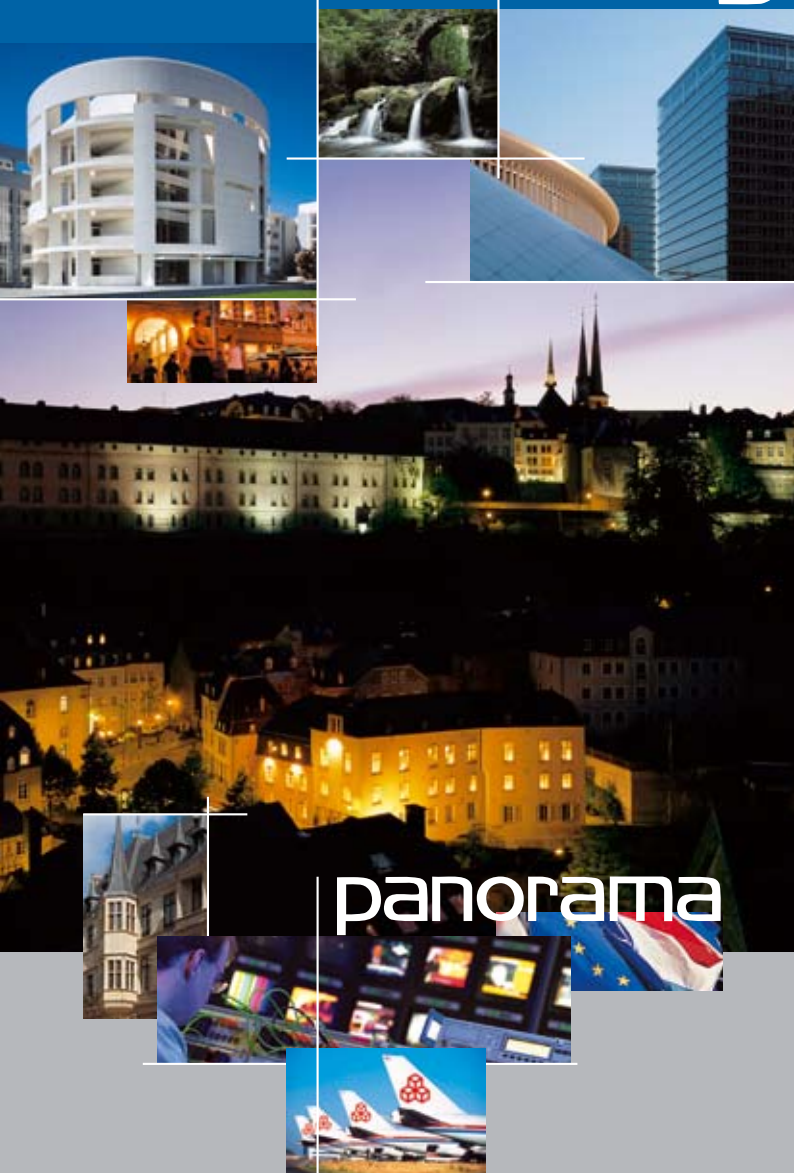


Grand Duchy of Luxembourg



panorama



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

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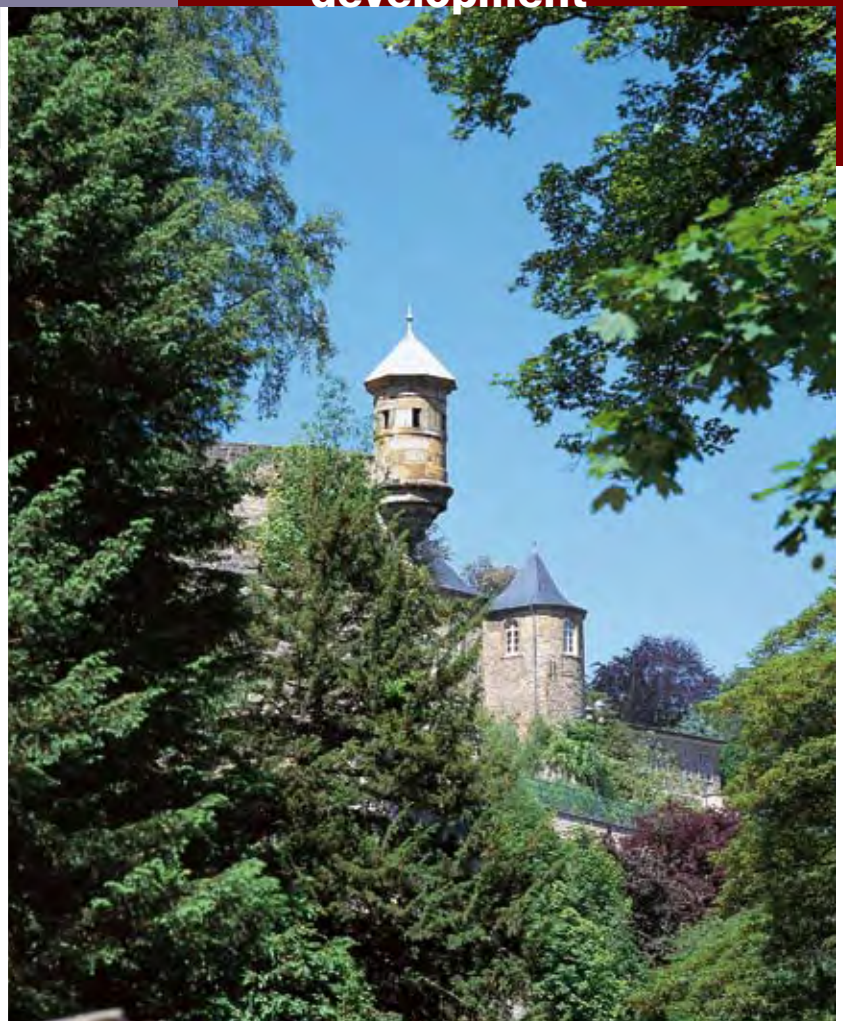
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history

