History

Luxembourg

History

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# Introduction

During the years following the Second World War Luxembourg experienced a period of unprecedented economic growth, which was to make it the most prosperous country in Western Europe. The coal and steel industries were modernized and rationalized (the former virtually out of existence), and a phenomenal growth of new industry took place, especially around the capital, Luxembourg, which emerged as a major European financial and administrative centre. These changes had a profound effect on the Grand Duchy’s socio-economic composition, as the proportion of the employed workforce in the services sector had reached 77.1% by 2011. Unemployment, which had long been marginal, has risen sharply since 2002 <!--different figs in Economy-->(see Economy).

Throughout the whole of this period political life was dominated by the Chrëschtlech Sozial Vollekspartei (CSV—Christian Social Party), which, with one exception (from 1974 to 1979), led every post-war government, while the two other main parties, the Lëtzebuerger Sozialistesch Arbechterpartei (LSAP—Socialist Workers’ Party of Luxembourg) and the conservative-liberal Demokratesch Partei (DP—Democratic Party), neatly alternated as its junior coalition partner according to their varying fortunes at the polls. Election results during this period show few significant shifts of any kind, gains and losses being limited to a very few seats.

In addition to its many economic successes, this period of CSV dominance also witnessed advances on the political and diplomatic fronts as European affairs became increasingly important to the Grand Duchy. Its size as compared to its powerful French and German neighbours largely accounts for the decision of the founding members of the European Coal and Steel Community (1951) to establish their executive, the High Authority, in Luxembourg, and later for the seating of the European Court of Justice, European Investment Bank and European Court of Auditors in Luxembourg. Together with the general secretariat of the European Parliament, several services of the European Commission and the publications office of the European Union (EU), these institutions make for the presence of about 10,000 European civil servants in Luxembourg. In 1960 the Benelux Economic Union was formed by Belgium, Luxembourg and the Netherlands.

In contrast, the 1960s were to prove politically more difficult, as CSV-LSAP Governments were increasingly shaken by scandals and divided by internal disputes over policy. ‘Deconfessionalization’ or secularization, which accelerated dramatically during the 1960s, led the CSV to lose considerable numbers of votes as it moved further to the right. At the same time the LSAP was coming under increasing left-wing influence, while the DP, under the guidance of a new progressive leadership, became more centrist, increasing its vote significantly at the 1974 general election. After more than 50 years in office, the CSV was ousted from power and replaced by a coalition of the LSAP and the DP, effectively led by the latter, the new leader of which, Gaston Thorn, became Prime Minister. The DP also took control of most of the more important ministries.

# Economic Crisis and Three-Party Politics

Unfortunately for the new Government, its accession coincided with the beginning of a worldwide economic crisis. The Government’s overriding concern was to prevent massive unemployment, while at the same time safeguarding the economy’s competitiveness. To achieve this aim a recovery plan was developed, which provided, among other things, for the rationalization of the steel industry and for new investment. In this context, a 1977 Government bill created the ‘Tripartite committee’ for crisis management. It issues advice when some unemployment thresholds are reached. Not only is this process compulsory, but in practice its recommendations are also binding. The Chambre des Députés (Chamber of Deputies) does not take part in this interchange between labour (employers and workers) and government representatives. This neo-corporatist device is of utmost importance in wages and other aspects of social policy and therefore highly respected in Luxembourg. As a result, the rate of unemployment, despite more than doubling, remained the lowest among member states of the European Community (now European Union—EU). The liberal socialist coalition also adopted important and societal reforms: the abolition of the death penalty, the improvement of prisoners’ conditions, and the reform of divorce and abortion.

