Grand Duchy of Luxembourg

ABOUT

CAPITAL:
LUXEMBOURG

NEIGHBOURING COUNTRIES:
GERMANY
BELGIUM
FRANCE

AREA:
2,586 KM^2

POPULATION:
549,700 INHABITANTS, INCLUDING 248,900 FOREIGNERS

FORM OF GOVERNMENT:
CONSTITUTIONAL MONARCHY

GRAND DUCHY OF .luxembourg

Grand Duchy of Luxembourg

ABOUT

Luxembourg and the European Union

Of all the member states of the European Union, the Grand Duchy of Luxembourg is the country that can claim the longest track record in economic and political integration, spanning more than 170 years. Initially, this integration arose out of imposed necessity; after the end of the Second World War, it became the result above all of a conscious choice and a profound conviction.

Its geostrategic position and political environment for centuries dictated the fate of Luxembourg, a transborder territory par excellence. Its small size and consequently small market left it with no option but to seek openings with its neighbouring countries, which materialised in the form of the Zollverein, the Belgo-Luxembourg Economic Union, Benelux, the European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community, the latter three subsequently joining to form the European Union. The first two unions were imposed on Luxembourg by the great powers and the political constellation of the time; the last three treaties, freely chosen, have provided it with a market that, over successive enlargements, has progressively opened itself up to the whole of Europe, and have ultimately conferred upon it the status of a partner in its own right.

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Balloon launch at the Fête de l'Europe, an annual event held in May, also celebrated in Luxembourg's capital (© SIP/Luc Deflorenne)

Integration, a long tradition

Unintended, yet fruitful unions

As a result of Europe being carved up by the Congress of Vienna in 1815, Luxembourg was awarded as a patrimony to the king of the Netherlands and attached to the new German Confederation. In 1839, in the wake of the Treaty of London, it lost a substantial part of its territory to Belgium, making the search for closer ties with a neighbouring country a necessity. Under pressure from Prussia, a treaty was signed in 1842 with the Zollverein, a customs and trade union, which gradually the various German states and later the entire German Reich belonged to. In a reflection of the balance of power, Luxembourg's accession to the Zollverein was gained only through Prussia. It was not admitted to the General Conference of the Customs Union and thus had no say within the bodies. Every step had to go through Prussia. The customs administration was entrusted to a Prussian director and most of the senior officials were also Prussian.

This customs union was not a matter of free choice and yet it proved beneficial to both partners in the long term. Taking off at the same pace as Germany, the Luxembourg economy saw the doors open to a vast market for the steel industry that developed in the south of the country – thanks to the discovery of iron ore during the 1840s – and prompted the emergence of a series of small and medium-sized businesses. Initially concluded for four years, the treaty was subsequently renewed on a regular basis, the last time in 1902 for an additional 57 years.

At the end of the First World War and following the German defeat, Luxembourg saw itself forced to denounce the Zollverein. Overnight, the economy was cut off from its main market and the heavy industry triangle of Luxembourg-Saarland-Lorraine was left fragmented. Once again the question of the country's economic orientation arose. The Luxembourg citizens and the vast majority of the economic sectors preferred their bigger neighbour France to Belgium, an option clearly expressed during a referendum in September 1919. However, for various reasons, both political and economic, France withdrew, compelling Luxembourg to turn to Belgium. Negotiations proved very laborious, given in particular the inequality of the two countries and their diverging political aspirations and economic interests.

The Belgo-Luxembourg Economic Union (BLEU) was established on 25 July 1921. In terms of its provisions, it went beyond a simple customs union to constitute more of an economic union. The Belgian franc was legal tender in Luxembourg; the latter nevertheless retained the right to issue its own currency also. Trade treaties were negotiated and entered into by Belgium, which nonetheless had to consult Luxembourg. Luxembourg's customs administration was no longer dependent on the larger partner. The balance of power dictated the allocation key of the revenue pool; later, in 1972, on account of Luxembourg's economic development, this formula was adjusted. Initially, Belgium had a higher number of representatives in the Union's bodies; an even balance was subsequently struck. Mutual agreement replaced the previous requirement for prior consultation.

Jean Monnet, first president of the High Authority of the ECSC, and Robert Schuman, French Minister of Foreign Affairs and of Luxembourg origin, in front of the institution's seat in Luxembourg in May 1953 (© Théo Mey/Photothèque de la Ville de Luxembourg)

The BLEU was first and foremost a marriage of convenience. Over the decades, while the union was regularly extended and adapted to political and economic developments, it proved advantageous to Luxembourg from a long-term perspective. With the exception of the devaluations of the franc in 1935 and 1982, which were decided unilaterally by Belgium without the prior consultation of Luxembourg and which temporarily undermined their relationship of trust, overall the partnership unfolded on a level playing field.

Belgium was Luxembourg's second most important economic and trade partner after Germany. Overtaken today to a certain extent by the progress of the European Union (EU), the BLEU nevertheless continues to be a beneficial framework for in-depth dialogue between the two countries on issues relating to the EU.

