Against the backdrop of growing inequalities between the middle classes and the wealthy minority, industrialised countries are experiencing a rise of anti-establishment and anti-globalisation movements.

Photo: Wikipédia

FREE TRADE

HOTBED OF TENSIONS AND SOURCE OF RECONCILIATION

Free trade has undoubtedly seen sunnier days and its future is now being questioned internationally as well as within the European Union. The "assumed new nationalism" seems to have found its place in an increasingly globalised and internationalised society since the end of the Second World War.

Text: Lynn Zoenen, Economic Affairs, Chamber of Commerce / Interviews: Catherine Moisy / Translation from French: Martin Ian Davies

Globalisation, promoted after World War II primarily by the United States, has fundamentally changed the nature of trade and international relations. It grew out of the institutionalisation of the fight against currency instability and aggressive "beggar-thy-neighbour" devaluations enshrined in the Bretton Woods agreement – which led notably to the creation of the International Monetary Fund (IMF); a better allocation of capital between countries; the multilateral lowering of tariffs brought by the General Agreement on Tariffs and Trade (GATT); and the gradual limitation of state monopolies.

The impact of this wave of globalisation has not gone unnoticed, especially in the more industrialised countries. The establishment of the new economic order succeeded in boosting all indicators of world growth – population, real and per capita GDP, as well as trade – developing during the post-war era twice as favourably as during the period 1850-1913 and much more positively than in the years following the oil crisis.

Today, the nature of the multilateral trading system and free trade is being openly questioned, particularly by the United States. Growing distrust of globalisation and free trade has no geographical boundaries, but is more obvious in those advanced economies that actually benefited most from the advantages of the latest large wave of globalisation.

It should, however, be noted that the rejection of globalisation and free trade is not unprecedented. The same disillusionment had already surfaced in the 1990s with numerous protests against the World Trade Organisation's (WTO) trade liberalisation ambitions; against the Multilateral Agreement on Investment, which aimed to redefine investment protection and dispute settlement rules between states and investors; as well as in the context of the Ministerial Conferences of Seattle, Cancun and Hong Kong. Thus, the phenomenon of rejecting globalisation is no revolutionary novelty, but rather a repetition of historical episodes we have seen in the past. Yet, it is taking place in a ▶

CETA Comprehensive Economic and Trade Agreement

The CETA negotiations between Canada and the European Union began on May 6, 2009.
The agreement was eventually ratified by the European Parliament on February 15, 2017. Its main provisions are:
- the abolition of 99% of tariffs, for most goods,
- the mutual recognition of professional qualifications in many fields,
- facilitating temporary work,
- the access of European companies to Canadian public procurement and vice versa,
- reciprocal acceptance of conformity assessment certificates in certain areas,
- a reformed investment protection mechanism,
- the protection of 143 European geographical indications,
- better protection of intellectual property.

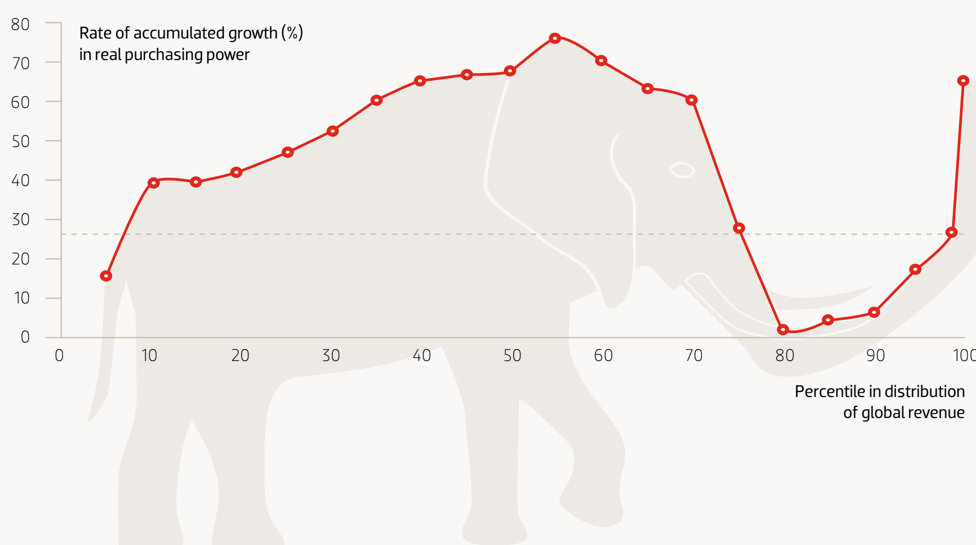
Post-war globalisation – a real boost for global growth

