



The European Policy of Luxembourg

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Profile

- Capital: Luxembourg
- Founder member of the E.C. along with France, West Germany, Belgium, Italy, and the Netherlands
- Member of Schengen (1995), and Eurozone (1999)
- Currency: Euro
- Official languages: Luxembourgish, German, French
- Not all residents are born in Luxembourg: Luxembourgish 52.9%, Portuguese 14.5%, French 7.6%, Italian 3.7%, Belgian 3%, German 2%, Spanish 1.3%, Romania 1%, other 14% (CIA World Factbook, 2022).
- Borders: Germany, Belgium & France
- Hosts several EU institutions – European Court of Justice, European Court of Auditors, Eurostat, etc.



Factors shaping the Luxembourgish European policy: Size

- Population: 681,973 (STATEC, 2025)
- Geographical size: 2,595 Km²
- Luxembourg accounts for approximately 0.15% of the total EU population (which in 2025 is approx. 450.4 million) (Eurostat, 2024).
- Being a small country:
 1. Pros: smart, cooperative and niche-focused policies, quick adaptability to EU directives & global trends
 2. Cons: Luxembourg cannot exercise raw power, cannot defend itself alone (however it can come up with smart solutions, i.e. cyber defence strategy, sustainable finance initiative)

Factors shaping the Luxembourgish European policy: History

- Luxembourg is a small Grand Duchy bordered by Belgium, Germany & France. It has a history shaped deeply by its larger neighbours.
- It became a Grand Duchy in 1815.
- In 1830, Luxembourg joined the Belgian Revolution against Dutch rule, but the fortress in the capital remained under the Netherlands' control. In 1839, the Treaty of London divided Luxembourg, giving about half its territory to Belgium to avoid conflict between Belgium and the Netherlands.
- In 1867, Luxembourg gained full independence and neutrality.
- German occupation during both World Wars → Luxembourg abandons its neutral stance & pursues closer international cooperation.
- It became a founding member of the Benelux Union (1948), NATO (1949) & the European Community (1957).

Factors shaping the Luxembourgish European policy: History

○ Reasons why it joined:

1. Joining the ECSC (1951) meant free access to neighbouring markets & protection from trade barriers - Luxembourg was dependent on steel and trade (European Commission, 2023).
 2. European integration ensured peace via economic interdependence and reduced the risk of conflict between France & Germany – solved the issue of multiple invasions of Luxembourg.
 3. Luxembourg cannot exert power alone, so membership in the EU provided Luxembourg a voice in supranational institutions and influence in EU decisions.
 4. As a member-state, Luxembourg could embed the values of democracy, the rule of law and solidarity in a broader European framework (European Union, n.d.).
 5. Integration attracted foreign investment and encouraged growth in finance, services and technology, not only in steel.
- Its history of occupation & cooperation explains Luxembourg's strong commitment to European integration and collective security.

Factors shaping the Luxembourgish European policy: Place on the map

1. Relationship to Europe

- Location: Western Europe
- Borders: France, Belgium, Germany
- Founding member of Benelux (1944), UN (1945), NATO & Council of Europe (1949), ECC (1957), OECD (1961), OSCE (1975), EU (1993, former ECC), WTO (1995) → strong support towards European integration.
- Promotes open borders, multilateralism & cooperation within the EU (European Union, n.d.).
- Utilizes its EU membership to gain global influence despite its small size



Factors shaping the Luxembourgish European policy: Place on the map

2. National Security interests

- Abandoned neutrality after WW2 → joined NATO and EU defense frameworks, enabling participation in international operations
- Reliance on collective security & diplomacy rather than a large military (due to small size & population)
- Location is strategically important, but renders the country vulnerable – regional stability is essential
- Small size & economy mean that Luxembourg must adopt a pragmatic approach → invests strategically in i.e. specialized units instead of a large military (Gouvernement.lu, 2024; MFIN, 2018).
- Through international engagement, Luxembourg contributes to peace-keeping and EU/NATO missions to ensure regional & global stability
- Political consensus & civic support mean strong domestic cohesion → enhances resilience and national security

Factors shaping the Luxembourgish European policy: Place on the map

3. Relations with Neighbors

- Strong economic, political & cultural ties with France, Belgium & Germany, i.e. language – shared history & proximity
- Luxembourg is part of the Greater Region (includes parts of Luxembourg, Germany, Belgium & France) for cross-border cooperation: allows coordination of regional planning, transport & economic development.
- About 47% of workforce commutes daily from its neighbours (on which Luxembourg relies financially) (STATEC, 2023).

