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AMERICAN CHAMBER OF COMMERCE IN LUXEMBOURG A.S.B.L.

**In this Week's issue, Exclusive Interview with Pierre Gramegna,
Minister of Finance**



Dear Members and friends,

In this issue of our AMCHAM Newsletter, we are deeply honoured and very pleased to present to you an exclusive interview with Luxembourg Minister of Finance, Pierre Gramegna.

I have known and worked with Minister Gramegna for over 15 years, starting from his tenure as the Director General of the Luxembourg Chamber of Commerce. I was impressed then as I am impressed now.

Our Minister of Finance (I say “our” with affection to recognize the unique degree that he appreciates and cares about the international community with equal fervour and loyalty as he shows towards the native resident population of Luxembourg). He feels and is sensitive to our pain and problems and treats us as allies with respect, understanding and appreciation for our contributions to keep Luxembourg strong and successful. We are lucky to have him in his current position of national leadership and service.

It is on that basis that I approached him requesting an exclusive interview to explain what he has done and how he has led his Ministry during these challenging Corona Virus Pandemic times.

I must admit, I was looking for an exclusive interview. But what I got was much more. The Minister shared with me both his head and his heart. You must read and share this interview with your colleagues and friends.

As I said, we are lucky to have him in his present position of leadership and service...

With respect and my very best regards,

Paul

Paul Michael Schonenberg

Chairman and CEO

AMCHAM.lu

1. **Exclusive Interview with Pierre Gramegna, Minister of Finance**

Amcham -What have been the biggest policy challenges you have faced in the Ministry of Finance and how have you handled them?

Pierre Gramegna (PG) - When I took office seven years ago, Luxembourg was in the spotlight at the time, facing a major reputational risk. At the end of 2013, Luxembourg was put on the OECD-led Global Forum’s blacklist, an occurrence that was followed by the release of major leaks further endangering the good reputation of our country and the development of the international financial center.

My priority from day one was hence to adjust the sails to weather the storm: to drive the push for transparency and to align Luxembourg with the highest international standards. Back then, I was tackling the problem head-on at the national, as well as the European level during the 2015 Luxembourg presidency of the European Council. At the time, many were skeptical about integrating

transparency. Yet today critics have been proven wrong: our financial center is stronger than ever. Transparency has been beneficial to our country and all financial players.

In parallel, a major challenge I took on since the start was the rebalancing of the country's budget. In 2013, the triple-A rating was put into question. Due to strategic planning and budgetary efforts, Luxembourg was able to redress and balance out its budget, and has been building up fiscal space over the last years. In 2017, we used this space for maneuver to introduce a major tax reform that has brought lower taxes for private citizens and companies alike. Thanks to the sound management of the public finances over the last years, the Government had the needed room to act quickly at the beginning of this crisis.

Amcham - How are the finances of the country holding up and what changes have you considered and finally implemented to manage the national finances during this crisis period?

PG - The Covid-19 crisis has led to an unprecedented economic shock in its suddenness. Faced with this extraordinary situation, the Government acted quickly and set up in March a first economic package, which has helped ensuring the resilience of the health system and has protected household incomes. Furthermore, it has mobilized all the necessary resources to support workers and companies, to alleviate the consequences of the crisis and help finance the recovery. A key element has been the short-time working scheme, which has proved to be essential to uphold employment and to avoid wider repercussions on the Luxembourg economy.

A second package, the "Neistart Lëtzebuerg" program, a recovery plan for the Luxembourg economy, was launched in May to encourage job retention, support businesses in the most affected sectors and promote a sustainable economic recovery. These two packages have reached a combined allocation of 11 billion euros, around 18.6% of GDP. An unprecedented response to an unprecedented challenge.

As mentioned, in adopting its emergency response the country was able to take advantage of the favorable budgetary situation. Yet, the crisis will have a big impact on the country's public finances. Instead of the balanced accounts we expected this year, we will have a deficit of around five billion euros.

In this crisis, accommodative fiscal policy will remain unavoidable to mitigate the effects of the pandemic in a targeted manner and to help spur growth and the recovery. Many economies can now lock in historically low interest rates and thus keep debt costs low. We took on debt of about five percent of our wealth, that is a lot, but compared to other European countries, we have one of the lowest proportions in a debt to GDP ratio.

This commitment is also in line with the recommendations of the IMF, which stated many times that fiscal policy must play a leading role in the recovery. In Luxembourg we will develop digital infrastructure and make the economy more sustainable. Governments will have to invest more especially in the EU, which has been lagging behind since the financial crisis of 2008. Luxembourg has kept a high level of investment since 2013 and will continue to do so.

Amcham -What policy possibilities have you considered but rejected ... and why?

PG - Even though there are positive new developments on a vaccine, we should remain vigilant: false expectations should not be raised as this could create the risk of encouraging a slackening of people's cautious behavior in the face of the spread of the pandemic. The coming weeks will be tough, but I am confident that the measures we are taking are balanced and we will keep adapting them over the next weeks and months according to situation.