Scarred by the occupation, the Netherlands, Belgium and Luxembourg joined forces towards the end of the Second World War to form Benelux. Initially concluded in a bilateral context between the BLEU and the Netherlands, this three-fold union went through a pre-union stage in 1949. The Treaty establishing the Benelux Economic Union was signed in 1958 and concluded on a tripartite basis, with Luxembourg henceforth a contracting partner, in line with the development of its status. From an economic point of view, Benelux has also, over the years, been overtaken by the EU. Its benefit was more political: it gave Luxembourg a higher profile; in third countries, the country's interests were defended by the embassies of the Netherlands. At more or less regular intervals, it provides a dialogue framework for issues relating to the EU; occasionally, however, differences in approach prevent the partners from finding a common denominator.

The ECSC, a vast market for the steel industry

On 9 May 1950, Robert Schuman, French Minister of Foreign Affairs, born in Luxembourg to a Lorraine customs officer and a Luxembourg mother, proposed to place the entire French-German production of coal and steel, symbols of economic power and weapons of war, under a joint High Authority, within an organisation in which other countries could participate. Luxembourg could not remain indifferent to this initiative. The new organisation opened up a vast market for the steel industry, which formed the core sector of its economy.

Beyond the purely economic advantages, this approach had above all a profoundly political significance. Indeed, this was the first step in the reconciliation between two age-old enemies and the potential end of a rivalry that had caused suffering to Luxembourg, particularly during the 20th century when its political neutrality was violated in the context of the two global conflicts. Ultimately, this reconciliation provided a solid guarantee for its external security. Going beyond simple bilateral agreements, the Treaty establishing the European Coal and Steel Community (ECSC), signed in April 1951, henceforth offered a more comprehensive multilateral framework and allowed the country to emerge from its post-war isolation. It was founded on equality before the law of all member states and on common rules, enforced by an independent jurisdiction. An institution with a supranational character, invested with real decision-making powers, the High Authority, with its seat in Luxembourg, oversaw the smooth functioning of the ECSC, which was formed by France and Germany, as well as Italy, the Netherlands, Belgium and Luxembourg.

Given the weight of the Luxembourg steel industry within the ECSC, it was obvious that the country had to become a fully-fledged player within the institutions and play a direct part in the decision-making process, with a representative within the High Authority, a minister within the Special Council of Ministers, four deputies within the Common Assembly and a judge at the Court of Justice. Subsequently and in negotiating all future treaties, Luxembourg would endeavour to secure its direct participation in the decision-making process; this participation was never challenged in its principle.

Signing ceremony for the Treaty of Accession of Bulgaria and Romania on 25 April 2005 in Luxembourg, under the Luxembourg Presidency of the Council of the European Union (© SIP/Luc Deflorenne)

Signatory of all treaties

From the creation of the ECSC onwards, Luxembourg resolutely committed itself to the European construction and supported all new initiatives. In 1957, alongside its original five partners, it signed the treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) in Rome. These treaties were supplemented several times. In 1986, the Single European Act, negotiated and finalised under the Luxembourg presidency, was signed in Luxembourg and The Hague, paving the way for a single market. With the Maastricht Treaty (1992), the EU laid the foundations for a single currency, a common foreign policy as well as cooperation in the fields of justice and home affairs.

The Treaty of Amsterdam (1997) introduced new domains to the Community scope. It incorporated in particular the Schengen Convention, which regulated the free movement of persons without border controls and organised police cooperation; the Convention was signed aboard a riverboat docked in Schengen, a village on the Luxembourg Moselle. The treaty outlined a reform of the European institutions and was later supplemented by the Treaty of Nice (2001), among others through the reinforcement of the powers of the European Parliament, a new weighting of votes in the Council of Ministers and changes to the composition of the institutions with a view to the future enlargement.

The reform was not entirely satisfactory and so the EU launched a new process, resulting in the Treaty establishing a Constitution for Europe, drawn up by a Convention and signed on 29 October 2004. This treaty proposed major advances for the functioning of the EU and a strengthening of its competences. On 10 July 2005, Luxembourg's citizens cast a majority vote – 56.52% for and 43.48% against – in its favour. On 25 October 2005, Parliament (Chamber of Deputies), composed of 60 deputies, definitively ratified the treaty, with 57 votes for and one vote against, and two deputies absent. The Treaty establishing a Constitution for Europe nevertheless failed, following the negative outcome of the referendums in France and the Netherlands, with seven member states failing to complete the ratification procedure.

In 2007, after two years of political crisis, an Intergovernmental Conference negotiated the Treaty of Lisbon, which incorporated a range of innovations proposed by the Treaty establishing a Constitution for Europe and which was consolidated in the Treaty on European Union and the Treaty on the Functioning of the European Union henceforth in effect.

Open in principle to any European state, the EU has gradually enlarged. In 1973, three countries from northern Europe – Denmark, Ireland and the United Kingdom – joined the six founding members. Three new democracies from southern Europe joined in 1981 (Greece) and 1986 (Spain and Portugal). The Europe of Fifteen materialised in 1995, with the accession of Austria, Finland and Sweden. On 1 May 2004, ten countries from Eastern Europe and the Mediterranean joined the EU: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. Bulgaria and Romania followed suit in 2007, after the Treaty of Accession was signed in Luxembourg in 2005 under the Luxembourg Presidency of the Council of the European Union. In 2013, Croatia became the 28th member state to join the EU.

