

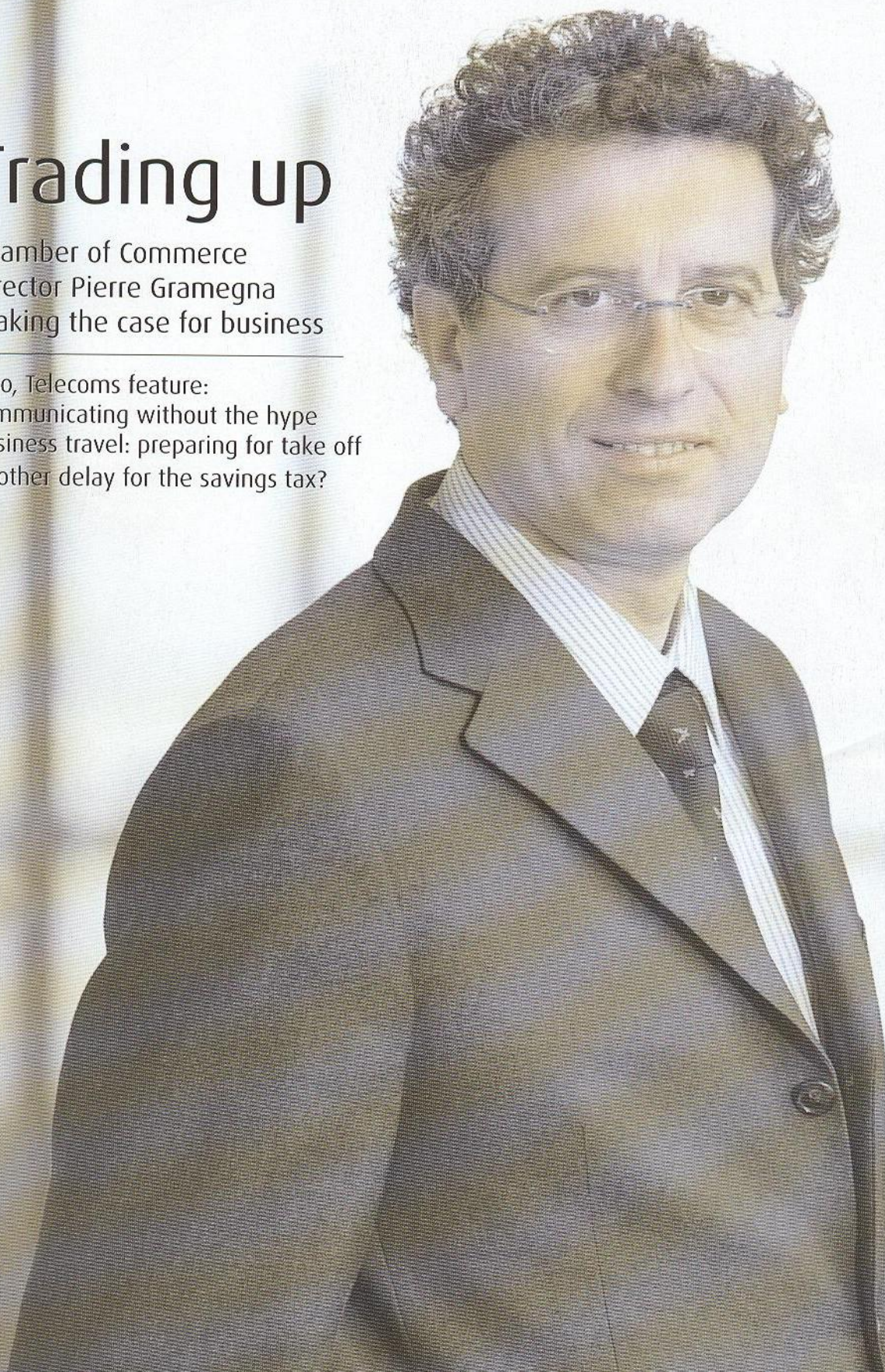
# business

review

## Trading up

Chamber of Commerce  
director Pierre Gramegna  
making the case for business

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of s no

***Proudest achievement***

*"Being appointed to my current job.  
I am relishing the challenge"*





# Open to the world

## Pierre Gramegna on the challenges of globalisation

By Stephen Evans - Photos by Steve Eastwood

With a new building, a new director and a new economic environment, the Chamber of Commerce is facing up to fresh challenges. There is change afoot in each of its four main areas of activity as the Chamber seeks to take a more pro-active approach to increase its effectiveness and have greater influence over the direction of the economy. We talked to director Pierre Gramegna about how businesses can help themselves.

The voting public still appears to be broadly complacent about Luxembourg's status as a very wealthy country. The near painless way that the economy was transformed after the decline of the steel industry may give the impression that the Grand Duchy has to do very little about being rich other than finding interesting ways of spending all that money. The economic stagnation of the last three years has done virtually nothing to jog this impression amongst the electorate because most of the pain of unemployment has affected non-Luxembourgish residents and cross-border workers.