Source: WTO, report on world trade 2008.

	1850–1913	1950–1973	1974–2007
Population increase	0.8%	**1.9%**	1.6%
Real economic growth	2.1%	**5.1%**	2.9%
Per capita economic growth	1.3%	**3.1%**	1.2%
Real trade growth	3.8%	**8.2%**	5.0%

The elephant and the rise of inequality (1988–2008)

Source: Christoph Lakner and Branko Milanović, Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession, World Bank Economic Review, 2016 30(2): 203–232.



new context: instant communications and social media make it much easier for globalisation opponents to bring unfavourable opinions together and to give them a much higher visibility. During these years of crisis and disagreement, other regions, especially those now known as BRICS, have begun to experience globalisation. Today, these countries advocate most in favour of free trade even if they do not all show the same fervour towards it. Even China defends international trade more than ever before, despite its reluctance to make real concessions by reducing state intervention in its economy and its focus on domestic demand. So, how can Western economies regain their appetite for free trade and its benefits?

THE EXPLANATION LIES IN THE ELEPHANT!

If the answer seems easy to find, the implementation of solutions is much more complex. The first question is why has civil society so decidedly rejected the hand that fed it in the past? By way of illustration, since the Second World War, customs duties have been reduced from an average of 40% in 1947[1] to 2.9% today[2]; international trade increased from 27% of world GDP in 1970 to 58% in 2015[3]; and worldwide exports and imports of goods are now almost 300 times greater than they were in 1948[4]. The proportion of the population living on less than $1.90 per day has dropped sharply: from 42% in 1981 to fewer than 10% today [5].

Nevertheless, civil society believes that economic growth no longer bears fruit, or rather, that these fruits are no longer "fairly" distributed. Few economic charts have attracted more attention than the elephant-like curve developed by economist Branko Milanović which shows a world population divided into four groups in terms of real income percentiles over the period 1988–2008.

The world's population is divided into 100 numerically equal groups, one percentile representing 1% of the population. The first thing to be noted: the first 70 percentiles (the back and the ears of the grey beast), i.e. the most materially poor, saw decent increases in their income of 40–80%. In this respect, however, the five poorest percentiles, whose incomes have progressed only marginally, should be disregarded, and we should note that the newly formed middle classes are mainly concentrated in China and India.

A second group for which globalisation proved to be largely beneficial, in terms of income growth between 1988 and 2008, is located at the end of the trunk on the right. They are the richest 10% in the world. The tendency, often evoked by critics of globalisation, is not just a rise of inequality but more particularly the disproportionate enrichment of the richest 1% whose incomes indeed – the rising curve testifies – rose by more than 60% during the period. According to Oxfam's calculations, the eight wealthiest individuals in the world have as much wealth as the poorest half of the world population[6]. This figure should be considered with caution – economist Jeremy Rifkin believes it takes 62 "very rich" people to reach this threshold. Whatever the exact number, the trend was largely fuelled by an increased "financialisation" which the OECD, in its March Intermediate Economic Outlook, considered to be one of the main ▶

Photo: Uni

The economist Branko Milanović spoke at a conference at the University of Luxembourg at the sixth meeting of the Society for the Study of Economic Inequality (ECINEQ) on 13 July 2015.