The basic treaties and the accession treaties have consistently been approved by the Luxembourg Parliament by a very large majority, even unanimously, very often including votes from the parliamentary opposition parties.

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A qualitative leap forward

In comparison with preceding treaties, the treaties establishing the European Union have, since 1952, given rise to an incontestable qualitative leap forward for Luxembourg. The approach is Community-based. Decisions on rules that all member states undertake to respect are taken jointly within institutions created to this effect.

In signing the various treaties, Luxembourg has transferred sovereignty rights to the EU. This transfer is in fact a contradiction: by conceding part of its sovereignty, the Grand Duchy is in actual fact regaining some of it, given that since 1951, as a sovereign member, it has been playing an active and direct part in the development of the EU. For centuries a negligible quantity in the game between the great powers, Luxembourg is now a player in its own right. It has gone from object to subject, with a reinforced national identity. Admittedly, it does not carry the same weight as other member states; nevertheless it has the same rights in the decision-making process.

The founding fathers did not limit themselves to creating an economic community. They first and foremost laid the foundations for a community based on the rule of law, a new law, autonomous and uniform for all the member states, distinct from national law and at the same time taking precedence over the latter. It is directly applicable in all member states and binding in its provisions. This common law fundamentally sets the EU apart from other international organisations. It takes precedence over force and thus represents, for the small member states, but ultimately for everyone, a strong shield against arbitrary rule.

In return, a small state must assert its presence and its sense of responsibility, while scrupulously abiding by the rules of the game – like every member state incidentally – and meeting its obligations to the letter.

Respect of vital interests

Since its creation, the EU has allowed Luxembourg to essentially safeguard its vital interests, provided they are duly justified and presented in a responsible and reasonable approach that is acceptable to the partners. As a result, particularly in the original treaties, transitional periods or derogating measures were granted to specific sectors, fragile due to Luxembourg's small territory size.

Open to compromise, Luxembourg has successively obtained decisions enabling its capital to develop as the seat of the Community judicial and financial institutions. Its approach has been characterised by discernment and a sense of proportion on a limited number of issues.

A guaranteed spot within the enlarged EU

While going about its uniting activities, the EU has always preserved the identity and individuality of the member states, the regions and the people, as well as the diversity and richness of their cultures. For a country like Luxembourg, time and again threatened in its existence, the EU thus represents a guarantee of its independence and security.

Luxembourg participates in the European Council and the Council of Ministers with representatives in equal number to that of its European partners: however, the fact remains that, in qualified majority voting, the country is assigned only a limited voting weight. It is undisputed, however, that influence within these Councils is not necessarily dependent on the size of the country. Moreover, the most important decisions, relating for instance to the amendment of treaties, the budget, taxation, the accession of new member states, must always be adopted by unanimous vote.

Jean Monnet, Robert Schuman and Joseph Bech, the founding fathers of the European Union, on the occasion of the third anniversary of the ECSC (© Pol Aschman/Photothèque de la Ville de Luxembourg)

Within the European Parliament, Luxembourg is represented by six deputies (MEPs). Admittedly, their relative weight has decreased within the union of the 28 member states; the number of MEPs per inhabitant nevertheless remains the highest.

The European Commission, the Court of Justice of the European Union, the General Court and the European Court of Auditors each have a Luxembourg member. The Governor of the Luxembourg Central Bank serves on the Governing Council of the European Central Bank. The country currently has six representatives sitting on the European Economic and Social Committee and five on the European Committee of the Regions.

The influence of a country – as more than 60 years of integration have proven – is not necessarily measured in terms of its geographical dimensions. If in the past Luxembourg has unquestionably played a role bigger than its size, this can be attributed to certain decisive factors: the quality of its representatives at all levels and, for some, their political longevity – a vital factor for a small country that has turned them into living memories –, their way of tackling issues in a Community-based approach, their credibility as well as their ability to drive Community integration while disregarding purely national interests, to assume the presidencies of the Council of Ministers as honest brokers, to make themselves available as a discreet mediator between dissenting views, in the event of such a role being called for by the partners, without imposing themselves.

Honest brokers

On account of their privileged geographical situation, their history and their bilingual, if not trilingual culture, their multicultural education, their special position as a founding member, Luxembourg's representatives are – almost inherently – designated to play the role of intermediary and honest broker within the EU, a role that all the country's prime ministers as well as several ministers, proficient in a wide variety of fields, have excelled at. They have on numerous occasions helped find the common denominator and bestow new momentum on the integration process.

One of many examples being that of the Dublin European Council (1996): while France and Germany were defending diverging positions on the Stability and Growth Pact, the cornerstone of the future economic and monetary union, it was the Prime Minister at the time, Jean-Claude Juncker, who ultimately succeeded in negotiating a compromise solution to a very sensitive issue, a feat acknowledged by all the participants.

