



U.S. Department of State FY 2000 Country Commercial Guide: Luxembourg

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Luxembourg's commercial environment, using economic, political, and market analysis. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-

agency task force, to consolidate various documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Luxembourg is the smallest member-nation of the European Union (EU) and is situated among France, Germany, and Belgium in the "heart of Europe." With the highest standard of living among the fifteen EU members, continuous economic growth for well over the past ten years, relatively low inflation, and virtually no unemployment, Luxembourg offers an economy that is both strong and diversified. An example of Luxembourg's economic strength is that Luxembourg was the first EU member to fully comply with the convergence criteria necessary to join Europe's Economic and Monetary Union (EMU).

Luxembourg is also the focal point of the Saar-Lor-Lux region, which is comprised of Saarland, Lorraine, Grand Duchy of Luxembourg, Luxembourg province of Belgium, Trier, and Western Palatinate. This region is well known as an industrial stronghold with approximately 11 million inhabitants and forms a social, economic, and cultural entity with its own identifiable character. Straddling the crossroads of European trade, this region is an important link between Northern Europe and the Mediterranean as well as the Atlantic and Central European countries. The Saar-Lor-Lux region is made up of several nationalities, each contributing to the unity, drive, and economic growth of the area, setting a perfect example for the 320 million Europeans in the Single European Market.

Iron and steel production were pivotal in the country's industrialization and modernization. The Luxembourg-based ARBED Group is the second largest steel producer in Europe and the fourth largest in the world. In 1998, the European steel industry had an excellent first half-year despite being negatively impacted by the economic crisis in South East Asia, Russia, and Brazil. ARBED's 1998 earnings were 91.8% higher compared to 1997. It also remains the largest single private employer in Luxembourg, despite workforce reductions in the 1980s.

In telecommunications, the government backed the creation of the satellite company Société Européenne des Satellites (SES) in 1985, which recently went public in July 1998 on the Luxembourg Stock Exchange (symbol: SES). SES operates ASTRA, a leading satellite system for direct-to-home (DTH) transmission of TV, radio, and

multimedia services throughout Europe. SES recently launched its ninth ASTRA satellite in June 1998, and another two are scheduled for launch before 2001. In total, the ASTRA satellites reach over 74 million homes in Europe.

Luxembourg's all-cargo airline, Cargolux, ranks among the top ten European air cargo carriers. The company has been expanding over the past few years by adding more scheduled destinations with many destinations in the U.S. Cargolux maintains a fleet of ten aircraft composed entirely of modern Boeing 747-400Fs, making the airline an important client of the U.S. aircraft industry.

Since the end of World War II, strong efforts have been made to attract investments to bring diversity into Luxembourg's former monolithic industry. American companies such as Goodyear, DuPont de Nemours, General Motors, and Guardian International realized that the location of Luxembourg was ideal for serving European markets. Goodyear and Guardian, in particular, manage their European operations from Luxembourg and represent the two most important foreign manufacturing investments in the country.

Luxembourg offers many incentives to companies intending to set up operations within the country such as tax rebates and help in obtaining credit. Despite these continuing efforts to increase industrial activity, however, Luxembourg's industrial labor force is diminishing; instead, the service sector continues to expand. Despite consolidation among banks, the financial sector is still Luxembourg's biggest growth sector due to expansion of the insurance segment. This has enabled the country to play a major role as a prominent international financial center. 215 (1997) banks, 1,200 investment funds, 180 insurance and re-insurance companies, and 19,000 domiciled holding companies benefit from a favorable tax environment and bank-secrecy legislation. This presence represents the largest banking concentration in the European Union. To combat the image of Luxembourg as a tax haven, as well as a money laundering center, severe laws against money laundering have been passed.

Although financial services, steel, and multinational companies dominate Luxembourg's economy, there are many benefits to small- and medium-sized American investors. Luxembourg is an attractive business center despite Luxembourg's high wages, strong labor legislation, and high costs. Investors benefit from a multilingual, highly educated and productive labor force, and relatively low social costs. Excellent road, rail, and air

connections, a tailor-made investment incentive program, easy access to government decision makers, and a stable political and economic environment also aid companies investing in Luxembourg.

The Commercial Service in Luxembourg is part of a European-wide initiative called Showcase Europe (<http://www.sce.doc.gov>). Created in April of 1995, Showcase Europe provides information collected by all the Commercial Service offices throughout Europe to assist American companies in conducting business in the European market. An exporter can access Country Commercial Guides, check available industry sector research, and contact the Commercial Service office in a particular country of interest. Showcase Europe is a one-stop shop for European market information. While there is no fee to use this website, registration is required.

The Commercial Service at the U.S. Embassy in Brussels also serves businesses interested in Luxembourg. The U.S. Embassy in Luxembourg can be contacted by phone, at +35/2 46-01-23. The Commercial Service in Brussels can be reached at +32/2 508-2425. Complete details of services offered can be obtained by visiting the Commercial Service Brussels website at <http://www.us-embassy.be> or by contacting your local Export Assistance Center found at <http://www.ita.doc.gov/uscs>.

Country Commercial Guides (CCG) are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. CCGs can be accessed via the World Wide Web at <http://www.stat-usa.gov>, <http://www.state.gov>, and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Luxembourg's economy is stable and prosperous with positive growth in 1998; it had modest inflation (1.2%) and the lowest unemployment rate (2.9% in 1998) in the EU. Banking and insurance, steel, and light industry are the dominant sectors. GDP rose by

5.7 percent in 1998 and growth is estimated at 2.5 percent for 1999. In foreign trade, overall imports and exports rose between 1997 and 1998. Luxembourg's standard of living and per capita income are the highest in the European Union. Luxembourg's economy, while robust, is nevertheless affected by the economic performance of neighboring countries. The industrial sector, until recently dominated entirely by steel, is increasingly diversified. The steel sector has reduced both employment and output substantially from peaks of the early 1970's. Crude steel production grew over 60% in 1998. However, Luxembourg's steel producers have experienced depressed steel prices due to the Asian financial crisis, which has negatively affected the industry.

Luxembourg and Belgium still maintain an inter-exchangeable currency even after the introduction of the euro on January 1, 1999. The Belgium-Luxembourg Economic Union (BLEU), which allowed the two countries to share custom facilities, was dissolved with the advent of the EU Economic and Monetary Union (EMU) in 1999. As a result of the EMU, Luxembourg also created its own central bank, Banque Centrale du Luxembourg.

Luxembourg's dependence on exports of goods and services has made it favorable to open borders and free-flowing commercial activity. Most trade is with Luxembourg's immediate European neighbors. The trade balance with the United States fluctuates widely depending on purchases of large capital goods, such as planes or satellites; otherwise steel exports to the United States dominate bilateral relations. Although the country usually registers a deficit in trade of goods, a surplus in earnings from financial services contributes to a very large current account surplus.

Employment increased marginally between 1997 and 1998, primarily in the service sector while employment in industry remained stable. The unemployment rate is the lowest in the EU. Unemployment is an important issue in national politics, since the economic policy of Luxembourg is to provide full employment. In fact, Luxembourg is a net exporter of employment—over 30 percent of the workforce lives outside Luxembourg and over 50 percent of the workforce are non-Luxembourgers. Many of the workers in Luxembourg live in neighboring France, Belgium, and Germany. Luxembourg also hosts a large Portuguese community, which is about 13 percent of the population, the result of a labor shortage during the postwar economic boom.

The Saar-Lor-Lux region which is comprised of Saarland, Lorraine,

Grand Duchy of Luxembourg, Luxembourg province of Belgium, Trier, and Western Palatinate. Straddling the crossroads of European trade, this region is exceptionally positioned in a key area at the center of Europe. The Saar-Lor-Lux region has taken full advantage of its privileged location, which offers unusually promising prospects in the Single European Market. A dense and diversified communications network puts the Saar-Lor-Lux region directly in touch with every major European city. Paris, Lyons, Frankfurt, Milan, Barcelona, Brussels, and London can be reached directly by highway, railroad, or airplane. In addition, a European network of waterways offers inexpensive transport facilities for heavy goods. The infrastructure continues to be modernized. For example, an ultra-rapid railroad linking Paris to Lorraine, Alsace, Luxembourg, and Germany is scheduled for completion in 2005. The international airport of Luxembourg links the Saar-Lor-Lux region to most major cities in the world.

The Saar-Lor-Lux region takes full advantage of the presence of leading banks and international financial institutions. Owing to this concentration of activities and capital, the Saar-Lor-Lux region, especially Luxembourg City, is an important financial and monetary center in the European Union. The presence of big multinationals has contributed considerably to the spectacular growth of the Luxembourg Stock Exchange. Its ideal position in Euro-issues has transformed it into one of the leading financial markets.

The greater region provides a base for most major automobile manufacturers, as well as international leaders in the metal, chemical, pharmaceutical, glass, ceramics, plastics, textile, paper, food, and biotechnology industries. More than 5000 researchers are employed by some 500 laboratories in Metz, Nancy, Trier, Saarbrücken, Kaiserslautern, and Luxembourg, making the Saar-Lor-Lux region one of the leading research areas in the world. Over 130,000 students and engineers are being trained at six universities and more than twenty technical and management schools in such varied subjects as data processing, electronics, engineering, medicine, law, management, and economics.

PRINCIPAL GROWTH SECTORS

Luxembourg's economic growth rate rose in 1997 and 1998, after a slight decline in the early 1990's, due to recession in neighboring countries and weakness in demand for steel products. The steel sector has undergone major restructuring over the past

few years. The last blast furnace in Luxembourg's remaining steel mill shut down in 1998, and Luxembourg steel is now solely produced by an electric arc process. Luxembourg's steel producer ARBED is currently the world's fourth largest, with a highly diversified product range and production sites in Luxembourg, Spain, France, Germany, Belgium and the United States. ARBED successfully diversified in the 1980's and 1990's, and continues to search for further niche markets for processed or semi-processed, highly specialized steel products. It is a market leader in a variety of products such as galvanized metal sheet and galvanized metal wire. The fluctuating steel sector was balanced by continued growth in the financial sector, so that Luxembourg continued to experience positive growth throughout the last decade. GDP increased by 5.7 percent between 1997 and 1998, but the rate of increase is expected to slow down for 1998 and 1999. In 1998, GDP amounted to \$17.2 billion, resulting in a per capita GDP of \$40,595.

Exports are expected to accelerate, reflecting a stronger performance of the steel industry and more buoyant economic conditions in neighboring countries. Luxembourg has made a successful transition from an industrial to a service-oriented economy, especially banking services. In fact, exports of services, mainly from the financial sector, account for much of Luxembourg's strong economy. Luxembourg coordinates most trade and financial matters with Belgium and the Netherlands. Luxembourg's banking sector is not only strong but it is also growing. Luxembourg's 215 banks now employ over 9.5 percent (21,458) of the domestic working population (226,500).

Luxembourg has a thriving economy with five world-class business sectors: fund management and offshore banking, cargo shipping, steel, satellite transmission, and television/radio broadcasting. Located in the heart of Europe, Luxembourg serves as the springboard for many corporations in Europe. American businesses have done extremely well in Luxembourg. It is a very prosperous country, and its economy is expected to continue to grow significantly. It will provide increasing opportunities to advance U.S. economic prosperity through U.S. exports, investment and services. The dynamic U.S. manufacturing, banking and service businesses in Luxembourg already provide employment to some eight percent of Luxembourg's workforce.

In other sectors, financial services' assets grew by 10 percent between 1997 and 1998. The construction industry, showed a small

increase of 1.2 percent between 1997 and 1998, is back in a modest growth pattern following a decline between 1996-97. Retail sales remained stagnant between 1997 and 1998, unable to recover from a downturn in the early 1990's. The number of farms declined from 5,173 in 1980 to 2,974 in 1997. Total farming production remained approximately stable. The trend in 1998-99 is similar, as high agricultural production costs and high employment in Luxembourg are causing more people to leave the farming industry and farmland has been converted to other uses.

