

# EU-27 WATCH



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# EU-27 Watch

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## On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: [www.EU-27Watch.org](http://www.EU-27Watch.org).

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## Luxembourg

### Large member states stand in the way of Jean-Claude Juncker as first President of the European Council

Jean-Marie Majerus\*

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In Luxembourg, most politicians, as well as public opinion, were happy with Herman Van Rompuy's nomination as Belgian Prime Minister. He seemed to be the right man in the right place, able to give this neighbouring country the prospect of finding a viable compromise on how Walloons and Flemings could continue living together in peace and mutual understanding.

In the eyes of the Luxembourgish community, the natural candidate for the post of President of the European Council could not have been anybody other than Jean-Claude Juncker. However, in the weeks preceding the decisive Brussels Council, the international press revealed rumours and speculation announcing that Juncker would not be the first President of the European Council. During the decisive Brussels Summit in December 2009, Jean-Claude Juncker could have asked for a vote because "a large majority of delegations were ready to support my candidacy."<sup>1</sup> One major member state, however, was not keen to support him, but "my friend Van Rompuy did not meet any opposition at all."<sup>2</sup> Thus, in order not to risk a split in the Union because of his person, he decided to withdraw his candidacy and support his friend Van Rompuy. These rather sad events "left a bad souvenir, but no bitterness,"<sup>3</sup> according to the Luxembourgish Prime Minister.

The Luxembourgish press condemned the way this matter was handled: they were particularly disappointed by the representatives of bigger countries, especially by the French President, Nicolas Sarkozy. Sarkozy, who had de facto vetoed the nomination of Juncker, lost his last sympathies in the small neighbouring country. In the eyes of the Elysée, Juncker did not react appropriately during the financial crisis as President of the Euro group. Guy Kemp asked in the pro-socialist party newspaper *Tageblatt*: "Where was Angela Merkel?"<sup>4</sup> Again, the "big countries" manoeuvred a small one out. Daniel Cohn-Bendit, the European Parliament's Green leader and an outspoken Juncker fan, called "the decision historically inadequate"<sup>5</sup> and was applauded from Luxembourg. Was Juncker not allowed to become the first President of the European Council because he likes to reveal uncomfortable facts in public and does not refrain from criticising politicians from bigger nations?

Jean-Claude Juncker wants to give Van Rompuy a fair chance. In Juncker's opinion, he is "a European by conviction: he knows the mechanisms of the Union by heart. He has great capacity to listen to different points of view."<sup>6</sup> Juncker warns those "who predict that Van Rompuy could be easily manipulated like a puppet on a string."<sup>7</sup> Are these compliments made by courtesy, by personal friendship or by simple political calculation?

Marcel Kieffer, a political analyst of the conservative Luxembourgish *Wort*, has neither high expectations of Herman Van Rompuy nor of Catherine Ashton. He still believes that the main impulses in the future will come from the rotating national presidencies, even if their role was changed by the Lisbon Treaty.<sup>8</sup> He advises the Spanish Presidency to work closely with Van Rompuy in the implementation of the Lisbon Strategy and its follow-up programme.

Generally speaking, the political analysts from Luxembourg are keen to know what the real influence of Van Rompuy on day-to-day EU politics will be. There is a general fear that the influence of the smaller member states might be even more restricted, especially if the traditional Schuman method (*méthode communautaire*) is not applied in its classical way.

A journalist could not help confronting Van Rompuy with the ominous "European telephone question" at a press conference in Luxembourg City. Van Rompuy refused to answer, as he did not want to "fall into a trap built up by the media."<sup>9</sup> During his short visit to Luxembourg, he underlined that he "was the EU representative on the international floor," even concerning the "security and defence"<sup>10</sup> matter "[i]sn't this (Catherine Ashton's) job?"<sup>11</sup> This led the Luxembourgish press to ask the inevitable question, as was done by Danièle Fonck, who is working for the independent weekly *Le Jeudi*: "Who is in charge?"<sup>12</sup> "What are Mrs Ashton's duties and responsibilities?"<sup>13</sup>

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The Luxembourgish media were not happy with Van Rompuy's silence when the Greek problem was discussed at the Brussels February 2010 Summit. The "Belgian on the imaginary throne was too discrete when the Greek crisis was on top of the agenda."<sup>14</sup>

Most recently, Van Rompuy nevertheless received some applause in Luxembourg when he refused Merkel's idea to withdraw voting rights from Euro countries which do not respect the public debt criteria.<sup>15</sup> As head of the task force, he might, according to a Luxembourgish diplomat, create a fait accompli by elaborating a reform program to be ready in October 2010.<sup>16</sup>

Juncker agrees that the fathers of the Lisbon Treaty – him being one of them – have "forgotten to speak of the cohabitation problems created by the treaty."<sup>17</sup>

The Commission still has the exclusive right to make preparations for the Council. The President will make the traditional rally of the capitals. "The choreography must be good, especially under the Spanish Presidency", Juncker says.<sup>18</sup>

Rotating presidencies are more important for smaller- and medium-sized member states than for the bigger ones. Before the Lisbon Treaty was institutionalised, the rotating presidency was a real showcase for these countries. They were able to play, for at least one semester, the most important role on the international and European diplomatic floor. But these countries – especially Luxembourg – are also well aware of the disadvantages of the rotating presidency: for the Luxembourgish national administration, rotating presidencies had always been a major tour de force. For the extra-European partners of the EU, the rotating presidencies were always confusing. Nevertheless, the Luxembourgish government and public opinion believe that the rotating presidencies will continue to play a role in European politics, especially when the country in charge has a strong European spirit.

