

## Luxembourg

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### Introduction

After three years of constant campaigning for respective (anticipated) national elections, European elections and a consultative referendum, 2016 was a quiet political year in Luxembourg. After having balanced its accounts through savings during its first two years in power, the government drafted a 2017 budget containing public investments (oriented towards a ‘qualitative growth’) and greater welfare state spending. It also had a tax reform affecting both individual and corporate taxpayers – that will cost about €500 million to the state budget – voted on at the end of the year. In addition, in November a long-term economic model (the so-called ‘Third Industrial Revolution’ that would make the Grand Duchy a laboratory for new information and communication technologies, new sources of energy and new modes of transportation) was presented, as a complementary ‘nation branding’ policy. Despite an objectively improving economic conjuncture with actually increasing growth and decreasing unemployment, the Grand Duchy’s population however did not give much credit to the government’s action and initiatives, as revealed by the support levels for the coalition parties in opinion polls. It also did not distract international media attention from the LuxLeaks affair (see Dumont & Kies 2015), involving a trial of two whistle-blowers and one journalist in the capital city, and the involvement of Luxembourg-based intermediaries for the creation of offshore companies in the Panama Papers data leak.

### Election report

There were no elections in Luxembourg in 2016.

## Cabinet report

Table 1. Cabinet composition of Bettel-Schneider I in Luxembourg in 2016

Duration of cabinet	Inception:	4 December 2013	Dissolution:	Still in office at end of 2016		
Period covered by table	From:	1 January 2016	Until:	31 December 2016		
Type of cabinet:	Minimal Winning Coalition (MWC)					
A. Party/gender composition on 1 January 2016	Seats in cabinet		Seats held by women		Seats in parliament	
	N	%	N	% of party	N	%
Democratic Party/ <i>Demokratesch Partei</i> (DP)	7	38.9%	1	14.3%	13	21.7%
Luxembourg's Socialist Workers' Party/ <i>Lëtzebuurger Sozialistesesch 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%	4	22.2%	32	53.3%
B. Composition of Bettel-Schneider I cabinet on 1 January 2016						
See previous editions of the Political Data Yearbook for Luxembourg or <a href="http://politicaldatayearbook.com">http://politicaldatayearbook.com</a>						
C. Changes in composition of Bettel-Schneider I cabinet during 2016						
There were no changes						
D. Party/gender composition on 31 December 2016						
Same as on 1 January						

Source: <http://www.gouvernement.lu/> (2016).

## Parliament report

There were no significant changes in parliamentary composition in 2016.

Table 2. Party and gender composition of parliament in Luxembourg in 2016

Party	1 January 2016				31 December 2016			
	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 (2016).

## Institutional changes

The main institutional decision concerned the date of the next national elections; in October the government decided that they would take place in October 2018. As a result, 2016 will be the only year without any nationwide elections in the Grand Duchy in the 2013–2019 period.<sup>1</sup>

Regarding the ongoing constitutional reform process, the Chamber of Deputies held public hearings in July with citizens who contributed to the online forum (<http://www.ärvirschléi.lu/>, a tool that collected ideas on what should be included in the new constitution). The parliamentary Committee on Institutions and Constitutional Revision dedicated most of its early 2016 meetings to the consideration and selection of these proposals, while in the latter part of the year focused on the translation of these inputs into potential amendments and the drafting of a coordinated text.<sup>2</sup> In July, the Chamber also consulted a panel of 60 citizens divided into groups reflecting the diversity of Luxembourg's population in order to gather information on potential misunderstandings and oppositions to the reforms under discussion.

One aspect of the constitutional reform and a signature of the secular tripartite coalition was the separation of 'church(es) and state' that had been sealed by an agreement signed in January 2015 by the government, and which recognised religious communities' authorities (see Dumont & Kies 2014; 2015; 2016). The implementation of this convention had already triggered turmoil regarding the teaching of religious courses (see Dumont & Kies 2015; 2016), but this time led to internal tensions within the Catholic Church that reached a peak at the end of the year. Under the terms of the agreement, the church wardens that date back from a Napoleonic decree of 1809 must be dissolved and replaced by a centralised management fund under the supervision of the archbishop. This would mean that the municipalities or the state would not pay anymore for costs related to the maintenance of churches and would not have to cover for the potential budgetary deficits of the wardens. The Interior Minister (LSAP) insisted that the bill he introduced would clarify the belonging of some 500 churches and chapels of the country, allowing for some of them to remain within the domain of the municipalities if the latter considered the buildings and properties as historic or touristic assets, or even to dispose of them in a desacralized function. The syndicate of the church wardens (Syfel) opposed this deal and in December summoned Archbishop Hollerich before the courts, challenging his authority to negotiate agreements with the government.

