

February 2014

## newsletter



**Arlette Conzemius**  
Ambassador of Luxembourg  
to Turkey

## Welcome!

Dear readers,

We are pleased to notice the first results of the contacts established during the State Visit of November 2013. Thanks to the networking opportunities provided by the Visit, several Luxembourg and Turkish companies and organisations have been involved in new initiatives in various sectors, ranging from transport and logistics to finance and automotive.

In January 2014, various studies once more confirmed the good health of Luxembourg economy, as well as its attractiveness for foreign investors. Fitch Ratings has reaffirmed Luxembourg's AAA rating with a stable outlook, following the decision of Standard & Poor to uphold the Grand Duchy's triple A status in December. The World Bank and PWC ranked Luxembourg 2nd in Europe for the competitiveness of its corporate tax regime for SMEs. Bloomberg published its global ranking of countries, where Luxembourg ranks amongst the TOP-20 worldwide in terms of attractiveness for doing business. Another positive signal for Luxembourg has been the strong recruitment activity in the final quarter of 2013 and the beginning of 2014, as an indication of recovery from crisis.

As for our special focus in this issue, we decided to concentrate on R&D and innovation related opportunities in Luxembourg, such as the wide range of aid schemes available for R&D and innovation activities. These activities are an area of priority for the Luxembourg Government, with a view to enhancing competitiveness and building a knowledge-based society. R&D and innovation are also crucial for Turkey. With its business environment which stimulates and rewards R&D and innovation, Luxembourg could contribute to Turkey's efforts to develop its technology oriented sectors and shift its exports towards more value-added products. I would like to highlight that the Embassy of Luxembourg would be more than happy to provide all the information and guidance for those interested in learning more about the advantages that Luxembourg offers in the area of R&D and innovation.

Please do not hesitate to contact Mrs Esra Uyanusta-Misrahi ([esra.misrahi@mae.etat.lu](mailto:esra.misrahi@mae.etat.lu)) and Mr Kivanç Ergu ([kivanc.ergu@mae.etat.lu](mailto:kivanc.ergu@mae.etat.lu)) for all your queries.

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Contact us at: [Ankara.amb@mae.etat.lu](mailto:Ankara.amb@mae.etat.lu)



## NEWS



### Luxembourg retains triple A credit rating

The ratings agency Standard and Poor's has confirmed its rating on the Luxembourg economy at AAA for long-term debt and A-1+ for short-term debt. According to the Finance Ministry, Standard & Poor's AAA rating was awarded based on the good resilience to external shocks of the country's economy and public finances, in particular because of the high degree of economic prosperity and net assets held in the state's portfolio, including the existence of a large pension pool. Standard & Poor's issued the country with a "stable" outlook, highlighting its political stability and the robustness of public finances as strong assets which should enable it to cope with potential external shocks. According to Standard & Poor's, the growth rate of GDP of Luxembourg's economy is expected to be around 2% from 2013 to 2016. This growth is largely driven by financial services where the report notes that the importance of the funds industry will continue to be a vector for growth. Indeed, assets managed by funds domiciled in Luxembourg reached a historic high of about 2,500 billion euros at the end of 2012, a figure that represents more than a quarter of the total assets under management in European funds. Despite upcoming challenges facing the banking sector, such as the introduction of the automatic exchange of banking information from 2015 and the costs of compliance with new regulations, Standard & Poor's believes that the banking system will remain profitable over the period 2014 to 2016. Luxembourg, Germany and Finland are the only countries left with an "AAA" rating in the Eurozone, according to Standard & Poor's.

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## FitchRatings

### Fitch affirms Luxembourg AAA rating

Credit ratings agency Fitch Ratings has affirmed Luxembourg's AAA rating with a stable outlook, following Standard & Poor's decision to uphold the Grand Duchy's triple A status in December. Fitch describes Luxembourg as a "very high-income, ultra-open economy with favourable macroeconomic dynamics compared to other eurozone countries," saying that the Grand Duchy has shown one of the strongest recoveries from the eurozone crisis, as GDP growth accelerated to almost 2% compared to the European average. Fitch also forecasts GDP growth of 1.8% in 2014, based on the strong carry-over from 2013 and the gradual eurozone recovery.

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## Paying Taxes 2014



### Luxembourg a European leader in tax competitiveness

Luxembourg ranks second in Europe for the competitiveness of its corporate tax regime for small and medium-sized companies, according to Paying Taxes 2014, published by the World Bank, and PWC. The analysts calculated a total tax rate for Luxembourg of 20.7% of pre-tax profit to SMEs, the 15th lowest in the world, compared with 49.4% in Germany, 57.5% in Belgium and 64.7% in France. At 55 hours, Luxembourg also scored highly in the time required for SMEs to comply with their fiscal obligations, ahead of neighbours France (132 hours), Belgium (160) and Germany (218).

