities and many complex products which all have their own specific application. As this survey does not allow for the description of all of these individual products and is limited to four product groups<sup>1</sup>, trend information is also mainly limited to those trends which are relevant to the entire chemical industry. Therefore it is recommended that you read this survey together with the CBI market survey covering the EU chemicals market.

That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1. Market description: industrial demand and production****Industrial demand*****Total market size***

- Belgium is a medium-sized consumer of chemicals, accounting for 4.5% of total European industrial demand for chemicals.

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<sup>1</sup> Inorganic chemicals, organic chemicals, dyes & pigments and oleochemicals.

- In 2005, Belgium industrial demand for chemicals amounted to € 25 billion, representing an average annual growth increase of 2% during in the period 2001-2005 (European Chemical Industry Council (CEFIC), 2006).

**Table 1.1 Industrial demand for chemicals in the EU and Belgium, 2001-2005, in € million**

	2001	2003	2005	Average annual growth
EU25	496,581	507,835	564,598	3.3%
Belgium	23,538	23,245	25,435	2.0%

Source: CEFIC (2006)

### ***Trends in industrial demand***

Since the chemical industry is highly involved in other sectors of the economy, several developments have an impact on the demand for chemicals:

- The demand depends on the global economic situation; a growing industrial demand for consumer goods will consequently be reflected in an increased demand for chemicals.
- Demographic developments, such as an ageing population, which are independent from the economic situation, cause changes in the demand for chemicals, especially for pharmaceuticals. It is a fact that people generally use more medicines when they are getting older.
- Global political decisions, for example concerning environmental legislation and taxes, might cause changes in production costs, which will have a major influence on the industrial demand for chemicals.

## **Production**

### ***Total production***

- Belgium is the seventh largest producer of chemicals in the EU, accounting for 6.4% of total EU production.
- In 2005, the turnover of Belgium's chemical industry amounted to € 39 billion, showing a strong decline in production between 2004 and 2005. During the review period, overall production of chemicals in Belgium showed an annual average decrease of only 2%. This was due to a strong annual increase in the period 2001-2004.

### ***Product groups***

The Belgian chemical industry covers various activities and the products range from large commodities to specialised performance and specialty chemicals, as well as high-value pharmaceuticals and pharmaceutical intermediates. The three main chemical sectors in Belgium are the basic chemistry industry (45% of total turnover in 2005), the pharmaceutical industry (17%) and the plastic processing industry (16%). Compared to the EU average of 23%, the pharmaceuticals sector in Belgium is relatively small.

The various sub-sectors show very diverging growth rates, which can be seen in the table below. Many chemical sub-sectors could benefit from a favourable international economic situation. Between 1995 and 2005, the best performing sectors were paints & varnishes, pharmaceuticals and basic chemicals.

**Table 1.2 Share of turnover in 2005 and the annual average turnover growth by sub sector between 1995 and 2005**

Sub sector	Share of turnover in 2005	Increase 1995-2005
basic chemicals	45%	7.0%
pharmaceuticals	17%	8.2%
plastics	16%	3.6%
other consumer products	7%	1.6%
paints and varnishes	5%	9.4%

soaps, detergents, cosmetics	4%	-1.8%
rubber articles	3%	5.0%
various products for industry and agriculture	2%	-7.1%
chemical fibres	1%	-2.2%

Source: facts and figures of the Federation of Belgian Chemical Industries (Fedichem) (2007)

### **Major players**

Belgium has quite a lot of chemical companies within its borders. Many companies are based in the area between Antwerp and the south east of neighbouring country The Netherlands, and in clusters around Antwerp. Antwerp is one of the more important European ports where chemicals come in. As a result, many distributors and traders have operations in Belgium.

Major players are:

- **Solvay:** According to CEFIC (2005) the tenth largest player in the European chemicals industry. It is an international chemical and pharmaceutical group headquartered in Brussels, active in chemicals, plastics, processing and pharmaceuticals. In its chemicals business, Solvay is active in essentials (such as soda ash, barium and strontium carbonates, caustic soda and hydrogen peroxide) and specialties (fluorinated products, hydrogen peroxide, high purity barium and strontium carbonates, caprolactones and refined bicarbonate).
- **Tessenderlo:** involved in the manufacture of bulk chemicals, plastics (PVC) and a number of fine chemicals. Most of their fine chemicals are manufactured at sites in France (Calaire) and Italy. Just over a quarter of the shares in Tessenderlo is owned by the French company SNPE.
- **Omnichem:** involved in the production of synthetic intermediates and bulk actives for the pharmaceutical industry. It is specialised in alkaloids chemistry for the pharmaceutical industry, nitration activities and production of agrochemical specialities. OmniChem is part of the Japanese group Ajinomoto Co. Inc.

