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# Brexit Seen from Luxembourg – By Anna-Lena Högenauer

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Brexit is the dominant topic in the British media. Hardly a week goes by without a Brexit-related discussion in the media – even in times where no EU-UK negotiations take place: disagreements with the EU, strife between parties, arguments within parties, visions and counter-visions of Brexit... there is an inexhaustible source of news stories. But how does this debate play out in Luxembourg?

### **Luxembourgish public opinion: a necessary evil**

Before the UK's Brexit referendum in 2016, Luxembourgish public opinion was strongly in favour of Britain's continued membership of the EU. According to a TNS survey conducted in May 2016, 66 percent of respondents wanted the UK to remain a member, only 25 percent thought it should leave and 9 percent were undecided. Similarly, among the political elite, members of all parties expressed first hope that the UK would remain a member of the European Union, and then disappointment at the outcome of the Brexit referendum.

However, the manner in which Cameron announced the referendum and presented his demands for a special deal were widely perceived as 'cherry-picking' backed up by 'blackmail', terms used in numerous newspaper articles and by politicians from all parties except the ADR. As a consequence, Luxembourgish politicians and journalists soon started to worry that if Britain managed to use the threat of Brexit to 'successfully blackmail' the EU into getting a special special treatment, then it would be encouraged to use the tactic again in the future and other member states might copy it as well.

After the referendum, the Luxembourgish public opinion shifted. When the *Tageblatt* asked its readers whether a second referendum on the future of the UK would be justifiable (5 July 2016), 61 percent said 'no'. Thus, even though most Luxembourgers did not support Brexit before the referendum, now that a majority of British voters voted for it, the Luxembourgish public feels that Britain should leave the EU. And most Luxembourgish politicians agreed.

### **One topic among many**

Brexit is an important issue for Luxembourg. It will have an impact on the Luxembourgish economy, and in particular on the financial sector. It also raises the question of how firmly the EU wants to defend certain core principles – like the free movement of labour – that Luxembourg has always supported. That said, Brexit has always just been one topic among many in the Luxembourgish media and the parliament, and has never become an issue that dominates the public agenda.

Public interest was particularly limited in the early years of the Brexit debate. The media did of course report on David Cameron's Bloomberg speech in 2013, where he announced his intention to hold a referendum on the UK's EU membership. However, until 2015, there was little political commentary and few newspaper reports on the issue. This does not necessarily mean that the question of UK membership was regarded as 'unimportant'. Rather, during those years, the Brexit debate was perceived to be predominantly about British politicians posturing in conflicts between and within UK parties. As such, foreign politicians (and citizens) could only wait for the outcome of the referendum.

The Luxembourgish debates on the issues picked up slowly in 2015, when negotiations on the special deal for Britain in the event of a Bremain started. Coverage peaked in 2016 and 2017 when the conclusion of the special deal, the referendum and the start of Brexit negotiations presented opportunities for non-British politicians to shape outcomes.

### **Luxembourg's priorities**

The Luxembourgish government and media have so far focused on a small number of priorities – mainly two. Both of these are supported almost across the entire political spectrum.

The most important of these is that a level playing field is maintained in the financial sector, which plays an important role in Luxembourg's economy. As the British and Luxembourgish financial sectors are closely intertwined, the ideal outcome for Luxembourg would be that Britain maintains access to the internal market in this area, but under the condition that it has to abide fully by all EU rules and regulations. This would cause a minimum of disruption, while also maintaining a level playing field for all actors. However, should Britain decide to adopt a different regulatory framework, then it might be best if it lost access to the internal market. This outcome would most likely cause some disruption to the economy, but it would also offer opportunities to compensate for those losses, as London-based actors would need to create or reinforce subsidiaries in EU member states. Luxembourg has so far benefitted from a number of relocations, particularly in the insurance sector. The least desirable outcome for many commentators would be that the UK can keep the advantages of EU membership (i.e. access to the internal market), without being bound by the same rules and regulations, and it is unlikely that the government would agree to back such an outcome.

All major parties share the government's position on the financial sector, and several leading politicians (e.g. from the CSV, DP, the Greens) have stated that there must be a clear difference between EU member states and non-members – i.e. that the agreement with the UK cannot simply copy current arrangements within the EU's internal market. The ADR, which proposes a quasi-membership status for countries like the UK is an exception in this regard.

Secondly, the government insists regularly that EU's four freedoms are inseparable, and that internal market access therefore goes hand-in-hand with the free movement of workers. The strong defence of the free movement is rooted in public opinion: 93 percent of Luxembourgers support the free movement of citizens in the EU (Eurobarometer 87, 2017). Indeed, in parliamentary debates, all parties except the ADR agree that access to the internal market goes hand-in-hand with the free movement of workers. The ADR agrees with the UK government that there is abuse of the freedom of movement that needs to be limited, but it still advocates an 'extensive' freedom of movement.

## Conclusion

To conclude, while Brexit is an important issue for Luxembourg due to its potential impact on the financial sector, it has never been the dominant issue in the media or political debates. One of the reasons for this is that the negotiations between the UK and the EU progress slowly and are interrupted frequently by disagreements within the British government. Another reason is that there is little disagreement on the issue among Luxembourgish politicians. Most politicians have similar views on Brexit in general and Luxembourg's priorities in particular. For the EU, this is a positive situation, as it means that the national elections in 2018 are unlikely to change Luxembourg's position on Brexit – whether they return the same government or a CSV-led government.

In addition, it seems as if the public interest in Brexit was declining again in mid- to late-2017, as Britain's internal disagreements delayed the negotiations with the EU. There seems to be a wide-spread acceptance that Brexit will happen, and the focus this shifts back to debates on the future cooperation of the EU-27.

By Anna-Lena Högenauer



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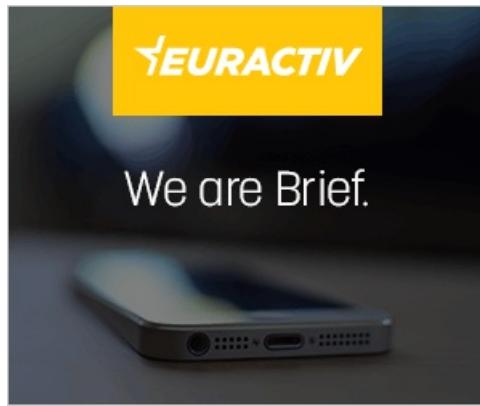
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