GOVERNMENT ROLE IN THE ECONOMY

Luxembourg is active in the World Trade Organization (WTO), Organization for Economic Cooperation and Development (OECD), the Council of Europe, and other European and worldwide organizations.

With nearly 90 percent of the country's GDP foreign-trade related, Luxembourg's economic well-being depends largely on the economic strength of its EU partners and on the free world economy in general. The current account balance grew slightly between 1997 and 1998, due to continued strong performance from the service sector. Fiscal policy throughout the 1990's has been prudent, with the present government instituting some reforms in corporate and personal income taxation. The result has been the abolition of corporate capital gains tax, a 15 percent overall decrease in personal income tax, and a reduction of 30-40 percent in corporate tax. In 1998, the total maximum effective tax rate stood at 37.45%, which consisted of a 30% corporate income tax plus municipal business tax. New companies producing new products may apply for tax relief, while investments made by existing companies may be subject to tax credits.

BALANCE OF PAYMENTS SITUATION

Until 1996, Luxembourg's balance of trade and payments statistics was included in those of the Belgium-Luxembourg Economic Union (BLEU). Since 1996, they are published separately, a requirement to meet convergence criteria for EMU. Luxembourg's balance of trade has been in deficit over the last five years: 72 billion LUF in 1996, 84 billion LUF in 1997, and 81.4 billion LUF in 1998. Luxembourg's economy depends heavily on imports mainly from its EU neighbors. With the decline of Luxembourg's steel industry, the overall current account surplus is achieved by a strong service surplus of 76.6 billion LUF in 1996 and 81.3 billion LUF in 1997. The strong service sector therefore accounts for the overall

current account surplus of 87 billion LUF in 1996 and 73.1 billion LUF in 1997.

In June 1998, Luxembourg's Monetary Institute, a regulator for financial activities in Luxembourg, was transformed into Luxembourg's first national central bank (NBL), in order to comply with EMU convergence criteria. Luxembourg, as a participating nation in EMU, has a representative at the European Central Bank (ECB) in Frankfurt, Germany, and the NBL is a component in the European Central Bank Mechanism (ECBM).

INFRASTRUCTURE SITUATION

Luxembourg is an attractive market for U.S. products due to its high per capita income, growing financial sector, and heavy dependence on imports for most industrial and consumer goods. Demand is greatest for quality products in the growing services sector and in traditional industries that are modernizing to boost productivity.

Most industrial and consumer imports to Luxembourg enter in small quantities. Consequently, U.S. exporters generally group Luxembourg with marketing efforts in one or more of the larger neighboring countries, such as Belgium, Germany, or France.

The railway network has been fully electrified and waterways have been developed to link the Grand Duchy to other European waterways such as the Rhine and the North Sea through the now canalized Moselle River. The tonnage transported in 1997 at the river port of Mertert was 1,378,878 tons.

A 1995 agreement provides "open sky" aviation rights between the U.S. and Luxembourg. According to the Department of Transportation, the all-cargo carrier, Cargolux, benefits most from the agreement. Cargolux has several direct flights between Luxembourg and the United States. Currently operating ten Boeing 747-400F aircraft in addition to five more chartered aircraft, Cargolux is Luxembourg's largest airline and ranks among Europe's top ten air cargo carriers. In 1998, Cargolux transported a total of 321,982 tons, and generated roughly 3 percent of the Luxembourg government's revenue. Cargolux's management predicts further growth, and plans to expand its routes.

III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES

The United States and Luxembourg have an outstanding relationship. As an active supportive player at the United Nations, Luxembourg strongly advocates improved human and civil rights around the globe, and has one of the best records of voting that coincides with the United States. As a founding member of NATO, Luxembourg remains convinced of the necessity for the continued presence of U.S. forces in Europe and emphasizes alliance solidarity as well as NATO expansion.

Luxembourg is a member of the World Trade Organization (WTO), General Agreement on Tariffs and Trade (GATT), Organization for Economic Cooperation and Development (OECD), and the Council of Europe. In addition, Luxembourg is the home of many European Union institutions, including the European Court of Justice, the European Investment Bank, administrative departments of the European Parliament, the European Statistical Office, and several Directorates of the European Commission, which reflects Luxembourg's commitment to European integration. By gaining Luxembourg's cooperation and support, the U.S. can increase its prospects for success in achieving objectives in such key international organizations.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Luxembourg was considered to be more prepared for the single currency than any other EU member-state because of the important role of its banks in both the Eurobond market and in the European Currency Unit (ECU) bond market. In addition, it was the first EU nation-state to meet the Maastricht qualifying criteria for the euro, which reflects the strength of the Luxembourg economy. Tax harmonization measures in the EU are expected to include the imposition of withholding tax at source, which until now have not applied in Luxembourg. Financial experts predict that, although some instruments will disappear due to the tax harmonization, others will emerge. It is predicted that European fund management will attain much more momentum, comparable to that of the U.S. fund market. In addition, the movement toward necessary pension reforms in Europe will benefit existing fund management centers like Luxembourg. Already the banker for large numbers of clients from surrounding countries, it now has ambitions to be home to their pension funds which might help to balance the downturn in the banks' earnings from domestic operations resulting from the introduction of the euro.

Enlargement of the EU will have a great impact on Luxembourg's status and influence, as its voting weight in the Council of Ministers will be reduced and its turn to hold the six-month presidency of the EU Council of Ministers and direct EU affairs will become less frequent.

Prime Minister Jean-Claude Juncker, whose Christian Socialist Party received the largest vote in June 1999 elections, is resisting pressure from the OECD to cut benefits and increase labor market flexibility, which would address the country's low unemployment. There has also been pressure to reform Luxembourg's lack of withholding tax on earnings from deposits and financial instruments, minimum reserve requirements, and bank secrecy rules. Accusations that Luxembourg is being used as a tax haven as well as a money laundering center have been denied and the government has issued legislation extending the scope of existing money laundering laws.

SYNOPSIS OF THE POLITICAL SYSTEM

Luxembourg is a constitutional monarchy where social consensus and dialogue are emphasized. Executive power is in the hands of the Grand Duke, Prime Minister, Vice Prime Minister, and a Cabinet of Ministers (presently 11 Ministers and one Secretary of State). Prime Minister Juncker, leader of the Christian Democrats (CSV) party, has been asked by the Grand Duke to form a government following the June 1999 election. His party's coalition partner, LSAP, lost four seats in the 60-seat chamber of Deputies. Juncker is expected to form a coalition with the Democratic Party (DP).

Grand Duke Jean, (married to Princess Josephine-Charlotte of Belgium, sister of King Albert of Belgium) succeeded his mother, Grand Duchess Charlotte, in 1964. Prime Minister Jean-Claude Juncker, the Vice Prime Minister, as well as the Cabinet of Ministers are appointees of the Grand Duke, but are responsible to the legislative branch.

Legislative power rests with a unicameral Chamber of Deputies whose sixty members are up for election every five years. The last election was in June 1999. Since 1919, Luxembourg men and women over the age of eighteen have had the right to vote. Stability is demonstrated by the fact that changes in the government occur smoothly. Alternating as coalition partners without difficulty, the three main political parties are the Christian Social Party

(CSV), the Democratic Party (DP), and LSAP. Other political parties include the ADR, Déi Gréng, Green and Liberal Alliance, and the newly formed Déi Lénk.

Elections for the municipalities are organized every six years and will next take place in October 1999. Local government elections are subdivided into three administrative districts: Diekirch, Grevenmacher, and Luxembourg. The district commissioners serve as intermediaries between the central Government and the 118 municipalities.

The judicial branch consists of the Cour Supérieur de Justice (Superior Court of Justice) whose judges are appointed for life by the Grand Duke.

The moderate center-left and center-right parties have traditionally formed the government of Luxembourg. As these parties support private enterprise, successive governments have, over the past 20 years, been successful in creating an economic and social climate, which encourages foreign investment.

IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Increasing numbers of companies are selling into the Luxembourg market through distributors and agents. The new-to-market American company will find a large number of well-established representatives in virtually every industry sector in Luxembourg. Frequently, their territory is larger than just Luxembourg, and often extends to the Benelux (Belgium, the Netherlands, and Luxembourg) and other neighboring European countries as well. Well-established distributors in certain sectors may be reluctant to take on new product lines due to various business constraints, notably the lack of access to quick and affordable financing and high social costs for additional employees.

Considering the host of distribution options available in Luxembourg, it is important for the would-be exporter to select the method best suited to his or her product. Luxembourg buyers generally prefer to purchase through an intermediary; making sales directly to the end-user is not a common practice. However, sales of expensive, technically sophisticated goods are an exception to this rule.

USE OF AGENTS AND DISTRIBUTORS; FINDING A PARTNER

Intermediaries may take one of three primary forms under Luxembourg law: distributor, agent, or salaried representative.

Distributor

A distributor is an individual or legal entity who purchases goods directly from a producer for the purpose of resale. The distributor operates independently, and is only bound by the written provisions of the distribution agreement. These agreements, however, are subject to specific rules and regulations regarding exclusive distribution and price-fixing.

The conditions of contract termination are an important concern, and vary with the type of distribution agreement. Either party without prior notification or indemnification may terminate a distribution agreement of specified duration at the end of the contract period. If the termination takes place before the end of the contract period, the terminating party may be sued for breach of contract.

Either party after a fair notice period, usually six months, may terminate a distribution agreement of an unspecified duration without indemnification. The termination of such a contract by the producer without fair notice may be grounds for damage claims by the distributor.

Agent

This category covers commercial agents as well as those persons acting as agents but not fulfilling the requisites of commercial agent status. Unlike distributors, agents do not actually purchase goods for resale. Instead, they match up buyers and sellers on a commission basis. All agents exercise their activities in an independent manner, and their principals are exempt from payment of payroll taxes. Agents assume their own fiscal charges (i.e. business license tax and value-added tax) and social charges.

Commercial Agent

Agents with a written contract have the status of agents commerciaux (commercial agents) if they exercise their activity as a sustained independent profession and fulfill certain conditions. They negotiate sales and purchases on behalf of producers, manufacturers or dealers; do not have a written employment contract; and are registered with the Tribunal of Commerce as commercial agents.

A commercial agent is independent and free to act on the behalf of any other firm. However, in the case where the agent wishes to represent one of his or her principal competitors, consent of the principal must be secured.

The principal may justifiably terminate the commercial agent contract only if the agent shows substantial deficiency in carrying out his or her obligations. Otherwise, contract termination gives the agent a right to indemnification, often equal to two years commission.

Other Agents

Persons who do not fulfill all the requirements for commercial agency, and who are not in a position of subordination to the company they represent, are considered agents. Notarized act or private agreement can effect authorizations of an agent. Either party may terminate the agency agreement at will, but the non-terminating party has a right to indemnification of losses.

Salaried Representatives

Unlike agents, salaried representatives have employment contracts. They and their employers share the burden of payroll taxes, contributions to social security, unemployment compensation, and retirement/pension plan contributions.

Statutory Representatives

Regardless of qualifications or title, persons are considered statutory representatives if they exercise their activity as a sustained independent profession and fulfill certain conditions. They are: engage in the activity of a sales representative for the account of one or more employers; desist from executing commercial operations on their own behalf; institute mutual commitments with employers regarding the nature of the goods or services offered for sale, the region of activity or the category of clients, and the rate of compensation.

Non-statutory Salaried Representatives

Representatives who are subordinate to their employers and who do not fulfill the requisites for statutory representative status fall into a separate category and are considered regular employees.

Finding a Partner

The Commercial Service, part of the International Trade

Administration (ITA) of the Department of Commerce (USDOC), offers several programs, such as the Agent Distributor Service and the Gold Key Service, to help an exporter identify potential foreign representatives. To find out more about these services, interested companies should contact the nearest U.S. Department of Commerce Export Assistance Center, which can be found on their website at www.ita.doc.gov under the Export Assistance Center listings. Please note that the Commercial Service in Brussels, Belgium is responsible for the commercial affairs in Luxembourg.

