



# GOING GLOBAL **EXPORTING TO LUXEMBOURG**

A guide for clients



**#GlobalAmbition**



Capital city

# Luxembourg



Population (2018)

**602,005**<sup>1</sup>



GDP per capita

**€80,800**<sup>2</sup>



GDP Growth

**2.6%** in 2018<sup>3</sup>



Unemployment rate

**5.6%**<sup>4</sup>



Enterprise Ireland client exports (2018)

**€467.5m**  
(Belgium & Luxembourg)<sup>5</sup>



# WHY EXPORT TO LUXEMBOURG?



One of the smallest European countries, Luxembourg has the highest standard of living in the EU, and has used its covering status and outward-looking perspective to make itself a world centre of finance and administration.

- Luxembourg ranks 8th in the European Union in the World Economic Forum's Global Competitiveness Index<sup>6</sup>.
- Luxembourg is a global destination, not just for the financial sector, but has also developed high-value industries such as logistics, biotechnology, information technology and green technology.
- It is the 4th most globalised economy in the world<sup>7</sup>.
- 11 industry clusters have been created since 2002.
- 74% of economic activity in Luxembourg depends on foreign markets.
- World's highest GDP performance AAA-rated: strong macroeconomic fundamentals<sup>8</sup>.

## REASONS TO CONSIDER LUXEMBOURG IN YOUR EXPORT STRATEGY

There are **3,900 investment funds** in Luxembourg.



Luxembourg is **first in cross-border fund distribution**.



It is the **second largest investment fund centre** in the world after the U.S.



Luxembourg is **number 2** in the world in terms of **global logistics capabilities**.



**60% of the EU's GDP** can be reached within **one trucking day**.



Luxembourg ranks **4th** in terms of **space investment in Europe**<sup>9</sup>.



It is the **3rd most globalised economy** in the world.





# KEY GROWTH OPPORTUNITIES IN LUXEMBOURG

## Financial services

With a focus on ICT, project management, consultancy and training, Luxembourg is the European leader and ranks second, globally, for investment funds<sup>10</sup>.

Areas of opportunity are found in securities trading and settlement, cryptocurrencies, identity management and KYC 'Know Your Customer', trade finance, and automated (smart) contracts.

## ICT

The Digital Luxembourg initiative aims to strength and consolidate the country's position in ICT focusing on the development of telecom infrastructures, the support for innovation and access to financing for start-ups, the promotion of innovation in services to the financial sector, e-skills and e-administration.

It is also investing heavily in order to become a world leader in cloud technologies.

## Logistics

Luxembourg has been ranked second globally by the World Bank's logistics performance index for 2016<sup>11</sup>. As a major European air cargo hub, Luxembourg is keen to expand this sector and is continuously looking for new innovative operations. Opportunities are present in: Maintenance and servicing of aircrafts, security for high-value storage, and group equipment for aviation.

## Automotive

There are new technologies in electromobility, while opportunities lie with new approaches and services related to car connectivity: sensor exports, software and hardware, smart mobility solutions, along with car products and services, car sharing, ride sharing, smart applications.

## Aerospace

With a large investment in the aerospace industries, there are opportunities spanning avionics, electronics, development and production of parts, corrosion treatment, precision agriculture, and environmental monitoring and management.

## Life Sciences

The Government is developing a Bio-Technologies industry, which has been attracting several prominent headquarters to establish here.

Also, ELIXIR-LU, the Luxembourgish part of ELIXIR, the European infrastructure for life science information, focuses on long-term sustainability of tools and data for Translational Medicine.

More information can be accessed <https://elixir-luxembourg.org>

## Retail

With the highest GDP per capita in Europe<sup>12</sup>, Luxembourg is a country of huge potential for high-end retailers looking to enter a new market.



# SECTORAL SUCCESSES

## Aerospace

- Luxembourg ranks 4th in terms of space investment in Europe<sup>13</sup>.
- Created the Space Resources initiative to position it as the European hub of space resource utilisation, with the two largest players in the space mining industry having started their European operations here.
- €200 million allocated to space industry development<sup>14</sup>.
- The industry encompasses more than 25 companies and two public research organisations<sup>15</sup>.

## Logistics<sup>16</sup>

- #2 in the world in terms of global logistics capabilities.
- 6th largest airfreight platform in Europe.
- 60% of the EU's GDP can be reached within one trucking day.

## Automotive

- As Luxembourg's 2nd most important industry sector, there are over 1950 R&D facilities operating on creating innovative ideas for the industry.
- Goodyear have their research centre here, ranking 8th largest outside the US.
- Current priorities lie in mobility evolution, automated driving, energy and environment and safety.