History of Luxembourg and of its economic development



TERRITORIAL ORIGINS

The history of Luxembourg can be traced back to 963, when Siegfried, count of the Ardennes and founder of the house of Luxembourg, acquired the rocky outcrop of the Bock, a territory located in the heart of today's capital. It was here that he erected a castle upon the remains of a small Roman fort called Lucilinburhuc, around which a fortress city was gradually to develop.

DYNASTIES AND COVETOUS DESIRES

The land was coveted for its strategic position and the house of Luxembourg was destined for great things. It provided four emperors to the Holy Roman Empire, four kings to Bohemia, one king to Hungary and several prince-electors. In 1437, the absence of an heir ushered in a long period of foreign rule, mainly by the Habsburg dynasty, which lasted until the end of the 18th century. Dubbed "Gibraltar of the North", the fortress of Luxembourg became the bone of contention in the bloody and unrelenting battles between the Burgundians, the Spanish, the Austrians, the Prussians and the French. From being a province of the Spanish Netherlands to being conquered by Louis XIV and made into the French "Département des Forêts" (Forests Department) in 1795, the territory was besieged, pillaged, dismembered and restructured about twenty times over the course of four centuries.

CREATION OF A STATE

Elevated to the rank of Grand Duchy in 1815 at the Congress of Vienna, Luxembourg attained its independence in 1839 (Treaty of London), when it took on its current territorial shape following the loss of its Belgian "portion". The reign of William I of Orange-Nassau (1815-1840) marked the beginning of a new era: the growing awareness of the national identity and the development of democratic structures gradually led to a more pronounced



independence in terms of foreign policy. In 1867, under the collective guarantee of the great European powers gathered in London, the Grand Duchy was granted the status of a perpetually neutral and disarmed state.

ECONOMIC UNION

Endowed with definitive borders and convinced of the need for economic integration with bigger markets, the country joined the economic confederation of the Zollverein in 1842. This commercial relationship proved to be very beneficial for the Grand Duchy of William II, who hastened to renew the customs union treaty in 1846.

EMERGENCE OF AN INDUSTRIAL POWER

During the 1840s, the discovery was made of vast iron ore deposits extending from the north of Lorraine to the south of Luxembourg. The city of Esch-sur-Alzette became the cradle of the Grand Duchy's industrial basin. From the 1870s onwards, Luxembourg became part of a powerful steel complex formed by the Saar-Lorraine-Luxembourg border triangle. In Luxembourg, the rise of the steel industry was such that on the eve of the First World War, the region known as the "minette" was – in proportion to its size – the world's largest steel producer. Founded in 1911, ARBED (Aciéries réunies de Burbach, Eich et Dudelange – Integrated steelworks of Burbach, Eich and Dudelange) already controlled 31% of production in 1913.

TURNING POINT AFTER THE WAR

In 1918, the Luxembourg government withdrew from the Zollverein. During the ensuing difficult years, it initially turned in vain to France, then to Belgium, with which it entered into the Belgo-Luxembourg Economic Union (BLEU) in 1921. The economic depression of the immediate post-war period was succeeded by a period of prosperity.



MIGRATORY POPULATION FLOWS

Prior to the rise of the steel industry, Luxembourg had been a poor and rural country, marked by a mass wave of emigration that saw many Luxembourgers head for France and the United States.

