

“Go-to guy”

Subject Luxembourg Seeks Dialogue On Designation As A Tax Haven, Asks For Consultations
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Luxembourg Minister of Justice Luc Frieden (protect) privately discussed with Ambassador the issue of [U.S. Government's (USG)] perception of Luxembourg as a possible tax haven. Frieden's discussions with the Ambassador indicate his and the [Government of Luxembourg's (GoL)] awareness that a dialogue must be initiated on the issue. Recent press coverage of U.S. tax fraud actions against Swiss bank UBS, combined with recent complaints about bank secrecy from powerful European Union neighbors have galvanized policymakers here. The introduction of a new "Stop Tax Haven Abuse Act" in both houses of Congress has magnified Luxembourg's anxiety. The international pressure on the GoL, from both the U.S. and European neighbors may be spurring the GoL to act, and with our properly-conveyed guidance, we may have an opportunity to ensure they move in the right direction [...] Justice and Budget Minister Luc Frieden and Ambassador privately discussed Luxembourg's frequent mention as a tax haven. Even before the new Stop Tax Haven Abuse Act was introduced in both houses of Congress on 2 March, Frieden was considerably worried about Luxembourg's inclusion on any number of lists. In conversations with Ambassador, he has mentioned both the list contained in the 2007 version of the legislation – sponsored by then-Senator Obama – and the forthcoming blacklist President Sarkozy intimated the G-20 would release in London in April. Frieden expressly asked for USG guidance on opening up a dialogue on the issue. Post sees this approach as an opportunity. If Luxembourg is genuinely interested in exploring change, this opening is an opportunity to influence GoL policy. [...] In an interview with Swiss press, Asselborn said Luxembourg's banking secrecy possibly needed to be redefined. [...] In a private conversation with Ambassador, Frieden said very clearly that he, and not Asselborn, has the lead on this issue. Post has learned to accept that Asselborn's musings often do not reflect the position of the GoL, but Frieden stated very explicitly that he, and not Asselborn, is presently the GoL's go-to guy on this issue. (NOTE: Frieden is one of the GoL's most outspoken friends of the United States. For this reason, his leadership on this issue could be critical to a successful dialogue).

"Are the Americans making a G-20 list?" Post notes that both houses of Congress introduced new legislation on 2 March, [...]. Luxembourg, of course, figures prominently on the list contained in this legislation, as does Switzerland and Liechtenstein, with Austria notably absent. Post feels we should answer Frieden's query to avoid the appearance of disingenuousness if a G-20 blacklist mirrors or even closely resembles the list contained in the new legislation.

A number of factors leads Post to believe there may be an opening to move the GoL to act on the issue and even reform their banking regulations. French President Sarkozy's repeated criticism of Luxembourg's status as a tax haven and calls for tighter regulatory procedures have Prime Minister Juncker on the defensive. Upcoming elections (June) and strong domestic lobbying to maintain the status quo certainly will play a factor. Recent headway on breaking down some bank secrecy barriers in Belgium, Switzerland, and Liechtenstein certainly has been noticed here, adding to GoL and financial sector anxiety. Finally, the Foreign Minister's comment and subsequent Parliamentary Question may indicate some political will to move on the subject.

The Frieden-Asselborn political dynamic is more than just a subtle undertone of this issue. Frieden is a member of Juncker's CSV party and is currently the heir apparent to the prime minister-ship. Asselborn, however, is a Socialist and is currently the Deputy Prime Minister. The two have jockeyed for years over the coveted "second most popular politician in Luxembourg" title. Post notes, however, that Frieden is not posturing. It is not necessary. The CSV – with Juncker at the helm and Frieden at his side – is comfortably entrenched at the head of the ruling coalition and at the pinnacle of Luxembourg politics. Frieden's direct overtures to the Ambassador confirm his ownership of the issue and his blessing directly from the Prime Minister to speak on behalf of the GoL. Thus, as Asselborn and the Ministry of Foreign Affairs have been effectively sidelined for the moment, so too has the Luxembourg Embassy in Washington, possibly explaining their temporary silence on the issue.

Post's action request to the Department is threefold. First, in the wake of Justice Minister Frieden's ongoing discussions with the Ambassador, Post sees an opportunity to help Luxembourg help itself. Post seeks Department input on what guidance we can relay to the GoL to steer its efforts to modify its existing banking and information exchange regulations. Second, Post awaits department advice on helping to facilitate consultations for Minister Frieden in Washington in April (including, but not limited to, Treasury). Finally, Post solicits Department input on how to respond to Frieden's inquiry about the blacklist that will possibly emerge from the G-20 summit in London in early April, and the USG's role in crafting it.

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