### **Trends in production**

- Even though the production of chemicals has increased during recent years, the development of the chemical production for the coming years is unclear. Experts from Fedichem found it difficult to forecast the coming developments, because production depends on many external factors, such as the evolution of the market (the economic situation) and political decisions at the global level.
- In addition, increased competition is expected, especially in the basic chemical sector, which will be further discussed under the heading Opportunities and threats. The relative share of chemicals produced in Europe is decreasing.

### **Opportunities and threats**

The growing demand for chemicals offers increasing opportunities for producers of chemicals in developing countries. There is an opportunity for low-cost countries to compete with Belgian companies, especially for easily transportable basic chemicals, which do not require highly skilled labour. Replacement of production processes towards these countries is favourable for Belgian companies, because it enables production costs to be reduced. Experts mentioned that the amount of Belgian investments in Saudi-Arabia and Asia have increased recently.

A threat to the production of chemicals in developing countries is that transport systems there are not as efficient as in Europe. Internal linkages are of major importance, especially in the petrochemical sector.

According to experts, the relative share of chemicals being produced in Europe is declining, mainly because of high production costs. This is favourable for producers in developing countries.

### Useful sources

- Interesting sources for obtaining information on the industrial demand and production of chemicals are firstly encountered in the CBI market survey covering the EU market.
- Fedichem (Fédération des Industries Chimiques de Belgique) - <http://www.fedichem.be>
- CEFIC (European Chemical Industry Council) - <http://www.cefic.org/factsandfigures>
- The National Statistical Institute of Belgium can also be a source of information - <http://www.statbel.fgov.be>.
- ChemIndustry.com (<http://chemindustry.com/index.html>) is also of interest, for chemical information as well as finding companies in Belgium.

## 2. Trade Channels for market entry

### Trade channels

In general, the same trade channels apply to Belgium as in the rest of the EU. These channels have been described extensively in the CBI survey covering the EU market for chemicals.

Focusing on Belgium, there is a number of routes which lead from a producer of chemicals to the final customer. Open market places are not generally used in the chemical sector. The main distribution channels are distributors, agents and traders. In addition, e-business has become increasingly popular in the chemical industry.

The distributor plays a key role in the chemical sector. Distributors take care of all of the marketing. They search for customers and they are responsible for the logistics. Especially for end-users, who need a lot of different performance chemicals, it is efficient to buy them from one source. Distributors obtain various materials from a variety of different companies and can offer complete packages of all the products that producers need. Although the payment risk is low, the downside is that the producer does not gain customer contact and/or market knowledge, because these 'belong' to the distributor. He also takes part of the added value, so the producer has a lower margin.

Agents sell the product on behalf of the manufacturer. When they have sold a product they pass on the order to the manufacturer, who then supplies the product to the buyer. The manufacturer invoices the client, and pays a commission (pre-arranged percentage of the sales value) to the agent. Most agents will also take care of the logistics (for a fee). A typical problem when working with agents is that the agent is torn between being loyal to his principal (the manufacturer) and his clients.

Traders are only interested in buying and selling products. They never see any product, and sometimes they resell products within the hour. They are normally only interested in larger quantities of material. Their margin per tonne is low and hence they need high volumes to generate sufficient money.

The following overview presents some of the leading companies in the chemical sector in Belgium:

Leading chemical companies	Website
Solvay	<a href="http://www.solvay.com">http://www.solvay.com</a>
Tessenderlo	<a href="http://www.tessenderlo.com">http://www.tessenderlo.com</a>
Omnichem	<a href="http://www.omnichem.be">http://www.omnichem.be</a>

### Trends

E-business is increasingly used by large chemical corporations. The chemical industry is considered among the best suited for e-commerce, because it is fragmented and covers a variety of widely used products; has global reach; and includes multiple companies which, as each others' customers and suppliers, will benefit from being connected. Today, there are

more than 40 third-party sites for buying and selling chemicals, and many more offer-related services, technology, or information.

### Useful sources

Information about distributors in the (chemically) most important countries in Europe can be found at the website of the European Association of Chemical Distributors (<http://www.fecc.org>). The site links providers to the websites of the various national Associations of Distributors. Those sites have lists of their member companies, including details and often links to their individual websites.

E-business marketplaces can be found in the CBI market survey covering the EU market.

