

Luxembourg

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Introduction

The year 2015 was a paradoxical one for Luxembourg. Its first half saw the government carrying its task of ‘nation branding’, trying to change its image (of tax haven and socially conservative policies) with a step toward a greater separation between church and state, several potential constitutional reforms aimed at a more inclusive democracy, and more indirectly through Prime Minister Bettel, who married his male companion less than a year after the adoption of gay marriage in the Grand-Duchy. Popular resentment regarding the exclusion of the Christian Social People’s Party (CSV) from government still loomed large, and partially explained the disastrous defeat of a consultative referendum for the tripartite coalition.

Election report

Referenda

As announced in the first chapter of the 2013 coalition programme, a consultative referendum was held on 7 June 2015 (see Dumont & Kies 2014) as part of an ongoing constitutional reform process (Chambre des Députés 2015b). The full constitutional revisions would then be submitted to a qualified majority (two-thirds) vote in its first reading in the Chamber of Deputies, and finally to a second referendum, binding this time, scheduled to take place in 2017.¹ On this occasion, citizens will only have one question to answer: whether they are for or against the whole new constitution.

Initially the three-party coalition government planned to organise the consultative referendum on four questions (see Dumont & Kies 2015): the lowering of the voting age to 16 for all elections; the extension of active and optional voting rights to foreigners for national elections under certain restrictive conditions; the introduction of term limits for ministerial mandates; and changes in relations between ‘church(es) and state’, and more specifically whether the state should stop taking charge of wages and pensions of the clergy of the recognised religions.² This fourth question was eventually abandoned after an agreement was settled between the Luxembourgish government and the religious representatives in January 2015. According to this agreement, all recognised religious communities in the country would continue to be funded, but the principle of neutrality of the state would be enshrined in a constitutional amendment that would also specify the

need for a legal framework for the relations between the state and recognised religions and more detailed conventions that would need the approval of the Chamber of Deputies.

Given the proportion of foreigners residing in Luxembourg (46 per cent in 2015), the campaign was very much focused on the question of the extension of voting rights to foreigners. This issue raised the greatest concerns among the voting population (only Luxembourg nationals were allowed to vote), despite the fact that due to the double constraints of residency (ten years) and a previous vote at either local or European elections, only about 35,000 (17 per cent of the voting age foreign population) would have fulfilled all conditions and therefore been able to register if such an election would have occurred in 2015 (Statec 2015). In the very unlikely case of all of them deciding to register (as the reform would only give them the option of voting, contrary to Luxembourg nationals for whom voting is compulsory), foreigners would have amounted to only 14 per cent of such an enlarged electorate. Fears regarding this specific question nevertheless materialised with the creation of the informal Internet group called Nee2015.lu. The platform gained a large amount of visibility during the campaign and its initiators rapidly came to be seen as advocates not only for the part of the population which was not in favour of granting voting rights to foreigners, but also more generally for those who were upset by the referendum in general.

Among political parties, a ‘yes’ vote to all three questions was supported by the three coalition government partners (Democratic Party (DP), Socialist Workers’ Party (LSAP) and The Greens (DG)) as well as The Left (DL). (The largest party not represented in the Chamber, the Pirate Party, campaigned for the extension of voting rights questions but against the setting of term limits.) A ‘no’ vote to all questions was endorsed by the Alternative Democratic Reform Party (ADR) and the country’s largest political party, the CSV of former Prime Minister Juncker.

Despite the consultative nature of the referendum, participation was high (87 per cent of registered voters turned out) due to compulsory voting. The outcome was crystal clear: 81 per cent voted against the lowering of voting rights age, 78 per cent against extending voting rights to foreigners and 70 per cent against the limitation of ministerial mandates. Several reasons contributed to this catastrophic outcome for the governing majority. First, the early, active and successful bottom-up campaign of the ‘no’ vote allowed for high visibility of their arguments in the traditional media and (especially) in social media – particularly on the foreigners’ voting rights issue. Second, and relatedly, the official campaign was too short to properly deal with the complex issues raised by the referendum. Third, the government failed to conduct, as promised, a participatory, enthusiastic campaign, and instead was unable to avoid repeated gaffes and contradictory declarations by its political leaders. Fourth, in part due to the absence of a referendum culture in the country, the ‘no’ vote was also a protest vote against a government that was perceived as illegitimate by a large part of the population as it did not include the country’s largest party.