The 1980s witnessed a change of generation in the leading political personnel of the governing parties and the emergence of parties challenging the three ‘traditional’ political forces of the country. The 1979 general election was a battle between Thorn and Pierre Werner, the leader of the CSV and Prime Minister during 1959–74. Both the CSV and the DP increased their representation in the Chamber of Deputies, and Werner once again assumed leadership of a coalition Government with the DP. Thorn left the vice-premiership of the Government and national politics to become President of the European Commission in 1981. Jean-Claude Juncker, who was to become Prime Minister in the 1990s, entered government for the CSV as junior minister in 1982. Following the 1984 general election, Werner finally retired from public life, after having served a total of 20 years as Prime Minister. This election not only marked the DP’s first electoral decline for 20 years, leading to a replacement of the junior coalition Government partner, but also witnessed the rise of minor parties whose influence would increase in the following years. Déi Gréng Alternativ (Green Alternative Party) was founded in 1983 after the struggles against a proposed nuclear power plant in Remerchen proposed in 1977 by the DP-LSAP Government of Gaston Thorn. In 1987 the precursor of the current Alternativ Demokratesch Reformpartei (Alternative Democratic Reform Party—ADR) was founded as a single-issue party demanding equality of state pension provision between civil servants and all other citizens. In the 1989 election, it won four seats, and established itself as a political force. From the mid-1980s the CSV and the DP once again began to converge politically, with the former becoming more centrist and ‘social’, while the DP reverted to a more classic form of economic liberalism. At the same time, reflecting broader changes in socialist parties throughout Western Europe, the LSAP, too, began to modernize by becoming less traditionally socialist and more social democratic.

The 1984 and 1989 CSV-LSAP Governments led by Jacques Santer had coped successfully with continuing difficulties in the employment market, not the least due to a further rationalization of the country’s largest steel company, Arbed, and with an enduring energy crisis. However, this impressive economic performance began to slow down in 1991. Nevertheless, following the June 1994 election the CSV-LSAP coalition was renewed for a second time, still under Santer. However, in January 1995 Santer was appointed as President of the European Commission, and was replaced as Prime Minister by Jean-Claude Juncker.

# The 1990s: A Decade of Readjustment

The 1990s are perhaps best regarded as a period of adjustment to changing conditions. The Government became increasingly concerned that over-dependence on steel had given way to over-dependence on financial services, and so diversification became a focus of economic policy. The consequence of this was that by the end of the 1990s Luxembourg continued to be the EU’s single most prosperous member state, with growth rates that consistently outpaced those of the EU as a whole, as well as low annual levels of inflation and unemployment. The Grand Duchy was the first country to satisfy all the criteria for participation in Economic and Monetary Union, and was able to introduce the euro successfully on 1 January 2002. Throughout this period Luxembourg continued to play an important role in European affairs, as a consequence of its tenure of the Presidency of the Council of the European Union in 1991 and 1997, when it undertook a number of significant tasks. The interdependence between national and European politics is evident in a small country that hosts part of the European institutions, that has long-lasting political leaders well respected on the European scene and that organizes European parliament elections simultaneously with national ones (given the five-years term of national parliament and a lack of government downfalls causing early elections since the 1960s) ever since the first direct elections of that assembly in 1979. The first manifestation of the emergence of Déi Gréng (the Greens) as a fourth electoral force and as potential alternative for national government in the future occurred at the 1994 elections of the European Parliament (EP). Ever since 1958, regardless of the change from indirect to direct elections as well as of successive enlargements and corresponding increases in the size of the EP, Luxembourg had sent (and still does) six representatives to the EP. The CSV used to deliver half (three out of six) of the Luxembourgish delegation but in 1994 the Greens managed to elect one MEP to the detriment of the dominant party.

Towards the end of its term the CSV-LSAP Government suffered from a number of scandals involving allegations of financial mismanagement and fraud, leading to some losses in the general election of June 1999. The main opposition party, the DP, benefited most from this while the Greens and the ADR each gained a further two seats. The elections were decided on two main issues. First and foremost was the pensions issue, where the DP sided completely with the position taken by the main union for civil servants, the Confédération Générale de la Fonction Publique (GGFP), which had declared an all-out war against the Government’s attempt in 1998 to reform public pension schemes with the declared aim of reducing the gap and discrepancies between pensions in the public and in the private sector. The DP also embarked on what it called an ‘educational offensive’. The educational system as well as professional training schemes were blamed for the rise of unemployment, the more so that on the whole Luxembourg’s economy continued to create new jobs at the same pace (on average 2,000 new jobs per year) that had prevailed over the last decade, but had to rely increasingly on foreign workers (primarily commuters from the neighbouring regions) to meet the demand. In response to this result, Juncker formed a new centre-right Government comprising members of his own CSV and the DP, while the LSAP returned to opposition for the first time in 15 years.

