

Luxembourg

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Table 1. Cabinet composition of Juncker-Asseblorn II (or Juncker IV)

For the composition of Juncker-Asseblorn II (or Juncker IV) on 1 January 2012, see Dumont et al. (2010: 1078–1079).

Changes during 2012:

Minister of Economy and Foreign Trade/*Ministre de l'Économie et du Commerce extérieur*:
 Jeannot Krecké (1950 male, LSAP) resigned and replaced by Etienne Schneider (1971 male, LSAP) on 1st February 2012.

Institutional changes

A number of decisions voted on by the Chamber of Deputies in 2011 became effective in 2012: first, as part of a long-term plan of reduction in the number of municipalities, sixteen of them merged into six new entities as of 1 January (Dumont et al. 2010; 2012: 202-205).. Second, as decided by a vote in December 2011, a new ombudsman (“mediateure”) was appointed. On 1 February, Lydie Err, former Socialist MP (and junior minister in 1998–9) took over from Marc Fischbach, who had been a Christian-democratic MEP, government minister in the 1990s, and a judge at the European Court of Human Rights, before being chosen as Luxembourg’s first ombudsman by parliamentary vote in December 2003. Err’s mandate is to last until 2020.

Also on 1 February the socialist Etienne Schneider took office, as scheduled by an internal Socialist Worker’s Party (LSAP) vote in November 2011 (Dumont et al. 2012: 201), replacing Jeannot Krecké as Minister of Economy and Foreign Trade. The latter had made his frustration about his role in the government known to the public as early as 2010, arguing that the Economy portfolio was a coordination ministry deprived of the instruments that would enable its holder to initiate and implement reforms. Aside from lamenting the weight of legal and administrative burdens that allegedly made his actions less effective, Krecké was also in

the limelight in a series of controversies as well as being criticized in his own ranks and by the socialist trade union for his views on reforms aimed at improving the country's economic competitiveness (see also below).

Political parties

In March the Christian-Social Party (CSV) confirmed its president and vice-presidents at its national congress and elected a new secretary-general, 37-year old mayor of Bettembourg and former political journalist Laurent Zeimet. The LSAP, who are the CSV's junior partners in government, experienced internal tensions in 2012. Vera Spautz, supporter of the unionist line in the party, resigned her seat in parliament in November in protest against her party's alignment with the coalition decisions concerning the pension reforms, the limitation of the wage indexation, as well as the vote of the 2013 budget. She had also opposed the adoption of the various European stability treaties. This resignation revealed a widening gap between the leadership of the LSAP and the socialist trade union (OGBL) as well as with its rank-and-file and electorate on such issues ever since the referendum on the European Constitutional Treaty in 2005 (Dumont et al., forthcoming). Spautz was replaced by Roland Schreiner, also a unionist.

The yearly fates of opposition parties were varied as well. The third largest party of the country, the Liberal Party (DP), counted on the increasing prominence of Xavier Bettel, the new mayor of the capital whom polls identified as the second most popular personality in the country after Prime Minister Juncker (TNS/ILRES). The Alternative Democratic Reform Party (ADR), however, faced threats to its survival. ADR celebrated its twenty-five years of existence in early 2012 and replaced its long-term president Robert Mehlen with Fernand Kartheiser at the national congress held in March. In one sense this change at the head of the party constituted revolution because Kartheiser came from the public sector (he is a diplomat), while the essence of the party was at its origins to defend the interests of the private sector (particularly the pension system); in another sense, however, this choice was the confirmation of a conservative and sovereignist shift in the positions of the party, a line that was still opposed by a large number of historical party activists more open to social and liberal views on society. In response, two of the four representatives of the ADR in the Chamber of Deputies as well as the vice-president of the party decided to leave the party at the end of the year.¹ These crucial defections made Kartheiser's position at the head of the party untenable. He therefore resigned from his position having been president for only eight

months, and Mehlen took over once again but this time as interim president. By the end of 2012, ADR had only two MPs out of sixty in the Chamber of Deputies, part of a consistent track record of a shrinking representation due to consecutive electoral losses since 1999 at the national level,² that was further confirmed in the local elections of 2011 (Dumont et al. 2012: 203–5), and raised doubts about whether the party was fit to survive for another quarter of a century.

Finally, at its national congress in October the recently founded Pirate party (Dumont et al. 2012: 202) confirmed its ambitions to gain seats at the legislative elections of 2014. Sven Clément (23 years old) was re-elected as president of the party, while the preceding vice-president Jerry Weyer was replaced by Marc Goergen (27 years old). A few months before this internal election, Clément underwent a house search ordered by the Ministry of Justice in the context of the so-called ‘Medicoleaks’ affair. He was suspected to have intrusively accessed a database of the Ministry of Sports containing about 50,000 individuals’ private medical information and to have made this security leaks problem public. Given the core business of the Pirate party, an individual’s right to personal data and private life protection, one of its eminent members could have been the anonymous whistle blower.

