LUXEMBOURG
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Luxembourg, officially the Grand Duchy of Luxembourg, is a landlocked country in Western Europe. Over the past five years, Luxembourg's economy has evolved significantly, through greater sectorial diversification and openness in both regulations and foreign direct investment opportunities. Diversification of the economy away from the historically-dominant financial sector (including both banking and investment fund services) began in earnest a decade ago, in 2004, when key future industries were selected as economic growth vectors: logistics; information and communications technology (ICT); health technologies (including biotechnology and biomedical research); clean or "green" technologies (solar, wind, and alternative energy sources); and more recently, space technologies (focusing on satellite development).

Subsequently and partly as a bi-product of the world financial crisis that started in 2008, Luxembourg came under fire from other European Union (EU) Member States, as well as international organizations such as the Organization for Economic Cooperation and Development (OECD) for being a so-called tax haven, mainly due to historic banking secrecy laws.

With the advent of the U.S. Foreign Account Tax Compliance Act (FATCA) and the EU-mandated Automatic Exchange of Information Law for bank savings accounts, replacing the previous automatic withholding of taxes on savings, Luxembourg was pressured into reform toward greater openness – which has in fact created opportunities for increased foreign direct investment, as they move away from a non-transparent image. The Luxembourg investment climate is more conducive than before to U.S. investment, and plenty of opportunities exist for U.S. businesses in the key growth sectors mentioned above.

The Government of Luxembourg (GoL) is actively seeking out logistics companies to expand the new logistics hub at Findel Airport – integrated into the Luxair Cargo Center, the leading air cargo hub in Europe with Cargolux, Luxembourg's all-freight airline – and also ICT companies to use the new state-of-the-art Data Centers, affording high-speed internet connectivity to major international data hubs (Paris, Frankfurt, Amsterdam). U.S. biomedical research and biotechnology firms are already actively invested and working in the growing Bio Bank (Integrated Bio Bank of Luxembourg, IBBL), co-founded with U.S. institutes in Phoenix, AZ and Seattle, WA in 2008. Luxembourg has positioned itself as "the gateway to Europe" to establish European company headquarter operations by virtue of its central European location and advanced road and railway connectivity.

However, as Luxembourg continues to modernize its regulatory framework – reducing bureaucracy and streamlining processes for work visas and new company registrations – issues of size of market (small market at 520,000 population) and continued European-legacy inefficiencies (government centralization; high costs and rigidity of labor market; and generous social benefits) will endure for some time to come.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Luxembourg offers a public policy framework and political stability which remain highly attractive for foreign investors, particularly for U.S. investors. Luxembourg offers a very favorable and welcoming attitude toward FDI through the pro-business attitude and flexibility of successive Luxembourg governments - a unique model in Europe. Luxembourg has also increased its support in the form of incentives for new ventures, including capital investment subsidies, financing of equipment, and aid to start-up entities, through the state lending agency, SNCI. The primary recent example of this is how effectively the Government of Luxembourg (GOL) has attracted new investment in medium, light and high-tech industries, especially in the areas of Health Technologies and Research and Development (R&D). Luxembourg remains the most promising location for business investment in Europe, along with Switzerland, with the advantage of being a member of the European Union (EU).

Thanks to the competitiveness of the economy and central European location, many international firms find it efficient to locate European headquarters or holding companies in Luxembourg. The country's openness to foreign cultures, the high quality of life and consumer purchasing power, as well as the highly-qualified workforce, are competitive advantages. Approximately 43 percent of Luxembourg residents and over 60 percent of the workforce are composed of foreigners (non-Luxembourgers), mainly from EU countries (Italy, Portugal), and especially from neighboring countries (150,000 cross-border workers daily from Belgium, France and Germany).