# Into the New Millennium: A Decade of Reform?

On 7 October 2000, following a reign of 36 years, Grand Duke Jean formally abdicated in favour of his eldest son, Prince Henri, who took his constitutional oath before the Chamber of Deputies on the same day.

From 1999 onwards the new CSV-DP Government embarked on a series of important social and institutional reforms. Among these were two laws providing for ‘civil partnerships’ to be legally recognized and accorded equal treatment in law with married couples in 2003, and a new nationality law in 2001. The latter, that made the acquisition of Luxembourgish nationality easier in terms of duration of residency, rendered it more complicated by specifying a basic level of knowledge of Luxembourgish (Lëtzebuergesch), which had been declared the ‘national language’ in 1984 and raised to equal administrative status with French and German (although French continued to be the sole legislative language). This move was seen as inspired by the ADR which, to the right of the CSV, had made progress at the 1999 elections and campaigned for the defence of Lëtzebuergesch. This reform proved controversial and led to successive revisions in 2008 and 2013.

The major reform of the State Council (Conseil d’Etat) and the associated establishment of a Constitutional Court in 1996 were followed by further measures, including in 2002 a complete reform of the 1867 Press Law creating, *inter alia*, a new Press Council and protecting the confidentiality of journalists’ sources. The Chamber of Deputies created its dedicated television channel broadcasting debates, and in 2003 the office of ombudsman (médiateur) was created. This was partly because the size of the country and its civil service permitted personal contacts and the measures were thus supposed to prevent conflicts between citizens and administrative bodies; Luxembourg was the last European member state to adopt such legislation. The electoral law was modified in February 2003, granting voting rights for local elections to EU citizens as well as non-EU citizens who have resided in Luxembourg for at least five of the seven years preceding the elections. In December 2003 a bill was voted on by the Chamber of Deputies that modified the process of constitutional revision. A number of important changes in the process were introduced: first, a parliamentary dissolution was no longer necessary (after a declaration of revision proposal) to reform the constitution. The requirements for revising the Constitution however became more demanding: the decision-making rule for constitutional amendments was now two-thirds of all deputies (instead of two-thirds of those voting with a quorum of three-quarters of all of them). Normally, a second vote has to be taken (with the same decision-making rule) at least three months after the first one. However, if either one-quarter of all deputies or 25,000 voters call for a referendum on the revision at hand (within the two months following the first vote of the Chamber), the result of the referendum would be binding and would replace the second vote of the Chamber of Deputies. Thus, voters in theory have a right of veto in constitutional affairs. This measure was subsequently followed by the introduction of a formalized system of referendums (referendums had been permitted by the Constitution since 1919 but only three questions—two in 1919, one in 1937—had been put to the vote of the population).

The private sector pensions issue was eventually solved in July 2001 by a wide agreement following meetings between the Government, opposition parties, trade unions, employers’ organizations and others. Nevertheless, concerns were raised over the means of financing pensions, and subsequently Juncker provoked a major national debate by announcing that the agreement would necessitate a 4% increase in the size of the economy. This, he stated, would mean greatly expanded immigration, leading, perhaps, to a total population figure of around 700,000. Demography and diversification of the economy were also among the concerns that motivated the Integrated Transport and Spatial Planning Concept which provided for the development to be concentrated in the already highly urbanized and previously industrial centre around the country’s second largest city, Esch-sur-Alzette, in the south, as well as the ‘Nordstad’, a new conurbation based on the northern towns of Ettelbrück and Diekirch, along with the ­Luxembourg–Mersch corridor in the centre of the country.

The specific features of Luxembourg’s job market, with about 38% (now 43.5%) of internal employment filled by non-­residents (from France, Belgium and Germany), made the proposal of the European Commission to have unemployment benefits paid by the country of the (lost) job location difficult to accept. However, a consensus was reached in December 2003: although the country of residence would still be the one paying the unemployment benefits, the country of employment would contribute (for at least three months). Moreover, Luxembourg managed to bargain for special treatment and a delay in application.

