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LUXEMBOURG AMCHAM REPORT
Q4 2013

The Transatlantic Trade & Investment Partnership: **Impact & Benefits**

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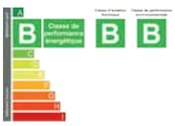

B IMMOBILIER
contact@b-immobilier.lu
www.b-immobilier.lu

44 rue de Vianden
L-2680 Luxembourg
T 26 44 13 88

7 rue du Marché
L-9260 Diekirch
T 26 81 13 99

B IMMOBILIER
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LUXEMBOURG AMCHAM REPORT

Q4 2013

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The American Chamber of Commerce in Luxembourg a.s.b.l. is an international voluntary organization of business persons committed to promoting English-speaking networking opportunities and business relations in the Grand Duchy.

Chairman and CEO
Paul-Michael Schonenberg

Communications Director
Natalie Gerhardstein - gerhardstein@amcham.lu

General Information
Dilek Ayaydin - ayaydin@amcham.lu

Editorial Committee
Natalie Gerhardstein
Paul-Michael Schonenberg

Layout Conception
Art & Wise Creative Studio - www.artandwise.lu

Printer
Imprimerie Faber - www.faber.lu

American Chamber of Commerce in Luxembourg
6, rue Antoine de Saint-Exupéry - L-1432 Luxembourg
Phone : (+352) 43 17 56 - Fax : (+352) 26 09 47 04

www.amcham.lu

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AMMC Law - Avocats à la Cour
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UPCOMING EVENTS:

A WORD From the Chairman

Dear AMCHAM Members and Friends,

Welcome to the Q4 holiday season issue of the AMCHAM news magazine, connexion. We have had a great autumn season with many successes and interesting events, strong membership growth and further strengthening of our relations with the key government ministries. Now that the political system is starting to settle down following the elections for the Chamber of Deputies, we hope that it will be possible to make progress strengthening the business attractiveness of Luxembourg to the international companies already here and for those we hope will be motivated to come as the European economy continues to strengthen and as we (hopefully!) make progress on the Transatlantic Trade & Investment Partnership (TTIP) as announced by President Obama earlier this year.

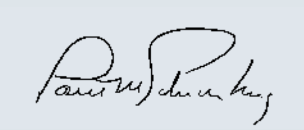
We believe this TTIP can be just what the economy of Luxembourg badly needs to return to stronger economic circumstances. Therefore we have been putting (and will continue to put) much effort into explaining and promoting the TTIP within Luxembourg and finding solutions for the issues which could discourage companies from coming to Luxembourg after the TTIP is agreed upon, signed into law and implemented. Please read our Special Feature in this issue (page 10) for more information.

At this time of year, our thoughts turn to giving thanks for our successes and good fortune. We are lucky to live and work here in Luxembourg. This is a great place to make profits, live and raise a family. We thank the government and people for the warmth of their hospitality and welcome.

At AMCHAM, we give thanks to you, our members, for giving us the support we need so we can try to make a contribution to make Luxembourg more expat-friendly and an even better place for foreigners to live, work and be successful. If you like what we are doing, we encourage you to introduce us to your friends so we can invite them to become part of our family as well. We are only as strong as our membership—and with so much to do, more members are both appreciated and most welcome!

On behalf of the entire AMCHAM family, we wish you and your loved ones a very happy holiday season and a 2014 new year filled with success, good health, personal growth and more!

With respect and
my best regards,



Paul Michael Schonenberg
Chairman and CEO

Corporate

Catalyst Recovery Europe/Porocel

Representative: Jean Firre
Title: General Manager
420, rte de Longwy
L-4832 Rodange
Tel.: (+352) 50 24 54 218
Fax: (+352) 50 29 96
Email: jfirre@porocel.com
www.porocel.com

Catalyst Recovery Europe S.A. (CRE), a subsidiary of the Porocel group, is located in the Pôle Européen de Développement in Rodange with its head office in Cincinnati (U.S.). Founded in 1978, the company employs 54 people and specializes in the regeneration and pre-sulphurization catalysts for refineries and petrochemical plants across Europe. CRE set up an environmental management system (EMS) ISO 14001 and quality system ISO-9001 and has upgraded its EMS in an IMS (Integrated Management System) covering the requirements of quality/environmental standards. The Rodange site is listed as a high-threshold Seveso, which is why it's continuously working with experts in prevention and the competent authorities to control associated risks.

Caves Bernard-Massard S.A.

Representative: Hubert Clasen
Title: CEO
B.P. 13
L-6701 Grevenmacher
Tel.: (+352) 75 05 45 1
Fax: (+352) 75 06 06
Email: info@bernard-massard.lu
www.bernard-massard.lu

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Ikano SA

Representative: Rebecca Guillaume
Title: PA to Group CEO, Vice President & CFO
1, rue Nicolas Welter
L-2740 Luxembourg
Tel.: (+352) 26 44 22 248
Email: rebecca.guillaume@ikano.lu
www.ikanogroup.com

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Morgan Philips Executive Search

Representative: Rémi Fouilloy
Title: Managing Partner
34A, rue Philippe II
L-2340 Luxembourg
Tel.: (+352) 27 12 53 30 30
Fax: (+352) 27 12 53 30 90
Email: rfouilloy@morganphilips.com
www.morganphilips.lu

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Roamsys

Representative: Thorsten Kläs
Title: CFO
6, rue des Roses
L-6647 Wasserbillig
Tel.: (+352) 26 74 00 20
Fax: (+352) 26 74 05 40
Email: thorsten@roamsys.com
www.roamsys.com

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RSM FHG & Associés

Representative: Laurent Heiliger
Title: Managing Partner
6, rue Adolphe
L-1116 Luxembourg
Tel.: (+352) 26 97 97 1
Fax: (+352) 26 97 97 34 60
Email: laurent.heiliger@rsm.lu
www.rsm.lu

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Small Business

IBS

Representative: Bert Schotanus
Title: Senior Client Advisor
18-20, rue Edward Steichen
L-2540 Luxembourg
Tel.: (+352) 621 189 253
Email: bert.schotanus@ibscm.lu
www.ibscm.lu

New York Wines S.à r.l.

Representative: Christian Claessens
Title: President
4, rue d'Arlon
L-8399 Windhof
Tel.: (+352) 621 130 251
Email: christian@newyorkwines.eu
www.newyorkwines.eu

PROMIS@Service S.à r.l.

Representative: Dr. Caterina Berbenni-Rehm
Title: Founder & CEO
21, rue de Nassau
L-2213 Luxembourg
Tel.: (+352) 27 35 10 1
Fax: (+352) 27 35 10 28
Email: crehm@promisatservice.eu
www.promis.eu

SAXO.com S.à r.l.

Representative: Christian Nyhus Andreasen
Title: Digital Director, General Manager
14, rue Aldringen
L-1118 Luxembourg
Tel.: (+352) 621 200 566
Email: chny@saxo.com
www.saxo.com

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The Transatlantic Trade & Investment Partnership: Impact & Benefits

Does a Transatlantic Trade and Investment Partnership (TTIP) make sense for Luxembourg? And what do we have to do to ensure success for the Luxembourg economy?