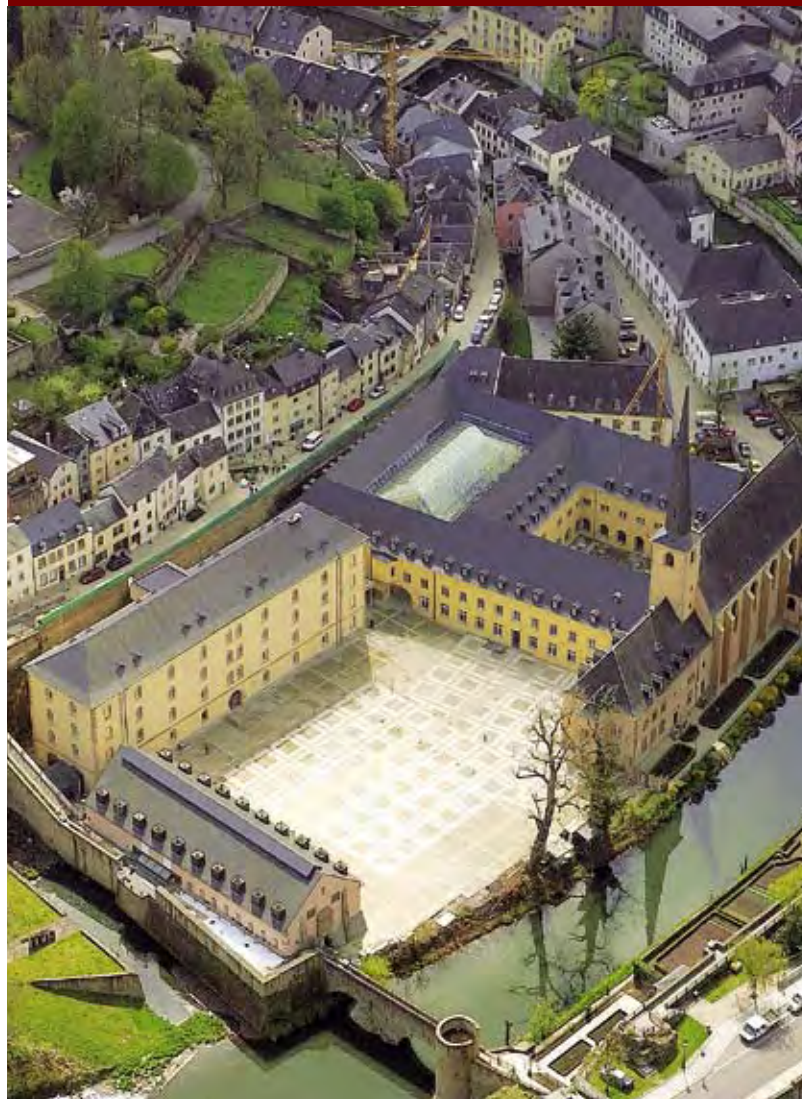
The advent of industrialisation, however, changed the country's demographic and social structures. The farmers of the north of the country left their land and came to work in the mines and factories of the south. Yet still more labour was required. This heralded an era of large-scale immigration, initially from Germany (1868-1939) and later from Italy (1892-1970). Between 1908 and 1913, Italians and Germans accounted for almost 60 % of the workforce of the steel and mining industries.

THE INTERWAR PERIOD

From 1930 onwards, the world economic crisis hit the working world head-on, with two thirds of foreign workers losing their jobs. Industrial production increased haphazardly, despite its distribution having been defined by the International Steel Cartel in 1926.

DEVELOPMENT ON AN INTERNATIONAL SCALE

The violation of the Grand Duchy's neutrality right at the beginning of the Second World War left a deep wound, once again highlighting the ineffectiveness of a status that had already been scorned in 1914. After the war, under Grand Duchess Charlotte, Luxembourg felt a call for moral, economic and political renewal. At the forefront of the country's foreign policy, traditionally centred on national security, was the growing need to foster closer international cooperation and integration into major markets. On 26 June 1945, Luxembourg signed the Charter of San Francisco and became a founding member of the United Nations Organisation.



The Constitution was revised in 1948 and revoked the nation's neutrality of the first article. One year later, Luxembourg joined the North Atlantic Treaty Organisation (NATO).