Still, to achieve success in this exercise, one must – in all modesty – wait for the opportune moment and not set oneself up as judge, while carefully avoiding the pursuit of national or personal interests.

At the time, Joseph Bech, Minister of Foreign Affairs, with his reputation as an éminence grise, was fond of telling his conversation partners that if ever a Luxembourg representative came up with a bright and brilliant idea, such as providing a way out of a diplomatic impasse, he would refrain from shouting it from the rooftops! Instead he would mull it over before whispering it into the ear of some big-country representative, the Luxembourg representative's true satisfaction arising from seeing the other diplomat present the idea as his own and it being adopted as such.

THREE LUXEMBOURGERS AT THE HEAD OF THE EUROPEAN COMMISSION

Three former Luxembourg prime ministers have to date been appointed to lead the European Commission: Gaston Thorn from 1981 to 1985, Jacques Santer from 1995 to 1999 and Jean-Claude Juncker, who assumed a five-year mandate on 1 November 2014. The latter was also president of the Eurogroup from 2005 to 2013.

Gaston Thorn was particularly involved in the negotiations relating to the accession of Spain and Portugal; the Commission was also forced to dedicate a large part of its efforts to dealing with the consequences of the steel industry crisis.

Under the presidency of Jacques Santer, the Commission succeeded in advancing the introduction of the euro, the employment policy and the enlargement of the EU to include the countries of Central and Eastern Europe. Failure by a Commission member to respect the administrative rules led to the entire Commission submitting its resignation under pressure from the European Parliament.

The proposal by the European Council of Jean-Claude Juncker as candidate for the post of president of the Commission was a logical extension of the results of the European elections, the Group of the European People's Party – with Juncker at its helm – having obtained the largest number of seats. On 22 October 2014, the Commission secured confirmation as a college by the European Parliament, thanks to a broad coalition of conservatives, social democrats and liberals.

Jean-Claude Juncker, president-elect of the European Commission, at the vote on the new Commission at the European Parliament on 22 October 2014 (© European Union)

Seat of the institutions – it all began in Luxembourg

A lasting provisional arrangement

The night of 24 to 25 July 1952 entered the history books. Following 18 hours of negotiations, the Luxembourg Minister of Foreign Affairs, Joseph Bech, suggested that the High Authority of the ECSC commence work in Luxembourg, a proposal that was eventually adopted. While for months the member states were incapable of agreeing on a single city and outmanoeuvring each other, it was Luxembourg that was unanimously endorsed as a provisional solution which, ultimately, was to last for decades. On 10 August 1952, the High Authority embarked on its activities in a ceremonial sitting at the Town Hall. The Court of Justice took up residence in Villa Vauban, while the Common Assembly met in Strasbourg, for lack of an adequate venue in Luxembourg.

The creation of the EEC and Euratom in 1957 inevitably gave rise to the issue of the institutions' seat. Once again, in view of multiple candidacies, a compromise proved impossible. It was recommended that the executive bodies of the two Communities meet in Brussels or Luxembourg, in accordance with practical considerations and material availabilities. They eventually established themselves in Brussels. At the time, Luxembourg feared losing the institutions of the ECSC in the process. Campaigning rather for the seats to be distributed among several cities, it did not hazard submitting its candidacy for the institutions as a whole. The controversial debate remains as to whether, at the time, it let a historic one-seat opportunity slip by, an opportunity that subsequently never arose again.

Seat of judicial and financial institutions

During the mid-1960s, the executive bodies of the ECSC, the EEC and Euratom merged to form the European Commission. The abolition of the High Authority logically led to a new debate on the future of Luxembourg as possible seat. The government for a long time resisted the merger in itself, but succeeded in getting the partners to accept the principle that the presence of Community institutions was of vital interest to the country. While incorporating the departure of the High Authority, the decision of 8 April 1965 enshrined the role of Luxembourg as judicial and financial seat; it also opened up new prospects. The essential aspects of today's provisions are based on the treaty of 1965, which exclusively addressed the issues relating to the seat in Luxembourg and supported what was known at the time as the Brussels-Luxembourg-Strasbourg "tripolarity".

Basing itself on the preceding decision, in 1973, after admittedly very arduous negotiations, Luxembourg obtained the seat of the European Monetary Cooperation Fund, precursor of the future European Central Bank. With the exception of its constitutive meeting, the Fund never met in Luxembourg. Thanks to the same decision, the newly created Court of Auditors was established in Luxembourg in 1977.

After decades of provisional arrangements, the Edinburgh European Council, on 12 December 1992, finally established the provisions on the location of the seats of the institutions on a solid legal basis. The role of Luxembourg, Brussels and Strasbourg was consolidated once and for all, for the first time by referring to the corresponding provisions of the treaties; all the more given that decisions regarding seat location must be adopted unanimously.

The Avenue de l'Europe is considered the gateway to Kirchberg, the capital's quarter housing part of the European institutions (© Christof Weber/SIP)

At the time, Luxembourg was a candidate for the seat of the European Central Bank and the Office for Harmonization in the Internal Market (trade marks and designs). Despite the 1965 treaty, Luxembourg failed to obtain satisfaction. The European Council of 29 October 1993 assigned the seats of the European Monetary Institute and the European Central Bank to Frankfurt and that of the Office to Spain, with a series of newly created agencies spread across various cities of the EU.

