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Sep 17, 2008

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Luxembourg - İstanbul?

If you lived in Holland, Belgium, Germany or France around roughly 20 years ago, Luxembourg probably stood as a fixed destination for a once a year daytrip with the family. While in most European countries the withholding tax stood at 15 percent, most of the financial revenues were paid out tax free in Luxembourg.

Now, 20 years later, in the slipstream of an official Luxembourg trade mission that just headed back home, a seminar on Tuesday at the İstanbul Swissotel called "Luxembourg: A Global Financial Center" revealed what can be done. In the shadow of the enormous pressure of Europe's big financial centers, tiny Luxembourg not only managed to survive, but also prospered.

At present, the Grand Duchy -- with a population of only 480,000 citizens -- boasts 153 banks, a vast majority of these being foreign. It licensed more than 250 professional intermediaries (asset management companies, brokers, transfer agents, etc.) and hosts more than 350 insurance companies, which are wide-ranging in their services. Only 12 percent of the clientele is native to Luxembourg, thereby confirming its ability to cater to the world.

Financial wizards from non-EU countries such as the US, Switzerland, Singapore, Chile, Hong Kong, Taiwan, Japan, Macau, Bahrain and South Korea, amongst others, found a safe harbor for their investment funds and hedge funds in Luxembourg.

To be more specific: Luxembourg is home to a dazzling 3,153 investment funds with close to 12,000 fund units -- assisted by 37,000 distribution agreements and a vast area of treaties for the avoidance of double taxation. Though dispersed over all these funds, it all rounds up to an astonishing 2 trillion euros of assets under management. This is big money. For comparison purposes, JP Morgan Hedge Fund -- allegedly the biggest hedge fund in the world today -- manages approximately 1.1 billion euros, and ADIA -- the biggest sovereign wealth fund worldwide from the Emirates -- is reported to manage around 625 billion euros.

The secret to such success was revealed to an audience of about 70 eager delegates from Turkey's financial sector. The trade mission that aimed to promote Luxembourg brought along approximately the same number of Luxembourg multilingual and multicultural financial specialists, accountants and lawyers.

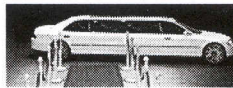
The message seemed to be that a transparent and tax friendly international environment is what it takes:

* Tax friendly environment combined with solid anti-money laundering legislation.

* Multilingual: You do not find a job in the financial services sector industry if you do not fluently speak three languages.

* A competitive environment and free movement of services and capital: 40 percent of the Luxembourg population is not native and about 140,000 people commute every day from neighboring countries to find jobs in law offices, accounting companies, banks and the like.

* Highly specialized service providers in a highly international



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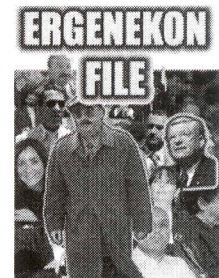
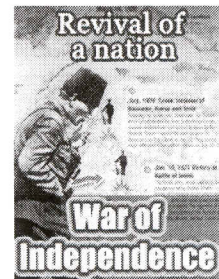
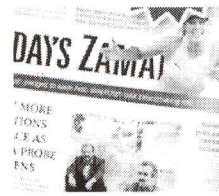
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environment.

* Straightforward rules in major European languages with uniform application for all market participants.

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As an aside, all these market conditions, combined with political stability, attracted in 2007 alone around \$118 billion in foreign direct investment (FDI) to Luxembourg.

Hardly anyone in the audience defended the reasons as to why we do not operate with the same setting and standards over here. The Turkish participants listened eagerly to the solutions offered and more than one planned a meeting to Luxembourg in the near future.

Let us say, "We can do the same, if not better." Still, in my lifetime and for the sake of our children's future, I want to be part of a trade mission from Turkey that has such trump cards in its briefcase and that brings money and jobs back home.

12 September 2008, Friday

PAUL WOUTERS (İSTANBUL)

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