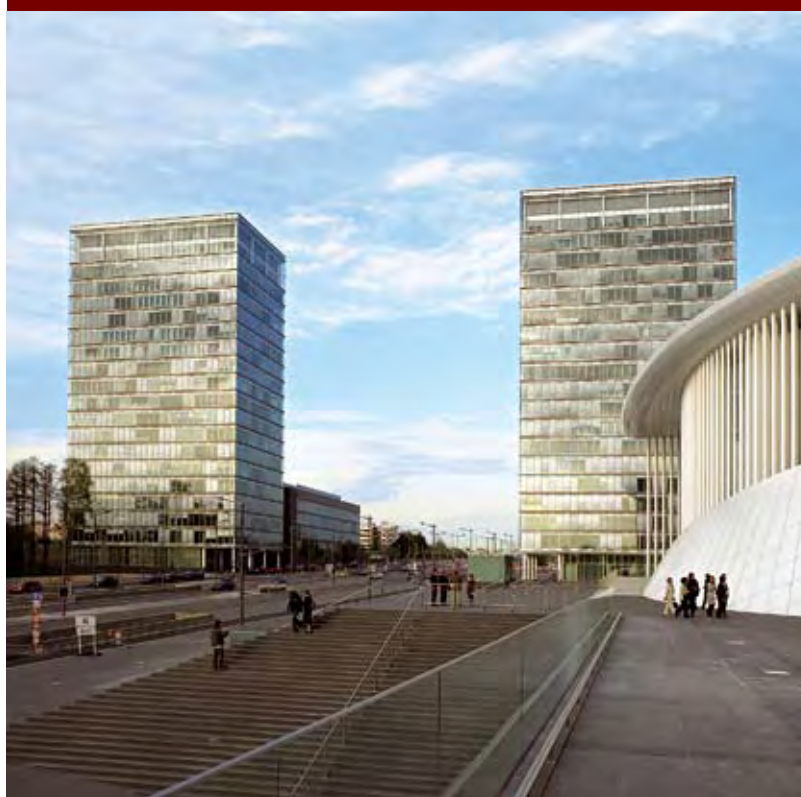
EUROPEAN CONSTRUCTION

Luxembourg became a founding member of the European Coal and Steel Community (ECSC, 1951, Treaty of Paris), the European Economic Community (EEC, 1957, Treaties of Rome) and the European Atomic Energy Community (Euratom, 1957). In 1952, Luxembourg City was appointed the provisional headquarters of the ECSC. Upon the executives of these institutions merging in 1965, the city of Luxembourg became the third centre of the European Community alongside Brussels and Strasbourg.

The ECSC marked a new growth stage of the Luxembourg steel industry. The common market provided new outlets for all the economic sectors and once again encouraged immigration to meet the demands of economic growth.

SECOND HALF OF THE 20TH CENTURY

In 1964, Grand Duke Jean succeeded his mother Grand Duchess Charlotte. The 1950s and 1960s witnessed a significant growth in steel production, which reached 6 million tonnes at the beginning of the 1970s. From the 1970s onwards, however, following the European and global steel crisis, the industry underwent significant restructuring. Thanks to an exemplary national solidarity, this effort gradually saw the industry's contribution to the gross domestic product (GDP) drop to less than 5% (1990). The creation of the Tripartite Conference in 1977 facilitated negotiations between the government, trade unions and employers in a bid to overcome the impact of the crisis. It was the upsurge of the financial centre, supported by a favourable legal framework, and the emergence of new service activities that were to profoundly transform the structure of the Luxembourg economy at the end of the 20th century.



nature
**Unexpected diversity
and heritage**



Despite its small size, the Grand Duchy is home to a remarkably diverse landscape and ecology, due in particular to the characteristics of its geological subsoil. Four regions are distinguishable from a geological point of view: the Oesling, the Guttland, the mineral basin and the valley of the Moselle. Each of these regions bears the undeniable traces of age-old interactions between man and nature, which have resulted in a landscape mosaic made up of forests, pastures, arable land, orchards and more or less developed areas.

While the Oesling is characterised primarily by its numerous forests and sunken valleys, the Moselle is clearly marked by a long-standing history of wine production. The mineral basin – for a long time the main architect of the country's industrial growth – is today largely dominated by urban and industrial conglomerations, while nature is once again reclaiming the abandoned open-cast mines.

The Guttland is characterised mainly by spectacular rock formations of Luxembourg sandstone, of which the most beautiful examples can be found in the heart of Luxembourg City itself and the Müllerthal, also known as Luxembourg's Little Switzerland.

Luxembourg's biological diversity is just as astonishing. Approximately 1,300 vascular plant species have been recorded on national territory – a number comparable to that found in countries as sizeable as the Netherlands and Great Britain. Certain species and species groups encountered on national territory, such as the grey shrike, the black stork or the greater horseshoe bat, are furthermore present in significant numbers in the Greater Region.





The protection of this diversity is ensured in part by a national network of protected zones as well as by the Natura 2000 network, encompassing protection zones designated in the context of the implementation of European directives on nature protection. All in all, these protected zones account for approximately 20 % of the national territory.

One of the great challenges facing Luxembourg will consist in preserving this rich natural heritage, under threat from the economic and demographic development of the years to come. Luxembourg's commitment to the Countdown 2010 initiative, which aims to curb the loss of biological diversity by 2010, bears witness to the pledge made by the government to reconcile the country's economic aspirations with the preservation of its exceptional natural heritage.

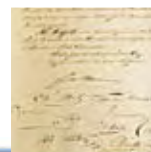


politics

Political life in Luxembourg



Le 15 mars 1948, le Parlement a élu son premier président, le député chrétien Jean-Pierre Kisch. Le 15 mars 1948, le Parlement a élu son premier président, le député chrétien Jean-Pierre Kisch. Le 15 mars 1948, le Parlement a élu son premier président, le député chrétien Jean-Pierre Kisch.



The Grand Duchy of Luxembourg is a representative democracy in the form of a constitutional monarchy, with hereditary succession in the Nassau family.