## 3. Trade: imports and exports

### Imports

Belgium is a very important player in the EU trade in chemicals, being the leading EU importer and the second largest EU exporter of chemicals. In recent years, total Belgium imports increased by 14% annually, from € 6.5 billion/ 2,247 thousand tonnes in 2002 to € 11.1 billion/ 2,608 thousand tonnes in 2006. The imports consist for 87% of organic chemicals, for 8% of oleo chemicals, for 3% of dyes and pigments and for 2% of inorganic chemicals.

Ireland and the USA remain Belgium's main suppliers, supplying 58% and 12% of Irish imports respectively. Of the established supplying countries, only France (-5%) experienced a considerable decrease in its exports to Belgium.

The import share of developing countries is not substantial, at 2%. However, all the main developing country suppliers are experiencing large annual increases in their exports to Belgium. These countries are China (+23% annually between 2002 and 2006), India (+27%) and Qatar (+820%). The supply from developing countries for all four product groups showed a positive annual growth rate for the period 2002 – 2006.

**Table 2.1 Imports by Belgium and leading suppliers to Belgium, 2002-2006, € billion / share in % of value**

Product	2002 € mln	2006 € mln	Leading suppliers in 2006 (share in %)		Share in Belgian imports
Total chemicals	5,193	9,087	Intra-EU:	Ireland (58), The Netherlands (7), Germany (6).	82%
	1,270	2,018	Extra-EU excl DC:	USA (12), Japan (2), Switzerland (1).	16%
	137	276	DC*:	China (1), India (0.4), Qatar (0.2), South Africa (0.2).	2%
Dyes and pigments	249	233	Intra-EU:	Germany (20), Denmark (11), The Netherlands (11), France (10), UK (9).	68%
	77	110	Extra-EU excl DC:	USA (8), Switzerland (3), Japan (3).	16%
	16	54	DC*:	China (11), India (4), Brazil (1).	16%
Inorganic chemicals	127	145	Intra-EU:	The Netherlands (38), Germany, (17) France (7).	67%
	50	71	Extra-EU excl DC:	USA (8), Israel (1), Japan (1).	11%
	23	47	DC*:	South Africa (11), Peru (5), China (2), Morocco (1), Chile (1), Mexico (1).	22%
Oleo chemicals	742	758	Intra-EU:	Germany (30), France (22), The Netherlands (15), UK (6).	88%
	101	103	Extra-EU excl DC:	USA (9), Switzerland (1), Japan (0.5).	12%
	1	2	DC*:	Brazil (0.1).	0.2%



Product	2002 € mln	2006 € mln	Leading suppliers in 2006 (share in %)		Share in Belgian imports
Organic chemicals	4,075	7,951	Intra-EU:	Ireland (67), The Netherlands (6), Germany (4).	82%
	1,041	1,735	Extra-EU excl DC:	USA (12), Japan (2), Switzerland (1).	16%
	97	174	DC*:	China (1), India (0.4), Qatar (0.3).	2%

Source: Eurostat (2007)

\*Developing Countries

In the period 2002 – 2006, imports of dyes and pigments showed an overall annual increase of only 1%, amounting to € 343 million/ 65 thousand tonnes in 2006. Supplies from developing countries increased by 35% annually. This indicates a growing market share of developing countries in this particular market. Among the other leading suppliers of dyes and pigments to Belgium, imports from the USA showed the sharpest decrease (-12% annually), but imports from the UK (-8%) and The Netherlands (-7%) also decreased considerably.

The share of developing countries is most substantial for inorganic chemicals and dyes and pigments. Between 2002 and 2006, total imports of inorganic chemicals increased by 5% annually, amounting to € 215 million/ 305 thousand tonnes. The importance of developing country suppliers in the inorganic chemical supply is considerable, with an import share of 22% in 2006, mainly contributed by South Africa (11%). Between 2002 and 2006, total imports of inorganic chemicals from developing countries increased by 20% annually. The largest increase can be contributed to Peru (+138% annually). Imports from intra-EU sourcing countries remained stable.

Between 2002 and 2006, the imports of oleo chemicals increased by 1% annually. Imports of organic chemicals increased by 17% annually. Imports of these product groups amounted to € 861 million/ 703 thousand tonnes and € 9,685 million/ 1,535 thousand tonnes respectively. The most important supplier to Belgium of organic chemicals is Ireland (67% of total imports). The leading suppliers of oleo chemicals are Germany (30%) and France (22%). Developing country suppliers play a minor role in the supply of organic chemicals and oleo chemicals to Belgium. The leading developing country suppliers of organic chemicals are China, India and Qatar.