In his 2013 State of the Union address following his re-election as U.S. President, Barack Obama announced that a Transatlantic Trade and Investment initiative between Europe and the United States was an important economic agenda during his second term as U.S. President. This feature will explain the goal of the TTIP and the reasons for it, as well as assess the potential, both for good and bad, for the Luxembourg economy and explain what needs to be done to ensure Luxembourg prospers through this agreement.

Independent Study Outlines Benefits of EU-U.S. Trade Agreement

An in-depth study by the Centre for Economic Policy Research, London, on the potential effects of the EU-U.S. Transatlantic Trade and Investment Partnership has been released today. It takes a detailed look at current transatlantic trade and investment flows and existing barriers to these, and then uses economic modeling to estimate the potential impact of different policy scenarios. The study highlights the huge gains to be made from liberalizing EU-U.S. trade, not just for the two trading blocs, but also for the global economy. The study was commissioned by the European Commission's Directorate General for Trade. This memo summarizes the study's key findings.

Overall Economic Gains

- An ambitious and comprehensive transatlantic trade and investment partnership could bring significant economic gains as a whole for the EU (119 billion EUR a year) and the U.S. (95 billion EUR a year) once the agreement is fully implemented. This translates on average to an extra 545 EUR in disposable income each year for a family of four in the EU.
- The benefits for the EU and the U.S. would not be at the expense of the rest of the world. On the contrary, liberalizing trade between the EU and the U.S. would have a positive impact on worldwide trade and income, increasing GDP in the rest of the world by almost 100 billion EUR. To the extent that the EU and the U.S. can work together towards better trade rules and less regulatory divergence in the future, some of the reductions achieved in the cost of doing trade will also benefit other partners. The economic importance of the EU and the U.S. will mean that their partners will also have an incentive to move towards the new transatlantic standards. This has the potential to spread gains across the global economy, which is increasingly interdependent especially given the ever greater complexity of global value chains.
- Income gains are a result of increased trade. EU exports to the U.S. would go up by 28%, equivalent to an additional 187 billion EUR worth of exports of EU goods and services. EU and U.S. trade with the rest of the world would also increase by over 33 billion EUR. Overall, the extra bilateral trade between the two blocs, together with their increased trade with other partners, would represent a rise in total EU exports of 6% and of 8% in U.S. exports. This would mean an additional 220 billion EUR and 240 billion EUR worth of sales of goods and services for EU and U.S.-based producers, respectively.

Sectoral Benefits

- EU exports would increase in almost all sectors, but the boost in sales to the rest of the world would be particularly significant in metal products (+12%), processed foods (+9%), chemicals (+9%), other manufactured goods (+6 %) and other transport equipment (+6%).
- But by far the biggest relative increase in trade would take place in the motor vehicles sector. In this sector, EU exports to the rest of the world are expected to go up by nearly 42% and imports to expand by 43%. The growth in bilateral trade is even more impressive: EU exports of motor vehicles to the U.S. are expected to increase by 149%. This partly reflects the importance of two-way trade in parts and components and the further integration of the two industries across the Atlantic. This increase in trade in motor vehicles is also accompanied by an expansion in the sector's output (+1.5%) in the EU.
- The increase in exports and output that would be found (in different degrees) in almost all sectors reflects the big liberalization effort that the agreement would imply. Unsurprisingly, the car sector, being characterized by an initial combination of high tariffs and high non-tariff barriers, such as different safety standards, is one that would benefit the most.

Reducing Non-tariff Barriers

- Reducing non-tariff barriers, so-called "behind-the-border" barriers, will have to be the key part of transatlantic trade liberalization. As much as 80% of the total potential gains come from cutting costs imposed by bureaucracy and regulations, as well as from liberalizing trade in services and public procurement.

Labor Market

- The increased level of economic activity and productivity gains created by the agreement will benefit the EU and U.S. labor markets, both in terms of overall wages and new job opportunities for high- and low-skilled workers.

Sustainable Development

- The agreement would have negligible effects on CO_2 emissions and on the sustainable use of natural resources.

The Current EU-U.S. Trade Relationship in a Nutshell

- Total bilateral trade in goods between the EU and U.S. in 2011 amounted to 455 billion EUR, with a positive balance for the EU of just over 72 billion EUR. The U.S. was the EU's third largest supplier, selling it 192 billion EUR of goods (representing around 11% of total EU imports) and the EU's main export market, buying 264 billion EUR of EU goods (representing around 17% of total EU exports).
- The average monthly value of the EU's trade in goods with the U.S. is around 38 million EUR, only slightly less than its total annual trade in goods with Taiwan (40 billion EUR in 2011), the EU's 20th largest trade partner.
- Top sectors for trade in goods for the EU were machinery and transport equipment (some 71 billion EUR of imports and 104 billion EUR of exports), followed by chemicals (roughly 41 billion EUR of imports and 62 billion EUR of exports).
- In 2011 trade in commercial services was worth 282.3 billion EUR (according to the latest available figures from Eurostat) with a positive balance for the EU of 5.5 billion EUR. The U.S. was the EU's top partner for trade in commercial services, with its imports reaching 138.4 billion EUR (around 29% of total EU imports) and its exports 143.9 billion EUR (around 24% of total EU exports).
- In total, the commercial exchanges of goods and services across the Atlantic average almost 2 billion EUR per day.
- In 2008 around 5 million jobs across the EU were supported by exports of goods and services to the U.S. market.
- These trade flows are complemented and supported by a very dynamic investment climate and activity. In 2011, U.S. companies invested around 150 billion EUR in the EU and EU firms some 123 billion EUR in the U.S. In the same year, the U.S. stock of investments in the EU reached over 1.3 trillion EUR and the total of EU stock of investments in US over 1.4 trillion EUR.

For further information

"Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment",
Centre for Economic Policy Research, London

http://trade.ec.europa.eu/doclib/html/150737.htm
(full study)

http://trade.ec.europa.eu/doclib/html/150738.htm
(annex)

EU-US Trade relations

http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/united-states/

What is the potential impact on Luxembourg?

By Paul Michael Schonenberg, AMCHAM

Luxembourg can be a very strong net beneficiary of a TTIP agreement for several reasons. Most importantly, the Luxembourg and U.S. economies are essentially asymmetrical, with Luxembourg goods and services largely not in any serious competition with American goods and services for reasons of either cost advantage to Luxembourg and/or for quality and reputational standards. For example, it makes no sense for American manufacturers to try to compete with Luxembourgish beers or Luxlait milk products because of the transportation costs. Luxembourg wine manufacturers likewise have gone up market to establish a quality niche which will be unaffected by competition for Californian wines. Luxembourg specialty car components are already appreciated by American automotive manufacturers for their very high quality and stand to further benefit as tariff reductions make them even more attractive for American automotive manufacturers to use. Cargolux and SES are globally very strong and, therefore, immune to any negative consequences of a TTIP, with the up side that Boeing aircraft for Cargolux, as preferred by Cargolux, will be less expensive to buy, and there will likely be more transatlantic business for Cargolux to undertake.