Factors shaping the Luxembourgish European policy: Place on the map

4. Economic consequences of Geography

- Small, landlocked country → relies on trade & financial services (World Bank, 2024; Eurostat, 2024).
- Location supports growth as a financial hub & attracts foreign investment
- Benefits from the Single Market, free movement of labour & access to workers from neighboring countries (European Commission, 2023).
- Hosts key EU institutions, boosting political & economic influence
- Efficient transport links facilitate imports, exports & logistics

Factors shaping the Luxembourgish European policy: Economy

- After the 1970s, Luxembourg shifted from steel to finance due to the decline of the steel industry. The country used its location, stability & favorable laws to attract international banks and investment funds. Through that, it became one of Europe's leading economies.

In 2024:

- Luxembourg contributed about 0.68% to the EU's total GDP and 0.12% of the global GDP (European Commission, 2023).
- It had highest GDP per capita in the EU, approximately €128,000, which is about 242% (2.42 times higher) of the EU average of €39,680.
- Unemployment rate: 6.4% (Spring Forecast, 2025).

Factors shaping the Luxembourgish European policy: Economy

- In 2024, around 80-81% of Luxembourg's exports were sent to EU member states (Eurostat, 2024).
- Main trading partners outside the EU: USA, UK, China, Switzerland. Exports include mainly industrial & financial services.
- Total value of Luxembourg's exports: 215.5% of GDP (2024) – the exports are twice the value of what the country produces in a year (World Bank, 2024).
- Long-term average of exports: 134.25% of GDP (1970-2024) – demonstrates that there's a consistent dependence on trade with other EU countries (World Bank, 2024).

Factors shaping the Luxembourgish European policy: Economy

○ Public finances:

1. Money from taxes → used to fund public services, infrastructure & health care
2. Budget surplus & low deficit (careful management of finances) → fiscal health (Budget surplus 2024: 1.0% of GDP in 2024) (Eurostat, 2024).
3. One of the lowest public debt ratios in the EU (26.3% of GDP in 2024) → financial flexibility (Eurostat, 2024).
4. Stronger & more stable finances compared to other EU countries → EU average public debt: 81.0% of GDP in 2024, EU average budget deficit: -3.2% of GDP in 2024 (Eurostat, 2024).

Factors shaping the Luxembourgish European policy: Politics

- Unitary Parliamentary Constitutional Monarchy
- Grand Duke: Head of State – symbolic, ceremonial role (before 2009, the Grand Duke had the power of ‘sanction’ – he had to approve adopted laws for them to take effect) (Monarchie.lu, 2025).
- Prime Minister: Head of Government – executive role, accountable to parliament.
- Legislative elections are held every 5 years to elect the 60 members of the Chamber of Deputies, with citizens voting directly through proportional representation (Elections.public.lu, 2023). The next general election is scheduled for October 2028.
- Luxembourg compared to other EU countries, is 2nd after Denmark in terms of satisfaction with democracy scores (75% satisfaction) (Eurobarometer 2024).

Factors shaping the Luxembourgish European policy: Politics

Currently:

- Grand Duke: Guillaume V (succeeded Henri in October 2025)
- Prime Minister: Luc Frieden (since 2023)
- Deputy Prime Minister: Xavier Bettel (former P.M. 2013-2023)

Factors shaping the Luxembourgish European policy: Politics

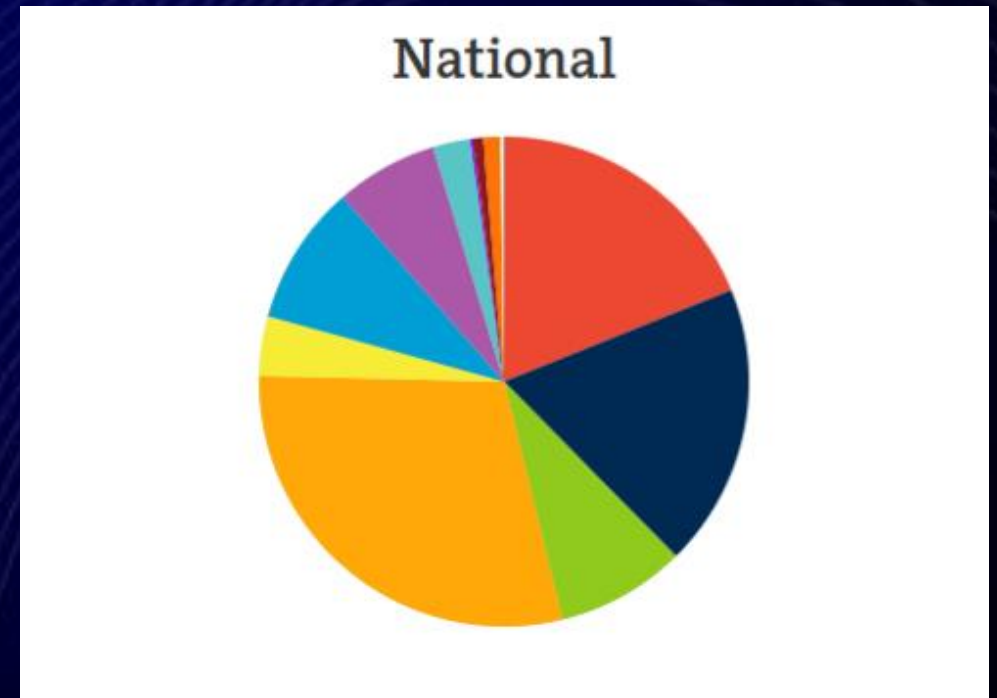
- Political parties (Gouvernement.lu, 2024)
 1. Christian Social Peoples' Party (CSV): Centre-right (*Group of the European people's party-EPP*)-2 seats
 2. Democratic Party (DP): Liberal (*Renew Europe*) – 1 seat
 3. Luxembourg Socialist Workers' Party (LSAP): Centre-left (*Group of the progressive alliance of Socialists & Democrats- S&D*)-1 seat
 4. The Greens (Déi Gréng): Environmentalist (*Group of the Greens/European free alliance-EFA*)-1 seat
 5. Alternative Democratic Reform Party (ADR): Right-wing populist (*European Conservatives and Reformists Group-ECR*) – 1 seat
 6. The Left (Déi Lénk): Socialist (*The Left group in the European Parliament- GUE/NGL*)
- The current government is a coalition between the CSV and the DP.
- 6 MEPs in the European Parliament elections (2024) (Elections.europa.eu, 2024).