As in any parliamentary democracy, the separation of powers is flexible in Luxembourg, with the legislative and executive powers interacting on several levels. Only the judicial power remains completely independent.

The Grand Duke forms together with the government and its responsible members the decision-making body of the executive power. A third organ, the 21-member Council of State, acts as an advisory body in the legislative procedure.

The Constitution grants the Grand Duke the right to choose his ministers. In practice, he appoints the Prime Minister in accordance with legislative election results. The Prime Minister then submits a list of ministers, who are subsequently appointed by the Grand Duke.

In addition to jointly exercising the executive power with the government, the Grand Duke has the constitutional right to sanction and promulgate the laws voted by Parliament.

The legislative power rests on the joint action of Parliament, the government and the Council of State. In Luxembourg's single-chamber system, the Council of State acts as the moderating influence of a second legislative assembly. In fact, all bills submitted either by the government or Parliament require the opinion of the Council of State.



The professional chambers and the Conseil économique et social (Economic and Social Council) also act as consultative bodies. The key mission of the professional chambers is to safeguard and defend the interests of the professional groups they represent. Their opinion is required for all bills submitted by the government and grand-ducal regulation drafts.

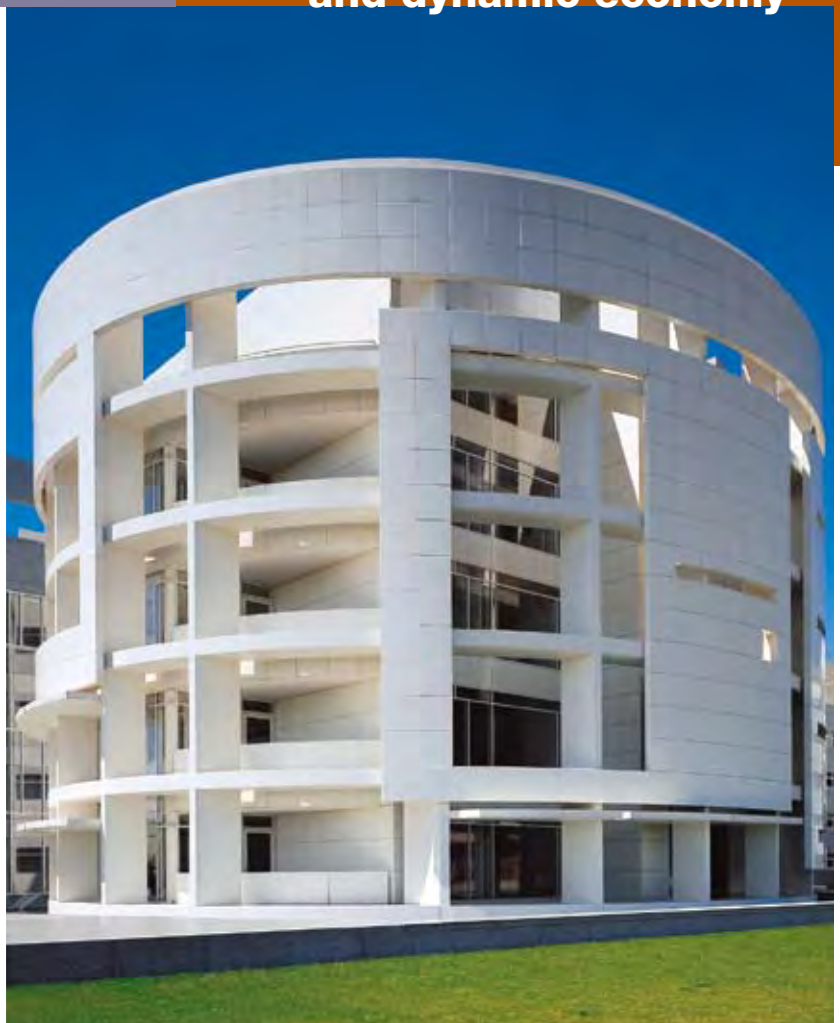
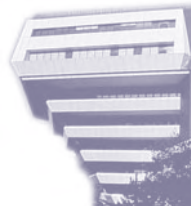
The Economic and Social Council is responsible for assessing economic, financial and social problems affecting either several economic sectors or the national economy as a whole. It may be called upon by the government or act on its own initiative.

A constitutional monarchy regime is the perfect framework for a country in which social consensus and dialogue are catchwords. The country's stability is incidentally reflected in the fact that changes in governments occur smoothly: in the past, two of the three main political parties (the Christian-Social Party, the Luxembourg Socialist Workers' Party and the Democratic Party) have generally formed governmental coalitions following legislative elections that take place every five years.