As there is still uncertainty with regard to the pandemic, the Government has put quite a few projects on hold. We must now focus on the recovery to generate fiscal space for future reforms.

Amcham - What is your taxation strategy and plan for contributing to the relaunching the economy?

PG - The wrong answer to this crisis would be a tax increase, as higher taxation would stifle growth and compromise the recovery. The Government's taxation strategy focuses therefore on about twenty specific measures this year, divided into four-five categories to promote social equity, the green transition and guarantee the long-term competitiveness of Luxembourg. Most of these measures were defined as priorities during the Government formation and are aligned with the Coalition's agreement.

Financing the green transition is one of these priorities. Let me mention here the new measure that is aimed at lowering the subscription tax for funds that invest in sustainable projects, which was welcomed by the fund industry as it helps creating the needed incentive to offset this promising industry trend. The subscription tax is reduced from five basis points to one basis point, in proportion to the increase in green investments. The maximum reduction a fund can benefit from is fifty percent.

Similarly, to boost sustainable and social development and help the country reach its climate targets under the Paris Convention, the budget plan proposes an innovative Carbon tax. The proceeds of this tax will partly be redistributed in order to alleviate the social pressure that such a measure could create and partly devoted to climate friendly initiatives.

Finally, in order to attract and retain the talent that is essential for Luxembourg's continued economic development, two innovative tax instruments are planned, namely: a participation bonus, which employers will be able to grant to their deserving employees, and an updated "impatriate" scheme.

This extended measure includes the possibility for the employer to grant an "impatriation" bonus, which will benefit from a 50% tax exemption for a maximum amount of 30% of the "impatriate"'s annual remuneration. The "impatriate" will also be exempt from tax on the employer's share of the costs associated with moving to Luxembourg, as well as the corresponding recurring expenses (housing, school fees...), up to a limit of 50,000 euros. The "impatriate" may now benefit from this new regime for up to eight years.

Amcham - Please explain to our readers the major points of the budget plan for next year and its impact on both companies and employees?

PG - As you can imagine, fiscal policy for 2021 will continue to be conditioned by the consequences of the health crisis. More specifically, the budget plan is designed as a protraction of the ambitious measures taken in March and May to help the economy weather the effects of the Covid-19 pandemic and to offset a sustainable recovery allowing businesses to return to pre-crisis levels in an

autonomous way. The budget strategy will also help pursuing the priorities set out in the Government's program. Therefore, the budget will keep investments high and thereby help succeeding the double green and digital transition of our economy.

The budget plan focuses indeed on five priorities: maintaining high levels of investment, ensuring solidarity, promoting affordable housing, strengthening the country's competitiveness and promoting a sustainable economy. I already mentioned some of the tax measures that will help the country to achieve these priorities, and more specifically strengthen the competitiveness of our country and to foster sustainable growth. Despite the uncertainties related to the pandemic and surrounding the macroeconomic development, an objective will be to return to balanced public finances as soon as conditions allow it.

Amcham - Please rate the relative attractiveness of Luxembourg as a European international business location, explain your rating and indicate what you are doing to further enhance the attractiveness?

PG - I do not need to rate the attractiveness of Luxembourg myself, as there are many metrics out there that do a fabulous job in this regard. Let me give you a couple of examples: Luxembourg is a triple-AAA rated country by all major rating agencies. This gives business and investors out there the needed confidence to trust Luxembourg as a reliable partner in Europe.

In the latest Global Financial Centers Index, Luxembourg's financial center ranked 1st in the EU and 12th globally. In 2020, Luxembourg moved up six places in the overall index. Similarly, the latest Global Green Finance Index, Luxembourg continues to rank overall as 4th financial center: a testimony to Luxembourg's engagement and commitment in developing the country's leadership in sustainable finance.

Beside rankings, Brexit has been the real-live test for Luxembourg's attractiveness for businesses and expatriates. The fact that over 60 financial actors have chosen Luxembourg or reinforced their presence in our country shows that Luxembourg keeps being one of the most attractive destination for international businesses.

Amcham - From a purely personal perspective, has this Corona pandemic caused you to question or change your leadership and management style?

PG - Leadership for me is about listening and taking informed decisions to solve problems and anticipate them when possible. If I had to pick one lesson to be learnt from this crisis, it is the prominence of sustainability. We have witnessed that when economies are at least partially closed, our planet is better off. It is a fact. It encourages us all to say that we are not going to restart on exactly the same footing, by making the same mistakes or avoiding rethinking our economic models. The environmental sustainability of the economy must go hand in hand with social responsibility. Leadership needs to integrate these goals and targets to ensure a sustainable future for the coming generations.

Amcham - Do you have a message you would like to give to companies and their employees?

PG - A sustainable future is now more important than ever and we shall not miss the opportunity to reset our path. A sustainable future needs the commitment of businesses and society as a whole.

Each individual, each one of us has a contribution to make. As this crisis has demonstrated, we are all part of the solution. We need to act responsibly, to take into account the impact of our actions on others. We do not know at this stage how long this crisis will last, but we do know that collectively we can mitigate its impact. As part of the solution, we need to lay down the stepping-stones for a meaningful recovery and a sustainable future.