The CSV continued its 'post-Jean-Claude Juncker' transition by appointing its leader for the 2018 national elections, with the aim of leaving opposition and becoming the leading party in government again. Former minister and current parliamentary group leader Claude Wiseler was first voted on as *Spitzenkandidat* (head of the CSV's constituency lists) by the party's national committee in July: 107 of its present members voted for him, despite the candidacies of other heavyweights (Viviane Reding, current MEP and former vice-President of the European Commission; Luc Frieden, former Minister of Finance and CSV's number two in Juncker's last cabinet; and Martine Hansen, who was also minister in that government). This decision was then confirmed by an extra-ordinary convention vote (488 of the 496 in attendance voted in favour, a 98 per cent approval) in October.

On 2 September, yet another party was created in Luxembourg (see Dumont & Kies 2016). The *Fräi Ökologesch Demokratesch Partei* (Free Ecologist-Democratic Party; FöDP) presents itself as a new green alternative, but also puts issues usually considered important by conservative parties on the agenda, such as family and immigration.

### Issues in national politics

Tensions due to the evolution of the population and workforce make-up of the country that reached a new high on the occasion of the 2015 referendum – when 80 per cent of Luxembourg nationals voted against the extension of the active right to vote in national elections to foreigners – were prolonged in 2016 through the introduction and success of two contradictory e-petitions. Petition 698, filed late August, called for Luxembourgish to become the first national language, rather than merely one of the three official languages (with French and German), and that it should therefore appear on all administrative documents, government communications and court decisions. This petition broke all records since the introduction of e-petitions, obtaining no less than 14,683 signatures. As a reaction, Petition 725 (‘NO to Luxembourgish becoming the first official language in administrative and judicial matters’) was introduced and also reached the 4,500 threshold necessary to provoke a public debate in parliament. The latter body decided that a single public debate on both petitions 698 and 725 would be held in January 2017. Identity and language questions were also on the political agenda through the government’s strategy for the promotion of Luxembourgish language, as well as through the latter’s support for the inscription of Luxembourgish as the language of the country in the new constitution (the current version only mentions that language use is defined by the law; the new version would also delegate language use to the law, and mention French and German alongside Luxembourgish) and the recognition of Luxembourgish as one of the European Union official languages (without implying the translation of all EU documents into that language).

June saw the start of the so-called LuxLeaks trial in Luxembourg. Documents obtained from PricewaterhouseCoopers (PwC) by former French employees, Antoine Deltour and Raphael Halet, had exposed how big multinational firms like Apple or Ikea managed to cut tax bills from the 29 per cent corporate tax rate to close to zero through rulings issued by the Luxembourg tax administration. These deals were first disclosed by the French television show ‘Cash Investigation’ in May 2012.<sup>3</sup> PwC filed a complaint against investigative journalist Edouard Perrin shortly after his report had been aired. Deltour and Halet faced charges of theft, violating the Grand Duchy’s secrecy laws and illegally accessing a database. These revelations had a disastrous impact on Luxembourg’s image and that of the newly appointed head of the EU Commission and former Luxembourg Prime Minister Jean-Claude Juncker, who then pushed for the drafting of an Anti-Tax Avoidance Directive (see Dumont & Kies 2015). Only the two whistle-blowers and the journalist had to face Luxembourgish judges, causing uproar in the international community as the case raised the question of press freedom as well as, more broadly, multinational corporations and tax havens in times of austerity. Deltour (who initially faced five years in jail and a €1.25 million fine) got a 12-month suspended sentence and a fine of €1,500, while Halet was fined

€1,000 and given a nine-month suspended sentence. Perrin, for his part, was acquitted by the criminal court. However, all three faced a new trial in December as Luxembourg's state prosecutor appealed the verdict. Before the first LuxLeaks trial, Luxembourg had to endure the outbreak of the Panama Papers. Considered as one of the biggest data leaks in history, coming out of the database of Mossack Fonseca, one of the leading offshore law firms based in Panama, the Panama Papers showed that over 400 Luxembourg-based intermediaries were linked to the creation of more than 11,000 offshore companies. In addition, the new Head of the Surveillance Committee of the Financial Sector was himself cited as having had a role in this system in his previous job with HSBC, the British multinational banking and financial services holding company.

Criminal defamation prosecutions against the media, and even more, convictions, have been rare in Luxembourg, until an interview recorded in October with Enrico Lunghi, the then director of the National Museum of Contemporary Art (MUDAM) and aired in a prime time show on the main television station RTL.<sup>4</sup> According to Lunghi, parts of the recorded material were cut so that he appeared to have been violent with the female journalist interviewing him. The journalist filed a complaint for violence and Lunghi for defamation. Political tensions emerged and contributed to the resignation of both the director of MUDAM and the CEO of RTL national audio-visual programs (RTL Télé Lëtzebuerg). The incident raised questions not only about the integrity of the media profession, but also about the links between the government and the broadcaster, as RTL is indirectly financed by the state to fulfil a public service mission.