INTERVIEW
PAUL-MICHAEL SCHONENBERG
Chairman and CEO,
Amcham Luxembourg

> **The US, like Luxembourg, needs to trade globally to prosper.**

Could a rather national US trade policy strategy jeopardise the multilateral system that was put in place after World War II?
"The US and Luxembourg have both prospered from open trading policies.
Mr. Trump cancelled the Pacific Trade Agreement because that agreement would harm US workers employed in manufacturing jobs. Since the US like Luxembourg needs to trade globally to prosper, the multilateral system developed after World War II will likely remain except for evolutionary changes.
As the US system does not allow any US President to do whatever he or she wants, unless the other institutions agree, we can trust the internal institutional system of checks and balances to support the current global multilateral system for the foreseeable future.

Luxembourg and the US have been allies for a long time. Would a more restrictive US policy change anything about this strong economic partnership?
"There are approximately 21,000 employees working in Luxembourg for companies of US origin and a bit more than 20,000 employees working in the US for Luxembourg-owned companies. Luxembourg companies in the US and US companies in Luxembourg have already complied with the policies and practices that Mr. Trump and his administration propose. Therefore the 'America first' initiative should not negatively impact the excellent economic relations between Luxembourg and the US.

Which would be the impact of a more restrictive American trade policy on Luxembourg ?
"The US and Luxembourg have asymmetrical economic relations and are not economic competitors. While we invest in each other we do not directly compete against each other.

Is TTIP still a topic for American entrepreneurs doing business in or with Luxembourg?
"Luxembourg would have economically benefited from TTIP because TTIP would have led to much more US investment in Europe, and Luxembourg is very well positioned as a preferred European headquarters location.
The scare tactics associated with TTIP, about Luxembourg inhabitants being forced to eat genetically modified foods, loss of local jobs and sovereignty and competitive damage have been promulgated by people who might have an anti-US agenda for other reasons.
As TTIP appears to be moving slowly for the moment, on both sides of the Atlantic, US entrepreneurs have frozen their plans awaiting future developments."

COVER STORY

INTERVIEW
GEORGES LENTZ
Managing Director, Brasserie Nationale

> **We think of the 'Greater Region' as our real domestic market.**

When did Bofferding start to take an interest in international markets and what were the first markets targeted?
"We have always thought that our natural market extends beyond the borders of the Grand Duchy. We sell a lot in the east of France and in Wallonia. So, the Greater Region is our domestic market and our strategic market priority. Belgium and France represent 25% of the sales we make outside the Grand Duchy. These regions are also fully integrated in terms of communication and marketing. We use the same campaigns as in Luxembourg. However, we are also interested in other markets depending on the opportunities importers bring us. This has been the case in China since 2007, the United States since 2010 and finally Colombia since 2011.

Which regions of the world are the most attractive for your products?
"The United States currently represents the best potential for our products, because there is a large community of Luxembourg origin in Illinois, Iowa, Wisconsin and Minnesota, larger than the number of Luxembourgers in Luxembourg!

What is your view on the importance of free trade and the four fundamental freedoms in Europe (free movement of goods, services, people and capital)?
"Europe and the single market are simply unavoidable. It makes our business a lot easier. As I said earlier, Europe allows us to expand our domestic market in a very natural way. The other side of the coin is that the Luxembourg market is also very targeted by foreign companies. More than half of the beer sold in Luxembourg is not from Luxembourg, but this is the rule of the game. It is natural that free trade is exercised in both directions."

01.

obstacles to economic growth, citing the danger of a disconnection between valuations on capital markets and real activity[7].

Those who least benefited from the new world order were the percentiles 70-90, on the trough of the curve and the elephant's trunk. This, according to Milanović, is the middle class in industrialised countries. The arguments in favour of globalisation (and free trade) and the assertion that the gains for the "new" Asian middle classes have been greater than the losses of the "old" Western middle classes, whilst materially correct, are most unlikely to be accepted as a satisfactory justification by those who feel left behind by globalisation.

Here is the big challenge: to achieve "Trade for All" as suggested by the title of the European Union's trade and investment strategy, presented by the European Commission in October 2015. At the same time, it is important to bear in mind that free trade is only one component of the process of globalisation. It would be wrong to attribute all the negative side effects of globalisation to free trade. For example, free trade cannot be found guilty for the high rate of unemployment in some countries, as this is influenced by many factors including economic conditions, labour costs, labour market rigidity, or the mismatch between jobs sought and those available. Additionally, we must stress that economic and financial crises, technological progress and digitalisation have had major impacts on employment.

