



June 2010

Dear Business Executives and Friends of Luxembourg:

As we celebrate Luxembourg National Day on June 23, I welcome you to the latest newsletter of the Luxembourg Trade and Investment Office in San Francisco. It highlights the encouraging growth prospects of the Luxembourg economy for 2010 and 2011. The European Commission, and the Luxembourg Statistical Office have published their most recent growth forecasts, while the Luxembourg Government is taking measures to balance the public finances by 2014 and restore confidence in its determination to limit the growth of Government debt to less than 30 percent of GDP. New location decisions by companies in the US and elsewhere -- such as CH Robinson (MN) and Rakuten (Japan) -- to Luxembourg give us confidence about our strong competitiveness in the European markets.

If you wish to learn more about these opportunities or about the subjects of any of the articles below, I would be pleased to assist.

With my best regards,



Georges Schmit
Consul General of Luxembourg
Executive Director, Luxembourg Trade and Investment Office, San Francisco

European Commission and Luxembourg Statistical Office See Stronger GDP Growth in 2010 - 2011; Government Debt Lowest Among EU Nations

The European Commission in May revised its 2010 growth forecast for Luxembourg to 2 percent, the third highest rate in the EU and almost double the EU average. Meanwhile, the Luxembourg Statistical Office (STATEC) raised its forecasts for 2010 and 2011 to around 3 percent after revising 2009 figures to -3.4 percent from -4 percent. Unemployment will likely increase to 6.0 percent, up from 5.4 percent in 2009, due to increases in productivity. STATEC expects a budget deficit of 2.1 percent of GDP for 2010, decreasing to 1.7 percent in 2011. Government debt should rise to 19 percent of GDP in 2010. Luxembourg remains among those EU countries with the lowest public debt. http://bit.ly/WSJ_2010GDPForecast

State of the Nation 2010: Luxembourg Prime Minister Juncker Announces Measures to Balance the Budget by 2014

To balance the public finances and limit the debt/GDP ratio to 27.2 percent by 2014, the Prime Minister announced expenditure cuts and tax increases to be submitted to the legislature to become effective by January 1, 2011. Reductions will occur in capital expenditures, such as delaying school construction and road and rail infrastructure programs. There will be reductions in operating budgets with hiring and pay freezes in the public sector, limits to social transfers for pension and children's allowances, and reduced interest subsidies for mortgage loans. Out of a total savings objective of EUR 1.6 billion by 2014, 370 million will be achieved in 2011 and 407 million in 2012.

On the revenue side, the highest marginal rate of personal income tax will increase from 38 to 39 percent. A solidarity tax of 4 percent of personal income tax due (up from 2.5 percent) will be added; a 6 percent surcharge will be applied to incomes above EUR 300,000 per year. A 'crisis contribution' of 0.8 percent of all incomes will be introduced for 2011 and 2012. Corporate income tax will remain at about 29 percent, though an intended reduction to 25.5 percent by 2014 is no longer on the books. The corporate solidarity tax will increase from 4 percent to 5 percent. Excessive bonus and severance payments will no longer be deductible as a corporate expense.



To encourage capital expenditures, investment tax credit provisions and the tax treatment of efficient energy utilization will be improved. The annual capital tax of 0.01 percent on Exchange Traded Funds will be abolished. Mr. Juncker asked labor and business leaders to define ways to improve the competitiveness of the Luxembourg economy and reduce unemployment before the end of the year.

Delegation Led by Ambassador Senninger and Consul General Schmit, Visits Minneapolis-St Paul

An official delegation led by Ambassador Jean-Paul Senninger and Consul General Georges Schmit visited the Minneapolis – St. Paul area in Minnesota in May for a meeting with Gov. Tim Pawlenty and several leading companies in the region. Gov. Pawlenty hosted the group, which also included Honorary Consul Kevin Ries, at the state Capitol, for a brief discussion on tax policy. Ambassador Senninger also addressed a packed luncheon reception at the Minneapolis Club, where he reviewed the current economic situation in the European Union, prospects for growth this year, and the issues surrounding the recent concerns about high debt ratios in member nations.



During the trip to Minneapolis-St. Paul the group also met with officials at CH Robinson and Digital River, which maintain operations in Luxembourg, and were hosted by Medtronic, the world's largest medical device development company.

C.H. Robinson, Leader in Third Party Logistics, Establishes Luxembourg Office

C.H. Robinson (<http://www.chrobinson.com>), a leading provider of third party logistics services, has opened a Luxembourg location in Howald. The C.H. Robinson Luxembourg office houses a strategic account management center and a strategic carrier capacity center. The core focus is on international truckload transport, and they provide part load and groupage services as well. For information contact Jose.Rodriguez@chreurope.com, +352 266 447 430, 23 Rue des Bruyères, L-1274 Howald.

