

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 2011, see Dumont et al. (2010: 1078–1079).

Institutional changes

The position of Secretary General of the Chamber of Deputies (its highest ranked official), which used to be filled for an unlimited term, is, since 2011, appointed by the parliament for the duration of a legislative mandate (five years) only. The Chamber of Deputies, following principles of budgetary rigour, decided to modify the status of its employees by adapting it to that of the civil service. Among other things, this has led to greater openness towards foreign residents in the recruitment process and a decrease of 10–20 per cent in wages depending on the personnel categories.¹

Political parties

Financing of political parties

After the critical report of the Council of Europe Group of States against Corruption GRECO in 2010, several legislative amendments were submitted in December to reinforce the transparency and moralisation of political parties. These measures aim at: definitively clarifying the question of the publication of political parties' accounts and balance sheets on the Chamber of Deputies' website (new Article 6(2) of the 2007 Law on the Financing of Political Parties); reinforcing sanctions on individuals in the case of false declarations (new Article 17); reinforcing sanctions applicable to parties in the case of illegal cashing in of sums of money (new Article 7(2)); taking gifts in kind into account (new Article 9(2); clarifying the rules applicable to sums paid

back to parties by MPs, such as proportions of their salary (new Article 10); stipulating in a new Article 93bis in the Electoral Law of 18 February 2003 that some of the obligations of the 2007 Law are applicable, in some cases, to political parties, candidates or candidate groupings (not covered by the 2007 Law) when they are standing for parliamentary or European elections. Moreover, political parties have to prepare a statement indicating the nature, the amount and the identity of their donors. Finally, donations in cash exceeding €250 are now forbidden.²

Life of political parties

At the national congress in March, the Socialist Party (LSAP) passed two resolutions. The first advocates the extension of abortion rights by freeing pregnant women from the requirement of a second consultation before an abortion. By adopting this resolution, the party distanced itself from the coalition agreement signed after the national election of 2009 with its senior governmental partner, the Christian Social People's Party (CSV). The second resolution demands a progressive exit from nuclear energy and the right to vote at the age of 16 for local elections. In November, the LSAP voted with a large majority for the replacement of its Minister of Economy, Jeannot Krecké, by Etienne Schneider, one of his closest collaborators. The change of portfolio holder was planned for February 2012. Finally, Dan Kesch (aged 49), the mayor of a small municipality (Mondercange) and president of the union of all the local entities (SYVICOL), was elected through a close majority in the parliament to the Council of State. The Green Party and the Democratic Reform Party (ADR) contested this nomination by arguing that the position of mayor is incompatible with that of member of Council of State.

Several changes occurred in the leadership of the Christian Social People's Party (CSV). In February, Jean-Louis Schiltz, Defence and Development Cooperation Minister in the previous government and chairman of the parliamentary group since 2009, took the decision to leave politics. He was replaced at the head of the parliamentary group by Lucien Thiel, the former president of the powerful Luxembourger Bankers' Associations (ABBL), who had been elected for the first time as MP in 2009. In August, just a few months after his nomination, Lucien Thiel died at the age of 68. He was replaced as chairman in October by Marc Spautz, the secretary of the party.

The Liberal Party (DP) also changed its parliamentary party chairperson. Xavier Bettel, who became mayor of Luxembourg, the capital city of the Grand Duchy, at the age of 39 (see below), was replaced in November by the

president of the party, Claude Meisch. The Green Party and the Democratic Reform Party (ADR) criticised this internal DP decision by arguing that the amount of work required by this position was not compatible with Meisch's duties as president of the party and mayor of the third city of the country (Differdange).

Within the Democratic Reform Party (ADR) there were important tensions during the entire year between the liberal and conservative wings. During the national congress of April, party officials formally announced the party's membership in the European Conservative and Reformists Group (ECR), a conservative and anti-federalist political group founded in 2009. The most visible sign of the internal tensions was the dissolution of its youth organisation (Adrenaline) in reaction to the extremist behaviour of one of its members during the campaign for the local elections (see below).

The newly founded Pirate Party (Kies 2012) announced at its annual general congress that it would not participate in the local elections taking place in October, but confirmed that it would participate in the national ones to be held in 2014 (Dumont et al. 2011).