01. The middle classes who benefited most from globalisation in terms of real income growth were those in India and China.
02. According to the American economist Jeremy Rifkin, the 62 wealthiest people in the world are as wealthy as the poorest half of the world's population.

Photo: Mark Peterson

02.

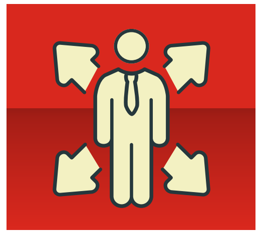
Speaking of globalisation in a broad sense, the right answers have not yet been found. Hence the rise of anti-globalisation, populist and anti-establishment movements that we see in the United States and in Europe.

SPEAK UP FOR FREE TRADE AND MULTILATERALISM – YES OR NO?

While trade liberalisation has been a key driver of post-war economic growth, it is not possible to establish a causal link with certainty. The direct effects of trade liberalisation are, in fact, difficult to isolate from other influences that affect growth. The big picture is not covered simply by systematically attributing improvements in economic growth to free trade. But trade liberalisation is a guarantee of economic and social prosperity if integrated into a comprehensive strategy including measures to ensure political, fiscal and monetary stability, and increase productivity, competitiveness, innovative capacity, access to international capital markets, labour market flexibility and policy measures to redistribute gains.

If current circumstances are clouded by a disavowal of free trade and the system of international trade, notably by the new US administration (the possible introduction of a so-called "border adjustment" tax and mistrust of the WTO) we need to keep a positive state of mind. Last month, the three major multinational institutions, the IMF, the World Bank and the WTO, again pledged to support free trade[8]. In order to alleviate growing inequality, the three institutions proposed a wide range of policies including measures like active aid (training, assistance in finding new work, re-employment bonuses, etc.) supplemented by passive subsidies and social protection; to additional measures concerning housing and access to credit, so that companies affected by increased competition might re-orientate their business models or invest in new technologies; or regional measures to stimulate economic activity in those regions which have suffered the biggest losses from foreign competition.

This is an encouraging turning point – although it is ultimately up to individual countries to implement measures that seem most appropriate to the specifics of their economies – and one which is also necessary to defend their raison d'être, particularly that of the WTO. The multilateral trading system has been increasingly criticised by fervent opponents who reject the notion of coexistence between multilateralism and preferential agreements consisting of bilateral agreements with third- or non-member countries. In other words: a gradual multilateralisation of preferential agreements ▶



TISA Trade in Services Agreement

TISA is a plurilateral agreement to further liberalise trade in services. Negotiated since March 2013 by 23 members of the World Trade Organisation (WTO), accounting for 70% of the world trade in services, it will remain open to accession by other members. The basic text and the proposals for opening of sectors and the degree of openness concerned were agreed in 2013. The 21st round of negotiations took place in November 2016 and discussions are expected to resume in 2017. Members of TISA have so far not set a deadline. The European Union is currently finalising its position on data flows. The presentation of this position will be a crucial step in the negotiations.

TTIP Transatlantic Trade and Investment Partnership

The agreement aims to strengthen trade relations between the European Union and the United States, and has seen 15 rounds of negotiations since its announcement in June 2013.
It is based on three pillars:
- improving market access, particularly for SMEs (reduction of tariffs, partial elimination of non-tariff barriers and opening of public procurement markets),
- regulatory cooperation in many sectors (automotive, pharmacy, chemistry…),
- the introduction of new rules in the fields of sustainable development; energy and raw materials; customs – to make export procedures less complex; competition – to ensure free and fair competition; intellectual property and geographical indications; the settlement of inter-State disputes and the protection of investments.

01.

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and the ultimate integration of agreements with a limited number of signatories in a multilateral scheme ultimately constitutes the best defence against the resurgence of protectionism and the best framework to develop coherent approaches to tackle future challenges: integrated value chains, digitalisation, circular economy and, more generally, environmental protection and sustainable development, qualitative growth, regulatory cooperation, intellectual property, investment protection and dispute settlement.