Luxembourg Tops All EU Nations in Annual World Competitiveness Survey Rankings

Luxembourg was ranked 11th worldwide in the annual IMD world competitiveness survey, issued in May. The top five most competitive nations are Singapore, Hong Kong, the U.S., Switzerland, and Australia, with Luxembourg moving up from 12th place in 2009 to 11th – ahead of all EU nations – in 2010. The annual survey is published by the IMD Business School in Lausanne, Switzerland. The study lists 58 economies according to 328 criteria that measure how the nations create and maintain conditions favorable to businesses. The U.S., which has typically finished in first place, dropped to third for the first time in more than 15 years. For more details visit: <http://www.imd.ch/research/publications/wcy/index.cfm>

Luxembourg Moves up to Fifth in 2010 WEF's EU Competitiveness Survey

Luxembourg has moved into fifth place in the World Economic Forum's biennial review assessing progress made by EU member nations under the Lisbon Strategy of economic and structural reforms. Issued in May, the survey lists Sweden as the most competitive economy as measured by the EU's competitiveness benchmark, the Lisbon criteria. Then came Finland, Denmark, the Netherlands, and Luxembourg, which ranked seventh in the prior survey.

The World Economic Forum's study is the fifth and final review in a biennial series assessing progress made by EU Member countries toward the goals of the EU's Lisbon Strategy of economic and structural reforms. It measures performance of the 27 EU members and the competitive performance of EU candidates and potential candidate countries. For details:

www.weforum.org/en/media/Latest%20News%20Releases/NR_Lisbon2010

Luxembourg Investment Fund Industry – ALFI – Completes Presentation in San Francisco

Consul General Georges Schmit on April 11 welcomed a delegation from the Association of the Luxembourg Fund Industry, ALFI, led by Chairman Claude Kremer and Director General Camille Thommes. During a seminar at the Four Seasons Hotel, more than 50 guests were provided insight into the development of the UCITS IV regulatory framework as well as information about regulation of alternative investment funds such as private equity, venture capital, real estate and Islamic Funds. Luxembourg is now the world's number one location for Islamic Funds outside of Malaysia and the Middle East. For more information: <http://www.alfi.lu/>

Japan's Leading Online Retailer, Rakuten, Purchases Buy.com in US, PriceMinister in France



Rakuten, the Japanese online retailer, has reached a definitive agreement to acquire California-based shopping portal Buy.com for \$250 million next month. The all-cash deal will be handled by Rakuten USA, which is headquartered in Boston, and has established its European Union headquarters in Luxembourg City. On June 15, Rakuten also announced the acquisition of France's e-commerce leader PriceMinister for €200 million. The acquisition is another step toward Rakuten's objective to create a global platform where consumers can enjoy shopping no matter where they are located, and to help merchants grow their online business.

Rakuten in Japan counts 64 million members, while Buy.com claims 14 million customers who are mainly located in the US and Europe. Last fiscal year, the Japanese company reached \$3.2 billion in sales, and currently boasts a market cap of \$9.4 billion at the Tokyo Stock Exchange.

Rakuten's Ichiba platform will especially enable European small and medium size enterprises (SMEs) to enhance their growth potential. Rakuten Inc. will support its European operations through Rakuten Europe S.à.r.l, based in Luxembourg. Rakuten Europe will be responsible for corporate functions like strategic coordination and human resources. For more detail: <http://corp.rakuten.co.jp/en/ir/> or <http://www.bed.public.lu/news/2008/02/rakuten/index.html>

SES-ASTRA Launches New ASTRA 3B Satellite

SES-ASTRA on May 21 launched its new ASTRA 3B satellite into space onboard an Ariane 5 rocket from Kourou, French Guiana, at 19:01 am local time. The satellite is being brought into its final orbital position made commercially available by late June after in-orbit testing. SES-ASTRA, an SES company, has seen a strong take-up of the new capacity by customers and successfully pre-contracted a significant number of transponders prior to launch.

ASTRA 3B is delivering Direct-to-Home (DTH) broadcast services to the Benelux and Eastern Europe and serve public and private satellite communication networks in Europe and the Middle East. The satellite will let SES ASTRA extend geographical coverage and service to customers, and offer DTH TV reception from Spain to the Black Sea.

ASTRA 3B was built by Astrium in Toulouse, France, using a Eurostar E3000 platform. The spacecraft weighed around 5,500 kilograms at launch and carries 60 Ku-band and four Ka-band transponders (after the first five years 56 Ku- and four Ka-band transponders). The SES ASTRA satellite fleet delivers high quality broadcasting to 125 million European homes and serves 3.5 million TV households from 23.5 degrees East.



photo courtesy of arianespace.com

Luxembourg's US Trade and Investment Offices Launch New Website

The Luxembourg Trade and Investment Offices in New York and San Francisco have launched a new website in the U.S. tailored to the needs of the American business community. The new website is business-focused, highly interactive, and designed in direct response to the needs of corporations and executives who are looking to Luxembourg as a profitable platform for their European and worldwide business. The site incorporates information supporting business development in Luxembourg, governmental and private resources, financial facts and figures, Luxembourg's unique strategic advantages, external links, and information about quality of life – all in a user-friendly layout with a convenient look and accessible descriptions. The site URL is www.investinluxembourg.us