The provisions on the seat were subsequently integrated in a protocol annexed to the Treaty of Amsterdam, which entered into force in 1999. This protocol was incorporated into subsequent treaties, thereby strengthening the legal validity of the provisions.

In 2003, an agreement was concluded between the government and the European Commission, restructuring and consolidating the Directorates-General and services of the Commission in Luxembourg.

Today, the European Commission and the Council of Ministers have their seat in Brussels. The European Parliament, for its part, is based in Strasbourg.

The city of Luxembourg is home to

- the Secretariat of the European Parliament;
- a Directorate-General and services of the European Commission, in particular the statistical office Eurostat and a large part of the translation service;
- the Court of Justice of the European Union, the General Court and the Civil Service Tribunal, with an Appeal Court for the European Unitary Patent due to take up residence in the near future;
- the European Court of Auditors;
- the European Investment Bank and the European Investment Fund;
- the Publications Office of the European Union, official publisher of the publications of the institutions of the EU and in particular of the *Official Journal of the European Union*, which contains legislation in the form of regulations, directives and decisions.

In April, June and October, the Council of Ministers holds its sessions in Luxembourg.

To secure the existence and functioning of the economic and monetary union, the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) were created in 2010 and 2012 respectively, as bodies of the euro area member states. They are based in Luxembourg.

As a result of the EU's enlargement to 28 member states, approximately 11,000 civil servants now work in Luxembourg in the Community institutions. To assess the true impact on the Luxembourg economy, this number should include the numerous private companies providing services to the institutions.

THE FATHER OF THE EURO

The fact that the euro as a common currency today constitutes an essential acquis of the EU is to the credit, among others, of Pierre Werner, former Luxembourg Prime Minister, Minister of Finance. During the early 1970s, he presided over a group of renowned experts, appointed by the The Hague Summit to explore opportunities for progress towards an economic and monetary union. The Werner report, a subtle compromise between the economist and monetarist arguments, contained the essential ingredients of the current economic and monetary union. Its implementation was blocked at the time by the economic crisis and turbulences on the money markets.

THREE CHARLEMAGNE PRIZES

Awarded for the first time in 1950, the International Charlemagne Prize is the oldest distinction awarded each year in Aachen (Germany) to public figures or bodies for their commitment to Europe and European unification.

In 1960, Joseph Bech, former Prime Minister, Minister of Foreign Affairs – one of the founding fathers of European integration alongside Schuman, Monnet, Adenauer, De Gasperi and Spaak –, was awarded the prize as a tribute to forty years dedicated to “the unification of Europe that started with the League of Nations and found its consecration in the European institutions”.

In 1986, the prize was awarded to the Luxembourg people, “in recognition of their exemplary and unwavering commitment to the unification of the people of Europe”. His Royal Highness Grand Duke Jean accepted the prize on behalf of the Luxembourg people.

In 2006, Jean-Claude Juncker was awarded the prize “in recognition of his role as a driving force and a key player [...] over the past two decades, as a conciliator, mediator and bridge builder between politicians and peoples, and between the member states of the Community with all their differences, and in recognition of his role as an innovative thinker for the United Europe of the future”.

Pierre Werner (1913-2002), Prime Minister and Minister of Finance of Luxembourg on several occasions, was responsible for the Werner plan, forerunner of the economic and monetary union (© SIP)

On 8 May 1986, HRH Grand Duke Jean received on behalf of the Luxembourg people the International Charlemagne Prize, bestowed in recognition of the country's exemplary commitment to the unification of the people of Europe (© Photo: Jean Weyrich/Luxemburger Wort)

Institutions and bodies at the service of the EU

Since its inception, the EU has been governed by an autonomous institutional system, historically unprecedented in its design, distinctive in its distribution of powers, community-focused in both its letter and spirit.

The European Parliament, representative of the people

Elected every five years by direct universal suffrage, the European Parliament is the democratic emanation of the political will of the people. It has 751 MEPs, including six from Luxembourg, sitting in transnational political groups. The European Parliament legislates together with the Council of Ministers, it controls the political institutions and shares budgetary powers with the Council of Ministers. The Parliament's seat is in Strasbourg, where the main debates are held over the course of twelve plenary sittings a year. Additional plenary sittings are held in Brussels, as are the meetings of the committees and political groups. The Secretariat and its services are based in Luxembourg.

The European Council, pulse generator

The European Council consists of the heads of state or government of the member states, together with its president and the president of the European Commission. It plays a key role in providing impetus for the development of the EU and lays down general guidelines as well as common foreign and security policy principles. It does not, however, exercise any legislative functions. It meets at least four times a year in Brussels.

The Council of the European Union, legislative and budgetary authority

The Council of the European Union, better known as the "Council of Ministers", consists of the member states' government representatives. It shares legislative and budgetary powers with the European Parliament; it coordinates the general economic policies of the member states; it concludes international agreements; it implements common foreign and security policy on the basis of guidelines set out by the European Council; it coordinates the actions of the member states in the area of police and judicial cooperation.