THE UNITED KINGDOM: SPOILSPORT OF THE TREATY OF ROME'S 60TH BIRTHDAY PARTY

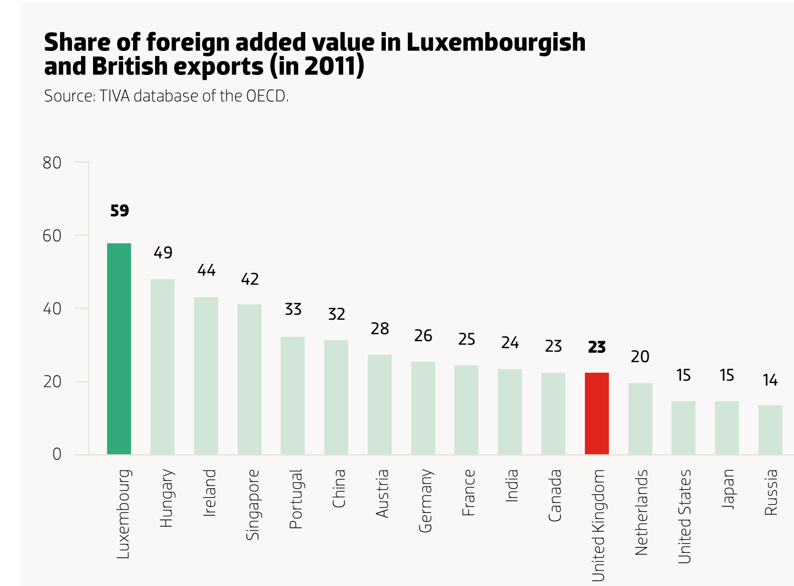
Brexit has rather sobered festivities to mark the 60th anniversary of the Treaties of Rome[9], looking back on 60 years of economic prosperity and peace between member states. The economic weight of the Union will not be the same after the British leave the club of 28 as the United Kingdom, representing about 16% of GDP, is the second economy in the Union after Germany.

If the outcome of the Brexit soap opera remains foggy, some British intentions are clear: they want to leave the European Customs Union to negotiate their own trade agreements and they no longer want to be part of the European Single Market.

What does this mean for the United Kingdom and what impact will this have on the Luxembourg economy? Issues revolve mainly around the reintroduction of customs tariffs and the regulatory divergences resulting from this future change of course. The imposition of tariffs on Luxembourgish and British products would harm exporters and importers in both markets. In Luxembourg, significant effects are likely to be felt, as the UK is its sixth largest export market for goods[10]. If additional costs for exporters seem more obvious to some, additional import costs should also be considered. Remember that the UK accounts for 3.8% of global imports beaten only by Germany (6%), China (10.2%) and the United States (14%)[11]. We should also note the strong integration of the UK economy into international and European value chains: in 2011, the share of foreign added value in British exports stood at 23%. The importance of free trade with no, or reduced, tariffs barriers is even clearer for Luxembourg, which wins the Palme d'or for the imported content of exports, with the share of foreign added value in exports amounting to nearly 60%.

Hence the interest, or rather the need, to agree on zero or near-zero tariffs. It is however not just a question of payments to be made at the border, as non-tariff barriers are the true villain of the piece. We might think about administrative barriers; technical barriers such as the imposition of conformity assessment procedures for imported goods concerning terminology or labelling; sanitary and phytosanitary measures to examine the quality, hygiene, production processes or procedures to assess the conformity of foodstuffs with safety regulations. A rise in the number of these barriers means additional costs for companies in terms of money, time and human resources.

One aspect has attracted media interest: the financial sector and the future model of cooperation on trade in financial services. Remember that the UK is the first point of call for Luxembourg's financial services (in both directions) and the market share ▶



01, 02, 03. The World Bank, the IMF and the WTO are suggesting a range of measures to save free trade and stimulate economic activity in regions that have suffered most from the frantic competition resulting from the opening of borders.