There is no overall economic or industrial strategy that has discriminatory effects on foreign investors. There are no limits on foreign ownership or control (for example, all the banks are wholly-owned subsidiaries of their parent entities). General screening of foreign investment exists in line with that of domestic investment, with routine and non-discriminatory screening mechanisms. There are no major sectors/matters in Luxembourg in which foreign investors are denied national treatment (equivalent to domestic firms). Following a decision to prioritize the simplification of administrative procedures which had been a deterrent to the creation of small businesses and the spirit of entrepreneurship in Luxembourg, the Ministry of Middle Classes (small and medium-sized businesses), in cooperation with the Ministry of the Economy of GOL established a National Committee for administrative simplification (alleviating bureaucratic red-tape). This measure not only enhanced the competitiveness of the Luxembourg economy but also provided easier access to the Luxembourg market for all entrepreneurs, including Americans. On average, a company can expect to be registered within six months of application, especially with the support of the Luxembourg Chamber of Commerce, which requires all commercial enterprises to become members (register).

Other Investment Policy Reviews

The World Bank's, Doing Business 2015 Economic Profile provides additional detail on Luxembourg's investment climate.

Laws/Regulations of Foreign Direct Investment

Luxembourg has assimilated the laws of neighboring countries according to the nature of the laws: German tax law, French civil law, and Belgian commercial law (written and consistently applied). Judgments of foreign courts are accepted and enforced by the local courts, and Luxembourg does have a written and consistently applied bankruptcy law, which is based, like other European countries, on EU-wide legislation. Monetary judgments are usually made in local currency.

There is no government or authority interference in the court system that could affect foreign investors.

Websites: www.guichet.lu; investinluxembourg.lu

Industrial Promotion

For the past few years, industrial promotion has been handled by 'Luxembourg for Business', an agency created specifically to promote Luxembourg as an attractive location for economic activity. This agency works in close tandem with the Ministry of Economy and Foreign Trade, and helps support trade missions abroad. Programs are listed on the website www.luxembourgforbusiness.lu.

Limits on Foreign Control

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There are no major sectors in Luxembourg in which foreign investors are denied national treatment. Bureaucratic procedures, including those for licenses and permits, are sufficiently streamlined and transparent.

Privatization Program

Foreign investors are allowed to participate equally in ongoing privatization programs, and the bidding process is transparent with no barriers erected against foreign investors at the time of the initial investment or after the investment is made. Moreover, there are no laws or regulations specifically authorizing private firms to adopt articles of incorporation or association which limit or prohibit foreign investment, participation, or control, and there are no other practices by private firms to force local ownership or restrict foreign investment, participation in, or control of domestic enterprises. Potential conflicts of interest (GOL officials sitting on boards of directors, for example) do not impact freedom of investment in the private sector.

Screening of FDI

The Luxembourg government actively seeks foreign investment, and there are no special procedures for the approval of foreign direct investment. The government particularly encourages environmentally-friendly light industries, such as communications, finance, and information technology, as a way to diversify the economy and provide new employment in industries with high value added, in which high wage costs will not put Luxembourg at a disadvantage. Responsibility for attracting foreign investment lies with the Board of Economic Development. According to the board, Luxembourg offers a full range of tailored investment incentives for new ventures. The government may grant support for funding specific projects for small and medium¬ sized companies; companies located in development areas; research, development, and innovative investment focusing on new products, services or processes; and environmental protection or the efficient use of energy. Financial support may take the form of capital grants and medium and long-term loans by the National Credit and Investment Corporation (SNCI).

Competition Law

The Competition Inspectorate, a department within the Ministry of the Economy is in charge of investigating competition cases.

Investment Trends

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	9 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	59 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	9 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 69,880	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, lease payments) into a freely usable currency and at a legal market-clearing rate. There have also not been any recent changes to remittance policies with respect to access to foreign exchange for investment remittances. There is no difficulty in obtaining foreign exchange, which has been freely traded since the 1960s, and the Luxembourg stock market trades in forty different currencies, so it is truly international.

The average delay period currently in effect for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal, legal channels is quite brief, approximately 24 hours. Investors can remit through a legal parallel market including one utilizing cash and convertible negotiable instruments (such as dollar-denominated host government bonds issued in lieu of immediate payments in dollars). There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs.

All this said, it has been reported by international firms that some banks are starting to refuse to open an individual bank account for an American, after recent FATCA reporting requirements imposed by the IRS.