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### Luxembourg amongst the TOP-20 countries worldwide to do business

In January 2014, Bloomberg published the third edition of its global ranking of countries according to their attractiveness for doing business. In this context, Bloomberg analyses 157 countries worldwide. The composite index on which the ranking is based is according to six criteria: the degree of economic integration (10% weighting), the costs for starting a business (20%), the cost of labour and equipment (20%), transportation costs (20%), intangible costs such as corruption (20%) and, finally, the level of sophistication of local demand (10%). The composite index can have a value between 0 (worst performance) to 100 (best performance). The world ranking is led by Hong Kong, followed by Canada and the United States. With a total score of 74.3, Luxembourg is in 16th place worldwide in the 2014 edition, having risen 8 ranking positions relative to the previous year. Regarding the six sub-categories, Luxembourg scored extremely well with regards to the cost of setting up a business (90.0) and less-tangible costs (91.3). Further categories include the degree of economic integration (69.8), the cost of the labour and equipment (49.8), transportation costs (74.4), and the level of sophistication of local demand (62.6).

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### Luxembourg's financial center and its deposits

The December issue of the European Commission's ECFIN "Country Focus" about Luxembourg's financial center and its deposits shows the long-lasting stability of the Grand-Duchy. The report says that, if measured in percent of GDP, AAA-rated Luxembourg hosts the biggest banking sector in the European Union which accounts for a quarter of GDP. Luxembourg has a strong sovereign with low debt ratios and the country enjoys one of Europe's lowest unemployment rates. With 3,841 investment funds accounting for EUR 2.4 trillion under management, the country's fund administration industry is ranked as the second largest worldwide. The country hosts many private banks as it is still perceived as an attractive location for wealth management. Even though transparency on financial assets has been increasing through several EU-led initiatives, private individuals may still prefer to keep their declared assets in the Grand Duchy, attracted by a legal framework which permits the creation of tailor-made vehicles for private wealth management. The report also stresses that foreign subsidiaries and branches can rely on their parent companies and the overall liquidity situation is comfortable.

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### Luxembourg ranks 5th globally in talent competitiveness

The Global Talent Competitiveness Index (GTCI) 2013, encompassing 103 countries worldwide, ranks Luxembourg as the 5th most "talent competitive" country. Today, countries are competing globally to grow better talents, to attract the talents they need, and to retain those that bring them competitiveness, innovation and growth, while seeking to put economic and social policies in place that will facilitate this. In such a context, governments, business and the various components of civil society need quantitative instruments that can inform their decisions (as investors, employers, employees or job seekers) and help them design and implement better policies in areas such as education, human resource management, and immigration, to name a few. This is the aim of the report, published by INSEAD Business school together with the Human capital leadership institute and Adecco.

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### Development of Pharma Logistics activities in Luxembourg

Luxembourg offers a unique combination of assets about the logistics needs required to support the pharmaceutical and healthcare industry. Luxembourg Logistics hub has been reinforced with the opening of LuxairCARGO's new dedicated Pharma & Healthcare Centre at Luxembourg's international airport. In addition to this initiative, an innovative project that has made Luxembourg a fully Good Distribution Practice (GDP) certified Gateway according to the WHO and EU GDP guidelines has successfully been implemented. In Luxembourg, the logistics service providers and their partners are committed to ensure the highest level of pharmaceutical and healthcare products integrity throughout the entire supply chain.

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### Luxembourg Hosts Largest European Event on Temperature Controlled Logistics

LuxExpo has been hosting a 3-day event which has attracted over 400 representatives of major players in the logistics sector across Europe, for the annual "IQPC Cool Chain Europe" exhibition and conference. It is the largest such event in Europe dedicated exclusively to temperature-controlled logistics for the pharmaceutical industry. Pharmaceutical companies, logistics operators, transporters, suppliers of refrigeration packaging and national regulators all attended this 13th annual event which was held in the Grand Duchy for the first time. The development of the logistics sector is focused on high value-added logistics services which includes pharmaceutical products. Luxembourg has invested significantly in this sector, including the "Pharma & Healthcare Centre" at the airport's Cargo Centre which has become the first worldwide to receive the Good Distribution Practice (GDP) certification for pharmaceuticals.