The Luxembourg funds industry supports local and international markets and already has a large U.S. presence in Luxembourg, so this sector will be immune to negative impact and may even grow as well. The Goodyear tire plant here in Luxembourg makes the best security standard tires in the world, and these are the tires used on the U.S. presidential limousine.

Finally, ArcelorMittal makes the best specialty steel on the planet, and this steel is so well appreciated it is the preferred steel for construction of skyscraper buildings in the U.S. and around the world. The new 9/11 memorial erected at One World Trade Center is but one good example of a preferred ArcelorMittal steel user.

In addition to Luxembourg manufactured products and services being largely immune from any negative impact as a result of the TTIP, Luxembourg stands to potentially benefit as a result of growth in the services and logistics sectors as well. In addition to potential growth of Cargolux volume to and from the U.S., Luxembourg can benefit either directly or indirectly from increased logistics activities (which have already been targeted as a potential growth area by the Luxembourg government) between the U.S. and Europe.

But the big prize is the potential for Luxembourg to be the host country of choice for American companies looking for European headquarters to locate themselves to become more involved in the European marketplace. While some U.S. companies will gravitate to the UK and Ireland because of the linguistic commonality, those countries are on the edge of Europe (you can't drive from Glasgow to Paris or from Manchester to Frankfurt with the same ease and convenience as you can from Luxembourg).

Right now U.S. companies are not especially looking at Europe to make new investments. The banking crisis and public default possibilities in Greece, Italy, and Spain have made for economic uncertainty and hence discouraged investment. But a TTIP would be viewed by U.S. businesses as a game changer; an opportunity to make profits; a chance to get access to 500 million consumers, all with per capita incomes higher than their Chinese and Indian counterparts. So, with a TTIP, U.S. companies will look for a European headquarters to serve the European markets. We at AMCHAM believe and want for Luxembourg to be the place that these companies choose. We are the perfect multicultural, multilingual location to service all of Europe. We have a business-friendly government that will treat these international companies fairly and give them support in Brussels at the EU level. We have comparatively lower taxes for companies and individuals, and we offer an excellent safety and quality of life environment for expats and their families.

Indeed, there are only a few things we need to fix urgently to ensure our attractiveness: a faster and more transparent work permit approval regime; an English language, full baccalaureate public school program; some simplification of government approvals; strong control of public finances to prevent further deficits without raising taxes on firms or individuals; and some improvements in the IP regulations.

We can do this—and we must. There is no other plan to return our economy to full prosperity. Just think of the beneficial impact of 300-400 American companies, each hiring 40-100 employees here in Luxembourg. Just think of the impact on the economy both in the short- and long-term. The U.S. Chamber of Commerce has hundreds of thousands of members worldwide, so we can do this.

So, what is the plan?

AMCHAM has offered to support the government to fix the things that need to be fixed to ensure Luxembourg's attractiveness, as outlined in our letter to the Prime Minister last year and as discussed with his principle ministers during the recent past months. We hope there will be a TTIP agreement ready for EU/U.S. approval and signature during the Luxembourg EU presidency in 2015. If this can be quickly passed into Luxembourg national legislation, we gain first mover advantage compared to other EU countries. Then we need to smartly market Luxembourg to U.S. companies based (hopefully!) on having fixed the few things that need to be fixed. We at AMCHAM will help Luxembourg do this marketing successfully if the government will invite us to join their efforts.

Together we can do this! Together we can make a difference. Together we can secure a brighter future for ourselves and the generation to come. Please give us your support to ensure this future success. We need to convince your friends and the new Chamber of Deputies members. We need to convince the local syndicates that they and their members will benefit. We need to convince the citizens of Luxembourg that this is the best plan to ensure their future well-being. Partner with us to make this happen. Join us—together we can!

The Strength of Luxembourg's ICT Sector

Source: Luxembourg Trade & Investment Office, San Francisco

In September, AMCHAM Luxembourg, together with APSI and PwC Luxembourg, collaborated on an event titled "The U.S. and Luxembourg ICT Sectors: Perspectives and Synergies." Georges Schmit, Executive Director of the Luxembourg Trade & Investment Office in San Francisco, outlined key strengths in Luxembourg's ICT sector that attract American companies to Luxembourg as a top destination for business in Europe.

Georges Schmit *Photo: Peter Huang*

ICT is one of the seven verticals listed in Luxembourg's diversification policy (finance, logistics, materials, automotive, ICT, healthtech, and cleantech). It is the mission of the Trade & Investment Offices around the world to promote Luxembourg as an ICT location. Many U.S. companies first look to the UK or Ireland to establish their European headquarters because of their English speaking language, but more and more companies are starting to realize the importance of a having a centralized and accessible location in mainland Europe.

Due to its strengths, Luxembourg has been able to attract international key players such as Skype, Amazon, eBay, Paypal, Kabam, Netflix, etc. These strengths include commercial neutrality, a central and politically stable location in the heart of Europe as well as easy accessibility to Luxembourg's government and key decision makers. Its multilingual, highly-skilled workforce speeds up product localization.

Its tax-friendly and legal environment is particularly interesting to tech companies. As the VAT rate on digital goods (streaming and downloads of music, movies, games, software, etc.) in the EU is based on the country of distribution and not the country of consumption, Luxembourg's VAT rate of 15% is one of the lowest in the EU.

Luxembourg is also an attractive IP destination. It was the first country to adopt a regulatory framework for e-commerce and the first European country with a national public key infrastructure, providing online certification both for e-government application and for the private sector (e-banking, e-commerce, etc.). A safe IP environment was created by implementing EU directives, as well as international agreements and treaties. In 2008, Luxembourg instituted an innovative legal IP regime which creates an attractive legal framework for IP portfolio management in Luxembourg.

Today, Luxembourg's position within the ICT sector has risen significantly on a global level. This year the International Telecommunications Union (ITU) ranked Luxembourg in the top 10 for ICT development worldwide in its "Measuring Information Society" report and fifth in the world, according to the 2013 International Property Rights Index.

Luxembourg boasts one of the best data center parks in Europe, with over 20 data centers (ebrc, Telindus, etc.) that offer a full range of data processing services at high-quality levels. The majority of data centers are recent constructions and offer Tier IV or Tier III service level, operating at very high security standards driven by the security needs of the financial sector.

Luxembourg's low latency and efficient data connectivity to major EU markets and state-of-the-art infrastructure provides seamless gaming connectivity to international gaming companies such as Live Gamer, Big Fish and Zynga to its European customers.

In order to keep up with the rapid changes in technology, government agencies and business delegations from Luxembourg regularly visit San Francisco and Silicon Valley, the most thriving and innovative tech region in the world. These visits spur ideas, projects, and partnerships within Luxembourg's ICT sector and has created a rapidly growing ecosystem through the development of incubators/accelerators (Technoport, PwC Accelerator, The Impactory); events (ICT Spring, Startup Weekend); and programs such as Europe4Startups, a free one-year program offered to help international startups boost their business in Luxembourg.

In 2011, the Luxembourg Ministry of the Economy and Foreign Trade established a partnership with the Plug & Play Tech Center, a three-month accelerator program in Silicon Valley for young innovative technology-based startups from Luxembourg, interested in entering the American market. A few Luxembourg startups have already completed the program and the experience they have gained has been invaluable. These types of exchanges are necessary for Luxembourg's ICT sector with continual growth occurring in both directions.