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3. Expropriation and Compensation

The laws governing expropriation of property are quite complex and the process can be arduous and lengthy, depending on the property. The Ministry of the Interior, along with the Ministry of Justice, sets forth the specific regulations according to each type of case. There have been no known appropriative actions in the recent past or policy shifts which would indicate such actions in the near future. There are no tendencies by the Luxembourg government to discriminate against U.S. investments, companies, or representatives in expropriation.

Instances of indirect expropriation or governmental action tantamount to expropriation, such as confiscatory tax regimes, that might warrant special investigation, are non-existent.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Luxembourg is a parliamentary representative democracy headed by a constitutional monarch. The Constitution of 1868 provides for a flexible separation of powers between the executive and the parliament, with the judiciary watching over proper execution of laws.

Luxembourg Chamber of Commerce and the Mediation Center offer the services of domestic dispute settlement and, on an international level, with the International Chamber of Commerce. There have been no known investment disputes over the past few years involving U.S. or other foreign investors or contractors in Luxembourg.

Bankruptcy

Luxembourg has assimilated the laws of neighboring countries according to the nature of the laws: German tax law, French civil law, and Belgian commercial law (written and consistently applied). Judgments of foreign courts are accepted and enforced by the local courts, and Luxembourg does have a written and consistently applied bankruptcy law, which is based, like other European countries, on European Union-wide legislation. Monetary judgments are usually made in local currency.

Investment Disputes

Investment disputes involving U.S. or other foreign investors in Luxembourg are extremely unknown.

International Arbitration

The government accepts international arbitration of investment disputes between foreign investors and the state, and the courts recognize and enforce foreign arbitral awards. International arbitration is accepted as a means for settling investment disputes between private parties, and there is a domestic arbitration body within the host economy, the Centre de Mediation (Mediation Center).

Luxembourg is a member state to the convention on International Centre for Settlement of Investment Disputes(ICSID Convention).

ICSID Convention and New York Convention

Luxembourg is a member state to the International Center for Settlement of Investment Disputes (ICSID Convention). Luxembourg is a signatory of the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention)

Duration of Dispute Resolution

Information is not available.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Luxembourg has been a World Trade Organization (WTO) member since 1995 and maintains policies that are consistent with Trade Related Investment Measures (TRIMs) requirements.

Investment Incentives

Luxembourg is considered to be a very attractive tax location for conducting business: low effective corporate tax rates (currently 21 percent); the lowest VAT (value-added tax) rate in Europe at 17 percent; continued relatively low personal tax burden, despite the fiscal crisis, for high-income individuals (lowest individual rates in the EU with a maximum of 38.9 percent); and a variety of tax incentives (investment tax credits, new business tax credit, audiovisual certificates for film productions, venture capital investment certificates, small business incentives, regional and national incentives, research and development incentives, environmental incentives).

Research and Development

U.S. and foreign firms are able to participate in government/authority-financed and subsidized research and development programs.

Performance Requirements

The host government does not mandate local employment. The work visa process has been much improved in the past five years, reflecting input from companies, embassies, and applicants themselves. If the application is in order, a work visa should normally take only two months to clear. Residence permits are as equally difficult to obtain as any other western European countries, once all pertinent information has been supplied to the authorities and the local district of residence (commune).

Data Storage

Data storage has been greatly enhanced via new state-of-the-art data centers, built by the government as part of the long-term massive ICT infrastructure development plan. These centers have served to optimize international connectivity to large hubs such as Paris, Amsterdam, and Frankfurt, and have attracted major ICT and e-commerce players, such as Amazon, which located its EU headquarters in Luxembourg. The centers are rated at the highest security level for data storage.

6. Right to Private Ownership and Establishment

Both foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Luxembourg. There is also a right of private entities to freely establish, acquire, and dispose of interests in business enterprises. In fact, competitive neutrality is the standard applied to private enterprises in competition with public ones with respect to access to markets, credit, and other business operations, such as licenses and supplies.

7. Protection of Property Rights

Real Property

Secured interests in property in Luxembourg, both movable and real, are recognized and enforced through intellectual property and community laws. The legal system that protects and facilitates acquisition and disposition of all property rights, such as land and buildings, is based on a land register called *cadastre* in French, where each parcel of property documented in terms of ownership and duration. There is adherence to key international agreements on intellectual property rights, as well as adequate protection for: intellectual property, patents, copyrights, trademarks, and trade secrets.