ECONOMY

An open, successful
and dynamic economy



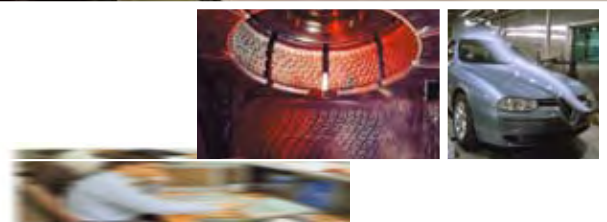
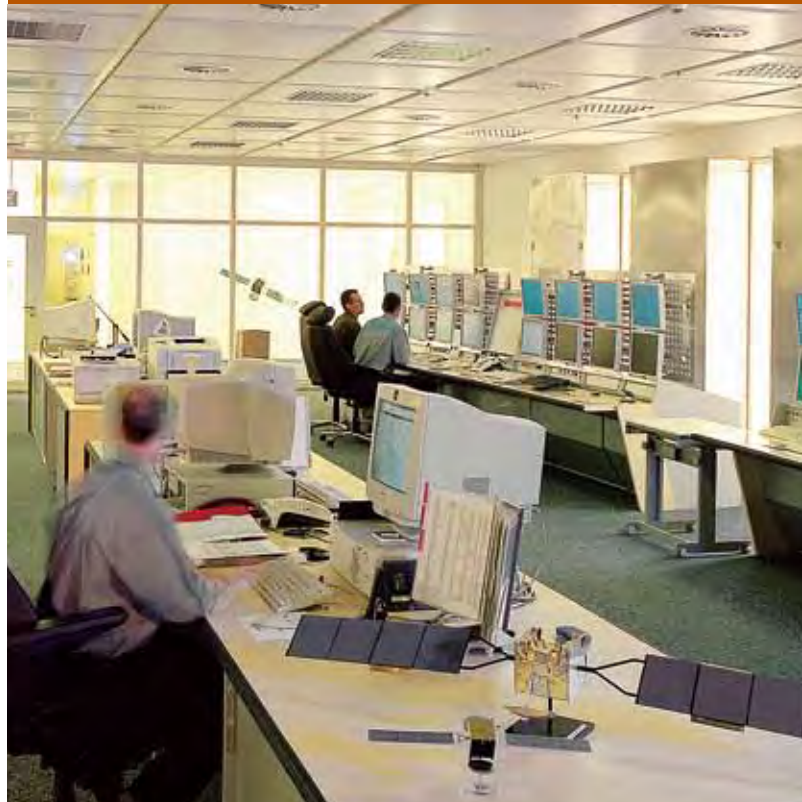
During the second half of the 20th century, the Grand Duchy experienced one of the strongest economic performances in Europe: sustained growth, stable prices, low unemployment rates and steady job growth as well as a substantial foreign trade surplus. Today, public finances are in good health and the overall balance of payments is positive.

Luxembourg owes its wealth to the discovery of iron ore in the south of the country, around which a powerful steel industry gradually developed. The steel company ARBED enjoyed global renown for its high-quality products. In 2001, ARBED merged with two other steel groups, Aceralia and Usinor, to become Arcelor, the world's leading steel producer. This position was reinforced with the creation of the Arcelor Mittal group in 2006.

During the 1960s, anxious to diversify the economic structure of the country, the government implemented an active economic development and diversification policy. The results of this policy are very visible today. The traditional heavy industry was joined by modern businesses hailing from the most diverse activity sectors and operating with advanced techniques.

The initiatives aimed at overcoming the monolithic structure of Luxembourg's industry revolved around five main concepts:

- European economic cooperation,
- a voluntary policy of economic diversification implementing measures to encourage investment,
- the development of an international financial centre,
- the implementation of high-potential service activities, in particular in the field of telecommunications as well as new information and communication technologies,
- research and development.



The small dimensions of the Luxembourg market explain why foreign trade constitutes an essential element of the country's economic life. Industry exports more than 80 % of what it produces, with approximately 85 % of these exports being distributed to countries within the European Union.

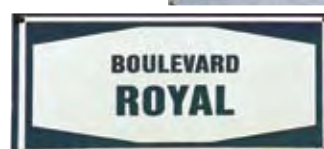
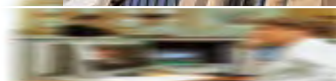
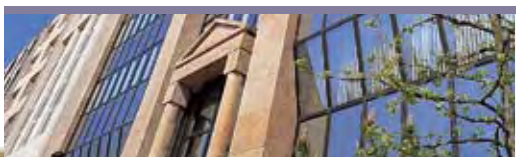
As a result of its central geographical position in the heart of the European Union, its skilled and conscientious workforce as well as its openness to foreign investment and capital, Luxembourg has always been an interesting place for numerous foreign businesses to establish themselves and expand.

Luxembourg is also characterised by a stable and serene political and social climate, favourable to economic development. The “Luxembourg model”, as it is commonly known, is based on an institutionalised and continuous dialogue between the three key social players: the government, the employers and the trade unions. Luxembourg prides itself on a high level of social peace, made possible thanks to this permanent dialogue, the moderation and commitment shown by all those involved as well as its advanced social legislation, which is based on the principles of responsibility and solidarity.



finances

Luxembourg,
financial centre



First European centre for investment funds, first European centre for reinsurance, first private banking centre within the European Union, eighth largest financial hub in the world: today the financial centre constitutes the main pillar of the Luxembourg economy.