In order to stay ahead of the game, Luxembourg needs to create a more engaging ecosystem by further integrating international and local IT-business communities through the collaboration of industry events and conferences that will put Luxembourg on the map. Developing and multiplying centers of excellence in academia and the private sector that tap into technology will keep innovation thriving in Luxembourg. It will create an ongoing entrepreneurial spirit giving us a competitive edge within the ICT industry and in Europe.

For photos from this event, see page 26.


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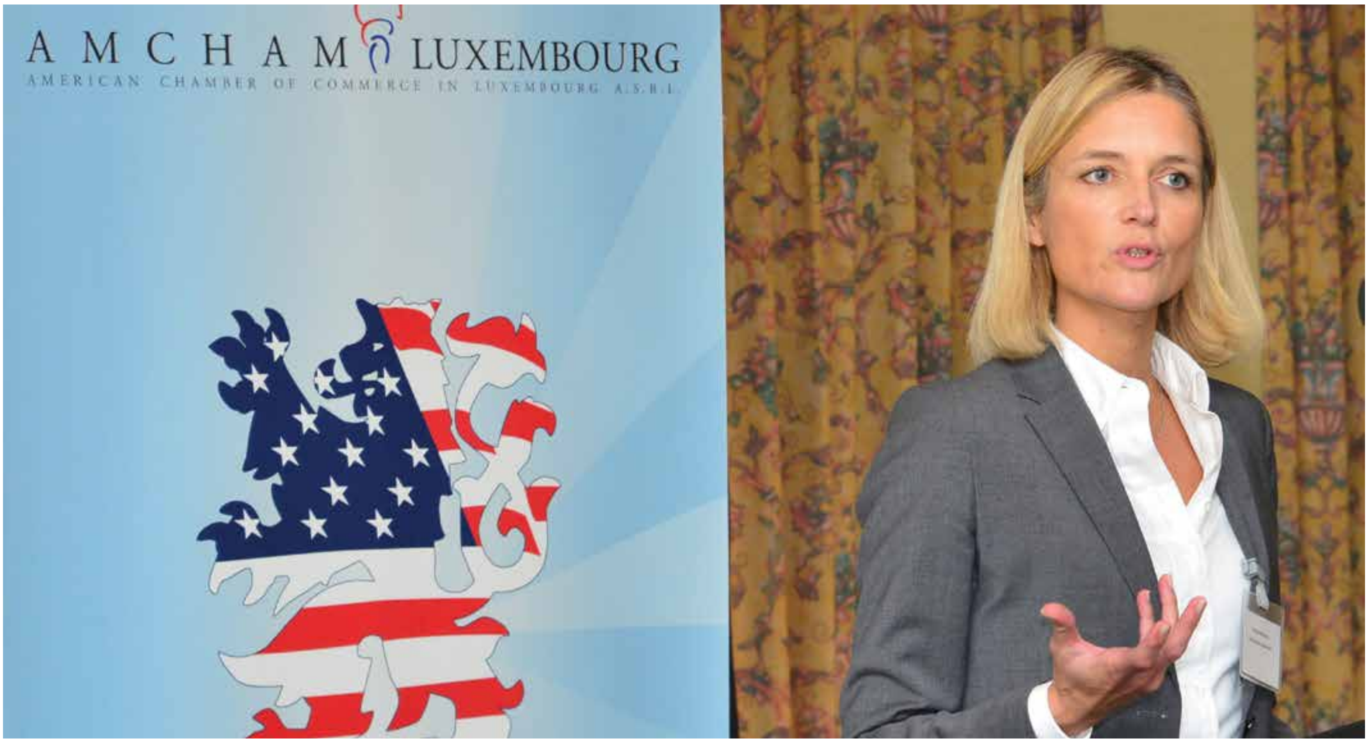

Danish Ambassador Louise Bang Jespersen

Why the Danes are the Happiest People on Earth

By Cordula Schnuer, wort.lu/en

Photos: Robert Prendergast

Danish Ambassador to Luxembourg Louise Bang Jespersen explained why Danes are considered the happiest people on Earth, giving some inspiration on how to make life better in Luxembourg, at the November ABAL.

In the second World Happiness Report, published by the UN in September, Denmark ranked first out of 156 countries when it comes to happiness, with Luxembourg still in the top 20 at rank 19.

But what makes the Danes so much more content with their lives than people elsewhere in Europe? After all, even people in Denmark like to complain about high taxes and other everyday grievances, much like anyone else, Ambassador Jespersen joked.

With reasons for happiness heavily subjective, Jespersen said that an overall sense of security, trust and freedom prevails in the northern state, with efficient and well-functioning structures in place, offering citizens something in return for their tax "kroner".

Freedom to Design your Own Life

However, Ambassador Jespersen not only talked of political freedom or freedom of speech, but commented that there is a feeling of freedom to design your own life "model", financed in large parts through some of the highest income taxes in the EU.

Universal healthcare, free education and generous parental leave allow citizens to build a life as they imagine it, greatly contributing to satisfaction and, ultimately, happiness, Jespersen argued. And with such obvious benefits, seeing around half your wages given to the state becomes a lot more bearable, she added.

For example, parents are entitled to a combined 52 weeks of parental leave, and with low-cost child care available nearly 80 percent of women return to the workforce at the previous level of their job. However, this did not come over night, Jespersen explained.

Women have been "on the labor market for decades," she said, and the country has put in the place the right infrastructures to make Denmark one of the top ten countries for gender equality.

Generous social welfare has also caused what the ambassador called "happiness equality", with only a small gap in perceived happiness between the richer and those well-off.

Danes Like their Jobs

Denmark is a trailblazer when it comes to satisfaction—and not just in private life. For example, seven out of ten Danes say they would still enjoy their job even if they would not have to do it for the money, Jespersen said.

Added to that is a diverse economy with players in global markets, from shipping company Maersk and toy manufacturer Lego, to Bang & Olufsen electronics and popular shoe bran ECCO. More recently, Denmark has also begun exporting its creative talent, from architecture and design to television programs, such as "Borgen" or "The Killing".

As a "hothouse" for innovation and entrepreneurship, Denmark was recently ranked fifth globally and fourth in Europe for ease of doing business in the World Bank's "Doing Business" report. Luxembourg only ranked 60th out of 189 countries in the study.

A mix of influence and autonomy at the workplace, with flat structures and a consensus-based approach, make people happy in their job—key factors for overall happiness, according to Jespersen. But not only work itself, but also work-life balance makes the Danes happy.

European Leaders in Volunteering

Over 40 percent of people in Denmark volunteer in their free time: a European record, Jespersen said. This fosters not only a sense of collective responsibility but also stronger social networks, she explained.

With everyone so involved, it comes a no surprise that in the last national elections in 2011, over 87 percent of people turned out to vote, proud of the "democratic process," according to the ambassador.

Add to that a strong and ambitious green agenda, which wants to see the country independent of fossil fuels by 2050, and a capital city that is becoming a model for cycling and sustainability around the globe, and it is easy to imagine why Danes are so happy.