In August 2003, after years of discussion, the University of Luxembourg was founded; it offers a full range of degrees taught in French, German and English, and awarded its first doctorate degrees in September 2006.

At the time of the 2004 elections, the outgoing Government and in particular Prime Minister Juncker appeared to have preserved Luxembourg’s main national economic interest, the competitiveness of its financial centre (mainly ensured by its banking secrecy laws), through international arrangements. Juncker also called for the granting of double nationality, under certain conditions, to residents working in Luxembourg, that could counterbalance the changes implemented in the 2001 nationality law. He therefore managed to cover a large scope of opinions, ranging from the struggle for national interests to a liberal view on the question of nationality, together with a general pro-European commitment. Juncker’s party campaigned under the slogan ‘De séchere Wee’ (the safe way) for both elections, putting the leader on top of the bill with a series of meetings called ‘Juncker on Tour’. The question of his potential appointment as President of the European Commission (a position Juncker had declined in April 2004 after the offer made by the European People’s Party and a majority of the European centre-right governments) also pervaded the campaign, as a successor would have to be sought within his party should Juncker choose to leave national politics. Although this did not happen, Juncker’s electoral success brought his party to a level never reached at the European Parliament elections (over 37%), allowing it to regain its third seat, to the detriment of the LSAP. The latter lost for the fourth time in a row at the European elections but managed to return to power thanks to its slightly better result at the national elections. This change of coalition Government was facilitated by the heavy defeat of the junior partner of the CSV, the DP which also lost votes to the Greens at the election to the EP.

As promised by the preceding coalition in 2003 and confirmed in the 2004 coalition agreement, a referendum was held in 2005 on the Treaty establishing a Constitution for Europe. The referendum highlighted the difference of opinion between the political élites and citizens on the issue of EU integration in Luxembourg. Although the political establishment had expected overwhelming support in favour of the treaty, only 56.5% of the population voted ‘yes’. The lack of congruence between citizens and their representatives was obvious, as the proportion of deputies belonging to parties that campaigned against the adoption of the Treaty in 2005 was only 8.3% (it is also noteworthy that none of the smaller and less EU-­enthusiastic parties, ADR and radical left, ever gained representation in Luxembourg’s delegation to the EP), in comparison to the 43.5% of ‘no’ votes in the referendum. Unlike in France and in the Netherlands, the key element determining the ‘no’ vote was not the voters’ opinion about the socio-economic situation of the country (which here came second) but rather the voters’ opinion on the European Constitutional Treaty itself. Despite Luxembourg having the highest rate of gross domestic product (GDP) per head in the EU and a low level of unemployment—slightly above 4%—the economic situation was perceived by almost one-third of Luxembourgers as worrying; the rate of unemployment had doubled in the preceding four years. Concerns about the delocalization of large companies, fears of employment losses in the powerful banking sector and civil service sector in the event of tax harmonization, and decisions taken at the European level regarding the opening of all public sector jobs to non-nationals, combined to make Luxembourgers the most pessimistic Europeans about the evolution of unemployment. Luxembourg’s population also became more concerned about the influx of refugees (that had begun in the 1990s with the Balkan crisis) and illegal immigration. During the referendum campaign, the ‘no’ side gained momentum, fuelled by the very effective ‘no’ campaigns in France and the Netherlands. It is interesting to speculate what the result of the referendum might have been without the strong personal involvement of the popular Prime Minister; Juncker went as far as declaring that he would resign from his position in case of victory of those voting ‘no’.

The threats linked to open markets and borders perceived by Luxembourgish voters were far from irrational, as later events would witness. Important changes occurred for the main economic actors of the country, starting with the creation of the Arcelor Mittal group formed by the merger of state-owned Arbed with Acerial of Spain and Usinor of France and its subsequent taking over by Mittal Steel in 2006 (see Economy). This new company, unrivalled world leader in the steel industry, kept its headquarters in Luxembourg city but became the symbol of a growing loss of national control on the economy. International competition also condemned those that did not adapt to new circumstances. In August 2010 one of the country’s oldest manufacturers, the iconic porcelain company Villeroy & Bosch, whose first production site was set up in Luxembourg in 1767, closed its Rollingergrund factory with the loss of 230 jobs—a move described by Juncker as a blow to the country’s cultural heritage.