2. More than meets the eye – Dr Cristina Hubert

One could say the eye is the “crystal ball” that can foretell our health, providing early clues that should be acted on with appropriate follow up tests and actions, not just for sight, but also for life preservation.

The eye is unique in being the only organ in our body that allows a direct visualization of its nerve and blood vessel. This offers a pinhole view of the state of our health.

Starting from the eyelid and the internal content of the eyeball, all the way to the layers of its wall as well as the six muscles responsible for eye movements, all are closely connected to the rest of our body via their blood supply and innervations.

Several recent examples from my clinical practice come in mind.

The tear film related problems and dry eye symptoms can be a cause of a thyroid disease, hormonal imbalance, vitamin D deficiency, but can also be induced by a lot of drug therapies and environmental causes. Eyelid problems can be related to dermatological diseases like rosacea, allergies or infections.

Rheumatism and immune diseases can be discovered by finding an eye inflammation. Multiple sclerosis, stroke and other neurological diseases can have as a first manifestation a loss of visual field. Squint and muscular imbalance can also be part of a neurological, thyroid or vascular problem.

Stressful career style can induce a cortisol or high blood pressure peak and be responsible for a blur or distortion in the vision and can be detected with a retinal scan. Vascular problems like diabetes, blockage of a vessel can be seen by exploring the vessels of the retina via a dilated pupil.

Headaches can be caused by uncorrected vision or neurological problems. Abuse of substances can be also detected in the eye, alcohol, smoking and drugs can cause an optic nerve inflammation, also increase the risk of macular degeneration and vision loss.

A high cholesterol level can be seen in a whitish ring deposit around the cornea or a narrowing of blood vessels of the retina.

As innocent as it may sounds, snoring can be a symptom of sleep apnea and glaucoma.

The eye check can get very complex and a set of eye scans can detect the risk of Alzheimer via the ganglion cell loss.

And these are just a few examples.

Modern medicine works by finding evidence to support one or more differential diagnoses at a particular point in time. Sometimes the evidence can come from seemingly unrelated parts of our body. The eyes are unique in that respect, that is why they are “the windows of the soul”.

Dr Cristina Hubert is a respected eye surgeon with offices in Belgium who will be opening a Luxembourg practice in Bertrange in the coming months. Many thanks for this article!



3. Thanksgiving Turkey with a Twist

Ingredients

- 1 x 3-4kg fresh whole turkey, at room temperature
- 20g butter
- Cranberry sauce, to serve

APPLE-RICE STUFFING

- 1 tablespoon oil
- 1 onion, chopped
- 175g bacon, chopped
- 1 1/2 cups white rice, cooked
- 2 [apples](#), peeled, cored and chopped
- 1/3 cup slivered almonds
- 2 tablespoons sage, chopped
- 1 egg

RICOTTA-HERB STUFFING

- 1 cup fresh ricotta
- 1/2 cup grated parmesan
- 2 tablespoons parsley, chopped
- 1 bunch chives, snipped
- 2 garlic cloves, crushed
- 1 teaspoon oil

Method

- **Step 1**

Make Apple-rice stuffing: Heat oil in a frying pan on medium. Cook onion for 3 mins until soft. Add bacon and cook for another 3 mins, until bacon is brown. Transfer to a bowl. Add rice, apples, almonds, sage and egg. Mix well. Season to taste.

- **Step 2**

Make Ricotta-herb stuffing: Place ricotta, parmesan, parsley, chives, garlic and oil in a bowl. Season to taste and mix well.

- **Step 3**

Preheat oven to 180°C or 160°C fan. Rinse out turkey and pat dry with kitchen paper. Spoon the Apple-rice stuffing into cavity. Spoon Ricotta-herb stuffing under skin of breast, through the neck end. Smooth skin with hands to re-shape. Bring neck skin over cavity and secure with a small metal skewer. Weigh stuffed turkey and calculate cooking time.

- **Step 4**

Fold each wing back and underneath to secure. To truss, place turkey on its back and run string around wings and underneath to cross over back. Bring string up to tie legs together, keeping legs close to body. Rub butter all over turkey and season well.

- **Step 5**

Place turkey on a rack in a large baking pan. Cover with greased foil. Roast for calculated cooking time, basting every 20 mins. Remove foil for the last 30 mins of cooking, to brown. To test if cooked, insert a skewer or fork into thickest part of thigh: the turkey is cooked if the juices run clear. Remove from oven and rest for 15 mins before slicing. Serve with cranberry sauce and gravy.

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AMCHAM offers to each of you and your families our best wishes for your health and happiness. Be strong. Stay connected with your families and friends by phone and email. Use this time wisely and productively so you come out of this crisis stronger than when you started. For all those who don't know AMCHAM yet, please find our website here: <https://www.amcham.lu> and particularly our mission statement here: <https://www.amcham.lu/about-us/mission-statement/> and how you can join AMCHAM here: <https://www.amcham.lu/membership/> If you need us, we are here and will do all we can do to help. Feel free to pass on our newsletter to your colleagues & friends.