

To boldly go...

By Margaret Ferns

Promoting the international expansion of Luxembourg companies has become one of the government's top priorities in recent years. It has recognised that the Grand Duchy's limited national market or companies' traditional focus on a few key markets (Benelux, Euro Zone, and European Single Market), not to mention its high level of dependence of the financial sector, leaves the country exposed to external shocks that are beyond its control.



Photo cap: Jean- Claude Knebel, Ministry of the Economy & Foreign Trade

The principal way in which the government seeks to reduce this vulnerability is by encouraging diversification. Much has been done, and reported in the press, to encourage entrepreneurship and attract new business to Luxembourg, however the lesser known flip side of this is equally important; Luxembourg based companies also need to diversify internationally. To this end the government has set up many incentives to promote foreign trade, which are chiefly administered by the Ministry of the Economy & Foreign Trade and the Office of Ducroire.

Office of Ducroire

Jean-Claude Knebel is a Director of the Ministry of the

Economy & Foreign Trade and he recently told BR about some of the incentives, practical and financial aid the government can provide to assist the international expansion of the Grand Duchy's finest. "An important task," he said, "as growth abroad creates jobs at home." He talked about the role of the Office of Ducroire...

"The Office of Ducroire was in fact first set up in 1961 as the public credit insurance body placed under the authority of the Ministry of Finance. Its offices can be found at the Luxembourg Chamber of Commerce." Knebel explained that Ducroire's mission has been expanded since 2002 into the one-stop-shop for exporters in order to, "Promote the export of Luxembourg goods

and services not only via the traditional provision of credit insurance but also, under the authority of the Ministry of the Economy & Foreign Trade, through various financial incentives, helping companies with the costs toward participation in trade fairs, export training, translation services, and other consulting services.;

Knebel said that the Office of Ducroire has done a fine job since its inception; but noted that, as Luxembourg's international community has increased, so has the number of non-Luxembourg entrepreneurs increased, "and we have found that our international community is not so aware of what the government can do for them. We want to do more to get the message out there."

Diversify international markets

According to Knebel, and thanks to the enthusiasm of Minister of the Economy Jeannot Krecké, the government now has a team of people dedicated to, not only promoting foreign trade, but also to broadening the horizons of Luxembourg companies in terms of introducing them to new possibilities in countries they had perhaps never considered before. "Approximately 85% of exports from Luxembourg are to within the EU, and even then mostly to the Greater Region. While I would not describe the EU as weak, it is certainly not a driving motor at the moment, so Luxembourg companies need to diversify their markets."

The Ministry works/and will work with companies of all sizes; from the small SME to big internationals. "For example," said Knebel, "we recently organised a major political visit of the Minister in the interest of ArcelorMittal, but we are equally happy to work with small companies." What is different is the type of help such companies require. "For the big internationals it tends to be more opening political doors that is needed, whereas the sole traders often need to be taken by the hand during their first approach to a new market."

Taken by the hand

In these cases the Office of Ducroire can provide financial and practical assistance and incentives such as the following:

Market studies where up to 50% of the cost incurred for specialist market analysis can be met by the government.

Design and translation of marketing supports (flyers, brochures, websites), or the translation of existing materials for new markets (although the printing costs of brochures etc. are not covered). Design of export-oriented websites where a single financial contribution of up to 50% of costs (not exceeding 10,000 euro) is possible.

Participation in trade fairs and conferences abroad where; up to 50% of the rental of exhibition space (not exceeding 20,000 euro/year/company) is possible, with up to 25% (maximum of 10,000 euro) for the forth participation; and up to a maximum of 50% of participations costs (notably for stall design, up to 20,000 euro/year/company subject to a 25% maximum for the forth participation as above).

50% of registration fees can be granted to Luxembourg companies taking part in trade fairs and conferences which have a direct and irrefutable link to the promotion of foreign trade.

Up to 50% of training fees for courses with a direct link to trade

activity (foreign business culture, languages ...)

Advertising costs, where up to 20% of expenses incurred from advertising in guides, magazines and catalogues, as well as CD-ROMs and websites of a professional and international nature.

A "no-brainer"

On top of all this the Office of Ducroire is also in a position to organise credit insurance for Luxembourg companies expanding abroad. "There are two types of risk covered by our credit insurance," explained Knebel. "Political risk; against a government crisis, war, terrorist activity, civil disorder, floods and other natural disasters, and commercial risk like the non payment of invoices by the customer."

So, the Luxembourg government is seeking to encourage the international diversification and expansion of Luxembourg companies. In order to achieve this it is dedicated to open doors for both the large international and SME or sole trader. The people at the Ministry of the Economy & Foreign Trade as well as at the Office du Ducroire are in a position to provide the financial, practical and political assistance to take Luxembourg producers by

the hand a walk them into new horizons. Then it is prepared to offer credit insurance against the major risks involved in doing so. As Knebel put it, "It really is a no brainer."

To boldly go where no man has gone before

Of course, assistance or not, it can be very intimidating for companies (large and small) to break into new countries where the cultures and manner of conducting business is vastly different from Europe. Here again, the Ministry of the Economy & Foreign Trade has been trail blazing. "Since 2004 we have put a lot of work into emerging countries. We have focused on the BRIC countries (Brazil, Russia, India and China) and the Middle East, where we recently opened offices in Shanghai and Dubai that provide advice and assistance."

Indeed, as well as these two the Grand Duchy has Trade & Investment Offices in Delhi, New York, San Francisco, Seoul and Tokyo. Keys to new markets.

Over the years Knebel has seen the types of enterprises looking further afield for new markets become increasingly diverse. "We have seen industrial and manufacturing companies expand

internationally and more recently more services and internet based companies as well." What he would particularly like to see is more of the Grand Duchy's arts & crafts and luxury goods companies expand. "Luxembourg can really compete on an international level by playing the quality card. Our arts & crafts sector and luxury goods producers rank among the best in Europe and we need to sell this fact. Successful business people in these new markets enjoy a high standard of living and are prepared to pay for the best quality craftsmen."

Knebel's final message was that companies should contact the Ministry of the Economy & Foreign Trade or the Office of Ducroire and find out exactly what the government can do to help their international expansion. Applications for assistance are subject to approval by the Committee for the Promotion of Luxembourg Exports but he reassured that, "We are open to discuss projects; so come and talk to us."

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