As a matter of fact, Luxembourg has always been and continues being a very strong supporter of the European foreign affairs and security policy. On the day of Catherine Ashton's designation, the first question which came to mind, in Luxembourg as well as in many other member states, was: "Catherine who?" "I don't pronounce myself on Ashton as I don't know her",<sup>19</sup> Jean-Claude Juncker said.

In fact, Catherine Ashton has to cope with the commissioners who are already in charge of different aspects of common foreign policy. How is she going to find her place?<sup>20</sup>

More critical observers mind the unclear definition of her responsibilities at the top of a new big administration.<sup>21</sup> The former Luxembourgish Foreign Affairs Secretary Paul Helminger, a liberal opposition Member of Parliament (MP), tries to explain why, in his eyes, a British woman was chosen: "The United Kingdom never really wanted a Common Foreign and Security Policy as long as it was not identical with its own foreign policy. By appointing an Englishwoman to this post, the European decision makers abandoned the implementation of such a policy."<sup>22</sup> The political analyst from Tageblatt had the same point of view: "Catherine Ashton is not the convinced European she pretended to be when she was confronting the Members of the European Parliament (MEPs) responsible for her confirmation as High Representative. She says she would prefer 'silent diplomacy'; could that mean 'no diplomacy at all'?"<sup>23</sup>

The definition and implementation of a Common Foreign and Security Policy has been one of the cornerstones of Luxembourgish European policy since the seventies. Apart from the tiny Communist Party, no serious political or social relevant group in Luxembourg ever opposed a European foreign and security policy. However, the "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" could not pass without creating some fears. Luxembourg, as well as some other smaller member states, is afraid that this new organisation might exclude them from major decision making. The Luxembourgish MPs and political analysts prefer the traditional "Schuman method."<sup>24</sup>

The European Citizens' Initiative (ECI) was explained to the Luxembourgish public by the Ministry of Foreign Affairs on Europaforum.lu.<sup>25</sup> Luxembourg's European Commissioner Viviane Reding, responsible for Justice and Civil Rights, made clear that not just any subject could be introduced by European citizens. She gave the example of a possible proposition asking for the reintroduction of the death penalty.<sup>26</sup>

In a country with only 500,000 inhabitants, a European Citizens' Initiative, which needs at least 1,000,000 signatures to be validated, does not really produce enormous interest. Only one Luxembourgish newspaper found the EU Commission's proposal for a regulation on the Citizens' Initiative important enough to publish it.

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<sup>1</sup> Jean-Claude Juncker: Je ne veux pas porter le chapeau du désaccord franco-allemand, Les Echos, 27 January 2010.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Guy Kemp: Mittelmäßige Ansprüche, Tageblatt, 3 December 2009.

<sup>5</sup> Ibid.

<sup>6</sup> Jean-Claude Juncker: Je ne veux pas porter le chapeau du désaccord franco-allemand, Les Echos, 27 January 2010.

<sup>7</sup> Ibid.

<sup>8</sup> Marcel Kieffer: Erste Früchte, Luxemburger Wort, 13 December 2009.

<sup>9</sup> Bertrand Slezak: Tout le monde raccroche, Le Quotidien, 5 February 2010.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Danièle Fonck: Mais qui est censé diriger l'Europe?, Le Jeudi, 4 February 2010.

<sup>13</sup> Ibid.

<sup>14</sup> Hartmut Hausmann: Griechenland und die Konsequenzen, Journal, 7 May 2010.

<sup>15</sup> Ibid.

<sup>16</sup> Marianne Truttman: Gipfel der Eurostaaten, Luxemburger Wort, 8 May 2010.

<sup>17</sup> Jean-Claude Juncker: Je ne veux pas porter le chapeau du désaccord franco-allemand, Les Echos, 27 January 2010.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Hartmut Hausmann: In einem Boot, Journal, 10 December 2009.

<sup>21</sup> Bertrand Slezak: On n'y voit pas plus clair, Le Quotidien, 10 March 2010.

<sup>22</sup> Paul Helminger in an interview with the author on 2 December 2009.

<sup>23</sup> Guy Kemp: Mittelmäßige Ansprüche, Tageblatt, 3 December 2009.

<sup>24</sup> Guy Kemp: Klarheit schaffen, Tageblatt, 30 December 2009.

<sup>25</sup> Europaforum: L'initiative citoyenneté européenne donne aux citoyens de nouvelles possibilités d'influer sur les politiques européennes, 31 March 2010.

<sup>26</sup> Tageblatt: EU leitet Europäische Bürgerinitiative ein, 1 April 2010.