As Prime Minister Bettel indicated several times during the campaign, the government declared that it would comply with the opinions expressed by the voters. Given the results, a consensus emerged among parties of the majority and the opposition was that the law on nationality had to be revised and its conditions softened (the conditions of duration of residency on Luxembourg soil had been lengthened from five to seven years at the time of the previous revision, which also introduced the possibility of awarding dual nationality; see

Table 1. Results of the referenda in Luxembourg in 2015

Date of referendum	7 June 2015			
Electorate	244,382			
Total votes cast	214,836	Votes cast as share of electorate	87.9%	
Total valid votes	211,011	Valid votes as share of votes cast	98.2%	

Referendum question	Valid answers	N	%	Outcome
Optional voting rights for all elections for 16 year-old Luxemburgers ^a	Yes	40,102	19.1%	Fail (support below 50%)
	No	169,899	80.9%	
Voting rights for foreigners for national elections, under conditions ^b	Yes	46,031	22.0%	Fail (support below 50%)
	No	163,362	78.0%	
Term limits on ministerial mandates ^c	Yes	62,835	30.0%	Fail (support below 50%)
	No	146,096	70.0%	

Notes: ^a‘Do you approve of the idea that Luxembourg people aged between sixteen and eighteen should have the right to optionally register on electoral lists in order to participate as voters in the elections to the Chamber of Deputies, the European elections, municipal elections and referendums?’/‘Approuvez-vous l'idée que les Luxembourgeois âgés entre seize et dix-huit ans aient le droit de s'inscrire de manière facultative sur les listes électorales en vue de participer comme électeurs aux élections pour la Chambre des Députés, aux élections européennes et communales ainsi qu'aux référendums?’

^b‘Do you approve of the idea that residents without Luxembourg nationality should have the right to optionally register on electoral lists in order to participate as voters in the elections to the Chamber of Deputies, on the double condition that they have resided at least ten years in Luxembourg that they have previously participated in European or municipal elections in Luxembourg?’/‘Approuvez-vous l'idée que les résidents non luxembourgeois aient le droit de s'inscrire de manière facultative sur les listes électorales en vue de participer comme électeurs aux élections pour la Chambre des Députés, à la double condition particulière d'avoir résidé pendant au moins dix ans au Luxembourg et d'avoir préalablement participé aux élections communales ou européennes au Luxembourg?’

^c‘Do you approve of the idea of limiting to ten years the maximum period during which someone can continuously be part of the government (cabinet)’/‘Approuvez-vous l'idée de limiter à dix ans la durée maximale pendant laquelle, de façon continue, une personne peut être membre du Gouvernement?’

Source: Tribunal d'arrondissement de et à Luxembourg Référendum du 7 Juin 2015 (2015).

Dumont et al. 2008, 2009, 2010) – a measure that had been written into the 2013 coalition agreement (see Dumont & Kies 2014) and voiced by the CSV during the referendum campaign as an alternative to granting foreigners the right to vote. Although ‘no’ voters, by and large agreed with this alternative, there were still many concerns regarding the precise criteria to be softened and in particular whether the linguistic conditions should be made less stringent so that nationality would not be ‘sold off’.

Cabinet report

Due to tensions surrounding the Minister for Housing and Minister for Culture Maggy Nagel and her administration, as well as further criticisms by opposition and majority parties with regard to her performance in her Housing policy remit, the then Secretary of State in the Ministry of Education, Marc Hansen, was appointed Secretary of State for Housing in March. As public disaffection with Nagel kept on mounting in the polls, Prime Minister Bettel announced her resignation as minister in December. Bettel himself took over the position of Minister for Culture, assisted by Guy Arendt as new Secretary of

Table 2. Cabinet composition of Bettel-Schneider I in Luxembourg in 2015

Duration of cabinet Period covered by table Type of cabinet	Inception From	4 December 2013 1 January 2015	Dissolution Until	Still in office at end of 2015 31 December 2015		
	Minimal Winning Coalition (MWC)					
A. Party/gender composition on 1 January 2015	Seats in cabinet N %		Seats held by women N % of party		Seats in parliament N %	
Democratic Party/ <i>Demokratesch Partei</i> (DP)	7	38.9%	2	28.6%	13	21.7%
Luxembourg's Socialist orkers' Party/ <i>Lëtzebuurger Sozialisteschen Arbechterpartei</i> (LSAP)	7	38.9%	2	28.6%	13	21.7%
The Greens/ <i>Déi Gréng</i> (DG)	4	22.2%	1	25.0%	6	10.0%
Totals	18	100.0%	5	27.8%	32	53.3%
B. Composition of Bettel-Schneider I cabinet on 1 January 2015						
See previous editions of the <i>Political Data Yearbook</i> for Luxembourg or www.politicaldatayearbook.com						
C. Changes in composition of Bettel-Schneider I cabinet during 2015						
Secretary of State of National Education, of Childhood and Youth, Secretary of State of Higher Education and Research: Marc Hansen (1971 male, DP) was also appointed Secretary of State for Housing on 27 March ^a						
Minister for Culture and Minister for Housing: Maggy Nagel (1957 female, DP) resigned on 16 December, and was replaced by Marc Hansen (1971 male, DP) as Minister for Housing on 18 December and by Xavier Bettel (1973 male, DP) as Minister for Culture on 18 December						
Marc Hansen (1971 male, DP) also became Minister-delegate for Higher Education and Research on 18 December						
Guy Arendt (1954 male, DP) was appointed Secretary of State for Culture to assist Prime Minister Bettel in his new attribution on 18 December						
D. Party/gender composition on 31 December 2015						
Party composition of the government did not change, but the share of female ministers dropped from 27.8 to 22.2 per cent in the government (and from 28.6 to 14.3 per cent among DP ministers) due to the resignation of a female minister and her replacement by a male minister						