That, however, is not the whole story, and Jespersen warned that things are not "black and white" and that happiness, which has only recently come under the global spotlight, is challenging.

A Piece of Danish Happiness for Everyone

After all, happiness is subjective and about perception. Maybe Danes are just less high-maintenance than other nations and satisfied more easily. Possibly, they are just better at self-deception than the rest of Europe, or they have set their bar lower.

All cynicism aside, Jespersen said that Denmark has problems to tackle, from a poor health record—which includes the third highest use of antidepressants in the OECD, according to a 2011 report—to a troubled history of immigration laws.

Danish Ambassador Louise Bang Jespersen & Paul Schonenberg (AMCHAM)

What works in Denmark is not necessarily right for Luxembourg or any other country in Europe or around the world. And everything takes time, Jespersen said.

One factor for happiness, however, everyone should take on board: the Danish concept of "hygge", a word with no accurate translation. The ambassador quoted a definition from the internet, which describes "hygge" as "a complete absence of anything annoying, irritating or emotionally overwhelming, and the presence of and pleasure from comforting, genre and soothing things."

A bit of Danish "hygge" could do us all some good this coming winter!

Making It Count: Demystifying Marketing ROI

By Geoff Thompson, The Luxembourg Chronicle *Photos: Stephen Roberts*

The AMCHAM Marketing Committee recently held an event at the Luxair Cargo Center focused on marketing ROI. This event focused on marketing spend according to business objectives, with real-life case studies on how to measure event ROI, set up meaningful metrics and choose the right tools.

Martine Weitzel (Mindforest)

How can you measure the end results of your marketing spend? And where should you spend your budget?

With so many options in digital media, PR, inbound marketing, giveaways, advertising and social media, there are many options available. But how can you "make it count"? Several speakers provided their own case studies.

Geoff Thompson, The Luxembourg Chronicle, kicked off the event by discussing measuring return on investment (ROI) by establishing a marketing framework and setting metrics, and how that information can then be used to convert leads into sales. He also stressed that conversion rates are secondary to engagement: you have to control your marketing budget instead of letting it control you!

Martine Weitzel, MindForest, explained that it is crucial to measure what matters. Vanity measurements can be misleading; therefore, it is very important what, how and where you measure your ROI, all the while keeping an emphasis on comparisons and regular measurements. She also explained how and why content customers can act as advocates who refer clients. Conversion and engagement can create value which can be measured.

Troy Bankhead, KNEIP, explained that a marketing framework should have four pillars: corporate goals, business objectives, measures of success and actions. He explained the concept of "closing the loop" and putting the framework into practice. He detailed a number of tools that can be used to measure ROI in different circumstances and scenarios, and gave examples of identifying metrics for a specific business area, specifically client satisfaction in support.

Eric Anselin, Marketing Director of Luxair, presented some Luxair statistics. The airline flies 800,000 passengers per year with 25,000 flights, for example. He also stressed that marketing is part of the business of Luxair, with customer satisfaction being very important, and that they work closely with the fare management team.

Christian Carbonne, Marketing Manager at Luxair, presented a case study and explained that in February this year, Luxair changed its fee structure. Daily sales statistics illustrate where they must focus their marketing efforts: the company needs to adapt marketing campaigns which take into account different media; furthermore, their advertising impact is based on recognition, attribution and perception. He gave examples of specific actions they have taken which include using outdoor billboards with special offers, as well as street marketing efforts; the take-up could then be measured directly based on resultant sales. Their radio, press, website and social media channels all have their own campaigns so that specific outcomes can be measured.

Geoff Thompson (The Luxembourg Chronicle)

Troy Bankhead (KNEIP)

Christian Carbonne (Luxair)

Eric Anselin (Luxair)

Changes in the Fiscal Scheme for Highly Qualified Workers

By Joël de Marneffe, SD Worx S.A.

In order to develop innovative products and technologies and to stay competitive, companies today need more highly-skilled and specialized profiles—people who have in-depth knowledge in specific sectors; however, it can sometimes be difficult for employers to find such profiles on the Luxembourg labor market. In such cases, these employers have no option but to look for this specific workforce abroad. In order to incite these specialists to come to Luxembourg, companies are mostly required to bear a large part of the costs associated with moving, housing, travel expenses, school fees, etc.

Thus, in order to make the hiring of these particular profiles easier, the Luxembourg tax authorities, alongside other EU member states, introduced at the end of the 2010 a specific tax regime aimed at exempting some of these expenses, thus offering significant tax savings for both the highly-skilled workers and their employers.

Provided that certain conditions were met and within specified limits, some expenses incurred by an employer (with the goal of attracting highly skilled and specialized workers to Luxembourg) could be exempted from income tax, as long as the request is filed within two months of the hire.

However, the application of the tax regime provided for by the tax circular n°95/2 of December 31, 2010, was subject to some strict criteria which were quite difficult to fulfill in the practice.

The tax circular n°95/2 of May 21, 2013, replaces the previous one retroactively as of January 1, 2013, and widens the scope of the regime applicable to employees arriving in Luxembourg, now called impatriates.

This new tax scheme only applies in the case of international recruitment or secondment and can be applied without filing a prior request during a maximum of five tax years following the year of the starting date of the employee in Luxembourg, provided that the conditions relating to the employer and to the impatriate are fulfilled.

The conditions and benefits of the scheme may be summarized as follows.

General conditions for the impatriate include the following:

- qualifying as an impatriate (i.e., an employee either part of an international group and seconded to a Luxembourg company of the group, or directly recruited abroad);
- being a tax resident in Luxembourg;
- neither having been a tax resident in Luxembourg, nor having resided at a distance less than 150 km from the border, nor having been subject to Luxembourg income tax during the five previous tax years preceding the starting date;
- exercising his/her professional activity in Luxembourg as the main employment;
- earning in Luxembourg a base salary, excluding benefits in cash or in kind, amounting to a minimum of 50,000 EUR (112,000 EUR previously);
- not replacing another impatriate who benefits from the specific tax regime provided by this circular;
- passing on knowledge to Luxembourg staff in order to develop sustainable activities in Luxembourg.

Should the impatriate be recruited on the international labor market, the employee must have acquired an in-depth specialization in a sector or a profession characterized by difficulties of recruitment in Luxembourg, in addition to the other listed conditions.

Specific conditions in case of secondment include:

- having at least five years of seniority in the international group or five years of experience in the economic sector;
- that an employment relationship exists between the sending company and the employee, and the employee must be granted a right to return to the home company;
- that a contractual agreement exists between the home and host companies with respect to the secondment.

Conditions relating to the employer include:

- employing or committing to employ at medium-term at least 20 full-time employees in Luxembourg;
- if the entity has been established In Luxembourg for at least 10 years, it can have a maximum of 30% impatriate employees who benefit from the regime.

The circular still makes a distinction between different categories of expenses:

1) Non-repetitive relocation costs, such as expenses associated with moving, installation, expenses or repatriation at the end of the activity in Luxembourg.
2) Repetitive costs, for example:

- costs incurred by the move (housing expenses, yearly travel expenses between Luxembourg and the home country; these recurring expenses may not exceed a certain ceiling);
- school fees if the children of the impatriate moved with him/her;
- cost of living allowance, fixed at 8% or 16% of the employee's remuneration and capped at 1,500 EUR or 3,000 EUR, depending on the spouse's professional income of the impatriate.