As one of the world’s leading banking centres, Luxembourg was inevitably severely affected by the global financial crisis of 2008. The Government, in concert with its Benelux partners, responded by taking action to stabilize the banking sector. This included, *inter alia*, giving guarantees to investors in the affected banks, while restoring the separate identities of the Banque Internationale à Luxembourg (BIL) and Banque Générale du Luxembourg (BGL) (which had earlier been absorbed into the Fortis and Dexia groups, respectively) and taking significant shareholdings in both. At the same time the Government negotiated an international rescue of the Luxembourg arm of the Icelandic Kaupthing Bank. In May 2009 66% of BGL was taken over by the French bank BNP Paribas, while the remaining 34% was retained by the Luxembourg state. These measures were followed by a series of decisions designed to counterbalance negative trends in employment, including support for small businesses, investment in the motorway and rail networks, and a second high-speed tram system for the south of the country.

Civil service jobs were opened up to EU citizens, with the only restriction being that these positions did not involve, directly or indirectly, participation in the exercise of public power and were not intended to safeguard the general interests of the state or other legal persons of public law. This was a long-awaited major reform given the highly restrictive access to public sector jobs for foreigners and the warnings issued by the European institutions that this violated EU law, from a ruling of the Court of Justice in 1996 to a reasoned opinion of the Commission in 2007.

From the early 2000s onwards there was a sharp rise in the number of asylum seekers. The procedure was long and cumbersome and failed asylum seekers awaiting deportation were kept in the country’s main prison at Schrassig, as no separate accommodation was available. This prison was also in the news for incidents such as escapes, violence and allegations of sexual abuse in a facility that did not even separate juvenile offenders from adult prisoners. Despite the adoption of more stringent policies, resulting in a considerable decrease in the number of asylum applications, following the abolition of visas for Serbian citizens by signatories of the EU’s Schengen Agreement at the beginning of 2011, the number of asylum applications (mainly Roma) rose again dramatically causing a temporary closure of the refugee offices. Meanwhile, both voluntary and involuntary repatriations continued to increase, with some of the latter proving highly controversial, provoking considerable publicity and a number of public protests. In 2013 both the issue of detention conditions for prisoners and that of asylum seekers have drawn less attention.

Similarly to the preceding legislative period several institutional reforms were adopted. In December 2007 the Chamber of Deputies voted on Luxembourg’s first law on public financing of political parties. Luxembourg was the last member state of the EU to do so, although discussions on public financing of political parties had started in the mid-1980s and all parliamentary groups had proposed bills on this matter. In December 2008, following a campaign which collected some 2,600 signatures, the Chamber voted narrowly in favour of an amendment to a new health care law decriminalizing euthanasia and assisted suicide. However, Grand Duke Henri let it be known that he could not in conscience give his consent to the new law, thereby threatening a major constitutional crisis. This was only averted through the adoption in that month of an amendment to the Constitution removing the need for the Grand Duke’s assent to legislation altogether. This compromise allowed the new law to take effect in the following March, making Luxembourg the third EU country (after Belgium and the Netherlands) to have such legislation. A few years later, in June 2012, the succession laws were also reformed, providing that the first-born child of the monarch would now accede to the throne regardless of gender. The electoral law was modified in 2008, reducing from 12 to six the number of seats available at the EP, in order to encourage parties to present candidates who were committed to taking up their seats in Strasbourg and Brussels (58 of the 60 EP candidates in 2004 of the five larger parties contested both national and European elections). The law also allowed voters to cast up to two personal votes for the same candidate, a possibility that already existed for the national elections (both elections also permitted preferential votes for candidates of different lists, what is termed ‘inter-party panachage’, an option that about 40% of voters chose in the 2009 elections), and made registration of EU residents easier. Finally, two constitutional amendments were passed in 2008 referring to the acquisition of Luxembourg nationality by naturalization, making naturalization a right and the administrative decision not to grant naturalization in any given case subject to judicial appeal; the former system had specified a case-by-case treatment by a plenary session (behind closed doors) of the Chamber of Deputies. In January 2009 the extensively discussed law on Luxembourgish nationality allowing for dual nationality came into force. Eleven months later, 4,299 applications had been submitted and 3,152 people had acquired Luxembourgish nationality (the majority of applicants were aged 18 to 37 and originally came from Portugal and from the three countries bordering Luxembourg). Such an increase of over 3,000 new nationals was equivalent to five times the previous year’s total—and 20 times that of 1950.

