

## Luxembourg and the EU: How to Integrate in the Face of Diversity

Anna-Lena Högenauer (University of Luxembourg)

p. 73-76 in: Kaeding M., Pollack J., Schmidt P., *The Future of Europe: Views from the Capitals*, Palgrave (2018)

<https://www.palgrave.com/gb/book/9783319930459#otherversion=9783319930466>

### A European country

Luxembourg is one of the founding states of the EU and one of the most pro-European member states today. According to recent Eurobarometer Surveys, 89% of Luxembourgers feel that they are 'citizens of the EU', and public support for key EU policies is higher than in any other member state: 96% of Luxembourgers are in favour of the free movement of citizens in the EU, and even after the years of crisis, 85% are in favour of a European Economic and Monetary Union with a single currency.

Some of this support can be traced back to pragmatic considerations: As one of the smallest member states, it depends on an open and integrated European economy for exports and imports. The free movement of citizens within the EU is vital too, as it allows the national economy to recruit a skilled workforce that cannot always be trained nationally: Almost half of Luxembourg's inhabitants are foreigners (85% from the EU) and, in addition, 44% of the workforce are 'frontaliers' who live in Germany, Belgium or France and work in Luxembourg. Politically, EU membership has allowed the country to punch above its weight in international politics. Finally, Luxembourg has not only benefited from the presence of a number of EU institutions on its territory, but has recently also done quite well when it comes to securing positions in the EU institutions.

These strong economic ties with Europe have also shaped the political landscape in Luxembourg. Thus, none of the political parties wants to follow the British example and leave the EU. Rather, the two small eurocritical parties, the right-wing ADR and the left-wing Déi Lénk, want a different kind of EU. The ADR wants the EU to allow for more room for national sovereignty, and Déi Lénk wants more solidarity and less liberalism.

The support for integration goes occasionally even beyond pragmatic cost-benefit calculations. Luxembourg demands, for example, a stronger social pillar to support economic and monetary union – despite the fact that, as an economically strong member state, it would probably be a net contributor to such an initiative. Similarly, the government supports a common policy on migration (including a fairer distribution of refugees), despite the fact that the country has no external borders and therefore benefits from the current regime, whereby the burden lies in practice on Southern European countries. Of course there are also some policy areas – such as corporate taxation – where Luxembourg is more defensive of national interests.

### Moving forward as one or at multiple speeds?

The EU almost doubled in size (in terms of member states) through the Eastern enlargements since 2004. Under the influence of the Eurozone and migration crises, it then became more divided in recent years. For Luxembourg, these tensions have resulted in a

dilemma: on the one hand, the country is very pro-European. Its biggest party (the CSV) is in favour of a federal Union in the long term. It would therefore in principle like to see further integration by all member states. On the other hand, the tensions between member states mean that such a scenario is unrealistic.

In this situation, most Luxembourgish politicians prefer a multi-speed model of integration. Such a model would indeed be best for Luxembourg in the coming years. The risk is, of course, that a multi-speed EU becomes even more complex, and that those states that perform worst in a policy area, opt out of integration because they are underperforming. However, the advantage is that the 'coalitions of the willing' can vary from policy to policy, and that all member states are likely to find something where they would like to lead the way. For Luxembourg, it means that the EU cannot be blocked by one or two reluctant states. As Luxembourg is usually strongly in favour of integration, it is likely to be one of the member states that are centrally involved in (almost) all integration projects. In concrete terms, it is one way for Luxembourg and the 'Digital 9' to move forward with the creation of a bigger European digital market that can compete with the US and Asia.

However, a multiple-speed approach does not work for all policy areas. For example, Luxembourg is adamant that the EU should have a common migration policy, especially for refugees, where all member states should be obliged to accept a certain number of refugees on their territory. This is seen as a crucial sign of solidarity with those Southern European countries that are the most severely affected by refugee streams. Not only does the government refuse to allow countries to 'opt out' of the burden-sharing, but it also advocates decision-making by majority vote rather than unanimity, to prevent (selfish) national vetoes. Thus, the question is: who decides which policies are obligatory for everyone, and which can be handled in a multiple-speed model?

Another source of concern are the suggestions of Jean-Claude Juncker to expand the Eurozone to more Eastern European countries and Schengen to Romania and Bulgaria. The prime minister, Xavier Bettel, prefers to delay these expansions until the countries in question are ready, i.e. fulfil the criteria. This hesitation is wise, in that the recent crises showed that major problems affect the citizens' trust in the EU. It is more important to create policies that function, than to create policies that are big.

Finally Luxembourg faces an unusual dilemma over the question whether to replace the Chair of the Eurogroup, who currently reports to the Council of Ministers, with an EU finance minister who would be part of the Commission and report to the parliament. Normally, Luxembourg is in favour of more influence for the Commission and the Parliament, but on this occasion, it is in its interest to defend the influence of the member states: Luxembourg has more influence in the Council than in the European Parliament. Also, once the Parliament gets a greater say in these matters, the control of the states over taxation could erode – and taxation is one of the few national interests that Luxembourg vehemently defends. As in the case of Ireland, corporate taxation is seen as one of the competitive advantages of smaller states, and there is a reluctance to allow for harmonization on the European level. From a national perspective, it would thus be advisable to prevent the creation of an EU finance minister, and to give the Commission a bigger role in a European social pillar instead.