CONNECTING EUROPE AND CHINA

WHY LUXEMBOURG IS A KEY FINANCIAL HUB FOR GLOBAL GROWTH

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Benelux Chamber of Commerce in China: Why Luxembourg is becoming the financial bridge between China and Europe

As China's economy continues to evolve—from export-led manufacturing toward innovation, advanced industries, and high-value services—another form of connectivity is becoming increasingly important: the movement of capital. Behind many of the technologies shaping the future, from renewable energy and advanced manufacturing to healthcare and artificial intelligence, lies a financial ecosystem that enables innovation to scale. In this changing landscape, Luxembourg has emerged as a significant player.

With a population of just over 680,000, Luxembourg has established itself as Europe's largest investment fund centre and the world's second-largest fund domicile after the United States. While its domestic market is modest, its influence on international finance is anything but. For decades, the Grand Duchy has specialised in helping investors, asset managers and helping businesses move capital efficiently across borders.

As China's economy continues to evolve and its financial markets become more integrated with the global economy, Luxembourg has become an increasingly important partner in that process.

The relationship did not develop overnight. It reflects years of cooperation between Luxembourg's financial sector and Chinese institutions, supported by a stable regulatory environment, international expertise and access to the European Union's single market.

Today, more than 40% of international investment funds investing in China's capital markets are domiciled in Luxembourg. This makes the country one of the most important platforms through which international investors access Chinese equities and bonds, while also providing Chinese asset managers with a familiar gateway to European investors.

Chinese financial institutions have steadily expanded their presence in Luxembourg over the past two decades. Major banks including *ICBC*, *Bank of China*, *China Construction Bank*, *Agricultural Bank of China*, and *China Merchants Bank* have all established operations in the country, making Luxembourg one of the largest hubs for Chinese banking activities in Europe.

Their role extends beyond serving Chinese companies operating overseas. These institutions facilitate trade finance, corporate banking, treasury services, cross-border investment and asset management, supporting businesses operating between Europe and China. They also provide European investors with greater access to Chinese financial markets through regulated investment products.

The investment fund industry tells a similar story. Several leading Chinese asset managers have chosen Luxembourg as their European base. Firms such as *China Asset Management (ChinaAMC)*, *ICBC Credit Suisse Asset Management*, and *Prax Capital* have launched Luxembourg-domiciled investment funds designed to attract international investors seeking exposure to Chinese markets.

One particularly notable initiative is the *China-Luxembourg Innovation Investment Fund*, launched in 2019 as the first Chinese private equity fund domiciled in Luxembourg. The fund was established to support innovative companies with international growth potential while strengthening financial cooperation between China and Europe. Although relatively modest compared with global investment markets, it illustrates the broader direction of travel: cooperation is increasingly taking place not only through trade and manufacturing, but also through long-term investment and innovation finance.

Another area where Luxembourg has built an international reputation is sustainable finance.

The *Luxembourg Green Exchange* (LGX), launched in 2016, was the world's first exchange dedicated exclusively to sustainable securities. Today it lists thousands of green, social and sustainability-linked bonds from issuers around the world, providing investors with greater transparency as demand for sustainable investment continues to grow.

This expertise aligns closely with China's own ambitions. As the country invests heavily in renewable energy, electric mobility, advanced manufacturing and industrial decarbonisation, financing these projects becomes just as important as developing the technologies themselves. Financial centres capable of mobilising international capital therefore play a crucial role in supporting the transition.

For businesses across the Benelux region, Luxembourg's position offers valuable lessons.

Economic cooperation with China is becoming increasingly multidimensional. The Netherlands contributes world-leading expertise in logistics, semiconductors and agricultural technology. Belgium has built internationally recognised strengths in life sciences, chemicals and advanced materials. Luxembourg complements these capabilities by providing financial infrastructure that enables investment, supports innovation and connects international capital with emerging opportunities.

For companies considering expansion, partnerships or investment in China, understanding this financial ecosystem is becoming increasingly important. Access to capital influences how quickly technologies are commercialised, how infrastructure projects are financed and how businesses scale internationally. Financial centres are no longer simply places where transactions take place—they are active participants in the innovation ecosystem.

As China continues opening parts of its financial sector and encouraging high-quality economic development, Luxembourg is well positioned to remain an important partner. Its combination of regulatory expertise, international outlook and deep experience in cross-border investment has created an ecosystem that benefits investors and businesses on both sides.

The relationship between China and Luxembourg may not attract the same attention as trade figures or manufacturing statistics, but it reflects a broader evolution in China-Europe cooperation. Increasingly, economic ties are being shaped not only by the movement of goods, but also by the movement of capital, ideas and long-term investment.

For one of Europe's smallest countries, that is a remarkably significant role—and one that is likely to become even more important as the next chapter of global economic cooperation unfolds. It is another example of how the Benelux Region impacts China-Europe business ties. It helps to explain why Benelux businesses have such a pronounced advantage in China, and why the Benelux Region is such an attractive for Chinese businesses coming to Europe.

If you are interested in learning more about doing business in China and in the Benelux, finding the right partners, and all other ways the Benelux Chamber of Commerce in China can support your business, do not hesitate to reach out to us.