Results of the last National election in Luxembourg (2023):

- CSV (Luc Frieden): 21 seats
- DP (Xavier Bettel): 14 seats
- LSAP (Pauline Lenert): 11 seats
- ADR (Fred Keup): 5 seats
- Greens (Sam Tanson): 4 seats
- Pirates (Sven Clement): 3 seats
- The Left (David Wagner): 2 seats

Factors shaping the Luxembourgish European policy: Politics

Party	Centre	East	North	South	National
LSAP	11,79%	17,28%	15,29%	24,53%	18,91%
DP	25,25%	22,92%	17,55%	14,11%	18,70%
déi gréng	11,53%	7,64%	6,68%	7,07%	8,55%
CSV	29,94%	30,61%	33,08%	27,80%	29,21%
déi Lénk	3,94%	2,51%	2,59%	4,35%	3,93%
ADR	6,55%	9,47%	12,04%	10,50%	9,27%
PIRATEN	6,50%	4,90%	7,71%	6,92%	6,74%
FOKUS.	2,73%	2,51%	3,14%	2,20%	2,49%
VOLT	-	0,24%	-	0,34%	0,19%
KPL	0,45%	0,40%	-	0,93%	0,64%
LIBERTÉ-FRÄIHEET I	1,32%	1,53%	1,57%	0,88%	1,13%
déi Konservativ	-	-	0,36%	0,37%	0,23%



Policy areas: EU Enlargement

- In 2025, 60% of Luxembourgish people support the EU Enlargement
(Special Eurobarometer 564 September 2025)
- For Luxembourg, major concerns in future EU enlargement include corruption, organised crime & terrorism and the risk of more complicated decision-making at EU level (Eurobarometer, 2024).
- Measures to ensure the success of EU enlargement include making sure that candidate countries uphold the rule of law, fighting corruption and protecting fundamental rights enlargement.

Policy areas: Climate change

- Luxembourg is already experiencing the effects of climate change (heavy rainfall & floods and hotter/milder winters) with impacts on agriculture and infrastructure.
- Luxembourg's National Energy & Climate Plan (PNEC) set strong goals for 2030, such as reducing greenhouse gas emissions by 55% (from 2005), renewing energy share by 37%, etc. The long-term goal is climate neutrality by 2050.
- Luxembourg has a strong performance in environmental quality – 2nd cleanest country in the world.
- Politically, the Green Party played a key role in government from 2013 to 2023, driving environmental policy. They now hold 4/60 seats and remain a centre-left pro-environment force in parliament.

EUROSCEPTICISM

- ADR: main eurosceptic party → advocates more national sovereignty & expresses concerns over EU policies.
- About 20% of citizens are in favour of Luxembourg exiting the EU (2/3 of the EU average) (Eurobarometer Spring & Autumn 2024).
- CSV, DP and LSAP: pro-European integration, though occasionally defend national interests (e.g. tax, steel).
- Overall, Luxembourg remains one of the most pro-European countries, with only limited, issue-based euroscepticism (Eurobarometer, 2024).

Russia-Ukraine war

- At the EU level:

- 27% of citizens consider the war the EU's top priority
- 77% agree that the Russian invasion is a threat to the security of the EU (Eurobarometer, 2024)

- In Luxembourg: 56% in favor of Ukraine's candidacy, 41% against (Eurobarometer 103, Spring 2025)

- Luxembourg strongly condemns Russia's invasion of Ukraine, fully supports EU sanctions against Russia and provides financial, humanitarian & military aid to Ukraine in line with its commitments as an EU and NATO member (Gouvernement.lu, 2023).

Thank you!

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