Depending on the issues being dealt with, the Council of the European Union takes its decisions by a unanimous vote, a simple majority or a qualified majority. When acting on a proposal from the Commission, in particular in the legislative procedure, a qualified majority is reached with the support of 55% of the members of the Council, representing 65% of the population; for decisions not based on a proposal from the Commission or the High Representative of the Union for Foreign Affairs and Security Policy, the threshold is 72% of the members, representing 65% of the population.

The Foreign Affairs Council is chaired by the High Representative of the Union for Foreign Affairs and Security Policy. The other configurations of the Council are chaired in turn by each member state for a period of six months. The presidency of the Council of the European Union plays a vital role, particularly in the implementation of the legislative and policy-making process.

The seat of the Council is in Brussels. During the months of April, June and October, Council meetings take place in Luxembourg.

The Court of Justice of the European Union, based in Luxembourg since 1952, has 28 judges, one per member state, and nine advocates-general (G. Fessy © CJUE)

The European Commission, driving force of integration

The European Commission is a politically autonomous institution, representing the interests of the EU as a whole. It is the driving force in the institutional system. It enjoys a quasi-exclusive right of initiative and as such proposes legislation to the European Parliament and the Council of the European Union. It manages the policies, programmes and budget of the EU and it monitors the correct application of European Union law. It represents the EU on the international stage, for instance by negotiating agreements between the EU and other countries.

The Commission includes 28 commissioners, one for each member state. It is politically accountable to the Parliament. Its seat is in Brussels, with one Directorate-General and certain services based in Luxembourg.

The Court of Justice of the European Union, guardian of law

The Court of Justice of the European Union, based in Luxembourg since its creation in 1952, ensures the uniform interpretation of European Union law, applicable to the institutions of the EU, the member states and private individuals. Its competences cover disputes between member states, between the EU and the member states, and between the institutions. It rules on actions for annulment or for failure to act brought by a member state or an institution, as well as on actions for failure to fulfil obligations against the member states. In the context of preliminary rulings, it is responsible for responding to questions submitted by a national judge requesting, in the context of a pending action, an interpretation of EU law. The Court of Justice has 28 judges, one per member state, and nine advocates-general.

The General Court is an autonomous jurisdiction and a constituent component of the Court of Justice. It too is made up of one judge per member state. It has jurisdiction, among others, on actions for annulment of acts of the Community institutions, relating for instance to unfair competition, mergers and antidumping measures, on actions relating to state aid and trade mark law as well as on actions for damages. The judgments of the General Court may be subject to an appeal before the Court of Justice, limited to points of law, however.

The Civil Service Tribunal is composed of seven judges and rules on disputes involving the institutions and their civil servants.

The European Central Bank, responsible for price stability

The European Central Bank, based in Frankfurt, is tasked with implementing the EU's monetary policy. Its decision-making bodies – the Governing Council and the Executive Board – manage the European System of Central Banks, the mission of which is to manage money supply, conduct exchange operations and manage the official foreign reserve assets of the member states as well as to ensure the smooth functioning of payment systems. The primary objective of the Bank is to safeguard price stability. In cooperation with the competent national authorities, it is responsible for overseeing the banking sector on the basis of uniform rules.

As of December 2012, the six members of the Executive Board include Luxembourger Yves Mersch, former governor of the Central Bank of Luxembourg.

The seat of the European Investment Bank has been in Luxembourg since 1968 with offices throughout its regions of activity (© Picture library EIB)

The European Court of Auditors, financial conscience

The European Court of Auditors monitors the correct implementation of the EU budget. As the EU's "financial conscience", it examines – in complete independence – the legality of revenue and expenditure, while also ensuring its financial management is sound. The transparency of this monitoring is ensured by the Court of Auditors' annual or special reports. It is composed of one member from each member state. Its seat is in Luxembourg.

The European Economic and Social Committee and the European Committee of the Regions, advisory bodies

The European Economic and Social Committee and the European Committee of the Regions, with seats in Brussels, are consulted by the Council, the Parliament and the Commission; the first on issues relating to the internal market, education, consumer protection, the environment and social development, the other on issues affecting regional and local interests. Currently, there are six Luxembourg representatives sitting on the European Economic and Social Committee and five on the European Committee of the Regions.

The European Investment Bank, financial institution

The European Investment Bank is the EU's financial institution. Based in Luxembourg, it provides long-term loans to finance investment projects, primarily in the industrial, energy and infrastructure sectors. These investments must contribute to the balanced development of the EU as well as to its integration and its social and economic cohesion. It borrows resources on the capital markets, which are added to equity.

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Luxembourg presidency – determination, professionalism, impartiality

A fully-fledged member of the EU, Luxembourg has been called upon eleven times to assume the presidency of the Council of the European Union, a task that – despite the limited human resources at its disposal – it has always accomplished with pragmatism, commitment, competence and tact, often succeeding in advancing the EU.