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**Luxembourg****Positive stance towards Iceland – public opposition to Turkey****Jean-Marie Majerus\***

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Luxembourg's government has a positive attitude concerning the Icelandic application for EU membership. However, Iceland, as every other candidate state, has to pass the normal accession procedure. In fact, this will be much easier since Iceland, as a member of the Nordic Union, is already a member of the Schengen Information System and the European Economic Area. As Eurobarometer polls show, Luxembourg's population has no problems admitting Icelanders, which might not only be explained by the presence of an Icelandic community in Luxembourg, but also because Icelandic Airways used Luxembourg's Findel Airport as a hub for its continental European flights. The bad performance of some Icelandic banks in the most recent financial crisis did not really jeopardise this positive approach.

Luxembourg's Minister of Foreign Affairs, Jean Asselborn, visited the Western Balkans in February 2010 and used this opportunity to explain the Luxembourgish approach towards EU enlargement in the Western Balkans. After his meeting with Foreign Affairs Minister Milan Rocen from Montenegro, Asselborn praised the efforts made by this Western Balkans' nation to come closer to the EU. Asselborn especially praised the efforts made over the past years in the field of visa free entrance into Schengen-countries, and he recalled the stabilisation pact signed by Montenegro in 2007. Furthermore, the efforts made by Montenegro to respond to the EU questionnaire were also highly appreciated. Asselborn reaffirmed Luxembourg's firm commitment to offer the Balkan states a place inside the EU. He reiterated his encouragement to Western Balkan nations to reinforce their reform process and to strengthen their regional cooperation.

In Skopje, capital of (the Former Yugoslav Republic of) Macedonia (FYROM) the Ministers of Foreign Affairs Asselborn and Milososki underlined the positive character of the progress reports presented by the European Commission. Obviously, the debate on the official name of FYROM continues to be the main obstacle to the EU membership of Macedonia. Asselborn could not present a magician's solution to this most difficult problem. However, he compared the Greek-Macedonian conflict with German-French relations after World War II: "Only a resolute future-oriented spirit may be able to offer a solution. This solution will neither be dictated in Paris nor in Berlin and certainly not in Luxembourg."<sup>1</sup> Macedonian Foreign Minister Antonio Milososki tried to compare the Macedonian situation with relations between the Grand Duchy of Luxembourg and the Belgian province of Luxembourg.<sup>2</sup> Asselborn was satisfied with the significant progress made by Macedonia in the fields of justice and police affairs. Furthermore, the government of Macedonia stabilised, in his eyes, the national institutions respecting fundamental rights and common law.<sup>3</sup>

Asselborn's position reflects the general opinion of the Luxembourgish public as it is expressed in the press and parliament.<sup>4</sup>

As the Eurobarometer opinion surveys taken over the past years confirm, there is an outright majority in Luxembourg's public opinion which opposes any admission of Turkey into the EU in the foreseeable future.<sup>5</sup> Luxembourg has nevertheless accepted, like its partners, to start an open-ended negotiation process leading to possible Turkish EU membership. So far, this situation has not changed. There are political and economic analysts in Luxembourg who do see advantages in a possible Turkish membership.<sup>6</sup> Generally speaking, the membership perspectives of Turkey or other countries which are not included in the next enlargement round are not a topic on the political agenda of the public opinion and political class in Luxembourg. In general, Luxembourg's voters do not like any further enlargement of the EU before consolidation of the last one.<sup>7</sup>

In his last declaration on foreign and European policy, Minister Asselborn pointed out that he supports all efforts to create stability and prosperity beyond the EU's outside borders in the Mediterranean and Eastern Europe. Luxembourg wants to offer the necessary diplomatic, financial, economic and political instruments within the framework of the European Neighbourhood Policy. Luxembourg gives equal importance to relations with the south, meaning the Union for the Mediterranean and the Barcelona

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Process, as it gives to the Eastern Partnership. In the Luxembourgish parliament, no political party contested this point from the Minister of Foreign Affairs' declaration.<sup>8</sup>

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<sup>1</sup> Europaforum.lu: Les questions européennes au centre du "tour des Balkans" de Jean Asselborn, 9-11 February 2010, available at: <http://www.europaforum.public.lu/fr/actualites/2010/02/asselborn-balkans/index.html> (last access: 22 June 2010).

<sup>2</sup> In fact both situations cannot be compared for historical, geographical and political reasons. See: RTL Radio Letzebuerg: Den Ausseminister op Viste am Balkan, 10 February 2010.

<sup>3</sup> Europaforum.lu: Les questions européennes au centre du "tour des Balkans" de Jean Asselborn, 9-11 February 2010, available at: <http://www.europaforum.public.lu/fr/actualites/2010/02/asselborn-balkans/index.html> (last access: 22 June 2010).

<sup>4</sup> La Voix: L'ARYM aux portes de l'UE, 11 February 2010; Tageblatt: Die schwierige Überwindung der Vergangenheit, 11 February 2010.

<sup>5</sup> Eurobaromètre 69: L'opinion publique dans l'Union européenne, printemps 2008, Luxembourg.