Contacting and Evaluating Potential Representatives

Once an American company has identified several potential representatives, it should contact them directly in writing. Just as the American firm is seeking information on the Luxembourg representative, the representative is interested in corporate and product information on the American firm. The American firm should provide full information on its history, resources, personnel, the product line, and previous export activity as well as any other pertinent information.

At the same time the firm is providing information on itself, it should also engage in a thorough investigation of the potential representative. The following is a list of important facts the firm should endeavor to find out:

- * current status and history, including background on principal officers, personnel and other resources
- * sales territory covered
- * current sales volume
- * typical customer profiles
- * methods of introducing new products into the sales territory
- * names and nature of American firms currently represented
- * trade and bank references
- * and, assessment of whether the American firm's special requirements can be met and view of in-country market potential for the American firm's products.

The American firm should not hesitate to ask potential representatives or distributors detailed questions. Exporters have the right to explore the qualifications of those who propose to represent them overseas.

JOINT VENTURES/LICENSING

There are numerous individuals, professional organizations, service companies, financial organizations, and consultants from

all disciplines, who are prepared to advise and assist parties considering joint ventures and licensing in Luxembourg. The American Chamber of Commerce in Luxembourg is particularly active and has several strong and effective action committees.

STEPS TO ESTABLISHING AN OFFICE

For the purpose of the everyday definition laid down in Luxembourg law, a business ("commerce") means any person or company who earns a living either full-time or part-time by means of trade. "Trade" embraces activities ranging through industry, the distributive trades, banking, transport and the services sector generally. This diversity of activities is reflected in the responsibilities of the Chamber of Commerce, and the following description applies to all sectors of the economy except for agriculture and the skilled craft trades ("artisanat").

Under Luxembourg law, the status of a businessperson has three main consequences:

1. Litigation between businesspeople is settled before the Commercial Court, acting under special rules of procedure
2. Business may be declared insolvent. The effect of insolvency is the seizure of the business' assets and its liquidation by the court
3. A business is subject to a number of special provisions governing economic activity; they include rules on proof of transactions, book-keeping, advertising, competition, and so on.

SELLING FACTORS/TECHNIQUES

In Luxembourg, in addition to being very competitive and sophisticated, language may be factor in selling. Goods need to be labeled in one of the three official languages: French, German, and Luxembourgish (Lëtzebuergesch).

ADVERTISING AND TRADE PROMOTION

"Commercial News USA" is a monthly magazine published by the U.S. Department of Commerce that publicizes products and services of American firms seeking agents, distributors, joint venture partners, or purchasers abroad. It is distributed overseas by U.S. embassies and consulates to a controlled circulation of more than 143,000 business readers in 152 countries including Luxembourg. For more information or to obtain a copy, please contact the

Commercial Service in Belgium at +32/2 660-5468.

The American Chamber of Commerce, consisting of American companies operating in Luxembourg and Luxembourg firms with U.S. business interests, also publishes a magazine. The magazine is published by Computerware SA in Brussels and rates are available by telephone from them at +32/2 660-5468.

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13, rue du Marché aux Herbes
L-1728 Luxembourg
Tel: +35/2 22 05 50
Fax: +35/2 22 05 44
www.le-jeudi.lu

Luxemburger Wort
2, rue Christophe Plantin
L-2988 Luxembourg
Tel: +35/2 49 93 1
Fax: +35/2 49 93 384
www.wort.lu

Luxembourg News
25, rue Philippe II
L-2340 Luxembourg
Tel: +35/2 46 11 22
Fax: +35/2 47 00 56
www.news.lu

Tageblatt
44, rue du Canal
L-4050 Esch-Sur-Alzette
Tel: +35/2 54 71 31 1
Fax: +35/2 54 71 30
www.tageblatt.lu

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123, rue Adolphe Fischer
L-1940 Luxembourg
Tel: +35/2 49 30 33 1
Fax: +35/2 49 20 65
www.journal.lu

Zeitung vum Letzebuenger Vollek
16, rue Christophe Plantin

L-2339 Luxembourg
Tel: +35/2 40 97 45
Fax: +35/2 49 69 20

Echo d'Industrie
7, rue Alcide de Gasperi
L-1615 Luxembourg
Tel: +35/2 43 53 66 1
Fax: +35/2 43 23 28

PRICING A PRODUCT

Luxembourg is a highly competitive market, and therefore the Luxembourg importer is looking for the best quality at the lowest price. American products and technology are highly regarded, but they do not command higher prices than competitive products available from within the EU or other third country exporters. While Luxembourg is an important market in its own right, it is also the country of entry for many imports destined to be redistributed throughout Europe. This environment gives Luxembourg buyers access to a wide range of products at competitive prices in their own market.

SELLING TO THE GOVERNMENT

Although the objective of EU Directives has been to open government procurement to foreign companies, in practice it is still advisable to work with a locally established company, which has the appropriate contacts and local market expertise. Purchases by government or local entities of over Luxembourg Franc (LUF) 5 million (\$160,000) are subject to procurement by tender. In addition, current EU Directives require that tenders for purchases of over \$20 million must be published in the EU Bulletin and are subject to procurement procedures established by the EU for all member states.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

The intellectual property rights granted under U.S. patent, trademark or copyright law can only be enforced in the United States, its territories and possessions. The EU, for its part, has taken a number of initiatives to provide intellectual property protection, but not all measures have been implemented. In cases of non-implementation, national laws still prevail.

Patents

Luxembourg is a member of the World Intellectual Property Organization (WIPO) and the European Patent Convention (EPC). A single European patent, valid throughout the EU, does not yet exist. The Community Patent was created by the 1975 Luxembourg Convention, but has not yet come into force because it has not been ratified by the twelve signatory member states. In the meantime, a patent applicant can choose between a national and a multiple-country patent. In the latter case, a single application to the European Patent Office in Munich (European Patent Office, Erhardstrasse 27, D-80331 Munich, Germany, Tel: +49/89 2399-0, Fax: +49/89 2399-4465, <http://www.european-patent-office.org>) is required for obtaining patents valid in a number of countries within the EU, Liechtenstein, Monaco, and Switzerland. A patent thus granted is valid in Luxembourg only when a copy of the grant is in one of Luxembourg's three national languages (French, German or Luxembourgish) and is filed with the Luxembourg Office of Industrial Property described below.

To obtain a national patent in Luxembourg, the inventor on his/her assignee must file a request with the Office of Industrial Property in the Ministry of Economic Affairs. After a search of the European Patent Office in Munich, if requested by the inventor, the Luxembourg government will issue the patent without guarantee of patentability. National patents are valid for twenty years if a search has occurred. If not, the validity is reduced to six years. Once granted, the patent is registered with the Register of Patents, again located in the Ministry of Economic Affairs.

Trademarks

An EU Trademark Office has been established in Alicante, Spain. Trademark registration can be handled through this office.

EU Trademark Office
Avenida de Aguilera, 20
03006 Alicante
Spain
Tel: +34/96 513-9100
Fax: +34/96 513-9173

Trademarks in Luxembourg have been regulated by the Uniform Benelux Law of 1962, which offers protection in Belgium, the Netherlands, and Luxembourg. A trademark application can be filed with the Luxembourg Intellectual Property Office in the Ministry

of Economic Affairs (<http://www.etat.lu/EC>) or with the Benelux Trademark Office located in the Netherlands.

Benelux Trademarks Office
Bordewijklaan 15
NL-2591 XR Den Haag (The Hague)
Tel: +31/70 349-1111
Fax: +31/70 347-5708
<http://www.bmb-bbm.org>

A search is required to ascertain the non-existence of a similar or identical trademark for the same category of product. If granted, protection lasts for ten years from the date of application and can be renewed for further periods of ten years each. Trademarks must be used within three years of registration or within any uninterrupted period of five years.

NEED FOR A LOCAL ATTORNEY

Luxembourg is not a highly litigious country. Nevertheless, American companies should consult local attorneys when drawing up an agency or a distribution agreement. The standard U.S. agreement, which often applies U.S. law, will not suffice in Europe. Local attorneys are also needed when registering patents, trademarks, or copyrights. Lastly, local legal advice is essential when setting up an office or when establishing a distribution, service, or coordination center. The U.S. Embassy in Luxembourg maintains a list of local lawyers specializing in business transactions in Luxembourg and Europe.

PERFORMING DUE DILIGENCE, CHECKING BONA FIDES OF BANKS, AGENTS, AND CUSTOMERS

The Commercial Service ended the International Company Profile service earlier this year. If companies are interested in obtaining financial and other related information about companies in Luxembourg, they can contact the local Dun and Bradstreet office in the United States who can provide the information. In addition, information for the Brussels branch, which handles Luxembourg companies, is included below.

Dun & Bradstreet Headquarters
One Diamond Hill Road
Murray Hill, NJ 07974-1218
Tel: (908) 665-5000

Fax: (908) 665-5803
<http://www.dnb.com>

Dun & Bradstreet Eurinform S.A.-N.V.
Avenue des Pléiades 73 Plejadenlaan
1200 Bruxelles- Brussel
Tel: +32/2 778-7211
Fax: +32/2 778-7272
<http://www.dbbelgium.com>

V. LEADING SECTORS FOR U.S. EXPORTS

The following market analysis describes major growth areas that offer American companies excellent business opportunities:

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

Transportation

Luxembourg's Findel airport is a strategic center for air transport in the "heart of Europe." It is located five miles from the city center. There are excellent opportunities for American companies looking to do business in the expanding airport and air transport sectors. Two growing national carriers are based at Findel: Luxair, its passenger airline, which flew over 900,000 passengers in 1998 (up 5.19%) and Cargolux, its international airfreight carrier. Cargolux was founded in 1970 and is now one of the world's largest air cargo carriers, presently handling 321,982 tons of airfreight annually in 1998, up from 273,696 in 1997. Cargolux flies to numerous destinations on a regular basis around the world with many U.S. destinations including New York, Houston, Seattle, San Francisco, and Los Angeles. Recently, Findel has been expanding its passenger and cargo handling capacity to accommodate the growth of its carriers. Despite the country's small size, it is an important logistical point serving the large community of EU officials, international financial services personnel, and the growing number of travelers from the neighboring Saarland and Lorraine regions.

By the end of 1999, Cargolux will operate an all-Boeing 747-400F fleet of ten aircraft, giving it the most modern and youngest fleet of any leading international cargo airline in the world with an average age of only 2.3 years. An additional two 747-400F are on order from Boeing that will be delivered after 2000. In conjunction with its acquisition of the world's first B747-400F simulator, Cargolux is building a new training facility in

Luxembourg. Cargolux had an operating profit of \$38.5 million on revenue of \$578 million in 1998, up 5.2% from the previous year. The new alliance with Swisscargo and the acquisition of its new aircraft will allow Cargolux to maintain its position among the top five international airfreight carriers.

To develop its European traffic, Luxair has continued to expand as a major regional European carrier by investing in new jets in order to migrate to an all-jet fleet. In total, Luxair has placed firm orders for nine Embraer ERJ 145 "Eurojet" with the option for two mores. The addition of the new jets has allowed Luxair to add six new destinations (Bologna, Florence, Dublin, London City, Stuttgart, and Stockholm) during the winter 1998/99 season in an effort to develop its "regional hub" strategy.

Steel Industry

Luxembourg's steel producer ARBED Group is currently the world's fourth largest producer, with a highly diversified product range and production sites in Luxembourg, Spain, France, Germany, Belgium, and the United States. ARBED successfully diversified in the 1980's and 1990's, and continues to search for further niche markets for processed or semi-processed, highly specialized steel products. It is a market leader in a variety of products such as galvanized metal sheet and galvanized metal wire.