Initially specialising in eurocredits, the financial centre subsequently turned to private banking and, from the 1980s onwards, to investment funds. It is supported by a high degree of political and social stability as well as a state-of-the-art legal and regulatory framework, which is constantly being fine-tuned and stimulated by regular dialogue between the government, the legislator and the private sector. This is how, in recent years, specific regulatory frameworks have been established for alternative funds, venture capital investment vehicles, covered bonds and banks specialising in the issue thereof, specialised investment funds, international pension funds, securitisation vehicles and family assets management companies, i.e. specific vehicles for managing the private assets of natural persons.

Luxembourg's modern legislative and regulatory framework as well as its openness towards the world have attracted banks, insurance companies, investment fund promoters and specialist service providers from all around the globe.

Closely regulated by a competent and proactive surveillance authority, the financial centre fosters a strong culture of protecting the investor. Its teams of multicultural and multilingual professionals enjoy a long tradition of financial expertise and possess in-depth knowledge of the needs of an international clientele.



communication

Mediaport Luxembourg, audiovisual and communication centre



Luxembourg also plays a distinctive role on the media scene in Europe: as a multilingual place at the crossroads of French and German-speaking cultures, the Grand Duchy is home to two giants of audiovisual communication: RTL Group, a European television and radio broadcaster, and SES (Société européenne des satellites), operator of Astra satellites.

Numerous small and medium-sized businesses (SMBs), operating in related multimedia and telecommunications fields, have set themselves up in Luxembourg around these two great pillars of audiovisual communication. In addition to the SMBs, multinational companies such as Amazon have in recent years also established their headquarters in the Grand Duchy. Together these companies form a web of competences that bodes well for the country's future economic development.

The Luxembourg government actively encourages the development of audiovisual and communication services, supported by the potential produced as a result of the liberalisation trend in Europe's telecommunications market and technological progress.

As an expression of this proactive policy, during the early 1990s Luxembourg adopted several public support schemes aimed at promoting the development of audiovisual production.



population

The population's contribution to the Luxembourg economy





Today, the Grand Duchy is home to more than 476,000 inhabitants, a number which has rapidly increased over the years following a strong economic growth, a positive and growing natural balance and large-scale immigration.

The Luxembourg employment market is characterised by a high rate of employment, a strong presence of foreign workers and a relatively low unemployment rate.

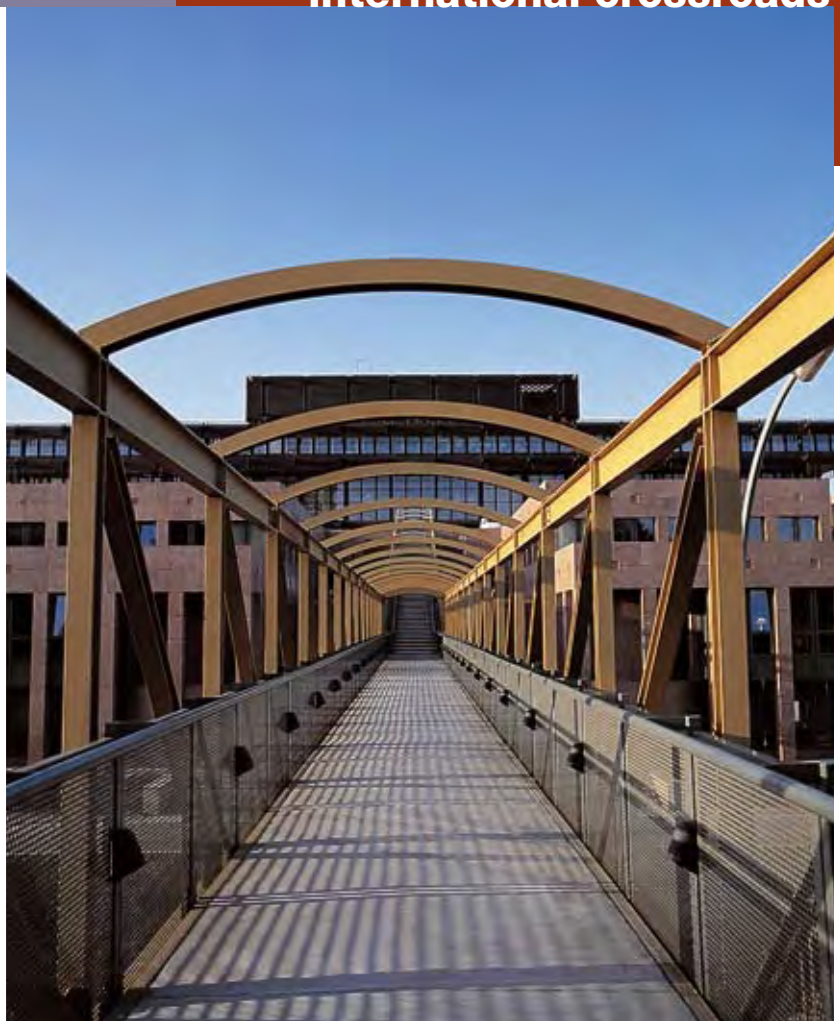
The proportion of non-Luxembourg residents among the population exceeds 41%. The foreign workforce consists of residents, who are mainly European Union nationals, and cross-border commuters, who represent an ever-increasing part of the working population.