Adequate steps have also been taken to implement and enforce the WTO TRIPS agreement (Trade-Related aspects of Intellectual Property Rights). The regulation stipulating the measures to prohibit the release for free circulation, export, re-export or entry for the suspension of counterfeit and pirated goods states that the authority competent to receive applications must be a customs authority. In Luxembourg, this is the Litigation and Research Department (Division des Contentieux et Recherches) of the Directorate of Customs and Excise (Direction des Douanes et Accises). The merits of a case are decided by judicial proceedings, thus the ordinary law courts are responsible for deciding whether there are grounds for a case. A number of provisions within the agreement deal with different intellectual property rights and allow for the possibility of confiscating, or even destroying, counterfeit goods and the tools or implements used for their production. The Luxembourg customs authorities may impose measures for a period of six months, which may be renewed at the request of the rights-holder.

The main rules of civil procedure are contained in the Luxembourg Code of Civil Procedure and in the Administration of Justice Act. In the absence of specific rules concerning material and local jurisdiction for certain intellectual property rights, ordinary law applies.

Intellectual Property Rights

Trademarks, designs, patents and copyright are the principal forms of Intellectual Property (IP) protection available to companies and individuals. Luxembourg has been proactive in developing its IP standards and participates in all the major IP treaties and conventions, including:

- Bern Convention
- Patent Cooperation Treaty (PCT)
- Paris Convention
- Patent Law Treaty (PLT)
- Madrid Agreement and Protocol

The country is a signatory of the European Patent Convention, which was set up by the European Patent Office (EPO) and a member state of the World Intellectual Property Organization (WIPO).

In an effort to become the prime location for Europe's knowledge-based economy, a new IP tax regime was implemented in Luxembourg in 2008, providing for a very competitive tax rate applicable to a broad range of IP income generated by taxpayers. The level of IP protections and enforcements is thus excellent and benefits from the attractiveness of this fiscal framework. During the past year, no new laws have been enacted. An update of the 2008 law was made in 2013.

The hallmark of the Luxembourg IP tax regime is an 80 percent exemption on royalties and capital gains derived from many types of IP. Companies benefiting from the new regime are subject to an effective tax rate as low as 5.72 percent on qualifying net IP income (i.e. gross revenue from the IP less directly related expenses, depreciation, and write-downs).

The customs office tracks the seizures of counterfeit goods, but this is a negligent portion of the customs work, notably at Findel Airport. There are no public statistics on such seizures.

Luxembourg is not listed in the USTR's Special 301 report or the notorious market report.

Customs officers, part of the Police force of Luxembourg, have every right to seize (but not necessarily destroy) goods, however, most cases are related to lack of open customs declaration by the owner (importing products above the maximum allowable amount for tax-free), and not to counterfeit goods.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

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8. Transparency of the Regulatory System

The Government of Luxembourg (GOL) uses transparent policies and effective laws to foster competition and establish clear rules of the game. The legal system is quite welcoming with respect to Foreign Direct Investment (FDI). Tax, labor, environment, health and safety, and other laws and policies in no way distort or impede investment. Bureaucratic procedures, including those for licenses and permits, are sufficiently streamlined and transparent, and there is far less red tape than in larger European countries. Luxembourg government websites offer clear and detailed information, only in French, except for that of the Ministry of Foreign Affairs (MFA), which has limited detail. Various relocation companies in Luxembourg provide assistance with filing the required paperwork.

There are no informal regulatory processes managed by nongovernmental organizations or private sector associations; all procedures are managed by government entities. Proposed laws and regulations are published in draft form for public comment in the Memorial, the government's official journal. In addition, the legal, regulatory, and accounting systems are transparent and consistent with international norms. Regarding the accounting standards, large companies in Luxembourg use the international accounting standards International Financial Reporting System (IFRS), which closely parallels the U.S. GAAP (General Accounting Principles). There has been an attempt to harmonize these standards further over the past years; however the standards have not been fixed over the long term.

There are no private sector and/or government efforts per se to restrict foreign participation in industry standards-setting consortia or organizations; however the national regulations agency is a public entity.