INTERVIEW
JOHN MARSHALL
Ambassador of the United Kingdom to Luxembourg

> **"The opportunity exists to forge an even stronger bilateral relationship."**

Have you been noticing any consequences of Brexit yet?
"Yes. Lots of people ask me lots of questions about it! Of course there are many questions to which there are as yet no answers – these will depend on the outcome of the negotiations – but I am always very happy to explain our approach, to correct misunderstandings, and to provide clarification where I can. We're looking forward to constructive negotiations that will result in a deal that is good for the UK and good for the EU 27. And I think that is a realistic and achievable goal.

How have British citizens in Luxembourg been reacting to Brexit?
"The vast majority of British people in Luxembourg would have preferred the UK to remain in the EU, that's clear. Many see themselves very much as EU citizens, so they are disappointed. The government recognises that the current uncertainty is unsettling to British nationals so we hope it will be possible to reach an early agreement on the rights of UK nationals in the EU and EU nationals in the UK, on a reciprocal basis as soon as possible.

Given the UK's retreat from the European Single Market – are you expecting a series of relocations or do you see any business opportunities arising from this future circumstance?
"We'll have to wait and see. Companies are doing their contingency planning, and looking at whether they might establish or expand EU operations should they need to do so. But business likes London, which has a huge amount to offer, and will only move jobs, and then as few as possible, if they absolutely have to. The City of London is the number one financial centre in the world and I am confident it will remain so. And I have no doubt whatsoever that the intricate links between *la place financière* in Luxembourg and the City of London will continue to grow.

Which type of opportunities will emerge for the Grand Duchy?
"The opportunity, as a member of the European Union, of sharing a strong, deep and special partnership with the UK after our withdrawal. The UK will remain a close friend and partner of the EU. We have a common interest in promoting growth on our continent, in keeping our citizens safe and in promoting and defending the values which, as Europeans, we share. We will continue to cooperate closely with the EU but in a different way: as a close ally, rather than as a member. And the opportunity exists too for the UK and Luxembourg to forge an even stronger bilateral relationship."

Export Award

The Luxembourg Export Credit Agency and the Chamber of Commerce award a biennial prize to honour Luxembourg SMEs from any economic sector (goods or services), which have distinguished themselves by special efforts to internationalise their business.
To participate in the "Export Award", a company must meet the criteria of an SME defined by the European Commission (employ fewer than 250 people, have an annual turnover less than €50 million, or an annual balance sheet total less than €43 million) and provide evidence of its success in exporting goods or services. The success story must relate to the two years preceding the competition and may concern the conquest of new markets, an innovative marketing strategy, cooperation with one or more companies abroad or creation of joint ventures or other cooperation abroad.
In addition to a trophy and the right to use the words "Winner of the Export Award" on all their official documents and correspondence, the first three companies in the "Export Award" win prizes of €15,000 (1st), €10,000 (2nd) and €5,000 (3rd).

For more information on the Export Award: www.exportaward.lu

Customs tariffs and regulatory discrepancies in terms of standards should occupy a large part of the issues to be addressed in the Brexit negotiations. European exporters and importers both have much to lose from the reintroduction of tariffs.

of British-origin investment funds in Luxembourg amounts to 17.2%, closely on the heels of the United States (20.8%)[12]. The future loss of European passport rights, which presently allow UK-based companies to market their financial services unhindered throughout the EU, poses many questions for all relevant stakeholders, whether in the UK, in Luxembourg or in the other 26 member states.

Issues such as regulatory equivalence have recently been placed at the heart of the debate on the future trade in financial services. Equivalence in its present form, however, does not give the required predictability and legal certainty for the continued access of financial institutions based in the United Kingdom. Knowing that predictability and legal certainty are two fundamental values for the financial sector, the stakeholders concerned are unlikely to wait for the results of negotiations before reacting. This leads to two other conjectures: the possible relocation of companies, services and financial stakeholders currently operating in the UK and the potential impact of a weakened UK financial sector on the other financial centres of the Union.