The company views the continuing process of restructuring and consolidation in the European steel industry as an important factor in its future health. Therefore, it seeks international acquisitions and joint venture opportunities as part of its business strategy for growth although the recent attempt to buy the German company Saltzgitter AG failed. ARBED's production of crude steel in 1998 was 20 million tons, an increase of 60.6% from the year before (not including Aceralia and Aristrain output). Output of rolled products increased by 57.9%, up to 18.8 million tons in 1998. The flat steel products increased 47.2% for a total of 10.2 million tons. The volume of long steel products increased by 79.5% to 8.1 million tons. Output of rolled stainless steel products increased by 5.8% to 478,000 tons. Wire products had a production of 1.1 million tons, an increase of 24.9%. None of the comparisons with prior year include the 1997 acquisition of the ARBED-Aceralia/Aristrain entity.

Communications/Media

In the domain of telecommunication, and in line with the EU's policy of "television without frontiers," the government backed

the creation of the private satellite company Société Européenne des Satellites (SES). It was created in 1985 to operate a telecommunication system by satellite for transmission of television programs throughout Europe.

The ASTRA satellite broadcasting system and one of Europe's biggest commercial TV companies, Compagnie Luxembourgeoise de Télédiffusion, operate from SES headquarters. These very successful companies were created as a result of Luxembourg's decision to grant a franchise to private investors to exploit the satellite positions it had been allocated. The plan was to send satellites into space capable of beaming TV and radio signals back to earth, then rent the capacity to broadcasters. A decade later, demand has far outstripped the original forecasts, due partly to the development of digital technology. Currently, the fleet of eight ASTRA satellites broadcast to over 74 million households throughout Europe and carry more than 400 TV and over 300 radio channels. As of year-end 1998, ASTRA's market share within satellite and cable was 92.3% of the European market.

1998 was an excellent year for ASTRA with strong growth in both revenues and earnings. Revenues were up 15% from the previous year to 517 million euros. Earnings also increased, up 16% from 1997. In addition to strong growth, ASTRA also announced other banner events such as a 34% stake in AsiaSat Telecommunications Holdings Ltd., the launch of digital services in 2 new major European markets, and the acquisition of full ownership and commercial control of ASTRA-NET. ASTRA-Net links satellite broadcasting with personal computers and had been a joint venture that SES created with Intel. SES has stated plans for expansion into the U.S. An American partner has been found and will be announced later this year.

The 1997 merger of Luxembourg's television and radio production company, Compagnie Luxembourgeoise de Télédiffusion (CLT), and Universum Film AG, formerly a part of the German media group Bertelsmann AG, created CLT-UFA, headquartered in Luxembourg. While operating for two years in deficit due to heavy startup costs of its new ventures, it is predicted that the company will be profitable in 1999. CLT-UFA is the undisputed leader in the European radio and television industry, moving to strengthen its leadership role in 1999 by building stronger intra-group cooperation and development of non-broadcasting activities such as merchandising. An example would be the agreement CLT-UFA reached in October 1998 with Walt Disney Television International securing

attractive content for Group channels.

Luxembourg was late to follow completely the European Directives to fully liberalize the telecommunications market. P&T Luxembourg's voice telephony and public telecommunications monopoly was abolished on July 1, 1998. Applications are being processed by Institut Luxembourgeois de Télécommunications (ILT) and new licenses should be granted soon. Milicom, a Swedish-Luxembourg joint venture that also operate the Tango mobile phone network, has been granted a second license for fixed telephone voice service. Application forms are available online on the ILT website at www.etat.lu/ILT.

Finance

Banking and insurance have long overtaken steel as the most important sector in the economy, employing approximately fifteen percent of the total workforce and accounting for more than 20 percent of gross added value in 1998.

Tax rebates, help in obtaining credits, and a host of other incentives are offered to companies intending to set up in Luxembourg. Fiscal legislation, which dates from 1929, favors banks and holding companies. A severe law against "laundering" of drug money has been in effect since 1992 and has been extended to all criminal activity in 1998.

Over 210 banks, 1200 investment funds, 180 insurance and re-insurance companies, and 19,000 domiciled holding companies benefit from a favorable tax environment and bank-secrecy legislation. This presence represents the largest banking concentration in all of the European Union.

Big insurance and re-insurance companies have set up subsidiaries in the capital. Luxembourg is positioned to become one of the major European centers in this sector, as it is reputed to handle a major share of the EU's insurance business as a result of the favorable fiscal regime it provides for insurance companies.

The Cedel group enjoyed significant business growth and record financial results in 1998. This included a record level of consolidated gross operating income of \$603.8 million and operating profit (before tax and provisions) of \$72.6 million. Cedel sees a move toward pan-European alliances and new business models for the stock exchanges and central securities depositories. As a result, there will arise new opportunities and

new competitive arrangements for capital market infrastructures. The bank's security deposits grew 27.1% from the end of 1997 to \$1.8 billion, while transactions increased 9 percent to 10.1 million. The changeover to the euro has been a smooth transition without any mishaps.

On May 14, 1999, Cedel group and Deutsche Börse Clearing announced a merger creating a new Cedel International that will be the basis for a single European clearing organization on the model of the Depository Trust Company (DTC). The goal of the new organization is to create a pan-European clearinghouse. This deal is expected to create up to 400 new jobs in Luxembourg. Once shareholders and regulatory authorities approve the merger, other securities depositories are invited to join new structure with SBF group, the holding company of the Paris Bourse, and Sicovam, the French central securities depository already signed a memorandum to join the alliance. The creation of the European clearinghouse will enable the new Cedel International to offer customers standardized procedures and access to the entire securities market.

VI. TRADE REGULATIONS AND STANDARDS

Since most of the trade regulations and standards for Luxembourg are issued as a result of Luxembourg's membership in the European Union, please refer to the Country Commercial Guide for the European Union. You can find it on the Showcase Europe website located at <http://www.sce.doc.gov> or on the State Department website at http://www.state.gov/www/about-state/business/com_guides.

TRADE BARRIERS

Luxembourg maintains an excellent and open trading climate for American companies, with government leaders at all levels being very supportive of free trade. Luxembourg's business is traditionally heavily oriented to the markets of neighboring countries, and exports account for some 80% of the country's production. This economic integration explains why many industrial and commercial groups have, over recent years, been established in Luxembourg with a view to developing into the European market.

As a member-state of the European Union, Luxembourg applies the European Community's Common Customs Tariff and all Community regulations affecting Customs legislation as well as the Common Agricultural Policy.

Effects of the single market

Luxembourg is a member of the EU single market, comprising some 370 million consumers and, as a consequence, participates in the process of developing or implementing harmonized product standards applicable in all 15 member-nations. There is also a single duty among all EU members on products coming from non-EU countries. Value Added Taxes (VAT) rates are still in the process of being harmonized among the fifteen members. The EU became borderless as of January 1, 1993, allowing for the free movement of goods and services but not, as yet, labor between member-nations. American companies should consider these developments (harmonized standards, duties, VAT, etc.) as features that facilitate their access into the EU Single Market and will ease the process of doing business in a regional market.

Nonetheless, the EU continues to consist of fifteen different and unique markets. For example, the Single Market will not eliminate language and cultural differences between national markets. It will also not eliminate differences in consumer buying patterns or distribution channels. Few distributors have the capability to effectively distribute a product or service in all fifteen member states. This problem is compounded by the legal differences in treatment of agents and distributors between the EU members.

Most American firms should therefore consider maintaining a number of distributors in Europe. It is also vital to obtain sound legal advice in each country. This need to support multiple strategic and marketing programs will certainly limit the benefits, which a company would hope would accrue from the EU single market.

Government procurement of goods and services

The EU has adopted several Directives covering public supplies and public works. These include the sectors of energy, water, telecommunications, and transport (the so-called "utilities" or "excluded sectors" Directive). Although the objective of EU Directives has been to open government procurement to foreign companies, in practice, it is still advisable to work with a locally established company, which has the appropriate contacts and local markets expertise. Purchases by government or local entities of over 5 million LUF (\$160,000) are subject to procurement by tender. In addition, current EU Directives require that tenders for purchases of over \$20 million must be published in the EU Bulletin and are subject to procurement procedures established by the EU for all member states.

Environmental regulations

The installation and operation of equipment and/or a site for waste disposal are subject to authorization by the Ministry for the Environment. Authorization will be granted only if the proposed activity is shown to offer adequate protection of public health and the environment. Authorization may be subject to conditions governing in particular the technical equipment at the disposal of the applicant and/or operator.

In order to implement the law of July 27, 1993, which involves economic development and diversification, there have been a number of support schemes created as incentives. One addresses the need for improved protection of the natural and human environment, and another addresses the need for more rational use of energy resources. The support scheme for environmental protection and the rational use of energy addresses the following operations:

- * specific investments whose aim to prevent, reduce or eliminate emissions into the atmosphere, water and the soil, or to prevent, reduce or eliminate pollution by noise, odor, vibration or radiation;
- * specific investments whose aim is to prevent, reduce, recycle or eliminate waste produced by manufacturing or development, or aimed at the rational management of waste produced by manufacturing or exploitation activities;
- * specific investments aimed at implementing a rational use of energy or of renewable sources of energy.

A subsidy may be granted of up to 25% of the expenditure arising from the investment. The law was amended in 1999 to simplify application procedures for industrial trade licenses.

Cattle growth hormone ban

The EU bans imports of U.S. hormone-treated beef and all high-value products containing hormone-treated meat. This has led to the decrease in U.S. agricultural sales in member states of the EU, including Luxembourg.

CUSTOMS REGULATIONS

As a member of the European Union, Luxembourg applies the EU common external tariff to goods imported from non-EU countries. For goods imported into Luxembourg from other EU countries, no customs duties apply unless the goods contain components imported

from outside the EU upon which customs duties have not been paid in another EU country.

As part of the establishment of the single market, the EU member states have also begun to harmonize their Value Added Tax (VAT) into a narrow range of approximately 15 percent. While the VAT applies equally to domestically produced goods, for imports it is applied after all customs duties are added to the price of the goods.

Tariff Rates

Goods imported into Luxembourg or made in Luxembourg are normally subject to a Value Added Tax (VAT) payable upon importation if Luxembourg is the destination of the goods being shipped into the EU. The standard rate of VAT in Luxembourg is 15%.

The EU is currently considering a change in its method of calculating customs values of imported goods. Current customs valuation rules provide that, where there is a "chain of sales" leading to the importation of goods into the EU, the price paid in any of these sales can be used as the basis for establishing the customs value of the goods in question. The proposal under discussion would require that the customs value be based on the final sale price only. If adopted, many U.S. multinationals exporting to the EU through a "chain of sales" would find that EU customs officials assign their products a higher customs value, and would thus levy higher tariffs than is now the case. American companies should follow this development carefully through their customs broker since its implementation would necessitate considerable adjustments in operations for major U.S. exporters to Europe.

Import License Requirements

If your company wants to be the importer of record rather than your sales representative, most products may be imported or exported without prior license. However, certain listed products and products from certain countries are subject to an import license. For further information contact:

Ministry of Economic Affairs
19-21, Boulevard Royal
L-2449 Luxembourg
Tel: +35/2 478-1
Fax: +35/2 46-04-48

Export Controls

The Bureau of Export Administration (BXA) is responsible for licensing of exports out of the United States. There is no longer a distinction between validated licenses and general licenses—either you need a license or you do not need a license (NLR: No License Required). An export license would be required for reasons of national security, foreign policy, and short supply. You can submit form 748P, obtained at your local Department of Commerce office, to the BXA to determine your license requirements. For more information on the Bureau of Export Administration, visit the website at www.bxa.doc.gov.

As a member of the European Union and the former COCOM (Coordinating Committee for Multilateral Export Controls), Luxembourg follows the common regime, and applies the proscribed lists generated by both organizations. As the COCOM regime is replaced by the Wassenaar Arrangements on Export Controls for Conventional Arms and Dual-Use Goods and Technologies and as new lists develop, Luxembourg will utilize those lists to apply the export control procedures outlined above.