9. Efficient Capital Markets and Portfolio Investment

Luxembourg government policies, which reflect the European Union's free movement of capital framework, facilitate the free flow of financial resources to support the product and factor markets. Credit is allocated on market terms, and foreign investors are able to get credit on the local market, thanks to the sophisticated and extremely developed international financial sector, depending of course on the banks' individual lending policies. With the financial crisis, banks everywhere have become more selective in their lending practices. The private sector has access to a variety of credit instruments, including those issued by the National Public Investment Agency (SNCI), and there is an effective regulatory system established to encourage and facilitate portfolio investment. In recent years, Luxembourg has been recognized as a model of fighting money-laundering activities within its banking system through the enactment of strict regulations and monitoring of fund sources.

Luxembourg's banking system is relatively sound and strong, despite the continuing world financial crisis, thanks partly to the emergency investments made by GOL in the two major banks, BGL BNP Paribas (formerly Banque Generale du Luxembourg and then Fortis) and Dexia BIL, in 2008. As of September 2009, a total of 152 banks (stable vs. year-ago) were operating, with total assets of EUR 932 billion (USD 1.34 trillion, an increase of 6 percent vs. a year-ago, most likely reflecting merger activity) and approximately 27,200 employees.

There are no cross-shareholding and stable shareholder arrangements used by private firms to restrict foreign investment through mergers and acquisitions. Also, measures to prevent hostile takeovers by foreign investors do not exist, since the situation is largely non-applicable. The one important example in 2006 was the initially hostile takeover attempt by Lakshmi Mittal of Arcelor, the country's largest employer (originally Arbed, the Luxembourg national steel company). The GOL was careful to stay out of the dispute until it became clear that Mittal would be able to force a merger via Arcelor shareholders, at which point the GOL exercised its position as shareholder to negotiate maintaining the headquarters in Luxembourg.

Money and Banking System, Hostile Takeovers

As Luxembourg is part of the Eurozone, the European Central Bank controls its monetary policy. The banking sector is healthy and has recovered well from the 2008-2010 financial crises, in part to consolidations (acquisitions within country and from outside investors) due to the abolition of banking secrecy starting in January 2015. Post learned from various private sources that the removal of banking secrecy in fact served to "cleanse" the sector by ridding it of shady customers hiding their assets in Luxembourg. Now banks are generally more transparent about their activities and clients.

Estimated total banking assets are USD 720 billion.

U.S. financial regulations do not restrict foreign banks' ability to hold accounts for U.S. citizens. Anecdotal evidence suggests, however, that U.S. citizens may be constrained in their ability to open bank accounts at some institutions, as some Americans have been turned away by banks reportedly as a result of the additional reporting requirements associated with the U.S. Foreign Account Tax Compliance Act (FATCA) and other U.S. financial regulations. The U.S. Embassy routinely encounters U.S. citizens with complaints about not being allowed to open accounts. There have also been cases of U.S. citizens with existing accounts who have been asked by their banks to close them. U.S. Citizens are encouraged to alert the nearest U.S. Embassy of any practices they encounter with regard to the provision of financial services.

There are no standard rules on hostile take-overs; the most prominent example in recent memory was Mittal Steel's hostile take-over of Arcelor, the world's largest steel company at the time, in 2006-2007. This was documented in the press on a daily basis, involving the highest levels of the Government of Luxembourg, which was a shareholder of Arcelor (and still is a shareholder after the take-over and rebranding of the company as ArcelorMittal.)

10. Competition from State-Owned Enterprises

Private enterprises are allowed to compete with public enterprises in Luxembourg under the same terms and conditions in all respects. All markets are now open or have been liberalized via EU directives to encourage market competition over monopolistic entities. There is a national regulator (National Institute of Regulation), which sets forth regulations and standards for economic sectors, mostly derived from EU directives transposed into local law. While markets continue to open up, the government has maintained a large enough stake in critical sectors such as energy, to ensure national security.

The most prominent state-owned enterprise (SOE) in Luxembourg is POST (formerly P&T) (postal and telecommunications), whose sole shareholder is the government of Luxembourg and whose board of directors is composed of civil servants. POST has had to react to the competition created by new incoming players (Orange, Mobistar, Voxmobile, Vodafone) by transforming itself from a passive utility company into a commercial enterprise, recruiting from the corporate sector and improving consumer products and services. POST also publishes an annual report and communicates in similar fashion to a private company.