For instance, in 1966, it negotiated the famous Luxembourg compromise, which regulated the relations between the Council and the Commission and laid down the voting procedures within the Council. The compromise allowed France to return to the Council table, having adopted an "empty chair" policy for more than six months.

In 1985, Luxembourg finalised the Single European Act, completing the common market. Reforms were adopted to improve the functioning of the institutions: qualified majority voting was extended, the powers of the European Parliament were increased. According to Jacques Delors, president of the Commission, this presidency was "truly remarkable on a technical level, the understanding with the Commission being perfect". For him, this was "a moment of happiness".

During the first semester of 1991, the Luxembourg presidency was confronted with international crises: the Gulf War, the disintegration of Yugoslavia and the Soviet Union, the critical situation in the Baltic States. On an internal level, it succeeded in reaching a political agreement on approximating rates of value added tax (VAT) and excise duties. It drove forward the completion of the single market. As its centrepiece, it presented a draft Treaty on Economic and Monetary Union, which was eventually used as the basis of the Maastricht Treaty. The treaty was largely inspired by a report drawn up in 1970 by a group of experts under the presidency of the Luxembourg Prime Minister, Pierre Werner. This report foresaw the creation of an economic and monetary union in three stages, over a period of ten years. Its ultimate objective was to achieve the irreversible convertibility of the currencies of the member states, the full liberalisation of capital movements and the irrevocable fixing of exchange rates, and possibly the replacement of national currencies with a single currency. At an institutional level, the report advocated the creation of a "Community system of central banks". Turbulences on the money markets alongside recurrent oil price shocks prevented the implementation of the Werner plan.

During the second semester of 1997, the EU, under the impulse of the Luxembourg presidency, adopted a coordinated employment strategy, laying down common guidelines to be defined annually, as a framework for national action plans. Continuing on the path of the single currency, the presidency defined the plan for the conversion of national currencies to the euro and fixed the exchange rates in advance. The European Council of December agreed on the method and process of the planned enlargement, with potential candidate countries able to be integrated according to their state of readiness. The decision was made to immediately begin negotiations with Cyprus, Estonia, Hungary, Poland, Slovenia and the Czech Republic, with six other potential candidate countries to follow. Accession prospects remained temporarily closed to Turkey.

During the first semester of 2005, the Luxembourg presidency, now held in an enlarged EU of 25 states, succeeded in overcoming two major challenges in profoundly controversial fields. The interpretation of the Stability and Growth Pact was made more flexible, by allowing it to be read in a more economic way and more in line with cyclical objectives. The Lisbon process, aimed at reinforcing the competitiveness of the European economy, was relaunched; member states henceforth had to take ownership of the process and assume full responsibility in implementing the structural reforms, while respecting dominant trends: strengthening competitiveness, preserving the European social model as the true objective of the economic reform and sustainable growth respectful of the environment. Beyond this, the member states pledged to increase official development aid to 0.56% of gross national income by 2010 and to 0.7% by 2015. The Savings Taxation Directive was adopted. The Treaty of Accession of Bulgaria and Romania was finalised and signed in Luxembourg in April 2005. A common EU position on climate change

The European Convention Centre Luxembourg, where the meetings of the Council of Ministers take place in April, June and October (© Council of the European Union)

was adopted. By contrast, despite tireless efforts, it proved impossible, given the opposition of two member states, to reach a compromise on the financial perspective determining the EU's budgetary envelope for the 2007-2013 period. A compromise that was very close to the Luxembourg proposals was reached under the subsequent presidency. At the end of the Luxembourg presidency, the failure of the referendums on the Treaty establishing a Constitution for Europe weighed heavily on the atmosphere.

"Whether it presides the Council or whether it presides the European Council", opined Jacques Delors, for ten years the president of the European Commission and thus a first-hand witness, "Luxembourg exhibits the same qualities: solid professionalism, great impartiality and a resolute determination to advance the Community. As a result of its geographical situation and owing to the structure of its economy, Luxembourg's interests largely overlap with those of the Community. It rarely has voiced specific demands or requirements. The Luxembourg presidency therefore is – and always has been – a truly European presidency."

LUXEMBOURG PRESIDENCY	HEAD OF GOVERNMENT	MINISTER OF FOREIGN AFFAIRS
1.1.-30.6.1960	Pierre Werner	Eugène Schaus
1.1.-30.6.1963	Pierre Werner	Eugène Schaus
1.1.-30.6.1966	Pierre Werner	Pierre Werner
1.1.-30.6.1969	Pierre Werner	Pierre Grégoire, Gaston Thorn
1.1.-30.6.1972	Pierre Werner	Gaston Thorn
1.1.-30.6.1976	Gaston Thorn	Gaston Thorn
1.7.-31.12.1980	Pierre Werner	Gaston Thorn, Colette Flesch
1.7.-31.12.1985	Jacques Santer	Jacques F. Poos
1.1.-30.6.1991	Jacques Santer	Jacques F. Poos
1.7.-31.12.1997	Jean-Claude Juncker	Jacques F. Poos
1.1.-30.6.2005	Jean-Claude Juncker	Jean Asselborn

A big challenge for a small country

The presidency of the Council of the European Union is a difficult exercise for any member state. For a small country that does not have the same administrative resources at its disposal as its larger counterparts, it constitutes a major challenge. Not only must the meetings of the ministers be chaired, but the presidency must also extend to all the preparatory bodies, from the Permanent Representatives Committee to approximately 150 groups and committees dealing with specific subjects.