Laurent Muller (Muller & Associés)

How to Avoid Costly Mistakes

By Neel A. Chrillesen *Photos: Laurent Weber*

Taking the wrong decisions when starting a new venture or hiring and firing people can be an expensive experience. Christian Jungers, Kleyr | Grasso | Associés, and Laurent Muller, Muller & Associés, explained how to best avoid common pitfalls at a recent AMCHAM event.

When Startups Mess Up

For many entrepreneurs, starting up a company means creating a business plan and then getting all the practical details and paperwork done as efficiently as possible. Once everything is registered, the location is sorted and the first clients are secured, the business is ready to roll. Right?

Not so, says Laurent Muller, Co-founder of Muller & Associés. "It's not enough to have an idea or a concept, even if it's a brilliant one," he says. "The operational side of a startup is, of course, essential, but if you don't plan and manage the financial aspect of the venture in details from the very start, you will most likely run into serious trouble. Unfortunately, we often see small businesses fail because they forget this or, even more commonly, because they mistake incoming cash with profits."

But can we expect all brilliant entrepreneurs to be great financial managers too? "Of course not," Muller says, "which is why the best advice for someone starting a business is to get financial counsel from the very beginning. You don't necessarily need to include it on the payroll, but this aspect should under no circumstances be neglected." Utilizing services through organizations such as the Chamber of Commerce, Luxinnovation, etc., is one way of getting help, but there are also a number of experts who offer their services at various fees. All moves in this direction are compulsory if you want to succeed. "The key is precision and careful planning. You have to be prepared for clients that don't pay in time, extra expenses, a changing environment. Don't be afraid to delegate, surround yourself with financial professionals and don't mistake accounting and cash flow."

For Muller, it's equally important always to keep your business plan in mind. "Everybody knows by now how important it is to have a business plan. It's the beginning of everything, but it is also the key to survival. Compared to five or 10 years ago, business plans now need to be more clear-cut and calculated. The current economic environment leaves less space for approximate planning; markets are narrowing and profit margins declining. You have to stick to your business plan but also be ready to adapt to changing conditions and clients or even new regulations."

It's not only rookies who make mistakes when starting up a venture. Experienced business people have difficulties avoiding classic pitfalls as well. "There are a lot of people who have worked for large companies most of their professional life and who dream of starting their own business," says Muller. "It's a big decision and not one that should be taken lightly. Often people aren't aware how large a difference there is between the two types of structure. When you start your own business, you must be prepared to put yourself last, forgo salary for the first many months, work more than anyone else and be responsible for everything down to keeping stock of printer paper. Starting a business is very different from being a salaried employee, and not everyone is cut out for it, no matter how successful that person is professionally.

Christian Jungers (Kleyr | Grasso | Associés)

"The bottom line? If you're motivated enough and prepared to make the necessary sacrifices, you can succeed in any sector. But you have to stay precise in your financial management, know the real costs, the key numbers and monitor the health of your company at all times. Do not think you can do this alone, don't attempt to. Surround yourself by professionals to help you envision things clearly from the very start and keep you on track."

Hiring and Firing in a Cost-Effective Manner

If every company spent the right amount of time and resources on hiring the right people with an appropriate contract, lawyer Christian Jungers, Partner at Kleyr | Grasso | Associés, would most certainly not get so many questions about how to get rid of employees without breaking the bank. According to Jungers, "The most common mistake companies make—and which can have heavy consequences—is not drawing up a customized contract when hiring. You'd be surprised to see how many download a template from a website, change a few words and then think everything is fine. But it's not, because you'll find yourself stuck with an inflexible contract and an employee impossible to remove. And think of the damages that can come of copying the same contract for 200 different people if there's a mistake in it!"

Jungers strongly recommends investing in tailor-made work contracts, prepared by a professional. "It is, for example, very important to include a flexibility clause, and yet it's often forgotten," he says. "Such a clause ensures that you can move your employee to another job position if needed. In the same way, according to Luxembourgish labor law, trial periods aren't compulsory but must (and should) be specified in the work contract."

The lawyer points out the importance of using trial periods to the fullest, stating, "After three or six months, you should be able to evaluate whether your employee is good for the job. If it's not the case, act before it's too late. Set a reminder if needed but whatever you do, don't miss the opportunity to end the contract before the trial period runs out."

Once the contract has been confirmed, it's harder to let go of an employee—but not impossible. "In Luxembourg, firing someone is possible if you have a good reason," Jungers says. "That's why an employer should always keep in mind that such a situation can arise and it's better to be prepared. Be careful, for example, when giving appraisals. Don't be nicer than necessary just because you don't want to hurt someone's feelings. Once you've given good appraisals, it's hard to prove the contrary! Put together files where you keep track of warnings or misconducts, and always put all this in writing."

A situation many employers also face at some point is having an employee on extended sick leave. "Excessive absenteeism—more than 30% in a year—is cause for dismissal," he says. "If you have doubts about the employee really being sick, it is, of course, possible to ask for this to be controlled and confirmed by a specially appointed doctor. But my advice is to fire the person before he or she goes on sick leave. One of the mistakes often made is hand-delivering the dismissal letter and asking for a signature to prove delivery. This gives the employee the possibility of not signing and the next day, the person will most definitely be on sick leave—and you can't fire a person on sick leave. Always send a registered letter first." There are other situations where firing is also forbidden: if the employee is pregnant, on parental leave, a staff delegate or a whistle blower. (The only exception to this rule being gross misconduct, which is rarely an easy thing to prove.)

"In a country like Luxembourg where people from so many countries work together, there's plenty of room for misunderstandings," Jungers says. "Labor laws vary from country to country. The French may think it's easy to fire here, for example, while Americans will think the opposite. In our firm, we see it all the time and we're used to it. We know in which ways laws are different outside the Grand Duchy, how different clients will reason according to what they're used to and what they should be specifically made aware of."

Yet another reason for getting advice from a professional before hiring, or firing...

Meeting a Growing Need in Luxembourg

By Chris Starr, ISL

Photo: Chris Starr

The growing need for English medium education in Luxembourg could perhaps be seen as a bellwether for economic growth in the country. As Luxembourg continues to jockey for position among attractive destinations for foreign corporations to establish a base, and as Luxembourgish residents continue to seek child-centered programs focused on 21st century skills, schools with accreditation in the IGCSE and International Baccalaureate program become increasingly important to the milieu.

Established state schools such as the Lycée Technique Michel Lucius and the Athénée have added English medium instruction to their curricula. These schools reflect a growing demand in the region for an expanded, international curriculum. Among all of the educational institutions in Luxembourg, perhaps the most rapidly affected by the country's economic policy, is the International School of Luxembourg.