Foreign residents and cross-border commuters today account for approximately 69% of those working on Luxembourg soil. Their distribution across the various sectors of economic activity is not always uniform. The main foreign communities, which have been present for several generations, are made up of Portuguese, French, Italians, Belgians and Germans.



crossroads

Luxembourg,
international crossroads



Luxembourg is the chosen workplace of several European Union institutions. In 1952, the capital of the Grand Duchy became the seat of the first European institution, the High Authority of the ECSC (European Coal and Steel Community).

Today, Luxembourg City remains one of the capitals of Europe, thanks to the continuing presence and establishment of Community institutions in particular on the Kirchberg plateau, such as the Court of Justice, the European Investment Bank, the Secretariat of the European Parliament, the European Court of Auditors, the Statistical Office, the Office for Official Publications and numerous European Commission services.

Kirchberg also houses the European Conference Centre, a vast complex equipped with a comprehensive technical infrastructure, enabling the Council of European Ministers, conferences, seminars or international meetings to take place in the best possible surroundings.

Given its geographical situation, the smallness of its territory and the ensuing economic and political constraints, Luxembourg is a country where all influences cross paths.

The role of a country such as Luxembourg in a community of European nations consists foremost in bestowing a particular dimension, perspective and sense of proportion upon the wide range of viewpoints that must be consolidated in such a community of nations. Luxembourg's voice is the voice of understanding different points of view, the voice of conciliation, the voice of defending the word of law and treaties. On a European plan, it is the voice of solidarity and cooperation in a Community spirit.



From an economic point of view, the structure and the situation of the Grand Duchy logically lead to collaboration with other states. In this respect, ever since gaining its independence and all throughout its history, Luxembourg's foreign policy has always been shaped by the double concern of protecting national security while ensuring the country's integration in a larger economic ensemble.

cooperation

Development cooperation



In view of the world's material disparities, the Luxembourg government deems it essential to fortify its development cooperation policy. It thus encourages developing countries to strengthen democracy and to ensure the respect of human rights and the rule of law, to promote good governance and social justice.

On an international level, it advocates a greater awareness of the interests of developing countries in the setting-up of economic, financial, commercial and agricultural strategies, at the level of both international and regional organisations, be it the European Union, the Organisation for Economic Co-operation and Development (OECD), the World Trade Organisation (WTO), the International Monetary Fund (IMF), the World Bank or the United Nations Organisation (UNO).

The activities undertaken by the Fonds de coopération au développement (Development Cooperation Fund) form the backbone of Luxembourg development cooperation. These activities are characterised by a long-term commitment to multiannual projects and programmes, which achieve a greater impact in terms of sustainable development for those countries targeted by Luxembourg's development cooperation.

culture

Culture, a source
of identity



A population which consists of more than a third of non-nationals, a figure exceeding 50 % in the capital; a linguistic system which is based on the simultaneous use of three languages, *Lëtzebuergesch* (the national language), French and German; a geographical situation which places Luxembourg at less than half an hour's drive from France, Belgium and Germany: these are the key characteristics that have enabled the Grand Duchy of Luxembourg to become a focal point of contact, exchange and dialogue.

In 1995, Luxembourg became European City of Culture, succeeding Lisbon. Since then, significant efforts have been devoted to three main areas, namely the support of artistic creativity, the preservation and promotion of national heritage and the development of significant cultural infrastructure projects designed to become the tools for resourceful and integrated initiatives.

In 2007, Luxembourg was once again, along with the Greater Region, one of the European capitals of culture. Its mission was to promote mobility and exchange on all levels by crossing physical, psychological, artistic and emotional borders.

Luxembourg also endorses a wide range of regular cultural events. In addition to the Festival international Echternach, an internationally renowned festival of classical music, the Grand Duchy also plays host to other great annual cultural events, such as the Bourglinster castle concert series or the Festival européen de théâtre en plein air et de musique (European open-air theatre and music festival) of Wiltz. Classical music ensembles, such as the Orchestre philharmonique du Luxembourg or else the Solistes européens de Luxembourg, are cultural ambassadors who have gained an international reputation.



Luxembourg's theatres stage productions in three languages and regularly see Luxembourg artists working together with foreign guest professionals.

addresses

Useful addresses



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