

China

NEW BEGINNINGS

For its first foreign foray, the Grand Duchy's newly named government is heading to the Middle Kingdom. Crown Prince Guillaume and Étienne Schneider, deputy prime minister, lead a group of more than 30 Luxembourg executives to four Chinese cities just at the time that financial flows between the two nations are reaching record highs. The mission also follows the launch of a new Chinese chamber in Luxembourg, which hopes to help cement the Grand Duchy's freshly found position as China's go-to investment partner in the EU.

Text by *Aaron Grunwald* Photography by *Olivier Minaire*

DIRK DEWITTE
Addressing new
Chinese environment



“NEW” CHINESE CHAMBER

The reformulated Chinese-Luxembourg Chamber of Commerce aims to “act as a platform, to organise events, transfer connections and know-how to the members of Chinalux and its future members,” says chamber president Dirk Dewitte.

By the end of October it already had about 55 corporate and individual members, although Chinalux received more than 30 membership requests following its first public conference on November 13 (see page 32). Legally it began operations in May, but the chamber’s official inauguration will take place at the end of January, to coincide with Chinese New Year on January 31.

www.china-lux.lu

From December 16 to 19, Crown Prince Guillaume will lead an economic delegation to China with the Luxembourg’s number two politician. Nearly three-dozen private sector delegates will promote the Grand Duchy as a trade, investment and tourism destination, and look for potential business partners in Qingdao, Shanghai, Hangzhou and then Wuxi.

While this is hardly the first such sortie for Luxembourg, it will take place during something of a milestone moment.

It will be the first foreign mission since the Grand Duchy’s new government has been announced (as well as Étienne Schneider’s first foreign mission as the Grand Duchy’s newly named deputy prime minister and as a second term economy minister); first since the relaunched China-Luxembourg Chamber of Commerce (based in the Grand Duchy) made its debut; and first since the third of China’s “big four” state-owned banks (China Construction Bank) set up European headquarters in Luxembourg (joining Bank of China and Industrial and Commercial Bank of China).

Indeed, it can be argued that economic ties between the two countries have just passed the point of “interesting niche” and have become “serious business.”

At the end of September there were, according to Luxembourg government figures, more than 220 billion yuan (about €27 billion) in assets under management in Grand Duchy investment funds, or roughly one percent of the total. At the same time, there were roughly 56 billion yuan in bank deposits and 67 billion yuan in loans, double the amount compared to last autumn.

In fact, Luxembourg is home to “the largest pool” in Europe of deposits and loans made in China’s currency, says Dirk Dewitte, president of the new Chinese chamber. He reckons that is not an insignificant figure, since the Grand Duchy is competing against London, Frankfurt and Paris to be the main European hub of transactions in the Chinese yuan, which is also called renminbi.

China has had strict currency and investment controls for decades, but in more recent years the government has been granting ever-larger quotas to approved financial institutions. This year Beijing has hinted that bigger changes are afoot.

“Financial reforms are really a priority for China at the moment” and Luxembourg’s financial centre has “to be ready and to continue to prepare ourselves for the big tsunami of renminbi that will be coming out of China once the final limitations on official renminbi [transactions] will be loosened, whereby the renminbi would become much more convertible, on its way to be a fully convertible, currency,” explains Dewitte, who is also a tax partner at Deloitte in Luxembourg and heads the consultancy’s Europe-wide Chinese services desk.

He believes that mainland China residents will have much greater scope to move money internationally in 2014, and “I would say that in 2015 we would certainly have a renminbi

Three out of China's four largest banks have EU hubs in Luxembourg



where we would have much more opportunities as an investment currency than for the moment.” Dewitte also sees the yuan as a reserve currency potentially by 2020.

So the economic mission--which is organised by the Luxembourg Chamber of Commerce and economy and trade ministry--is well timed.

The “marketing of Luxembourg is important for the future,” says Mikkel Stroerup, executive director of Chinalux. “We have the numbers already: even bonds issued in London are to a large extent settled in Luxembourg. Let’s get the message out. And three big Chinese banks [already established in the Grand Duchy] and more coming should help in this process.”

“Luxembourg offers a lot of opportunities for Chinese investors and it is crucial to present it as a gateway to Europe,” says Sami Douénias, a tax partner at advisory firm PwC in Luxembourg, who is participating in this year’s visit. “There is a lot of competition between European countries. A trade mission is always an excellent tool to market Luxembourg.”