In comparison with the time of arrival of the Liberal-Socialist-Green coalition in late 2013, Luxembourg's population has gradually become more satisfied with its own, and the country's, economic situation; the government considers itself as having control over the Grand Duchy's fate by a majority of poll respondents (this was not the case in 2014 nor in 2015).<sup>5</sup> Despite this, its coalition parties (mainly the DP and the LSAP) are expected to lose at the 2018 elections, while the CSV is predicted to easily re-gain the seats lost in 2013 and could even reach an historic high, close to an absolute majority. This would mean that the objective good economic figures and the generous measures taken during the second semester of 2016 do not compensate for having excluded the CSV from power, for implementing societal reforms the country may not have been ready for, and for cuts in the first years of the cabinet's mandate. The annual gross domestic product (GDP) growth, still pushed by the financial services sector, was 4.2 per cent, more than double the EU average, while unemployment reached its lowest level since 2012, at 6.4 per cent. This allowed the government to draft a 2017 budget that included public investments oriented towards a 'qualitative growth' (in environment, climate and infrastructure) with greater welfare state expenditure. In addition, a tax reform affecting both individual and corporate taxpayers, that may cost about 1 per cent of GDP in 2017, was voted on at the end of the year. It includes for instance the increase in value of 30 per cent for luncheon vouchers and the adoption of a new progressive tax rate brackets scheme aimed at benefitting lower wages the most. The corporate income tax rate is also to be reduced, in order to enhance competitiveness (for Luxembourg City, the effective combined income tax including the corporate income tax, municipal business tax and the contribution to the unemployment fund rate was about 29 per cent, and is planned to decrease to 27 per cent in 2017 and 26 per cent in 2018). Note that the tax reform for individual taxpayers followed principles dear to the coalition that can be

found in other measures, that is equality between the sexes and an adaptation to the make-up of the modern family. This emphasis could be seen in the possibility introduced by the tax reform of issuing joint or separate (individual) tax declarations, but also in other measures adopted in 2016, such as the reform of family allowances that equalises the amount received for each child, or in the new parental leave law that creates more incentives for fathers to suspend their employment contract and dedicate themselves to the education of their children. The government also pursued its ambitions to modernise and reorient the Grand Duchy's economy, and asked the economist and social theorist Jeremy Rifkin to elaborate on a report defining a new long-term economic model in which three technologies converge: new information and communication technologies, new sources of energy, and new modes of transportation. Whilst this 'Third Industrial Revolution' project was launched in September 2015, the Rifkin report, laying out its strategy, was officially presented on November 2016 by the Minister of Economy Etienne Schneider (LSAP). The prospect of seeing the country as a laboratory for innovations in multiple policy areas aroused a great deal of enthusiasm, but it also raised doubts about the potential impact of a sharing/collaborative economy on current labour law (including fears over a potential 'Uberisation' of working conditions).<sup>6</sup>

On the international scene, in February Luxembourg took over the rotating presidency of the Council of Ministers of the Benelux Union.<sup>7</sup> In June, Luxembourg's Chamber of Deputies voted on a resolution on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) urging the government to convince its EU partners and the Commission to make this deal a 'mixed agreement' (such agreements need parliamentary ratification in all member states and a vote in the European Parliament before any, even partial, implementation). It also joined other member states and associations asking for legal clarification with regard to the Investment Court System. Despite the decision of the EU Commission to make the CETA a mixed agreement and the Chamber's resolution, more than 4,000 people gathered in Luxembourg City in October to protest against the controversial free trade agreements CETA and TTIP. The demonstrators responded to the call of the 'Stop TTIP' platform, which had voiced criticism on both agreements negotiated by Canada and the United States with Europe, mainly on their lack of transparency. After lively internal debates among the ranks of two of the coalition parties (the Socialists and the Greens), a large majority (DP, LSAP and the Greens, and the main opposition party CSV) voted on a motion calling the government to sign the agreement under conditions reflecting the Chamber of Deputies' mentioned concerns.

## Notes

1. There were early national elections in 2013, European elections in 2014, a consultative referendum on constitutional reform in 2015, local elections scheduled for 2017, national elections in 2018 and European elections in 2019.
2. At the end of 2016 this coordinated text had yet to receive the Council of State's complementary advice.
3. See [https://www.youtube.com/watch?v=123\\_Ll6AVtM](https://www.youtube.com/watch?v=123_Ll6AVtM) (replay of the 2012 show on YouTube).

4. See for example: Roland Marie-Laure, 'Pourquoi un fait divers est devenu une affaire d'état', *Wort*, 07.12.2016. Available online at: <http://www.wort.lu/fr/culture/affaire-lunghi-rtl-bettel-pourquoi-un-fait-divers-est-devenu-une-affaire-d-etat-5849613b5061e01abe83d6fc>
5. See <http://www.wort.lu/fr/politique/sondage-politmonitor-le-gouvernement-a-tout-bon-mais-va-au-casse-pipe-587e507aa5e74263e13a9239>
6. See <http://www.euractiv.com/section/social-europe-jobs/opinion/the-uberisation-of-the-workplace-is-a-new-revolution/>
7. See <http://www.benelux.int/fr/nouvelles/lancement-de-la-presidence-luxembourgeoise-de-lunion-benelux>

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