Note: ^a As a result of these changes, the post of Secretary of State of National Education, of Childhood and Youth was eliminated.

Sources: Gouvernement.lu (2015a, 2015b, 2015c).

State in the same ministry, and Marc Hansen was promoted to the level of Minister for Housing.

Parliament report

There were no significant changes in parliamentary composition in 2015.

Table 3. Party and gender composition of parliament in Luxembourg in 2015

Party	1 January 2015				31 December 2015			
	All		Women		All		Women	
	N	%	N	%	N	%	N	%
Democratic Party (DP)	13	21.7%	4	30.8%	13	21.7%	4	30.8%
Luxembourg's Socialist Workers' Party (LSAP)	13	21.7%	4	30.8%	13	21.7%	4	30.8%
Christian Social People's Party/ <i>Chrëschtlech-Sozial Vollekspartei</i> (CSV)	23	38.3%	7	30.4%	23	38.3%	7	30.4%
The Greens (DG)	6	10.0%	2	33.3%	6	10.0%	2	33.3%
Democratic Reform Party/ <i>Alternativ Demokratesch Reformpartei</i> (ADR)	3	5.0%	0	0.0%	3	5.0%	0	0.0%
The Left/ <i>Déi Lénk</i> (DL)	2	3.3%	0	0.0%	2	3.3%	0	0.0%
Totals	60	100.0%	17	28.3%	60	100.0%	17	28.3%

Source: Chamber of Deputies (2015a).

Institutional changes

In addition to the constitutional reform process and the agreement between the state and religious communities (see **Election report**), several other reforms and reform proposals regarding the Council of State are worth mentioning. First, at the beginning of the year, this advisory body of the executive established a code of conduct for its members (Conseil d'état 2015).

Second, both the government and the opposition proposed legislation in the Chamber of Deputies that would revise the composition of the Council of State. The governmental version aims, as it did for the Chamber of Deputies in the preceding year (see Dumont & Kies 2015), at awarding more weight to political groups (*sensibilités politiques*) with less than five members, thus allowing them to nominate candidates for this institution. The opposition version would change the nomination procedure altogether (see Dumont & De Winter 2003: 492–493; Dumont et al. 2014), leaving it to the Chamber of Deputies to propose councillors when a vacancy opens.

Xavier Bettel, who had been party president since January 2013 and had become Prime Minister in December of the same year, announced in September he would relinquish the leadership of the party to concentrate on his prime ministerial tasks. A fellow member of government, Corinne Cahen, took over as DP president at a party congress that re-elected the rest of the party leadership (through a single vote on the team as a whole).

In April, the Social Democratic People's Party (*Sozial Demokratesch Vollekspartei*, SDV) was formally founded as a new party, supposedly located to the right of the populist conservative ADR on issues such as immigration. A few days after the June referendum, two other new parties emerged. The *Lëtzebuenger Bierger Partei* (LBP) portrayed itself as a party by citizens for citizens, combatting injustice and the gap between political elites and the population. *Déi Libéral* is a breakaway of the DP that is calling for less state intervention in the economy and a more radical economic liberalism. Although none of these three parties made the headlines in the second part of the year, their emergence was a further sign of the public's unease with the existing political personnel, and indicated the degree of

Table 4. Changes in political parties in Luxembourg in 2015

A. Party leadership changes in 2015
Democratic Party President Xavier Bettel (1973 male, DP) was replaced by Corinne Cahen (1973 female, DP) at a party congress election in November

electoral potential for radical parties on the right side of the economic left-right and liberal-conservative divides.

