

The Future of Luxembourg

In February, I joined a panel discussion on the “Future of Luxembourg”, organised by the Luxembourg Association for Intellectual Capital <http://www.luxic.lu/conference-2>, where a number of think tanks, business chambers and associations discussed how the country can sustain its competitiveness. Although Luxembourg enjoys a very high standard of living and prosperity, people are concerned about the future, the rising public budget deficit and the commitment to future generations.

Members of initiatives such as 2030 Luxembourg (<http://www.2030.lu>) and “5 minutes before 12” (www.5vir12.lu) worry that today’s wealth cannot be sustained unless a set of policy actions to tackle structural challenges is taken. Many of these challenges are similar in other advanced economies; they raise questions about what kind of growth we want to achieve for a sustainable future.

In the city of only 100,000 inhabitants (2012), 66 % are foreigners. During the working hours, Luxembourg City’s population is roughly doubling with the influx of “frontaliers” from neighbouring Belgium, France and Germany. For this truly European capital where people easily switch between French, English, German and Luxembourgish, it will be a challenge to develop a culture of togetherness, not just living in parallel national communities. Often asked what exactly it is to be a Luxembourger, the answer might be that diversity is the identity of Luxembourg.

Luxembourg could be an archetype for a global city with a high percentage of knowledge-intensive jobs; and Xavier Bettel, the mayor of the city aims to nurture a culture of “multiplicity”, where 153 different nationalities live, work and learn together. This is an interesting socio-economic experiment for one of the smallest EU member states, where the service sector contributes 86% to the GDP.

In many regards, the human, structural and relational capital of Luxembourg are comparatively well developed and positioned within the EU27 and beyond, suggesting a strong basis for future earning capabilities. The 2012 Worldbank Knowledge Economy Index (KEI) ranks Luxembourg 20th globally, showing that education is the only category of indices, where the country scored lower than in 1995, while the other knowledge economy pillars (ICT, Innovation, Economic Incentives and Institutional Regime) increased over the same period.

Interestingly, Luxembourg seems to underutilize its female human capital; while the employment of women in knowledge-intensive activities is close to 60 % (highest in Europe); it ranks lowest in putting women in senior and board positions, as well as in overall participation of women in the labour market. Making better use of the female economic potential could be one of the solutions in order to reach critical mass of talents in a service economy often considered “too big for the country”.

From the perspective of someone living in Hong Kong, this sense of different scale of everything, tangible and intangible, has been quite striking during these few days in the Grand Duchy of Luxembourg.

While both Luxembourg and Hong Kong are global financial centres (Hong Kong ranks 3rd behind London and New York, Luxembourg ranks 24th), there are only around 524,000 inhabitants in Luxembourg which is more than double the size (2586 km²) of Hong Kong, but there are more than 7 million people squeezing on 1104 km², resulting in a density of 195 versus 6300 people per square kilometer...

Both cities, as different as they are in size, face a number of similar structural challenges as highly advanced knowledge cities, as well as identity and border issues. “Luxembourg doesn’t stop at the border” said one delegate – neither does Hong Kong.

References:

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W. Ritter, The New Club of Paris, Hong Kong Ambassador, February 2013