## Agri-food

- Luxembourg's population is extremely affluent, per capita GDP was the highest in Europe in 2018. It is a natural market for premium-quality speciality agricultural products<sup>17</sup>.

## Cleantech

- Luxembourg's internationally competitive Cleantech sector focuses on waste management, water treatment and eco-construction and is a focus of the country's economic diversification plan. The sector is highly co-operative internally; the majority of companies execute collaborative R&D and innovation projects as part of the

"EcolInnovation" cluster. Therefore, Luxembourg presents a highly receptive, and yet competitive, market for exporting eco-friendly products<sup>18</sup>.

## Industrial

- Initially dominated by steel, this industry has become increasingly diversified to include chemicals, rubber and other products, with several multinationals maintaining manufacturing operations and distribution centres. In total it accounts for 10% of GDP<sup>19</sup>.

## Information and Communications Technology (ICT)

- Luxembourg has outperformed the global average in all dimensions of Information and Communications Technology (ICT) assessment and is one of the leading countries for connectivity, digital skills and internet usage<sup>20</sup>.
- It has first-rate infrastructure including 23 data centres, 8 of which are Tier IV certified; while 23 fibre routes connect Luxembourg to the rest of Europe<sup>21</sup>.

## Life sciences

- The domestic life science industry features many SMEs and public research labs focused on personalised medicine, diagnostics, bioinformatives and HealthIT. There is a supportive business environment and substantial public investment, reflecting the Government's goal of making the country an attractive destination for health sciences research and a world leader in molecular diagnostics<sup>22</sup>.

## Finance

- This sector contributes about a quarter of GDP due to its dominance in the country. It includes more than 150 foreign-owned subsidiary banks, Europe's largest investment fund industry and the second-largest money market industry.
- 45,000 people are employed by Luxembourg's finance sector alone; with one third of its activity corresponding to ancillary services, which stands out positively against other financial hubs like London<sup>23</sup>.

# GET READY TO DO BUSINESS IN LUXEMBOURG

As a country which borders three different countries, Belgium, Germany and France, as well as a large population of expats working here, the business culture is unique. Luxembourgers are pragmatic in approach, so assertiveness and strong criticism are not appreciated.

Both long-term and short-term developments are taken into account, as Luxembourgers are used to carefully calculating potential risks. Decisions are approached in a slower method.

Traditional hierarchies are typical of the current business climate, and meetings tend to be brief to formalise decisions. It is important to show proper respect and deference to people who have attained positions of rank.

Decisions are preferable based on consensus, which can thus lead to a lengthy negotiation process. So, to avoid further time delays, it is worthwhile making sure beforehand that the person who will represent a business is entitled to make decisions.

## Travelling and geography

Luxembourg is positioned in the heart of the Greater Region, on the road and railroad axis which links the Mediterranean region to the North Sea<sup>24</sup>.

Bordering Belgium, France and Germany, Luxembourg is a country split in two – the northern area “Oesling” dominated by hills and low mountains, and southern part “Gutland” which is more densely populated.

Luxembourg Airport is the only international airport in the country.

## Language

There are three official languages in Luxembourg: Luxembourgish, which is the national language, German and French. English is widely used as the business language.

The World Economic Forum ranks Luxembourg as the world's leading bilingual country, with 99% of Luxembourg's population speaking two languages. The European average is 56%<sup>25</sup>.

## Routes to market

### *Direct sales from Ireland*

Unlike other markets, local representatives are not always necessary. As a country heavily reliant on exports itself, Luxembourg is home to businesses which are open to being approached by international companies. However, as a general rule, your route to market will be smoother if you have a local partner.

### *Consultants/commercial agents*

An agent is a self-employed person who acts as an outsourced sales resource, and can be an attractive option in Luxembourg. They can help you build sales leads quicker and can be useful if you need to obtain certification for your product. Enterprise Ireland can put you in touch with possible agents in the Luxembourg market. It can also broker contacts with business accelerators, and experienced consultants. In Luxembourg, you may need to employ different agents depending on the region you intend to target.

### *Partnerships*

Partnership agreements with an established company can be a way to gain a foothold or build sales opportunities that may be difficult to crack as a new entrant. Ensure you have a proper agreement in place, setting clear targets and responsibilities.

### *Distribution/Logistics*

Having a distributor that purchases the product from you and resells it in Luxembourg enables you to take advantage of their leads and potential clients. Distributors must be managed on an ongoing basis to ensure they are representing your brand effectively.

### *Joint ventures*

Joint ventures and acquisitions can be a successful route to market gaining you a foothold and bringing on board established contacts and market knowledge.

# THINGS TO CONSIDER

## Market landscape

As a country heavily reliant on a small number of activities, especially its financial sector, Luxembourg is looking to the future to broaden their scope in sectors such as logistics, biotechnology, information technology and green technology<sup>26</sup>.