<sup>6</sup> Serge Kennerknecht: Gestärkt, geschwächt, Tageblatt, 31 March 2010.

<sup>7</sup> Eurobaromètre 69: L'opinion publique dans l'Union européenne, printemps 2008, Luxembourg.

<sup>8</sup> The policy defined in this declaration has not changed in the meantime. See: Jean Asselborn, Ministre des Affaires étrangères: Déclaration de politique étrangère à la Chambre des députés, 18 November 2009.

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## Luxembourg

### Initial reluctance replaced by strong leadership

Jean-Marie Majerus\*

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Luxembourg's political class, as well as its Prime Minister and President of the Eurozone, seemed to ignore – at least at the beginning of the year 2010 – the real size of the Greek crisis. Jean-Claude Juncker declared on 5 March 2010: “I don't believe that the country [Greece] needs help from outside.”<sup>1</sup> Luxembourg's public opinion had no understanding for xenophobe, populist headlines as they appeared in German popular press: “Greeks are lazy, corrupt and underdeveloped!”<sup>2</sup> Luxembourg's population also knows that European solidarity has its limits and it still remembers the loud and unfriendly, if not insulting, statements of German politicians made two years ago when Luxembourg's fiscal policy was their focus.

When the full extent of the Greek crisis became obvious in April 2010, even the Juncker-friendly Luxembourgish press blamed the President of the Euro group, recalling his overly optimistic declarations made in March 2010: “We have the torture instruments in the basement and we'll show them if necessary.” The so-called “Greek conspiracy plotted by American hedge funds and investment banks” legend was forged by European politicians to divert public opinion's focus from their own failure.<sup>3</sup> This affirmation doesn't stem from a narrow-minded Marxist-Leninist ideologist, but was written by the editor of the Catholic Church owned, main Luxembourgish newspaper Luxemburger Wort.

In fact, the Luxembourgish taxpayer has to bear a heavier burden than his German counterpart, as Jean-Claude Juncker pointed out in an interview on a German radio station on 1 June 2010: “The net contribution of the Luxembourgish taxpayers for the Greek aid plan, as well as for whole Euro plan, is much higher than the average contribution a German taxpayer has to bear.”<sup>4</sup> Even though the Luxembourgish constitution would have allowed Finance Minister Frieden to pass the Greek aid plan without a parliamentary debate, the Finance Minister did so because of the enormous amount.<sup>5</sup> There was no real contradictory debate on helping Greece in Luxembourg, unlike in Germany.

Altermondialist and communist analysts blame the international finance markets, which allow big banks to offer credit to Greece at higher interest rates and hence to make even bigger profits than before, at the expense of the working class people. They denounce the cruel austerity policy imposed on Greece. Only a radical reform of the system can help prevent another “Greek crisis.”<sup>6</sup>

Green Members of Parliament and Members of the European Parliament sent an open letter to the President of the Euro group. They asked him to force banks to stick to their responsibilities and protect the Eurozone against unforeseeable, gambling financial markets, to create a public rating agency and tax financial transactions. Luxembourg, as a founding member of the European Communities, should be a vanguard in the coordinated European action against speculation.<sup>7</sup>

Jean-Claude Juncker himself wants to implement the Stability and Growth Pact with even more energy. Therefore, it is absolutely necessary, in his eyes, to consolidate the budgets of the Eurozone countries, decide structural reforms and to raise the competitiveness of the economy. In the end, this policy leads, according to Jean-Claude Juncker, to some kind of “European economic governance”. The worst economic and financial crisis since World War II can only be solved, according to Jean-Claude Juncker, in a common effort.<sup>8</sup>

Does “a strong coordination of economic policies in Europe” mean a kind of “economic governance”? Some heads of government will not be very pleased with this perspective. Are the member states ready to coordinate their economic policies?<sup>9</sup> “Germany and France may both talk about enhanced economic governance but they mean very different things by it: for France, interventionism; for Germany, the harmonisation of rigour.”<sup>10</sup>

Jean-Claude Juncker revealed that “he had to bring a lot of patience to reconcile French and German positions concerning the saving of the Euro.”<sup>11</sup> Whereas Angela Merkel asks for an “economic

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government” for the whole European Union, Juncker wants to begin with the creation of a closer cooperation of the economic policies of the Eurozone countries.<sup>12</sup>

The economic governance of the Eurozone needs profound reshaping regarding the Euro crisis. After the finance ministers’ meeting in Madrid, Juncker declared that he is on the same line as Olli Rehn: a strengthening of budget surveillance is absolutely necessary.<sup>13</sup>

Juncker said that the markets are reacting irrationally. “There are expectations that growth is slowing down because of the deficit cuts we have to take,”<sup>14</sup> Juncker said in Tokyo. “There is a certain reluctance to believe the Greeks can overcome the current crisis. I don’t think the markets are behaving in a rational way.” After hitting a four-year low, the Euro has edged higher. However, political divisions in Europe and fears of tighter financial regulations after Germany’s unilateral move to ban naked short selling on some instruments kept investors edgy and stocks pressured. Juncker said, “I’m concerned because the rapidness of the fall of the Euro is impressive. I’m not concerned as far as the current exchange rate is concerned.”<sup>15</sup>

Among the remedies discussed on the background of a dramatically deteriorating situation in the Eurozone countries is the introduction of a common bond. Jean-Claude Juncker has backed the idea of a common bond as a logical step forward in the development of the Eurozone.<sup>16</sup>

A communist political analyst was the only one to vigorously criticise Juncker’s action as President of the Euro group.

