

“Niche politics” A mode of instruction. Lessons to be learned from Luxembourg

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ABSTRACT

Luxembourg has played “niche politics” since the middle of the XIXth Century. This coincided with the economic take off of the country. Four examples illustrate the possibilities and the limits of such an approach. They underline to what extent the marketing of national sovereignty is the key element in this perilous exercise. The examples chosen are drawn from the three sectors that have become synonymous of the small country: steel, communications, finance. A common element is the fact that Luxembourg choose deliberately a minimalistic approach as far as the legal framework goes, meaning a minimum of constraints and prescriptions for international actors.

The case of steel is quite interesting. When iron ore was discovered, the government opted for a concessions policy. It handed out the mining concessions to those operators that were prepared to invest also in the transformation of the iron ore (“Verhüttungsklausel”). This gave birth to a powerful steel industry.

Communications are a bit more complicated. Two stories will be presented, one being the RTL case, the other the SES/Astra adventure . Common to both is the fact that the government handed over the use of some of its sovereignty assets (radio frequencies in the RTL case, satellite frequencies and orbital positions in the Astra case).The difference between RTL and Astra are the capitalistic means of influencing the course of events the government gave itself in the second case and it is indeed the lessons drawn from the helplessness the country faced with RTL that reinforced the determination of the government to get a consequential capitalistic stake in the satellite venture.

The financial sector illustrates in a remarkable way the obvious fact that it is the international environment that creates windows of opportunity for the small State. It was the decisions taken by Presidents John F.Kennedy in 1963 (“Interest Equalization Tax”) and Richard M.Nixon 15 August 1971 that led to the emergence of the Euromarket, which gave a major boost to Luxembourg’s financial Center, precisely because it was underregulated and lacked among other things the “Mindestreservenpflicht”. It re directionmains to be seen what effect the recently announced measures of President Donald Trump that go in the opposite direction will have on Luxembourg as a financial Center and instruments such as the ill-famed “tax rulings”.