Issues in national politics

A long confrontation between teachers' unions and the Minister of Education, Claude Meisch, regarding the savings the government wanted to implement in the education sector continued in the first part of the year. These governmental measures were part of its pluri-annual budgetary plan (*Paquet d'Avenir/Zukunftspak*) aimed at balancing the state budget (see Dumont & Kies 2015). Eventually, an agreement was reached in July, after the unions had threatened to start a strike at the beginning of the new school year in September. At the same time, the Ministry of Education faced significant complaints concerning its project to replace the course on religion and alternative course on moral and social values by a common course on 'Life and Society'. This reform had been proposed in the past (see Dumont et al. 2008), integrated in the 2013 coalition agreement and played a role in the aforementioned agreement signed between the government and the religious representatives in January 2015. The main actors criticising this project included the association '*Fir the choix*', which in 2014 had filed a petition with over 25,000 signatures (see Dumont & Kies 2015) supporting the existing system of free choice, the Luxembourgish association of ethics professors who argued that the proposed common course was not realistic and had no scientific groundings, and of course the Catholic Church, which feared that it would marginalise the teaching of religion.

Overall, the economic situation was positive, with a growth rate estimated at 3.2 per cent and a global unemployment rate that declined from 7.4 per cent in November 2014 to 6.7 per cent by the end of 2015. Given these encouraging figures, the government found it possible to elaborate a rather ambitious budgetary plan. Presented mid-October by the Minister of Finance, Pierre Gramegna, the 2016 budget was defined as a 'budget of continuity' insofar as it pursues the reduction of public deficit, and as a 'social budget' aiming at responding to the 'crises' the country had to face. These concerned in particular the risk of poverty, employment, housing and refugees (local authorities would receive €45 million to prepare for the arrival of migrants). Another important focus of the budget was expanded investment plans. With an increase in spending by 4.8 per cent, these plans aimed to reinforce the new competitive sectors of the country – such as tourism, research and development, and the promotion of its information and communication technology infrastructure and services – and at responding to the challenges raised by its steadily increasing resident population (according to recent forecasts, Luxembourg will exceed 600,000 inhabitants by 2018). The annual budget was passed by a majority-opposition vote in December.

In July, Luxembourg took over the Presidency of the Council of the European Union for the twelfth time since the founding treaties were signed. The general opinion in the ‘Eurocracy’ had been that Luxembourg had taken up this duty at the helm more than honourably in the past (see Dumont & Poirier 2005), despite the considerable logistical challenge a Presidency represents to such a small country. The circumstances of the 2015 Presidency were quite different than the previous ones, due first to the changes triggered by the Lisbon Treaty (the introduction of the non-rotating positions of President of the European Council and of the High Representative of the Union for Foreign Affairs and Security Policy), and second to the major challenges facing the Union during the semester including the outbreak of a massive migration crisis and the second terrorist attacks of the year in Paris. The usual responsiveness, pragmatism and honest-broker characteristic of the host country, however, allowed for the pursuit of an adapted agenda and the organisation of a large number of extraordinary meetings.

During this Presidency, the European Commission considered allegations that Luxembourg granted selective tax advantages (in the form of tax rulings issued by national tax authorities that artificially lower the tax paid by the company) to Fiat Finance and Trade, which provides financial services, such as intra-group loans to Fiat group car companies in Europe. The commission ruled that the benefits should be considered as state aid and therefore illegal under European competition rules and called on Luxembourgish tax authorities to recover €20 million in tax from Fiat Finance and Trade. According to the European Commission:

Tax rulings cannot use methodologies, no matter how complex, to establish transfer prices with no economic justification and which unduly shift profits to reduce the taxes paid by the company. It would give that company an unfair competitive advantage over other companies (typically SMEs) that are taxed on their actual profits because they pay market prices for the goods and services they use.

The Luxembourgish Ministry of Finance decided to appeal the decision of the Commission, and, in an official statement, the government declared that the country did not grant Fiat Finance and Trade fiscal advantages incompatible with the internal market. Another investigation of the European Commission, on the same grounds, concerned the online retailer Amazon. According to the ‘LuxLeaks’ journalistic investigation that first emerged in 2014, these represented only the tip of the iceberg of tax-ruling cases (see Dumont & Kies 2015).

Notes

1. The June 2015 referendum was based on Article 51(7) of the present constitution, whereas the 2017 one would be based on Article 114, and will replace the second vote of the Chamber of Deputies on the constitutional reform.
2. ‘Do you approve of the idea that the state should no longer have the obligation to take charge of wages and pensions of ministers of the recognised religions?’ The wording of the question is significant because a positive vote would thus have meant that the state would be able to stop funding cult ministers.

Sources and further information

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