Another sector where SOEs were very active has been the energy sector (electric and gas utilities), which is now liberalized as well. Anyone can become a provider or distributor (via networks) of electricity and gas. The former state electricity utility, Cegedel, was recently absorbed into a new private company, Enovos, along with a nearby German utility and the former state gas utility, with an independent board of directors. Creos, the new distribution network for energy, is jointly held by the government and private shareholders.

Finally, an important market which appears to have barriers to entry is freight air transport, due to the dominance of the (now) majority state-owned Cargolux, Luxembourg's national all-freight airline based at Findel Airport. Cargolux, the largest U.S. customer in Luxembourg in terms of value, owing to their all-Boeing fleet of sixteen 747 freighter aircraft, was recently rescued from bankruptcy by the government, which facilitated a capital increase in return for a larger share of the company. This was deemed a temporary crisis measure due to the global downturn in the freight transport market and the government is looking to attract new private investors to help decrease its share in the airline over time.

OECD Guidelines on Corporate Governance of SOEs

Luxembourg is an OECD member.

In general, if the government has a share in an enterprise, they will receive board of director's seats on a comparable basis to other shareholders and in proportion to their share, with no formal management reporting directly to a line minister.

Sovereign Wealth Funds

There is no Sovereign Wealth Fund (SWF) currently in place in Luxembourg. There is a special reserves fund, which could be considered to be a variation on a SWF, in which surplus funds have been set aside. Since the global economic crisis starting in late 2008, the government has begun dipping into this reserve fund for operational needs, while the intended policy of use is for special projects or initiatives.

11. Corporate Social Responsibility

Generally speaking, there is a heightened awareness of corporate social responsibility (CSR) in Luxembourg, whether it is in the corporate sector or among the consuming public. While Luxembourg has always taken a lead role in ecological matters (for example; stringent trash sorting and recycling procedures), the global discussion on climate change, and pressure from the EU in terms of concrete goals and directives, has pushed this issue to the forefront of CSR priorities. Multinational companies operating in Luxembourg are now primarily aligning their policies on international trends - adopted from the parent offices - for example, in the area of carbon emission reductions. One of the Big 4 multinational audit firms has set a local goal of reducing their emissions by 20-25 percent per year, by reducing copy machine and fax usage, for example. Companies are directing their staff to use public transportation (trains) where possible for business travel, in place of air or car usage.

The clearest public expression of increased CSR among the corporate community has been the launching of public foundations (Fondation de Luxembourg, or Luxembourg's national charitable foundation, formally launched last year) and corporate charitable foundations, such as the ArcelorMittal Foundation. This not only serves pure CSR objectives of supporting designated worthy charitable causes (in the case of ArcelorMittal, supporting schools and public infrastructure for health and the environment in their production site locations), but also serves to enhance the company's overall image and reputation as a good corporate citizen. The Luxembourg government took measures in 2009 to ameliorate the legal and tax framework concerning charitable donations by doubling the allowable tax deduction and participating in a new network of countries facilitating cross-border donations by partnership (currently 14 European countries, including Switzerland). For example, a donor can now contribute to the Foundation of France and designate a recipient organization in Luxembourg via the Luxembourg Foundation.

Luxembourg has not only implemented EU directives concerning emissions reduction, but also set forth major new energy policies to promote clean energies and energy conservation in consumer households. Ecological bonuses, Car-e and Car-e Plus programs that promote the purchase of low-CO2 emitting vehicles have been extended until July 2010. The Car-e bonus will be increased to EUR 1500 (USD 2160) for a car that emits less than 100 mg of CO2 per kilometer. The Cool bonus that promotes low-consuming freezers or fridges (A++ rating) is also extended for a year. In 2010, the energy pass becomes compulsory for existing dwellings (houses and residences) that change owner, tenant, or accommodation that undergoes substantial installation transformation (www.myenergy.lu website).