Established in 1963, the International School of Luxembourg (ISL) is an independent, non-profit, university-preparatory day school, which offers English language education for children of both international and local families living in Luxembourg and the surrounding area. From a dining room table in 1963, set to meet the educational needs of a few DuPont employee's children, to an expansive three-building portion of the Geesseknäppchen campus in Luxembourg, ISL has experienced record growth in the last 50 years. The school celebrates its Golden Anniversary this year as it inaugurates its brand new purpose-designed Lower School. The new Lower School comprises the third and most ambitious phase of ISL's facility expansion which began in 2007 with the construction of the Hillside Building. Construction continued with the addition of a five-storey, 15-room extension to the current Upper School in 2010. The expansion has facilitated the rapid growth of the school to an excess of 1,200 pupils today. The growth of ISL also indicates the support of the Luxembourg government and especially the Ministries of Education, Finance and Sustainable Development and Infrastructure—agencies that were critical to this expansion.

ISL's rapid growth certainly illustrates successes within the Luxembourg economy at large. The completion of their recent expansion was a multi-pronged effort. With the aid of Paul Wurth S.A. acting as Project Manager, an international architectural competition was launched in 2009. Of the 11 submissions received, two laureates were named, and ISL's jury subsequently selected a design by ARCO Architecture Company of Luxembourg. An important criterion was that the addition to the school reflect the educational mission of the ISL, "to provide an outstanding education in a caring environment, inspiring all students to reach their true potential and to act as responsible participants in a global society." ISL's design requirements called for a building that would accommodate and inspire the best pedagogical practice whilst being "open, bright and visually appealing, employing natural products as much as possible" and creating a structure that is "inviting and friendly with a warm and welcoming feel for students."

With an educational philosophy that focuses on inquiry, integration, and collaboration, ISL stimulates interaction between teams of faculty and students. The school is particularly aware that businesses, which relocate employees with school-age children to Luxembourg from abroad, require specific educational options for their families. The International School aims to provide these options. Throughout this expansion, ISL has broadened its program, and continues to offer outstanding international education opportunities to an increasing number of students in an optimally equipped learning environment.

INTERNATIONAL SCHOOL OF LUXEMBOURG EST. 1963 50 years ISL

The U.S. and Luxembourg ICT Sectors: Perspectives & Synergies

Photos: Stephen Roberts

In September, AMCHAM's IT Committee co-organized an event with APSI and PwC, supported by paperJam, on the future of ICT in the two countries. Speakers shared their experiences on both sides of the Atlantic.

Gary Kneip (DATA4 Luxembourg)

"We had the pleasure to host the event with AMCHAM and APSI. Discussions, testimonies and debates were absolutely enlightening. I trust that these kind of events help develop a real ecosystem built around a robust ICT community in Luxembourg!"

—Hélène Thouvenin, PwC

Tom Kettels (Service des Médias et des Communications)

Philippe Pierre (PwC)

Georges Schmit (Consul General of Luxembourg; Luxembourg Trade & Investment Office, San Francisco)

Paul Schonenberg (AMCHAM)

Virginie Laurent (Maison Moderne)

Laure Bourguignon (Service des Médias et des Communications)

Jean-Paul Hengen (Luxinnovation)

Social Elections

Photos: Stephen Roberts

AMCHAM Luxembourg partnered with the Luxembourg Chamber of Commerce, the British Chamber of Commerce and the Irish Chamber of Commerce for an informational session on the Social Elections.

Pierrre Lorang (ITM)

"The event on the Luxembourg social elections was geared to provide more information about the legal rights surrounding the elections, no matter who you are. A special thanks to the various chambers for organizing this initiative."

— Roy Suhash, Restaurant Orchidée & Bangladesh Chamber of Commerce

David Micallef (The Bank of New York) & Roy Suhash (Restaurant Orchidée; Bangladesh Chamber of Commerce)

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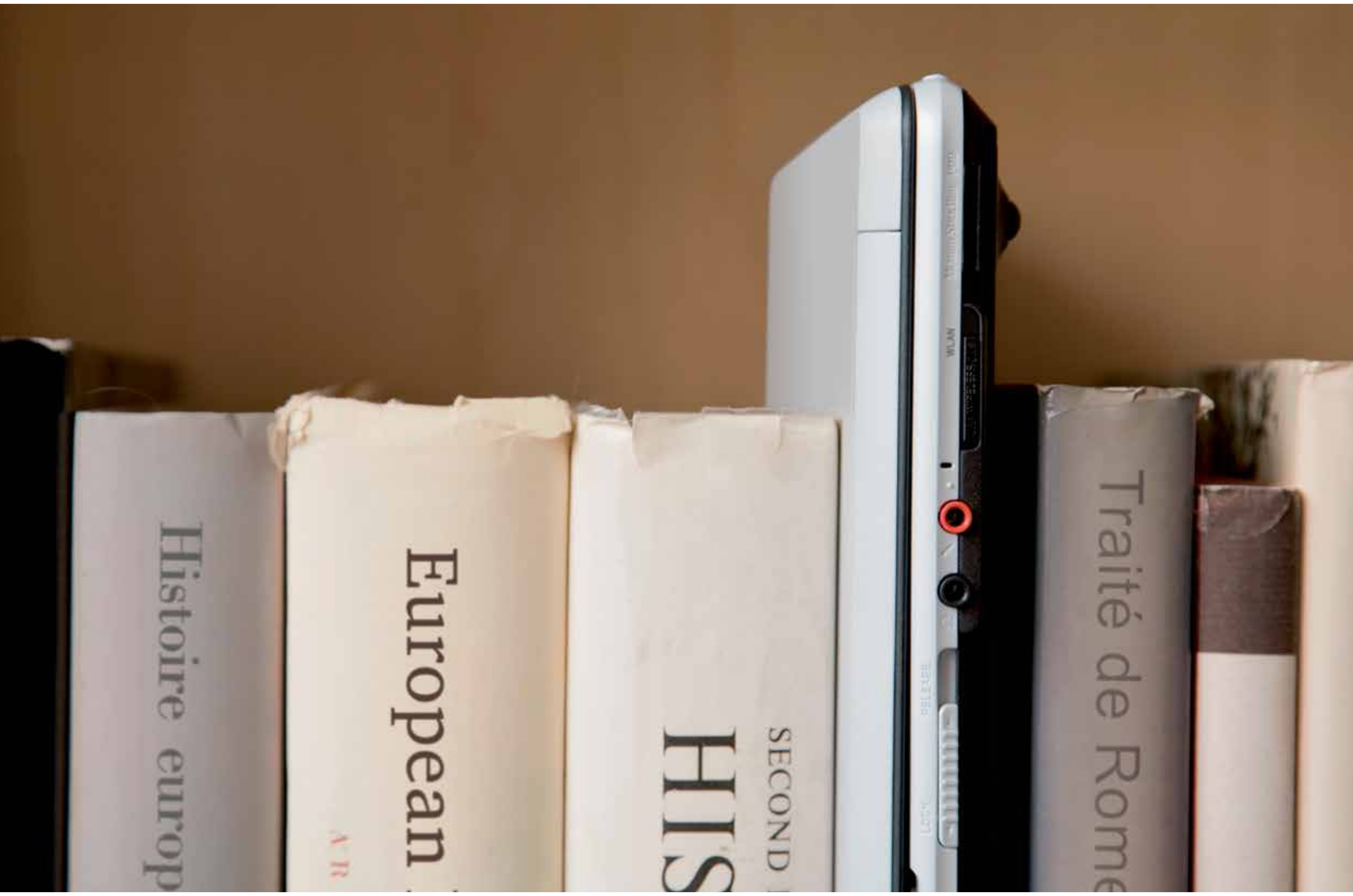

For all you need to know about the European integration process,
visit us on our new website: **www.cvce.eu**.