In Luxembourg, political party leaders and civil society representatives acknowledge the importance of the Europe 2020 Strategy for the future development of the EU. But many questions remain to be answered: Who is going to coordinate the different strategies? What will be the responsibilities of this coordinator? Every member state can define its own way to achieve the Strategy. Who is going to coordinate the member states’ ways to act?<sup>17</sup>

Luxembourg’s Labour Minister Nicolas Schmit (Luxembourg Socialist Workers’ Party – LSAP) fears a lack of coordination in the implementation of the Europe 2020 Strategy: “Will the traditional ‘Schuman method’ be replaced by a vague ‘coordination of policies?’” If this happened, the success of the Europe 2020 Strategy would be seriously jeopardised.<sup>18</sup>

A communist political analyst was very sceptical concerning the success of the Europe 2020 Strategy: in his eyes, it is not ambition alone that is necessary to fight the rise of the unemployment rate.<sup>19</sup> Generally speaking, there is a great scepticism concerning the success of the new Strategy.

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<sup>1</sup> Camille Leroux: Désunion, Le Quotidien, 6 March 2010.

<sup>2</sup> NDR Fernsehen: Feindliche Berichte über Griechenland, 10 March 2010, available at: [http://www3.ndr.de/sendungen/zapp/archiv/medien\\_politik/griechenland150.html](http://www3.ndr.de/sendungen/zapp/archiv/medien_politik/griechenland150.html) (last access: 22 June 2010).

<sup>3</sup> Pierre Leyers: Euros nach Athen, Luxemburger Wort, 27 April 2010.

<sup>4</sup> Bayern2: Der Euro und der Rücktritt des Bundespräsidenten Horst Köhler, 1 June 2010.

<sup>5</sup> Chambre de députés, Projet de loi N°6142.

<sup>6</sup> David Wagner: Le cheval de Troie, Woxx, 21 May 2010.

Uli Brokmeyer: Mit der Krise Profit machen, Zeitung vum Lëtzebuurger Vollek, 5 May 2010.

<sup>7</sup> Tageblatt: Griechenland – Krise, 7 May 2010.

<sup>8</sup> Ibid.

<sup>9</sup> Hortense Bentz: Die Richtung weisen, Luxemburger Wort, 25 March 2010.

<sup>10</sup> The Economist: Charlemagne: Financial fortress Europe, 14 May 2010.

<sup>11</sup> Berliner Zeitung: Kopfschütteln und Befremdung, 21 May 2010.

<sup>12</sup> Taz.de: Mehr Einmischung, 20 May 2010.

<sup>13</sup> Le Quotidien: Weekend laborieux à Madrid, 19 April 2010.

<sup>14</sup> Business and Finance Daily News Service, Juncker says markets irrational on euro, 20 May 2010.

<sup>15</sup> Ibid.

<sup>16</sup> Financial Times: Common bond could help stabilize the eurozone, 20 May 2010.

<sup>17</sup> Hortense Bentz: Die Richtung weisen, Luxemburger Wort, 25 March 2010.

<sup>18</sup> Europaforum.lu: Conseil EPSCO, 8 July 2010, available at: <http://www.europaforum.public.lu/fr/actualites/2010/07/conseil-epsco-informel/index.html> (last access: 14 July 2010).

<sup>19</sup> Uli Brockmeyer: Mit ihrem Latein am Ende, Zeitung vum Lëtzebuurger Vollek, 27 March 2010.

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**Luxembourg****More political courage deemed necessary**

Jean-Marie Majerus\*

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In general, the Luxembourgish population is very sensible concerning the climate change topic. Several environment protection associations, such as Mouvement écologique, Greenpeace Luxembourg, and other pro-ecology organisations, have united their efforts with 30 other NGOs, such as Caritas, Action-solidarité-Tiers-monde, among others, to act together against climate change<sup>1</sup> and create a Luxembourgish pro-climate lobby called "Votum Klima." Leaders of this pro-climate alliance talked to Prime Minister Juncker and the Ministers for Sustainable Development and Infrastructure Wiseler and Schank. Votum Klima cannot accept the Copenhagen conference results.<sup>2</sup> The reduction of CO<sub>2</sub> emissions plan endorsed by the EU and the USA is totally insufficient. Votum Klima criticised Juncker and the other European political leaders for their lack of perseverance and political courage. Prime Minister Juncker acknowledges the criticism by the environment lobby and declared that he would like the EU to stick to its original 30 percent CO<sub>2</sub> reduction goal. Nevertheless, he is well aware that this aim will be very difficult to reach, as a lot of partners only want to commit themselves if all the others do the same.

