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Luxembourg: Comfortably cohesive

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Luxembourg is a clear outlier in the EU Cohesion Monitor, in that it scores very highly on both structural and individual cohesion indicators. The crises that shook the European Union between 2008 and 2014 produced little change in Luxembourg's outlook. The small country has a long tradition of seeking multilateral cooperation on all fronts, and it considers the European project to be essential to its security and economic stability.

Prioritising cooperation

Luxembourg's policymaking is characterised by a cooperative, corporatist style at the national level, and governments formulate policy in close collaboration with both business associations and trade unions. The so-called Luxembourg model combines "continuous, institutionalised dialogue with industry, unions, and the government to produce low inequality, an adequate redistribution of the fruits of growth, and 'industrial peace'".¹ As a result, Luxembourg has experienced very few strikes or conflicts over the decades, and the consensual model of policymaking is highly prized, even though it has come under severe strain since the start of the economic crisis. Therefore, consensual policymaking comes naturally to Luxembourg's politicians, and they have also sought to adopt it at the EU level.

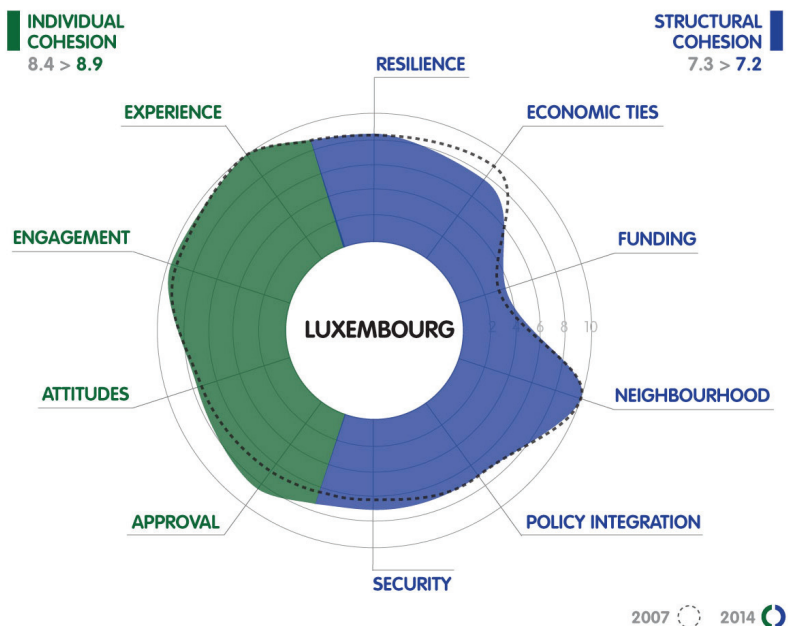
The Monitor shows how Luxembourg's high levels of individual and structural cohesiveness with the EU and the other member states predispose the government towards adopting a cooperative attitude in EU policymaking. As a small state wedged between France and Germany, this collaborative approach is hardly surprising. The principles of Luxembourg's foreign policy are multilateralism, the rule of law, and solidarity.

¹ Mario Hirsch, "The Luxembourg model has reached its limits. Social partnership and tripartite arrangements work only under fair weather conditions", Paper presented at the Politicologenetmaal, Leuven, 2010, p.1, available at <https://soc.kuleuven.be/web/files/11/72/W1B-122.pdf>.

High cohesion

Individual cohesion in Luxembourg is exceptionally high. With a population slightly over 570,000, Luxembourg has 170,000 frontier workers crossing the border every day. Furthermore, nationals of other EU member states make up around 33 percent of the resident population (with 14 percent made up of non-EU nationals). This informs the high Experience and Engagement scores in the individual cohesion section of the Monitor, as well as the high score in the Neighbourhood variable of the structural cohesion section. Interaction with other EU member state nationals is commonplace; often people work alongside French, Belgian, German, Italian, and Portuguese nationals. Luxembourg residents also speak at least three languages, and often travel to neighbouring countries for a day out. Engaging with the EU in terms of voting for pro-EU parties is also prevalent in Luxembourg, and because EU and national elections have usually been held on the same day (except in 2013, due to a snap election), turnout in EU elections is also exceptionally high. The fact that Luxembourg has compulsory voting may be another factor here. Attitudes towards the EU are also more positive than the EU average, and Approval is higher than the average.

On structural cohesion, the Monitor shows that Luxembourg's score on the Economic Ties indicator has dropped since 2007, which is interesting, since Luxembourg conducts most of its business with other EU member states. The coalition government of Liberal Democrats, Socialists, and Greens began a programme of economic diversification in 2013, along with a new concept of "nation branding" to help redress the country's damaged image after the scandals of LuxLeaks and the Panama Papers.² Luxembourg's high ranking on the Resilience indicator comes as a result of its extraordinarily high ratio of GDP per capita and its above-average levels of economic growth due to the large size of the financial sector. On the Policy Integration and Security indicators, Luxembourg scores well because it is a founding member of the EU and participates in all areas of policy integration and security integration. This of course makes sense for such a small country with a very open, export-led economy, and is very much in the country's national interests.



Fewer takers for mediation

Luxembourg has traditionally been seen as punching above its weight in the EU.³ Three former prime ministers have been chosen as presidents of the European Commission. Luxembourg is the seat of the European Court of Justice, parts of the European Commission, the European Investment Bank, the European Stability Mechanism, the Secretariat General of the European Parliament, and the Executive Agency for Health and Consumers. Many people see this as evidence of the ability of Luxembourg's diplomats as mediators and brokers. Its once potentially dangerous geographical location between France and Germany and the resulting trilingual peculiarity of its culture and society have turned into a considerable advantage in the EU context, allowing it to assume the role of translator and even broker in Franco-German relations. Luxembourg's politicians have managed at various points in time to mediate between the bigger states, France and Germany, and broker an agreement: the creation of the Stability and Growth Pact in 1997 was one such case.

³ See for example, Martine Huberty, *Punching above its weight? A case study of Luxembourg's policy effectiveness in the European Union*, Doctoral thesis, University of Sussex, 2011, available at <http://sro.sussex.ac.uk/6947/>.

More recently, however, Luxembourg's ability to influence decisions and mediate has decreased. The balance of power in the Franco-German relationship has tilted firmly towards Germany, the United Kingdom is unable to agree to anything before the Brexit referendum, and there is a generally negative attitude towards further integration in many other European countries with which Luxembourg has no special relations. This means that the space and opportunities for Luxembourg's diplomats to intervene and mediate has become smaller and smaller. The economic and migration crises show that Luxembourg's ideals and even its more realistic proposals have not resonated with enough member states for it to be considered as a mediator. Luxembourg has found itself on the margins, on the extreme of the political spectrum, as the EU Cohesion Monitor shows. With its highly pro-EU integration stance, it can no longer be seen as an effective mediator between the more Eurosceptic member states, especially those in the East, and the "old" member states.