Regarding potential relocations, Luxembourg seems well positioned to host new activities. The largest financial market in the euro area and the second largest in the European Union, (according to the latest edition of the Global Financial Centres Index), with unique expertise in cross-border financial services; longstanding experience in European hubs; the skill sets of international financial groups; and as a highly diversified, constantly innovating financial centre, Luxembourg is an established and trusted hub. Some reputable stakeholders, especially in the investment fund, insurance and payment services sectors have already chosen Luxembourg as their new European portal. However, there is a downside to Brexit for the Grand Duchy: working on the assumption that the UK financial sector will shrink by 11% in terms of added value, STATEC expects financial services exports to fall by 350 million euros by 2020 (compared to the scenario of the UK remaining in the EU), equal to a 2.5% drop in added value. In addition, it expects a 1% fall in GDP and a loss of 1,600 jobs in total, including 600 in financial services[13]. Looking at Brexit as a potential "win" for Luxembourg seems thus to be rather inappropriate, especially since the single market will shrink and lose one of its most liberal and pro-trade voices.

Moreover, London's status as one of the principal global financial centres will not change on the day after the UK leaves the European Union. As experienced "bridge builders", Luxembourg should therefore keep to its chosen path, reviewing the many years of economic partnership and prosperity that have their roots especially in the financial sector. Instead of an all-out, and premature, effort to try to capture new markets at all costs, Luxembourg will probably opt for a conciliatory approach and develop common solutions allowing companies in the UK to continue to serve their European clientele effectively, regardless of the future legal framework. This is more reason to build on a constructive and well-structured dialogue, in close consultation with businesses, to avoid any sudden and potentially harmful disruption and to maintain a level playing field of healthy and fair competition!

IS THERE A MAGIC FORMULA TO INCREASE LUXEMBOURG'S GAINS FROM FREE TRADE?

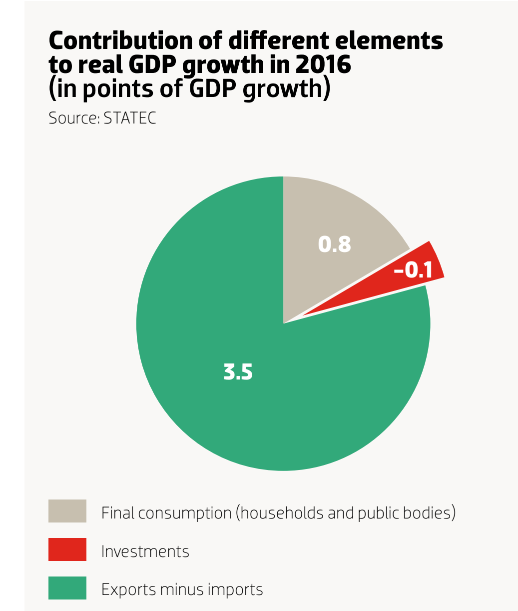
With an openness ratio of 176% (sum of exports and imports relative to GDP) Luxembourg is far more "open to trade" than the average European Union member state, which, according to Eurostat, is 17%. However, Luxembourg is pursuing the path of free trade not just out of conviction, but out of necessity. The economy cannot do without international trade: 83.3% of Luxembourg's economic growth in 2016 was attributable to foreign trade.

The indispensable nature of free trade is also reflected in the employment figures: 274,000 Luxembourg jobs depend on exports to the rest of Europe, 100,000 jobs in the Grand Duchy depend on exports to outside the European Union and 16,000 Luxembourgers are employed thanks to exports from other EU countries to the rest of the world[14]. It goes without saying that the Grand Duchy has an interest in free trade and must keep up the momentum of deepening European economic and political integration.

Sustaining and developing the positive contribution of international trade to the Luxembourg economy still requires continual effort. In its economic bulletin *Actualité & Tendances n°19, Quo vadis, libre-échange? Garder le cap face au risque de repli*, the Chamber of Commerce set out ten framework conditions which, if materialised, would allow Luxembourg to build on the benefits of the free trade it now enjoys. The four areas chosen are trade policy, promotion of the internationalisation of SMEs, geographical and industrial diversification and the European single market.