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- **Language:** French, German and English
- **Age:** 7-17 years old
- **Period:** Spring, Summer and Autumn 2014

Our language camps teach a language through communication, and various recreational, cultural, sporting and creative activities. It is not just fun and games: learning and practicing a foreign language is at the heart of all activities! We apply our motto „Learning by speaking“ at each moment.

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Dates:

- **06.04.14 – 12.04.14** German camp (Luxembourg City)
- **13.04.14 – 19.04.14** French camp (Vianden)
- **13.04.14 – 19.04.14** English camp (Luxembourg City)
- **20.07.14 – 02.08.14** Junior Media Camp (soft-skills camp in English)
- **20.07.14 – 26.07.14** French camp (Lultzhausen)
- **27.07.14 – 02.08.14** French camp (Lultzhausen)
- **03.08.14 – 09.08.14** French camp (Lultzhausen)
- **03.08.14 – 09.08.14** English camp (Echternach)
- **10.08.14 – 16.08.14** French camp (Schengen)
- **17.08.14 – 23.08.14** German camp (Schengen)
- **26.10.14 – 01.11.14** French camp (Echternach)

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Tel. +352 26 38 32 48, 89–93, Grand-Rue,
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The European Vocation of Pierre Werner

By Dr. Elena Danescu, CVCE

This December marks the centenary of Pierre Werner's birth. One of the major research projects currently under way at the CVCE is dedicated to the European vocation and achievements of Pierre Werner, a former Prime Minister, Finance Minister and Foreign Minister of Luxembourg, unanimously recognized as one of the architects of Economic and Monetary Union.

Pierre Werner *Photo: © Archives familiales Pierre Werner*

Pierre Werner (1913–2002) was an economist and lawyer, a politician and diplomat, a leading player in the building of a united Europe and, in particular, in monetary integration. He was actively involved in building the Luxembourg we know today: he was a major figure in academic circles, at the forefront of economic, European and transatlantic networks and a prominent Catholic intellectual—in short, a man of many parts whose life spanned the 20th century.

Werner's years as a university student in Paris and the contacts he made with eminent lecturers and professors gave him a taste for the study of economic and monetary developments, which was affirmed when he joined the world of banking in Luxembourg, where he started his professional life. In Paris he also met Robert Schuman; they met again in the early 1950s, when the High Authority of the ECSC was being set up in Luxembourg.

In 1946, Werner was commissioned by the government to make a study of the reorganization of the banking system in Luxembourg. He was then appointed banking commissioner with the responsibility for setting up an authority to regulate the organization of the credit market and international financial collaboration. He represented Luxembourg in international negotiations on several occasions, particularly in Switzerland and within the Benelux. At a very early stage he became familiar with the two new multilateral international financial institutions: the International Monetary Fund and the World Bank. As adviser to the Prime Minister on financial affairs, Werner also took part in the dealings relating to defence (WEU, EDC and NATO).

When Werner was appointed government adviser and acting secretary to the Council of Ministers in 1949, he came into direct contact with the general affairs of the country. He was to be associated, among other things, with the operations for the reintroduction of the franc, the refloating of banking activities paralyzed by forced, irrecoverable investment in Germany, the inventorying of German assets in banks based in Luxembourg and the re-establishment of the main Luxembourg state bank (the Banque et Caisse d'Épargne de l'État, or BCEE).

The President of the Government, Pierre Dupong, soon regarded Werner as the best man to succeed him as Minister for Finance. This duly came about in December 1953 when Werner was called upon to join the new cabinet set up and headed by Joseph Bech.

After the 1959 elections, Werner became Minister of State and President of the government, in which capacities he served during 1959–1974 and 1979–1984. This post was combined with other ministerial portfolios in what were seen as priority areas; therefore Werner also served as Finance Minister (1959–1964 and 1969–1974), Treasury Minister (1964–1969 and 1979–1984), Foreign Affairs and Justice Minister (1964–1967), Civil Service Minister (1967–1969) and Cultural Affairs Minister (1969–1974 and 1979–1984).

In 1974, the Christian Social Party (CSV), which had been in power since 1926, went into opposition for four years. During that parliamentary term (1974–1979), Werner had a seat in the Chamber of Deputies and was chairman of his party's parliamentary group.

In July 1984, when his party emerged as the winner in the general election, Werner withdrew from political life but remained active in public affairs. His favourite fields of action were the promotion of Economic and Monetary Union and the euro and the development of the media and the audiovisual sphere, particularly through the Compagnie Luxembourgeoise de Télédiffusion (CLT) and the project for the Société Européenne des Satellites (SES).

Pierre Werner had been aware of the importance of European issues since his university days, and his commitment to European unification took firm shape in 1949. By becoming more closely involved in the great issues of European integration through his posts in the Luxembourg government, Werner left his imprint


SECURITY

Pierre Werner, Jean-Claude Juncker and Jacques Santer before the launch of the euro *Photo: © European Union*

on the key events in that process. Examples include the battle over the political seats of the institutions (1965), the enshrinement of Luxembourg as one of the permanent capitals of the European institutions, the "Luxembourg Compromise" (1966) and the consolidation of the Belgium–Luxembourg Economic Union (BLEU) and of the Benelux.

In European integration history, the name of Pierre Werner is identified with the "Plan by stages for an economic and monetary union"—more commonly known as the "Werner Report"—which was drawn up by a group of experts under the chairmanship and initiative of the Luxembourg Prime Minister and officially presented to the European Commission and the Member States on October 8, 1970, in Luxembourg City. This report provided a framework for an economic and monetary union that would be established in three stages over a ten-year period (1970–1980). The ultimate aim was to build a community of stability and growth. The plan provided for a new institutional architecture for the Community, with a "center of decision for economic policy" under the democratic control of the European Parliament (elected by universal suffrage) and a "Community system for the central banks". The Werner Plan was put on hold following the collapse of the Bretton Woods system (triggered by the dollar crisis in the spring of 1971) and the 1973 oil shock. It finally came to fruition through the Delors Report, and the ultimate goal set out in the Werner Report came about 32 years later with the introduction of euro coins and banknotes on January 1, 2002.

Interested in learning more?

A digital research corpus "A rereading of the Werner Report of 8 October 1970 in the light of the Pierre Werner family archives", recently published on the CVCE's website, showcases the results of the first stage of the project. Based on a thorough exploration of the Werner family archives—which have been opened for the first time for research purposes—and also on other relevant archives, this corpus throws light on the alchemy of the Werner Report and the mindset in which it was developed. Previously unpublished documents have helped clarify the varied, nuanced role of Pierre Werner and his personal contribution to the development and adoption of the stage-by-stage plan, on a theoretical, methodological and political level, in the context of his European achievements as a whole.

Visit http://bit.ly/1ghqQOE or scan the code.

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