

**How are the economic relations between Poland and Luxembourg developing? Which area of this cooperation is the most important?**

I would describe these relations as very dynamic, more than ever before. Still very important is the inflow of direct investment from Luxembourg to Poland. In terms of the value of such investment, we occupy the third place. At the same time, companies from Luxembourg are increasingly interested in opening production facilities in Poland, whereas capital investment used to be dominant before. Luxembourg firms have already created many jobs in Poland. Several of our companies have plans to significantly expand their operations in Poland, thus creating additional new jobs. A bilateral Chamber of Commerce now exists in Luxembourg and a Polish-Luxembourg Chamber of Commerce (*Polska-Luksemburska Izba Gospodarcza – PLIG*) is currently being created in this country.

**Luxembourg is known, above all, as a vibrant financial centre, but it is seeking to diversify its economy. Is that successful?**

Luxembourg has a long tradition of diversifying its economy. The wealth of our country has been built on metallurgy. Iron ore extraction began in the mid-19th century. Steel production was the mainstay of our economy until the 1970s, when a global crisis broke out in that sector. Fortunately, already before the crisis our politicians had realised that a monocultural economy was risky and they relied on developing the financial sector. When the metallurgical industry was going into decline, the financial industry started to develop and thrive. Now, in turn, amongst other innovative sectors such as ICT, the Space industry is developing rapidly in Luxembourg. Currently, it already corresponds to almost 3 per cent of our GDP. And this is where we come back to cooperation with Poland. Local companies show great interest in our space-related projects, including asteroid-mining. I am pleased with that, as Poland has a much longer tradition of space exploration than Luxembourg.

**Is this diversification of the economy inspired by the State? Does the government determine the industries of the future that should grow?**

Yes, in a sense. We have been fortunate to have forward-looking statesmen and stateswomen with a vision of long-term development. Several years ago, our government even commissioned the very renowned American economist and futurologist Jeremy Rifkin to develop a strategy of preparing the Luxembourg economy for a Third Industrial Revolution. In order to maintain our high standard of living, including a fairly generous social security system, we need a comparatively strong GDP growth. In the case of a mature economy, such a pace of development constitutes a major challenge, especially if this is to be sustainable development. The Rifkin report, which is publicly available, provides some useful guidelines on how to achieve that.

**How is the government influencing the economy's structure and the model of development? Does it apply any preferences to selected sectors?**

We have a very active Chamber of Commerce in Luxembourg, with rather strong own analytic and conceptual facilities. Their concepts of development are very similar to those of the government. So there is a certain similarity of views between the private and public sector. However, following the publication of the Rifkin report in 2016, the government organised many sectoral debates so that the largest possible group of interested parties could express their opinion on the strategy outlined there. Nowadays, there is widespread discussion about the plans for creating a giant dairy factory in the South of Luxembourg. On the one hand, such an investment would create many jobs and ensure State budget revenues. But on the other hand, it is clear that it would consume a vast amount of water, which is contrary to the idea of sustainable development.

**Does the government not use any tax incentives to attract desirable investors? Of course, I'm referring to the so-called LuxLeaks scandal a few years back when it turned out that many multinational companies paid hardly any taxes in Luxembourg.**

It is true that corporate tax rates are competitive in Luxembourg and VAT rates are among the lowest in the EU. However, Luxembourg is not a tax haven by any means. The LuxLeaks scandal has unfortunately been blurred by oversimplification. I have the impression that Luxembourg has been singled out and exaggeratedly criticized for tax practices also applied by others. But Luxembourg has certainly not been immune to criticism in this context. We went in recent years to great pains to profoundly adapt the business model of our financial centre and to move our financial activities out of the line of fire. Luxembourg favors fiscal transparency and a just and fair taxation. In Luxembourg, we are fully aware of the fact that our country's banking and financial activities will only be able to survive and continue to prosper if we place ourselves at the forefront of compliance and transparency.

**Perhaps there is no place for tax competition in the European Union? Why not harmonise the tax rates or at least the principles for determining the taxation base?**

If we bring this reasoning to the point of absurdity, it would be completely indifferent to companies in which European country they operate. Then, Europe would compete with other Third countries, including the genuine tax havens, and many companies would probably wish to move their headquarters outside the EU. Therefore, a certain degree of competition within the Union is indispensable. Globally, a level playing field is needed if as Europeans we do not want to hurt our own economic interests.

**If the taxes were the same everywhere in the EU, then countries would compete in the scope of labour costs, for example. And this type of competition is, as it seems, opposed to a certain degree by Luxembourg, which has been demonstrated by the dispute over the working conditions of the so-called posted workers, with Poland expressing an isolated stance.**

Please note that in Luxembourg, as opposed to other western European states, there has never been an aversion to the so-called "Polish plumbers". We assume that it is good when qualified workers from other EU countries want to work in Luxembourg. We are aware that in order for our economy to continue developing, it needs an increase in workforce. Merely in the last seven years the country's population has increased by 100,000 to the level of 600,000. Such an increase in the population constitutes a major challenge for us, for example due to the fact that it requires a rapid development of the infrastructure. We are a laboratory of sorts in this scope. Namely, all Europe needs immigration, and Luxembourg, where native inhabitants have already almost become a minority, shows that this does not necessarily lead to xenophobic tensions and incidents, as we have hardly had any. Of course, high costs of labour in Luxembourg do not only attract immigrants. They also prompt some companies to move jobs abroad, for example to business service centres in Poland. We are not actively encouraging this, but fully realize that we have to accept competition between EU economies. We have seen the case where a Luxembourg-based company moved jobs to Poland, while simultaneously reinforcing employment at its headquarters in Luxembourg.

**What should be the principles for remunerating lorry drivers travelling across the EU? The dispute over posted workers concerned, among others, whether drivers should also be considered as such.**

We realise that Poland has a very well-developed and competitive road transport sector. When it comes to the Posted Workers Directive, we are proponents of the solution adopted in April by the EU Member States' ambassadors (it assumes that the directive will ultimately cover the

transport sector; Poland and Hungary have voted against that proposal – editorial note). At the same time, we are seeking possibilities for cooperation with Poland in the field of logistics. That is why we are organizing a Luxembourg-Poland Roundtable dedicated to this industry on 17 May in the Luxembourg Embassy here in Warsaw. This will be the third such event. We want to check what the potential for long-term cooperation and partnership is. Last year, a new international intermodal terminal was inaugurated in Luxembourg, allowing for the transshipment of lorries and containers to trains. Polish transport companies were initially concerned about this investment because they were afraid that it would take away part of their business. But in the long run, it can be beneficial for all parties. Luxembourg can be a hub for Polish imports and exports from, for example, Spain or Portugal or other southern European countries.

**A debate, heated up by our editors, is currently going on in Poland concerning membership in the Euro zone. Rarely does the question emerge in the discussion whether the Euro zone is at all open to further increasing the number of members. What is Luxembourg's position on that?**

Poland's entry into the Euro zone is a Treaty obligation, therefore it is of no importance what the other states within the monetary union think about that. I often talk to entrepreneurs from Luxembourg running businesses in Poland, as well as with Polish entrepreneurs active in Luxembourg. They are all proponents of Poland joining the Eurozone as quickly as possible. The elimination of the foreign exchange risk could help in developing mutual economic relations.

**It may be heard from representatives of the Polish government that before we enter the Euro zone, we must know what shape it will ultimately assume. Because it is currently recovering in the aftermath of the crisis.**

It is true that major reforms are needed in the area of Eurozone governance. They are necessary in order to strengthen the monetary union for potential future challenges and crises, which will come sooner or later.