IMPORT/EXPORT DOCUMENTATION

European Community Ministers agreed in 1991 to abolish virtually all customs documentation on goods moving between EU countries by January 1, 1993. However, countries outside the EU are still required to obtain proper customs documentation. The following is a summary of the documentation needed for U.S. exporters of goods to Luxembourg, which is, however, subject to rapid change without notice. U.S. exporters should always consult a reputable freight forwarder regarding recent changes in customs documentation and import/export regulations.

Shipping Documents

Mail and parcel post shipments require postal documentation in place of bills of lading. Air cargo shipments require airway bills (in place of bills of lading) with the number of copies issued based on the requirements of the importer and the airline used. Follow IATA and/or ICAO (International Civil Aviation Organization) in addition to all other applicable national and/or international regulations governing labeling and packing of dangerous and restricted goods, as well as issuance of the special shipper's certificate required under IATA rules for such items (airlines will supply this form). ICAO rules may also require documents covering such shipments (airlines will supply

information and forms, if so required). U.S. exporters must also follow U.S. government requirements regarding export control documents, including the shipper's export declaration.

Consular/customs invoice

Neither document is required in Luxembourg.

Commercial invoice

The commercial invoice must be produced in triplicate. There are no requirements in form but must contain the following: date and place of shipment, name/firm; address of seller and buyer; mode of transport; number; kind and markings of the packages and their numerical order; and an exact description of goods (a customary commercial description according to kind, quality, grade, and weight, both gross and net, in metric units. Special emphasis should be placed on any factors which increase or decrease the value of the goods; agreed price of goods—unit cost, total cost F.O.B. factory plus shipping, insurance and other charges; delivery and payment terms; country of origin of goods; and the signature of the exporting firm. It is useful if the commercial invoice contains the HTS code (Harmonized Tariff Schedule/Schedule B). This is not mandatory, but helps customs authorities recognize the commodity and properly classify it for customs purposes. The first four digits of the eight-digit code are harmonized worldwide. Additional information may be requested by the importer, under terms of a letter of credit, or due to the nature of a particular trade.

Pro-forma invoice

A pro-forma invoice is acceptable in lieu of a commercial invoice. It should include a complete description and the value of the goods shipped. It is mostly used in cases where no actual invoicing between the shipper and the consignee exists.

Bills of lading (B/L)

Generally, "to order" bills are acceptable. Bills of lading should bear the name of the party to be notified. The consignee needs the original bill of lading to take possession of the goods. Express bills of lading are also acceptable. These B/L's help speed up the process in cases where bank financing is not necessary. With an express bill of lading, goods are automatically transferred to the designated consignee without presentation of the original B/L. This is ideal for internal company shipments of goods sold on open account.

Packing list

This is not a mandatory document. However, including a packing list facilitates customs' clearance of goods.

Certificate of origin

A certificate of origin is generally not required under Luxembourg regulations for imports from the U.S., except when the certificate is specifically demanded in the import license. The importer, bank, or a clause in the letter of credit may request a certificate of origin. There are no regulations concerning the form and preparation of the certificate, but the Chamber of Commerce must certify the data and will often require an additional notarized copy for its files. Under EU regulations, certificates of origin may be required for stipulated goods, including goods subject to surveillance and/or quota requirements. Goods covered by either of the systems usually require certificates of origin irrespective of the actual origin of the goods. Importers will instruct their suppliers when certificates of origin need to be issued.

Insurance certificate

Normal commercial practices apply. Follow the instructions of the importer and the insurance company.

TEMPORARY ENTRY

Luxembourg is a member of the worldwide ATA Carnet System, which can serve as your "Merchandise Passport." An ATA Carnet is an international Customs document that simplifies Customs procedures for the temporary importation of commercial samples, professional equipment, and goods for exhibitions and fairs. The Carnet facilitates international business by avoiding extensive Customs procedures, eliminating payment of duties and value-added taxes (minimum 20% in Europe), and eliminating the purchase of temporary import bonds. ATA Carnets save time, effort, and money. For more information contact the United States Council for International Business:

USCIB ATA Carnet Customer Service Department
(212) 354-4480
Email: atacarnet@uscib.org
<http://www.uscib.org/carnet/carnet.htm>

LABELING REQUIREMENTS

Until recently, each EU country individually regulated its domestic industries for packaging and labeling. As a part of the EU's 1992 Single Market program, the EU is now attempting to remove technical barriers by harmonizing existing European legislation and establishing new rules, where necessary, so that goods sold in one EU country can be marketed easily in any other EU country. However, differences still exist from country to country. In addition, national requirements exist side by side with EU-wide requirements. The following is a review of packaging and labeling regulations in Luxembourg affecting U.S. exporters. The review covers both national and EU-wide aspects of packaging and labeling in Luxembourg.

What language to use

Luxembourgers are fluent in French and German, in addition to their own mother tongue of Luxembourgish (Lëtzebuergesch), and many have learned English as well. However, it is more appropriate to label in either French or German.

Labeling and other requirements

With only minor exceptions, there are no general labeling requirements for Luxembourg imports. Requirements for specific products should be obtained from the importer. Certain commodity imports, including numerous foodstuffs, are subject to special labeling regulations that require the label show the name of the manufacturer, composition, content (in metric units) and country of origin. These special, highly detailed, and diverse regulations relate largely to health and quality standards and are embodied in formal Luxembourg legislation and EU Directives. Given the complexity of this field, information should be requested from the importer prior to shipment.

An EU Directive was introduced which would prohibit labeling in both the English and metric systems. Originally planned to be implemented in 2000, this Directive has tentatively been pushed back to 2010.

PROHIBITED IMPORTS

Few products are prohibited for importation into Luxembourg. Among these limited items are endangered species, including those listed in the CITES convention. Also prohibited from importation are weapons such as swordsticks, daggers, bludgeons, rifles above 20 caliber, and antipersonnel mines. American-raised beef treated with hormones also may not be imported under EU regulations. Since

the list of prohibited items is subject to change, for the latest information, please contact the American Embassy in Luxembourg.

STANDARDS

ISO 9000 (International Standards Organization) in Europe

ISO 9000 (EN 29000 in Europe, ANSI/ASQC Q 90 System in the U.S.) defines the basic requirements for a manufacturing quality control system. It includes documentation controls, and worker training. Its aim is to ensure that a manufacturer's product will remain the same regardless of when it is taken off the production line. In other words, ISO 9000 is designed to ensure a consistent level of product quality. ISO 9000 standards are unlike engineering standards, which contain units of measurement, test methods, and specifications. Rather, ISO 9000 standards encompass certain generic management practices designed to benefit both the producer and end user.

In today's marketplace, quality is a competitive advantage. According to recent statistics, some 50,000 EU companies now have some form of ISO 9000 registration. While voluntary, European manufacturers are increasingly requesting that their suppliers be ISO 9000 registered. In addition, more and more European importers are making the same request of their European and American suppliers. The ISO 9000 registration process is not cheap, and market demand for registration varies across product and service sectors. It is important to note that ISO 9000 registration does not guarantee quality, since it is more concerned with product consistency than product quality. It also does not ensure that a U.S. product will meet the various standards incorporated into EU Directives covering a host of products.

Product and technical standards

There are a number of EU-wide and member-state standards governing various product categories, as well as health and safety standards, which cut across product categories. When considering the Luxembourg and broader European market, an American company needs to consider which mandatory product standards may apply to its products or services. An importer is one source for acquiring this information, at least in the initial inquiry stages.

Recycling, packaging, and waste management

An EU proposal published in the Official Journal (c 263; Oct. 12, 1992) and adopted in early 1995 has two objectives. The first is to harmonize European packaging standards and symbols to

facilitate the free flow of goods within the community. The second is to maximize the environmental benefits of various national waste management systems by increasing the level of coordination among them. To attain these objectives, the Directive establishes:

- * recovery and recycling targets;
- * requirements and conformity symbols for packaging; and
- * broad criteria for national waste management systems.

The Directive is based on a prevention-first, recovery-second, and disposal-last approach. It mandates that, within 5 years after the passage of the Directive, the EU member states must recover (defined to include recycling, composting, and waste-to energy recovery) a minimum of 50 percent by weight of all packaging waste, with at least 25 percent recycled. More important, the Directive sets maximum targets for recovery of 65 percent and 45 percent for recycling.

The Directive includes a clause enabling member states to pursue higher targets, provided they comply with a number of conditions, and in particular that their policies should not hinder the introduction of similar policies in other member states. To allow for existing special circumstances, some countries are allowed additional time to attain the first stage targets.

Member states must take the necessary steps to set up return, collection, and recovery systems so as to attain the objectives of the Directive. In accordance with the principle of subsidiarity, member states are free to develop their own management systems according to their national requirements and in accordance with the treaty.

While U.S. exporters do not need to be concerned with disposal methods, they should be aware of unfavorable legislation. The EU Directive specifies that "these systems shall ensure the coverage of imported products under non-discriminatory conditions and shall be designed in such a way that there are no barriers to trade or distortion of competition." Regarding the obligation to take the packaging back, the EU Directive puts the onus on the waste management system, not specifically on manufacturers as is currently the case in Germany. In that respect, the U.S. Department of Commerce has been assured repeatedly by EU officials that U.S. exporters would not be required to take the packaging waste back to the United States. This would be consistent with the EU's "proximity principle."

Electronic waste

The European Union has begun drafting legislation regarding electronic waste. As with waste legislation in other areas, notably packaging, the impetus for the commission's initiative has come from existing or proposed, member-state legislation. There are two types of legislation pending one regarding batteries, accumulators, and end of life vehicles, while the other deals with waste of electrical and electronic equipment (WEEE). For more information, please refer to the section regarding Trade Barriers in the European Union Commercial Guide.

Eco-labels

The Commission of the European Union has published the first ecological criteria for the award of the eco-label for washing machines, dishwashers, paper towels, toilet paper and soil improvers, as well as other. The eco-label scheme, which is voluntary, will remain voluntary as it is dealt with on an EU level. Council regulation number 880/92 on the community eco-label award scheme provides for the establishment of ecological criteria for specific product groups to enable verification of the reduced environmental impact of qualifying products. This is based on analysis of the life cycle for the product, from manufacturing (including choice of raw materials) through distribution, consumption and use, and finally, disposal after use. The regulations require member states to designate competent bodies to assess applications for the eco-label based on these criteria.

Manufacturers or importers in the community may apply for an eco-label based on these criteria. Manufacturers or importers in the community may apply for an eco-label only to the competent body or bodies designated by the member-state in which the product is manufactured or first marketed, or into which the product is imported from outside the EU. In the future, markings will have to be displayed to indicate the reusability or recyclability of the package, while manufacturers could use voluntary markings to indicate the nature and the percentage of recycled material of the packaging. While voluntary, eco-labels may become important marketing tools to consumers, as well as a "de minimis" requirement demanded by EU importers and end-users of American products. Products that may be expected to carry the eco-label include textiles, detergents, dish-washing agents, cleaning agents, paints and varnishes, batteries, shampoos, packaging, refrigerators and freezers, tiles, shoes, cat litter, light bulbs and hair sprays.

Conformité Européenne (CE) mark in the European Union

The Conformité Européenne (CE) mark is a European proof of conformity with the essential health, safety, and environmental requirements of the harmonized EU product safety directives. The mark indicates that the manufacturer has satisfied all the assessment procedures specified by law for its products. The CE mark is not a quality mark and only signifies to surveillance authorities that the product is in compliance with the EU legislation. It is the accompanying declaration of conformity that provides the details of the Directive(s), to which the product complies and the standards that were relied upon in assuring compliance. The EU Directives deal with large families of products or horizontal risks such as those addressed in the Electromagnetic Compatibility Directive. The following directives (with reference between brackets) have been adopted and are now enforced:

Low Voltage [73/23/EEC]
Simple Pressure Vessels [87/404/EEC]
Safety of Toys [87/378/EEC]
Construction Products [89/106/EEC]
Electromagnetic Compatibility [98/336/EEC]
Machine Safety [89/392/EEC]
Personal Protection Equipment [89/686/EEC]
Non-automatic Weighing machines [90/384/EEC]
Active Implantable Medical Devices [90/385/EEC]
Gas Appliances [90/396/EEC]
Telecommunications Terminal Equipment [91/236/EEC]
New Hot-water Boilers [92/42/EEC]
Explosives for Civil Uses [93/15/EEC]
Medical Devices [93/42/EEC]
Equipment for Explosive Atmospheres [94/9/EEC]
Recreational Craft [94/25/EEC]
In vitro Diagnostic Devices [98/79/EEC]

Most of the Directives above are amended by Directive 93/68/EEC entitled "Rules for the Affixing and Use of the CE Conformity Marking."