Socio-economic situation

Concerns regarding the increasing presence of foreign capital in key Luxembourg companies and its consequences on social dialogue habits, in the banking sector and in other jewels of the national economy were further amplified in 2012 (Dumont et al. 2012: 207). Arcelor Mittal continued to close down sites all over Europe, including some on Luxembourg’s territory, leading to employment losses, and the company altered a major symbol of the Luxembourg’s industrial past by deciding to leave its historic headquarters building in the centre of the capital city. In addition, after the freight company Cargolux registered losses of 14 million euro in 2011, tensions between shareholders regarding corporate strategy led to the withdrawal of one of its main foreign investors, Qatar Airways. Before it could find a new investor, Luxembourg’s state had to buy up the Qatar Airways share for 117.5 million EUR, the same amount the Qatari company had spent a year earlier to acquire 35 per cent of the Cargolux’s capital. In the meantime, both Cargolux and Luxair, (the national airways company still mainly financed by the state and which is also the main shareholder of Cargolux) terminated the collective work agreement in order to implement cuts that they saw as necessary for restoring competitiveness. Such measures were heavily criticized by the trade

unions and led to a demonstration. Given the role of the state in these companies political repercussions naturally ensued, and fell heavily on, Luc Frieden, Minister of Finance who had personally negotiated the Qatari Airways relationship in 2011 and was accused of underestimating the arrangement's potential negative consequences for Luxembourg's national interests.

Overall, the unemployment rate rose from 5.7 per cent in November 2011 to 6.2 per cent twelve months later. Furthermore, the decline in inflation recorded since early 2011 stopped and the annual rate accelerated again from 2.5 per cent in July to 2.9 per cent in October 2012. For over three years inflation in Luxembourg has been constantly higher than in the euro area and in neighbouring countries. During the first three trimesters of 2012, this unfavourable difference amounted to 0.3 per cent compared to neighbouring countries and 0.1 per cent compared to the whole euro zone. The cumulated adverse differential from 1999 to the third quarter of 2012 reached 9.2 per cent compared to neighbouring countries and 4.9 per cent compared to the euro zone.

In addition, the balance sheet for all public administration deteriorated sharply, producing a deficit of 1.9 per cent of GDP according to the estimates of the Central Bank of Luxembourg. This is due to a much higher increase in public spending (+6.8 per cent) to income (+3.0 per cent). The debt ratio rose sharply, in part due to a new bond issued by the state for a total amount of one billion euro, and in part to the financial contribution of the Luxembourg state to the various mechanisms of financial aid set in place at the European level (EFSF, ESM). As a result, public debt crossed the 20 per cent of GDP bar (over 21 per cent in 2012, above the 2011 figure of 18 per cent (Dumont et al. 2012: 206).

In January, the Chamber of Deputies (only the ADR and *déi Lénk* MPs voted against) voted in favor of the law modulating – over three years – the automatic salary adjustment to the index of the cost of living. Through this measure that had been negotiated in 2011 by the government and social partners, Luxembourg's representatives aimed at rescuing the competitiveness of Luxembourg's economy by limiting labour costs. Thus, instead of providing for multiple adaptations a year in case of successive increases in the cost of living, only a single indexation (general increase in wages and salaries by 2.5 per cent) would occur in 2012, 2013 and 2014. From 2015 on, the system of automatic wage indexation would be applied again normally. At the same time, and as a compensation for this limitation, the

legislation also abolished the crisis contribution tax of 0.8 per cent on individual earnings, introduced in late 2010 to restore public finances.

European and international issues

In February the European Commission issued an opinion on Luxembourg's public financial aid scheme for higher education, which applied only to its residents, and therefore excluded cross-border workers. The Commission argued that this residency requirement amounted to an indirect discrimination that is contrary to the principle of free movement of workers within the European Union.

In March, and following several technical and security failures, the governments of Luxembourg, Rhineland-Palatinate and Saarland asked France to suspend operation, at least temporarily, of the Cattenom nuclear plant situated on the Franco-German-Luxembourg border. In April the Benelux Ministers of Defence signed a declaration of intent regarding cooperation on defence matters. This joint statement follows the goals defined by the EU process of Ghent ('pooling and sharing' military capacities) as well as that of the 'smart defence' of NATO. In June the Chamber of Deputies voted on the European Stability Mechanism (ESM). Only the sovereigntist ADR and the radical left party *déi Lénk* MPs voted against.