Local politics

Merging of municipalities

With the goals of reducing administration costs and increasing efficiency, on 10 May the Chamber of Deputies passed six laws on new mergers of municipalities. With this law the local subdivision of the Grand Duchy of Luxembourg is reduced from 116 to 106 municipalities. The new municipalities are: Käerjeng (formerly Bascharage and Clémency), Schengen (formerly Burmerange, Schengen and Wellenstein), Parc Hosingen (formerly Consthum, Hoscheid and Hosingen), Aerenzdallgemeng (formerly Ermsdorf and Medernach) and Esch-sur-Sûre (formerly Esch-sur-Sûre, Heiderscheid et Neunhausen). The long-term objective of the local reform of the Ministry of Interior and Local Planning is to further reduce to 71 the number of municipalities in 2017 (Minister of Interior 2009).

Modification of electoral law

The law of 16 February 2011 reformed the electoral law by opening the positions of mayor and alderman to foreigners (more than 40 per cent of the population is non-national, 65 per cent in the capital) provided that they have

resided in Luxembourg for at least five years. So far, the positions of mayor and aldermen were reserved to Luxembourgers, and the ones of councillors to the nationals of the European Union. The text also confirms that Luxembourgish is the common language spoken during the Council meetings, and that the councilors may also express themselves in one of the other official languages of the country (German or French).³

Local elections: Functioning

Local elections were held on 9 October. These take place every six years and rely on two electoral systems: a Westminster-type majoritarian system is applied for municipalities with fewer than 3,000 inhabitants, and proportional representation (PR) is used in those with a larger population. In the first system each candidate is presented individually, while in the second candidates are presented on an electoral list that does not necessarily correspond to a political party. In 2011, 44 out of 106 communes elected their local councilors through PR. Because of the increase of population over the country (largely due to immigration), there is a clear trend towards more communes using – and therefore a higher number of councilors being elected through – PR: compared to 1987, the number of local councilors elected on party lists has increased by 69 per cent (from 329 to 555), while the total number of councilors only increased by 3.4 per cent (from 1,092 to 1,129). Globally the communes elected on the basis of the proportional system represent 79 per cent of the voting population, which corresponds to an increase of 9 per cent compared to 2005 (see Dumont et al. 2011: 131). This increasing use of a PR system implies that the weight of political parties in local democracy is becoming predominant (see also Dumont et al. 2010).

Results of local elections

The 2011 local elections did not lead to dramatic changes in the balance of forces of national parties in the ‘proportional’ municipalities. The Socialist Party (LSAP) remains, with 31.4 per cent of the seats (i.e., 174), the first party at the local level. It gained only five seats compared to 2005 which corresponds to a limited gain (3 per cent) if we consider that during the same period the number of available proportional seats increased by 18 per cent (from 470 to 555). Even though it was able to maintain a strong presence in its strongholds (the highly populated southern municipalities), its hegemony is increasingly contested, not least due to the good scores of the Green Party and the radical left parties.

The second position belongs to the leading party at the national level – the Christian Social People's Party (CSV) – with 30.5 per cent of the seats. It gained 18 seats compared to 2005.

The Liberal Party remains the third largest party at the local level (19.3 per cent) with 107 seats, seven more than in 2005. Even if this score does not constitute a rupture with the negative trend of the party since the 2004 national election, the party was able to contain the electoral outflow and to keep the leadership in the capital, Luxembourg, and in the third city of the country (Differdange). One of the major surprises of the electoral contest was the election of the new young liberal mayor of the capital, Xavier Bettel, whose preferential votes outnumbered those of the incumbent and head of the DP list Paul Helminger.

The Green Party obtained 13.3 per cent of the seats, which corresponds to 74 seats (versus 41 in 2005). This remarkable growth is explained by the fact that for the first time in 2011 the party presented a list in almost all the proportional municipalities. It also reflects the positive trend from which it has benefited at the national and European level since 1999. It should be noted that this positive result has been reached despite the strict rules decided on by the party: gender parity was strictly enforced and Green lists contained the largest number of foreigner candidates (60). This result confirms that the Green Party is becoming an established party in Luxembourg's political landscape.