For an explanation of the European Union and its governing European Directives, please refer to the European Union Commercial Guide.

FREE TRADE ZONES

Luxembourg has no free trade zones, but Cargolux provides bonded warehouse services at the Luxembourg airport.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Incorporated into the charter of the European Union is a law modeled on its U.S. counterpart. Basically, any specific legislation not ratified by the EU will be left to the member countries to implement as they see fit. While recent EU legislation does not conflict with what is being brought into law in Luxembourg, it is important to be aware of impending EU regulations as they may override local Luxembourg laws.

For More Information

The following are key contacts in the United States and Luxembourg that you can use to find further information about Luxembourg, EU-wide packaging, labeling laws, standards, the CE Mark and EU Directives.

United States

Office of European Union and Regional Affairs (OEURA)
U.S. Department of Commerce
Contact: Bob Straetz
Tel: (202) 482-4104
Fax: (202) 482-2897

National Center for Standards and Certification
Contact: JoAnne Overman
Tel: (301) 975-4040
Fax: (301) 926-1559

U.S. Trade Representative for Europe and the Mediterranean
Contact: Catherine Novelli
Tel: (202) 395-3320
Fax: (202) 395-3974

U.S. Trade Representative, Technical Trade Barriers
Contact: Suzanne Troje
Tel: (202) 395-3063
Fax: (202) 395-5674

Europe

U.S. Embassy Luxembourg
Tel: +35/2 46-01-23
Fax: +35/2 22-64-57

U.S. Mission to the EU

Contacts: Kenneth Moorefield (Senior Commercial Officer)

Suzanne Sene (Standards Officer)

Tel: +32/2 508-2746 (Moorefield), +32/2 508-2674 (Sene)

Fax: +32/2 513-1228

Administration des Douanes et Accises (Customs and Excise
Department)

26, place de la Gare

L-1616 Luxembourg

Tel: +35/2 29-01-91-1

Fax: +35/2 49-87-90

<http://www.etat.lu/DO>

Chambre de Commerce du Luxembourg

External Trade Department

Tel: +35/2 42-39-39-310

Fax: +35/2 43-83-26

Additional information can also be found online

European Union server home page

<http://europa.eu.int>

List of Open Information Interchange Initiative Standards and
Specifications:

<http://www2.echo.lu/oii/en/oiistand.html>

American National Standards Institute homepage:

<http://www.ansi.org>

Chamber of Commerce of the Grand Duchy of Luxembourg

<http://www.cc.lu>

American Chamber of Commerce in Luxembourg

<http://www.amcham.lu>

VII. INVESTMENT CLIMATE

Although small, Luxembourg has a vibrant and growing economy with the highest per capita gross domestic product in the world. Furthermore, Luxembourg both protects the rights of investors and actively pursues foreign investment through a variety of incentives, including subsidies and tax relief. Corruption is not an issue, and the regulatory structure is both fair and transparent. Luxembourg's multilingual labor is noted for its efficiency and high productivity, and labor strife is virtually non-existent. A renowned banking center, Luxembourg has open capital markets and imposes no restrictions on monetary transfers.

The above factors have led to a large influx of capital investments, principally from the U.S.

OPENNESS TO FOREIGN INVESTMENT

Luxembourg's economy has continued to perform exceptionally well by the standards of other industrial countries. The growth of GDP (5.7 percent in 1998) and employment remains well above the European average, inflation is low (1.4 percent in 1997), and the public finances are in surplus. Economic policy has emphasized the creation of a business-friendly tax and regulatory environment and the diversification of the economy in order to reduce reliance on the financial sector. That sector has come under increasing competitive pressure in recent years and its special position could be impacted by progress in tax harmonization in the European Union.

The Grand Duchy of Luxembourg is considered extremely open to foreign investment; the top three foreign investors are American firms. The country has a strong economic outlook for 1999, which is expected to continue in 2000 and into the twenty-first century in line with the general improvement in the economic situation in the EU member states. Even more important, Luxembourg, a founding member of the European Union and the European Monetary Union, is firmly committed to both. Luxembourg's trade policies are considered rather liberal, although some questions have been raised about the steel and agriculture industries.

Perhaps partly due to the country's small size, Luxembourg has an agile government, which is able to do things quickly; it is also a government that is supportive of foreign investment. The moderate center-left and center-right parties have traditionally formed the government of Luxembourg. As all these parties support private enterprise, successive governments have, over the past 20 years, been successful in creating an economic and social climate that encourages foreign investment. Luxembourg provides a wide range of financial incentives and assistance to investment. Among these incentives are capital grants, low-interest loans, and tax credits. The public authorities also develop industrial parks, and make them available to investors under the industrial zones program. To facilitate the investor's task, a single coordinating authority negotiates all aid, thus reducing administrative procedures to a minimum.

The small business framework law of July 29, 1968 is designed to

aid individuals and firms' operations in the sectors of skilled crafts and distribution, the hotel and restaurant business, as well as transport. A capital subsidy can be granted for largely self-financed investments. Real estate investments can receive a subsidy of a maximum of 15%. Moveable property subsidies are available up to 25%. Subsidy rates of up to 45% are available for investments from associations, cooperatives and other organizations. Other subsidies that may be granted are interest subsidies, first time business bonuses, and expert assistance. Further information can be obtained from the Ministry of Economy or Chamber of Commerce.

The law of July 27, 1993 on economic development and diversification, improving general structure and regional balance of the economy aims to encourage investment, restructuring or research and development projects. This law provides four separate schemes of support. The first scheme is for small- and medium-sized businesses. The second scheme is aimed at various developing regions in Luxembourg. The third scheme covers research and development to help industrial and basic research, and competitive development. The final scheme concerns environmental protection and the rational use of energy. Further information can be obtained from the Ministère de l'Économie (19-21, Boulevard Royal, L-2449 Luxembourg, Tel: +35/2 478-1, Fax: +35/2 460448, <http://www.etat.lu/EC>).

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Both domestic and foreign private entities have the right to establish business enterprises. This right is well established in Luxembourg's constitution and law. The right to acquire or sell interests in business enterprises is similarly protected in law.

No restrictions in Luxembourg apply specifically to foreign investors. Foreign interests may enter into joint ventures and partnerships on the same basis as domestic partners.

PROTECTION OF PROPERTY RIGHTS

The Luxembourg court system is independent and effectively enforces property rights.

Luxembourg meets the highest standards in protecting intellectual property rights. Rights granted under American patent, trademark, or copyright law can be enforced in Luxembourg.

Patents

Luxembourg is a member of the World Intellectual Property Organization (WIPO) and the European Patent Convention (EPC). A single European patent, valid throughout the EU, does not yet exist since the community patent convention has not yet come into force. In the meantime, the patent applicant can choose between a national and a multiple-country patent. In the latter case, a single application to the European Patent Office in Munich is required for obtaining patents valid in a number of countries within the EU, as well as Liechtenstein, Monaco and Switzerland. A patent thus granted will only be valid in Luxembourg if a copy of the grant, in one of Luxembourg's three official languages (French, German and Luxembourgish), is filed.

Trademarks

An EU Trademark Office has been established in Alicante, Spain. Applications for EU trademarks should be directed to this office. Trademarks in Luxembourg are regulated by the Uniform Benelux Law of 1962, which offers protection in Belgium, the Netherlands and Luxembourg. A trademark application can be filed with the Luxembourg Intellectual Property Office in the Ministry of Economic Affairs (<http://www.etat.lu/EC>) or with the Benelux Trademark Office located in the Netherlands (Benelux Trademarks Office, Bordewijklaan 15, NL-2591 XR The Hague, Tel: +31/70 349-1111, Fax: +31/70/347-5708, <http://www.bmb-bbm.org>). A search is required to ascertain whether or not a similar trademark for the same category of product already exists. If granted, protection lasts for ten years from the date of application and can be renewed for further periods of ten years. Trademarks must generally be used within three years of registration.

Trademark Exhaustion

An EU Directive regarding trademarks applies the principle of community exhaustion under which parallel imports into the European Union are prohibited without approval of the trademark holder or his/her authorized distributor. Luxembourg and its Benelux partners (Belgium and the Netherlands) previously applied the principle of universal exhaustion under which parallel imports were allowed. A few cases have reached the Luxembourg trade courts, which have returned divergent opinions as to whether Community exhaustion has replaced universal exhaustion in Luxembourg.

Copyrights

Luxembourg is a member of the Bern Convention managed by WIPO and the Universal Copyright Convention (UCC) managed by UNESCO. As a member of the UCC, to which the United States and 50 other countries belong, Luxembourg accords automatic copyright protection to works produced in other UCC countries. Protection exists for life of the author, plus 50 years after death. In addition Luxembourg has laws that conform to existing EU Directives. EU Directives, however, permit some variation in each member-state and American firms wishing to protect their copyrights in Luxembourg should consult local legal counsel.

Trade Related Aspects of Intellectual Property Rights (TRIPS)

Luxembourg has fully implemented the WTO Agreement on TRIPS.

PERFORMANCE REQUIREMENTS AND INCENTIVES

Investment in Luxembourg can benefit from personal income tax as well as corporation tax relief. This aid is only allowed on tangible assets other than buildings, agricultural livestock, and mineral or fossil reserves made during the accounting year. The rate of tax relief on additional investments is 12%.

The Société Nationale de Crédit et d'Investissement (SNCI—National Credit and Investment Corporation) grants medium and long terms loans for industrial or service projects. These loans cover business equipment, buildings and safety equipment used solely for business purposes. They can be for up to ten years with 15-year loans the exception. The loan is usually between 25%-50% of the investment, but can be greater.

In the case of exports, financing can be established for the Luxembourg part of the export. The percentage financed is between 25%-75% of the total value of the operation. The SNCI is also able to purchase equity convertible to shares, acquire a share holding in a company, contribute capital to an established company, and participate in any organization or other group aimed at established or reorganizing businesses. Innovation loans are available to industrial and service enterprises at a 5% per year fixed rate. For further information, contact:

Société Nationale de Crédit et d'Investissement
7 rue du Saint Esprit
L-1475 Luxembourg
Tel: +35/2 461971-1
Fax: +35/2 461979

Email: snci@snci.lu
<http://www.snci.lu>

NATIONAL INVESTMENT INCENTIVES

Luxembourg provides a wide range of financial incentives and assistance to investment. Among these incentives are capital grants, low-interest loans, and tax credits. In order to facilitate the startup of a new venture, the government may, on a case by case basis, grant support toward funding of a company's investment project. Financial support may take the form of capital grants or medium and long-term loans under favorable conditions by the National Credit and Investment Corporation.

The public authorities also develop industrial parks, and make them available to investors under the industrial zones program. Premium land can be made available by the government in one of the ten national industrial parks. Land is also available in municipal or regional business parks. The industrial sites are fully equipped with all public infrastructures, such as water, sewer, power, gas, and telecommunications and are located on or close to major international roads and transportation axes. Many of the industrial parks are equipped with railway spurs connected to the international networks.

To facilitate the investor's task, a single coordinating authority negotiates all aid, thus reducing administrative procedures to a minimum.

TRANSPARENCY OF THE REGULATORY SYSTEM

The Luxembourg government has adopted a generally transparent policy and effective laws to foster competition. Tax, labor, health, safety, and other laws and policies avoid distortions and impediments to efficient mobilization and allocation of investments compared to other EU member states.

CORRUPTION

Corruption is not a factor in Luxembourg business environment.