In the second part of the year there was a series of changes regarding the representation of Luxembourg on the international scene. In September Luxembourg's judge Dean Spielmann was elected President of the European Court of Human Rights. A month later Luxembourg was elected by the General Assembly of the United Nations as a non-permanent member of the Security Council for the period 2013-2014. In November the European Parliament voted against the replacement of José Manuel Gonzalez-Paramo on the executive board of the European Central Bank by Yves Mersch, President of the Central Bank of Luxembourg. The Economic Commission of the European Parliament had issued a negative opinion on the appointment of Yves Mersch, citing the absence of any woman on this executive board. All Luxembourg MEPs voted in favour of this appointment, with the exception of the Green MEP Claude Turmes, who argued against the austerity policy that any individual would likely be bound to back as a member of the executive board of the European Central Bank. The

European Council likewise ignored the vote of the European Parliament and appointed Mersch in November as the new member of the executive board. Finally, in December Jean-Claude Juncker stepped down as president of the Eurogroup, a position he had held since the founding of the institution in 2003. He was replaced by the Dutch Socialist Minister Jeroen Dijsselbloem.

Issues in politics and society

In addition to judicial inquiries and cases involving political figures from smaller parties (see above), Luxembourg in 2012 was faced with a series of controversies concerning members of the government and the secret services of the state. These were amply covered by the media and they were discussed extensively in parliament.

In spring the general prosecutor of Luxembourg began a preliminary investigation into extortion that involved threats made by several ministers in a 2009 attempt to persuade an entrepreneur to renounce his project of a shopping centre—which the government opposed—in favour of a joint project with another entrepreneur for a shopping centre and a stadium (the so-called Wickrange/Livange affair, referring to the localities where these projects were due to be built). In July, in the presence of the general prosecutor, the conference of the parliamentary party group presidents decided not to put a formal accusation the current Minister for Home Affairs and the Greater Region, Minister of Defence Halsdorf (CSV) to a vote of the plenary session of the parliament. The case of former Minister of Economy and Foreign Trade Jeannot Krecké (LSAP) was treated differently. A resolution drafted by the leaders of the four main parties, specifying that the chamber decided not to give a judicial follow-up, was adopted by fifty-five votes in favour and four against (ADR and *déi Lénk*) in plenary. The chamber also decided not to set up a special parliamentary committee of inquiry on this issue, despite the willingness of most opposition parties to continue investigating the case in one way or another.³

By contrast, parliament did create a special parliamentary committee of inquiry in December on another topic, concerning illegal phone records maintained by the state intelligence service. This inquiry revealed a pattern of dysfunctional behaviour by the service, including the establishment of illegal personal files on more than 25,000 people (out of a population of 500,000 inhabitants). The affair became known to the public when the press revealed evidence of an illegal recording by the head of the service himself of a conversation between him and Prime Minister Juncker. This recorded discussion concerned the existence of

yet another recording of a meeting between the prime minister and the Grand Duke may have touched upon the *Bommeleeër* affair. The latter refers to an unsolved case of a series of bombings in the mid-1980s that some believe have involved Prince Jean, brother of Grand Duke Henri (Dumont and Poirier 2006: 1195–1196).

Ethical issues and the role of religion in society have frequently appeared on the agenda during the present parliamentary term, and 2012 was no exception. After a wide debate on the measure in 2011, women under 25 became eligible for partial reimbursement for contraceptives in January 2012. In April Luxembourg's Catholic Church announced that it would compensate twenty-four people who were victims of sexual abuse by the members of the Catholic church while they were still minors. A payment of five thousand EUR each was offered as moral compensation.

Finally, despite some criticism regarding the discretion surrounding the overall costs of a ceremony that included fireworks and a free pop concert in the capital, Luxembourg celebrated the wedding of Prince Guillaume, heir apparent to the crown of Luxembourg, and the Belgian countess Stéphanie de Lannoy in October. About a year before this event, the Grand Ducal Court had announced a modification of the internal rules of the Luxembourg-Nassau House amounting to the abolishment of the Salic law, as it implied that the succession of the crown would flow to the eldest heir of the Grand Duke, whether a boy or a girl. This would therefore apply to the first child of the new couple.

Sources and further information

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¹ Jacques-Yves Henckes, ADR MP and former member of the Liberal Party (DP), and Marc Gatti, vice-president of the party, were the first to leave. Jean Colombera first declared that he would leave both the party and his parliamentary seat in 2014, but after tensions with his potential successor, decided to anticipate his leaving of the party but kept his MP position (together with Henckes he is now registered as independent MP). Aside from this episode, Colombera was also high on the media agenda for being on trial and defending the use of cannabis for medical motives. Doctor Colombera had prescribed cannabis imported from Dutch pharmacies to twenty-five of his patients.

² From 1999 to 2004 the ADR had seven MPs, from 2004 to 2009 they had the minimum amount of MPs, five, to qualify as a parliamentary group.

³ The preliminary inquiry report of the general prosecutor that informed the decision of the chamber in the case of former minister Krecké, is available on the Chamber of Deputies' website : http://www.chd.lu/wps/wcm/connect/2896fe004c176dfc8ad8dfa64b7659a9/2012-04495_Courrier+IMG_TXT2.pdf?MOD=AJPERES