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Concerns focus on the location of the European central bank

No qualms over union

UNLIKE SOME people in Britain or Germany, Luxembourg’s central bankers do not worry about the prospect of giving up their currency for the greater good of European monetary and economic union (Emu).

After all, nobody under the age of 70 can remember the days before Luxembourg entered into a monetary and economic union with neighbouring Belgium in 1922. For nearly three generations, Belgium’s central bank has determined Luxembourg’s monetary policy. As a result, Belgian francs have become fully interchangeable with Luxembourg francs throughout the Grand Duchy.

When shopping, Luxembourgites do not know or care whether they are paying with Luxembourg or Belgian francs: the two currencies look different but are of equal value.

Still, to many people in Luxembourg, a single European currency is preferable to the link with the Belgian franc. Memories of the Belgian franc’s surprise devaluation in 1982—when Belgium failed to warn the Luxembourgers that their own currency would also fall by 8 per cent less than the day before—have not entirely faded.

“The advantage for us is that we’ll have a governor in the new European central bank, and that we’ll have a say in policy as well as a stake in its capital,” says Mr Jean Asselborn, leader of the Socialists in parliament.

The only element of Emu that does cause excitement in Luxembourg, at least at the highest levels of the financial community and the political elite, is the question of where the European central bank will be located.

Luxembourg has staked its claim, based on a 1985 agreement; but many other European cities have put forward their own candidacies, and Luxembourg’s best chance seems to lie in deadlock between the big EC members.

Whatever the location of the European central bank, tiny Luxembourg, with its heavy reliance on foreign workers and foreign exports, has little choice but to look to Europe for its future. “A Luxembourg without Europe or Europeans is not possible,” Mr Asselborn says.

Not surprisingly, then, Luxembourg had few fundamental qualms about having ratified the Maastricht Treaty in July, making it the first EC member to do so. Although controversy surrounded the move, the debate concerned procedural matters, focusing on the question of exactly when the Luxembourg constitution must be changed in order to take account of Maastricht, rather than on the merits of greater union in monetary, financial and security matters.

Opposition Liberals argued that elections had to be called before ratification could take place, in line with the normal procedure for any planned constitutional changes. Mr Reuter believes the government, a coalition of the Christian Social party (comparable with Christian Democrats in other European countries) and the Socialists, said the changes to the constitution could wait until 1994, the date of the next scheduled elections.

This was because the one provision in the treaty requiring a change to the constitution—the right of EC nations to vote in the local and European elections of EC countries—will not come into force for Luxembourg until at least the second half of the 1990s.

The treaty’s granting of voting rights to EC nationals is a sensitive matter in Luxembourg, where more than a third of the population is foreign. In the capital alone, up to 45 per cent of residents are foreign, most of them from elsewhere in the EC.

In a country as small as Luxembourg, local government is after the scheduled change in the constitution, they may not be able to exercise this right until the next poll in 2005. Similarly, Portuguese, Italian and other non-Luxembourgish citizens in EC states will not be able to vote in EC elections for the European parliament until 1999 at the earliest.

Thanks to its externally-oriented economy—exports account for nearly 85 per cent of GDP—Luxembourg will not have to make wrenching changes to prepare for the single European market.

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