### *Changing perceptions?*

Nevertheless, Pierre Gramegna is convinced that the government and even some in the unions realise that there is an on-going battle to win markets and find investors in the face of ever increasing competition. "Yes, our recent performance may have been slightly better than many of our neighbours, but we have calculated that we need at least 3% growth just to achieve stable employment." The 2001-2003 average has been 1.2%, leading to unemployment jumping from about 2.5% to 4.5% over this period. He has also pointed out the rise in absenteeism over recent years and the continued increase in wages without the equivalent gains in productivity to pay for them.

The Chamber of Commerce organises itself around four broad, interconnecting themes: promoting enterprise, encouraging trade and foreign investment, skills training and being a forum for economic debate. Gramegna is unwilling to say that any of these is more or less important, preferring to see them as different ways of achieving the goal of increased wealth. "If we are more entrepreneurial and skilful then our products will be good and people will want to buy them" he notes.

### *Changing methods*

The way the Chamber approaches these tasks is evolving. For example greater attention is being paid to life-long-learning and entrepreneurship is being encouraged by the beefing up of the 1,2,3,Go scheme and the creation of a one-stop-shop "Enterprise Zone." To be located in the foyer of the Chamber building, the Enterprise Zone (Espace Enterprise) is designed to offer rapid access to information, advice and help for businesses through four full-time staff. Gramegna feels that opening up the Chamber to its "clients/companies" is one of his principal roles and this new initiative plus a soon-to-be published revamped website will improve the experience of the initial contact with the Chamber.

As an ex-diplomat, Gramegna is greatly appreciative and aware of the work done by the network of Luxembourg's representatives worldwide. He has been consul general in San Francisco, ambassador to Tokyo and was director of economic relations at the ministry of foreign affairs and trade just before taking up his current post. His appointment perhaps suggests that the promotion of global business links has assumed greater importance in government and industry circles. Gramegna doubts that there has been any kind of radical change.

### *Looking abroad*

He points out that Luxembourg has sought to make investors feel comfortable here since the 1940s and being part of a global economy means that more continued efforts to find new markets can and have to be made. Having said this, there has been a recent move to increase communication between Luxembourg and its embassies, trade delegations and honorary consuls which dot the globe. This network of contacts can provide key information about business opportunities in their countries, so it is vital that their views are heard as well as them being aware of what is going on in the Grand Duchy.

The Chamber of Commerce has published a list of the more than 30 trade promotion events abroad that it will be involved in this year. There will be eight economic missions to countries as diverse as Vietnam, Cap Verde, China, the USA and Dubai. On top of





this there will be visits, meetings and fairs to promote Luxembourg in general as well as encouraging trade links in a wide range of activities from ITC to construction to plastics to environmental services. Then there are over 40 "Business Opportunity Days" giving information on specific markets, provided by Belgian trade advisors. For businesses looking to carry their foreign-expansion plans further, then the Chamber can help companies with many practical tasks.

There are fears that if Luxembourg companies become comfortable with new production plants elsewhere then they may eventually leave here altogether. Whilst admitting that this is a risk, Gramegna points out that not doing anything may be the bigger risk. "Our companies have to be close to their customers and give themselves the means to compete. If expansion abroad makes a company stronger then it does not necessarily mean that is bad news for the long-term future of Luxembourg." If the company is financially stronger through its foreign investments it will ensure its dynamic development and also its prosperity in Luxembourg.

He then spoke of the controversial issue of how to promote Luxembourg in the wider world. Although recognising that the image of Luxembourg abroad is somewhat "biased," Gramegna recognises that there is no easy solution to putting this right. "We need coordination between the various economic interest groups to maximise our effort. We have to identify at which events we should present the big picture of Luxembourg to present a rounded message." He doubts that this one-size-fits-all approach would suit every occasion and that each industry will often know best what is required for their particular sector.

### *Being listened to*

Another of his ambitions is to devote more energy to the Chamber's input into the legislative process. The Chamber has a legal right and obligation to comment on all draft laws that have "an economic impact," but going beyond this, Gramegna would like to see more effort going into lobbying in an effort to make sure politicians respond to this advice. An illustration of this new policy was the dossier sent to the political parties in November that highlights the Chamber's worries about the economy. This new policy has to be good news as Luxembourg's tripartite system can often be biased towards the views of the trade union movement. The unions have strong links with two of the big three political parties and a large say in the running of the two most widely read daily newspapers. This inevitably skews the political agenda and decisions in a direction not always to the liking of the wealth creators.

As the Chamber represents 80% of firms in Luxembourg, Gramegna and his team have the tricky job of representing the combined interests of everyone from the financial sector



*Hero*

*"Anyone who helps rather than hinders his neighbour"*

to manufacturing to retail and beyond. He admits that "this is a challenge as they do not always have the same view" but that this task is made simpler in that the Chamber is there first and foremost to represent the general economic interest of the country.