Since the last Luxembourg presidency in 2005, significant institutional reforms have been introduced: pursuant to the Treaty on European Union, the European Council of the heads of state or government is now headed by the institution's permanent president, the Foreign Affairs Council by the High Representative of the Union for Foreign Affairs and Security Policy, at the same time vice-president of the Commission, and the Eurogroup by an elected president.

In addition, member states holding the presidency now work in close cooperation in groups of three. In the interest of continuity and coherence, the trio fixes the long-term objectives and draws up a common programme defining the themes and key issues that will be addressed by the Council over the course of an 18-month period. Based on this programme, each of the three countries draws up its own, more detailed, six-month programme.

When Luxembourg assumes the presidency of the Council of the European Union, it must, like any presidency, play the role of conductor, honest and neutral, accompanied by the support of the services of the Council. It has a multiple task, which involves

- defining the programme of the presidency, while maintaining the continuity of the programme in the long term;
- planning and chairing the formal and informal meetings of the Council, the meetings of the Permanent Representatives Committee and of the multiple preparatory bodies;
- reaching compromises within the Council, in discussion with the member states, and between the legislative institutions;
- reaching agreements with the president of the European Council, the institution defining the broad guidelines, and with the European Commission, which has a quasi-exclusive right of initiative;
- representing the Council in relations with the other institutions of the EU, and in particular conducting negotiations with the European Parliament in the name of the Council, in the context of the legislative procedure;
- working in close coordination with the High Representative of the Union for Foreign Affairs and Security Policy, responsible for drawing up said policy and implementing it as mandated by the Council.

The coordination of the Luxembourg presidency is ensured by the Ministry of Foreign and European Affairs, in collaboration with the Permanent Representation of Luxembourg to the EU, an interface in Brussels between the Luxembourg authorities and the European institutions.

A community of values

The EU is a community of values shared by all. The most precious value is that of peace, now guaranteed on a continent ravaged for centuries by fratricidal wars. Without peace and security, it is impossible to construct any kind of future. Thanks to the EU, Luxembourg, too often a victim of the rivalries between nations, has undoubtedly enjoyed the longest period of peace in its history. It has gone from history subject to history player, with the same rights but also the same obligations as the other member states. Its existence and its identity are secure and as such it can make use – within the limits imposed by the treaties – of the advantages of its sovereignty, while recognising that integration requires compromises in the interest of the EU. Its contribution to the common cause is real and undeniably goes beyond what can legitimately be expected from a small member state.

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Webography

– European Union	www.europa.eu
– European Parliament	www.europarl.europa.eu
– European Council	www.european-council.europa.eu
– Council of the European Union	www.consilium.europa.eu
– European Commission	www.ec.europa.eu
– Court of Justice of the European Union	www.curia.europa.eu
– European Central Bank	www.ecb.int
– European Court of Auditors	www.eca.europa.eu
– European Economic and Social Committee	www.eesc.europa.eu
– European Committee of the Regions	www.cor.europa.eu
– European Investment Bank	www.eib.org
– Treaty on European Union	www.eur-lex.europa.eu
– Treaty on the Functioning of the European Union	www.eur-lex.europa.eu
– Charter of Fundamental Rights	www.europa.eu
– Rotating presidency of the Council	www.consilium.europa.eu

Useful addresses

MINISTÈRE DES AFFAIRES ÉTRANGÈRES ET EUROPÉENNES
(Ministry of Foreign and European Affairs)

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REPRÉSENTATION PERMANENTE DU LUXEMBOURG AUPRÈS DE L'UNION EUROPÉENNE
(Permanent Representation of Luxembourg to the European Union)

75, avenue de Cortenbergh B-1000 Bruxelles	Tel.: (+32) 2 737 56 00 bruxelles.rpue@mae.etat.lu

MAISON DE L'EUROPE – CENTRE D'INFORMATION EUROPÉEN
(House of Europe – European Information Centre)

7, rue du Marché-aux-Herbes L-1728 Luxembourg	Tel.: (+352) 43 01-37833 comm-rep-lux-info@ec.europa.eu

CENTRE VIRTUEL DE LA CONNAISSANCE SUR L'EUROPE
(Virtual Resource Centre for Knowledge about Europe)

Château de Sanem L-4992 Sanem	Tel.: (+352) 59 59 20-1 info@cvce.eu www.cvce.eu

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Publisher
Information and Press Service
of the Luxembourg Government
Publishing Department

33, bd Roosevelt
L-2450 Luxembourg
Tel.: (+352) 247-82181
Fax: (+352) 47 02 85
edition@sip.etat.lu
www.gouvernement.lu
www.luxembourg.lu

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Printing
Imprimerie Exe

ISBN 978-2-87999-263-1

March 2015

LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Service information et presse