

Small States International Relations and Diplomacy

Luxembourg

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Small States International Relations and Diplomacy - Historical Background

- 963: Ardennengraf Siegfried acquires a fort on the Bock-rock called Lucilinburhuc -> hence the name Luxembourg
- Over time, develops into a 'Grafschaft' and then a duchy (1354)
- 4 members of the House of Luxembourg are Kings of Germany on the throne of the 'Heilige Römische Reich Deutscher Nation', before they die out in the 15th century
- Luxembourg becomes part of the Netherlands under Burgundian, Spanish and then Austrian rulers. Briefly part of France from 1795 onwards.
- Congress of Vienna 1815: **independence** as a Grand Duchy as private property of William I King of the Netherlands, but also becomes a member of the German Confederation. But is de facto treated like a province of Germany.
- Luxembourg joins the Belgian revolution in 1830 and is subsequently divided into a Belgian part and a Luxembourgish part (corresponding roughly to language divisions).
- 1842: Member of the German customs union
- 1867 Luxembourg is declared a neutral territory.

Small States International Relations and Diplomacy – Priorities / focus of Foreign Policy I

- Main priorities
 - Sovereignty
 - Trade, financial sector
 - Reputation (esp. since the 2000s and again following LuxLeaks)
- Main topics
 - First and foremost the EU's economic and trade policy
 - The EU's foreign and defense policy
 - The EU's Neighbourhood
 - Bilateral relations with countries (especially trade: US, China, Turkey)
 - International organisations (CoE, OSCE, UN)

Small States International Relations and Diplomacy – Priorities / focus of Foreign Policy II

- Focus on Trade:
 - Due to its size and limited military resources, Luxembourg does not carry much weight in armed conflicts.
 - But in certain economic sectors it can punch above its weight
 - It has a long experience working with disproportionately large sectors:
 - Early to mid-19th century: steel
 - Today: finance
 - Dynamic and very open economy
 - Massive dependence on imports/export markets (e.g. currently exports more than 85% of its production)

Small States International Relations and Diplomacy – Institutions/Agencies I

- The Prime Minister
- The Ministry of Foreign and European Affairs
 - International relations: foreign and security policy; peacekeeping operations; international cultural relations; international organisations and conferences; international treaties and agreements ; diplomatic and consular service
 - European policy: Coordination of European policy between ministerial departments
 - International economic relations: multilateral economic organisations; international commercial policy
 - Seat/headquarters of European institutions and bodies: Comité de Coordination pour l'Installation d'Institutions et d'Organismes européens (Coordinating Committee for the setting-up of European institutions and bodies).
- Ministry for Cooperation and Humanitarian Action
- Ministry for Defence
- Luxembourg for Finance (agency for the promotion of the financial place)

Small States International Relations and Diplomacy – Institutions/Agencies II

- Embassies:
 - In 16 countries
 - Mainly in Europe, but also Russia, the US, China, Malaysia.
- Consulates:
 - In 12 further countries (e.g. Australia, Canada, Brazil)
- Consuls honoraires
 - 153
- In other countries often represented by Belgium, or by other EU countries (e.g. the Netherlands).

Small States International Relations and Diplomacy - Bilateral Relations

- Luxembourg exports 85% of its production – of these roughly 87% to the EU.
- Asia, America and the Middle East have a growing importance.
- China:
 - Finance/Fintech
 - The new silk road initiative
 - LuxCargo, plans to connect by train
- Important for finance also:
 - Switzerland, US, UK

Small States International Relations and Diplomacy - Multilateral Relations

- Participation in International Organizations / multilateral schemes
 - 1920 League of Nations
 - 1930 Recognizes Jurisdiction of the International Court of Justice (ICJ)
 - 1961 Conference on Security and Cooperation in Europe (CSCE), now OSCE
 - 1949 Council of Europe
 - 1945 United Nations (UN); joined as smallest state, before Switzerland
 - 1995 World Trade Organisation (WTO) (GATT since 1948)
- What criteria are used for choosing allies and alliances?
 - Sovereignty (e.g. NATO, UN, EU)
 - Economic development (e.g. EU, OECD)
 - Like-mindedness (e.g. EU, NATO)

Small States International Relations and Diplomacy – Diplomatic Types

- Especially important: Economic diplomacy:
 - State: EU, WTO, OECD but also bilaterally
 - *Luxembourg for Finance*: the Agency for the Development of the Financial Centre (founded 2008). A public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL)
 - Economic associations such as:
 - The Association of the Luxembourg Fund Industry (ALFI)
 - Luxembourg Chamber of Commerce
 - The Luxembourg Bankers' Association (ABBL) founded in 1939
- Cultural diplomacy:
 - Cultural players: theatre, literature, music, academia/research (e.g. via the FNR – Fond National de Recherche)
- Sports:
 - Olympic Games
 - World- and European Championships
 - Small States Games
 - Paralympics

Small States International Relations and Diplomacy - Societal Beliefs

- Public opinion is massively supportive of EU membership (typically 80-90 percent).
- Similar levels of support for an EU defense policy (reflected in the government's support for this).
- In case of issues where a strong public opinion exists (e.g. EU enlargement to Turkey), there can be a gap between actions and rhetoric:
 - E.g. Asselborn's harsh words on Erdogan vs the active pursuit of economic cooperation with Turkey.
- The size and resources of the state influence foreign policy in so far as the big international security questions/conflicts are largely left to NATO, EU and bigger member states.
 - No expectation on the part of the public that the governments should try to solve these.
 - Luxembourg focuses on economic/trade questions and bilateral cooperation.

Small States International Relations and Diplomacy - Societal Beliefs II

- But media attention to foreign policy issues tends to be low (unless they are directly relevant to the country).
 - > Foreign policy is not an issue on which parties compete much
 - > The public possesses limited information
- 1 foreign policy statement per year in parliament (in Luxembourgish)
 - Although a few years without statement
 - Great attention to EU politics (around 50%)
 - Otherwise focus on current crises, relations to major powers or important partners

Small States International Relations and Diplomacy -Challenges

- Luxembourg has been relatively successful
 - E.g. leadership roles in the EU
 - Seat of EU institutions
 - Mediator ('Honest broker') at key times (seat of institutions, Luxembourg Compromise, the creation of the Euro and the Stability and Growth Pact)
 - The defense and phasing out of the banking secret
- BUT: It also has to stay on the ball:
 - Highly dependent on imports and export markets
 - Vulnerability due to dominant sectors
- In ability to play a big role in international security questions and major conflicts.

Useful link

- <https://maee.gouvernement.lu/fr/missions-diplomatiques/missions-diplomatiques-et-consulaires-luxembourgeoises.html>
- <https://maee.gouvernement.lu/en/le-ministere/declarations-poletrangere.html>
- <https://www.luxembourgforfinance.com/en/homepage/>
- <https://www.abbl.lu/>
- <https://www.cc.lu/en/home/>