In trade policy, the first necessity is an in-depth reflection on the workings of European trade policy and the mix of trade agreements, particularly since failing to liberalise free trade in the future through a lack of coordination of competences within the Union could directly impact Luxembourg's economy. In that context, it is impossible not to recall the Walloon scenario in the CETA negotiations. It is also imperative, given the rejection of free trade within civil society, to make it more inclusive. The approach adopted should start with a broader bottom-up strategy when beginning to negotiate new agreements to ensure wider acceptance and redistribute earnings, whilst ensuring this does not become a barrier to employment. Balance that must also be reflected in the reciprocity of trade agreements, given that the European Union does not always obtain equal concessions from its trading partners – public procurement being the perfect example of this challenge. Finally, it is important to do our utmost best to remain one of the economies that writes the rulebook of international trade, bearing in mind that the emerging countries' share of trade is expected to rise from 46% today to 60% by 2050.

A general framework is, however, insufficient to generate positive spin-offs for the Luxembourg economy: further efforts must also be made to: internationalise SMEs by raising awareness; provide financial assistance and expertise to promote geographical diversification – given the Grand Duchy's exports are still mainly to European markets whilst around 90% of world growth will take place outside Europe; promote industrial diversification by focusing on education in science, technology, engineering and mathematics (STEM); offer training to low-skilled workers to acquire new skills in a connected and digitalised environment; and reduce the gap between the basic research predominant in Luxembourg and applied research. ▶



Customs barriers

Tariff barriers: customs duties that foreign products will have to bear when entering a country. They are not the same for all products.
Non-tariff barriers: these are all other barriers to entry of foreign goods. They may be quantitative limitations (quotas) for a given period. They can also be health standards or technical standards, or complex and costly administrative formalities.

INTERVIEW
JEANNOT ERPELDING
Director of International Affairs, Chamber of Commerce

"Luxembourg needs to target niche markets."

How do you choose the countries where you promote Luxembourg's entrepreneurs?
"If we want to achieve concrete results for our businesses, we must be selective and implement in-depth work in those markets. The choice of countries results from several approaches. On the one hand, we regularly ask members of the Chamber of Commerce about their plans to develop business in foreign markets; after each of our promotional activities we gauge the satisfaction of the companies that participated. For a more sectoral approach, we work with the various clusters that exist in Luxembourg. On the other hand, we analyse the potential of various markets, adopting an entrepreneurial attitude which leads us to propose business destinations with realistic potential, i.e. by focusing on countries with which we already have agreements and where competition is not excessive. In these analyses, we look at macroeconomic data, of course, but also, and more importantly, the quality of the contacts that can be made. Finally, we choose markets in which the Chamber of Commerce can bring real added value to its members – markets that are unknown or geographically and culturally remote and which are difficult to tackle, especially for small businesses.

Are risky countries good opportunities?
"Risks must be calculated and calculable. Nevertheless, we must not miss out on an opportunity to be the first to target a market. A good early timing, with positive development prospects, is essential even if some indicators do not yet seem favourable. When we organise missions to this type of new market, it is not uncommon for contracts to be signed during the first visit. Luxembourg, given of its size, has an interest in targeting niche markets in addition to those which are already on the rest of the world's radar.

Are you in favour of more intra-European trade or more geographical diversification?
"Both are indispensable. Our neighbours are our biggest trading partners, but companies generally do not need us to act for them there. In the more distant markets, the Chamber of Commerce can offer real added value to its members."

Luxembourg's highly open economy is particularly sensitive to changes in the global trade landscape. The performance of its financial centre and the benefits conferred by its central position in Europe and a recognised quality of life, give it significant advantages in terms of centre of competence for international business.

The last recommendation concerns the functioning of the European Single Market. A recommendation that is both European and national: if the Union sets out the ground rules for the proper working of the single market and its four fundamental freedoms (plus a fifth, free movement of knowledge), the member states must facilitate and promote successful implementation of the guidelines. ●

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Further information

L'Actualité & Tendances n°19, Quo vadis, libre-échange? Garder le cap face au risque de repli can be downloaded or ordered from **www.cc.lu/services/publications**