Green and ecological activists ask the government to make sure that the European Union is seen as a model and must not wait until other continents and economic powers follow up with their decisions on CO<sub>2</sub> reduction. Business and industrialist federations agree that the EU and the national governments should act in climate change affairs but they nevertheless warn the Luxembourgish government in particular and the EU in general not to take unilateral measures which could harm the competitiveness of the national and European economy.<sup>3</sup>

Most mainstream political leaders publicly support a global agreement within the United Nations Framework Convention on Climate Change (UNFCCC) as the best strategy to fight climate change. The Green Party and other ecological activists would prefer an even tougher approach and denounce the agreement as being too soft or even meaningless to really prevent climate change.

Francis Massen, founder of a meteorological control centre in northern Luxembourg, favours an alternative strategy for the European Union. He believes that the agreement by the UNFCCC was based on horror scenarios promoted by certain scientific, political and environmentalist action groups, which have special interests in the implementation of this agreement. Francis Massen and his followers think that the real problem waiting to be solved concerns the differentiation of energy resources rather than the definition of a new climate change policy. Massen wants to promote an intelligent mix of all possible energy resources, including nuclear power.<sup>4</sup>

The Luxembourgish socialist Member of European Parliament Robert Goebbels gives succour to Massen and denounces "Climatism" as a new religion and a new kind of "green capitalism" based on a profitable CO<sub>2</sub> certificates' trade.<sup>5</sup>

Luxembourg can claim the honour to figure on the top of the list of countries which spend the most money on non-military cooperation and development projects per capita of their gross national income.<sup>6</sup>

The Luxembourg cooperation policy's paramount goal is the eradication of poverty through sustainable development. What are the effects of climate change on developing countries' populations? UN millennium objectives determine the strategy of the Luxembourg development policy. Luxembourg's cooperation objectives are therefore twofold: sustainable development and reduction of the impoverishment of biological biodiversity. Other aims are production of clean water, improving living conditions and so on.<sup>7</sup>

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<sup>1</sup> Greenpeace-Luxembourg: Votum Klima Luxembourg, 2010, available at: <http://www.greenpeace.org/luxembourg/votumklima/> (last access 14 July 2010).

<sup>2</sup> Richard Graf: Hausaufgabenhilfe, Woxx, 29 January 2010.

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\* Centre d'Etudes et de Recherches Européennes Robert Schuman.

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<sup>3</sup> Echo des entreprises: Coût et opportunités, 2/2010.

<sup>4</sup> Europa.forum.lu: Énergie – Environnement Le changement climatique, un problème réel ou hystérie des cercles scientifiques et politiques, available at: <http://www.europaforum.public.lu/fr/actualites/2008/09/debat-turmes-massen-oberweis/index.html> (last access: 19 July 2010); Albert Haas: Der erlogene Klima-Konsens, Tageblatt, 4 January 2010.

<sup>5</sup> Robert Goebbels: Zum Klimatismus, Tageblatt, 24 February 2010.

<sup>6</sup> Organisation for Economic Cooperation and Development (OECD): Les performances inégales de l'aide au développement pour 2010 suscitent des inquiétudes, 17 February 2010, available at:

[www.oecd.org/document/37/0,3343,fr\\_2649\\_34447\\_44620069\\_1\\_1\\_1\\_37413,00.html](http://www.oecd.org/document/37/0,3343,fr_2649_34447_44620069_1_1_1_37413,00.html) (last access: 22 June 2010). Some countries will even go beyond this goal: Sweden has a ratio of net Official Development Assistance (ODA) to Gross National Income (GNI) 1.03 the highest in the world just before Luxembourg which has a ratio ODA/GNI of 1.00.

<sup>7</sup> Ministère des Affaires Étrangères, Direction de la coopération au développement: Environnement et changement climatique – stratégie et orientations 2009-2010.

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## Luxembourg

### Trouble in paradise

Jean-Marie Majerus\*

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The German Press Agency (dpa) released an astonishing headline on 28 April 2010: “Uproar in paradise – crisis splits Luxembourg.”<sup>1</sup>

The Grand-Duchy’s economy, already badly shaken by the banking crisis in the aftermath of the Lehman Brothers’ bankruptcy, did not have to wait for the consequences of the Greek crisis to learn that new unhappy times were dawning. Being accustomed to growth rates of 4 to 9 percent over the last years, always meeting the Maastricht criteria without a problem, Luxembourg now had a “paradise lost” feeling. The beloved “Luxembourg model” seemed to guarantee a never-ending economic growth success story.