### *Pushing productivity & enterprise*

Recent wide-ranging studies have shown that Luxembourg has the lowest rate of entrepreneurship in the EU. Gramegna speculates that this is due to the availability of safe, well paid jobs in the public sector and elsewhere that take away the incentive to bring forward business ideas. He also spoke of a pervasive fear of risk. He welcomes the Chamber's increased role in the organisation of the 1,2,3,Go scheme which acts as a nursery for good business ideas throughout the Greater Region and in Luxembourg.

This is not to say that existing firms are not ambitious about expanding their activity into growth markets. Gramegna is pleased to see that Luxembourg enterprises have not waited for central and eastern European countries to join the EU before establishing business links. In the manufacturing sector, there are already substantial investment programmes and trade with the Czech Republic, Poland and Hungary. The Chamber has also been active in promoting trade with China and the rest of the Far East. Although there has been no boom, the signs are there that this could become an important export market by the end of the decade. Cargolux and Arcelor are already making significant incursions and it is for others to follow.





### Asking the right questions

The Chamber has helped push the issue of promoting productivity and a spirit of enterprise up the agenda. More studies have shown that Luxembourg's ability to compete in global markets has slipped somewhat in recent years, a problem Gramegna is particularly keen to address. He is pleased that the 15th December tripartite meeting agreed to establish a unit within the economy ministry to study Luxembourg's competitiveness. Together with an independent foreign economist a report has been commissioned to analyse the current situation. It is hoped that this document will be used as a key reference document for the actions of the post-election government.

"We need to see where the economy is strong and where it is weak and then we can set about fixing it. We need this diagnosis and then it is up to the social partners to take their responsibilities." The last time a respected international body was asked to report on the situation in Luxembourg regarding the pension system, its conclusions were not only ignored, but the politicians and unions combined to make the situation worse. Whilst admitting that this could happen again, Gramegna pointed out that the exercise is still useful as it will give a clear idea of what needs to be done.

As to the potential importance of any e-commerce boom which may hit Luxembourg, Gramegna prefers to be cautious and not get too overexcited before the reality becomes clear. "I am very pleased about these moves but we should not count our chickens before they are hatched" he advises. In this comment, perhaps he is thinking of the last state budget which factored in a hefty chunk of VAT earnings from potential sales made by the Luxembourg operations of the likes of AOL. If there is a take-off in the sales of electronic products there could be a tax windfall, but these are still in the realms of potential.

### Motivation

*"I like to make things happen. I appreciate the expressions 'where there is a will there is a way' and even 'just do it' as they are useful both at work and in private life. I think the worst excuse anyone can use is 'it cannot be done because we have never done it before.' We should not be afraid to innovate if that is what is required."*



### Open house

The Chamber is particularly proud of its new "Home for the Luxembourg Economy", with the move having been completed in January. It owns 57% of the building, with 40% being held by the state and 3% for the manufacturing federation Fedil. Designed by French architect Claude Vasconi, the 29,000m<sup>2</sup> building has nearly six times the space as the old one which is now surrounded by five new constructions. It will eventually house a wide range of state agencies and trade associations as well as 6,500m<sup>2</sup> for the Centre de Formation. "We want to appeal to all parts of the economy and this is represented in our new building," says Gramegna. "It is modern, open and transparent, made with glass and steel, both of which are products produced in Luxembourg. We think it represents what Luxembourg and the Chamber are all about."

Basic details about the Chamber of Commerce can be gleaned from the soon-to-be-updated main website [www.cc.lu](http://www.cc.lu)

For specific information on help with exports, contact the Service de la Promotion Commerciale on tel: 423939-808/245/334 or [promcom@cc.lu](mailto:promcom@cc.lu) Since December, the address is 7, rue Alcide de Gasperi, L-2981 Luxembourg-Kirchberg.

### What is the Chamber of Commerce?

Founded in 1841 the Chamber of Commerce seeks to act to "defend the general economic interest." It represents every company other than those in the agricultural and handicraft sectors and membership is obligatory. The plenary assembly of the Chamber is made up of 23 members representing eight sectors dividing up the 35,000 affiliated members which employ over 200,000 people who generate 80% of GDP. The assembly appoints the board of directors. Its income is derived from a percentage of profits of the membership and it currently employs around 70 people.

### The Chamber has four main departments.

- \* **Company creation and development:** provides advice, assistance and information towards the goal of developing the spirit of enterprise.
- \* **Economics:** analyses the economic environment for the benefit of its members, potential investors and political decision makers; gives legal opinions on bills of law.
- \* **International:** promoting Luxembourg's trade links. It includes the Euro Info Centre and the Office du Ducroire which provide respectively advice/information and financial support.
- \* **Training:** through the Chamber of Commerce Training Institute (IFCC) [www.ifcc.lu](http://www.ifcc.lu)