The provisions of the Treaty of Rome that relate to competition apply to the activities of any firm when they are likely to affect trade between member states of the European Union. In particular, these provisions prohibit any agreement that aims or has the

effect of preventing, restricting, or distorting competition within the common market or a substantial part of it. Since the vast majority of Luxembourg businesses have significant trading relations with businesses in other EU member states, these provisions apply by and large to the whole of Luxembourg's economic activity.

Luxembourg law regards unfair trading as any act which is contrary to the honest practices of industry or trade, or any agreement by which a trader, industrialist, or craftsman attempts to win away part of a competitor's customer base or to reduce his competitiveness.

Money laundering

There have been accusations that Luxembourg is a money laundering center. As a result, Parliament has passed legislation extending money laundering laws to include all criminal activities, providing some of the toughest legislation against money laundering in the world.

LABOR

The multilingual labor force in Luxembourg is renowned for its efficiency and high productivity. Workers are highly trained and able to perform complex tasks, and they are able to adapt to new production methods as they frequently follow continuing education courses. Although unemployment is low, there is no real shortage of manpower, mainly because of the presence of a large number of workers commuting from the neighboring countries and the conversion of the Luxembourg steel industry.

There are virtually no strikes, and the rate of absenteeism is very low. Luxembourg has a solid tradition of absence of industrial disputes. Social problems are dealt with under a broad system of negotiation and conciliation between labor and management (the 'social partners') at both company and national levels. These arrangements have enabled Luxembourg to remain free from major strikes since 1921.

The principle of free movement of labor is one of the cornerstones of the European Union, and its logical consequence is the international coordination of social security. For a small country like Luxembourg, the question is all the more important since around 50% of the workforce consists of foreigners, whether living in Luxembourg or commuting from neighboring countries to

Luxembourg.

Luxembourg's comprehensive social security package is composed of five major elements: sickness and maternity, retirement, family allowances, accidents, and unemployment fund. This extensive social security system is built around a series of independent public institutions, each insuring against a particular kind of risk, and organized into professional categories. In general, a board of elected representatives, which includes employers and employees, manages these different categories.

An agreement on Social Security between the United States and Luxembourg became effective on November 1, 1993. Companies that have U.S.-based employees working in Luxembourg or Luxembourg personnel in the United States may be able to realize substantial tax savings as a result of the agreement. Duplicate coverage and taxation under the U.S. and Luxembourg Social Security systems will be eliminated. Employers or employees who wish to know more about any of the agreements should contact:

Social Security Administration
Office of International Policy
P.O. Box 17741
Baltimore, Maryland 21235
Tel: (410) 965-3548 or (410) 965-3554

In Luxembourg law, the relationship between employer and employee is in principle an individual one. The employer must enter into a written contract with each of his employees, and their respective rights and responsibilities are governed by Articles 1979 et seq. of the Civil Code, and by common law. Firing a Luxembourg employee can be very expensive. An employee may be dismissed immediately in the event of gross misconduct. Both employer and employee have the right to terminate a contract of employment, even against the wishes of the other party. Termination is a unilateral action, and subject to certain rules of form; it must also take due account of the appropriate period of notice prescribed by the law.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Since the 1960s, comprehensive and market oriented legislation has permitted Luxembourg to develop a solid reputation as one of the most important financial centers in Europe. The large number of banks, the steadily increasing number of investment funds, the leading position of the Luxembourg Stock Exchange in the listing

of Eurobond, as well as the rapidly developing clearing and custodial services are but some of the financial center's outstanding features.

Luxembourg banks, by in large, loan directly to individual and corporate entities in other European countries and in North America. Total bank assets climbed by 9.8 percent between 1997 and 1998, reaching 20,446 billion LUF (\$552.6 billion). Luxembourg banks play an important role in both the Eurobond market generally and in the ECU bond market.

Another source of financial strength is the stock market, which lists more than 15,000 international securities, including many Eurobonds. The total trading volume in 1998 increased to 112 billion LUF (\$3.03 billion), a change of 25 percent from the year before.

An interesting new addition to Luxembourg's financial scene is international clearing, which is handled by the Cedel group. Under a structure established in January 1995, an electronic order routing service was set up between Luxembourg, Europe, North America and also Asia. Under this structure, Cedel bank has developed an international clearing and settlement system with links to security markets in over 30 countries. 114,000 securities are admitted into the system; over \$1.5 trillion of customers' securities are cleared, and trades worth up to \$100 billion are settled in a business day.

On May 14, 1999, Cedel group and Deutsche Börse Clearing announced a merger creating a new Cedel International that will be the basis for a single European clearing organization on the model of the Depository Trust Company (DTC). The goal of the new organization is to create a pan-European clearinghouse. Once shareholders and regulatory authorities approve the merger, other securities depositories are invited to join the new structure. The SBF group, the holding company of the Paris Bourse, and Sicovam, the French central securities depository, have already signed a memorandum to join the alliance. The creation of the European clearinghouse will enable the new Cedel International to offer customers standardized procedures and access to the entire securities market.

The free movement of capital within Europe, the explosive development of services in private banking, the banking secrecy laws and the high level of professionalism continue to stimulate the development of the Luxembourg financial center.

Luxembourg City serves furthermore as the European Union's capital for financial policy. The European Investment Bank, the European Court of Auditors, the Directorate General for Credit and Investment are all headquartered in Luxembourg.

CONVERSION AND TRANSFER POLICIES

Payments and transfers require no prior authorization. Transactions may be executed in Belgian or Luxembourg francs as well as in other currencies. The Luxembourg franc is fully convertible with no restrictions on either inward or outward, current and capital account transactions.

Luxembourg's monetary regulatory L'institut Monétaire Luxembourgeois (IML) has recently been transformed into Luxembourg's first national Central Bank to comply with European Monetary Union convergence criteria. In the run up to the EMU, Luxembourg was always a leader in fulfilling convergence criteria. With the start of EMU on January 1, 1999, Luxembourg began using the euro for accounting purposes.

DISPUTE SETTLEMENT

Social conflicts in Luxembourg can usually be avoided due to regular consultations between the social partners and the Government. The "Luxembourg Model," based on constructive dialogue between labor, employers, and the government, has led to a national consensus on the measures necessary to overcome the structural crises of the 70s and 80s, and to stimulate economic growth.

POLITICAL VIOLENCE

The Embassy does not know of any incidents of politically motivated damage to foreign investments in Luxembourg in recent years.

BILATERAL INVESTMENT AGREEMENTS

Luxembourg has concluded bilateral agreements with a number of community member states and certain other countries, including Brazil, Canada, Cape Verde, Switzerland, Tunisia, and the United States.

As a partner in the Belgium-Luxembourg Economic Union (BLEU), it has valid bilateral investment treaties or agreements with Bangladesh, Cameroon, Sri Lanka, China, the Czech Republic, Egypt, Hungary, the Republic of Korea, Malaysia, Morocco, Romania, Rwanda, Singapore, the Slovak Republic, Tunisia, and Turkey. Additionally, BLEU agreements have been signed, but not yet implemented, with Bulgaria, Burundi, Liberia, Mauritania, Malta, and Thailand. Luxembourg and Belgium together, but outside the BLEU, have also signed investments treaties with Poland and Russia. All these agreements provide for mutual protection of investments.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Luxembourg has many foreign investors bringing money into different aspects of the economy, with the United States currently ranking in first place. Large American firms such as Goodyear, Guardian and DuPont continually invest money in subsidiaries and other investments in Luxembourg, with Goodyear currently being the country's second largest private employer.

FOREIGN DIRECT INVESTMENT STATISTICS

The Luxembourg Ministry of Economic Affairs conducted a study on investments by foreign companies in Luxembourg and Luxembourg companies in other countries. The study is available by contacting the Service Central de la Statistique et des Études Économiques (STATEC) at +35/2 478-4268 or visit their website at <http://www.statec.lu>.

There are approximately 100 subsidiaries/branches of American companies operating in Luxembourg, making the U.S. the country's largest source of foreign investment. Goodyear, DuPont and Guardian are among the largest employers of labor in the country.

The ARBED group is the fourth largest steel group in the world, and the second largest group in Europe. Luxembourg is also well represented in communications with the Société Européenne de Satellites S.A. (SES) and transportation with Luxair and Cargolux, handling the transport of persons and freight, respectively. However, in terms of size of workforce, of the 268 largest companies in Luxembourg, no fewer than 41 are banks.

VIII. TRADE AND PROJECT FINANCING

BRIEF DESCRIPTION OF BANKING SYSTEM

Luxembourg is a major world financial center, hosting more than 215 international banks operating as "universal banks" with an unrestricted range of activities. Luxembourg is considered a tax haven due to its bank secrecy, absence of exchange controls, lack of withholding on interest, and politically stable environment. Luxembourg banks generally loan directly to entities in other European countries and to North America. Total bank assets climbed by 9.8 percent between 1997 and 1998 reaching 20,446 billion LUF (\$552.6 billion). Luxembourg banks play an important role in both the Eurobond market generally and in the ECU bond market. In addition, Luxembourg acts as headquarters to all big six accounting firms and the EU Cour des Comptes (Court of Auditors).

FOREIGN EXCHANGE CONTROLS AFFECTING TRADING

There are no foreign exchange regulations or limitations on the transfer of capital or profits in Luxembourg, except in exceptional situations such as the UN sanctions against Iraq and Libya. Luxembourg has run a persistent trade deficit over the past ten years, but enjoys an overall balance of payments surplus. This is due to the substantial revenues from the financial sector.

GENERAL FINANCING AVAILABILITY

Luxembourg is a country that depends heavily on imports and exports. Consequently, the process of paying for imported goods is well understood by banking staffs—even in the smallest regional and local branches. The formalities for state aid are kept to a strict minimum. The Chamber of Commerce and the Ministry of the Economy handle applications. Every effort is made to help the enterprises concerned.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

Import duties and value added taxes (VAT) are applied to the CIF (cost insurance/freight) value of goods. The rate of import duties is the same as that applied by all European Union countries. Since products coming from other EU members enter Luxembourg duty free, U.S. products often start off with an average 5-6% price disadvantage. By offering favorable credit terms, U.S. suppliers can help their importers offset a portion of that higher price.

Types of Available Export Financing and Insurance

The Luxembourg banks offer the usual facilities provided in the banking world with regard to both the pre-finance of exports, to cover their cost during the period of manufacture, and long or short-term loans for the export itself. There are a number of direct aids to the finance of exports:

- * Country-to-country loans
- * Interest rebates on loans to finance the export of goods, granted by COPEL - the Comité pour la Promotion des Exportations Luxembourgeoises
- * Export credits granted by The National Credit and Investment Corporation (SNCI).

The Ducroire Office, established by the Law of November 25, 1961 and underwritten by the State, encourages exports by providing guarantees against the risks involved - particularly those relating to credit. The Office can cover commercial and political risks. Its services are open to exporters or banks with risks abroad resulting from the export of Luxembourg products or services. Export guarantees can be given to cover payment over any length of time. The secretariat of the Ducroire Office is provided by the Luxembourg Chamber of Commerce, and can be reached them by phone at +35/2 42-39-39-320.

PROJECT FINANCING AVAILABLE

In Luxembourg, public aid for business and investment projects is available in many different forms. Facilities are provided by the state and by the European Union, and include the following incentives:

- * Funds may be raised through a capital grant awarded by the State or, if preferred, through a minority shareholding by the Société Nationale de Credit et d'Investissement (National Credit and Investment Corporation)
- * Long term capital may be borrowed in the form of reduced-rate loans from the Société Nationale de Credit et d'Investissement or from the European Union
- * Loans contracted from private credit institutions may be eligible for an interest rebate from the Luxembourg Government or be underwritten by the Luxembourg State
- * Industrial land may be made available by local authorities and the government
- * Up to 50% of the cost of research and development projects may be financed by the government

- * Government grants are available for organizational studies
- * Various forms of tax relief are available as an incentive to new investment in Luxembourg.