With the highest GDP per capita in Europe, and 3rd globally, Luxembourg is a generous market for luxury retailers looking to enter a new market<sup>27</sup>.

## Market trends

Luxembourg's economy continues to grow at a grew by 2.6% in 2018, with private consumption expected to benefit from strong labour market conditions<sup>28</sup>.

Luxembourg looks to remove some barriers to investment and innovation to strengthen the diversification of its economy, with a view to reducing dependence on the financial sector<sup>29</sup>.

## Target market

With a Government looking towards the future, Luxembourg is a country open to innovative ideas across all industries. Supporting 663 SMEs between 2009 and 2015, Luxembourg is extremely supportive for small businesses<sup>30</sup>.

## Market segmentation

Luxembourgers' entrepreneurial activity is one of the highest amongst other developed countries. 9.3% of the population engage in entrepreneurial activities compared to the EU average of 8.3%<sup>31</sup>.

## Competitors

Depending on the sector, there are various elements to the competitor landscape. Large multinational companies base their EU headquarters here, and Luxembourg is world-renowned for its financial sector. Moreover, there are a growing number of SMEs operating through various industries; and in a new climate, they are more open for collaboration than the average region.

## Market research resources

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market and country information to explore opportunities and compete in international markets.

Enterprise Ireland can help you establish a connection with local trade agencies for a more dynamic and effective overview of the relevant sector.

As part of a number of associations within Luxembourg, Enterprise Ireland can provide access to a vast network and knowledge bank, in a supportive, open environment.

## Customer service

With a variety of nationalities residing and working in Luxembourg, strong intercultural capabilities are required in this unique setting to provide the right customer experience. Personalisation is the most significant driver in Luxembourg.

## Boots on the ground

Initial requirements do not require a local presence, But having a local partner will help you build up business relationships and will benefit your company in the long run.

# LEGAL & TAXATION INFORMATION

## Visa requirements

Like all EU countries, no visa is required for any visitor staying less than 90 days.

For more information regarding working in Luxembourg as a cross-border worker, see <https://guichet.public.lu/en/citoyens/immigration/cas-specifiques/travailleur-frontalier-tiers.html>

## Customs information

In accordance with the EU membership, Luxembourg applies the EU rules that are in force in all EU countries.

Customs duty for non-EU member countries is usually rather low (around 4.2% on average). There are, however, three sectors and product categories which are subjected to a higher tariff, these are the clothing sector, fabrics and agro-alimentary products (around 17.3%).

More information can be found here:

<http://luxembourg.public.lu/en/actualites/2018/02/08-logistics/index.html>

## Corporate structures, Intellectual Property (IP), contractual terms and conditions, employment

Luxembourg has strong Intellectual Property (IP) protection, with solid legal and regulatory framework. This framework makes it possible to choose from several types of patents, namely a national patent, a European patent and an international patent.

More information can be found

<http://luxembourg.public.lu/en/investir/propriete-intellectuelle/index.html>

## Tax structures

The Government has recently made various adjustments to the tax law to strengthen investment and innovation including the lowering of the corporate income tax rate from 21% to 18%. To support SMEs there is a further lowering of the minimum tax rate from 20% to 15%.

A new tax regime for IP has passed as part of the Government's overall strategy to build a competitive framework that promotes innovation and respects international and European taxation principles.

Corporate income tax for resident and non-resident companies has been set at the following rate in 2019:

- 15% where the taxable income does not exceed EUR 175,000;
- 17% where the taxable income exceeds EUR 200,000<sup>32</sup>.



# HELPING YOU WIN IN LUXEMBOURG

Enterprise Ireland's Belgium/Luxembourg office provides business expertise to prepare, launch or develop your activities through each of our dedicated Market Advisors (MAs) and their deep, commercial knowledge and networks they have built both domestically and internationally.

Through pre-visit support, we provide regularly updated sectoral overviews of the Luxembourg market, suggest channels to enter the market, and a competitor analysis and evaluation of your market entry strategy.

Through our network, we can arrange meetings with relevant contacts to gain a deeper insight into the market.

In Market Support, we can provide introductions to buyers and decision makers, identify potential partners, and assist with product launches and workshops.

Every year Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers missions to Ireland
- Group stands at important international trade fairs
- Trade missions to Luxembourg
- Study visits to gain knowledge of the Luxembourg market
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts.
- Further information is available at [www.enterprise-ireland.com/events](http://www.enterprise-ireland.com/events)

Enterprise Ireland's Belgium/Luxembourg office has built up an excellent network of individuals who are able to work with our Irish client companies on developing their business. This includes market and sector specialists, business accelerators and members of Irish business associations, such as the Ireland Luxembourg Chamber of Commerce.

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