Regarding OECD guidelines, large companies in Luxembourg appear to be following an OECD Millennium Report recommendation that companies contribute a percentage of turnover (gross sales) toward the corporate foundation, in order to increase initial endowment.

OECD Guidelines for Multinational Enterprises

As an OECD member, Luxembourg adheres to the OECD Guidelines for Multinational Enterprises. Its national contact point promotes these guidelines for responsible business conduct, is located in the Ministry of Economy, and composed of representatives from several ministries, business associations and trade unions. Contact information is here: http://mneguidelines.oecd.org/ncps/luxembourg.htm

12. Political Violence

Luxembourg has consistently ranked among the overall safest or lowest risk countries and most politically stable in the world (longest-serving Prime Minister in the EU for example, Jean-Claude Juncker). There have been no recent serious incidents involving politically motivated damage to projects or installations (with the notable exception of a peaceful 2009 labor union demonstration in front of ArcelorMittal headquarters against planned lay-offs). The environment is not growing increasingly politicized such that civil disturbances would be likely, with the possible exception of specialized non-governmental organizations (NGO's). Of note is that many of the demonstrations which occur in Luxembourg are not aimed at the Grand Duchy, but rather at the EU offices located within Luxembourg (for example, the European Court of Justice and the European Court of First Instance). There are no known nascent insurrections, belligerent neighbors, or other politically motivated activities.

According to World Markets Research Centre of London, Luxembourg is rated consistently high as one of the least risky places to do business in the world. The risk ratings were all noted insignificant for the following aspects: political risk (existence of institutional permanence, internal and external political consensus); economic risk (existence of forward planning, a diverse and resilient economy); legal risk (existence of innovative legislation, transparency, independence and experience); tax risk (coherent and fair taxation system, low effective corporate and personal income tax rates below EU average); and operational risk (supportive attitudes toward foreign investment, high quality of infrastructure, existence of social peace with Tripartite system of negotiation process involving labor, employers and government, low bureaucracy and corruption).

13. Corruption

Regulations are enforced by the strong but flexible Financial Sector Surveillance Commission (CSSF, which is equivalent to the U.S. Securities and Exchange Commission). U.S. firms have not identified corruption as an obstacle to FDI in Luxembourg. There are no areas or sectors where corruption is pervasive, whether in government procurement, transfers, performance requirements, dispute settlement, regulatory system, or taxation. Giving or accepting a bribe, including between a local company and a public official, is a criminal act subject to the penal code. Senior government officials take anti-corruption efforts seriously. International, regional or local nongovernmental watchdog organizations do not operate in the country, given the low risk.

Luxembourg has laws, regulations, and penalties to combat corruption effectively, and they are enforced impartially with no disproportionate attention to foreign investors or any other group. The country ranks very favorably on the World Bank's corruption index (very low) and Luxembourg placed #9 in Transparency International's 2014 Corruption Perception Index. In particular, Luxembourg has made anti-money laundering and suppression of terrorism financing a priority, given its status as a leading world financial center. The government has taken the lead in freezing bank accounts suspected to be connected to terrorist networks, and in November 2004 extended the law against money-laundering and terrorist financing to additional professional groups (including auditors, accountants, attorneys, and notaries). Also, local police, who are responsible for combating corruption, work closely with neighboring countries' law enforcement officials, as well as with Interpol (international police network) and Europol (European police network). Bribes to foreign officials are not tax deductible.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Luxembourg signed and ratified the UN Anticorruption Convention (signed Dec 2003 and ratified Nov 2007).

Luxembourg is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Ministry of Justice
Claudine Konsbruck
Director of Criminal and Judicial Affairs
13 rue Erasme
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14. Bilateral Investment Agreements

The United States and Luxembourg have shared a Friendship, Establishment, and Navigation Treaty since 1963 which assures national treatment and other investor protections. Luxembourg and the U.S. also have an aviation treaty.