This famous “Luxembourg model” came into being in the mid-seventies in the aftermath of the steel crisis, and the birth of the Luxembourg financial centre is based on a tripartite social consensus dialogue between the government, the great representative unions and the employers’ federations.<sup>2</sup> Social cohesion and peace were preserved by steadily growing state revenues from the financial sector and a unique wage raise system in Europe. In fact, Luxembourg has generalised, since the 1970s, an automatic indexation of wages on the rise of living costs. The basket of goods to measure the evolution of living costs includes foremost necessity products such as milk and bread, but also nonessential consumer goods such as cigarettes and fuel prices. The advantage for the employers is that there is practically no labour action nor any other social unrest in tiny, peaceful Luxembourg. An indexation of salaries means that wages are automatically adapted without any negotiations if prices rise by more than 2.5 percent. No consideration of the actual economic situation is taken into account. The indexation was temporary put out of action in the past if inflation was so high that a full implementation of the indexation would have seriously harmed the national economy. But these most exceptional situations always led to political disarray. For the labour unions, the “indexation of salaries” is a “paramount social acquis” and its “manipulation” is unspeakable.<sup>3</sup>

The government is well aware that times are changing and that even a “paradise” like Luxembourg has to increase its economic competitiveness to be able to cope with the most serious economic crisis since World War II.<sup>4</sup> However, Luxembourg is the only European country to have the automatic indexation of wages in the private and in the public sector. Maintaining the indexation of salaries is an important part of the government coalition program; it will be very difficult, if not sheer impossible, for the government coalition to abolish this Luxembourgish specificity. But most employers or human resources managers – many of them coming from foreign countries – are not so familiar with the Grand Duchy’s specificities and have little or no understanding for a system with an automatic rise of personnel costs not directly linked to an equivalent gain of productivity.<sup>5</sup> As long as the Luxembourgish economic figures were fixed in the green zone, the employers’ request for an indexation abolition sounded like the “*ceterum censeo Carthago delendam esse*”<sup>6</sup> of the Roman politician Cato.

The most recent tripartite negotiations should have come to a conclusion before the Prime Minister’s speech on the state of the nation in early May 2010. In fact the negotiations ended in failure on 27 April 2010, when the Prime Minister had to take note that no deal was possible.

Prime Minister Juncker had isolated preparatory consultations with all members of the tripartite negotiations copied from the “confessional method” used in European Commission negotiations. Although these consultations were said to be confidential, it was clear that it would be very difficult to find a *compromis à la luxembourgeoise* in the way compromises had been found in former times when Luxembourg’s “social consent society”<sup>7</sup> was still working perfectly. Now the government was in very bad shape, as it had to find a solution that would take account of the dramatic financial situation of the public treasury and the contradictory demands of its social partners.

The international economic situation, in which the microstate Luxembourg is embedded, declined dramatically with the Greek crisis linked to the Euro crisis. Prime Minister Juncker, in his function of Euro group leader, had to fight on two fronts at the same time: at home with the social partners and on

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the European floor with his Euro country partners and the finance markets. According to Finance Minister Pierre Frieden, state revenues from the financial sector will be in a free fall in the years 2012 and 2013, when the banks are supposed to pay taxes for the years 2008 and 2009, years when they had no profits. Frieden already had to borrow money – an unusual behaviour in Luxembourg – to be able to realise the public investments he had to finance. He intends to bring down public debt again by 2014. It was the ungrateful role passed on to Finance Minister Frieden to present these cruel proposals. According to a gentlemen's agreement, the content of the tripartite negotiations are not to be made public until the very end of the negotiations. This time, the OGBL (the pro-socialist union) communicated the content of the propositions Frieden made in the name of the government to the press. The measures included not only a list of reductions of state aids, but also a raise in taxes and, last but not least, a modulation of the indexation.<sup>8</sup>

This, economically speaking, most difficult situation was topped by the serious political crisis that followed. In an interview, Luxembourg's Socialist Labour Minister Nicolas Schmit, a former career diplomat, declared that the "social cruelties" discussed in the government had been proposed by Finance Minister Luc Frieden and had not been decided by the government as whole.<sup>9</sup> This PR action seemed to have been a success, since his personal rating in public opinion soared and those of the once very popular Finance Minister were squeezed. The communication policy of the government was "suboptimal", as Juncker himself conceded. After the next tumultuous government council, Schmit had to retract and accept that the propositions made by Frieden were the propositions of the "government as a whole."<sup>10</sup> Leading Christian Democrats called for the resignation of the Socialist Labour Minister.

In order to get out of the stalemate, Juncker made the last compromise propositions to the unions:<sup>11</sup> "The unions refused all compromise propositions of the Prime Minister; a disillusioned and angry Jean-Claude Juncker had to acknowledge the failure of the tripartite negotiations."<sup>12</sup> A most recent public opinion survey has suggested a widespread approval of these propositions.<sup>13</sup>

In the meantime, the political crisis has been shifting towards its climax. Socialist Party Chairman Alex Bodry and the leader of the Socialist parliamentary group Lucien Lux had maintained that an extraordinary Socialist Party congress should approve or disapprove the results of tripartite negotiations and the government was to make a decision following these discussions. After a passionate discussion, the Socialist Party congress approved the government decisions on tax raises and lowering state aid programs.<sup>14</sup> The Juncker compromise had been previously withdrawn from the congress' agenda. The influence of the left wing union OGBL among Socialist congress delegates would have been strong enough to veto any decision to "manipulate" the indexation. On the other hand, leading Christian Democrats (party President Michel Wolter and parliamentary group Chairman Jean-Louis Schiltz) reflected in public on plans to change the coalition partner. In the government, the friendly atmosphere among colleagues seemed to have vanished: Minister Frieden had to accept the "dictate" of the OGBL.<sup>15</sup> Would Juncker be ready to cross the Rubicon and put an end to the ruling coalition, eventually leading to new elections?