# From 2009 towards Early Elections in 2013

The economic and financial crisis was high on the agenda throughout 2009 and especially during the electoral campaign. The massive increase in unemployment among the young, the decline of job opportunities in the financial sectors and the strong decrease of the agricultural economy as well as the decline of available temporary work all testified to the severe character of the crisis. In April 2009 Luxembourg was placed by the Organisation for Economic Co-operation and Development (OECD) on the ‘grey list’ of countries that did not respect international standards on fiscal evasion and money laundering. All political parties campaigning for the elections were able to position themselves on these crisis issues, from the need to diversify Luxembourg’s economy rather than concentrating on the financial sector (CSV), a greater role of the state in the economy (LSAP and radical left parties) and a criticism of the international financial system in a global economy (DP), to the need for cuts in areas of the public sector that are perceived not to perform well (ADR). The party of Prime Minister Juncker scored its best result at legislative elections since the late 1950s and gained about 2% of the national vote in comparison with 2004. As a result, the CSV became even more dominant than before, with 26 seats; in terms of seats, the LSAP, the second largest party in parliament, had only half as many deputies (13) as the CSV. The loss of support and of one seat by the LSAP did not benefit the three main opposition parties: the DP and the ADR both lost votes and one seat each, while the Greens remained stable. After having failed to have its candidate re-elected in 2004, the radical left Déi Lénk managed to re-enter the national parliament, thereby increasing the number of political parties represented in the Chamber to six. Despite the decline of the LSAP, the outgoing CSV-LSAP coalition was re-installed under the continuing premiership of Juncker.

The renewed coalition Government immediately announced a new ‘stability plan’ designed to deal with the ongoing effects of the global economic crisis. The main points of the plan were a reduction in government expenditure with a view to balancing the state budget by 2014 and restoring the country’s competitiveness. The country officially came out of recession at the end of the third quarter of 2009, with the first positive growth figure since early 2008. Nevertheless, tension arose between the two parties making up the Government over the question of abolition of the wage-indexing system, proposed by the Prime Minister and the CSV but opposed by its LSAP coalition partner. Starting with the budget of 2011, the Government aimed to balance the budget by 2014. Three paths were proposed for facing the debts: first, a cost reduction of the functioning of the state; second, stricter control of state investments; and third, the reduction of social benefits for the population. The concrete forms that these measures would take were to be discussed and decided in the spring of 2010 by the ‘Tripartite committee’ (the conciliation procedure gathering together government, the trade unions and employer associations). After difficult negotiations and a real threat to Luxembourg’s model of social conciliation, at the end of October 2010 a three-way agreement was reached on the minimum wage and employers’ contributions to mutual funds compensated by tax concessions. 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 major areas of the national economy, such as the steel and airborne freight sectors, were further amplified in 2012 with the massive investments made by Qatari funds. On the other hand, the alternative of state intervention aimed at safeguarding employment and the application of Luxembourg’s social model was not deemed compatible with the goals of balancing the budget.