Other countries with which Luxembourg has bilateral agreements are:

Austria,Bahrain (aviation), Barbados (aviation), Belgium,Brazil,Bulgaria,Canada,Chile (aviation),China, Costa Rica (aviation), Croatia (aviation), Cyprus (aviation),Czech Republic, Denmark, Finland,France, Gabon (aviation), Gambia (aviation),Germany,Greece,Hong Kong (aviation),Hungary,Iceland,India (aviation),Indonesia,Iraq (aviation),Ireland,Israel (aviation), Italy,Japan,Jordan (aviation),Kenya (aviation),Kuwait (aviation),Lebanon (aviation),Macau (aviation), Malaysia,Malta,Mauritius,Mexico,Mongolia,Morocco,Nepal (aviation),The Netherlands,New Zealand (aviation),Norway,Philippines (aviation), Poland,Portugal,Romania Russia,Singapore,Slovakia,Slovenia,South Africa,South Korea,Spain,Sweden, Switzerland, Syria (aviation),Thailand,Togo (aviation),Trinidad and Tobago,Tunisia,Turkey,Ukraine,United Kingdom,Uzbekistan,Vietnam

Luxembourg is a member of the Multilateral Investment Guarantee Agency (MIGA).

Bilateral Taxation Treaties

Luxembourg has a bilateral taxation agreement with the U.S., which was just amended to upgrade to OECD information exchange standards on bank accounts in 2009. There are no taxation issues of concern to U.S. investors.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) does not currently work in Luxembourg.

16. Labor

Luxembourg boasts a very stable, diverse, multilingual and qualified labor market, benefiting from the approximately 150,000 industrial and service employees who come to work in Luxembourg on a daily basis from the neighboring countries of Belgium, France and Germany. Foreign (non-Luxembourger) workers are treated the same as nationals. Work permit constraints were recently relaxed for non-EU applicants (including Americans), particularly for qualified persons for skilled positions.

Foreign investors often cite Luxembourg's labor relations as a primary reason for locating in the Grand Duchy. Unemployment in Luxembourg is on the rise at approximately 6 percent as of the end of 2009, due to the impact of the global economic downturn and increased layoffs by international corporations. However, this rate remains far below the EU average of 9-10 percent, and labor relations have been peaceful since the 1930s. Most industrial workers are organized by unions, linked to one of the major political parties. Luxembourg is proud of the system of representatives of business, unions, and government participating in a tripartite process in the conduct of major labor negotiations, which serves to avoid strikes, common in the neighboring countries of France and Germany.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

At present, there are no foreign trade zones, free trade zones, or free ports in Luxembourg. However, Minister Jeannot Krecke (Economy and Foreign Trade) has informed the Luxembourg Chamber of Deputies of his desire to create a free trade zone, which would be integrated into the developing logistics activities in the Grand Duchy. This zone, inspired by the system of customs warehousing, would allow the warehousing and handling of merchandise in a secure location free of fiscal constraints. Taxation would only be triggered when the articles left the zone for importing into the country of consumption. This type of zone could be envisaged on the former Warehouse Service Administration (WSA) site (former USG warehousing) in Bettembourg, in southern Luxembourg. A feasibility study is now being conducted on the matter by the GOL.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	110.6	2013	60,131	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2015	289.9	2015	416.3	http://bea.gov/international/factsheet/factsheet.cfm?Area=316
Host country's FDI in the United States ($M USD, stock positions)	2012	202.3	2012	202.3	http://bea.gov/international/factsheet/factsheet.cfm?Area=316
Total inbound stock of FDI as % host GDP	2013	121.6	2013	121.6	

*Provide sources of host country statistical data used

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	3,251,506	100%	Total Outward	4,145,675	100%
United States	774,723	24%	United States	775,946	19%
United Kingdom	540,818	17%	The Netherlands	563,697	14%
The Netherlands	322,325	10%	United Kingdom	561,025	14%
Belgium	241,293	7%	Switzerland	353,605	9%
Ireland	200,303	6%	Ireland	330,512	8%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	3,713,047	100%	All Countries	1,610,817	100%	All Countries	2,102,230	100%
United States	817,105	22%	United States	356,663	22%	United States	460,443	22%
France	349,513	9%	Germany	142,487	9%	France	221,179	11%
Germany	344,373	9%	United Kingdom	139,683	9%	Germany	201,886	10%
United Kingdom	301,530	8%	France	128,334	8%	Italy	169,278	8%
Italy	206,041	6%	Ireland	82,645	5%	United Kingdom	161,846	8%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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