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### Cargolux is first GDP certified airline

Cargolux Airlines is the first company to be granted the Good Distribution Practice (GDP) status, for its handling of pharmaceutical freight products in-flight and at the LuxairCARGO Pharma & Healthcare Centre. The Luxembourg-based air cargo company was awarded the label by Bureau Veritas Certification Germany GmbH, signalling that the company meets EU directive 'Guidelines on Good Distribution Practice of Medicinal Products for Human Use' as well as World Health Organisation (WHO) guidelines. Pharmaceutical GDP regulations demand that companies handling and transporting pharmaceutical products align their operations with the defined standards. An independent attestation of compliance with EU GDP/WHO requirements has confirmed Cargolux's dedication to operate a consistent quality management system across the transportation process.

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### Turkish Airlines will launch daily flights

Turkish Airlines will start daily flights between Istanbul and Luxembourg on 30 March 2014. The summer flight schedule will be as follows:

Flight No	Origin	STD	STA	Destination
TK1353	IST	09:20	11:40	LUX
TK1354	LUX	12:40	16:55	IST

**SPECIAL FOCUS: RESEARCH AND INNOVATION**

Luxembourg is an attractive and dynamic location for research and innovation. In fact, several international industrial groups have chosen to base their research and development (R&D) centres in the Grand Duchy. The public research sector has also developed considerably and been consolidated over the past few decades. R&D and innovation are among the main pillars for a knowledge-based economy. They are also key factors for supporting long-term growth and developing the country's economic competitiveness. The implementation of an effective R&D and innovation policy is a priority for the Luxembourg government. The policy targets the public as well as the private sector and aims both to consolidate national activities and to encourage Luxembourg actors to get involved in European and international collaborations. Since the 1980s, major investments have been made in R&D and innovation in Luxembourg.

NATIONAL AGENCY  
FOR INNOVATION AND RESEARCH  
**LUXINNOVATION**

**Financing R&D and innovation projects in a company**

Private sector promoters of research and development (R&D) and innovation projects can benefit from several aid schemes and measures. The law relating to the promotion of research, development and innovation extends the possibilities for financial support to companies who launch innovation activities. The law allows granting specific RDI support according to the following aid schemes and measures:

- R&D projects or programmes
- technical feasibility studies
- protection of technical industrial property
- aid for young innovative enterprises
- innovation advisory services and innovation support services
- temporary secondment of highly qualified personnel
- "De minimis" measures

Other R&D and innovation support:

- An innovation and R&D support scheme for Small and Medium-Sized Businesses aims to support companies in their innovation activities.
- Medium and long-term loans can be granted to industrial enterprises and service-providing companies by the Société Nationale de Crédit et d'Investissement (SNCI).



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**TABLE OF AID INTENSITIES UNDER THE NEW SCHEMES AND MEASURES**

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LE GOUVERNEMENT  
DU GRAND-DUCHÉ DE LUXEMBOURG  
Ministère de l'Enseignement supérieur  
et de la Recherche





## CULTURE

### Architecture in Luxemburg



Since the mid-1930s Luxembourg has witnessed the steady development of a vital architectural scene, which has culminated in the extensive development of the Kirchberg Plateau. Luxembourg is a paradigmatic miniature model of Europe's history of building and architecture. The development of Luxembourg as an international financial hub led to an architectural boom fuelled mainly by banks. So-called "signature architecture" became the trend of the day, with Gottfried Böhm's Deutsche Bank leading the way. Other banks followed suit and enlisted the top names of international architecture: the HypoVereinsbank called on Richard Meier, The Bayerische Vereinsbank appointed Atelier 5, the Bayerische Landesbank hired Wilhelm Kückler. Their designs concentrated on the Kirchberg Plateau. In the city centre, Arquitectonica was able to upgrade the Boulevard Royal. Famous architects built not only banks, but also turned their attention to other architectural tasks. I. M. Pei's Museum of Modern Art, Christian de Portzamparc's New Philharmony, Dominique Perrault's European Court of Justice (built in collaboration with Luxembourgish partners) as well as Christoph Ingenhoven's extension of the European Investment Bank are the most striking examples here.

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## CONSULAR AFFAIRS

### Visas for residents in Turkey



Visas for residents in Turkey are currently issued by the Embassy of Luxembourg in Ankara, in cooperation with the external service provider IKS located in Istanbul.

Applicants for a Schengen visa or residence permit in Luxembourg can directly contact the consular offices in Ankara or IKS in Istanbul (Tel: 0212 340 56 52) in order to fix an appointment.

Details regarding the application procedures can be found at:

<http://ankara.mae.lu/tr/VIZE-Konsolosluk-Hizmetleri/Tuerk-Vatandaslari-VIZE>

**LINKS:** For more information on business in Luxembourg, please visit:

Luxembourg for Business:  
[www.luxembourgforbusiness.lu/](http://www.luxembourgforbusiness.lu/)

Luxembourg for Finance:  
[www.luxembourgforfinance.lu/](http://www.luxembourgforfinance.lu/)

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