Problems also arose in some of the reforms undertaken by the Government. The proposed new grants and loans for students were particularly contentious since they were to replace the additional family allowance, which until now had been paid to families with full-time students over the age of 18. Unlike the latter, however, they would not be paid to non-resident workers and this led to widespread protests by the trade unions, not least on behalf of the many thousands of trans-border commuters. After a warning in March 2012 by the European Commission, the Court of Justice confirmed that the new policy was discriminatory in 2013, leading to a revision of the law (that again proved controversial as it introduced conditions that may still go against EU law). In July 2010 the Government put forward a controversial reform of the marriage and adoption act. The new Act allowed same-sex marriage and conferred the same rights and duties as heterosexual marriage. The Act recognized the right to simple adoption but not plenary adoption for homosexual couples, and members of a married same-sex couple could adopt a child individually but not together. This measure was contested by the Council of State, leading in late June 2013 to a new consideration in the parliamentary committee of the more liberal Belgian and French models making no difference between married couples with regard to adoption. By the time of parliamentary dissolution no full compromise had been reached and the reform had not been voted on. In March 2012, following several months of protests against proposed changes to both the primary and secondary education systems, the Government was obliged to extend the negotiation phase of the reforms until 2013. The proposed measures were designed, *inter alia*, to take account of changes in the social make-up of the country, including the fact that every year more children were entering the Luxembourg school system who did not speak Luxembourgish at home.

These and other issues exacerbated tensions within the coalition and within each of the political parties. For the CSV concerns centred on ethical reforms such as the adoption issue for same-sex couples, whereas for the LSAP internal tensions focused on the question of the limitation of wage indexation (until 2015), which was intended to rescue the competitiveness of Luxembourg’s economy by limiting labour costs, and on the adoption of the various European stability treaties. In addition, in 2012 a preliminary investigation into extortion, that involved two ministers accused of having lobbied an entrepreneur, was launched (the so-called Wickrange/Livange affair, named after the localities where a shopping centre and a football stadium were to be built). The affair was widely reported in the media; however, the Chamber of Deputies eventually decided not to pursue proceedings against the CSV and LSAP ministers cited in the general prosecutor’s preliminary investigation.

A special parliamentary committee of inquiry was set up in December 2012 into illegal phone recordings made by the state intelligence services, the Service de Renseignements de l’État Luxembourgeois (SREL). The affair became public when the journal *D’Lëtzebuerger Land* published the transcript of a recording made by the Director of the SREL of a conversation he had had with Prime Minister Juncker in 2007, wherein the Director revealed the existence of some 30,000 illegal files held on Luxembourg citizens and political figures. The discussion also concerned the existence of yet another recording of an earlier meeting between Juncker and Grand Duke Henri that allegedly touched upon the Bommeleeër affair, an unsolved case of a series of bombings in the mid-1980s, that might have involved Prince Jean, the Grand Duke’s brother, and also potential dealings between the Grand Duke and the British intelligence service MI6. The Press Office of the Grand Duke denied this allegation at the end of 2012. The SREL came under close scrutiny of both the parliamentary committee and the press, and dysfunctions within the service, from illegal activities to suspicion of corruption, came to the fore. On 10 July 2013 the report of the committee of inquiry was presented to the Chamber of Deputies. During the debate, not only did the opposition insist upon the accountability of the Prime Minister, but also the Government coalition partner LSAP presented a motion demanding the dissolution of the Chamber and the organization of elections within three months. Juncker ­subsequently presented his resignation and commented in the press that he had been betrayed by his coalition partner. The Grand Duke took several days to accept the Government’s resignation and the proposal of calling early elections. The immediate dissolution of parliament was postponed allowing the Government to remain in power until the legislative elections which were scheduled for 20 October. As the first early elections since the 1960s, these would also break with the simultaneity of national and European elections that had existed since 1979. Given the attachment of the population to its leader, analysts suggested that the CSV might not lose as many seats as to allow for the formation of an alternative and eclectic majority made up of the DP, the LSAP and the Greens. However, given the circumstances, alternatives such as the re-formation of a CSV-LSAP alliance or a change of partner to the leading opposition DP would also be difficult. As he was personally at stake, Juncker decided not to shy away from the electoral battle and was likely again—as leader of the largest party in the Chamber—to have a personal say in the formation of the next Government.

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1. Certain sections of this contribution are based on the earlier article of Derek Hearl in the Europa World Yearbook [↑](#footnote-ref-1)