Finally, there was a noticeable reinforcement of the radical left parties and a further disappointing result for the conservative and eurosceptic party (ADR). On the one hand, *déi Lénk* has gained seven seats overall (an increase of six seats), two of which were in the capital city, while the Communist Party (KPL) managed to gain three seats after having been unable to win any in 2005. On the other hand, the ADR turned out to be the only party that lost (despite the increase in numbers of local councilors to be elected) one seat. This election therefore confirmed the negative trend this party has witnessed since the national elections of 2004, which is exacerbated by the internal conflict between its liberal and its extreme right supporters. This tension became publically visible on the occasion of the election of a young candidate in an important municipality (Pétange) after a personal extreme right campaign. This outcome led to the dissolution of the youth section of the party and to the departure of its leader.

The local elections were characterised by limited participation on the part of the foreign population despite a major campaign aimed at fostering their involvement both as voters and candidates. Globally, only 7 per cent of the candidates were foreigners and only 17 per cent of the foreigners entitled to vote registered for the local elections. Considering that 44 per cent of the

resident population is foreign and that the latter's global electoral weight amounts to only just under 12 per cent, it appears clear that there is still a long way to go before reaching a satisfactory level of political integration of foreigners.

Asylum seekers

The issue of the asylum seekers remains unsolved and urgent. From about 500 demands in 2008–2009, the number rose to 786 in 2010 and reached a peak of 1,807 in 2011 – an absolute record for the Grand Duchy. The large majority of these demands came from the Roma minority living in former Yugoslavia. During the first ten months of 2011, 42 per cent came from Serbia, 21 per cent from Macedonia and 7 per cent from Kosovo. Among the 1,807 demands introduced, only 48 received refugee status as most were considered to be based on purely economic motivations.

In May the Chamber of Deputies modified the law on asylum by granting asylum seekers new jurisdictional rights, such as appealing to the Administrative Court for an annulment of a received order to leave the territory.⁴ This appeal has a suspensive effect which may last up to two months (the Court has to decide on the request within two months). There is no further appeal to the decision made by the Administrative Court.

The growth in the number of asylum seekers led to public protests in two hosting municipalities (in March in Bolendorf and in November in Pétange), to the temporary closure of the asylum seekers' desk (for ten days in October) and a degradation of asylum seekers' living conditions. In order to face this critical situation, the government expressed its intention to introduce quotas per municipalities for hosting asylum seekers, to restore accelerated asylum procedures, to strengthen the staff for hosting refugees and to implement political measures aimed at helping the Roma minority in their country of origin.

Socioeconomic situation

Luxembourg's economy grew weaker than expected. The substantial deterioration of the European economic environment since the summer of 2011 was the main reason, while negative revisions of growth (which was expected to be at 2.0 per cent but turned out to be at 1.4 per cent in 2011) over the last three years influenced the morale of investors and the economic attractiveness of Luxembourg. In October, inflation reached 3.4 per cent. The unemployment

rate remained high by Luxemburgish standards. After a slight amelioration in the second quarter of 2011, it exceeded, as in 2010, 6 per cent by the end of the year, disregarding people benefiting from employment measures implemented by the state. The government decided in December to notify the European Commission that it would continue for another two years to apply transitional provisions requiring Bulgarian and Romanian workers to obtain a working permit before accessing the Grand Ducal labour market.

National budget

In 2011, the budget was adopted for the first time under the sign of the European Semester, which provides a European input to national policy decisions, leading to more effective *ex-ante* policy coordination. The budget projected a global deficit of 0.7 per cent of gross domestic product (GDP), and the actual deficit attributed to the functioning of public policies and civil service of 2.6 per cent.

An important change occurred however in 2011 for limiting public expenditure, because for the first time since the 1980s the government has been able to reach an agreement with the Union of Public Employees (nearly 60 per cent of voters are civil servants) for freezing the salary of public employees for a period of five years.