## Exports

Belgium is a net exporter of chemicals, its exports being larger than its imports. Belgium's exports experienced strong and continuous growth from € 9,882 million/ 3,270 thousand tonnes in 2002 to € 13,037 million/ 3,718 thousand tonnes in 2006, an annual increase of 7%. Belgium's most important developing country export markets for chemicals are China, Turkey, South Korea, Brazil and Mexico.

## Opportunities and threats

Belgium is a key EU importer and exporter of chemicals in terms of volume and value. Total imports increased by 14% annually for the period 2002 - 2006, of which a significant contribution came from developing countries. However, developing country suppliers continue to play a minor role, compared to other leading EU countries. Furthermore, it is important to note that Belgium is a net exporter of chemicals.

## Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int>  
Go to: trade statistics.
- Eurostat, the official statistical office of the EU - <http://epp.eurostat.cec.eu.int>  
Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.

## 4. Prices and margins

### Price and margins

In 2004, the industrial producer price index for the chemical industry rose significantly. The price of basic chemicals rose even faster (+12.4%). However, this was not enough to compensate for the higher energy and logistics costs. This increase was the result of sustained high oil prices, especially due to the strong demand from China (Fedichem, 2005).

In addition to the developments in oil prices, prices for chemicals are highly influenced by dynamism in foreign and domestic demand. Unfortunately, no price information was available for chemicals in Belgium in particular. Please refer to the CBI market survey covering the EU, for general information on prices for chemicals.

### Useful sources

- The prices of most commodity chemicals can be found relatively easily. Useful sources are, for example, <http://www.europeanchemicalnews.com> and <http://www.icispricing.com>.
- For information on EU producer prices, consult <http://www.cefic.org>.
- The prices of fine and specialty chemicals are more difficult to obtain. They are not published and can vary widely from one application area to another. Obtaining reliable price information in these segments often requires asking a distributor, or asking a producer for a quotation.

## 5. Market access requirements

As a manufacturer in a developing country preparing to access Belgium, you should be aware of the market access requirements of your trading partners and the Belgian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

### Legislative requirements

Adherence to national legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements which are applicable to your products. For information on legislation for chemicals, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

### Non-legislative requirements

Social, environmental and quality-related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to chemicals, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

### Packaging, marking and labelling

For general information on packaging, refer to the CBI market survey covering the EU market. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.eu/marketinfo>.

### Tariffs and quota

For information on import tariffs, please refer to the CBI market survey covering the EU market.

### Useful sources

- CBI Database – <http://www.cbi.eu/marketinfo>
- Taric Homepage – [http://europa.eu.int/comm/taxation\\_customs/dds/en/tarhome.htm](http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm)
- Directorate General XXI – [http://europa.eu.int/comm/taxation\\_customs/common/publications/info\\_docs/taxation/index\\_en.htm](http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm)

## 6. Business practices

### Selecting a suitable trading partner

Finding a trade partner in Belgium does not particularly deviate from the general EU method as described in the CBI market survey covering the EU market. Belgian importers of chemicals generally have contact with agents and distributors, but not direct contact with companies in developing countries. Searching for new suppliers is mainly done through visiting international trade fairs. There are no major chemical fairs in Belgium. However, for the market segments under review in this survey, there is an important chemical trade fair in Europe: ChemSpec. The ChemSpec exhibition is held in a different European city every year in June. It is organised by DMG World Media of the UK - <http://www.chemspeceurope.com>

### Reaching an agreement with your trade partner

There are no specific terms of trade for chemicals. The general information on marketing, presented in the EU market survey (chapter 14), is also applicable to Belgium and does not differ among the various EU countries.

### Sales promotion

Common practices of trade promotion should not differ considerably from other European countries. Although Belgians are excellent linguistics, it is preferable that export/sales personnel of your company is capable of speaking French, as this will be highly appreciated by many Belgian importers. In general, good care should be taken of existing contacts, by applying prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Exporters should realise that the Internet is an important medium. A number of users/traders of chemicals stated that they use the Internet in order to find new suppliers.

Visiting or even participating in a trade fair can be an efficient tool for communicating with prospective customers. It can also be a valuable source of information on market developments, production techniques and interesting varieties. However, no **Trade Fairs** of interest take place in Belgium. Major trade fairs in the EU can be found in the CBI Market Survey 'The chemicals market in the EU'.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI, and branch organisations focusing on the sectors of chemicals.

A **trade association** which could be of interest is **Chambre Belge du commerce chimique**: <http://www.fedichem.be>

### Trade press

- No trade press of interest has been encountered in Belgium.



This survey was compiled for CBI by ProFound – Advisers in Development  
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