LIST OF BANKS IN LUXEMBOURG WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

Citibank Luxembourg SA
58 Boulevard Grande-Duchesse Charlotte
L-1330 Luxembourg
Tel: +35/2 45 14 14-1
Fax: +35/2 45 14 14-75
<http://www.citibank.lu>

Chase Manhattan Bank Luxembourg SA
5 Rue Plaetis
L-2012 Luxembourg
Tel: +35/2 46 26 85-1
Fax: +35/2 46 26 85 416

Morgan Stanley Asset Management SA
Morgan Stanley Capital (Luxembourg) SA
6B, Route de Treves
L-2633 Senningerberg
Luxembourg
Tel: +35/2 34 64 61
Fax: +35/2 34 64 6220

Republic National Bank of NY (Luxembourg) SA
32, Boulevard Royal
L-2449 Luxembourg

Major Luxembourg Banks

Banque et Caisse d'Épargne de l'État (State and Savings Bank)
Place de Metz 1-2
L-2954 Luxembourg
Tel: +35/2 40 15-1
Fax: +35/2 40 15-2099
<http://www.bcee.lu>

Banque Générale du Luxembourg
50 Avenue John F. Kennedy
L-2951 Luxembourg
Tel: +35/2 42 42-1
Fax: +35/2 4242 2579

<http://www.bgl.lu>

Banque Internationale à Luxembourg
69 Route d'Esch
L-2953 Luxembourg
Tel: +35/2 4590 4826
Fax: +35/2 4590 2010
<http://www.bil.lu>

Cedelbank SA
67 Boulevard Grande-Duchesse Charlotte
L-2967 Luxembourg
Tel: +35/2 44 99 21
Fax: +35/2 44 99 28 210
<http://www.cedel.lu>

IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

Business Hours

Government offices are open Monday through Friday from 8:00 a.m.-12:30 p.m. and from 1:30 p.m.-5:00 p.m. Banks are open Monday through Friday from 9:00 a.m.-4:30 p.m. Private companies are generally open from 8:00 a.m.-5:00 p.m. while shops and stores open at 9 a.m. and close at 6:00 p.m.

Languages

Luxembourgish, also spelled lëtzebuergesch, is the native language spoken in the majority of homes. It has been recognized as the national language since 1984; both French and German remain official languages. German is the language of instruction beginning in first grade; French begins shortly thereafter. French is the official language of the administration, jurisdiction, parliament, education, and some literary circles. Daily newspapers are written mainly in German with some articles written in French. Many Luxembourgers are also able to speak English, especially in the business and government sectors.

Time

GMT +1 (same as Berlin, Rome, Brussels, Amsterdam, Vienna, Paris, Madrid, etc.)

TRAVEL ADVISORY AND VISAS

Visas are not required for U.S. citizens traveling in Luxembourg

for less than 90 days. Resident visas are difficult to obtain for non-EU citizens. To obtain a residence visa, it is necessary to have a working permit, which are limited to managerial positions in foreign-owned companies and people with special skills that are unavailable in Luxembourg. It usually takes eight to twelve months to obtain a working permit and 18 months to obtain a professional card. Specialized lawyers established in Luxembourg can assist in the process.

Currency and Credit Cards

The Luxembourg Franc is the local currency, which is interchangeable with the Belgian Franc. Most hotels and restaurants take credit and charge cards (Visa, MasterCard (Eurocard), American Express, or Diners Club).

Voltage

220/380 volts AC 50 three-phase current.

LUXEMBOURG 1999 HOLIDAYS

New Year's Day	January 1
Carnival (Shrove Monday)	February 15
Easter Monday	April 5
May Day (Luxembourg Labor Day)	May 1
Ascension	May 13
Pentecost (Whitsun) Monday	May 24
National Day (Grand Duke's Birthday)	June 23
Assumption	August 15
Luxembourg City Kermesse (City of Luxembourg only)	September 1
All Saints' Day	November 1
All Souls' Day	November 2
Christmas Day	December 25
St. Stephen's Day (Boxing Day)	December 26

WORK WEEK

Monday through Friday, 40 hours/week.

BUSINESS INFRASTRUCTURE

Public transportation is readily available, and Luxembourg has excellent communication links with the rest of the world. Luxembourg is also home to extraordinarily rich media coverage, which offers the broadest selection of television channels in

Europe. TV viewers currently have access to a broad range of programs from around the world via satellite. The country is blessed with an intense and varied cultural life, and is highly regarded for its acceptance of foreign goods and persons and its overall lifestyle and family oriented values system.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Luxembourg seeking appointments with U.S. Embassy Luxembourg officials should contact the Commercial Section in advance. The Commercial Section in Brussels can be reached by telephone at +32/2 508-2425, by fax at +32/2 512-6653, or by email at brussels.office.box@mail.doc.gov.

X. APPENDICES

APPENDIX A: COUNTRY DATA

Population	429,000 (January 1999 estimate)
Population growth rate	1.02% (1998 estimate)
Religions	Roman Catholic 96% by baptism, (About 15% of the population are practicing Catholics) Protestant and Jewish 3%
Government type:	Constitutional monarchy
Chief of State:	Grand Duke Jean
Head of Government	
Prime Minister:	Jean-Claude Juncker
Vice Prime Minister:	TBA
Next national election:	Scheduled for June 2004
Languages:	Luxembourgish (Lëtzebuergesch), German, French, and English

APPENDIX B: DOMESTIC ECONOMY

	1997	1998	1999*	
Gross Domestic Product				
(at market prices; in billions U.S. dollars)		15.8	17.2	17.6
GDP real growth rate	3.6%	5.7%	2.0%	
GDP per capita	37,772	40,595	41,009	
Government spending	4.9%	4.2%	5.9%	
Inflation	1.4%	1.2%	1.2%	
Unemployment	3.9%	3.3%	2.9%	
Average Exchange Rate for USD (\$1=LUF)		30	35	37

*Estimated

APPENDIX C: TRADE

	1997	1998
Total export (in billions)	\$6.7	\$7.7
Total imports (in billions)	\$9.0	\$9.9
U.S. exports (in millions)	\$237	\$424
U.S. imports (in millions)	\$527	\$424

*Estimated

APPENDIX D: INVESTMENT STATISTICS

Principal Foreign Investors	1997
Germany	37.7%
Belgium	13.2%
France	9.8%
Other EU Nations	9.9%
USA	9.6%
Italy	5.9%
Switzerland	4.1%
Netherlands	3.9%
Japan	3.1%
Other non-EU countries	3.0%

APPENDIX E: U.S. AND COUNTRY CONTACTS

Embassies

American Embassy
22 Boulevard Emmanuel-Servais
L-2535 Luxembourg
Tel: +35/2 46-01-23
Fax: +35/2 46-14-01

U.S. Mail Address:
[Name/Office]
Unit 1410
APO AE 09126-1410

Ambassador: James Hormel
Contact: Frank Schneider, Political and Economic Specialist

The Commercial Service in Brussels is responsible for business

conducted in Luxembourg.

American Embassy
27 Boulevard du Regent
B-1000 Brussels, Belgium
Tel: +32/2 508-2425
Fax: +32/2 512-6653
<http://www.us-embassy.be>
(Commercial Service)

U.S. Mail Address:
[Name/Office]
FCS/EMB
PSC 82, Box 002
APO AE 09710

Contact:
George Knowles, Commercial Counselor
Reginald Miller, Commercial Attaché

Embassy of the Grand Duchy of Luxembourg
2200 Massachusetts Ave. NW
Washington, DC 20008
Tel: (202) 265-4171
Fax: (202) 328-8270

Ambassador: Arlette Conzemius

Luxembourg Consulates

17 Beekman Place
New York, NY 10022
Tel: (212) 888-6664
Fax: (212) 888-6116

Contact: Mr. Jean Graff, Consul General

One Sansome Street
Suite 830
San Francisco, CA 94104
Tel: (415) 788-0816
Fax: (415) 788-0985

Contact: Mr. Patrick Nickels, Consul General

Chambers of Commerce

AmCham-Luxembourg
7, Rue Alcide de Gasperi
L-2981 Luxembourg
Tel: +35/2 42-39-39-390
Fax: +35/2 43-17-56
<http://www.amcham.lu>

Contact:

Dr. Gilbert E. McNeill, Executive Director
Email: gilbert.mc-neill@amcham.lu

Chambre de Commerce du Luxembourg
7, rue Alcide de Gasperi
L-2981 Luxembourg
Tel: +35/2 42-39-39-311
Fax: +35/2 43-83-26
<http://www.cc.lu>

Contact: Mr. Jean-Claude Vesque
Manager, Department of Foreign Trade

Luxembourg trade and industry associations

Fédération des Industriels Luxembourgeois
(Federation of Luxembourg Enterprises)
7, rue Alcide de Gasperi
Luxembourg/Kirchbourg
Tel: +35/2 43-53-66-1
Fax: +35/2 43-23-28
<http://www.fedil.lu>

APPENDIX F: INDUSTRY SECTOR ANALYSIS

None scheduled.

APPENDIX G: TRADE EVENT SCHEDULE

Luxembourg International Trade Fairs information provided by La Société des Foires Internationales de Luxembourg (FIL-The International Trade Fair Company). The following information is accurate as of June 1st, 1999. Up-to-date information can be found on their website at www.fil.lu.

	Trade Fairs and Trade Shows	
<u>(SUBJECT TO CHANGE)</u>	<u>1999</u>	<u>2000</u>
Vakanz	January 15-17	January 14-16

Tourism Trade Show

Europeleinair	March 6-14	March 11-19
European Trade Show for Leisure and Open-Air		
Antiques and Fine Arts Show		March 11-14
16-19		March
Luxembourg Book Festival		
Intersafety	March 11-14	—
Interregional trade show for security (in collaboration with the A.B.L.)		
DogExpo	March 27-28	April 1-2
Exhibition for pet's supplies (in collaboration with "Union Cynologique Saint-Hubert Luxembourg")		
International Dog Show	March 27-28	April 1-2
(organized by Union Cynologique Saint-Hubert Luxembourg)		
Brush Expo 2000	—	April 4-11
International Exposition of Brush Manufacturing Technology (in collaboration with Brush Expo E.I.G.)		
MedTrade-Europe	April 14-16	April 12-14
The trade event for home healthcare		
Luxembourg International Trade Fair		May 8-16
June 4		May 27-
Spring-Fair (consumer goods)		
International Dog Show	September 4-5	September 9-10
(organized by Union Cynologique Saint-Hubert Luxembourg)		
Italia Dimensione 2000	—	September 15-19
(organized by Camera di Commercio Italo-Lussemburghese)		
Oeko-Foire	September 17-19	September 15-17
(organized by Oeko-Fonds et Mouvement Écologique in collaboration with the F.I.L.)		
Britain in Luxembourg	September 18-19	—
(organized by the British Embassy in Luxembourg)		

Software Automation (organized by Hallen Kortrijk, B-Courtrai)	—	September 21-22
Emc 1 st trade show for media in Saar-Lor-Lux	September 28-29	—
Luxembourg International Trade Fair Autumn-Fair (investment goods)	October 7-15	October 9-17
Proceed European center for subcontracting, industrial supply and services	October 27-29	—
International Banking Seminar (in collaboration with INSIG, Paris)		October 28-29 —
Student Trade Show (in collaboration with the Ministère de l'Éducation Nationale)	November 18-19	November 16-17
Biennale for Antiques and Arts	—	November 25-28
Bazar International (for the benefit of charitable works, organized by Bazar International de Luxembourg)	November 27-28	December 2-3
Euro Racing Show (organized by Pole Position SA, L-Hagen)	December 10-12	December 8-10
Flea Market (organized by Fédération des Antiquaires et Brocanteurs du Luxembourg)	January 30-31 September 18-19 November 6-7	January 29-30 September 16-17 November 11-12
House Finish	January 30-31 March 27-28 September 18-19	January 29-30 April 8-9 September 16-17
Information center for house finishing. Promotion Days "portes ouvertes"		