As the overall public debt corresponded to 18 per cent of GDP, the Grand Duchy managed to continue doing well compared to the Maastricht criteria. Direct taxes represent 37 per cent of state income, indirect taxes 32 per cent and social contributions 30 per cent. Overall, 53 per cent of state revenues come from direct taxation of individuals and 47 per cent from the taxation of companies. The revenues from VAT have doubled in the last ten years and represented 5 per cent of all state revenues in 2011. A quarter of these VAT revenues came from e-commerce – a niche that will expire between 2015 and 2018. With regard to state expenditure, more than one third (35 per cent) concerns social transfers and family benefits. Thanks to these transfers, the proportion of households living in Luxembourg below the poverty line (corresponding to an income below 60 per cent of the median) is limited to 14.5 per cent – a proportion that would double if such transfers did not exist.

During debates in the parliament, Luc Frieden, Minister of Finance, declared himself to be in favour of increasing control mechanisms and sanctions against countries which do not respect the rules of the EU treaties concerning public finances. He also warned that in the case of a prolonged weakness of the financial sector in 2012 and 2013, the GDP would drop by 8 percentage points. François Bausch, leader of the Green Party, called for a strengthening of public finances through higher taxation of high incomes

(those of individuals, but not of companies). For Gast Gibéryen, chairman of ADR (the sovereignist party), the deficit of the government is so high that the objective of a fiscal balance cannot be achieved, as planned, in 2014. Referring to the European Semester, Serge Urbany, the unique deputy of the radical left, feared the establishment of a European government which would 'not be democratically legitimised' and could even be 'authoritarian'. He denounced a period of 'post-sovereignty' with the new European control on national finances.

The private sector

In October, the Dexia Bank was dismantled due to the amount of risk capital estimated at more than €95 billion. The Luxemburgish section of Dexia re-acquired its original name BIL (Banque Internationale à Luxembourg). At the end of November, 90 per cent of the capital of the bank was sold for €730 million to a company representing the interests of the royal family of Qatar and the remaining 10 per cent were sold to the state. It is the same Qatari company that purchased the private bank KBL (Kredit Bank Luxembourg) in October. The increasing presence of foreign capital in key Luxembourg companies (e.g., Mittal and Luxair) raises concerns among Luxemburgish inhabitants who have the impression of being 'bought' by foreigners. Several opposition MPs echoed this fear by arguing that there is no guarantee that the Qatari company would be sufficiently concerned to save the bank in the event of recovery. This is a fear amplified by the national mass media, recalling that the guarantees in the steel industry in the country given by Lakshmi Mittal for Arcelor did not have much value. The tension around the Arcelor Mittal Company remained high: in December, more than 23,000 workers went on strike in eight countries, with a good attendance in the seat of the steel industry giant (3,000 employees followed the movement in Luxembourg).

Investment in green energy

In spite of this difficult economic context, Luxembourg continues to redeploy its energy policy. In April, during the State of the Nation Address, Jean-Claude Juncker, the Prime Minister, once again pleaded for the progressive end of the dependence on nuclear energy and questioned the economic pertinence of the ITER (International Thermonuclear Experimental Reactor) project. The project, funded and run by seven member entities (the European Union (EU), India, Japan, China, Russia, South Korea and the United States) aims to make the long-awaited transition from experimental studies of plasma physics to full-scale electricity-producing fusion power plants. After this speech, the

Luxembourgish government informed the French government that it was opposed to extending the operating life of nuclear reactors at Cattenom (a French nuclear plant situated less than 20 km from its borders). Additionally, among all industrialised countries, Luxembourg is the one that has set the most ambitious target for reducing greenhouse gas emissions (GHG). By the end of 2011, it managed to reduce emissions by 28 per cent compared to 1990 levels, while the reduction planned by the EU target was only 8 per cent.

Notes

1. Modification du Règlement de la Chambre des Députés. Mémorial A n° 193 du 09.09.2011.
2. Loi du 16 décembre 2011. 1. Portant modification de la loi du 21 décembre 2007 portant réglementation du financement des partis politiques; 2. Portant modification de la loi électorale modifiée du 18 février 2003. Mémorial n°261 du 21 décembre 2011.
3. Modification de la loi communale et de la loi électorale Mémorial A n° 29 du 16.02.2011
4. Loi sur le droit d'asile et formes complémentaires de protection Mémorial A n° 102 du 20.05.2011.

Sources and further information

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