“We have a strong community from Luxembourg who is interested in China and that is an asset. We need to show to Chinese investors how Luxembourg could be the platform they are looking for to invest in Europe,” states Douénias.

Financial ties between the two nations are “much more than hype” these days, says Dewitte. That

was one primary driver for revamping the Chinalux chamber. The organisation was legally relaunched in May and held its first public conference in November (see page 32). The original Chinalux was founded more than a decade ago, but Dewitte says with ever-increasing economic activity, “there was an ‘ask’ from the Chinese community in Luxembourg” and Grand Duchy businesses working with China for “something more dynamic, more proactive” with a fuller agenda. “A new Chinese-Luxembourg chamber of commerce was needed in order to respond to the new environment.”

Chinalux relaunch

“It’s certainly a new beginning. We wanted to profile ourselves as a real professional chamber, like, if I may make the comparison, Amcham, for example.”

Ties between the two countries are not limited to the financial sector. The automotive supply and specialised machinery industries have been successfully selling high-end products to China for a couple decades, and nowadays tourism should not be undervalued. More than 130,000 Chinese visited the Grand Duchy last year, according to Luxembourg’s tourism ministry.

During the December trade mission, “I am looking to expand cooperation with Chinese

[travel] agencies and bring more Chinese tourists to Luxembourg,” says trade mission participant Yong Zhang, general manager of Schengen Travel, a tour operator with a large client base of Chinese travellers to Europe.

He reckons the Grand Duchy already has a strong reputation in the Middle Kingdom partly because of a fortuitous administrative requirement: “Schengen is in Luxembourg, and as Chinese citizens require a Schengen visa, it is well known to them.”

On a more tangible economic level, “Luxembourg most definitely attracts high-end clients who value the fact that they can find everything concentrated in the Grand-Rue and that the city shopping office is a very useful institution. Last, but not least, the great culinary variety in Luxembourg is very appreciated too.”

In fact, interest is so strong that Zhang hopes “to see an increase of 20-30% in 2014.”

Dewitte sees the relatively small sized trade delegation, compared to the typical Luxembourg economic mission, as an advantage in China, where personal relationships are a key part of getting deals done. “You don’t need a big delegation to be successful. I’ve seen it in the past with economic missions; when you have 20 or 30 people it gives much more feedback and opportunity than arriving with 100 people. You’re more connected.” ■■

Nicolas Mackel (on left)



François Pauly and Didier Mouget



From left: Patrick Wallerand, Mikkel Stroerup (background) and Zhu Yu

From left: Patrick Casters, Gao Min, Zhu Yu and Denis Noonan



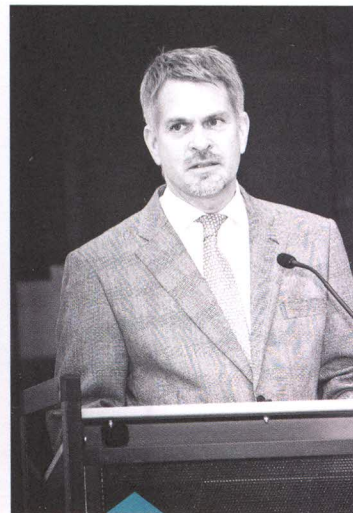
Dirk Dewitte

Networking CHINALUX LOOKS TO FUTURE

Auspicious news marked the formal re-launch of the China-Luxembourg Chamber of Commerce Luxembourg. On November 15 Luxembourg financial regulator CSSF approved a Ucits mutual fund solely dedicated to investments in mainland China-listed firms. Chinalux hosted a conference that same evening on the “internationalization of the RMB and related challenges and opportunities for Luxembourg”. Transactions involving China’s currency are already a notable market for Luxembourg; about €27 billion in assets under management in Grand Duchy investment funds, reports Luxembourg for Finance. Still, the “marketing of Luxembourg is important for the future”, says Mikkel Stroerup, executive director of Chinalux. “We have the numbers already: even bonds issued in London are to a large extent settled in Luxembourg. Let’s get the message out. And three big Chinese banks [already established in the Grand Duchy] and more coming should help in this process.” This was the first wide-scale public event since Chinalux relaunched this spring with a fresh management and structure. **AG**

More photos from the event at: www.delano.lu/news/chinalux-looks-future

Photographed by *Charles Caratini*



Paul Steinmetz, Luxembourg’s ambassador to China



Zeng Xianqi, China’s ambassador to Luxembourg



More than 150 people attended the event, which was held at Banque Internationale à Luxembourg’s headquarters