The state of the nation speech of the Prime Minister on 5 May 2010 was expected with great impatience. Juncker made it very clear to all observers that there was no government crisis in his eyes, because there was no alternative to the coalition in power.<sup>16</sup> In a non-public Chrëschtlech Sozial Vollekspartei (CSV) national committee, the delegates were convinced that new elections could only weaken the CSV, and the Luxembourg Socialist Workers' Party (LSAP) would be the old and the new coalition partner anyway.<sup>17</sup>

Juncker's speech was very clear. It put a provisional end to all speculations concerning the possible divorce of the coalition partners, at least until the next fall. Because Juncker handed over the "hot potato" to the Socialist Minister of Economy Jeannot Krecké, known to have more balanced views on indexation, Krecké was given the mission to make new proposals on how to raise the competitiveness of Luxembourg's economy before next fall.

The political, social and economic crisis in the "paradise" is interrupted, but is still awaiting a final solution.

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<sup>1</sup> dpa: Aufruhr im Paradies – Krise spaltet Luxemburg, 28 April 2010.

<sup>2</sup> François Manzari: La crise sidérurgique au Luxembourg 1975-1985, University of Montpellier, Master thesis (unpublished).

<sup>3</sup> Onafhängege Gewerkschaftsbond Lëtzebuerg (OGBL): Jean-Claude Reding: Austeritätspolitik und Sozialabbau führen in eine Sackgasse, available at [http://www.ogb-l.lu/pdf/publications/aktuell/Aktuell\\_5\\_2010.pdf](http://www.ogb-l.lu/pdf/publications/aktuell/Aktuell_5_2010.pdf) (last access: 19 July 2010);

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Lëtzebuenger Chrëschtliche Gewerkschaftsbond (LCGB): Von der Tripartite zur Lage der Nation, Sozialer Fortschritt 4/2010, available at: <http://lcgb.lu/uploads/magazines/4bd85f14c68262e73901e87de1d7676aa8147d25.pdf> (last access: 22 June 2010).

<sup>4</sup> Government of Luxembourg: Discours de Jeannot Krecké, Ministre de l'économie et du commerce extérieur à l'occasion de l'ouverture de la Foire du Printemps, 1 May 2010, available at: [http://www.gouvernement.lu/salle\\_presse/discours/autres\\_membres/2010/05-mai/01-kreckeluxexpo/index.html](http://www.gouvernement.lu/salle_presse/discours/autres_membres/2010/05-mai/01-kreckeluxexpo/index.html) (last access: 19 July 2010).

<sup>5</sup> Business Federation Luxembourg (Fedil): La Fedil plaide en faveur d'un accord tripartite, Communiqué, 22 April 2010.

<sup>6</sup> "Furthermore I think Carthage must be destroyed."

<sup>7</sup> Gilbert Trausch: Discours: De l'Etat à la nation, Luxembourg 1989.

<sup>8</sup> The government decided on a list of measures to increase the state's fiscal revenues and reduce its spending. See also for details: <http://hello.news352.lu/index.php?p=edito&id=34636> (last access: 14 July 2010).

<sup>9</sup> Nicolas Schmit Kein Beschluss der Regierung (interview with Minister Schmit), Tageblatt, 16 April 2010.

<sup>10</sup> Luc Frieden: Vorschläge im Namen der Regierung, Tageblatt, 26 April 2010.

<sup>11</sup> Juncker's compromise propositions: Alternative 1: exclusion of the evolution of crude oil prices from the panel taken into account for the indexation. This would be compensated by free public transport; or alternative 2: exclusion of the middle and high wage classes from a fully paid indexation of wages. Union leaders refused both propositions right away. Juncker made no effort to hide his disarray and deception.

<sup>12</sup> Le Jeudi: L'échec de Juncker, 29 April 2010.

<sup>13</sup> Luxemburger Wort: 73% für Index-Deckelung. Die Vorschläge von Premier Juncker stoßen auf breite Zustimmung, 30 April 2010.

<sup>14</sup> Luxemburger Wort: Koalitionsfrieden auf Bewährung. Die Sozialisten segnen Maßnahmenpaket der Regierung zur Sanierung der Finanzen ab. Der Zusammenarbeit von CSV und LSAP stehen stürmische Zeiten bevor, 3 May 2010.

<sup>15</sup> Personal interview with J. Putz, member of the Young Christian Democrats (CSJ) central committee, 6 May 2010.

<sup>16</sup> Chambre des Députés: Discours de Jean-Claude Juncker sur l'Etat de la Nation, 5 May 2010, available at: <http://www.gouvernement.lu/gouvernement/etat-nation/index.html> (last access: 22 June 2010).

<sup>17</sup> Personal interview with J. Putz, member of the Young Christian Democrats (CSJ) central committee, 6 May 2010.

## Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

**All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!**

### 1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

### 2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

### 3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

### 4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

### 5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?